



Namibian
Stock
eXchange

2020

Annual Report

31 December

NSX DETAILS

NATURE OF BUSINESS

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

AUDITORS

Deloitte & Touché

BANKERS

First National Bank of Namibia Limited
Nedbank Namibia Limited

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NAMIBIAN STOCK EXCHANGE ANNUAL REPORT DECEMBER 2020

THE MISSION AND VISION OF THE NSX

MISSION

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

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

VISION

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

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

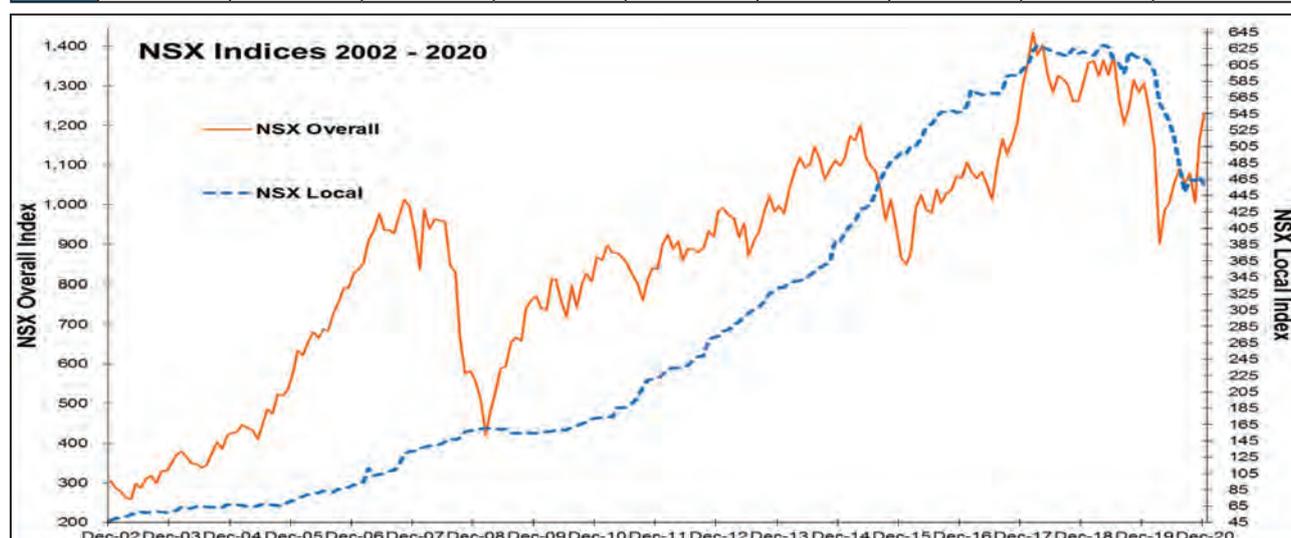
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Trading Statistics & Market Capitalisation

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

Year	# of Deals	Trading value in N\$ billions	Year on year % Change	Volume of shares in 000s	Transaction levies	NSX Fees as % of trade value	NSX Investment Income	NSX Net Income	Accumulated reserves
2007	2,340	10,892	62%	242,597	4,496,490	0.0413%	1,257,343	5,344,521	13,959,400
2008	2,505	9,096	-16%	274,352	3,873,541	0.0426%	1,808,528	4,105,987	18,065,387
2009	3,016	8,728	-4%	342,970	3,724,090	0.0427%	2,021,529	4,116,108	22,181,010
2010	3,071	7,580	-13%	215,598	3,221,040	0.0425%	1,657,395	2,487,006	24,668,016
2011	2,765	3,272	-57%	98,865	1,555,423	0.0475%	1,657,844	435,689	25,103,705
2012	2,697	3,648	11%	83,063	1,698,026	0.0466%	1,862,951	414,973	25,518,678
2013	2,800	5,507	51%	114,625	2,568,508	0.0466%	4,112,481	4,808,922	30,327,600
2014	4,118	8,332	51%	174,427	3,712,723	0.0459%	3,123,337	5,470,783	35,798,383
2015	4,384	17,196	106%	267,537	6,927,056	0.0418%	4,421,171	10,332,858	46,131,241
2016	5,154	14,411	-16%	219,398	6,038,265	0.0424%	2,289,800	6,641,817	52,773,058
2017	4,412	13,859	-4%	228,607	5,881,576	0.0431%	6,070,318	7,876,659	60,649,717
2018	5,005	12,219	-12%	193,101	5,526,283	0.0463%	1,953,473	6,402,307	63,416,910
2019	4,911	8,872	-27%	205,813	3,649,172	0.0424%	6,143,037	8,216,123	71,633,033
2020	5,232	11,011	24%	222,655	4,860,387	0.0524%	4,698,532	8,470,583	80,103,616



Year	MARKETING CAPITALISATION							
	Total	NSX	JSE	LSE	TSX	AIM	ASX	SEM
2007	1,194,088	4,781	496,417	685,167	7,723	-	-	-
2008	741,625	5,720	428,969	291,505	3,523	-	11,908	-
2009	1,047,527	7,126	495,685	501,125	2,346	4,275	36,970	-
2010	1,178,257	7,782	581,537	537,810	1,764	5,314	44,050	-
2011	1,148,880	9,304	547,617	557,594	445	6,336	27,584	-
2012	1,225,744	11,057	716,717	483,086	11,350	-	6,534	-
2013	1,407,168	19,501	892,123	482,423	8,911	-	4,210	-
2014	1,680,439	22,322	1,172,937	472,897	305	-	11,978	-
2015	1,414,811	29,430	1,068,890	301,253	6,640	-	5,043	3,555
2016	1,726,583	32,017	1,132,767	539,834	13,481	-	1,649	6,835
2017	2,083,149	36,018	1,399,261	625,125	14,672	-	1,602	6,470
2018	1,989,913	35,406	1,431,788	497,271	16,294	-	2,285	6,869
2019	1,944,532	36,508	1,277,473	603,970	20,794	-	2,793	2,994
2020	1,741,220	27,440	969,491	703,090	32,440	-	7,816	942

Total market capitalisation is the sum of the number of shares in issue multiplied by the closing share price, in this table the price at 31 December of each year; and free float market capitalisation is the total multiplied by the percentage of shares which are not held by controlling shareholders and associates. Trading value and number of deals includes trading in ETFs, which was a new asset class added in 2014. Up to date two capital pool companies (CPCs) successfully listed on the NSX.

Chairman's Report



After years of robust growth, the Namibian economy contracted in the past few years with the economy deteriorating even further in 2020 due to consequences of the pandemic-induced lockdown. The president declared a six-month-long state of emergency on 17 March with strict lockdown regulations because of the COVID-19 outbreak. Namibia experienced a persistent drought for the past years, leading to the economy to fall into a recession since 2016 and has ever since struggled. The COVID-19 (coronavirus) pandemic is set to have an unprecedented impact on the Namibian economy and exacerbated pre-existing structural challenges.

In the capital market, the overall comparative value traded was N\$ 11,011 billion for the year ending December 2020 increasing by 24% compared to the previous year. At 31 December 2020 the total market capitalisation was N\$ 1,738 trillion or US\$ 119 billion, hopefully re-confirming the position of the NSX as the second largest Exchange by total market capitalisation in Africa, after the JSE. The contributions of the top 13 listed equities, being those with a market capitalisation

of N\$ 20 billion or more, are shown in the Management Commentary, pages 50 to 56.

The Local Index dropped by 25.67% in 2020 (2019: 1.22% decrease) on turnover of N\$ 536 million (2019: N\$ 1,373 million), all in an illiquid market, while the Overall Index dropped by 5.67% (2019: 0.04% decrease) against the JSE All Share Index which increased by 4.07%. On page 2 the graph tracks the month-end movement of the NSX Overall Index on the left-hand scale and the Local Index on the right-hand scale since 2002.

Selected highlights of the NSX contributions to deepening and diversifying the capital markets in Namibia during 2020 include:

- Total net assets of the NSX and its Guarantee Fund now exceeds N\$ 90 million;
- Year-to-date bond trades, nominal value traded N\$ 2,660 million, an increase of 11.37%.
- A market steering committee has been established for the purpose of obtaining input in implementing a central securities depository and dematerialising the Namibian capital market.

On the listing's frontier, four new listings were recorded to the total number of listed companies with two delisting's.

- Listing of MCUBE One Investment Ltd and Omajowa Properties Ltd, as capital pool companies on the Development Capital Board (DevX);
- Listing of two additional Exchange Traded Funds InvestGold ("ENXGLD") and InvestPlatinum ("ENXPLT"); and
- Issuance of 5 new bonds and registration of a new bond programme

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

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

I am pleased to advise that the intended plans of formalising the bond market, which will entail additional trading functionality and transparency for on market bond trading, are on track as NAMFISA issued a license in the fourth quarter of 2019 to the exchange. Bond trading, or rather bond trades reported to the NSX in 2020 surpassed values of previous years with a nominal value of N\$ 2,660 million and an increase of 11.37% compared to 2019. We are optimistic that the numbers in coming years will increase even more with the additional trading functionality for on market bond trading. Revision of the bond trading activities and how they can be amended to accommodate on market trading and full reporting of trades is currently conducted by the NSX.

The annual Scholar Investment challenge that was relaunched in 2017 unfortunately had to be postponed to 2021, due to the closure of schools in relation to the COVID-19 pandemic.

Chairman's Report *(continued)*

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

Work in progress items:

- Revision of the bond trading activities and how they can be amended to accommodate on market trading and full reporting of trades;
- Clarification and planning for demutualisation as envisaged in the Financial Institutions and Markets Bill; and
- Additional trading system functionality for bond and derivative trading in conjunction with the CSD project;

Continued uncertainty of the much discussed modalities of Regulation 13 to the Pension Fund Act prescribing 45% of its total fund in Domestic assets, remains a challenge to the Pension fund and Long term insurance industries. It is clear localised products are required to fill the void, as the current investment in dual listed stocks decline. The long-term effect on the NSX on the reduction in the dual listed percentage of assets is impossible to determine at this stage. As shown in the Management Commentary the traded value primary listed equities (local trades) amounted to 4.87% (2019: 15.47%) of the total trades. In June 2017, the Namibia Financial Institutions Supervisory Authority passed a circular, amending guiding regulations where it increased the minimum domestic asset requirement from 35% to 45%, which was to be complied with by 1 October 2018. In 2020 two dual listed companies delisted from the NSX main board.

The NSX remains confident it has and will continue to serve the Namibian market well and has sufficient reserves to weather any competitive environment. The total of Government debt securities at the end of 2020 is N\$ 73,773 billion (consisting of N\$ 46,443 billion Government bonds plus Inflation Linked Bonds (ILBs) and N\$ 27,330 billion treasury bills) up from N\$ 9,982 billion at the end of 2010 plus N\$ 18 billion (at exchange rate of 31 December 2020) internationally and N\$ 2,052 million listed on the JSE. This may have deflected investments from the exchange as did the introduction of Regulation 29 to the Pension Fund Act. The NSX believes that the unlisted investments (Reg 29) are inherently riskier than listed investments where corporate governance and disclosures are in keeping with best practices and subjected to transparent price discovery. We believe that as capital flows into the market and trading volumes and liquidity increase, it will encourage more retail investors to take a serious look at equities and more companies to list.

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

The Development Capital Market or DevX, at the end of 2020 comprises four dual listed uranium companies and one cobalt company. In addition, MCUBE Investments One Ltd and Omajowa Properties Ltd listed in July 2020 as Capital Pool Companies. Alpha Namibia Industries Renewable Power Limited "ANIREP" listed in September 2019 as a Capital Pool Company, has been reclassified from a Capital Pool Company to the NSX Main board effectively 01 October 2020. Shares listed on the DevX are not included in either of the NSX indices which are calculated by FTSE in London. NAMFISA has advised that economic activity in Namibia is not a prerequisite for listing a company's equity on the NSX.

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

The African Development Bank Group economic outlook of Namibia report indicated the COVID-19 pandemic hit Namibia's economy hard with expectations to shrink by 7.9% in 2020 because of declines in tourism, retail, trade and investments, health, and education. The economy contracted in 2019 and 2017 and registered anemic growth in 2018 because of poor performance in construction and mining, persistent drought, and weakening demand for Namibian exports.

The Bank of Namibia (BoN) economic outlook for August 2020 indicated the domestic economy is estimated to contract by 7.8 percent in 2020 compared to a lesser contraction of 1.1 percent in 2019. The Bank of Namibia has maintained an accommodative policy stance to support a revival of the domestic economy. It reduced the policy rate by a cumulative 275 basis points to 3.75% in 2020. Inflation was on a downward trend during the 2016-20 period, reflecting steady decline in housing prices and transport costs. The fiscal deficit was estimated to widen to 12.5% of GDP in 2020 from 4.9% in 2019, due to a surge in pandemic-related spending and lower revenues. The current account deficit narrowed from 3.4% of GDP in 2018 to 1.7% of GDP in 2019, before widening slightly to 1.9% of GDP by the end of 2020.



Furthermore, sluggish global economic growth would hold down exports and foreign direct investment inflows. The fiscal deficit and public debt levels are expected to remain elevated as the government implements its ambitious economic recovery program of NAD 8.1 billion (\$0.5 billion), and limits the fiscal space needed for infrastructure and human capital investment. Inflationary pressures are expected to rise in 2021 and 2022 with anticipated increases in prices of housing, utilities, and food and non-alcoholic beverages, coupled with a steady depreciation of the Namibian dollar, which fell by 7% against the US dollar during 2020.

The fiscal deficit is likely to be largely financed by local debt issuance in the medium term. This will push total public debt to 67.5% of GDP in 2020 and 68.4% in 2021, up from 58.4% in 2019. Domestic debt and guarantees already account for approximately 72% of total debt. Namibia's highly liquid financial sector provides a large resource pool, particularly through pension funds and insurance companies, whose assets amount to the equivalent of 120% of GDP. The financial sector has the potential to develop long-term innovative financing instruments to fund national development projects and programs.

According to the Namibia Statistics Agency (NSA) the economy contracted by 11.1% during the second quarter of 2020 compared to a decline of 3.6% recorded in the corresponding quarter of 2019. During the review period, 2013: Q1 to 2020: Q2, this is the highest contraction recorded.

"The contraction in the economic performance during the second quarter of 2020 is observed across the entire sectors of the economy as domestic activities were under pressure due to the impact of the COVID-19 measures that was put in place for the country to mitigate the spread of the virus. The measures entailed among others, closing of the country's borders and only allowing businesses that provides essential services to operate," said NSA Stastician-General Alex Shimuafeni. 'Hotels and Restaurants' recorded the highest decline of 64.2% compared to a growth of 12.3% of the same quarter of 2019. While other services which includes 'art, entertainment, recreation activities, domestic workers, caretakers, tutors, gardeners etc' recorded the second highest decline of 43.7% during the review period. Amid the pandemic, three sectors recorded positive performance during the period under review, being 'Agriculture and forestry', 'Information and communication' and Health sectors that recorded growth rates of 47.2%, 11% and 6%, respectively. The positive performance in 'Agriculture and forestry' is attributed from good rainfalls experienced during 2020. Accordingly, the most affected sectors include hotels and restaurants, mining, transport and storage, manufacturing, and construction. Other factors that risk eroding Namibia's economic outlook include high unemployment levels and widening income inequality, which have been exacerbated by the pandemic. Overall, the domestic economy is expected to start with a gradual recovery during 2021, as most countries open their economies. However, we are not expecting fast recoveries in sectors depending on travel, hotels, restaurants and transport as the COVID-19 pandemic remain a health risk.

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

The NSX has, from its reserves, funded the project to launch a Central Securities Depository in the Namibian market in partnership with the Bank of Namibia. During the latter of 2019, NAMFISA has issued a license to the exchange for the trading of debt on an additional trading system, being the Bond Trading System MITS (Multi Instrument trading system). We reported expectations of formalisation of the bond market to occur during 2020 but had to postpone this to 2021 due to the unforeseen world-wide COVID-19 pandemic outburst. The eventual launch of derivatives is expected to follow the CSD launch as soon as FIM BILL is enacted. FIM Bill was passed by Parliament on 07 July 2020 and is expected to be published in the Government Gazette soon and thereby become law. We hope by developing the market in these projects, more Namibian companies will open their shareholder base and come to market by listing. As in most African markets, ours is plagued by small size and illiquidity and can only change by having more choice and depth. However, the exchange cannot force anyone to list their company and if they perceive uncertainty in the regulatory space, listing is a difficult step to take. It is therefore of the utmost importance to have clear guidelines on any requirements for Namibianisation, Black Economic Empowerment / New Equitable Economic Empowerment Framework and localisation. The NSX is confident it can play a meaningful role in these areas if the rules of the game are clear and consistent. The NSX has maintained world class regulation of listed companies and shall continue to do so, as dilution of these requirements may lead to lower levels of investment due to institutional investors not being allowed to participate in the market.

Chairman's Report *(continued)*

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

Harambee Prosperity Plan (HPP) launched in 2016 - 2020 is the Namibian government's action plan towards prosperity for all and is constructed around the Namibian narrative. It acknowledges that we are not starting afresh but that we must continue with the construction of an inclusive Namibian House, built on a solid foundation of peace and stability. A total of 35 activities were planned for implementation under the Effective Governance Pillar, for the Harambee period. It is estimated that 24 of all programmed activities have been successfully executed; 10 are deemed to be slightly behind target while 1 target has not been met during the period under review. As the Namibian Stock Exchange, we are not only unified by our national identity but stand united in cause and believe we can contribute to usher Namibia into the epoch of prosperity. A second version of the Harambee Prosperity Plan (HPP) is expected to be launched.

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

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

The Management Commentary on pages 50 to 56 is outside the formal annual financial statements but is integral to a better understanding of the NSX.



David Nuyoma
Chairman





REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 2020

The directors have pleasure in presenting their report on the activities of the group and entity for the year ended 31 December 2020.

NATURE OF BUSINESS

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

RESULTS FOR THE YEAR

The operating results and state of affairs of the group and the NSX for the year ended 31 December 2020 are fully disclosed in the attached financial statements. The net profit for the year of the group and NSX was, respectively, N\$ 9 775 664 and N\$ 8 470 583 (2019: N\$ 9 791 037 and N\$ 8 216 123) and the net assets as at 31 December 2020 was, respectively, N\$ 101 582 853 and N\$ 82 924 116 (2019: N\$ 92 482 188 and N\$ 74 453 533).

GOING CONCERN

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

The COVID-19 pandemic had a significant impact and disruption on economic activity in Namibia. The directors considered the impact of the pandemic on the business of the NSX and believes the Group is well positioned with sufficient liquid reserves to continue as a going concern.

BOARD AND OTHER OFFICE BEARERS

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

At 31 December 2020 the Board comprised:

Bazuin C	Filled vacancy 19 November 2020
Capelao O	
Gerdes H-B	
Hansen B	
Marais G	Elected 30 April 2020
Nuyoma D	Re-elected 30 April 2020
Sauls L	Resigned 19 November 2020
Smit D	Re-elected 30 April 2020
Smith M	Re-elected 30 April 2020
Späth M	
van Rensburg B	Voluntarily resigned 30 April 2020
Kapenda A	Nominated by NAMFISA, in terms of Section 46 of the Stock Exchanges Control Act of 1985 (Act 1 of 1985), as amended, to attend all Board and committee meetings.

At 31 December 2020 management comprised of:

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

SECRETARIES

AL Ullrich
4 Robert Mugabe Avenue
Windhoek
Namibia

REGISTERED OFFICE

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Namibia

EVENTS AFTER THE REPORTING PERIOD

There were no material subsequent events between the statement of financial position date and the date of the approval of these financial statements.

MEMBERS OF BOARD OF DIRECTORS

AT 31 DECEMBER 2020



CHRISTIAAN (TIAAN) BAZUIN - has a B.Comm (Economics + Law) and an LLB degree from the North West University in South Africa and was admitted as Legal Practitioner in the High Court of Namibia in 2006 with broad management experience in banking, telecommunications and capital markets. Tiaan is the Chief Executive officer of the Namibian Stock Exchange since 2013 and has served on various Boards including Chairman of the Namibian Employers Association and currently serves as Chairman of the Audit and Risk Committee of the Law Society of Namibia and a Board member of the Legal Practitioners Fidelity Fund. Tiaan is a co author of the Namibian Corporate Governance Code "NamCode". Tiaan was elected to the board, after the resignation of Mr Lyndon Sauls on 19 November 2020.



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



HANS-BRUNO GERDES (Habo) - is an associate of the Institute of Chartered Secretaries and holds a BProc degree from the University of Cape Town. He was admitted to practice in the High Court during 1985 and was the Managing Partner of Engling, Stritter and Partners until 2015 to work on corporate /commercial matters. Habo holds a number of directorships in both listed and unlisted companies and serves on various governance committees. He was the chairperson of the Legal Practitioners Fidelity Fund until recently and is the Honorary Consul for the Kingdom of Belgium in Namibia. He also serves as a Commissioner on the Law Reform and Development Commission of Namibia and is a member of the Advisory Board of the Namibia Investment Promotion and Development Board.



BRUCE PAUL HANSEN - holds a Master's degree in Economics as well as an MBA from Oxford Brooks University. He was the Director of the SS Money Market since 2006-2015. Prior to SS, Bruce worked for 8 years in various capacities for GIPF including benefits administration, customer services and information systems. He also serves as a director on the NSX.



GRANT MARAIS - is currently Group CEO for Momentum Metropolitan Namibia Limited (MMN) where he is responsible for the entire operations of the Life, Asset Management, Short Term Insurance and Health Administration businesses. His previous work experience includes 31 years in banking and financial services of which 21 years were served at Executive Committee level with the last 10 years at Executive Director/Board level. Prior to MMN contract he ventured into the mining industry being a founder member of the Swakop Uranium project and owned a successful Financial services consultancy business. Qualifications include a B Comm in Economics and Business economics and a Certified Associate of the Institute of Bankers along with numerous personal development initiatives.



DAVID NUYOMA - completed his Master Degree in Industrial Development and BA(Honours) respectively at the University of East Anglia, School of Development Studies, UK. David is the CEO and Principal Officer of the Government Institution Pension Fund (GIPF). Before he joined the Fund he was the first CEO of the Development Bank of Namibia and prior to that he was the Executive Director of the Namibia Investment Centre. He is currently the Non-Executive Chairman of the Pupkewitz Holdings (Pty) Ltd. David also served as Board member of various corporate entities in Namibia and was Chairman of the SADC Investment Promotion Agencies and was also Chairman of the SADC Development Finance Institution Network. He served as Commissioner of the National Planning Commission and was member of the President's Economic Advisory Council.



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



DEBBIE SMIT - is qualified as a CA(NAM), B.Acc (Hons), B.Acc and serves on the Audit and Investment -, Remuneration – and Listing Committee. Debbie adds value to the Board with her experience and knowledge gained in the property, banking, insurance, investment and various other industries from her time spend at Deloitte, Nedbank Namibia Limited, Oryx Properties Limited and various directorships. She is a registered auditor with her own Audit practice.



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



MARK SPÄTH - is the Group Managing Director of the IJG Group of Companies. Mark joined IJG in September 2003 as Head of Research. Following the completion of his stockbroking exams in 2005, he was appointed as MD of the Securities business and in 2007 was appointed as the Group MD. Mark holds a B.Bus.Science (Honours Finance) from the University of Cape Town and has completed an executive management course at the renowned Stanford Graduate School of Business. Mark was rated no. 1 sell-side analyst in the category "Other African Markets & Economies" in May 2006 in the prestigious Financial Mail broker ratings. Mark has been directly involved as corporate advisor and sponsor to numerous companies that have listed (primary / dual / debt issues) on the NSX since September 2006 and has helped build IJG's Advisory, Private Equity, Wealth Management and Business Broking businesses over the years. Prior to joining IJG, Mark worked in the derivatives department of WestLB in London for two years and completed an internship with Schwabe, Ley & Greiner, an Austrian consultancy firm.

NSX BOARD & COMMITTEES

AS AT 31 DECEMBER 2020

BOARD OF DIRECTORS

D Nuyoma (Chairman), H-B Gerdes (Deputy Chairman), C Bazuin, O Capelao, B Hansen, G Marais, L Sauls, D Smit, M Smith, M Späth

SUB-COMMITTEES OF THE BOARD²

AUDIT, RISK & INVESTMENT COMMITTEE

O Capelao (Chair), B Hansen, D Smit

BRANDING & MARKETING COMMITTEE

B Hansen, M Smith

BROKER SCREENING & DISCIPLINARY COMMITTEE

H-B Gerdes (Chair), A Swanepoel

DEMUTUALISATION COMMITTEE

H-B Gerdes (Chair), B Hansen, L Sauls

IT COMMITTEE

L Sauls, M Smith

REMUNERATION COMMITTEE

H-B Gerdes (Chair), G Marais, D Smit

LISTING COMMITTEE PANEL

A Board Member will chair each Listings Committee meeting.
H-B Gerdes (Chair), H Bossau (Deputy), J Badenhorst, G Cornelissen¹, J D Mandy, G Marais, R Mostert, H-H Mūseler, O N Shikongo, A Swanepoel, G Swart, B C Weichert and each of the Brokers

SUBSIDIARIES

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

KEY MANAGEMENT

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

¹ South African

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



MEMBERS OF COMMITTEES & PANEL

AS AT 31 DECEMBER 2020



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

NSX & TRANSFER SECRETARIES STAFF

AS AT 31 DECEMBER 2020



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

CORPORATE GOVERNANCE REPORT

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

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

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

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

In preparing the annual financial statements, the NSX has used appropriate accounting policies supported by reasonable and prudent judgments and estimates and has complied with International Financial Reporting Standards. The Board is of the opinion that the annual financial statements fairly present the financial position of the Group and Exchange at 31 December 2020 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 2020, the non-executive Board consisted of 9 elected members; one-third of the elected Board members retire annually. The Board is elected in terms of the Constitution of the NSX which was gazetted on 15 October 2005 (Government Gazette No 3815) based upon their skills and experience and from seven prescribed sectors of the Financial Industry. The Chairman and Deputy Chairman of the Board are elected by the Board members.

A representative of the Namibia Financial Institutions Supervisory Authority (NAMFISA) is invited to attend all the meetings of the Board and its committees. Three members will retire at the Annual General Meeting of the NSX in April 2021.



		Total N\$ 2020	Retainer	27-Mar	09-Jul	19-Nov	Total N\$ 2019
Board members							
Bazuin C (CEO)	Filled vacancy 19 November 2020	-	-	✓	✓	✓	-
Capelao O	Re-elected 26 April 2019	52,000	20,800	✓	✓	✓	40,000
Gerdes H	Re-elected 26 April 2019	52,000	20,800	✓	✓	✓	60,000
Hansen B	Re-elected 26 April 2019	52,000	20,800	✓	✓	✓	40,000
Marais G	Elected 30 April 2020	36,400	15,600	-	✓	✓	-
Niddrie R	Re-elected 12 April 2017*	-	-	-	-	-	5,000
Nuyoma D	Re-elected 30 April 2020	72,800	41,600	✓	✓	✓	80,000
Sauls L	Resigned 19 November 2020	41,600	20,800	✓	✓	-	60,000
Smit D	Re-elected 30 April 2020	41,600	20,800	✓	✓	-	35,000
Smith M	Re-elected 30 April 2020	52,000	20,800	✓	✓	✓	50,000
Späth M	Elected 26 April 2018	52,000	20,800	✓	✓	✓	50,000
Van Rensburg B	Voluntarily resigned 30 April 2020	15,600	5,200	✓	-	-	60,000
		468,000	208,000				480,000

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

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

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

For 2020 Directors fees were based on a retainer of N\$20,800 for each Board member and a sitting fee of N\$10,400 for meetings attended.

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

MAJOR SUB – COMMITTEES OF THE BOARD

Remuneration Committee

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

	Total N\$ 2020	26-Mar	18-Nov	Total N\$ 2019
Capelao O	5,200	✓	-	10,000
Gerdes H	10,400	✓	✓	10,000
Smit D	10,400	✓	✓	5,000
Marais G	5,200	-	✓	-
	31,200			25,000

CORPORATE GOVERNANCE REPORT *(continued)*

AUDIT, RISK AND INVESTMENT COMMITTEE

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

Audit & Risk & Investment Committee	Total N\$ 2020	Retainer	26-Mar	09-Nov	Total N\$ 2019
Capelao O	52,000	31,200	✓	✓	32,500
Hansen B	20,800	-	✓	✓	10,000
Niddrie R*	-	-	-	-	7,500
Smit D	20,800	-	✓	✓	-
Späth M	-	-	-	-	10,000
	93,600	31,200			60,000

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

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

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.

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

BROKER SCREENING COMMITTEE

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

No Brokers Screening Committee meeting was had during the 2020 financial year.

LISTING COMMITTEE

The Listing Committee panel includes, among others, representatives of major accounting and legal firms in Namibia and the quorum for each meeting is three non-conflicted Board Members and all of its meetings must be chaired by a member of the Board. This Committee meets on an ad hoc basis to approve all primary listing applications and the approval of note programmes for non-government bonds. Members attending the listing meetings are selected on availability and their particular skills and training. The NSX listings requirements are modelled on those of the JSE Limited trading as the Johannesburg Securities Exchange (JSE) but with the introduction of the 2004 Companies Act on 1 November 2010 a



number of unique listings requirements are being considered as the Namibian legislation diverges from that in South Africa. Applications for approval of the medium-term note programmes or individual bonds were processed in accordance with the bond listing requirements of the JSE, prior to the amendments the JSE introduced in July 2012.

	Total N\$ 2020	Retainer	01-Jun	16-Jul	31-Aug	18-Dec	16-Nov	Total N\$ 2019
Listings Committee								
Bossau H	31,200	20,800	-	✓	-	-	-	20,000
Capelao O	10,400	-	-	✓	-	-	-	-
Gerdes H	71,413	31,200	✓	-	✓	✓	✓	40,000
Smit D	40,213	-	✓	-	✓	✓	✓	10,000
Smith M	18,720	-	-	✓	-	✓	-	10,000
Späth M	31,893	-	✓	-	✓	-	✓	-
	203,839	52,000						80,000

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

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

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

RISK MANAGEMENT REVIEW

The JSE has written terms of reference for its Risk Management Committee which is chaired by an independent non-executive committee to assist its board with the identification, assessment, evaluation and monitoring actual and potential risks and the mitigation thereof. The South African Institute of Chartered Accountants in 2004 issued an updated *Stockbrokers: Audit and Accounting Guide* to provide practical guidance on the auditing and accounting issues related to the accounts of Stockbrokers. In addition, regular reviews of the BDA systems were undertaken by an independent auditing firm for use by all auditors to stockbrokers; this review was last completed in March 2021 for the period ended February 2020 by PricewaterhouseCoopers Advisory Services (Proprietary) Limited for the JSE Ltd.

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

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

PRINCIPAL RISK

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

The implementation of STRATE eliminated the major portion of this risk on dual listed transaction through the simultaneous, final irrevocable delivery versus payment for the South African leg of the transaction, thereby substantially reducing the overall risk of participating in the equities market. The clearing of Namibian primary listed equities and bonds is settlement against delivery, but this is being hampered by the limits on the Namibia dollar size of cheques and the abolishing of cross

CORPORATE GOVERNANCE REPORT *(continued)*

border cheques. The Namibian Central Securities Depository (CSD) will address this risk in the same way STRATE addressed it in South Africa.

TECHNOLOGY AND SYSTEMS RISK

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

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

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

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

SETTLEMENT AND LIQUIDITY RISK

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

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

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

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

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

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



SYSTEMIC RISK

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

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

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

FIDELITY RISK

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

LEGAL RISK

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

CURRENCY RISK

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

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

REPUTATIONAL RISK

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

STRATE is a crucial element of the equities market. The risk associated with electronic settlement is not directly within the control of the JSE. This risk, if not managed, will result in the tarnishing of the Exchange's reputation and affect the ongoing viability of the securities market. The JSE, through its investment in and representation on the STRATE Board of Directors, participates in the guidance of the STRATE business, including the management of all STRATE related risk issues. In this way,

CORPORATE GOVERNANCE REPORT *(continued)*

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.



DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

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

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

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

DIRECTORS' APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

The consolidated and separate financial statements for the year ended 31 December 2020 set out on pages 22 - 49 have been approved by the Board on 22 April 2021 and are signed on its behalf by:

D Nuyoma
Chairman

O Capelao
Director

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

Opinion

We have audited the consolidated financial statements of Namibian Stock Exchange ("NSX") and its subsidiaries (the "Group") as set out on pages 22 to 49, which comprise the consolidated and separate statements of financial position as at 31 December 2020, the consolidated and separate statements of profit or loss and other comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and the notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the NSX as at 31 December 2020 and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

Other Information

The directors are responsible for the other information. The other information comprises the directors' responsibilities and approval as well as the report of the directors which we obtained prior to the date of this auditor's report and the Annual Report, which is expected to be made available to us after that date. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial Statements

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



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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

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

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

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

Deloitte & Touche

Registered Accountants and Auditors

Chartered Accountants (Namibia)

Per Johann Cronjé

Partner

Windhoek

22 April 2021

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	Group		Namibian Stock Exchange	
		2020 N\$	2019 N\$	2020 N\$	2019 N\$
Revenue	4	16,176,313	13,498,245	11,579,346	9,360,261
Investment income	5	5,138,076	6,932,390	4,698,532	6,143,037
Other income		82,301	19,764	2,571,554	2,235,278
Total revenue		21,396,690	20,450,399	18,849,432	17,738,576
Operating expenses		(11,476,723)	(10,552,282)	(10,378,849)	(9,522,453)
PROFIT BEFORE TAXATION	6	9,919,967	9,898,117	8,470,583	8,216,123
Taxation	7	(144,303)	(107,080)	-	-
PROFIT FOR THE YEAR AFTER TAX		9,775,664	9,791,037	8,470,583	8,216,123
Other comprehensive income, net of income tax					
<i>Items that will not be reclassified subsequently to profit and loss</i>					
Unrealised loss on revaluation of fixed property	10	(675,000)	(50,000)	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		9,100,664	9,741,037	8,470,583	8,216,123
TOTAL COMPREHENSIVE INCOME FOR THE YEAR					
Attributable to					
Parent		9,533,211	10,175,148	8,470,583	8,216,123
Non-controlling interest		(432,547)	(434,112)	-	-
		9,100,664	9,741,037	8,470,583	8,216,123



STATEMENTS OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	Group		Namibian Stock Exchange	
		2020 N\$	2019 N\$	2020 N\$	2019 N\$
ASSETS					
NON-CURRENT ASSETS					
		63,122,846	61,201,654	48,100,078	46,841,816
Equipment and intangibles	9	354,573	41,271	162,744	23,350
Fixed property	10	7,810,000	8,485,000	-	-
Investments in subsidiaries	11	-	-	5,710,551	6,102,709
Other investments	12	-	428,097	-	495,964
Other investments, balanced mandate unit trusts	13	54,958,273	52,247,286	42,226,783	40,219,793
CURRENT ASSETS					
		48,803,002	41,431,744	42,627,574	35,378,724
Other investments	12	425,606	67,867	425,606	-
Trade and other receivables	14	722,453	1,415,313	440,195	1,413,704
Trade receivables: Work in progress		-	813,740	-	-
Current taxation		172,846	147,599	-	-
Cash and cash equivalents	19.3	47,482,097	38,987,225	41,761,773	33,965,020
TOTAL ASSETS		111,925,848	102,633,398	90,727,652	82,220,541
RIGHTS, RESERVES, AND LIABILITIES					
RIGHTS AND RESERVES					
		101,582,853	92,482,189	82,924,116	74,453,533
Founding members' contributions		430,000	430,000	430,000	430,000
Stockbroking members rights		1,890,500	1,890,500	1,890,500	1,890,500
Property revaluation reserve		989,700	1,664,700	-	-
Insurance reserve		500,000	500,000	500,000	500,000
Guarantee fund	16	18,258,060	16,802,546	-	-
Retained surplus		82,008,086	73,255,388	80,103,616	71,633,033
Non-controlling interest		(2,493,493)	(2,060,946)	-	-
NON-CURRENT LIABILITIES					
		4,800,388	5,199,291	4,429,112	4,893,015
Provision for severance pay	17	401,436	340,294	347,343	293,883
Deferred revenue	4.1	4,081,769	4,599,132	4,081,769	4,599,132
Deferred taxation	8	317,183	259,866	-	-
CURRENT LIABILITIES					
		5,542,607	4,951,919	3,374,424	2,873,992
Deferred revenue	4.1	566,767	596,824	566,767	596,824
Loan: Bank of Namibia	18	2,431,000	1,731,679	-	-
Trade and other payables	15	2,544,840	2,623,415	2,807,657	2,277,168
TOTAL RIGHTS, RESERVES AND LIABILITIES		111,925,848	102,633,398	90,727,652	82,220,541

STATEMENTS OF CHANGES IN RIGHTS AND RESERVES

FOR THE YEAR ENDED 31 DECEMBER 2020

GROUP

	Founding members, contributions	Stock-broking members' rights	Property revaluation reserve	Insurance reserve	Guarantee fund	Non-Controlling Interest	Retained surplus	Total
	N\$	N\$	N\$	N\$	N\$	N\$	N\$	N\$
Balance at 31 December 2018	430,000	1,890,500	1,714,700	500,000	15,058,574	(1,626,834)	64,774,212	82,741,152
Loss / Profit for the year	-	-	-	-	-	(434,112)	10,225,148	9,791,037
Other comprehensive income for the year	-	-	(50,000)	-	-	-	-	(50,000)
Total comprehensive income for the year	-	-	(50,000)	-	-	(434,112)	10,225,148	9,741,037
Transfer	-	-	-	-	1,743,972	-	(1,743,972)	-
Balance at 31 December 2019	430,000	1,890,500	1,664,700	500,000	16,802,546	(2,060,946)	73,255,388	92,482,189
Loss / Profit for the year	-	-	-	-	-	(432,547)	10,208,211	9,775,664
Other comprehensive (loss) for the year	-	-	(675,000)	-	-	-	-	(675,000)
Total comprehensive (loss) / income for the year	-	-	(675,000)	-	-	(432,547)	10,208,211	9,100,664
Transfer	-	-	-	-	1,455,514	-	(1,455,514)	-
Balance at 31 December 2020	430,000	1,890,500	989,700	500,000	18,258,060	(2,493,493)	82,008,086	101,582,853
Number of rights	43	35	-	-	-	-	-	78
Notes			10		16		4.1	

NAMIBIAN STOCK EXCHANGE

	Founding members, contributions	Stock-broking members' rights	Insurance reserves	Retained surplus	Total
	N\$	N\$	N\$	N\$	N\$
Balance at 31 December 2018	430,000	1,890,500	500,000	63,416,910	66,237,410
Total comprehensive income for the year	-	-	-	8,216,123	8,216,123
Balance at 31 December 2019	430,000	1,890,500	500,000	71,633,033	74,453,533
Total comprehensive income for the year	-	-	-	8,470,583	8,470,583
Balance at 31 December 2020	430,000	1,890,500	500,000	80,103,616	82,924,116

VALUATION OF RIGHTS

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

Number of rights

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

Valuation

	Group	Namibian Stock Exchange
2019	1 185 000	954 000
2020	1 302 000	1 063 000



STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	Group		Namibian Stock Exchange	
		2020	2019	2020	2019
		N\$	N\$	N\$	N\$
CASH FLOW FROM OPERATING ACTIVITIES		8,046,854	6,249,724	7,892,340	6,216,725
Cash receipts from customers		16,951,474	13,172,462	15,124,410	10,824,895
Cash paid to suppliers and employees		(11,219,478)	(9,397,303)	(9,923,613)	(7,577,044)
Cash generated from operations	19.1	5,731,997	3,775,159	5,200,797	3,247,851
Investment income		2,427,090	2,689,896	2,691,543	2,968,874
Taxation paid		(112,233)	(215,331)	-	-
CASH FLOWS UTILISED FOR INVESTING ACTIVITIES		(251,303)	47,448	(95,587)	(510,265)
Acquisition of property and equipment		(349,361)	(22,194)	(156,692)	(7,074)
Proceeds from disposal of property and equipment		27,700	-	24,260	-
Movements in investments		-	-	(33,513)	(572,833)
Withdrawals from listed investments		70,358	69,642	70,358	69,642
CASH FLOWS FROM FINANCING ACTIVITIES		699,321	170,272	-	-
Proceeds of loan from non-controlling interest		699,321	170,272	-	-
Net movement in cash and cash equivalents		8,494,873	6,467,444	7,796,753	5,706,460
Cash and cash equivalents at beginning of the year		38,987,225	32,519,781	33,965,020	28,258,560
Cash and cash equivalents at end of the year	19.3	47,482,097	38,987,225	41,761,773	33,965,020

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2020

1. ACCOUNTING POLICIES

1.1 Statement of compliance

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

1.2 Basis of preparation

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

The accounting policies have been consistently applied in the current year.

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

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

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

1.3 Consolidation

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

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

1.4 Financial instruments

Initial recognition and measurement

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

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



NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2020

1. ACCOUNTING POLICIES *(continued)*

1.4 Financial instruments *(continued)*

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

The Group classifies financial assets into the following categories:

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

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

Financial assets at fair value through profit and loss

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

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

Loans and receivables and financial liabilities measured at amortised cost

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

1.5 De-recognition of assets and liabilities

Financial assets

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

Financial liabilities

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

1.6 Impairments

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

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

1.7 Foreign currencies

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2020

1. ACCOUNTING POLICIES *(continued)*

1.8 Equipment and intangibles

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

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

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

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

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

1.9 Fixed properties

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

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

1.10 Employee retirement benefit costs

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

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

1.11 Deferred taxation

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

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



1. ACCOUNTING POLICIES *(continued)*

1.12 Revenue recognition

The Group recognises revenue from the following major sources:

For the Namibian Stock Exchange:

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

For Transfer Secretaries (Proprietary) Limited

- Annual fees
- Quarterly fees
- Service fees

For Guarantee Fund:

- Guarantee Fund contributions

Namibian Stock Exchange:

Listing and documentation fees (initial listing fees)

Revenue from contracts with customers:

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

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

Annual and entrance fees

All sponsors, except registered stockbrokers, pay an initial, non-refundable, application fee in order to act as a sponsor.

All sponsors, except registered stockbrokers, will also pay a non-refundable annual fee, except in the year that the initial annual fee is paid.

Annual fees

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

Commission received - Transaction levy

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

Information fees

Revenue is earned from data subscriptions.

Commission received - Other

The commission rate earned is a 0.05% levy of the total trade value (excluding Stamp Duties) on over-the-counter securities (OTCMN) traded.

A monthly quoting fee is charged for the duration of each quote on the OTCMN.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2020

1. ACCOUNTING POLICIES *(continued)*

1.12 Revenue recognition *(continued)*

Transfer Secretaries (Proprietary) Limited:

Annual fees

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

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

Quarterly fees

The revenue stream is comprised of dual listed securities with a shareholder register in Namibia and primary listed securities.

Transfer Secretaries (Proprietary) Limited maintains the Register and provides a registration and transfer office in Namibia and performs the specified registration services.

Service fees

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

The services being rendered is:

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

Guarantee Fund:

Broking members or broking firms or both contribute a 10% levy of the transaction levy to the fund.

1.13 Leases

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

1.14 Taxation

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

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



NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2020

1. ACCOUNTING POLICIES *(continued)*

1.15 Provisions

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

2. ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

3. NEW STANDARDS AND INTERPRETATIONS

3.1 Standards and interpretations effective and adopted in the current year

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

Standard / Interpretation:

- Amendments to IFRS 3 Business Combinations: Definition of Business;
- IFRS 7 Financial Instruments: Disclosures - Interest Rate Benchmark Reform;
- IFRS 9 Financial Instruments: Interest Rate Benchmark Reform;
- IFRS 16 Leases: COVID-19-Related Rent Concessions;
- IAS 1 Presentation of Financial Statements: Definition of Material; and
- IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Material.

There were no significant adjustments as a result of applying these standards.

3.2 Standards and interpretations not yet effective

The group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the group's accounting periods beginning on or after 1 January 2021 or later periods:

Standard / Interpretation:

Effective date: Years beginning on or after

- IFRS 1 First-time Adoption of International Financial Reporting Standards: Annual Improvements to IFRS Standards 2018–2020;	01-Jan-22
- IFRS 3 Business Combinations: Amendment updates a reference to the Conceptual Framework;	01-Jan-22
- IFRS 4 Insurance Contracts: Interest Rate Benchmark Reform Phase 2;	01-Jan-21
- IFRS 7 Financial Instruments: Disclosures - Interest Rate Benchmark Reform Phase 2;	01-Jan-21
- IFRS 9 Financial Instruments: Interest Rate Benchmark Reform Phase 2;	01-Jan-21
- IFRS 9 Financial Instruments: Annual Improvements to IFRS Standards 2018–2020;	01-Jan-22
- IFRS 10 Consolidated Financial Statements: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28);	To be determined
- IFRS 16 Leases: Interest Rate Benchmark Reform Phase 2;	01-Jan-21
- IFRS 17 Insurance contracts: IFRS 17 creates one accounting model for all insurance contracts in all jurisdictions that apply IFRS;	01-Jan-23
- IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current;	01-Jan-23
- IAS 16 Property, Plant and Equipment: Property, Plant and Equipment: Proceeds before Intended Use;	01-Jan-22

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2020

1. NEW STANDARDS AND INTERPRETATIONS *(continued)*

3.2 Standards and interpretations not yet effective *(continued)*

- IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28); To be determined
- IAS 37 Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts—Cost of Fulfilling a Contract; and 01-Jan-22
- IAS 41 Agriculture: Annual Improvements to IFRS Standards 2018–2020. 01-Jan-22

Management is in the process to determine the impact of these new and revised standards.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2020



4. REVENUE ANALYSIS

4.1. Revenue amounts to (IFRS 15)

	Group	Namibian Stock Exchange
Listing and documentation fees generated during 2019	1,808,600	1,808,600
Deferral of Revenue (IFRS 15)	(1,696,867)	(1,696,867)
Realise as Revenue during 2019 (IFRS 15)	111,733	111,733
Realise as Revenue: Deferred Revenue realising in 2019	518,359	518,359
Revenue as at 31 December 2019	630,092	630,092
Listing and documentation fees generated during 2020	649,400	649,400
Deferral of Revenue (IFRS 15)	(589,404)	(589,404)
Realise as Revenue during 2020 (IFRS 15)	59,996	59,996
Realise as Revenue: Deferred Revenue realising in 2020	1,136,824	1,136,824
Revenue as at 31 December 2020	1,196,820	1,196,820

Deferral of Revenue (IFRS 15)

Opening Balance of Deferred Revenue (IFRS 15) as at 01 January 2019

	(4,017,448)	(4,017,448)
Realised as Revenue: Deferred Revenue realising in 2019	518,359	518,359
Deferral of Revenue (IFRS 15) - Listing and documentation fees generated during 2019	(1,696,867)	(1,696,867)

Closing Balance of Deferred Revenue (IFRS 15) as at 31 December 2019

	(5,195,956)	(5,195,956)
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Opening Balance of Deferred Revenue (IFRS 15) as at 01 January 2020

	(5,195,956)	(5,195,956)
Realised as Revenue: Deferred Revenue realising in 2020	1,136,824	1,136,824
Deferral of Revenue (IFRS 15) - Listing and documentation fees generated during 2020	(589,404)	(589,404)

Closing Balance of Deferred Revenue (IFRS 15) as at 31 December 2020

	(4,648,536)	(4,648,536)
--	--------------------	--------------------

Disclosed as follows:

	Group		Namibian Stock Exchange	
	2020	2019	2020	2019
	N\$	N\$	N\$	N\$
Non-current Liabilities	4,081,769	4,599,132	4,081,769	4,599,132
Current Liabilities	566,767	596,824	566,767	596,824
	4,648,536	5,195,956	4,648,536	5,195,956

The key judgement made in determining the deferred revenue balance is the period of amortisation, this is currently estimated at 15 years (2019: 15 years).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2020

4. REVENUE ANALYSIS *(continued)*

	Namibian Stock Exchange	Transfer Secretaries	Guarantee Fund	Group
	N\$	N\$	N\$	N\$
4.2. Revenue represents net invoiced amounts to :				
For the year ended 31 December 2020				
Listed entities				
- Listing and documentation fees	1,196,820	-	-	1,196,820
- Annual fees	4,123,050	182,000	-	4,305,050
- Quarterly fees	-	1,024,027	-	1,024,027
- Service fees	-	2,904,901	-	2,904,901
	<u>5,319,870</u>	<u>4,110,928</u>	<u>-</u>	<u>9,430,798</u>
Data distribution vendors				
- Information fees	<u>1,065,828</u>	<u>-</u>	<u>-</u>	<u>1,065,828</u>
Stockbrokers, sponsors and clients				
- Guarantee fund contributions	-	-	486,039	486,039
- Annual and entrance fees	303,200	-	-	303,200
- Commission received - Transaction levy	4,860,387	-	-	4,860,387
- Commission received - Other	30,061	-	-	30,061
	<u>5,193,648</u>	<u>-</u>	<u>486,039</u>	<u>5,679,687</u>
	<u>11,579,346</u>	<u>4,110,928</u>	<u>486,039</u>	<u>16,176,313</u>
Revenue represents net invoiced amounts to :				
For the year ended 31 December 2019				
Listed entities				
- Listing and documentation fees	630,092	-	-	630,092
- Annual fees	3,789,100	175,000	-	3,964,100
- Quarterly fees	-	1,032,651	-	1,032,651
- Service fees	-	2,562,539	-	2,562,539
	<u>4,419,192</u>	<u>3,770,190</u>	<u>-</u>	<u>8,189,382</u>
Data distribution vendors				
- Information fees	<u>933,412</u>	<u>-</u>	<u>-</u>	<u>933,412</u>
Stockbrokers, sponsors and clients				
- Guarantee fund contributions	-	-	367,794	367,794
- Annual and entrance fees	291,400	-	-	291,400
- Commission received - Transaction levy	3,677,942	-	-	3,677,942
- Commission received - Other	38,315	-	-	38,315
	<u>4,007,657</u>	<u>-</u>	<u>367,794</u>	<u>4,375,451</u>
	<u>9,360,261</u>	<u>3,770,190</u>	<u>367,794</u>	<u>13,498,245</u>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2020



5. INVESTMENT INCOME

	Group		Namibian Stock Exchange	
	2020	2019	2020	2019
	N\$	N\$	N\$	N\$
Interest on investments at amortised cost	42,959	52,835	42,959	52,835
Interest on intercompany loan	-	-	548,055	602,133
Interest on bank and call accounts	2,384,131	2,637,061	2,100,529	2,313,906
	<u>2,427,090</u>	<u>2,689,896</u>	<u>2,691,543</u>	<u>2,968,874</u>
Fair value adjustment on unit trust investments	2,710,986	4,242,494	2,006,989	3,174,163
	<u>5,138,076</u>	<u>6,932,390</u>	<u>4,698,532</u>	<u>6,143,037</u>

6. PROFIT BEFORE TAXATION

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

Other Income

Administration fee: Central Securities Depository (Proprietary) Limited	-	-	(480,000)	(480,000)
Administration fee: Transfer Secretaries (Proprietary) Limited	-	-	(2,002,921)	(1,726,656)
Administration fee: Maerua Investments Number Nine (Proprietary) Limited	-	-	(9,744)	(8,858)
Education & Training fees	(17,664)	(8,164)	(17,664)	(8,164)
Handbook: Rules & Listing requirements	(5,381)	-	(5,381)	-
Listing committee consultation: Ruling Issued	(12,480)	-	(12,480)	-
NamCode Booklet	(19,600)	(11,600)	(19,600)	(11,600)
Profit on disposal of assets	(27,176)	-	(23,764)	-
	<u>(82,301)</u>	<u>(19,764)</u>	<u>(2,571,554)</u>	<u>(2,235,278)</u>

Operating expenses

Auditor's remuneration - audit	383,610	323,977	276,381	233,417
Depreciation	35,535	35,025	16,802	24,141
Impairment loss of loan to related party (refer to note 11.3)	-	-	425,670	490,687
Information technology fees	773,704	820,439	489,269	545,781
Loss on foreign exchange	18,189	19,816	18,189	19,816
Professional & secretarial fees	19,358	19,133	14,933	14,558
Short-term and low value rental expense	106,509	98,619	816,567	756,080

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2020

6. PROFIT BEFORE TAXATION *(continued)*

	Group		Namibian Stock Exchange	
	2020	2019	2020	2019
	N\$	N\$	N\$	N\$
Remuneration - directors and staff				
Director and Committee fees				
- Board	468,000	480,000	468,000	480,000
- Brokers screening committee	-	-	-	-
- Audit and risk management committee	93,600	60,000	93,600	60,000
- Demutualisation committee	-	-	-	-
- Listing committee	203,839	80,000	203,839	80,000
- Remuneration committee	31,200	25,000	31,200	25,000
	<u>796,639</u>	<u>645,000</u>	<u>796,639</u>	<u>645,000</u>
- Transfer Secretaries (Proprietary) Limited Board	3,000	3,000	-	-
Less: Board and committee fees allocated to subsidiaries	-	-	(148,200)	(141,250)
	<u>799,639</u>	<u>648,000</u>	<u>648,439</u>	<u>503,750</u>
Staff costs				
Including key management costs				
- salaries and wages	5,253,448	5,033,913	4,531,225	4,302,669
- contributions to retirement funds	1,087,599	1,042,628	936,048	886,590
- other	577,992	245,669	505,997	160,515
- provision for severance pay	61,143	70,476	53,459	50,075
	<u>6,980,182</u>	<u>6,392,686</u>	<u>6,026,729</u>	<u>5,399,849</u>

7. TAXATION

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

Tax rate reconciliation - Namibian normal taxation

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

	Group	
	2020	2019
	N\$	N\$
Effective rate	1.5%	1.1%
- effect of income exempt from tax the:		
- Namibian Stock Exchange	28.7%	27.7%
- Guarantee Fund	4.7%	5.6%
- effect of the assessed losses not recognised	(2.8%)	(2.9%)
Standard rate of taxation	<u>32%</u>	<u>32%</u>



NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2020

7. TAXATION *(continued)*

	Group	
	2020 N\$	2019 N\$
Normal taxation		
- Current taxation	86,986	123,331
- Deferred taxation	57,317	(16,250)
Namibian normal tax	144,303	107,080
Unutilised tax loss		
At beginning of the year	(4,224,155)	(3,338,213)
Increase in the assessed losses	(882,750)	(885,942)
Available for set off against future taxable income	(5,106,905)	(4,224,155)

8. DEFERRED TAXATION

Balance at the beginning of the year	(259,866)	(276,116)
Charge to profit and loss	(57,317)	16,250
Balance at end of the year	(317,183)	(259,866)
<i>Comprising:</i>		
Capital allowances	330,718	274,558
Prepayments	3,775	159
Provision for severance pay	(17,310)	(14,851)
	317,183	259,866

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

9. EQUIPMENT AND INTANGIBLES

	Software and licences N\$	Office furniture N\$	Equipment N\$	TOTAL N\$
Group - Cost				
Balance at 31 December 2018	1,199,086	177,906	490,860	1,867,853
Additions	-	3,699	18,495	22,194
Balance at 31 December 2019	1,199,086	181,605	509,355	1,890,047
Additions	-	290,499	58,862	349,361
Disposals	-	(46,523)	(3,269)	(49,792)
Balance at 31 December 2020	1,199,086	425,581	564,948	2,189,616

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2020

9. EQUIPMENT AND INTANGIBLES *(continued)*

	Software and licences N\$	Office furniture N\$	Equipment N\$	TOTAL N\$
Group - Depreciation				
Balance at 31 December 2018	1,198,325	172,350	443,076	1,813,751
Amortisation / Depreciation charge for the year	749	1,852	32,424	35,025
Balance at 31 December 2019	1,199,074	174,202	475,500	1,848,776
Amortisation / Depreciation charge for the year	-	10,058	25,477	35,535
Disposals	-	(45,999)	(3,270)	(49,269)
Balance at 31 December 2020	1,199,074	138,261	497,707	1,835,042

Group - Net book value

At 31 December 2019	12	7,403	33,855	41,271
At 31 December 2020	12	287,320	67,240	354,573

	Software and licences N\$	Office furniture N\$	Equipment N\$	TOTAL N\$
Namibian Stock Exchange - Cost				
Balance at 31 December 2018	492,170	130,105	347,110	969,385
Additions	-	3,699	3,375	7,074
Balance at 31 December 2019	492,170	133,804	350,485	976,459
Additions	-	135,103	21,589	156,692
Disposals	-	(44,113)	(1,514)	(45,627)
Balance at 31 December 2020	492,170	224,793	370,560	1,087,524

Namibian Stock Exchange - depreciation

Balance at 31 December 2018	491,415	124,915	312,638	928,968
Amortisation / Depreciation charge for the year	751	1,670	21,720	24,141
Balance at 31 December 2019	492,166	126,584	334,358	953,109
Amortisation / Depreciation charge for the year	-	4,643	12,159	16,802
Disposals	-	(43,619)	(1,513)	(45,131)
Balance at 31 December 2020	492,166	87,609	345,005	924,780

Namibian Stock Exchange - Net book value

At 31 December 2019	4	7,220	16,127	23,350
At 31 December 2020	4	137,184	25,556	162,744

The Namibian Stock Exchange and its subsidiary, Central Securities Depository (Proprietary) Ltd (CSD), have both signed agreements with a supplier to provide software products to the NSX and the CSD. Payments and commitments are pending approval by the Namibian Financial Institutions Supervisory Authority (NAMFISA). The group considers that there is evidence of impairment of the Securities and Trading Technology (STT) asset in CSD, due to the legislative framework under which the asset is to be implemented not coming into effect and there is no certain date of its implementation. The recoverable amount was assessed as nil, as no active market in which to sell the asset was identifiable, also the future cash flows from use of the asset has not been determined as yet when reviewing the five year budget of the project. The directors intend to re-evaluate this matter once the enabling legislation has been promulgated.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2020



10. FIXED PROPERTY

	Group		Namibian Stock Exchange	
	2020	2019	2020	2019
	N\$	N\$	N\$	N\$
Balance brought forward	8,485,000	8,535,000	-	-
Revaluation adjustment	(675,000)	(50,000)	-	-
At fair value	7,810,000	8,485,000	-	-

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

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

At 31 December 2020 the two units were revalued by Property Valuation Namibia's, Jurie Scholtz, a Professional / Sworn Appraiser holding a National Diploma: Property Valuation (Technicon SA) at N\$ 7 810 000 (2019: N\$ 8 485 000). The income capitalisation method of valuation was used by the Professional / Sworn Appraiser. The most significant judgement relates to the price earnings index where a rate of 11.11% (2019: 11.43%) was used.

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

Group	
8,510,000	7,100,000

11. INVESTMENTS IN SUBSIDIARIES

	% owned	Namibian Stock Exchange	
		2020	2019
11.1 Transfer Secretaries (Proprietary) Limited			
The nature of its business is that of transfer agent			
Issued capital	100%	4,000	4,000
Included in accounts receivable (note 14) is the amount owing by subsidiaries.			
11.2 Maerua Investments Number Nine (Proprietary) Limited			
This company whose nature of its business is investing in property was acquired to further diversify the NSX's investment portfolio with potential for capital appreciation			
Issued capital	100%	1,325,100	1,325,100
Loan to subsidiary without any fixed term of repayment, interest is payable monthly at an annual rate of 8.5% (2019: 8.5%).			
		4,315,000	4,460,000

The NSX has agreed not to call this loan in the next 12 months and has therefore classified the loan as non-current.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2020

11. INVESTMENTS IN SUBSIDIARIES *(continued)*

	% owned	Namibian Stock Exchange	
		2020	2019
11.3 Central Securities Depository (Proprietary) Limited			
The nature of its business is to provide central securities depository services to the Namibian market:			
Issued share capital:	51%	2,040	2,040
Opening balance		2,478,204	1,765,370
Opening accumulated impairment of loan		(2,166,634)	(1,675,948)
Movement in loan		178,512	712,833
Additional impairment for the current year		(425,670)	(490,687)
		64,411	311,569

The Namibian Stock Exchange and Bank of Namibia has provided ongoing financial support to Central Securities Depository (Proprietary) Limited.

Interest on the loan is charged at Namibian prime and is capitalised monthly, with no capital repayments terms specified.

As a formal agreement is in place between the Namibian Stock Exchange, Bank of Namibia and Central Securities Depository (Proprietary) Limited the loans will not be called in the next twelve months and has therefore been classified as non-current.

11.4 The Namibian Stock Exchange also wholly owns the following dormant subsidiary:

Issued share capital:				
Namibian Stock Exchange Trustees (Proprietary) Limited	100%	4,000	4,000	
Less - intercompany loans		(4,000)	(4,000)	
		-	-	
Total investment in subsidiaries		5,710,551	6,102,709	

12. OTHER INVESTMENTS

	Group		Namibian Stock Exchange	
	2020	2019	2020	2019
	N\$	N\$	N\$	N\$
At Amortised Cost				
- Eskom bond - E170	67,866	135,734	67,866	135,734
- Government Bonds	357,740	360,230	357,740	360,230
Total investments at amortised cost	425,606	495,964	425,606	495,964

Eskom bond - E170 is a three-legged bond with three redemption dates, namely 01 August 2019, 01 August 2020 and 01 August 2021. The government bonds mature on 15 October 2021. The fair value of these investments approximate the cost thereof.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2020



13. OTHER INVESTMENTS, BALANCED MANDATE UNIT TRUSTS

	Group		Namibian Stock Exchange	
	2020	2019	2020	2019
	N\$	N\$	N\$	N\$
At fair value through Profit and Loss				
Allan Gray Balanced Fund	15,784,456	15,239,615	15,784,456	15,239,615
Old Mutual Unit Trust - Namibia Managed Fund	18,894,382	18,353,799	12,753,708	12,388,814
Standard Bank Namibia Managed Fund	20,279,435	18,653,872	13,688,619	12,591,364
Total investments at fair value	54,958,273	52,247,286	42,226,783	40,219,793

14. TRADE AND OTHER RECEIVABLES

Trade receivables	619,179	1,334,813	316,558	793,257
Transfer Secretaries (Proprietary) Limited	-	-	-	498,383
Maerua Investments Number Nine (Proprietary) Limited	-	-	59,744	60,431
Prepayments	44,937	70,621	21,247	58,154
Other receivables	58,337	9,879	42,646	3,479
	722,453	1,415,313	440,195	1,413,704
Receivables that are past due but not impaired	68,415	43,833	23,498	43,833

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

15. TRADE AND OTHER PAYABLES

Trade payables	560,024	862,957	555,575	848,526
Intercompany payables: Guarantee Fund	-	-	26,930	17,726
Intercompany payables: Transfer Secretaries	-	-	581,915	-
Value added taxation	45,473	132,383	-	-
Accruals	1,939,343	1,628,075	1,643,237	1,410,916
	2,544,840	2,623,415	2,807,657	2,277,168

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2020

16. GUARANTEE FUND

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

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

	Group		Namibian Stock Exchange	
	2020	2019	2020	2019
	N\$	N\$	N\$	N\$
Balance at beginning of year	16,802,546	15,058,574	-	-
Income for the year	1,455,514	1,743,972	-	-
Retained surplus at end of the year	18,258,060	16,802,546	-	-

17. PROVISION FOR SEVERANCE PAY

Provision for severance pay

Balance at beginning of the year	340,294	269,818	293,883	243,809
Increase / (decrease) in provision	61,142	70,476	53,459	50,074
Balance at end of the year	401,436	340,294	347,343	293,883

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

Key assumptions used are:

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

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

18. LOAN: BANK OF NAMIBIA

	Group		Namibian Stock Exchange	
	2020	2019	2020	2019
	N\$	N\$	N\$	N\$
Loan from Bank of Namibia to Central Securities Depository (Proprietary) Limited	2,431,000	1 731 679	-	-

The loan is unsecured and has no fixed terms of repayment. Interest is capitalised monthly at the Namibian prime interest rate. A formal agreement signed in February 2021 is in place between Bank of Namibia and Central Securities Depository (Proprietary) Limited, the loan will not be called up in the next twelve months.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2020



19. NOTES TO THE STATEMENT OF CASH FLOWS

	Group		Namibian Stock Exchange	
	2020	2019	2020	2019
	N\$	N\$	N\$	N\$
19.1 Cash generated from operations				
Profit for the year before taxation	9,919,967	9,898,117	8,470,583	8,216,123
<i>Adjustment for:</i>				
Profit on disposal of property and equipment	(27,176)	-	(23,764)	-
Depreciation	35,535	35,025	16,802	24,141
Impairment loss of loan to related party	-	-	425,670	490,687
Investment income recognised in profit	(5,138,076)	(6,932,390)	(4,698,532)	(6,143,037)
Increase in provision for severance pay	61,142	70,474	53,459	50,072
	<u>4,851,392</u>	<u>3,071,226</u>	<u>4,244,218</u>	<u>2,637,986</u>
<i>Movements in working capital</i>				
(Decrease) / increase in deferred revenue	(547,420)	1,178,508	(547,420)	1,178,508
Decrease / (increase) in trade and other receivables	1,506,600	(1,159,287)	973,510	(770,644)
(Decrease) / increase in trade and other payables	(78,575)	684,712	530,489	202,001
	<u>5,731,997</u>	<u>3,775,159</u>	<u>5,200,797</u>	<u>3,247,851</u>
19.2 Taxation paid is reconciled to the amount disclosed in the statement of profit or loss and other comprehensive income as follows:				
Amounts receivable at the beginning of the year	(147,599)	(55,598)	-	-
Taxation charged to profit or loss	144,303	107,080	-	-
Movement in deferred taxation	(57,317)	16,250	-	-
Receivable at end of year	172,846	147,599	-	-
	<u>112,233</u>	<u>215,330</u>	<u>-</u>	<u>-</u>
19.3 CASH AND CASH EQUIVALENTS				
Cash at bank and on hand	995,822	1,050,408	793,261	799,162
Call accounts	46,486,275	37,936,817	40,968,512	33,165,858
	<u>47,482,097</u>	<u>38,987,225</u>	<u>41,761,773</u>	<u>33,965,020</u>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2020

20. RETIREMENT BENEFIT INFORMATION

20.1 Retirement fund

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

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

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

20.2 Post-retirement medical benefits

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

21. FINANCIAL RISK MANAGEMENT

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

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

21.1 Foreign currency risk management

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

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

21.2 Interest rate management

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

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

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

	Increase	Decrease
	100 bps	100 bps
	474,821	427,339

Increase or decrease of a 100 basis points in the interest rate



NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2020

21. FINANCIAL RISK MANAGEMENT *(continued)*

21.3 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 2020 the Group did not consider there to be any significant concentration of credit risk which has not been provided for.

21.4 Fair value

The Board of Directors is of the opinion that:

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

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

21.5 Capital risk management

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

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

In the prior financial years, the Board approved the appointment of three Namibian Asset Managers to manage the Group's investments. The Group's cash and cash equivalents exceeds its liabilities by N\$37 million.

21.6 Liquidity risk management

The group and NSX's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under normal and stressed conditions, without incurring unacceptable losses or risking damage to the entity's reputation. The directors take note of the net assets position of the group and NSX. The directors have concluded that sufficient liquid resources are available to the group and NSX to allow it to continue normal operations for the foreseeable future. The group and entity's financial assets and financial liabilities maturity are detailed in note 23.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2020

	Interest rate		Group		Namibian Stock Exchange	
	2020	2019	2020	2019	2020	2019
	%	%	N\$	N\$	N\$	N\$

22. LIQUIDITY AND INTEREST RATE RISKS TABLES

Assets

Non-financial assets

Plant and equipment	-	-	354,573	41,271	162,744	23,350
Fixed property	-	-	7,810,000	8,485,000	-	-
Investment in subsidiaries	-	-	-	-	1,331,140	1,331,140
Current taxation	-	-	172,846	147,599	-	-
Prepayments	-	-	44,937	70,621	21,247	58,154
			<u>8,382,356</u>	<u>8,744,491</u>	<u>1,515,131</u>	<u>1,412,644</u>

Financial assets at fair value through profit and loss – mandated unit trusts - on call

			<u>54,958,273</u>	<u>52,247,286</u>	<u>42,226,783</u>	<u>40,219,793</u>
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Financial assets at amortised cost 1 to 5 years

Investment in subsidiaries:

Maerua Investments Number Nine (Proprietary) Limited	8.50%	8.50%	-	-	4,315,000	4,460,000
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Investment in subsidiaries:

Central Securities Depository (Proprietary) Limited	7.50%	10.25%	-	-	64,411	311,569
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Other investments - listed maturing in 2020 & 2021

	7.50%	10.25%	-	428,097	-	495,964
			<u>-</u>	<u>428,097</u>	<u>4,379,411</u>	<u>5,267,533</u>

0 to 12 months Financial assets at amortised cost

Other investments - listed maturing in 2020 & 2021	7.50%	10.25%	425,606	67,867	425,606	-
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Call accounts - variable rates

Other investments - NSX	7.50%	10.25%	40,968,512	33,165,858	40,968,512	33,165,858
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Other investments - Guarantee Fund

	7.50%	10.25%	5,517,763	4,770,959	-	-
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Current accounts - variable

Bank balances and cash	-	-	995,822	1,050,408	793,261	799,162
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Financial Assets - no interest

Trade and other receivables	-	-	677,516	2,158,432	418,948	1,355,550
			<u>48,585,219</u>	<u>41,213,524</u>	<u>42,606,327</u>	<u>35,320,570</u>

Total assets

			<u>111,925,848</u>	<u>102,633,398</u>	<u>90,727,652</u>	<u>82,220,541</u>
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2020



	Interest rate		Group		Namibian Stock Exchange	
	2020	2019	2020	2019	2020	2019
	%	%	N\$	N\$	N\$	N\$
22. LIQUIDITY AND INTEREST RATE RISKS TABLES <i>(continued)</i>						
Rights and reserves						
Founder members' contributions	-	-	430,000	430,000	430,000	430,000
Stockbroking members rights	-	-	1,890,500	1,890,500	1,890,500	1,890,500
Property revaluation reserve	-	-	989,700	1,664,700	-	-
Insurance reserve	-	-	500,000	500,000	500,000	500,000
Guarantee fund	-	-	18,258,060	16,802,546	-	-
Retained surplus	-	-	82,008,086	73,255,388	80,103,616	71,633,033
Non-controlling interest	-	-	(2,493,493)	(2,060,946)	-	-
			101,582,853	92,482,188	82,924,116	74,453,533
Liabilities						
Non-financial liabilities						
Provision for retrenchments and retirement	-	-	401,436	340,294	347,343	293,883
Trade and other payables	-	-	45,473	132,383	-	17,726
Deferred Revenue	-	-	4,648,536	5,195,956	4,648,536	5,195,956
Current taxation	-	-	-	-	-	-
Deferred taxation	-	-	317,183	259,866	-	-
			5,412,628	5,928,499	4,995,879	5,507,565
Financial liabilities						
Loan: Bank of Namibia	7.50%	10.25%	2,431,000	1,731,678	-	-
0 to 3 months						
Trade and other payables	-	-	2,499,367	2,491,032	2,807,657	2,259,442
Total liabilities			10,342,995	10,151,209	7,803,536	7,767,007
Total rights, reserves and liabilities			111,925,848	102,633,398	90,727,652	82,220,541

23. FAIR VALUE HIERARCHY

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

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

Level 1 - Fair value is determined using unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 - Fair value is determined using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (derived from prices); and

Level 3 - Fair value is determined using a valuation technique and inputs for the asset or liability that are not based on observable market data (unobservable inputs).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2020

23. FAIR VALUE HIERARCHY *(continued)*

23.1 Financial instruments

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

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

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

	Group		Namibian Stock Exchange	
	2020	2019	2020	2019
	N\$	N\$	N\$	N\$
Investments in balanced mandate funds	54 958 273	52 247 286	42 226 783	40 219 793

23.2 Fixed property

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

24. RELATED PARTIES

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

	Group		Namibian Stock Exchange	
	2020	2019	2020	2019
	N\$	N\$	N\$	N\$
Amounts received from Transfer Secretaries (Proprietary) Limited:				
- Administrative and management fees based on staff cost (note 6)	-	-	2,002,921	1,726,656
- Insurance recharge	-	-	54,443	43,929
- IT Services	-	-	78,000	74,400
- Board and Committee fees (note 6)	-	-	148,200	75,318
Amounts incurred by Central Securities Depository (Proprietary) Limited:				
- Management fee to NSX	-	-	480,000	480,000
- Interest on long-term loan by Namibian Stock Exchange	-	-	174,922	216,833
- Interest on long-term loan by Bank of Namibia	204,911	170,272	-	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2020



24. RELATED PARTIES *(continued)*

	Transfer Secretaries 2020	Transfer Secretaries 2019	NSX 2020	NSX 2019
Amounts paid to and received from Maerua Investments Number Nine (Proprietary) Limited				
- Administrative fee	-	-	9,744	8,858
- Premises rental	309,437	280,960	710,058	657,461
- Interest on long-term loan by Namibian Stock Exchange	-	-	373,133	385,300
	<hr/>	<hr/>	<hr/>	<hr/>

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

25. FINANCIAL STATEMENTS

The Annual Financial Statements were authorised for issue on 22 April 2021.

MANAGEMENT COMMENTARY

FOR THE YEAR ENDED 31 DECEMBER 2020

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

NATURE OF BUSINESS

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

The Namibian Stock Exchange (NSX) is the only registered stock exchange in Namibia and is required to be licensed annually by the Namibian Financial Institutions Supervisory Authority. The NSX participated in the debates and consultations leading to the drafting of the Namibian Financial Sector Strategy. This strategy calls for the NSX to be demutualised as prescribed in the Financial Institutions & Markets Bill. The FIM BILL was considered by the National Council on 25 June 2020, amended and referred to the National Assembly. On 07 July 2020 the FIM BILL with amendments was re-considered and approved by the National Assembly and awaits Presidential assent.

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

The NSX is an association not-for-profit whose main function is to develop the capital market as the engine of economic growth, development & prosperity of Namibia; to assist listed companies to raise capital; to provide a trading platform in these shares after listing with transparent price discovery in a regulated environment where corporate governance best practices are prescribed and enforced which encourages investors to buy equities / shares in the first place. The NSX has published the Corporate Governance Code for Namibia ("NamCode") which is applicable to all listed companies as a replacement of the outdated King II compliance requirement and the NamCode is part of the continuing obligations under the listing requirements on an apply or explain basis. With the accession of the King IV Report on Corporate Governance in South Africa in 2016, the NSX issued a Directive requiring all NSX Primary listed companies to comply with the NAMCODE on "apply or explain" or King IV on an "apply and explain" basis.

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

At the end of 2020, the NSX comprised of 43 founder members and six stock broking members (one of which is a founder member). One of the more onerous obligations on becoming a stockbroker is to acquire six rights at the valuation shown in the statement of changes in rights & reserves. At year end a total of 78 rights had been issued.

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



MANAGEMENT COMMENTARY *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2020

HOW DOES ONE MEASURE THE PERFORMANCE OF THE NSX ITSELF?

At first glance on page 2 of the Annual Financial statements the NSX did well in 2020 considering the challenging economy we find ourselves in. The profits of an exchange depend directly on how much their services are used and on sustainability which is underpinned by the certainty of continued licensing and sound investing of its retained income. The services provided by the NSX include the trading system, publishing reliable, prompt information about trading, and compliance with sound regulation as well as investor relations. The share prices of those stock exchanges that have demutualized and listed on their exchange are therefore good indicators of their performance. As the NSX is still an association not for gain, other indicators are the norm.

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

- The number of listing applications and actual new listings is a good indicator of how many companies want to raise money through the exchange.
 - *In 2020 two new companies were listed as Capital Pool Companies ("CPC") on the Development Capital Board ("DevX"), one bond programme has been registered, and five new bonds were listed on the NSX. A total of seven Namibian and three SA listed bonds matured to the end of 2020.*
- The trades on the exchange can be measured by the number and value of shares traded. See tables on page 2. The 2020 trades were worth N\$ 11,011 billion or 24% higher than 2019. The liquidity of the exchange can be measured by dividing the value of shares traded by the free-float market capitalisation of the exchange - the so-called liquidity ratios.
 - *Throughout the reporting period the buy and hold mentality, the demand for local assets by regulation and taxing regime, the significant increase in existing and new Government bonds, locally, regionally and internationally, continues to dampen the liquidity on the NSX.*
- Regulations and Listing requirements.
 - *The NSX is regulated by NAMFISA as stated above in terms of the 1985 Stock Exchanges Control Act and has adapted the JSE Listing Requirements which will be revamped with changes required in terms of the 2004 Companies Act when the Financial Institutions and Markets Bill is enacted.*
- Cost of trading on the NSX.
 - *Namibia's stockbrokers must comply with the NSX's non-negotiable and fixed charges. An application can be made for concessionary brokerage limited to trades in Namibian companies in excess of N\$ 40 million. In a small market it is essential that level playing fields are maintained and that the brokers earn sufficient income to provide a full service in Namibia and not be controlled by foreign companies. The Managing Director of the corporate member must be a Stockbroker and must be Namibian.*
- Trading costs, as shown on page 2, as a percentage of the traded value are:

• Brokers' fees, on average	0.524%
• NSX Levy, 10% of brokers fees	0.052%
• NAMFISA levy on trade value (Nov 2017 onwards)	0.079%
Total cost for each leg of a local trade	0.655%

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

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

MANAGEMENT COMMENTARY *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2020

GROWTH OF THE NSX

The NSX has grown significantly with more than 83 companies being listed across a range of sectors including both domestic and international. As in many exchanges with attrition through takeovers, transfers to other exchanges and two liquidations the number of listed entities has reduced throughout the years. As at December 2020 a total of 51 companies are listed on the Main Board, the Development Capital Board (DevX) and Exchange Traded Funds of the stock exchange.

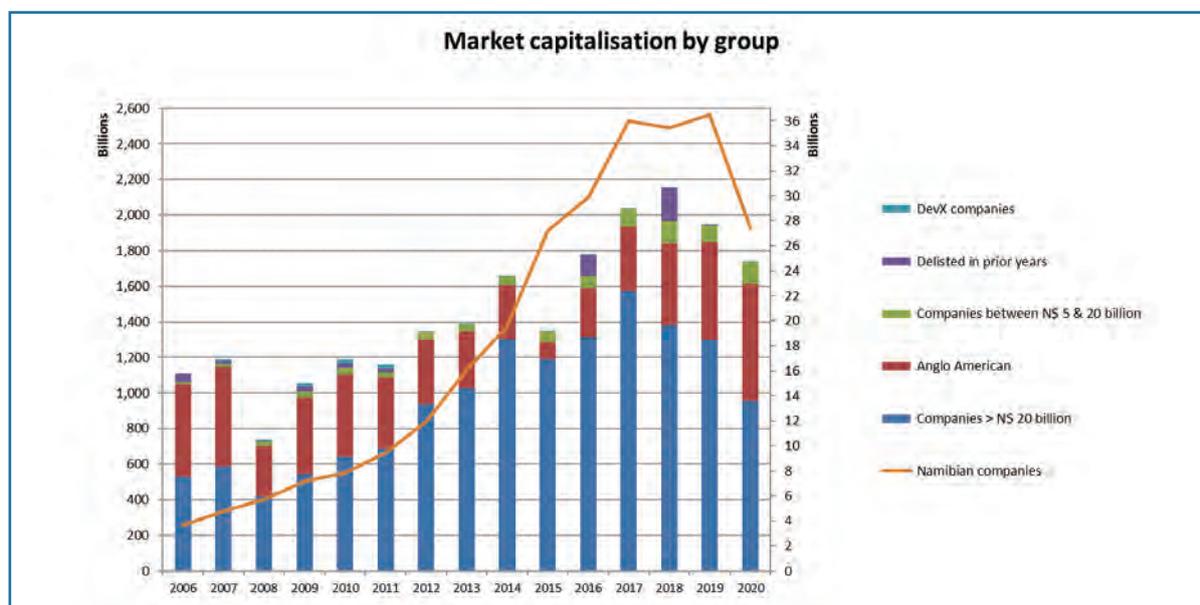
In dissecting the 51 listed companies, there are 38 companies with more than one listing and 13 local listed companies inclusive of the two CPC listed companies on the Namibian Stock Exchange.

Primary listed on the stock exchanges in:

Namibia - NSX	13
Australian - ASX	5
London - LSE	2
South Africa - JSE	16
South Africa - JSE - ETF	11
Toronto - TSX	2
Mauritius – SEM	2

Total	51
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Total market capitalisation is the sum of the number of shares in issue multiplied by the closing share price, in this case the price at 31 December of each year. ETFs are excluded in the market capitalisation calculation but included in the total listings and trading statistics.



The NSX has over the years benefited from the Namibian asset requirements of Pension Funds and the similar Regulation for long-term insurance companies by the dual / cross / secondary listing of companies listed on other international exchanges. Since 1994 pension funds have been required to invest 35% of their respective assets in deemed Namibian assets which include dual listed shares purchased through a Namibian Stockbroker on the NSX. Amendments to the Pension Fund Act, albeit increased the local asset requirement from 35% to 45%. Effective from 31 December 2014, only 25% of the value of dual listed shares will qualify as Namibian assets and this percentage reduced by five percentage points each year. **It is impossible to determine the detrimental effect this reduction will have on the NSX results over this period.**

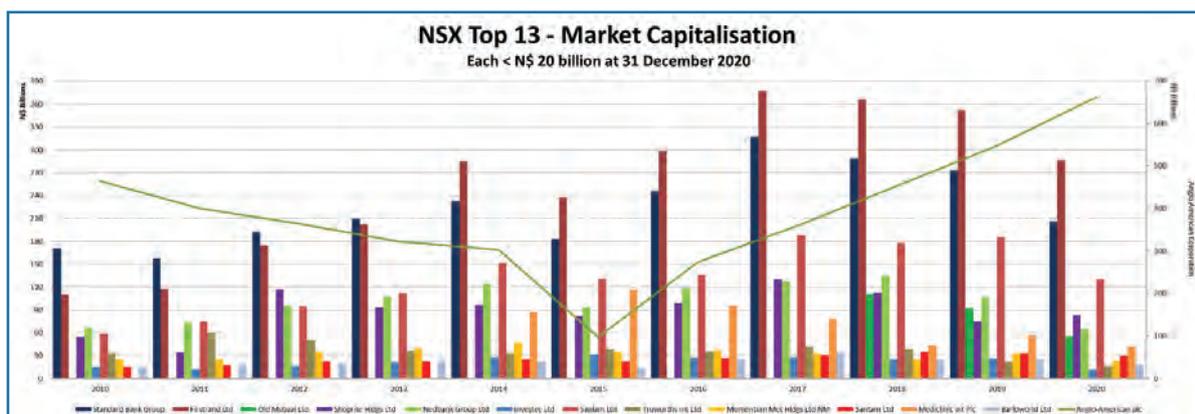


MANAGEMENT COMMENTARY *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2020

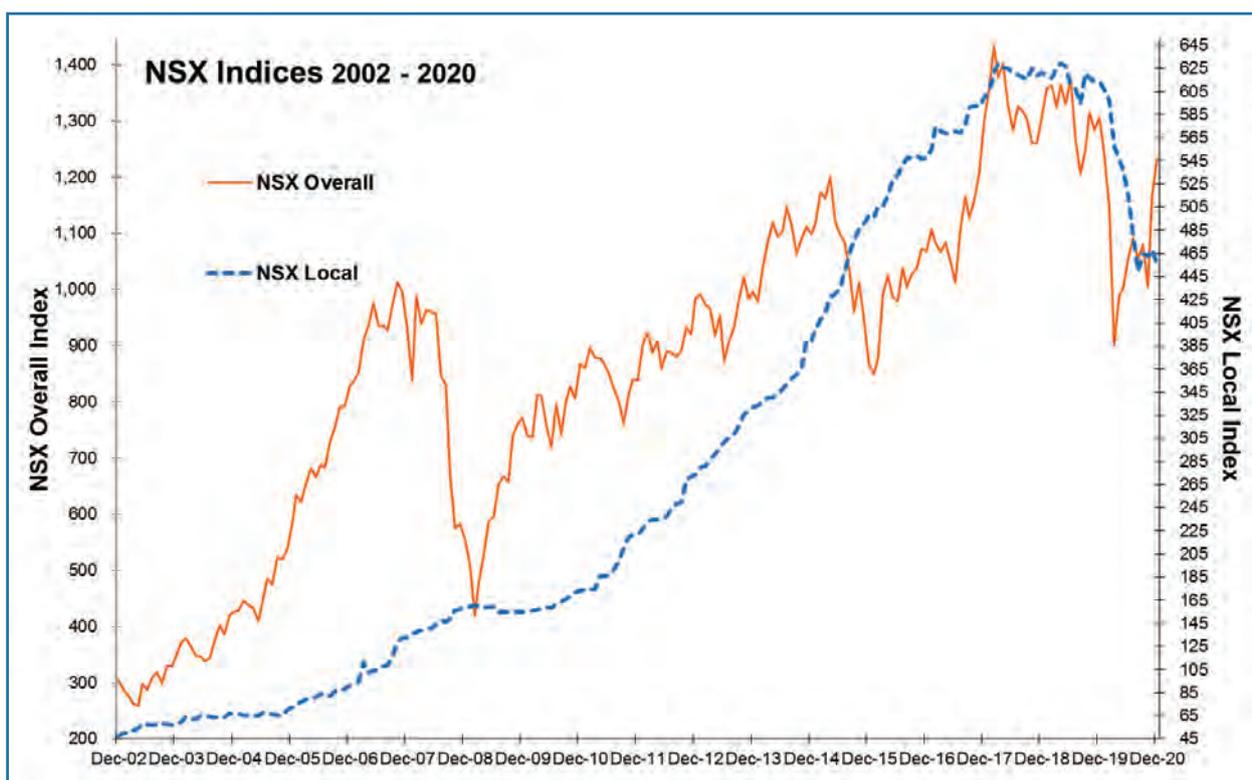
At the end of each day, the NSX publishes information about trading that has taken place and has contracted with FTSE to calculate various indices, each of which is a single number reflecting the price movement of its various components. To cover the costs of preparation, this information is only available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

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



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

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



MANAGEMENT COMMENTARY *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2020

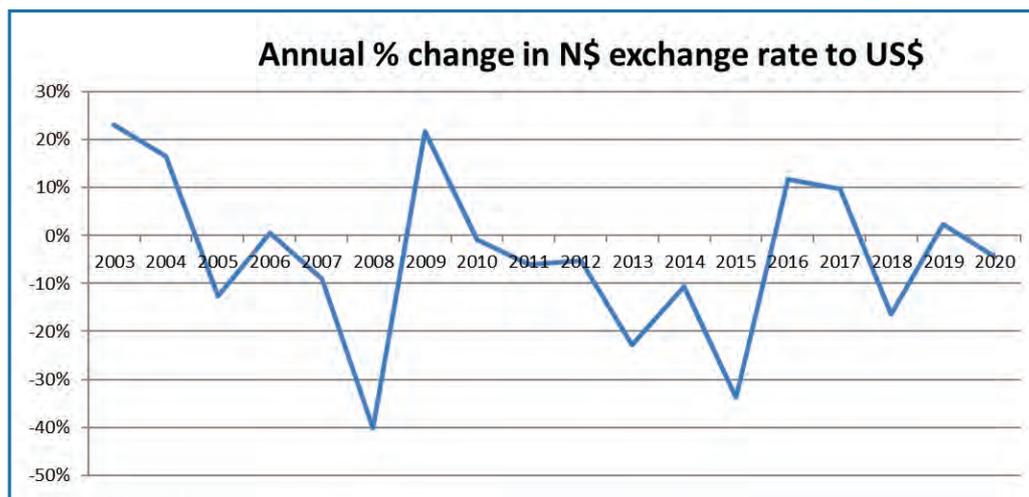
As at year end the NSX Overall and JSE All Share indices closed at:

- NSX Overall Index closed at 1,232.26 declining with 5.67% compared to 2019;
- JSE All share index closed at 59,408.70 at the end of the year or 4.07% up compared to 2019.

Notable dual listed comparative number pre and post 2008 are:

- Anglo American at N\$ 479.01 in October 2007 and N\$ 68.99 at 31 December 2015 and closed at N\$ 485.00 or 21.6% up as at 31 December 2020;
- Old Mutual Plc at N\$24.65 in 2007, dropped to N\$4.72 in March 2009 and closed at N\$37.83 as at 29 June 2018 when it delisted.
- Old Mutual Ltd listed June 2018, closed at N\$ 22.40 in 2018 and closed at N\$11.89 or 39.5% down at 31 December 2020;
- FirstRand at N\$ 20.30 in 2007 and N\$ 65.27 in 2018, closed at N\$51.04 (18.7% down) at 31 December 2020.

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



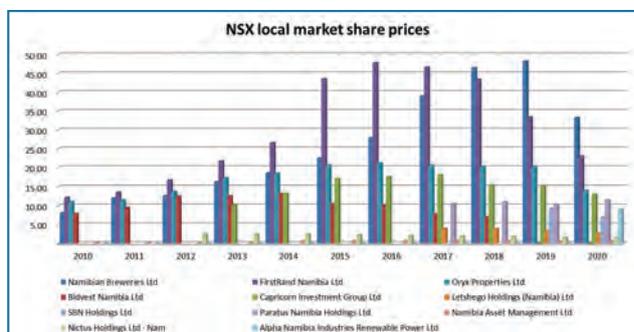
The local index which includes only Namibian Primary listed equities is calculated and published on a daily basis (refer to page 2 for the growth in the index). The local index declined by 26% in 2020. Although Regulation 28 has been the basis of creating a large demand side of the market on the local securities, foreign taxation legislation has made local more attractive in the last few years. South African legislation implemented a 20% withholding tax on dividends, so local investors have a commercial incentive to buy local securities where they receive the full dividend. When analysing the performance of the Namibian securities over a 10-year period it is clear that the local market has become more active of late and there is a demand for local securities that is not currently being met, both from regulatory as well as a commercial perspective. Due to the regulation most pension funds also have a “buy and hold” philosophy, which decreases the liquidity of the securities even further. The implementation of the CSD is expected to open the Namibian market to additional interest from the international market which would increase the demand even more, not only for shares, but specifically on the bond market. It is clear that more Namibian companies need to come to market and expand their shareholding base if the liquidity problem is to be addressed. The graphs below examine the price and market capitalisation growth of selected Namibian securities, without taking dividend payments into account.



MANAGEMENT COMMENTARY *(continued)*

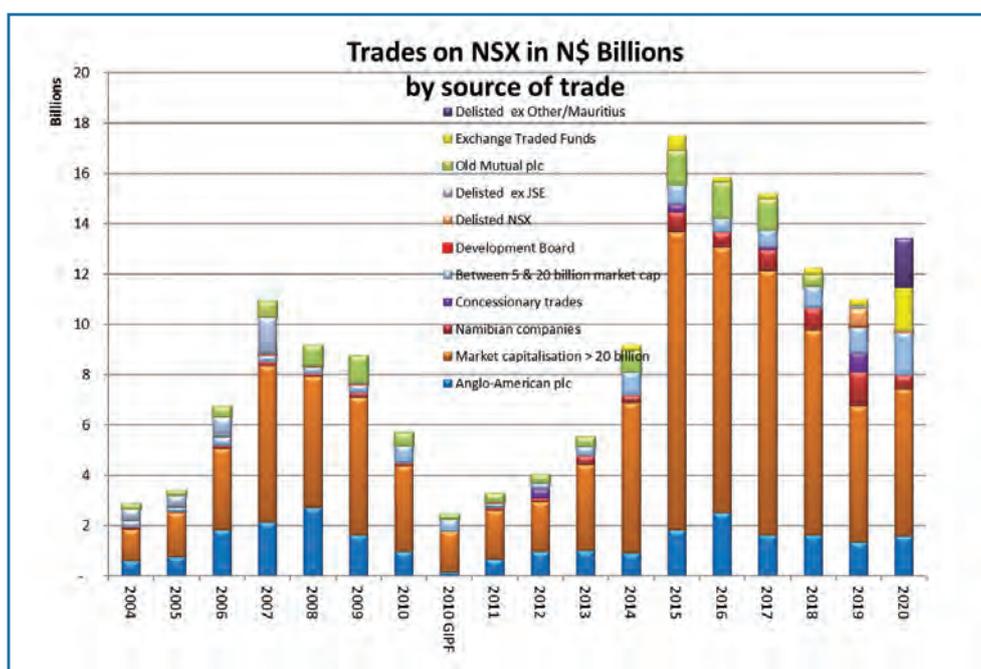
FOR THE YEAR ENDED 31 DECEMBER 2020

PRIMARY LISTED COMPANIES



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 Anglo-American Corporation plc are shown separately as it significantly influenced the trading and reporting on the NSX. Other companies are grouped together as follows:

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

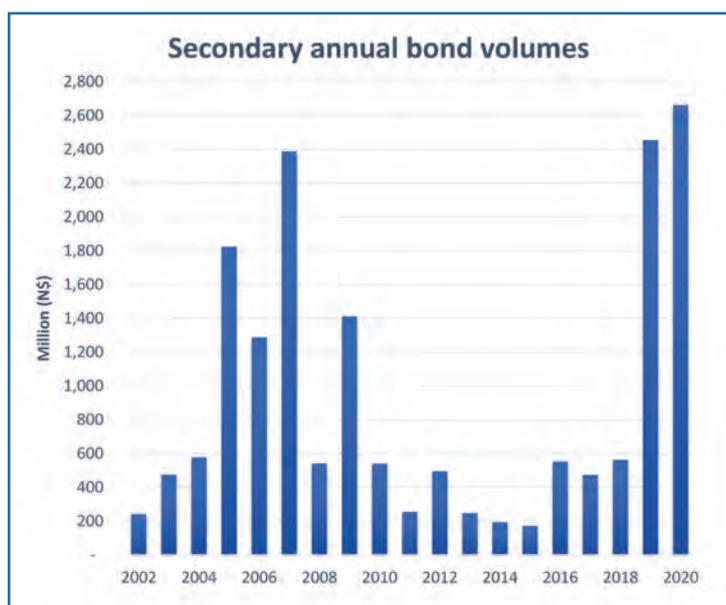
MANAGEMENT COMMENTARY *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2020

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

Traded values have been decreasing since the high of 2007 to 2012 with trading levels picking up ever since and 2015 being an exceptional year with an increase of 106% on 2014. Traded values for 2020 increased by 24% when compared to 2019, as the dual listed portion of Domestic assets reduce, this trend is expected to continue.

TRADES IN BONDS

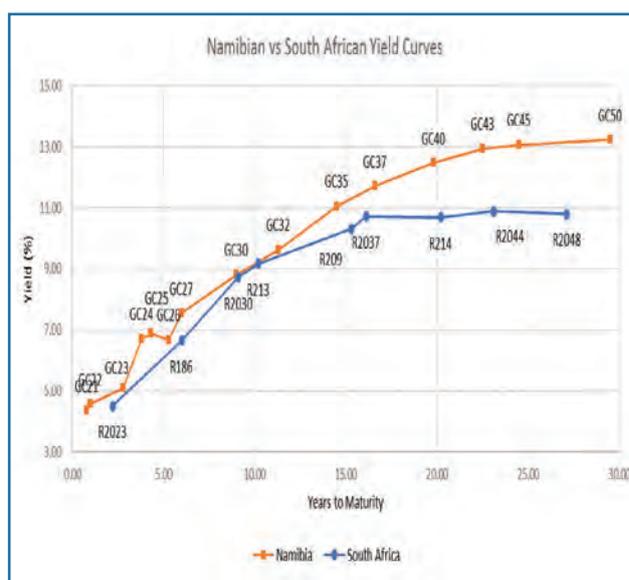
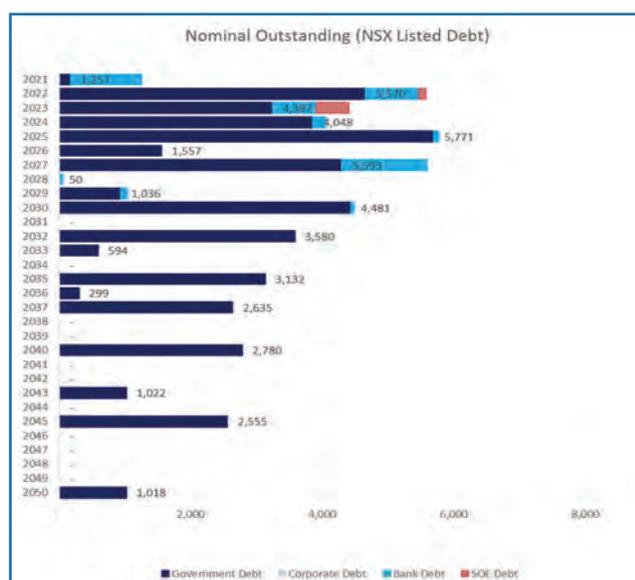


The values of issued bonds in N\$ millions are:

Government	46,443
State Owned Enterprises	
<i>Namibia, only</i>	606
<i>Commercial Banks</i>	4,258
<i>Green Bond</i>	66
<i>Dual listed on JSE</i>	1,570
Corporate	263

This is in addition to the US\$ 500 million raised in Europe in 2011 and US\$ 750 million raised in 2015; ZAR 2,052 billion listed on the JSE and the N\$ 27,330 billion outstanding Treasury Bills.

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



NSX FOUNDER MEMBERS

(former names)

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

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Merchantec Capital Namibia (Pty) Ltd

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PointBreak Wealth Management (Pty) Ltd

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