



Namibian

Stock

eXchange

2016

Annual Report

31 December

NSX DETAILS

NATURE OF BUSINESS

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

AUDITORS

Deloitte & Touche

BANKERS

First National Bank of Namibia Limited
Nedbank Namibia Limited

ADDRESS

4 Robert Mugabe Avenue
(Parking & access from Burg Street)
P.O. Box 2401, Windhoek, Namibia

CONTACT DETAILS

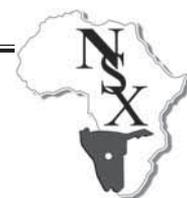
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NAMIBIAN STOCK EXCHANGE ANNUAL REPORT DECEMBER 2016

The Mission and Vision of the NSX

Mission

The Mission of the NSX is to enable, develop and deepen capital markets in Namibia. Working in partnership with stakeholders in government and the financial sector, the NSX will:

- make investment in capital markets easier, providing a range of appropriate 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.

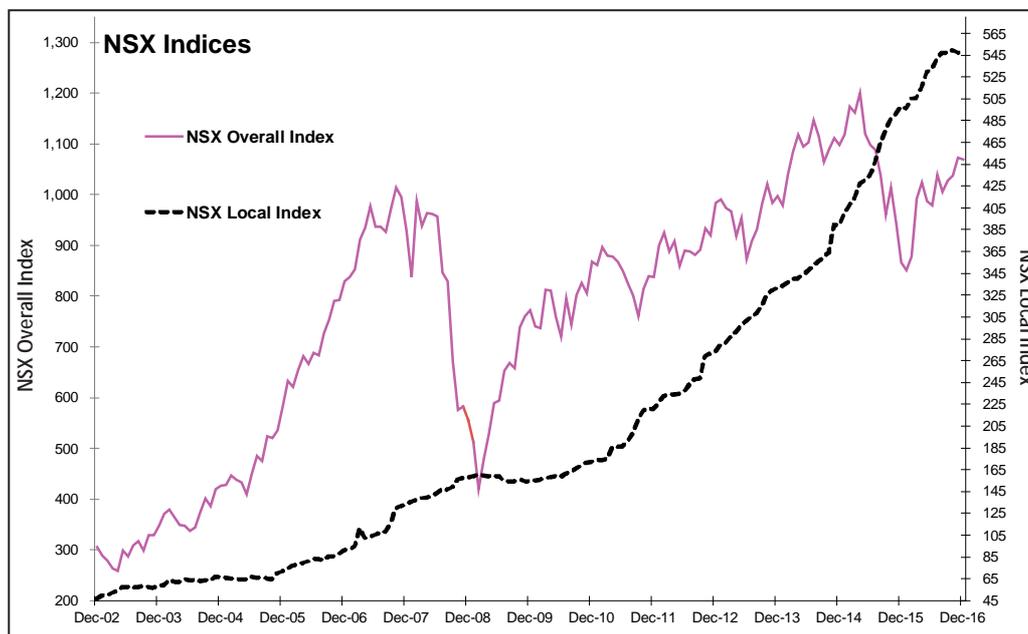
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Trading Statistics & Market Capitalisation

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

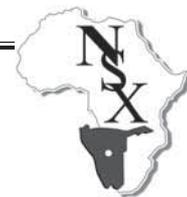


N\$ millions	MARKET CAPITALISATION							
	Primary Listed on the							
Year	Total	NSX	JSE	LSE	TSX	AIM	ASX	SEM
2007	1,194,088	4,781	496,417	685,167	7,723	-	-	-
2008	741,625	5,720	428,969	291,505	3,523	-	11,908	-
2009	1,047,527	7,126	495,685	501,125	2,346	4,275	36,970	-
2010	1,178,257	7,782	581,537	537,810	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

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



Trading value includes trading in ETFs, which was a new asset class added in 2014.



Chairman's Report

The Namibian Stock Exchange ("NSX") had a good year, considering the economic turmoil Namibia faced during 2016, the overall comparative value traded was 17 billion during 2015 and dropped with 16% to 14 billion during 2016.

The NSX is a not for profit members' association, but is, as many other exchanges in the region, in the process of demutualisation and intends to self-list. It is in a position to do so as it is cash positive and self-funding.

The NamCode has continued to be widely accepted and implemented in all sectors of the Namibian market. The NamCode booklet is available on the NSX website free of charge and hard-copies are available for purchase.

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. 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. Formalisation of the bond market and the eventual launch of derivatives are expected to follow the CSD launch. We hope by developing the market in these projects, more Namibian companies will open their shareholder base and come to market by listing. As in most African markets, ours is plagued by small size and illiquidity and can only change by having more choice and depth. However, the exchange cannot force anyone to list their company and if they perceive uncertainty in the regulatory space, listing is a difficult step to take. It is therefore of the utmost importance to have clear guidelines on any requirements for Namibianisation, Black Economic Empowerment / New Equitable Economic Empowerment Framework and localisation. The NSX is confident it can play a meaningful role in these areas if the rules of the game are clear and consistent. The NSX has maintained world class regulation of listed companies and shall continue to do so, as dilution of these requirements may lead to lower levels of investment due to institutional investors not being allowed to participate in the market.

We further believe with the implementation of the CSD, it will open the Namibian market to additional interest from the international market which would increase the demand even more, not only for shares, but specifically on the bond market. The NSX is proud to be leading both these projects with the CSD expected to go live in the latter part of 2017.

Harambee Prosperity Plan (HPP) 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. 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.

Highlights of the NSX contributions to deepening and diversifying the capital markets in Namibia during 2016 include:

- The NSX reviewed its fee structure, reducing the cost of capital raising and attracting more market participants;
- Total net assets of the NSX and its Guarantee Fund now exceeds N\$ 69 million;
- Dual Listing of Astoria Investments Ltd and Tadvest Limited out of Mauritius and Mediclinic International Plc primary listed on the London Stock Exchange;
- Biggest capital raised to date by Trevo Capital Limited NAD3.3 billion;
- Continuing to participate in the debate on the requirement of NEEEF and the impact on the financial sector;
- NAMFISA provided the draft conditions for the CSD, these were discussed with all market participants from which comments were derived for NAMFISA to re-write certain aspects of the conditions. The NSX is awaiting the final conditions from NAMFISA;
- A Broker's networking session with other Brokers from Southern Africa to expand the investment market base and promote information sharing.

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

- Revision of the bond trading activities and how they can be amended to accommodate on market trading and full reporting of trades;
- NSX will be re-launching the Scholars Challenge at a tertiary level;
- 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;

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.

Again the uncertainty of the much discussed modalities of Regulation 28 to the Pension Fund Act (in terms of which

each fund must invest 25% (2012 – 35%) of its total fund in “Namibian” assets, with certain prescriptive minimums and prudential maximums) continued and brings closer the intended 10% by 2017 of dual listed stock that qualify as Namibian assets. 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 4.06% of the total trades.

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 2016 is N\$ 39.119 billion up from N\$ 9.982 billion at the end of 2010 plus N\$ 17.1 billion (at exchange rate of 31 December 2016) internationally and N\$ 750 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.

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.

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.

The Local Index increased by 10% in 2016 on turnover of N\$ 586 million after a 28% increase in 2015, all in an illiquid market, while the Overall index increased by 23% against the JSE All Share index which decreased by 0.08%. 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.

At 31 December 2016 the total market capitalisation was N\$ 1.693 trillion or US\$ 124 billion, hopefully re-confirming the position of the NSX as the second largest Exchange by total market capitalisation in Africa, after the JSE.

The Development Capital Market or DevX, at the end of 2016 comprises four dual listed uranium companies and one gold company. Shares listed on the DevX are not included in either of the NSX indices which are calculated by FTSE in London. NAMFISA has advised that economic activity in Namibia is not a prerequisite for listing a company's equity on the NSX.

The graphs presented in this report highlight the volatility in share prices and exchange rates which all severely affect the share prices more than the incomes of these listed companies; the price of uranium and the unfortunate Japanese experiences in 2012 have reduced the exploration capabilities and activities of the dual listed commodity companies.

Despite improvements in the world economy, uncertainty remains high, particularly on worries over the consequences of the US stimulus tapering and the sustainability and/or strength of the economic recovery across various regions. Policy moves by global central bankers will continue to provide direction for international currency markets.

The global economy experienced slow growth overall with many advanced economies finding it challenging to return to expected growth rates. The US economy is relatively healthy, with Europe remaining fragile due to the Britex vote. Emerging economies have been on the falter during the year due to various domestic issues, collapsing commodity prices and the exhaustion of fiscal and monetary policies resulting in the markets shrinking. One commentator has called the SA Rand (and the linked Namibia dollar) a passenger to global developments, macro fundamental vulnerabilities premised on domestic structural deficiencies and idiosyncrasies will continue to position the region less favourably and the SA Rand will remain a high beta EM currency.

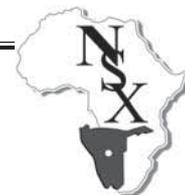
I extend my thanks to management and the Board for harmonising their efforts to improve the operations of the NSX.

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



David Nuyoma
Chairman





NAMIBIAN STOCK EXCHANGE

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 2016

The directors have pleasure in presenting their report on the activities of the group and entity for the year ended 31 December 2016.

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 2016 are fully disclosed in the attached financial statements. The net profit for the year of the group and NSX was, respectively, N\$7 526 303 and N\$6 641 817 (2015: N\$12 614 666 and N\$10 332 858) and the net asset as at 31 December 2016 is, respectively, N\$69 763 782 and N\$55 593 558 (2015: N\$62 237 479 and N\$48 951 741).

DIVIDENDS

No ordinary dividend was declared and paid during the year ended 31 December 2016.

GOING CONCERN

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

BOARD AND OTHER OFFICE BEARERS

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

At 31 December 2016 the Board comprised of:

Capelao O	Elected 20 May 2016
De Bruin S	Retired 20 May 2016
Gerdes H	
Hansen B	Re-elected 20 May 2016
Mandy J	Retired 20 May 2016
Mostert R	
Ndilula K	
Niddrie R	
Nuyoma D	
Smith M	
Van Rensburg B	Elected 20 May 2016
Nailenge E	Nominated by Namfisa, in terms of Section 46 of the Stock Exchanges Control Act 1985, (Act 1 of 1985), as amended, to attend Board and committee meetings.
Bazuin C	Chief Executive Officer

SECRETARIES

M Steynberg
4 Robert Mugabe Avenue
Windhoek
Namibia

REGISTERED OFFICE

4 Robert Mugabe Avenue
Windhoek
Namibia

P O Box 2401
Windhoek
Namibia

EVENTS AFTER THE REPORTING PERIOD

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 2016



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



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

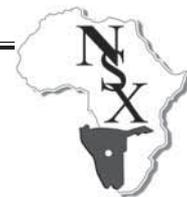


BRUCE PAUL HANSEN – born on 19 September 1969 and is a Director at Simonis Storm Securities (SSS) where he is responsible for Money and Capital Markets and Wealth Management. His previous work experience includes the Ministry of Finance, the Namibian Development Corporation, Sanlam and GIPF. He was trained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



ROMÉ MOSTERT – born 17 August 1985. Romé is a CFA charterholder with a Bachelor's of Commerce degree from the University of Stellenbosch. He completed his CFA exams in 2012. In February 2017 Romé co-founded Cirrus Capital, a financial services company. Romé has run the research desk at two of Namibia's largest stockbrokers, and was made the MD of IJG Securities in 2014.





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



RICHARD NIDDRIE - born on 20 March 1955. Richard studied at the University of the Witwatersrand and is a registered Chartered Accountant in both Namibia and South Africa. He was at Ernst & Young for over 30 years, 20 of which was as an audit partner. His portfolio included listed corporations and subsidiaries of listed corporations. As an audit partner he also served on a number of audit committees. He is currently a director of Nedbank Namibia and a Trustee of the Namibia Nature Foundation. Richard was elected to the NSX board in 2014.



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



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



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

NSX BOARD & COMMITTEES

As at 31 December 2016

BOARD OF DIRECTORS

D Nuyoma (Chairman), H-B Gerdes (Deputy Chairman), O Capelao, B Hansen, R Mostert, K Ndilula, R Niddrie, M Smith, B van Rensburg,

SUB-COMMITTEES OF THE BOARD²

AUDIT & RISK COMMITTEE

R Niddrie (Chair), O Capelao, R Mostert

BROKER SCREENING COMMITTEE

H-B Gerdes (Chair), A Swanepoel

DISCIPLINARY COMMITTEE

H-B Gerdes (Chair), O Capelao

REMUNERATION COMMITTEE

H-B Gerdes (Chair), O Capelao, K Ndilula

INVESTMENT COMMITTEE

B van Rensburg , K. Ndilula

LISTING COMMITTEE PANEL

A Board Member will chair each Listings Committee meeting.

H-B Gerdes (Chair), H Bossau (Deputy), J Badenhorst, G Cornelissen¹, R Chun, J D Mandy, H A R Meiring, H-H Müsseler, 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

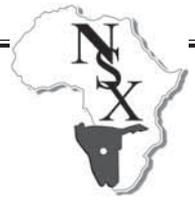
KEY MANAGEMENT

C Bazuin (Chief Executive Officer), M Steynberg (Operations Manager), A Hendricks (Administration Manager)

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

31 December 2016



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

NSX & TRANSFER SECRETARIES STAFF at 31 December 2016



Left to Right: M Steynberg, A van Wyk, A Hendricks, P Garoes, R Jooste, T Kavangelua, J Saal, E Esterhuizen, T Bazuin,
E Edwards

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 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 2016 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 2016, 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 2017.





Board members		Total N\$ 2016	Retainer	10-Feb	31-Mar	30-Jun	29-Sep	Total N\$ 2015
Capelao O	Elected 20 May 2016	16,382	9,075	-	-	√	√	-
De Bruin S	Retired 20 May 2016	10,332	3,025	√	√	-	-	21,905
Gerdes H	Re-elected 29 Apr 2015	22,601	12,100	√	√	√	a	18,478
Hansen B	Re-elected 20 May 2016	26,714	12,100	√	√	√	√	18,789
Mandy J	Retired 20 May 2016	6,219	3,025	a	√	-	-	21,905
Mostert R	Elected 29 April 2015	23,520	12,100	√	√	a	√	14,793
Ndilula K	Re-elected 29 Apr 2015	20,326	12,100	√	a	a	√	21,905
Niddrie R	Elected 29 April 2014	22,601	12,100	√	√	√	a	21,905
Nuyoma D	Elected 29 April 2014	35,620	24,200	√	√	a	√	32,905
Smith M	Re-elected 29 April 2015	23,520	12,100	√	a	√	√	11,000
Spath M	Retired 29 April 2015	-	-	-	-	-	-	7,112
van Rensburg B	Elected 20 May 2016	16,382	9,075	-	-	√	√	-
		224,217	121,000					190,697

The majority of the members of the Board are considered to be independent non-executive directors as some have interests that fall outside the definition of independent as set out in the NamCode and the NSX Listing Requirements, but have served for periods which ensure that they are defined as independent in the UK's Combined Code. The Board has taken cognisance of the potential conflicts and has taken steps to mitigate any such conflicts. The Board believes that its composition and regular elections ensure that no one individual has undue influence in its deliberations and ultimate decisions.

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

For 2016 Directors fees were based on a retainer of N\$12 100 for each Board member and a rate of N\$1 370.93 per hour. The annual fees are based on an hourly rate per hour spent in meetings as well as preparation.

The Chief Executive Officer attends all meetings by invitation.

MAJOR SUB – COMMITTEES OF THE BOARD

Remuneration Committee

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

Remuneration committee	Total N\$ 2016	01-Feb	Total N\$ 2015
De Bruin S	4,113	√	3,739
Gerdes H	4,113	√	3,739
Ndilula K	4,113	√	3,739
	12,339		11,217

Audit & Risk Committee

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

Audit & Risk committee		Total N\$ 2016	Retainer	16-Mar	Total N\$ 2015
Capelao O	Elected 20 May 2016	-	-	-	-
De Bruin S	Retired 20 May 2016	8,166	3,025	√	20,348
Mostert R	Elected 29 April 2015	5,141	-	√	3,116
Niddrie R	Chairman from 20 May 2016	14,216	9,075	√	9,348
		27,523	12,100		32,812

It is the responsibility of the Audit & Risk Committee to review the annual financial statements of the NSX and its subsidiaries and the Guarantee Fund, and to make appropriate recommendations regarding their approval to the Boards of the NSX, Transfer Secretaries (Proprietary) Limited, Maerua Investments No 9 (Proprietary) Limited, Central Securities Depository (Proprietary) Limited and a dormant subsidiary company. The annual fee for the Audit Committee is also split into a retainer and a meeting fee.

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

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.

Listing Committee

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

Listings Panel	Total N\$ 2016	Retainer	Total N\$ 2015
Bossau H	12,100	12,100	15,985
Gerdes H	12,100	12,100	23,463
Mandy J	-		12,463
Niddrie R	-		9,970
Smith M	-		17,448
	<u>24,200</u>	<u>24,200</u>	<u>79,329</u>

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 2017) and the publication of the related prudential and market conduct regulations being drafted by the Namibia Financial Institutions Supervisory Authority (NAMFISA).

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

Investment committee and capital management

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

To improve the returns on investments and to benefit from the positive returns experienced in the capital market since the international financial crisis, management recommended to the Board to appoint a number of Namibian unit trust asset managers with a prudential and balanced mandate to manage the funds of the NSX and the Guarantee Fund and not to rely on the interest income approach of prior years. The Board has decided to impose a limit of 40% of total funds in any one fund or bank. No fees were paid to this committee during 2016.

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





RISK MANAGEMENT REVIEW

With the introduction by the JSE of electronic settlement for equities through STRATE and thereby for the South African dual listed shares on the NSX, have recently accounted for over 96% of the value of trades on the NSX. The risks that the NSX is required to identify, manage and mitigate are significantly reduced with the large JSE dual listed trades. In early 2012 the NSX acknowledged that major off-market transactions in primary listed equities were being reported due to the high trading costs on the NSX and the NAMFISA levies on both the buy and sell legs of the transaction and introduced its so-called concessionary trade levies, retaining the double NAMFISA levy but reducing the stockbroker and the resultant NSX portion. No concessionary trades were reported for 2016.

The JSE has written terms of reference for its Risk Management Committee which is chaired by an independent non-executive committee to assist its board with the identification, assessment, evaluation and monitoring actual and potential risks and the mitigation thereof. The South African Institute of Chartered Accountants in 2004 issued an updated *Stockbrokers: Audit and Accounting Guide* to provide practical guidance on the auditing and accounting issues related to the accounts of Stockbrokers. In addition, regular reviews of the BDA systems was undertaken by an independent auditing firm for use by all auditors to stockbrokers; this review was last completed in March 2016 for the period ended February 2016 by PricewaterhouseCoopers Advisory Services (Proprietary) Limited for the JSE Ltd.

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

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

Principal risk

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

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

Technology and systems risk

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

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

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

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

Settlement and liquidity risk

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

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

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

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

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

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

Systemic risk

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

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

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

Fidelity risk

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

Legal risk

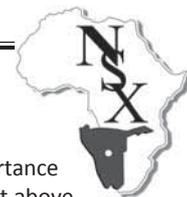
This is the risk that a transaction or contract cannot be consummated due to a legal impediment. The NSX is subject to this risk. The Chief Executive Officer is responsible for addressing this risk and in conjunction with external legal counsel attends to managing this risk. The Rules and Directives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

Currency risk

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

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





Reputational risk

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

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

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

Operational risk

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

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

Operational risk elements can be classified as follows:

- Process risk
- Employee risk
- Systems risk

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

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

Credit risk

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

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

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

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

Liquidity risk

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

Interest rate risk

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

NAMIBIAN STOCK EXCHANGE ANNUAL FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The Members of the Board of the Namibian Stock Exchange (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.

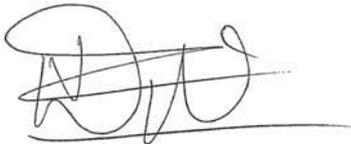
The internal controls include a risk-based system of internal accounting and administrative controls designed to provide reasonable but not absolute assurance that assets are safeguarded and that transactions are executed and recorded in accordance with generally accepted business practices and the Namibian 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.

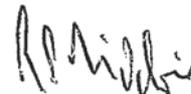
The management and the Board of the NSX believe that the Namibian Stock Exchange and its wholly-owned subsidiaries, will be able to continue as going concerns in the year ahead. For this reason they continue to adopt the going concern basis in preparing the annual financial statements.

DIRECTORS' APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

The consolidated and separate financial statements for the year ended 31 December 2016 set out on pages 16 - 38 have been approved by the Board on 22 March 2017 and are signed on its behalf by:

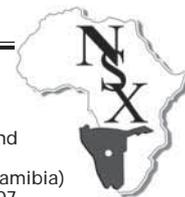


D Nuyoma
Chairman



R Niddrie
Director





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

Opinion

We have audited the financial statements of Namibian Stock Exchange set out on pages 16 to 38, which comprise the consolidated and separate statements of financial position as at 31 December 2016 and the consolidated and separate statements of comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the period then ended, and the consolidated and separate notes to the financial statements, including a summary of significant accounting policies and the directors' report.

In our opinion, the financial statements present fairly, in all material respects, the consolidated and separate financial position of the NSX as at 31 December 2016 and its consolidated and separate financial performance and cash flows for the period then ended in accordance with International Financial Reporting Standards (IFRSs).

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 consolidated and separate Financial Statements section of our report. We are independent of the NSX and Group in accordance with the Public Accountants' and Auditors' Act 1951 (as amended) ("PAAB Act").

We have fulfilled our other ethical responsibilities in accordance with the PAAB Act code of ethics. The PAAB Act Code of Ethics is consistent with the International Ethics Standard Board for Accountants Code of Ethics for Professional Accountants (Part A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Directors for the Financial Statements

The Namibian Stock Exchange's Board and management are responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

Other Information

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF

THE NAMIBIAN STOCK EXCHANGE (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

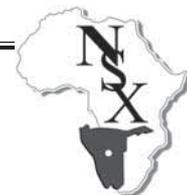
We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Deloitte + Touche

Deloitte & Touche
Registered Accountants and Auditors
Chartered Accountants (Namibia)
Per Johann Cronje
Partner
Windhoek
22 March 2017

Partners: E Tjipuka (Managing Partner) RH McDonald H de Bruin J Cronjé A Akayombokwa AT Matenda G Brand*
*Director
Associate of Deloitte Africa, a Member of Deloitte Touche Tohmatsu Limited





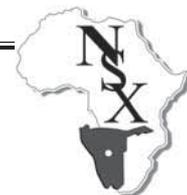
**NAMIBIAN STOCK EXCHANGE
STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Notes	2016 N\$	Group 2015 N\$	Namibian Stock Exchange 2016 N\$	2015 N\$
Revenue	4	12,779,490	13,540,444	10,175,845	11,002,738
Investment income	5	1,833,015	4,971,300	2,289,800	4,421,171
Other income		27,816	109,096	1,282,252	1,118,346
Total revenue		14,640,321	18,620,840	13,747,897	16,542,255
Operating expenses	6	(7,638,045)	(6,566,675)	(7,106,080)	(6,209,397)
PROFIT BEFORE TAXATION		7,002,276	12,054,165	6,641,817	10,332,858
Taxation	7	(90,973)	(99,499)		
PROFIT FOR THE YEAR		6,911,303	11,954,666	6,641,817	10,332,858
Other comprehensive income, net of income tax					
<i>Items that will not be reclassified subsequently to profit and loss</i>					
Unrealised gain on revaluation of fixed property	10	615,000	660,000	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		7,526,303	12,614,666	6,641,817	10,332,858

**NAMIBIAN STOCK EXCHANGE
STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016**

	Note	2016 N\$	Group 2015 N\$	Namibian Stock Exchange 2016 N\$	2015 N\$
ASSETS					
NON-CURRENT ASSETS		53,878,723	52,501,218	42,568,823	41,325,082
Plant, equipment and intangibles	9	763,350	723,813	60,278	33,513
Fixed property	10	8,990,000	8,375,000	-	-
Investments in subsidiaries	11	-	-	8,219,558	7,742,469
Other investments, listed	12	568,054	569,220	568,054	569,220
Other investments, balanced mandate unit trusts	13	43,557,319	42,833,185	33,720,933	32,979,880
CURRENT ASSETS		18,409,313	11,572,339	15,553,722	9,318,574
Trade and other receivables	14	518,209	1,429,592	220,866	1,200,983
Current taxation		2,661	3,581	-	-
Cash and cash equivalents	18.3	17,888,443	10,139,166	15,332,856	8,117,591
TOTAL ASSETS		72,288,036	64,073,557	58,122,545	50,643,656
RIGHTS, RESERVES AND LIABILITIES					
RIGHTS AND RESERVES		69,763,782	62,237,479	55,593,558	48,951,741
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		2,169,700	1,554,700	-	-
Insurance reserve		500,000	500,000	500,000	500,000
Guarantee fund	16	12,309,181	11,574,502	-	-
Retained surplus		52,464,401	46,287,777	52,773,058	46,131,241
NON-CURRENT LIABILITIES		503,026	440,623	371,588	334,456
Provision for retrenchment and retirement	17	384,193	345,350	371,588	334,456
Deferred taxation	8	118,833	95,273	-	-
CURRENT LIABILITIES		2,021,228	1,395,455	2,157,399	1,357,459
Trade and other payables	15	2,021,228	1,395,455	2,157,399	1,357,459
TOTAL RIGHTS, RESERVES AND LIABILITIES		72,288,036	64,073,557	58,122,545	50,643,656





NAMIBIAN STOCK EXCHANGE STATEMENTS OF CHANGES IN RIGHTS AND RESERVES FOR THE YEAR ENDED 31 DECEMBER 2016

GROUP

	Founding members' contributions N\$	Stock-broking members' rights N\$	Property revaluation reserve N\$	Insurance reserve N\$	Guarantee fund N\$	Retained surplus N\$	Total N\$
Balance at 31 December 2014	430,000	1,890,500	894,700	500,000	9,754,012	36,153,600	49,622,812
Profit for the year	-	-	-	-	-	11,954,667	11,954,667
Other comprehensive income for the year	-	-	660,000	-	-	-	660,000
Total comprehensive income for the year	-	-	660,000	-	-	11,954,667	12,614,667
Transfer	-	-	-	-	1,820,490	(1,820,490)	-
Balance at 31 December 2015	430,000	1,890,500	1,554,700	500,000	11,574,502	46,287,777	62,237,479
Profit for the year	-	-	-	-	-	6,911,303	6,911,303
Other comprehensive income for the year	-	-	615,000	-	-	-	615,000
Total comprehensive income for the year	-	-	615,000	-	-	6,911,303	7,526,303
Transfer	-	-	-	-	734,679	(734,679)	-
Balance at 31 December 2016	430,000	1,890,500	2,169,700	500,000	12,309,181	52,464,401	69,763,782
Number of rights	43	35	-	-	-	-	78
Notes			10		16		

NAMIBIAN STOCK EXCHANGE

	Founder members' contributions N\$	Stockbroking members' rights N\$	Insurance reserve N\$	Retained surplus N\$	Total N\$
Balance at 31 December 2014	430,000	1,890,500	500,000	35,798,383	38,618,893
Total comprehensive income for the year	-	-	-	10,332,858	10,332,858
Balance at 31 December 2015	430,000	1,890,500	500,000	46,131,241	48,951,751
Total comprehensive income for the year	-	-	-	6,641,817	6,641,817
Balance at 31 December 2016	430,000	1,890,500	500,000	52,773,058	55,593,568

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>

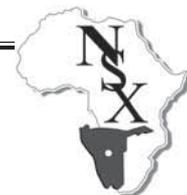
Valuation

	Group	Namibian Stock Exchange
2015	797 000	627 000
2016	894 000	712 000

NAMIBIAN STOCK EXCHANGE STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 N\$	Group 2015 N\$	Namibian Stock Exchange	
				2016 N\$	2015 N\$
CASH FLOW FROM OPERATING ACTIVITIES		7,829,559	6,933,326	7,741,436	6,395,335
Cash receipts from customers		13,744,868	12,769,259	12,438,214	11,279,145
Cash paid to suppliers and employees		(6,957,696)	(6,266,493)	(6,245,524)	(5,840,845)
Cash generated from operations	18.1	6,787,172	6,502,766	6,192,690	5,438,300
Investment income		1,108,880	494,591	1,548,746	957,035
Taxation paid		(66,493)	(64,031)	-	-
CASH FLOWS UTILISED FOR INVESTING ACTIVITIES		(80,282)	(13,242)	(526,171)	(323,297)
Acquisition of property, plant and equipment		(83,050)	(14,488)	(51,620)	(13,577)
Proceeds from disposal of property, plant and equipment		1,600	-	1,371	-
Movements in investments		2	-	(477,088)	(310,966)
Net withdrawals from (additions to) listed investments		1,166	1,246	1,166	1,246
Net movement in cash and cash equivalents		7,749,277	6,920,083	7,215,265	6,072,037
Cash and cash equivalents at beginning of the year		10,139,166	3,219,083	8,117,591	2,045,554
Cash and cash equivalents at end of the year	18.3	17,888,443	10,139,166	15,332,856	8,117,591





NAMIBIAN STOCK EXCHANGE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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.

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.

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 Namibian Stock Exchange, an exchange licensed in terms of the Stock Exchanges Control Act, (Act 1 of 1985) (SECA); the separate statutory guarantee fund created and maintained in accordance with SECA and 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.

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.

NAMIBIAN STOCK EXCHANGE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2016

1. ACCOUNTING POLICIES (Continued)

1.4 Financial instruments (continued)

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

Financial assets at fair value through profit and loss

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.

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.

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.

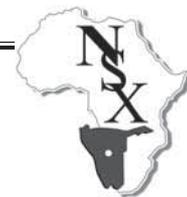
1.6 Impairments

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

1.7 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.





NAMIBIAN STOCK EXCHANGE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2016

1. ACCOUNTING POLICIES (Continued)

1.8 Plant, equipment and intangibles

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

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

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 retrenchment and retirement 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.

NAMIBIAN STOCK EXCHANGE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2016

1. ACCOUNTING POLICIES (Continued)

1.12 Revenue recognition

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

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

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

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

1.13 Leases

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

1.14 Taxation

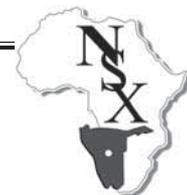
The NSX and the Guarantee Fund are exempt from normal taxation in terms of Section 16(1)(d) of the Income Tax Act, No. 24 of 1981. The operating subsidiaries are subject to normal taxation in terms of the Income Tax Act, No 24 of 1981.

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

1.15 Provisions

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





NAMIBIAN STOCK EXCHANGE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2016

2. ACCOUNTING ESTIMATES AND JUDGEMENTS

There were no material judgements nor estimates made in preparing these financial statements.

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. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has adopted all the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Committee (IFRIC) of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 January 2016. The following new standards and interpretations are effective for the current accounting period:

New standards and interpretations effective in the current accounting period		Effective date
IFRS 14	Regulatory Deferral Accounts	January 01, 2016
IFRS 11	Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)	January 01, 2016
IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)	January 01, 2016
IAS 1	Disclosure Initiative (Amendments to IAS 1)	January 01, 2016
IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)	January 01, 2016

None of the standards, as indicated above that were effective for the current accounting period, had an impact on the results or financial position of the group or the NSX.

At the date of authorisation of these financial statements, the following Standards and Interpretations were issued but not yet effective:

New standards and recent amendments International Financial Reporting Standards		Effective date
IFRS 2	Share-based payments: Amendments of the classification and measurement	January 01, 2018
IFRS 7	Financial Instruments: Disclosures — Additional hedge accounting disclosure	January 01, 2017
IFRS 9	Financial Instruments: Deferral of mandatory effective date of IFRS 9 and amendments to transition disclosures	January 01, 2017
IFRS 9	Financial Instruments: Classification and Measurement	January 01, 2017
IFRS 9	Financial Instruments: Accounting for financial liabilities and derecognition	January 01, 2018
IFRS 9	Financial Instruments: Accounting for hedge accounting	January 01, 2017
IFRS 16	Leases	January 01, 2019
IFRS 15	Revenue from Contracts with Customers	January 01, 2017
IAS 39	Financial Instruments — Recognition and Measurement - Amendments to permit an entity to elect to continue to apply the hedge accounting requirements in IAS 39 for a fair value hedge	January 01, 2017

The directors anticipate that the adoption of these standards and interpretations will not have a material impact on the financial statements in future periods.

NAMIBIAN STOCK EXCHANGE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

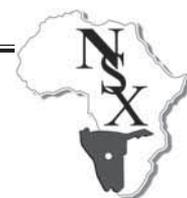
FOR THE YEAR ENDED 31 DECEMBER 2016

4. REVENUE ANALYSIS

Management regards the NSX as a single reportable segment, as with Transfer Secretaries, Central Securities Depository, Maerua Investments Number Nine and the Guarantee Fund. The Fixed property acquired is occupied by the Group and eliminates on consolidation.

	Namibian Stock Exchange N\$	Transfer Secretaries N\$	Guarantee Fund N\$	Group N\$
Revenue represents net invoiced amounts to :				
For the year ended 31 December 2016				
Listed entities				
- Listing and documentation fees	738,000	-	-	738,000
- Annual fees	2,355,000	118,200	-	2,473,200
- Quarterly fees	-	600,545	-	600,545
- Service fees	-	1,281,074	-	1,281,074
	<u>3,093,000</u>	<u>1,999,819</u>	<u>-</u>	<u>5,092,819</u>
Data distribution vendors				
- Information fees	828,555	-	-	828,555
Stockbrokers, sponsors and clients				
- Guarantee fund contributions	-	-	603,826	603,826
- Annual and entrance fees	189,850	-	-	189,850
- Commission received - Transaction levy	6,038,265	-	-	6,038,265
- Commission received - Other	26,175	-	-	26,175
	<u>6,254,290</u>	<u>-</u>	<u>603,826</u>	<u>6,858,116</u>
	<u>10,175,845</u>	<u>1,999,819</u>	<u>603,826</u>	<u>12,779,490</u>
For the year ended 31 December 2015				
Listed entities				
- Listing and documentation fees	1,048,098	-	-	1,048,098
- Annual fees	2,144,500	106,780	-	2,251,280
- Quarterly fees	-	549,050	-	549,050
- Service fees	-	1,149,170	-	1,149,170
	<u>3,192,598</u>	<u>1,805,000</u>	<u>-</u>	<u>4,997,598</u>
Data distribution vendors				
- Information fees	702,276	-	-	702,276
Stockbrokers, sponsors and clients				
- Guarantee fund contributions	-	-	732,706	732,706
- Entrance and annual fees	180,808	-	-	180,808
- Commission received - Transaction levy	6,927,056	-	-	6,927,056
	<u>7,107,864</u>	<u>-</u>	<u>732,706</u>	<u>7,840,570</u>
	<u>11,002,738</u>	<u>1,805,000</u>	<u>732,706</u>	<u>13,540,444</u>
	2016 N\$	Group 2015 N\$	Namibian Stock Exchange 2016 N\$	2015 N\$
5. INVESTMENT INCOME				
Interest on investments at amortised cost				
- listed	53,445	53,365	53,445	53,365
Interest on intercompany loan	-	-	595,015	544,493
Interest on bank and call accounts	1,055,435	441,226	900,286	359,177
	<u>1,108,880</u>	<u>494,591</u>	<u>1,548,746</u>	<u>957,035</u>
Fair value adjustment on unit trust investments	724,135	4,476,709	741,054	3,464,136
	<u>1,833,015</u>	<u>4,971,300</u>	<u>2,289,800</u>	<u>4,421,171</u>





NAMIBIAN STOCK EXCHANGE
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2016

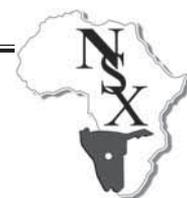
	2016 N\$	Group 2015 N\$	Namibian Stock Exchange 2016 N\$	2015 N\$
6. OPERATING EXPENSES				
Profit before taxation is arrived after taking the following items into account:				
Auditor's remuneration - audit	144,337	133,192	103,991	96,727
Auditor's remuneration - other services	46,890	43,700	46,890	43,700
Bad debts	30,000	-	30,000	-
Depreciation	43,482	42,426	24,832	20,130
Information technology fees	709,523	585,294	552,879	513,362
Legal fees	33,463	42,780	22,324	42,780
Loss / (profit) on foreign exchange	4,163	(8,784)	4,163	(8,784)
Professional & secretarial fees	4,030	6,865	345	2,725
Rental cost	81,499	75,700	552,723	546,924
Remuneration - directors and staff				
Director and Committee fees				
- Board	224,217	190,697	224,217	190,697
- Audit and risk management committee	27,523	32,812	27,523	32,812
- Demutualisation committee	-	9,969	-	9,969
- Listing committee	24,200	79,329	24,200	79,329
- Remuneration committee	12,339	11,217	12,339	11,217
	288,279	324,024	288,279	324,024
- Transfer Secretaries Board	3,000	3,000	-	-
Less Board and committee fees allocated to subsidiaries	-	-	(66,021)	(58,681)
	291,279	327,024	222,258	265,343
Staff costs				
Including key management costs				
- salaries and wages	3,632,887	2,907,801	3,318,835	2,897,795
- contributions to retirement funds	794,973	682,055	718,589	611,133
- other	485,479	686,502	419,546	337,014
- provision for retrenchment and retirement	38,842	63,403	37,132	62,563
	4,952,181	4,339,761	4,494,102	3,908,506
	5,243,460	4,666,785	4,716,360	4,173,849

**NAMIBIAN STOCK EXCHANGE
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2016**

	2016 N\$	Group 2015 N\$
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		
Effective rate	1.30%	0.83%
- effect of income exempt from tax the:		
- NSX	30.4%	26.7%
- Guarantee Fund	3.4%	5.5%
- effect of the assessed losses	(3.01%)	0.0%
Standard rate of taxation	<u>32.0%</u>	<u>32.0%</u>
Normal taxation		
- Current taxation	67,413	62,305
- Deferred taxation	23,560	37,194
Namibian normal tax	<u>90,973</u>	<u>99,499</u>
Estimated tax losses		
<i>Utilised to reduce tax liability</i>		
At beginning of the year	(127,776)	(147,089)
Utilised during the year	11,393	19,313
	<u>(116,383)</u>	<u>(127,776)</u>
<i>Unutilised to create deferred tax asset</i>		
At beginning of the year	(421,323)	(4,743)
Increase in the Assessed losses	(658,293)	(416,580)
Available for set off against future taxable income	<u>(1,079,616)</u>	<u>(421,323)</u>
8. DEFERRED TAXATION		
Balance at the beginning of the year	(95,273)	(58,079)
Charge to profit and loss	(23,560)	(37,194)
Balance at end of the year	<u>(118,833)</u>	<u>(95,273)</u>
<i>Comprising:</i>		
Capital allowances	160,108	123,426
Straight-lining of rental	-	16,220
Provision for retrenchment and retirement	(4,033)	(3,486)
Tax losses	(37,243)	(40,888)
	<u>118,832</u>	<u>95,272</u>

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





NAMIBIAN STOCK EXCHANGE NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2016

9. PLANT, EQUIPMENT and INTANGIBLES	Software and licences N\$	Office furniture N\$	Equipment N\$	TOTAL N\$
Group - Cost				
Balance at 31 December 2014	1,257,604	177,795	392,685	1,828,084
Additions	-	2,161	12,327	14,488
Balance at 31 December 2015	1,257,604	179,956	405,012	1,842,573
Additions	-	-	83,050	83,050
Disposals	(58,518)	(7,487)	(41,489)	(107,494)
Balance at 31 December 2016	1,199,086	172,469	446,573	1,818,129
Group - Depreciation				
Balance at 31 December 2014	579,742	141,832	354,760	1,076,334
Amortisation / Depreciation charge for the year	2,283	13,931	26,212	42,426
Balance at 31 December 2015	582,025	155,763	380,972	1,118,760
Amortisation / Depreciation charge for the year	2,163	14,071	27,248	43,482
Disposals	(58,504)	(7,479)	(41,480)	(107,463)
Balance at 31 December 2016	525,684	162,355	366,740	1,054,779
Group - Net book value				
At 31 December 2015	675,579	24,193	24,040	723,813
At 31 December 2016	673,402	10,114	79,833	763,350
Namibian Stock Exchange - Cost				
Balance at 31 December 2014	549,188	128,981	271,810	949,979
Additions	-	1,250	12,327	13,577
Balance at 31 December 2015	549,188	130,231	284,137	963,556
Additions	-	-	51,620	51,620
Disposals	(57,018)	(5,563)	(22,805)	(85,386)
Balance at 31 December 2016	492,170	124,668	312,952	929,790
Namibian Stock Exchange - depreciation				
Balance at 31 December 2014	541,220	113,374	255,319	909,913
Amortisation / Depreciation charge for the year	1,800	6,871	11,458	20,130
Balance at 31 December 2015	543,020	120,245	266,777	930,043
Amortisation / Depreciation charge for the year	1,800	6,892	16,140	24,832
Disposals	(57,005)	(5,557)	(22,801)	(85,363)
Balance at 31 December 2016	487,815	121,580	260,116	869,512
Namibian Stock Exchange - Net book value				
At 31 December 2015	6,168	9,986	17,360	33,513
At 31 December 2016	4,355	3,088	52,836	60,278

The Namibian Stock Exchange and its subsidiary, Central Securities Depository (Pty) 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).

**NAMIBIAN STOCK EXCHANGE
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Group		Namibian Stock Exchange	
	2016	2015	2016	2015
	N\$	N\$	N\$	N\$
10. FIXED PROPERTY				
Acquisition cost	-	-	-	-
Balance brought forward	8,375,000	7,715,000	-	-
Revaluation adjustment at 31 December 2016	615,000	660,000	-	-
At fair value	8,990,000	8,375,000	-	-

10.1 Fixed property consists of Section 9 (measuring 255 m² with a participation quota of 18.8%) and Section 2 (measuring 91 m² with a participation quota of 6.7%) in the Sectional Title Scheme Maerua Heights No 65 / 2012 and an undivided share of Erf 1970 Windhoek, measuring 1264 m². The property is un-encumbered.

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

10.3 At 31 December 2016 the two units were revalued by Property Valuation Namibia's, PJ Scholtz, a Professional / Sworn Appraiser holding a National Diploma Property Valuations (Technicon SA) at N\$ 8 990 000 (2015: N\$8 375 000).

11. INVESTMENTS IN SUBSIDIARIES **% owned**

11.1. Transfer Secretaries (Pty) Ltd

The nature of its business is that of transfer agent

Issued capital	100%	4,000	4,000
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Included in accounts receivable (note 14) is the amount owing by subsidiaries on current account.

11.2. Maerua Investments Number Nine (Pty) Limited

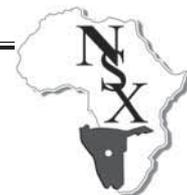
This company whose nature of its business is investing in property was acquired to further diversify the NSX's investment portfolio with potential for capital appreciation

Issued capital	100%	1,325,100	1,325,100
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Loan to subsidiary without any fixed term of repayment, interest is payable monthly at an annual rate of 8.5%.

5,145,000	5,325,000
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**NAMIBIAN STOCK EXCHANGE
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2016**

	% owned	Group		Namibian Stock Exchange	
		2016 N\$	2015 N\$	2016 N\$	2015 N\$
11. INVESTMENTS IN SUBSIDIARIES (continued)					
11.3. Central Securities Depository (Pty) Ltd					
The nature of its business is to provide central securities depository services to the Namibian market:					
Issued share capital in:	100%			4,000	4,000
Loan to subsidiary without any fixed term of repayment. Interest is capitalised monthly at the Namibian prime interest rate.				1,741,458	1,084,369
11.4 The Namibian Stock Exchange also wholly owns the following dormant subsidiary:					
Issued share capital in:					
Namibian Stock Exchange Trustees (Pty) Ltd	100%			4,000	4,000
Less - intercompany loans				(4,000)	(4,000)
Total investment in subsidiaries				8,219,558	7,742,469
12. OTHER INVESTMENTS					
Listed investments (held-to-maturity)					
- Eskom bond - E170 maturing in 2019		200,153	198,829	200,153	198,829
- Government Bonds		367,901	370,391	367,901	370,391
Total investments at amortised cost		568,054	569,220	568,054	569,220
13. OTHER INVESTMENTS, BALANCED MANDATE UNIT TRUSTS					
Allan Gray Balanced Fund		13,291,516	12,515,323	13,291,516	12,515,323
Old Mutual Unit Trust - Namibia Managed Fund		15,300,184	15,102,289	10,327,624	10,194,045
Standard Bank Namibia Managed Fund		14,965,619	15,215,573	10,101,793	10,270,512
Total investments at fair value		43,557,319	42,833,185	33,720,933	32,979,880
The NSX has diversified its investments to include equities to increase the yields currently available in interest bearing call accounts with Namibian commercial banks.					
14. TRADE AND OTHER RECEIVABLES					
Trade receivables, net of provision		478,229	1,394,060	177,851	1,140,648
Transfer Secretaries (Pty) Ltd		-	-	1,793	21,728
Maerua Investments Number Nine (Pty) Ltd		-	-	6,655	-
Prepayments		35,318	33,822	29,905	15,013
Other receivables		4,662	1,710	4,662	23,594
		518,209	1,429,592	220,866	1,200,983
Receivables that are past due but not impaired		2,300	16,444	2,300	16,444

**NAMIBIAN STOCK EXCHANGE
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Group		Namibian Stock Exchange	
	2016	2015	2016	2015
	N\$	N\$	N\$	N\$
15. TRADE AND OTHER PAYABLES				
Trade payables	670,090	159,915	612,453	109,275
Intercompany payables	-	-	287,518	60,292
Value added taxation	24,374	32,982	-	-
Accruals	1,326,764	1,202,558	1,257,428	1,187,892
	<u>2,021,228</u>	<u>1,395,455</u>	<u>2,157,399</u>	<u>1,357,459</u>

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.

Balance at beginning of year	11,574,502	9,754,012	-	-
Income for the year	734,679	1,820,490	-	-
Retained surplus at end of the year	<u>12,309,181</u>	<u>11,574,502</u>	-	-

17. PROVISIONS

Provision for retrenchment and retirement

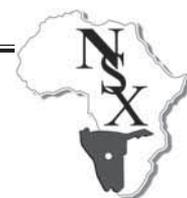
Balance at beginning of the year	345,350	281,947	334,456	271,893
Increase in provision	38,843	63,403	37,132	62,563
Balance at end of the year	<u>384,193</u>	<u>345,350</u>	<u>371,588</u>	<u>334,456</u>

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

Key assumptions used are:

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





**NAMIBIAN STOCK EXCHANGE
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Group		Namibian Stock Exchange	
	2016	2015	2016	2015
	N\$	N\$	N\$	N\$
18. NOTES TO THE STATEMENT OF CASH FLOWS				
18.1 Cash generated from operations				
Profit for the year before taxation	7,002,276	12,054,166	6,641,817	10,332,859
<i>Adjustment for:</i>				
Profit on disposal of property, plant and equipment	(1,570)	-	(1,348)	-
Depreciation	43,482	42,426	24,832	20,130
Investment income recognised in profit	(1,833,015)	(4,971,300)	(2,289,800)	(4,421,171)
	<u>5,211,173</u>	<u>7,125,292</u>	<u>4,375,501</u>	<u>5,931,818</u>
<i>Movements in working capital</i>				
(Increase)/decrease in trade and other receivables	911,383	(880,281)	980,117	(841,939)
Increase in provision for retrenchment and retirement	38,843	63,403	37,132	62,563
Increase / (decrease) in trade and other payables	625,773	194,352	799,940	285,858
	<u>6,787,172</u>	<u>6,502,766</u>	<u>6,192,690</u>	<u>5,438,300</u>
18.2 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	(3,581)	(1,855)	-	-
Current taxation charged to profit or loss	90,973	99,499	-	-
Movement in deferred taxation	(23,560)	(37,194)	-	-
Receivable at end of year	2,661	3,581	-	-
	<u>66,493</u>	<u>64,031</u>	<u>-</u>	<u>-</u>
18.3 CASH AND CASH EQUIVALENTS				
Cash at bank and on hand	222,271	499,647	123,781	145,325
Call accounts	17,666,172	9,639,519	15,209,075	7,972,266
	<u>17,888,443</u>	<u>10,139,166</u>	<u>15,332,856</u>	<u>8,117,591</u>
19. COMMITMENTS				
Commitments under operating leases with subsidiary, Maerua Investments Number Nine (Pty) Ltd:				
Within one Year	-	-	563,667	521,912
One year to five years	-	-	2,743,142	-
Greater than five years	-	-	-	-
	<u>-</u>	<u>-</u>	<u>3,306,809</u>	<u>521,912</u>
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.				
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 subsidiary contribute to a medical aid scheme for the benefit of permanent employees. In terms of employment contracts, the Group is not liable for the medical aid contributions of retired employees.				

NAMIBIAN STOCK EXCHANGE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2016

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 Namibia Dollar is pegged to the South African Rand on a one-to-one basis. Virtually all the Stock Exchange's transactions are conducted within the common monetary area of Southern Africa. Foreign data distribution vendors are billed in foreign currency 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 22.

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 or decrease of a 100 basis points in the interest rate	<u>178,884</u>	<u>428,332</u>
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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 2016 the Group did not consider there to be any significant concentration of credit risk which has not been adequately 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.

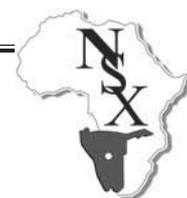
21.5 Capital risk management

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 does not have long term debt and its cash and cash equivalents exceeds current liabilities by N\$16 million.





NAMIBIAN STOCK EXCHANGE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2016

21. FINANCIAL RISK MANAGEMENT (Continued)

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 entities' financial assets and financial liabilities maturity are detailed in note 22.

22. LIQUIDITY and INTEREST RATE RISKS TABLES	Interest rate	Group		Namibian Stock Exchange	
		2016 N\$	2015 N\$	2016 N\$	2015 N\$
Assets					
Non-financial assets					
Plant and equipment		763,350	723,813	60,278	33,513
Fixed property		8,990,000	9,035,000	-	-
Investment in subsidiaries		-	-	8,219,558	7,742,469
Current taxation		2,661	3,581	-	-
Prepayments		35,318	33,822	29,905	15,014
		<u>9,791,329</u>	<u>9,796,216</u>	<u>8,309,741</u>	<u>7,790,996</u>
Financial assets at fair value – mandated unit trusts		<u>43,557,319</u>	<u>42,833,185</u>	<u>33,720,933</u>	<u>32,979,880</u>
Financial assets at amortised cost					
2 to 5 years					
Other investments - listed maturing in 2019 & 2021	10.75%	<u>568,054</u>	<u>569,220</u>	<u>568,054</u>	<u>569,220</u>
0 to 3 months					
Call accounts - variable rates					
Other investments - NSX only	10.75%	15,209,075	2,036,467	15,209,075	7,972,266
Other investments - Guarantee Fund	10.75%	2,457,097	7,603,052		
Current accounts - variable					
Bank balances and cash	7%	222,271	499,647	123,781	145,325
Financial Assets - no interest					
Trade and other receivables		482,891	1,395,770	190,961	1,185,969
		<u>18,371,334</u>	<u>11,534,936</u>	<u>15,523,817</u>	<u>9,303,560</u>
Total assets		<u>72,288,036</u>	<u>64,733,557</u>	<u>58,122,545</u>	<u>50,643,656</u>
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		2,169,700	1,424,700	-	-
Insurance reserve		500,000	500,000	500,000	500,000
Guarantee fund		12,309,181	12,202,701	-	-
Retained surplus		52,464,401	52,029,527	52,773,058	46,131,241
		<u>69,763,782</u>	<u>68,477,428</u>	<u>55,593,558</u>	<u>48,951,741</u>
Liabilities					
Non-financial liabilities					
Provision for retrenchments and retirement		384,193	345,350	371,588	334,456
Trade and other payables		48,754	65,964	287,518	60,292
Current taxation		-	-	-	-
Deferred taxation		118,833	95,273	-	-
		<u>551,780</u>	<u>506,587</u>	<u>659,106</u>	<u>394,748</u>
Financial liabilities					
0 to 3 months					
Trade and other payables		1,972,474	1,329,491	1,869,881	1,297,167
Total liabilities		<u>2,524,254</u>	<u>1,836,078</u>	<u>2,528,987</u>	<u>1,691,915</u>
Total rights, reserves and liabilities		<u>72,288,036</u>	<u>70,313,506</u>	<u>58,122,545</u>	<u>50,643,656</u>

NAMIBIAN STOCK EXCHANGE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2016

23. FAIR VALUE OF 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 advantages) market (of designated fair value financial instrument through profit and loss) regardless of whether that price is directly observable or estimated using another valuation technique.

When determining the fair value of financial instruments, at Level 1 preference is given to prices quoted in an active securities market. The NSX classifies the investment in unit trusts as Level 2 and is of the opinion that for the fair value hierarchy as prescribed by IFRS, the daily publication of unit trust prices by reputable unit trust managers suffices.

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

Investments in balanced mandate funds	43 557 319	42 833 185	33 720 933	32 979 880
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24. RELATED PARTIES

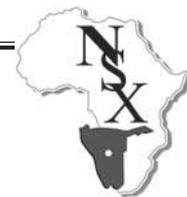
A related parties relationship exists between the Stock Exchange, which performed certain administration services for its subsidiaries (Transfer Secretaries (Pty) Ltd and Maerua Investments Number Nine (Pty) Ltd) for which a management fee as detailed below was charged and paid, being an appropriate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

	Group		Namibian Stock Exchange	
	2016	2015	2016	2015
	N\$	N\$	N\$	N\$
Amounts received from Transfer Secretaries (Pty) Ltd:				
Administrative and management fees based on staff cost (note 6)	-	-	768,000	723,200
Insurance	-	-	42,402	39,776
IT Services including Internet connectivity	-	-	55,200	55,200
Photocopy costs	-	-	1,267	356
Board and Committee fees (note 6)	-	-	66,021	58,681
<hr/>				
Amounts paid to and received from Maerua Investments Number Nine (Pty) Ltd				
	Transfer Secretaries 2016	Transfer Secretaries 2015	NSX 2016	NSX 2015
- Administrative fee	-	-	6,655	6,050
- Premises rental	201,374	201,373	471,224	471,224
- Interest on long-term loan by NSX	-	-	447,926	462,528
<hr/>				
Amounts received from Central Securities Depository (Pty) Limited				
- Management fee			480,000	280,000
- Interest on long-term loan by NSX			147,089	81,964

25. FINANCIAL STATEMENTS

The annual financial statements were authorised for issue on 22 March 2017.





NAMIBIAN STOCK EXCHANGE MANAGEMENT COMMENTARY FOR THE YEAR ENDED 31 DECEMBER 2016

This management commentary by the NSX, provides additional context to users of the annual financial statements of the Namibian Stock Exchange (NSX) and the Group which includes Transfer Secretaries, the Guarantee Fund, the property owning company and the Central Securities Depository, all of which have been prepared in accordance with International Financial Reporting Standards. The commentary provides integrated information that explains the performance of the NSX and the amounts presented in the financial statements specifically the NSX's financial position, financial performance and cash flows and serves as a basis for understanding management's objectives and its strategies for achieving the stated objectives.

Nature of business

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

The Namibian Stock Exchange (NSX) is the only registered stock exchange in Namibia and is required to be licensed annually by the Namibian Financial Institutions Supervisory Authority. The NSX participated in the debates and consultations leading to the drafting of the Namibian Financial Sector Strategy. This strategy calls for the NSX to be demutualised as prescribed in the Financial Institutions & Markets Bill, which is scheduled to be promulgated in 2017.

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

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

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

At the end of 2016, the NSX comprised of 43 founder members and six stock broking members (one of which is a founder member). One of the more onerous obligations on becoming a stockbroker is to acquire six rights at the valuation shown in the statement of changes in rights & reserves. At year end a total of 78 rights had been issued.

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

How does one measure the performance of the NSX itself?

At first glance on page 2 of the Annual Financial statements the NSX did well in 2016 with its income increasing substantially in the last three years. 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.

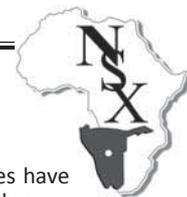
- The number of listing applications and actual new listings is a good indicator of how many companies want to raise money through the exchange.
 - *In 2016 three new listings were recorded being Mediclinic International Plc (prev. Al Noor Hospitals Group) and two dual listed Mauritius companies with an additional capital raising done by Stimulus. Two de-listings with one on the main market and one on the Development Capital Board (DevX). Ten new bonds were listed on the NSX and a total of seven bonds matured to the end of 2016.*
- The trades on the exchange can be measured by the number and value of shares traded. See tables on page 2. The 2016 trades were worth N\$ 14,411 or 16% lower than 2015. 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 and the significant increase in existing and new Government bonds, locally, regionally and internationally, continues to dampen the liquidity on the NSX.*
- Regulations and Listing requirements.
 - *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:

▪ <i>Brokers' fees, on average</i>	<i>0.424%</i>
▪ <i>NSX Levy, 10% of brokers fees</i>	<i>0.042%</i>
▪ <i>NAMFISA levy on trade value</i>	<i>0.040%</i>
▪ <i>Total cost for each leg of a local trade</i>	<i>0.506%</i>

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

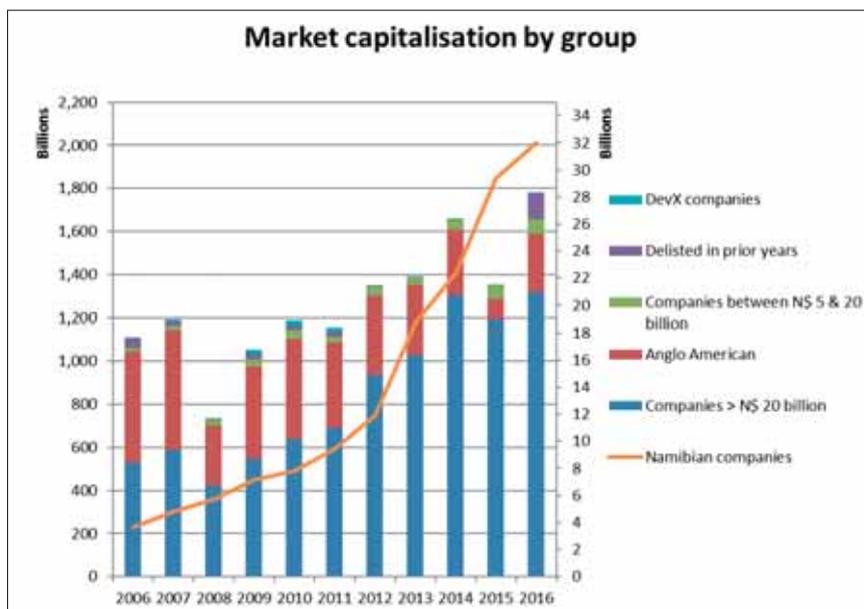
- There are six registered stockbrokers on the NSX. Contact details can be found on the back cover of this report.





Growth of the NSX

Since its launch in 1992 the market capitalisation of shares listed on the NSX has grown significantly. Over 75 companies have listed on the Main Board, the Development Capital Board (DevX) and Exchange Traded Funds, but attrition through takeovers, transfers to other exchanges and two liquidations have reduced the number to 42.



Primary listed on the stock exchanges in:

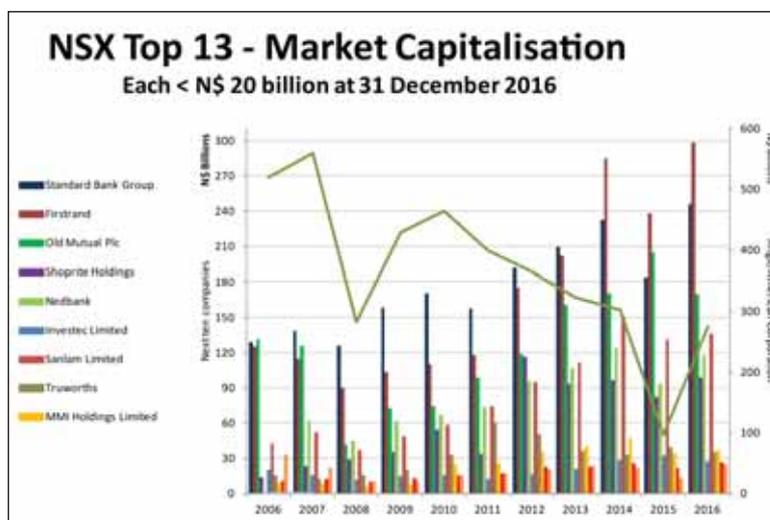
Namibia - NSX	8
Australian - ASX	4
London - LSE	3
South Africa - JSE	16
South Africa - JSE - ETF	4
Toronto - TSX	3
Mauritius – SEM	4
Total	42

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 total listings and trading statistics.

The NSX has over the years benefited from the Namibian asset requirements of Regulation 28 for Pension Funds and the similar Regulation 15 for long-term insurance companies by the dual / cross / secondary listing of companies listed on other international exchanges. Since 1994 pension funds have been required to invest 35% of their respective assets in deemed Namibian assets which include dual listed shares purchased through a Namibian Stock Broker on the NSX. Effective from 31 December 2014, only 25% of the value of dual listed shares will qualify as Namibian assets and this percentage will reduce by five percentage points each year to ten percent at the end of 2017. **It is impossible to determine the detrimental effect this reduction will have on the NSX results over this period.**

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

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





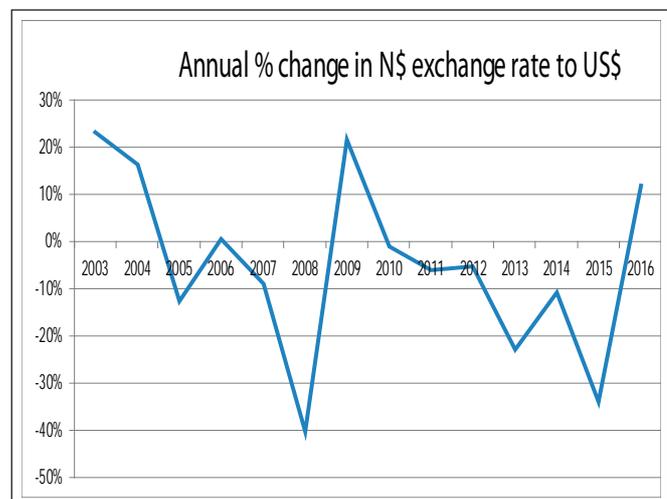
This graph shows the composite growth based on the price movement in the components of the Overall Index and is compared to the JSE All Share index. The NSX overall index includes some companies of high market capitalisation, such as FirstRand, Anglo American and Old Mutual, which makes it a difficult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

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

On 12 December 2016 the NSX Overall Index was at the year’s high of 1,104.34, less than the all-time high of 1,211.22 on 05 May 2015. At year end the NSX Overall Index closed at 1,068.59 an increase of 23.47% up on 2015; while the JSE All share index closed at 50,653.50 at the end of the year or 0.08% down for 2016. Notable dual listed comparative number pre and post 2008 are:

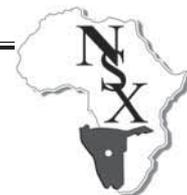
- Anglo American at N\$ 479.01 in October 2007 and N\$ 68.99 at 31 December 2015, closed at N\$ 195.10 as at 31 December 2016;
- Old Mutual at N\$ 24.65 in 2007, dropped to N\$ 4.72 in March 2009 and closed at N\$ 34.44 as at 31 December 2016;
- FirstRand at N\$ 20.30 in 2007 up to N\$ 53.17 in 2016 making it the largest market capitalisation on the NSX

Although the two 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.

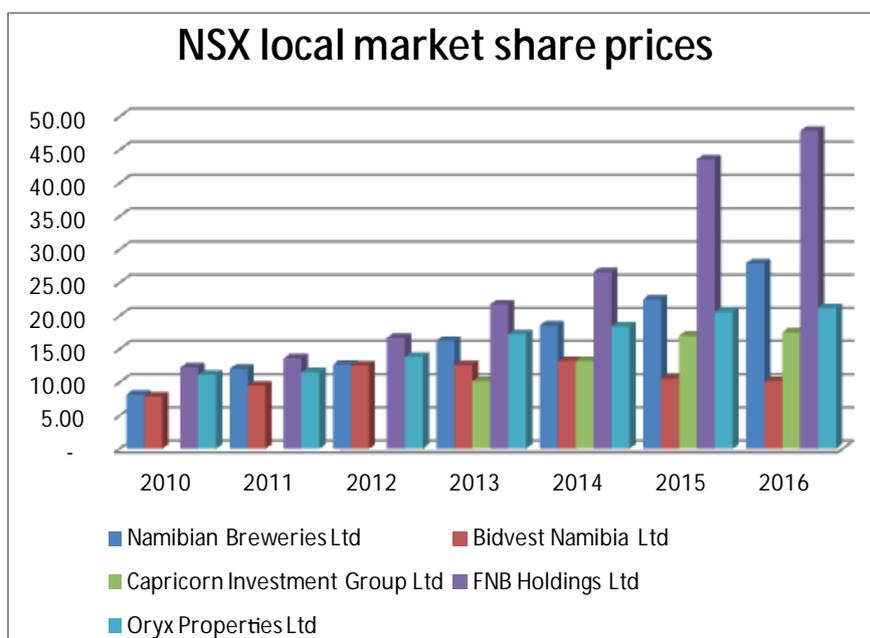
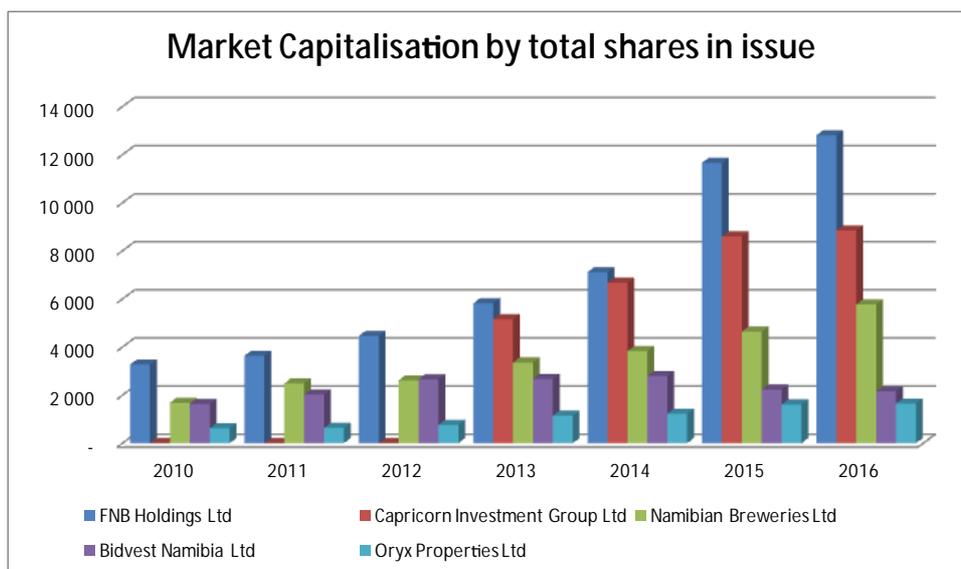


A local index which includes only Namibian Primary listed equities is calculated and published on a daily basis and the growth in this index is shown on page 2. The local index increased by 9.95% in 2016. Although Regulation 28 has been the basis of creating a large demand side of the market on the local securities, foreign taxation legislation has made local more attractive in the last three years. South African legislation implemented a 15% 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.



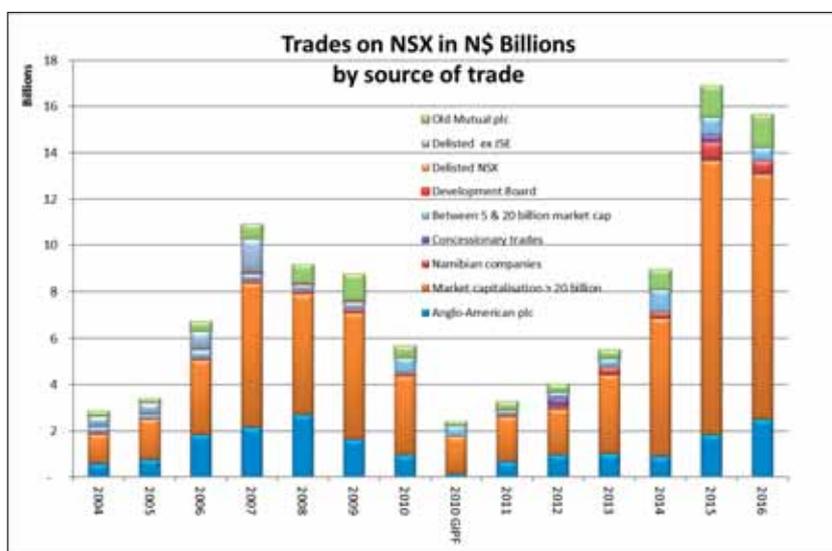


Primary Listed Companies



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.



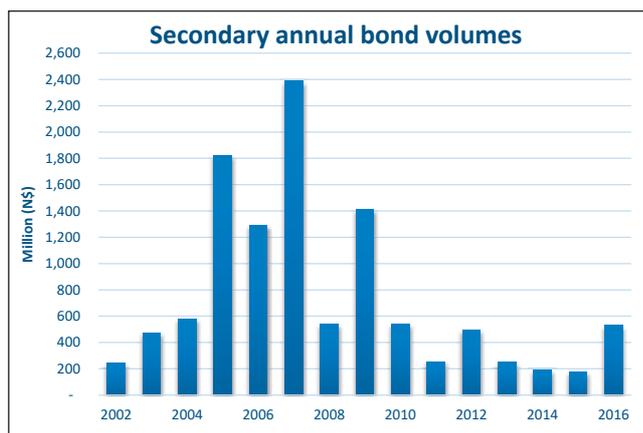
As shown above Old Mutual and Anglo American Corporation plc have significantly influenced the trading and reporting on the NSX and are shown separately. Other companies are grouped together as follows:

- 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; and
- The trades referred to above as concessionary trades, which would not have been traded on the NSX without applying the discretionary brokerage.
- Concessionary trades are large blocks (> N\$ 40 million) of a single primary listed entity for which a preferential trading cost is approved by the NSX to encourage all secondary trades to be reported to the market.

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

Traded values have been decreasing since the high of 2007 to 2012 with trading levels picking up in the last three years and 2015 being an exceptional year with an increase of 106% on 2014. Traded values for 2016 dropped by 16% when compared to 2015, 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:

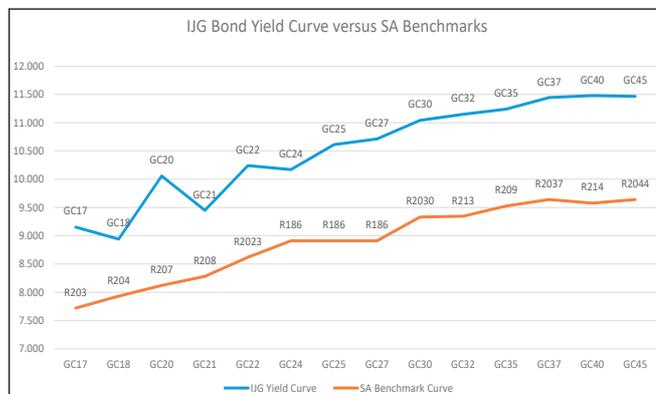
Government	24,791
State Owned Enterprises	
Namibia, only	450
Dual listed on JSE	500
Commercial Banks	3,117
Dual listed on JSE	1,379
Corporate	225

This is in addition to the US\$ 500 million raised in Europe in 2011 and US\$ 750 million raised in 2015; ZAR 750 million listed on the JSE and the N\$ 14,328 billion outstanding Treasury Bills.

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



IIG calculated Yield Curve as at 31 December 2016



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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