



Annual Financial Statements

for the year ended 30 September 2016

**NAM Coronation Balanced
Defensive Fund**

NAM CORONATION BALANCED DEFENSIVE FUND

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2016

DIRECTORS OF MANAGEMENT COMPANY

R G Young (Non-Executive Director)*
E Emvula (Chief Executive Officer)
E Le Roux (Resigned: 08 December 2015)*
(* South African)

MANAGEMENT COMPANY

Namibia Unit Trust Managers Limited

NATURE OF THE BUSINESS

Unit Trust Fund

TRUSTEE

Nedbank Namibia Limited

AUDITORS

KPMG Namibia

BANKERS

Nedbank Namibia Limited

REGISTERED OFFICE

Unit no 5, Tenbergen Village
Cnr Lazarett and Robert Mugabe Avenue
Windhoek
Namibia

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NAM CORONATION BALANCED DEFENSIVE FUND

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2016

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors of Namibia Unit Trust Managers Limited are responsible for monitoring the preparation and fair presentation of the financial statements and related information included in this report.

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

The financial statements are prepared in accordance with the basis of accounting described in note 1 and the requirements of the Trust Deed and the Unit Trusts Control Act of Namibia. They are based on appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Board of Namibia Unit Trust Managers Limited has satisfied itself that the Trust has adequate resources to continue as a going concern and has no reason to believe the Trust will not be a going concern in the year ahead.


The auditor is responsible for reporting on whether the financial statements are fairly presented in accordance with the applicable financial reporting framework.

Approval of financial statements

The financial statements of NAM Coronation Balanced Defensive Fund for the year ended 30 September 2016, set out on pages 4 to 15, were approved by the Board of Directors of Namibia Unit Trust Managers Limited on 16 December 2016 and are signed on its behalf by:



E Emvula (Chief Executive Officer)



G Young (Non-executive Director)



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INDEPENDENT AUDITOR'S REPORT

To the Directors of Namibia Unit Trust Managers Limited

We have audited the financial statements of NAM Coronation Balanced Defensive Fund, which comprise the statement of financial position at 30 September 2016, the statements of comprehensive income, changes in net assets attributable to unitholders and cash flows for the year then ended, and the notes to the financial statements, which include the basis of accounting and other explanatory notes, as set out on pages 4 to 15. These financial statements are prepared to meet the requirements of the Trust Deed and the Unit Trusts Control Act of Namibia.

Directors' Responsibility for the Financial Statements

The directors of Namibia Unit Trust Managers Limited are responsible for the preparation and presentation of these financial statements in accordance with the basis of accounting described in note 1 and the requirements of the Trust Deed and Unit Trusts Control Act of Namibia, 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments the auditor considers internal control relevant to the entity's preparation and presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements have been prepared, in all material respects, in accordance with the basis of accounting described in note 1 and the requirements of the Trust Deed and the Unit Trusts Control Act of Namibia.

Basis of Accounting and Restriction on Distribution

Without modifying our opinion, we draw attention to note 1 to the financial statements which describes the basis of accounting and the purpose of the financial statements. As a result, the financial statements may not be suitable for another purpose.



Registered Accountants and Auditors
Chartered Accountants (Namibia)

Per: V Mugabo
Partner

Windhoek, Namibia
16 December 2016

NAM CORONATION BALANCED DEFENSIVE FUND

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2016

REPORT TO UNITHOLDERS

The directors of Namibia Unit Trust Managers Limited are pleased to present their report on the activities of the unit trust fund for the year ended 30 September 2016.

Business and Operations

The principal activity of the unit trust fund is to invest on behalf of unitholders.

Unit Holdings

There were creations of 6,554,942 (2015: 7,627,027) units and cancellation of 13,264,137 (2015: 5,968,654) units during the financial year. There are 8,413,993 (2015: 15,123,188) units in issue at 30 September 2016.

Distributions

Distributions of N\$15,113,955 were made during the year (2015: N\$21,852,411).

Results of Operations

The operating results of the unit trust fund are reflected in the statement of comprehensive income and the notes thereto.

NAM CORONATION BALANCED DEFENSIVE FUND

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER 2016

Note	2016 N\$	2015 N\$
Net investment income	46 578 234	44 800 840
Dividend income	3 810 028	4 888 402
Interest income	20 616 291	24 931 608
Income adjustments on creation and cancellation of units	(3 090 195)	156 229
Foreign exchange gains on dividend and interest income	6 790 450	20 878 620
Net fair value gains /(losses) on financial assets	18 444 765	(6 074 599)
Other income (commitment fees)	6 895	20 580
Operating expenses	5 885 858	7 751 387
Audit fees	83 533	73 601
Bank charges	20 458	11 894
Custodian fees	154 803	174 714
Management company fees	5 614 466	7 480 006
Other expenses	12 598	11 172
Net income from operations before finance costs	40 692 376	37 049 453
Total finance costs	15 506 117	22 252 854
Distributions	15 113 955	21 852 411
Withholding tax on dividends	392 162	400 443
Total comprehensive income attributable to unitholders	25 186 259	14 796 599

NAM CORONATION BALANCED DEFENSIVE FUND

STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2016

	Note	2016 N\$	2015 N\$
Assets			
Investments at fair value	5	338 594 216	559 460 962
Accounts receivable	7	4 215 687	6 491 060
Cash and cash equivalents	6	14 204 325	46 828 472
Total assets		357 014 228	612 780 494
Liabilities			
Distributions payable		7 117 343	11 324 717
Accrued expenses		402 511	700 618
Trade payables		256 035	1 242 959
Total liabilities, excluding net assets attributable to unitholders		7 775 889	13 268 294
Net assets attributable to unitholders		349 238 339	599 512 200

NAM CORONATION BALANCED DEFENSIVE FUND

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS
FOR THE YEAR ENDED 30 SEPTEMBER 2016

Note	Capital attributable to unitholders N\$	Income attributable to unitholders N\$	Total N\$
Balance at 01 October 2014	520 405 563	(35 681)	520 369 882
Total comprehensive income attributable to unitholders		14 796 599	14 796 599
Transfer of net fair value gains, net of transaction costs, not distributable	14 804 022	(14 804 022)	-
Net creation of units	64 345 718		64 345 718
Balance at 30 September 2015	599 555 303	(43 103)	599 512 200
Total comprehensive income attributable to unitholders		25 186 259	25 186 259
Transfer of net fair value gains, net of transaction costs, not distributable	25 235 215	(25 235 215)	-
Net cancellation of units	(275 460 120)		(275 460 120)
Balance at 30 September 2016	349 330 398	(92 059)	349 238 339

NAM CORONATION BALANCED DEFENSIVE FUND

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

Note	2016 N\$	2015 N\$
Cash flows from operating activities		
Interest received	20 616 291	24 931 608
Dividends received	3 417 866	4 487 959
Operating expenses	(5 878 963)	(7 730 807)
Movement in working capital	990 343	(1 025 977)
- trade payables	(1 285 031)	1 267 360
- trade receivables	2 275 373	(2 293 337)
Sale/(purchase) of investments	243 011 765	(66 954 831)
Net cash from/(used in) operating activities	262 157 302	(46 292 048)
Cash flows from financing activities		
Proceeds from issue of redeemable units	266 247 701	302 242 725
Payments on redemption of redeemable units	(541 707 821)	(237 897 006)
Dividends paid to holders of redeemable units	(19 321 329)	(18 894 535)
Net cash (used in) / from financing activities	(294 781 449)	45 451 183
Net decrease in cash and cash equivalents	(32 624 147)	(840 865)
Cash and cash equivalents at 1 October	46 828 472	47 669 337
Cash and cash equivalents at 30 September	14 204 325	46 828 472

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1 ACCOUNTING POLICIES

These financial statements are prepared to meet the requirements of the Trust Deed and the Unit Trusts Control Act of Namibia. The financial statements are prepared on the historical cost basis, except for financial instruments described in notes 1.2 and 1.9, and incorporate the following principal accounting policies that have been applied consistently to all periods presented:

1.1 Statement of compliance

The financial statements are prepared in accordance with the accounting policies described below and the requirements of the Trust Deed and in the manner required by the Unit Trusts Control Act of Namibia. The basis of accounting and the presentation and disclosures contained in the financial statements are not intended to and do not comply with all the requirements of International Financial Reporting Standards. The principal accounting policies adopted in the preparation of the financial statements are consistent in all material respects with those applied in prior year.

1.2 Basis of preparation

The financial statements are presented in Namibia Dollars, being the functional currency of the unit trust fund.

The financial statements are prepared on a fair value basis for financial instruments classified as available-for-sale. Other financial assets and financial liabilities are stated at amortised cost.

1.3 Dividend income

Dividend income comprises dividends received from and accrued on investments for which the last date to trade falls within the accounting period. This includes capitalisation issues with a cash dividend option, dividends on preference shares, convertible debentures and exchange traded funds. Dividends are brought into account on the last day to register.

1.4 Interest

Interest income is recognised in the statement of comprehensive income for all interest bearing instruments on a yield-to-maturity basis. Interest earned includes coupons earned on fixed income investments and trading securities, discounts on treasury bonds, commercial papers, floating rate notes and other discounted instruments.

1.5 Unit trust income

Unit trust income is recognised in profit or loss on the distribution date.

1.6 Expenses

Expenses are accounted for on accrual basis. Expenses include, amongst others, service fees which are paid to the management company amounting to 1.25% (2015: 1.25%) of the net asset value of the fund.

1.7 Income distributions

Income distributions are made to unitholders bi-annually on 31 March and 30 September.

1 ACCOUNTING POLICIES (continued)

1.8 Taxation

Under the current system of taxation in Namibia, withholding tax is levied against undistributed interest earned. The interest portion of income earned and distributed is taxable in the hands of the unitholders. Dividend income earned is not taxable. Investment income is recorded gross of such taxes and the withholding tax is recognised as withholding tax on interest in the statement of comprehensive income.

1.9 Financial instruments

Financial instruments recognised on the statement of financial position include cash and cash equivalents, trade and other receivables, investments and trade and other payables. Financial instruments are initially measured at cost, including transaction costs, when the fund becomes a party to the contractual arrangements. Trade date accounting is applied by the unit trust fund, and is considered the date that the fund commits to purchase or sell an asset.

1.9.1 Cash and cash equivalents

Cash and cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value and are not held for investment purposes. This comprises margin deposits and call and current deposits with banks. Cash equivalents are measured at cost which approximates fair value, due to the short term nature of the instruments.

1.9.2 Accounts receivable

Accounts receivable comprise accrued interest income and is recognised and carried at amortised cost.

1.9.3 Investments

Investments, other than cash on deposit, are classified as available-for-sale assets and are measured at fair value. Fair value of listed investments is determined by reference to closing prices at reporting date of the investments, as determined by the stock exchanges on which the investments are listed. For unlisted investments and securities, fair values are determined using valuation techniques that refer as far as possible to observable market data. Unless otherwise stated, all shares are listed on stock exchanges.

Gains and losses on financial assets are re-invested and thus are not available for distribution. They are included directly into the capital value of the fund.

1.9.4 Accounts payable

Liabilities for trade and other amounts payable are measured at amortised cost.

1.9.5 Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to set off and there is intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

NAM CORONATION BALANCED DEFENSIVE FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2016

1 ACCOUNTING POLICIES (continued)

1.9.6 Impairment of financial assets

The fund assesses at reporting date whether there is any objective evidence that a financial asset carried at amortised cost or a group of financial assets is impaired.

1.10 Income adjustment on creation and cancellation of units

The income portion of all creations and cancellations of units is taken into account in determining the amount available for distribution.

1.11 Rebates received

Where rebates are granted on fees charged by other underlying funds in which units are invested, such rebates are considered to be capital in nature and thus not included in distributable income. These rebates are recorded directly in the capital value of the fund.

1.12 Foreign currency translation

Transactions in foreign currencies are translated at the foreign currency exchange rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currency are translated to Namibia Dollars at the foreign currency closing exchange rate ruling at the reporting date. Foreign currency exchange differences arising on translation and realised gains and losses on disposal or settlements of monetary assets and liabilities are recognised in the capital value of the fund.

Non-monetary assets and liabilities denominated in foreign currency that are measured at fair value are translated to Namibia Dollars at the foreign currency exchange rates ruling at the dates that the values were determined.

Foreign currency exchange differences relating to cash equivalents, investments classified as available for sale and derivative instruments are included directly in the capital value of the fund.

1.13 Use of estimates and judgements

Significant accounting estimates are those which involve the most complex or subjective judgements or assessments. The area of the fund's business that typically require such estimates is the determination of the fair value for financial assets and liabilities.

The fair values of financial assets and liabilities are classified and accounted for in accordance with the policies set out in section 1.9 above. They are valued on the basis of listed market prices in so far as this is possible. If prices are not readily determinable, fair value is based either on internal valuation models or management estimates of amounts that could be realised under current market conditions. Fair values of certain financial instruments including derivative instruments are determined using pricing models that consider, among other factors, contractual and market prices, correlations, yield curves, credit spreads, and volatility factors.

2 RELATED PARTIES

The fund has appointed Namibia Unit Trust Managers Limited ("the Management Company") to implement the investment strategy as specified in the trust deed and to provide administrative services.

In terms of the trust deed, the Management Company receives service fees monthly in arrears based on assets under management, as described in 1.6 above.

The management company has appointed Coronation Asset Managers Limited, a company incorporated in South Africa, as the fund's primary Investment Manager.

In addition, the back office administration of the fund has been outsourced to Maitland Fund Services (Proprietary) Limited, a South African company.

Transactions with unitholders are detailed in the Unit Capital note (note 8).

3 RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS

Financial risk management

Financial risk is limited by the regulatory environment in which the fund operates. The Unit Trust Control Act in Namibia has strict and specific regulations as to what instruments may and may not be held.

In addition, the fund is governed by a Trust Deed, which commits it to a specific investment objective. The Trust Deed's investment objective is further refined into an investment mandate which requires the Investment Manager to manage the fund in accordance with the specified mandate. As far as possible, compliance limits are built into the daily pricing systems and processes of the Investment Manager and are checked and reported on daily.

The main financial risks that investors in the fund are exposed to are:

3.1 Credit risk

Credit risk is the risk of financial loss to the fund if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the fund's receivables from customers, investment securities, and cash and cash equivalent balances.

The fund's exposure to credit risk mainly arises from investments in Bonds and Certificates of Deposits. The fund only deposits cash surpluses with major banks of high credit quality. Credit risk arising on non-rated investments is monitored through regular analysis of financial statements of their respective issuers. The credit risk relating to unsettled transactions is considered small due to the short settlement period involved and the fact that the majority of financial instrument transactions are exchange traded, with settlement guaranteed by the exchanges.

The maximum credit risk exposure at the reporting date is equal to the carrying amount of the assets as reported.

3.2 Liquidity risk

Liquidity risk is the risk that the fund may not be able to liquidate investments quickly enough at an amount close to its fair value in order to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The fund has minimised its liquidity risk by ensuring that it has sufficient cash equivalents and liquid investments which could be realised at short notice should the liquidity be required.

The fund's listed securities are considered to be readily realisable as they are listed on reputable local and major foreign stock exchanges.

3 RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

3.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the fund's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising returns.

The fund is susceptible to the market risk resulting from fluctuations in the prices of the underlying securities in which it invests. The value of the unitholders' participating interest in the fund fluctuates accordingly.

Price risk

Price risk is the risk that the value or cash flows of a financial instrument will fluctuate as a result of changes in market prices. The risk is applicable where the fund has invested in financial instruments in different sectors in the economy. The value of the underlying investment fluctuates due to changing economic factors and market expectations.

The Management Company ensures that exposures are in accordance with investment objectives and the Trust Deed.

Currency risk

Currency risk is the risk that the value of cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

Namibia is part of the Southern African Common Monetary Area. The Namibian dollar is pegged to the South African Rand on a one-to-one basis. The majority of the fund's transactions are conducted within the Southern African Common Monetary Area. The fund however has exposure to currency risks as a result of its offshore holdings. Any foreign exchange gains and losses are recorded directly to the capital account.

Interest rate risk

Interest rate risk is the risk that the value or cash flows of a financial instrument will fluctuate due to changes in market interest rates. This is applicable where the fund has invested in fixed rate interest-bearing financial instruments.

The Management Company ensures that exposures are in accordance with investment objectives and the trust deed.

4 SUBSEQUENT EVENTS

No material facts or circumstances have arisen between the date of the statement of financial position and the date of this report which affect the financial statements.

NAM CORONATION BALANCED DEFENSIVE FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2016

5 INVESTMENTS AT FAIR VALUE	Value at 2016 N\$	Value at 2015 N\$
Local equities	14 064 676	17 403 998
Foreign equities	57 054 982	109 258 278
Local bonds	78 314 431	71 589 881
Foreign bonds	76 678 579	116 202 602
Foreign exchange traded funds	87 564 768	136 030 121
Market value money market instruments	19 944 719	108 976 082
Local exchange traded funds	4 972 061	-
	338 594 216	559 460 962
6 CASH AND CASH EQUIVALENTS		
Call accounts	8 802 854	37 593 459
Current accounts	5 401 471	9 235 013
	14 204 325	46 828 472
7 ACCOUNTS RECEIVABLE		
Trade receivables	643 386	1 258 590
Accrued income	3 572 301	5 232 470
	4 215 687	6 491 060

NAM CORONATION BALANCED DEFENSIVE FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2016

8 UNIT CAPITAL

Units issued and cancelled

Issued	2016	2015
Number (units)	6 554 942	7 627 027
Consideration (N\$)	266 247 701	302 242 725
Cancelled		
Number (units)	13 264 137	5 968 654
Consideration (N\$)	541 707 821	237 897 006
Capital value of the fund		
	N\$	N\$
Balance at beginning of the year	599 555 303	520 424 267
Creations	266 247 701	302 242 725
Cancellations	(541 707 821)	(237 897 006)
Realised exchange gains	34 632 498	744 620
Unrealised exchange (losses)/gains	(27 842 048)	20 115 294
Realised fair value (losses)/gains	(14 831 785)	11 013 860
Unrealised fair value gains/(losses)	33 276 549	(17 088 456)
Capital attributable to unitholders	349 330 398	599 555 303

9 COMPARATIVES

During the 2016 financial year the fund took a decision to embark on a process aimed at transitioning to the International Financial Reporting Standards ("IFRS") over the next few years. As a first step, the opening balances have been restated to reflect the impact of this transition on the financial statements and the below table summarises the adjustments made:

Impact of transitioning to IFRS

i) Statement of comprehensive income

	As previously reported	Adjustments	As restated
Dividend Income	4 487 959	400 443	4 888 402
Withholding tax on dividends	-	(400 443)	(400 443)
Exchange gain	11 130	(11 130)	-
Foreign exchange gains on dividend and interest income	-	20 878 620	20 878 620
Net fair value gains /(losses) on financial assets	-	(6 074 599)	(6 074 599)
Net income from operations before financing costs	21 856 119	15 193 334	37 049 453

ii) Statement of cash flows

A statement of cash flows was not presented in the prior year thus there were no opening balances to adjust.

iii) Statement of changes in net assets attributable to unitholders

A statement of changes in net assets attributable to unitholders was not presented in the prior year thus there were no opening balances to adjust.