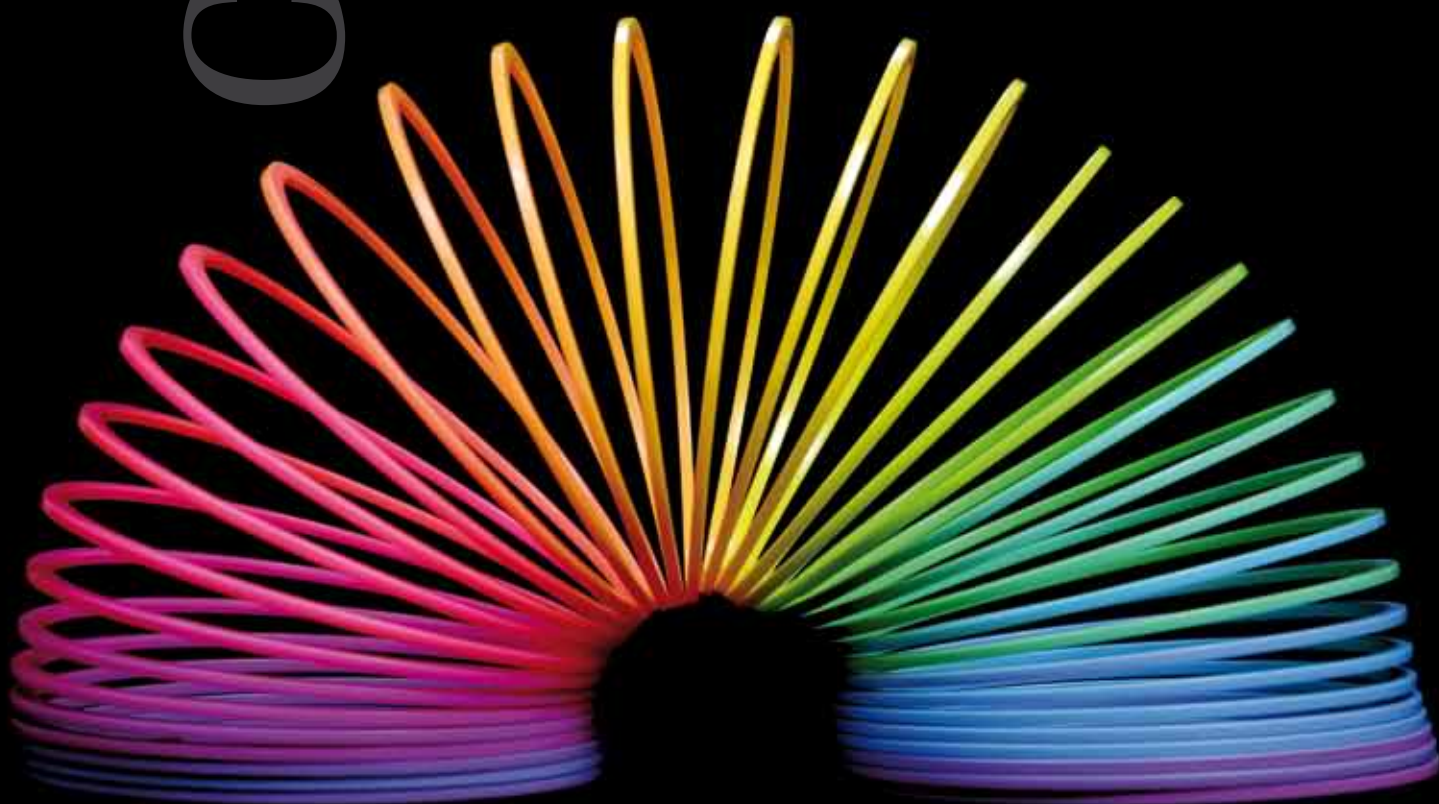


REPORTS



# CHAIRMANS REPORT

“flexibility leads  
to innovation”



This was to be the year of recovery and resurgence, when the world would shake off the shackles of the worst recession of the past 50 years. A year filled with promise. But the storm-clouds of economic disaster did not simply blow away, and we all had to face

With our 5-year strategic initiative well under way, Trustco's continual increase of focus on its core businesses continues unabated. It is a testament to the underlying strength of the group that with the turbulence in the financial services sector, the micro

It was with great sadness that Trustco had to lose Dr. Namwandi, my predecessor to the Government Sector. But while he might have left our port, his new position as Deputy Minister for Education will still allow him to keep us in his sights. I'd like to wish him great success in this new endeavour.

And yet my position here is temporary as well. With the call out to all shareholders to nominate a replacement, I'm certain that an appropriate candidate will be found, and appointed by the board. Chairmanship has been an interesting experience, and with management's help guiding my hand at the helm, I'm certain the transition to a new

Trustco remains unwavering in its commitment to social justice, and its mantra of 'financial services for all,' and even with the waves of economic instability crashing at our bows, our course remains clear. But none of this would have been possible

The Latin saying "times change, and we change with them" is more apt than ever going forward. With the global economy recovering slowly, and with the recent interest rate cuts, the strain on our clients disposable income will be easing, but make no mistake – the new financial year will still present a tough year for Trustco.

However, management took advantage of the surge in potential investments, and is in the process of finalizing negotiations with the International Finance Corporation

the challenges that presented. Yet even in these uncertain times, Trustco did what was needed, sailed headstrong into the winds of ruin, and emerged unscathed on the other side. It is with this promise of good news that I present this Chairman's report.

insurance and microfinance divisions in Trustco delivered the organic growth that was promised. And although top-line growth slowed, Trustco's continued commitment to increasing efficiency will serve it well no matter how the economic climate develops.

chairman (or woman) will be smooth and uneventful.

Global Corporate governance has come a long way during the past few years since the accounting scandals of the early nineties, and the recession has spurred a resurgence of interest in corporate responsibility. Trustco will thus, with guidance from the board, be paying particular attention to the implementation of the King III report. With the strong emphasis on the responsibilities of the Board, I believe our role in upholding and committing the group to strong corporate governance will only become more vital in the future.

without the unflinching commitment of our 500+ employees, whose invaluable advice spearheaded our drive towards efficiency and cost savings. On behalf of the Board, I thank you.

for expansionary funding, supporting the microfinance and educational arms of the group.

Nevertheless, recent experiences have taught us the value of efficiency and cost savings in realising the full potential of our business ventures, and the lessons learned will be applied prospectively to all our operations. This is only the beginning of Trustco's legacy, for every trial endured and weathered in the right spirit makes us nobler and stronger than before.

**M. Nashandi**  
Acting Chairperson



**Windhoek**  
11 August 2010

## INTRODUCTION

## YEAR IN REVIEW

## GOVERNANCE

## APPRECIATION

## TEMPORA MUTANTUR, IT NOS MUTAMUR IN ILLIS

# CHIEF EXECUTIVE OFFICERS REPORT

“roses in the mountains have the  
strength to break through the rock”



Wow what a year. The worldwide recession got into full swing, with the adverse effects felt all the way down to ground zero. And even Trustco losing its Chairman to the Namibian Government!

Still, some focus on merely surviving adversity. Trustco thrives in it! While other companies stare down the barrel of the gun of economic ruin and quiver with fear, Trustco knows that true satisfaction is achieved through getting

stronger through adversity and relishes the opportunity to face it head-on, fearless.

Our results, as set out in the pages following, reflect this headstrong nature of our management team. With Namibian economic growth at -0.7% and world economic growth -0.8%, Trustco's Headline Earnings growth of 20% looks truly astounding. But that is only the muzzle-flash of a bigger boom.

The financial year started on a rather sobering note, with the worst credit contraction in our existence. Self-funding our expansion, we've grown into an equity-heavy business – which was not in line with shareholder expectations. But with controversy apparently dogging every leap we try and make to the future, we persevered. Management toughed it out, and by the end of the year, the fruits of their actions could be seen starting to bloom after all this time.

### Overview

2010 will always be remembered as one of Trustco's toughest, but most successful years. With the advent of a possibly protracted recession upon us, Trustco decided to focus on its core competencies and cease operations in unrelated sectors. This being an on going plan of ours, we concluded the sale of all printing press machinery and formally exited the printing business.

### Micro Insurance

Having recorded a growth of 15% and 24% in revenue and earnings respectively compared to the 2009 financial year, the micro insurance division has certainly shown itself to remain resilient in facing off an economic downturn.

The Micro insurance division has Trustco Insurance as one of its core components. The prevalent brand of the Group, it is responsible for our well-known Legal Shield product,

Our negotiations with the IFC are coming to a head relating to a proposed loan of N\$ 80 million for one of our subsidiaries, Trustco Finance, with the said entity. This will significantly ease the pressure the crunch exerted on us. And with Trustco Mobile's African expansion poised to launch itself into the stratosphere, I can only commend management on a job well done during the period under review.

Thus we started a focus on our core businesses and business activities, and proceeded to emphasize efficiency and cost control. This results in a revenue increase of 14%, but a headline earnings increase of 20% and basic earnings increase of 47%.

providing legal insurance to our niche market clientele. With its 10 year anniversary, 'the year of the member', it reminded us all of the important role it has played in affordable access to justice.

The other components comprising micro insurance is Trustco Life, one of the leaders in the Life insurance industry, and Trustco Mobile, our innovative cell phone-based life insurance initiative. Trustco Life has continued its drive in providing innovative

## STRATAGEMS & SPOILS

## EFFECTIVENESS & EFFICIENCY

## CORE BUSINESSES

## CORE BUSINESSES

products, having spent most of last year developing its new Sunshield product, which will have had its debut just after year-end. Similarly, Trustco Mobile's inevitable African expansion may have just kicked off by the time this report is published.

### Micro Finance

The microfinance division in Trustco has long been one of the pillars of the group, with Trustco Finance providing educational loans, Trustco Capital covering mortgage bonds (for self developed vacant plots) and Trustco

Financial Services SA serving the South African financial services industry.

But despite the squeeze on interest margins they've taken with the drastic drop in interest rates over the past year, Trustco Finance and Trustco Capital still managed to perform admirably. And with the management of TFS (SA) now firmly under our control, the staggering effect of Trustco's dynamism is just waiting to be unleashed.

## STRATEGIC SUPPORT

But for every front-line campaign, one needs logistics. And the core businesses certainly would not have had as much success without the strategic businesses feeding them clients and the support divisions propping them up. The Institute for Open Learning is probably the most prominent among the strategic businesses, and having had their best year ever, supported Trustco Finance which struggled with a declining interest rate. But

definitely the stand-out member this year was the properties division. The fair value adjustment on the Lafrenz development, and growing the Trustco Capital loan book to 32 million, the management team deserves all the accolades heaped upon them. Special mention should also be made to the IT support team who kept the wheels rolling and perfected the upgrades to the Trustco Mobile System in record time.

## APPRECIATION

Yet the key component in these troubling times, the gunpowder that provides the drive we need, remain our dedicated and vigilant staff. Their careful and effective

management of the myriad of challenges we faced during the year is merely a testament to their strength and resilience. I thank you all.

## THE REVOLUTION AWAITS

The difficulties facing the financial services industry in our market segment, today are severe, and require a motivated and firm response. It remains essential that companies should, if they are to remain successful and relevant, position themselves to execute new strategies to respond to the rapidly changing market conditions. The strategies should not be based on agaric business practices that prevail in the developing world.

With the economic recovery likely to have many false starts, and employment and credit to remain under pressure, I remain convinced that the solution lies in the mobilized masses, relying on them to effect change. I call on our customers, shareholders and other stakeholders to be resolute, watch us and grow with us – to together operate as a powerful weapon, with one heart and one mind, against social injustice.



**Q van Rooyen**  
Chief Executive Officer

**Windhoek**  
11 August 2010



# CORPORATE GOVERNANCE REPORT

“success is  
the best dish  
to serve your  
enemies”



## INTRODUCTION

Trustco Group Holdings Ltd and its subsidiaries (the Group) are committed to the principles of openness, integrity and accountability as advocated in the King II Report on Corporate Governance, 2002. Accordingly, the directors endorse and during the period under review, have applied the Code of Corporate Practices and Conduct ("the Code") as set out in the King Report. In supporting the Code the directors recognize

the need to conduct the business of the enterprise with integrity and in accordance with generally accepted corporate practices. The Group is committed to complying with all legislation, regulations and best practices relevant to our business, in every country where we conduct business. Monitoring the Group's compliance with the Code forms part of the mandate of the Group's Audit and Risk Management Committee.

KEY GOVERNANCE  
DEVELOPMENTS

During the year under review, the following developments were key to the Group's corporate governance process:

- Ongoing compliance with the Code and other industry specific legislation and regulations.
- The Group's code of conduct throughout the operations, which sets out minimum standards of ethical behaviour for all employees of the Group.
- Approval of plans to substantially increase the resources of the compliance monitoring/audit department.
- Ongoing awareness and cognizance of international/emerging governance trends. These are considered for implementation only where appropriate.
- Keeping abreast of all relevant legislation and regulations as well as major developments that could impact on the Group and its operations.

## COMPLIANCE WITH THE CODE

The directors are of the opinion that the Group complies with, and has applied, the requirements of the Code for the year under review.

**Status on King III compliance**

The King Code of Governance principles of South Africa 2009 (King III) took effect from 1 March 2010. The Board is in process of assessing the principles of King III. The implementation of King III will be fully reported on in our next annual report.

APPLICATION OF THE  
CODE AND APPROACH TO  
CORPORATE GOVERNANCE

All entities in the Group are required to subscribe to the spirit and principles of the Code. In addition, the Code is applied to all operating entities of the nature and size identified in the Code. Whereas the Audit and Risk Management Committee reviews overall Group compliance with the Code and is the focal point of the Group's corporate governance system, the heads of the various divisions and business units within the Group are responsible for ensuring compliance. In addition, the following is undertaken:

- a full and effective review by the Audit and Risk Management Committee of all aspects relating to ongoing corporate governance during the year, and the inclusion of statements in this regard in this annual report; and
- a review of current and emerging trends in corporate governance and the Group's governance systems and benchmarking the Group's governance systems against local and international best practice. In its governance approach, the board believes that, while compliance with the formal standards of governance practice is important, greater emphasis is placed on ensuring effectiveness of governance practice, with greater emphasis being placed on ensuring compliance with the substance of governance over form. The board also seeks to ensure that good governance is practised at all levels in the Group and is an integral part of the Group's corporate culture.

The Group is governed by a unitary board of directors, assisted by the following Group committees:

- Executive Committee
- Remuneration and Nominations Committee
- Audit and Risk Management Committee



BOARD OF DIRECTORS AND  
BOARD COMMITTEES

Each committee acts within agreed terms of reference and the chairman of each committee reports, where appropriate, to the board at its scheduled meetings. Where appropriate, the minutes of the committee are tabled at board meetings. Effective managerial structures have been maintained to govern decision making and the exercise of authority. The directors exercised integrity ensuring a proper balance of power and authority, to ensure that no one director has unfettered powers of decision making. The chairman of the board is a non-executive director. The roles of chairman and Chief Executive Officer are separated, with a clear division of responsibility to ensure a clear distinction of duties and responsibilities between them. The chairman has no executive functions. The role of all directors is to bring independent judgement and experience to the board's decision-making. Directors are advised that they may take independent advice, at the cost of the Company, in the proper execution of their duties as directors. They have direct and unfettered access to the external auditors, professional advisers and the advice of the company secretary. Details of the directors appear on page 95 of this annual report. There are seven directors, of whom three are non-executive independent directors. Dr. Namwandi resigned as chairman on 21 March 2010. Mrs. M. Nashandi was appointed as acting chairperson in his place until the Group has found a suitable replacement.

### Board appointments and succession planning

Shareholders appoint the board of Trustco Group Holdings Limited at its Annual General Meeting. In turn, this board appoints the board of the various subsidiaries and monitors and obtains regular feedback. Non-executive directors on the Trustco Group Holdings Ltd board are appointed for specific terms and re-appointment is not automatic. All appointments are made in terms of a formal and transparent procedure and are subject to confirmation by the members at the annual general meeting. The Group believes that the board's constitution, in terms of both the number and expertise, is sufficient and appropriate to meet the Group's needs.

### Independence

The Board applies the Code's guidelines when considering a director's independence. The

Board confirms the independence, as stated in the Code, of all of its non-executive directors.

### Retirement of non-executive directors

One third of the directors appointed in terms of the articles of association are subject, by rotation, to retirement and re-election at the annual general meeting. In addition, all directors are subject to election by members at the first annual general meeting after their initial appointment. The directors eligible for re-election at the forthcoming annual general is Mr. A.H. Toivo ya Toivo.

### Interests in contracts and conflict of interest

Directors are required to inform the board timeously of conflicts or potential conflicts of interest that they may have in relation to particular items of business and are obliged to excuse themselves from discussions or decisions in relation to such matters. Directors are also required to disclose their shareholdings in other companies as well as their other directorships at least annually and to inform the board when any changes occur.

- Q. van Rooyen

During the year ended 31 March 2010, Q. van Rooyen has an interest in a management agreement between Next Investments (Pty) Ltd, of which he is a director and Trustco Group International (Pty) Ltd (inc. in Namibia), a subsidiary of the Company. The agreement establishes that when Trustco Group International (Pty) Ltd (inc. in Namibia) performs management work on behalf of Next Investments (Pty) Ltd it must be refunded by way of a management fee.

Q. van Rooyen also lends funds to the Group on which he receives interest at Namibian prime rate (11.75% for the year ended 31 March 2010) and provides personal surety to the Group for which Next Investments (Pty) Ltd earns a facility fee.

All the above transactions were approved by the Board and were reduced to writing in the form of formal, signed agreements. No other interests in contracts or conflicts of interest were brought to the attention of the Board.

BOARD OF DIRECTORS AND  
BOARD COMMITTEES

## BOARD COMMITTEES

**Advice**

Directors have unlimited access to the Group Company Secretary, who acts as an adviser to the board and its committees on issues including compliance with rules and procedures, statutory regulations and the Code. The name of the Group Company Secretary is recorded on page 95 of this

annual report. Furthermore, any director may, in appropriate circumstances and at the expense of the Group, obtain independent professional advice. The directors are also entitled, with the prior knowledge of the Chief Executive Officer, to have access to senior management and to all relevant Group information.

A number of board-appointed committees have been established to assist the board in discharging its responsibilities. The membership, principal functions and their attendance at the relevant committee meetings are set out below.

**Executive Committee (Exco)**

Members: Q. van Rooyen (Chairman), J. Jones, F.J. Abrahams, G.R.I. Walters, J. van den Heever, Adv. P.J. Miller, Dr. C. Powell

**Composition and meeting procedures**

Exco is chaired by the CEO and has regular input from executives from operations, sales, finance, actuarial, IT, human resources, compliance and special projects. Meetings are normally held once a week. The committee is responsible for strategy and operations of the Group within the parameters defined by the board. Where necessary decisions or recommendations of Exco are referred to the Board for final approval, whilst in other instances Exco's authority will be delegated to a sub-committee or particular Exco members.

**Remuneration Committee (Remco)**

Members: Mrs. M. Nashandi (Acting Chairperson), V. de Klerk, A.H. Toivo ya Toivo

**Composition and meeting procedures**

Remco is chaired by an independent director and comprises solely of non-executive directors of Trustco Group Holdings Ltd. The Chief Executive Officer, who is the executive responsible for people management attends the meetings by invitation but does not participate in the committee's deliberations. Meetings are held at least once a year.

**Role, purpose and principal functions**

Consideration and recommendation to the board on matters such as succession planning, general staff policies, remuneration and benefits, performance bonuses, executive remuneration, directors' remuneration and fees, service contracts, the short-term

incentive scheme and long-term incentive scheme and Group retirement funds. In considering executive directors' emoluments the committee is cognisant of responsibility, individual performance and the Group's retention strategies. To this end, the committee relies on external market surveys and industry reward levels as benchmarks. Remuneration packages are structured in such a way that short- and long-term incentives are linked to the achievement of business objectives and the delivery of member value. Non-executive directors receive fees for their contribution to the boards and committees on which they serve. Remco recommends proposed fees for approval by the Trustco Group Holdings Ltd board, after due consideration of comparable fee structures and market practices. This committee also performs the functions of a traditional "Nominations Committee".

**Audit and Risk Management Committee (Armco)**

Members: Mrs. M. Nashandi (Acting Chairperson), G.R.I. Walters

**Composition and meeting procedures**

Mrs Nashandi is independent and G.R.I. Walters is the only executive member. In addition, the meetings are attended by the CEO and Financial Director, representatives of the external auditors, BDO (Namibia) and the internal auditor, who attend by invitation. Meetings are held at least three times a year and are also attended by the members of executive management when necessary, including those involved in risk management and control and finance.

**Role, purpose and principal functions**

Armco assists the board with regard to reporting financial information, the selection and application of accounting policies, monitoring the Group's internal control systems and various compliance-related matters.

Specific responsibilities include:

- reviewing and recommending to the board annual financial statements;
- dealing with matters relating to financial and internal control, accounting policies, reporting and disclosure;
- dealing with the engagement of the external auditors and fees payable to the external auditors;
- approving and ensuring compliance with the Group's policy on non-audit services;
- reviewing and/or approving internal audit, compliance and forensic services policies, plans, reports and findings;
- consider, on an annual basis, and satisfy itself of the appropriateness of the expertise and experience of the financial director;
- ensuring compliance with applicable legislation and regulations;
- evaluating the performance of the external auditors;
- reviewing external audit plans, findings and reports;
- assisting the board in the oversight of risk management.

The Group's policy on non-audit services, which is annually reviewed by the Armco, sets

out in detail what services may or may not be provided to Trustco Group Holdings Ltd by the external auditors. The policy is largely based on a review of current and emerging trends in corporate governance and the Group's governance systems. The Group's governance systems are benchmarked against local and international best practice. Armco conducts a formal external auditor evaluation process. This evaluation will occur annually and includes various criteria and standards such as audit planning, technical abilities, audit process/ outputs and quality control, business insight, independence and general factors. Armco has satisfied itself regarding the independence of the external auditors. Armco makes efforts to keep abreast of current and emerging trends in accounting standards which have become a major challenge, particularly with the introduction of International Financial Reporting Standards (IFRS). The Board reviews the performance of the Armco to evaluate how effectively it has discharged its duties as per its terms of reference.

As required by the JSE Listing Requirement 3.84(h), the audit committee has satisfied itself that the Group Finance Director has appropriate expertise and experience.

## BOARD COMMITTEES

The following table sets out the number of meetings held and individual directors' attendance records at the Board and its principal standing committees (based on membership of those committees, rather than attendance as an invitee) during the year.

(*Non-executive)	Board	Audit & Risk Committee	Remuneration Committee
Number of meetings held	3	3	2
M. Nashandi*	3/3	2/3	0/2
G.R.I. Walters	3/3	3/3	n/a
Dr. D. Namwandi*	3/3	3/3	2/2
V. de Klerk*	2/3	n/a	1/2
A.H. Toivo ya Toivo*	2/3	n/a	2/2
Q. van Rooyen	2/3	3/3	2/2
F.J. Abrahams	3/3	3/3	n/a
J. Jones	n/a	n/a	n/a

### Audit and Risk Management Committee

Dr. Namwandi resigned as chairman during the year. Mrs. M. Nashandi was appointed as acting chairperson in his place and will assume the necessary responsibilities until the Group has found a suitable replacement.

### Remuneration Committee

Dr. Namwandi resigned as chairman during the year. Mrs. M. Nashandi was appointed as acting chairperson in his place and will assume the necessary responsibilities until the Group has found a suitable replacement.

## ATTENDANCE AT MEETINGS

## STAFF SOCIAL SCHEME

The Board of Director approved a Staff Social Scheme which became effective on 1 June 2008. The purpose of the social scheme is to contribute to the social wellbeing and health of Trustco staff members and to provide financial security to either the staff member or the family of the staff member by means of life and disability cover.

The scheme comprises of the following:

- Hospitalization
- Maternity and Paternity Benefit
- Life and disability
- Employee Fund
- Annual leave
- Minimum wages

Trustco and the individual staff member will contribute 8.5% monthly towards the scheme as follows:

- A maximum of 8.5% of the monthly basic remuneration of which 5% will be allocated towards an employee fund.
- The contribution to the employee fund of current employees will be phased in commencing with a 1% contribution and escalating with a further 1% every three months to the maximum of 5%.
- New employees will contribute the full 8.5% from the date of employment.
- Employees appointed for a period of longer than 5 years will benefit from 20% of the company's contribution towards the employee fund escalating with 10% annually on the initial appointment date.

## BORROWING POWERS

The Board may in its discretion borrow or raise from time to time such amounts as it deems fit for the Company's purposes, provided that it will be obliged to procure the aggregate principal amount at any one time outstanding in respect of monies so borrowed or raised by the Company and/or all its subsidiaries shall not exceed the aggregate of the issued and paid up capital of the Company and the amounts standing to the credit of all distributable and non-

distributable reserve accounts, including share premium account and share capital redemption reserve fund but excluding any provision for taxation, any reserve created by the writing up of any assets of the Company after the acquisition of such assets by the Company and any reserve created by the writing up of any asset of any subsidiary of the Company after the date on which such subsidiary became a subsidiary of the Company.

## RISK MANAGEMENT

Risk-taking, in an appropriate manner, is an integral part of business. Success relies on optimising the trade-off between risk and reward. In the course of conducting its business, the Group is exposed to a variety of risks, including credit, market, operational, strategic and reputational risk. The long-term sustained growth, continued success and reputation of the Group are critically dependent on the quality of risk management. Risk management is one of the Group's core capabilities and management is committed to applying international best practice and standards. The Group's risk philosophy is underpinned by its objective of member value creation through sustainable profitable growth, in a manner that is consistent with members' expectations of the Group's risk-bearing capacity and its risk appetite. The Group's objective in this regard is to ensure that a quality risk management culture is sustained throughout its operations.

The culture is built on the following main elements:

- Adherence to the value system of the Group;
- An integrated holistic risk management approach to achieve optimal business decision-making;
- Pro-active risk management;
- A risk awareness culture via management and the business units;
- Disciplined and effective risk management processes and controls, and adherence to risk management standards and limits; and
- Compliance with the relevant statutory, regulatory and supervisory requirements. The management of risk is fundamental to the Group's business and allows management to operate more effectively in an environment characterised by uncertainty and risk.

The Group risk management approach is that all risks must be identified and managed, and that the returns must be commensurate with the risks taken, relative to the Group's risk appetite. Risk management in the Group is guided by several principles, the most important being:

- integrity and reliability of the financial and operational information that is used internally and for public reporting;
- safeguarding and maintenance of assets;
- detection and minimisation of fraud, potential liability, loss and material misstatement;
- compliance with applicable laws, regulations and policies;
- efficient and effective operations;
- the assignment of appropriate responsibility and accountability;
- the adoption of a framework for integrated risk management;
- comprehensive risk assessment and measurement; and
- independent review.

Excellence in risk management is based on a culture in which management makes risk identification, risk management and the establishment and maintenance of an efficient control environment, an integral part of its regular activities. Overall risk management policies, risk appetite and tolerances are set on a comprehensive, organisation-wide basis

The board is responsible for approving the Group's risk appetite annually. This risk appetite is translated into risk limits per division and/or subsidiary and per risk type. Adherence to these limits is monitored and culminates in a risk profile for the Group. The board of directors is responsible for the Group's systems of financial and operational internal control. To fulfil this responsibility, the executive directors ensure that management maintains accounting records and is continually developing and continues to maintain systems of internal control that are appropriate. Control measures have been put in place to identify and monitor the risk referred to above. Internally controls are founded on the basis that directors and employees are required to maintain the highest ethical standards. The Group's organisational structure incorporates suitable segregation of authority, duties and reporting lines and promotes effective communication of information. Defined control activities include documented

by senior management, and reviewed with and (where appropriate) approved by the board of directors. These policies, appetites and tolerances are clearly communicated throughout the Group and apply to the various divisions and wholly owned subsidiaries.

policies and procedures as well as budgeting and forecasting disciplines with comparison of actual results against these budgets and forecasts. The directors have satisfied themselves that these systems and procedures are implemented, maintained and monitored by appropriately trained personnel. The effectiveness of the systems of internal control in operations is monitored continually through reviews and reports from senior executives and divisional managers, the internal and the external auditors. Furthermore, management has various control self-assessment processes in place to supplement the existing structures for evaluating the systems of internal control. For the year under review none of the above reviews indicated that the systems of internal control were not appropriate or satisfactory. Furthermore no material loss, exposure or misstatement arising from a material breakdown in the functioning of the systems has been reported to the directors.

## RISK MANAGEMENT

## RESPONSIBILITY AND ACCOUNTABILITY

## BOARD AND EXECUTIVE MANAGEMENT RESPONSIBILITY

# VALUE ADDED STATEMENT

for the year ended 31 March 2010

Value added is the wealth created by Trustco Group Holdings Ltd and its subsidiaries through the sale of products and provision of services.

Revenue from all operations  
Purchases and other direct costs of services  
Wealth created

## Distribution of wealth created by Trustco Group of companies:

### Employee compensation

Salaries, wages and other benefits

### Shareholders

Dividends

### Government

Taxation (PAYE, Income tax, etc.)

### Retention for expansion and future growth

Net profit for the year

Depreciation and amortisation

2010		2009	
N\$ '000	%	N\$ '000	%
670 346		525 265	
( 415 290)		( 318 803)	
<b>255 056</b>		<b>206 462</b>	
64 552	25.3%	66 853	32.4%
14 143	5.6%	6 698	3.3%
24 505	9.6%	24 245	11.7%
151 856	59.5%	108 666	52.6%
137 544		93 378	
14 312		15 288	
<b>255 056</b>	<b>100.0%</b>	<b>206 462</b>	<b>100.0%</b>



# ANALYSIS OF SHAREHOLDERS

## ANALYSIS OF SHAREHOLDERS

### Range of shareholders

1 - 499
500 - 999 Shares
1000 - 1999 Shares
2000 - 2999 Shares
3000 - 3999 Shares
4000 - 4999 Shares
5000 - 9999 Shares
10000 Shares and above

Number of shareholders	Number of shares	% of shareholders	% of shares
10	2 834	0.36	0.00
1 244	625 981	44.54	0.09
686	849 487	24.56	0.12
221	509 162	7.91	0.07
87	277 676	3.11	0.04
29	123 687	1.04	0.02
282	1 691 219	10.10	0.24
234	703 062 044	8.38	99.42
2 793	707 142 090	100.00	100.00

### Category

Corporate bodies
Nominee companies
Private individuals
Trusts

12	64 793 525	0.43	9.16
2	191 059 318	0.07	27.02
2 770	421 701 192	99.18	59.63
9	29 588 055	0.32	4.18
2 793	707 142 090	100.00	100.00

### Public shareholders

### Non-public shareholders\*

2 772	276 119 953	99.25	39.05
21	431 022 137	0.75	60.95
2 793	707 142 090	100.00	100.00

### Large shareholders - more than 1% of share capital

Q. van Rooyen*
First National Bank Namibia Nominees
Namibian Government Institution Pension Fund
Standard Bank Namibia Nominees
Trustco Staff Share Incentive Scheme Trust
C.J. Muller

Number of shares	% of shares
392 554 120	55.51
105 171 886	14.87
21 875 000	3.09
93 415 452	13.21
29 266 630	4.14
32 631 755	4.61
674 914 843	95.43

\*Q. van Rooyen is a director as well as a major shareholder





# REPORT OF THE AUDIT AND RISK MANAGEMENT COMMITTEE

The Audit and Risk Management Committee comprises of a majority of independent non-executive directors and it meets no less than three times a year.

This committee assists the Board in observing its responsibility for ensuring that the Group's financial and computer systems provide reliable accurate and up-to-date information to support the current financial position and that the published annual financial statements represent a fair reflection of its financial position. It also ensures that appropriate accounting policies, control and compliance procedures are in place. The internal and

external auditors attend its meetings and have unrestricted access to the chairman of the committee.

The objectives of the Audit and Risk Management Committee are to ensure that all members are aware of their duties and responsibilities as members of the Audit and Risk Committee and that applicable legislation and regulations affecting their conduct are

clearly understood, and to ensure that the principles of good Corporate Governance are applied in all dealings on behalf of the Trustco Group.

The committee has met its objectives and has found no material weakness in controls and is satisfied with the level of disclosure to it and to the stakeholders.



**M. Nashandi**  
Acting Chairperson

**Windhoek**  
11 August 2010



# CERTIFICATE BY THE COMPANY SECRETARY

CERTIFICATE  
BY THE COMPANY  
SECRETARY

I, Petrus Jacobus Miller, being the company secretary of Trustco Group Holdings Limited, certify that the company has, for the year under review, lodged all returns required of a public company with the Registrar of Companies, and that all such returns are, to the best of my knowledge and belief, true, correct and up to date.



Adv. P.J. Miller  
Secretary

Windhoek  
11 August 2010



# STATEMENT OF RESPONSIBILITY AND APPROVAL OF ANNUAL FINANCIAL STATEMENTS BY THE BOARD OF DIRECTORS

for the year ended 31 March 2010

The directors are required by the Namibian Companies Act, 1973, to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the Company and its subsidiaries as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with International Financial Reporting Standards and in the manner as required by the Companies Act of Namibia, and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates. The annual financial statements incorporate full and responsible disclosure in line with the Group's philosophy on corporate governance and as required by the Namibian (NSX) and Johannesburg (JSE) Stock Exchange.

The directors acknowledge that they are ultimately responsible for the system of internal

financial control established by the Company and its subsidiaries and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the Board sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Company and its subsidiaries and all employees are required to maintain the highest ethical standards in ensuring the Company and its subsidiaries business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Company is on identifying, assessing, managing and monitoring all known forms of risk across the Company. While operating risk cannot be fully eliminated, the Company endeavors to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that

the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the Company's cash flow forecast for the year to 31 March 2011 and, in the light of this review and the current financial position, they are satisfied that the Company has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the Group's annual financial statements. The annual financial have been examined by the company's external auditors and their reports are presented on pages 36 and 37.

The annual financial statements set out on pages 39 to 92, which have been prepared on the going concern basis, were approved by the Board on 11 August 2010 and were signed on its behalf by:



**M. Nashandi**  
Acting Chairperson



**Q. van Rooyen**  
Chief Executive Officer

**Windhoek**  
11 August 2010



# REPORT OF THE INDEPENDENT AUDITORS

"it is only with a variety of  
colours that a rainbow is  
admired"





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61 Bismarck Street  
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WINDHOEK  
Namibia

## INDEPENDENT AUDITOR'S REPORT

*To the members of Trustco Group Holdings Limited*

We have audited the accompanying group annual financial statements and annual financial statements of Trustco Group Holdings Limited, which comprise the consolidated and separate statements of financial position as at 31 March 2010, and the consolidated and separate statements of comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes, and the directors' report as set out on pages 39 to 92.

### *Directors' Responsibility for the Financial Statements*

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of Namibia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### *Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, 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 present fairly, in all material respects, the consolidated and separate financial position of Trustco Group Holdings Limited as at 31 March 2010, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of Namibia.

BDO

BDO (Namibia)  
Registered Accountants and Auditors  
Chartered Accountants (Namibia)

11 August 2010  
Windhoek





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## INDEPENDENT AUDITOR'S REPORT

### *To the Members of Trustco Group Holdings Limited*

We have audited the group annual financial statements and annual financial statements of Trustco Group Holdings Limited, which comprise the consolidated and separate statements of financial position as at 31 March 2010, and the consolidated and separate statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the directors' report, as set out on pages 39 to 92.

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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 present fairly, in all material respects, the consolidated and separate financial position of Trustco Group Holdings Limited as at 31 March 2010, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards.

*BDO South Africa Incorporated.*

Per J Lemmer  
BDO South Africa Incorporated  
Registered Auditors

11 August 2010  
Pretoria

“even the most  
successful books  
started with a single  
typed letter”

# REPORT OF THE DIRECTORS





# REPORT OF THE DIRECTORS

for the year ended 31 March 2010

The directors present their report with the audited annual financial statements of the Company and of the Group for the year ended 31 March 2010.

The financial results of the Company and Group for the year under review are reflected in the annual financial statements set out on page 46 onwards. The consolidated statement of comprehensive income are set out on page 47. The extent to which the various segments of the Group contributed to the assets employed, turnover and net income after tax, were as follows:

	Turnover		Total assets		Net profit after tax attributable to equity holders of the parent	
	2010	2009	2010	2009	2010	2009
	N\$ '000	N\$ '000	N\$ '000	N\$ '000	N\$ '000	N\$ '000
Micro Insurance	108 365	93 847	38 222	29 688	44 985	36 227
Micro Finance and Education	104 542	71 197	193 547	150 795	39 342	30 015
Financial services outside Namibia	291 699	267 843	199 107	195 822	19 937	19 561
Private Equity	45 842	51 627	490 228	386 019	33 281	6 620
	550 448	484 514	921 104	762 324	137 545	92 423

Also refer to note 43 for more detail on segmental results.

Based on the results, shareholders value for 2010 is N\$ 478.6 million (2009: N\$ 370.5 million). The directors are confident that this

value will show growth for the foreseeable future and beyond.

During the year under review normal dividends of 2.00 cents per share (2009: 1.00) amounting to a total of N\$ 14.14 million (2009: N\$ 6.70 million) were declared and paid by the Group.The policy of the Group is to declare dividends of between four and five times cover. In view of the fact that the Group is still in process of raising capital to

mainly support future growth of the micro finance loan book, the Board of Directors recommended on 11 August 2010 that no dividend will be declared for the first six months after year end. This recommendation is to be approved by the shareholders at the Annual General Meeting to be held on 24 September 2010.

The borrowings of the Group are within the limits set by the articles of associations.

## FINANCIAL RESULTS

## SHAREHOLDERS VALUE

## DIVIDENDS

## BORROWINGS

## DIRECTORATE AND APPRECIATION

The Board of Directors are reflected on page 95. Dr. D. Namwandi resigned as chairman and director on 21 March 2010. Mrs. M. Nashandi was appointed as acting chairperson in his place. The Company is fortunate to have an energetic management

team to lead the Group forward. The directors, management and staff of the various companies in the Group have all played a crucial role in the year under review. We would like to thank each individual and team for their contributions this year.

## DEX FINANCIAL SERVICES PTY LTD ACQUISITION

The outstanding amount owed to DexGroup (Pty) Ltd of N\$ 14,9 million previously classified under vendor shares relating to the Trustco Financial Services (Pty) Ltd

acquisition (previously Dex Financial Services (Pty) Ltd - TFS) has been settled during the current financial year. Refer to note 18 for additional information.

## MICRO FINANCE GOVERNMENT DEDUCTION CODE

The deduction code is renewable from time to time. The current code is valid until September 2010. The Ministry of Finance undertook in writing on 15 April 2009 that should the deduction code expire, Trustco will be allowed to utilize the code until the then current outstanding loans are repaid

without the loading of new students on the system. Two new deduction codes with a tenure of two years were recently awarded to two financial institutions by the Government of Namibia. As a result thereof the directors are confident that the deduction code will be extended.

## DISPOSAL OF NON-CORE BUSINESS DIVISIONS

The Board has continued to take measures to dispose of non-core business units in order for the Group to focus on its core business which entails financial services.

### **Disposal of assets: Printas (Pty) Ltd**

The Group sold its printing press machinery and the Informante printing contract to Democratic Media Holdings (Pty) Ltd ("DMH") effective 30 June 2009. The decision to

dispose of all of the Group's printing assets is pertinent to measures taken by the Board to re-align the Group's focus on the pivotal core business. The terms and conditions of the sale provide for the take over of all machinery and the Informante printing contract by the DMH Group. This component did not represent a major line of business or geographical area of Trustco's operations.

Since his appointment as Managing Director of Trustco Group Holdings Limited Mr. van Rooyen has not received any bonuses. Pursuant to a resolution of the Remuneration Committee dated 31 March 2008 negotiations regarding his remuneration commenced and were concluded during June 2009. The agreement reached was tabled at the Board meeting held 2nd July 2009 and adopted. The agreement will be for a further 5 year period at which date the Company is permitted to re-appoint Mr. van Rooyen for a further period on terms and conditions to be agreed upon at that time.

The remuneration package of Mr. van Rooyen shall be determined once annually on the following basis:

- 0.25% of the audited annual turnover of the Company;
- 0.5% of the audited annual headline earnings of the Company;
- 0.5% of the audited annual basic earnings of the Company.

No additional salary, bonus, car scheme, medical aid or pension contributions of any nature for the duration of the agreement shall be paid to Mr. van Rooyen over and above the remuneration package as determined.

The Board remains optimistic about the future and expects the extraordinary organic growth to continue. Micro Insurance will remain an integral part of the Group's strategy to achieve continued growth through the launch of exciting new business initiatives into Africa (i.e. Trustco Mobile). Future growth will further be driven by Micro finance and education through new course offerings, the Lafrenz development project and strategic acquisitions, if market conditions permit.

The Company realizes that it has a most important role to fulfill in the Namibian economy and is prepared to obtain sufficient investments to ensure its services and

If the annual growth in any one or more of the categories compared with the previous financial year is less than the average inflation rate for that year plus 5% such category or categories shall be omitted from the determination.

The Company will refund Mr. van Rooyen for all reasonable expenses and disbursements incurred in the course of the business of the Company. Payment thereof shall be made upon presentation of a claim signed off by the Financial Director and one Exco member of the Company.

The Trustco Staff Share Incentive Trust or the Company, at the option of the Company, shall issue the shares to Mr. van Rooyen if he decide to exercise his right to take up shares and against payment by him of the par value of the shares to the Trust or the Company. The issue shall be made not later than 14 days after the option was exercised and payment was made. Mr. van Rooyen shall not sell or otherwise dispose of the shares for a period of two years after the shares have been issued.

This agreement must be approved at the upcoming Annual General Meeting.

products compare to the best in Africa. Substantial progress has been made in this regard through continued development of our core business.

The Group has set itself a great deal to accomplish in 2011. The economic environment affecting the business remains important for future performance and conditions will remain challenging. Trustco faces all the future challenges with considerable confidence. The foundations we have established during the past five years and the Group's well-positioned core business will provide a sound platform for building value for the future.

## REMUNERATION OF CEO

## THE YEAR AHEAD

## EVENTS SUBSEQUENT TO YEAR END

### SABC Legal Action

The arbitration process between Trustco Group International (Pty) Ltd and the South African Broadcasting Corporation (SABC) continued as a result of breach of contract by the SABC. The arbitrator made the following award after the parties final submissions during June 2010: Payment to the amount of R 24.7million; interest a tempore morae on the amount from 22 October 2004 (being the date of the statement of claim) until date of payment and the costs of the arbitration. The Group was advised by its external legal representatives that there are good prospects that the amount of the award made by the arbitrator will be increased by an Appeal Tribunal. Acting on that advice the Group resolved to file an appeal against the award made seeking an increase in the amount awarded. A notice of appeal was served on the arbitrator and the SABC on 28 June 2010. Due to the uncertainty associated with the final amount to be awarded as a result of the appeal and the timing thereof, it was decided to not recognise any amount in profit and loss for the 2010 financial year.

### Proposed funding from the IFC

Trustco entered into negotiations with the International Finance Corporation (the "IFC") in terms of which the IFC proposed to provide a 7-year senior loan of N\$80 million (approximately USD10.9 million) to support the student lending program of Trustco Finance (Pty) Ltd ("Trustco Finance"). Trustco Finance is a wholly owned subsidiary of the Group. The proposed loan will support the long term strategy of the Group as it expands its micro-lending and education business in Namibia and in the Southern African region. The proposal is subject to the necessary approvals by the Group and the IFC.

### Loan advanced to Atlanta Cinema CC

Trustco Capital (Pty) Ltd advanced a loan to Atlanta Cinema CC. The loan amount outstanding on 31 March 2010 was N\$ 12.3 million. The last monthly payment received from Atlanta Cinema CC was on 16 April 2010. Trustco Capital (Pty) Ltd instituted legal proceedings against Atlanta Cinema CC for the outstanding balance. Messrs. Becker, Ludwig and van der Merwe signed personal suretyships.

### Appointment of new directors'

The Board is in the process of finding a new chairman to replace Dr. D. Namwandi who resigned on 21 March 2010 as chairman. Additional non-executive directors will also be appointed to further compliment the Board.

### Trustco Mobile

Trustco Mobile (Pty) Ltd is in process of finalising an agreement with leading Zimbabwean company Econet Wireless (Pty) Limited ("Econet") and First Mutual Life Assurance Co. ("First Mutual") in Zimbabwe. This agreement will provide free life cover and other value added services to the 4.2 million subscriber base of Econet based on the airtime purchased by subscribers. The life cover will be underwritten by First Mutual. Trustco Mobile (Pty) Ltd will receive a monthly facility fee from Econet based on the number subscribers that opted for the value added service. Trustco Mobile will provide the informational technology framework and applications to facilitate this service and will be liable for an administration fee payable to First Mutual.

## SPECIAL RESOLUTIONS

No special resolutions were passed during the year under review.

	Company's interest					
	Issued share capital		% held		Shares at cost	
	2010 N\$	2009 N\$	2010 %	2009 %	2010 N\$	2009 N\$
Legal Shield Holdings (Pty) Ltd	100	100	100	100	100	100
Trustco Education (Pty) Ltd	100	100	100	100	100	100
Trustco Financial Services (Pty) Ltd (previously DexGroup Financial Services (Pty) Ltd)	4 000	4 000	100	100	-	-
Trustco Property Holdings (Pty) Ltd	100	100	100	100	100	100
Trustco Group International (Pty) Ltd (inc. in Republic of Namibia)	100	100	100	100	68 549 357	68 549 357
Trustco Corporate Management Services (Pty) Ltd	100	100	100	100	100	100
Trustco Capital (Pty) Ltd	100	100	100	100	100	100
Trustco Media (Pty) Ltd	100	100	100	100	100	100
Trustco Tourism Holdings (Pty) Ltd	100	100	100	100	100	100
Trustco Business Development (Pty) Ltd	100	100	100	100	100	100
Trustco Group International (Pty) Ltd (inc. in Republic of South Africa)	100	100	100	100	100	100
					68 550 257	68 550 257

Refer to note 11 for the holding company's indebtedness in subsidiaries and changes during the period.

The aggregate contribution made by the subsidiaries in the Group amounted to N\$ 150.2 million (2009: N\$ 108.3 million) and the Company contributed a loss N\$ 12.7 million (2009: loss of N\$ 14.9 million) to Group earnings.

HOLDING COMPANY'S INTEREST  
IN SUBSIDIARIES