ANNUAL FINANCIAL STATEMENTS 2015

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

FOR THE YEAR ENDED 31 MARCH 2015

The directors are required by the Namibian Companies Act, 2004, 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 (IFRS). The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with IFRS, SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncement as issued by the Financial Reporting Standards Council 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 judgements 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 Exchanges.

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 endeavours 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 2016 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 statements have been examined by the company's external auditors and their reports are presented on pages 3 and 4.

The annual financial statements set out on pages 8 to 89, which have been prepared on the going-concern basis, were approved by the board on 26 June 2014 and were signed on its behalf by:

ADV R HEATHCOTE
Chairperson

Q VAN ROOYEN
Managing Director

Windhoek

25 June 2015

CERTIFICATE BY THE COMPANY SECRETARY

FOR THE YEAR ENDING 31 MARCH 2015

I, Sandra Miller, being the Company Secretary of Trustco Group Holdings Ltd, certify that the company has, for the year under review, lodged all returns 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.

S MILLER
Company Secretary

Windhoek

26 June 2015

REPORT OF THE INDEPENDENT AUDITOR

REPORT OF THE INDEPENDENT AUDITOR TO THE SHAREHOLDERS OF TRUSTCO GROUP HOLDINGS LTD

We have audited the consolidated and separate financial statements of Trustco Group Holdings Ltd set out on pages 8 to 89, which comprise the statements of financial position as at 31 March 2015, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated and separate 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 consolidated and separate 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 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 consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Trustco Group Holdings Ltd as at 31 March 2015, 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 Inc.

BDO SOUTH AFRICA INCORPORATED
Director: JAPIE SCHOEMAN
Registered Auditor

29 June 2015
22 Wellington Road
Parktown
Johannesburg
South Africa
2193

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Directors' responsibility for the consolidated financial statements
The company's directors are responsible for the preparation and fair presentation of these consolidated and separate 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 controls relevant to the preparation and fair presentation of the annual financial statements that are free from material misstatement, whether due to fraud or error; selecting and 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 consolidated and separate 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 consolidated and separate financial statements are free from material misstatement.

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BDO

BDO (NAMIBIA)
Registered Accountants and Auditors
Chartered Accountants (Namibia)
PER: JSW DE VOS
Partner

29 June 2015
Windhoek
Namibia

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 MARCH 2015

The directors present their report with the audited annual financial statements of the company and of the group for the year ended 31 March 2015.

FINANCIAL RESULTS

The financial results of the company and group for the year under review are reflected in the annual financial statements set out on page 8 onwards. The consolidated statement of comprehensive income is set out on page 9.

Net profit after tax for the year ended 31 March 2015 was NAD303.2 million (2014: NAD252.7 million).

SHAREHOLDERS' VALUE

Based on the results, shareholders value for 2015 is NAD1.6 billion (2014: NAD1.2 billion). The directors are confident that this value will show growth for the foreseeable future and beyond.

DIVIDENDS

During the year under review dividends of 5.75 cents per share (2014: 2 cents) amounting to a total of NAD45.18 million (2014: NAD15.4 million) were declared and paid by the group. The directors of Trustco (the board) are pleased to announce that the board has passed a resolution on 26 June 2015 to pay a dividend of 4 cents per share for the financial year ended 31 March 2015.

The following information is provided to shareholders in respect of dividend tax:

- The dividend has been declared from income reserves;
- Shareholders are advised that Namibian non-resident shareholders' tax (NRST) of 20% on the declared dividend will be applicable to all shareholders with addresses outside Namibia (unless any specific rules relating to double tax treaties apply);
- The NRST rate for South African residents is 15% resulting in a net dividend of 3.4 cents per share (South African dividend witholding tax is not applicable to Namibian dividends);
- Trustco Group Holdings Ltd's Namibian income tax reference number is 3356338011;
- The number of shares in issue at the date of declaration is 772 142 090.

The salient dates for the payment of this dividend are set out below:
Last day to trade *cum* dividend Friday, 24 July 2015
Trading *ex* dividend commences Monday, 27 July 2015
Record Date Friday, 31 July 2015
Payment Date Friday, 21 August 2015

Share certificates may not be dematerialised or rematerialised between Monday, 27 July 2015 and Friday, 31 July 2015 both days included. The dividend is declared in Namibia Dollars and payable in currencies of the Republics of South Africa and Namibia which are pegged 1:1.

BORROWINGS

The borrowings of the group are within the limits set by the articles of association

DIRECTORATE AND APPRECIATION

The board of directors are reflected in the integrated annual report. 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.

V de Klerk (independent non-executive director and chair of the remuneration committee) resigned on 1 September 2014. D Steyn resigned as company secretary on 18 July 2014, this coincided with the appointment of S Miller as company secretary.

GOING-CONCERN CONCEPT

The directors have reviewed the group's budget and cash flow forecast for the year to 31 March 2016. On the basis of the review, and in the light of the current financial position and existing borrowing facilities, the directors are satisfied that the group has access to adequate resources to continue in operational existence for the foreseeable future and that it has continued to adopt the going-concern basis in preparing the financial statements.

REMUNERATION OF GROUP MANAGING DIRECTOR

Next Investments (Pty) Ltd has a management contract with Trustco in terms of which a management fee is paid quarterly as follows:

- 0.5% of the turnover of the group;
- 1% of the headline earnings of the group; and
- 1% of the basic earnings of the group.

Mr Quinton van Rooyen, the group managing director, is the sole shareholder of Next Investments (Pty) Ltd.

If targets are not met, the management fee is halved, whilst, if growth exceeds inflation plus 5%, then the management charge is doubled. Inflation in Namibia was recorded at a 3.4% year-on-year growth on 31 March 2015.

The managing director has also pledged certain assets as personal surety for various agreements entered into by the group. The company pays the managing director a guarantee fee of 2% per annum on the market value of sureties issued. The fee is calculated quarterly.

SPECIAL RESOLUTIONS

No resolutions were passed during the year

TREASURY SHARES

During the year the group sold 15.2 million of shares held by the long-term insurer into the market. The proceeds of the sale were reinvested into other investment projects in the Insurance segment.

HOLDING COMPANY'S INTEREST IN SUBSIDIARIES

	Company's interest					
	Issued share capital		% held		Shares at cost	
	2015 NAD	2014 NAD	**2015 %**	2014 %	**2015 NAD**	2014 NAD
Legal Shield Holdings (Pty) Ltd	**100**	100	**100**	100	**931 450 543**	100
Trustco Bank Namibia	**100 000 000**	–	**100**	–	**47 000 000**	–
Trustco Business Development (Pty) Ltd	**100**	100	**100**	100	**100**	100
Trustco Capital (Pty) Ltd*	**–**	100	**–**	100	**–**	100
Trustco Corporate Management Services (Pty) Ltd	**100**	100	**100**	100	**100**	100
Trustco Education (Pty) Ltd	**100**	100	**100**	100	**100**	100
Trustco Group International (Pty) Ltd (Inc. in Republic of Namibia)*	**–**	100	**–**	100	**–**	68 549 357
Trustco Group International (Pty) Ltd (Inc. in Republic of South Africa)	**100**	100	**100**	100	**100**	100
Trustco Media (Pty) Ltd*	**–**	100	**–**	100	**–**	100
Trustco Mobile Mauritius	**100**	100	**100**	100	**100**	100
Trustco Property Holdings (Pty) Ltd*	**–**	100	**–**	100	**–**	100
Trustco Tourism Holdings (Pty) Ltd*	**–**	100	**–**	100	**–**	100
					978 451 043	68 550 357

REPORT OF THE DIRECTORS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2015

** The parent company (Trustco Group Holdings Ltd) disposed of its shareholding in these entities during the year by way of sale/transfer to other wholly-owned group entities. The ultimate parent remains the same in all instances.*

The aggregate contribution made by the subsidiaries in the group amounted to NAD352.6 million (2014: NAD270.12 million) and the company contributed a loss NAD49.4 million (2014: loss of NAD17.45 million) to group earnings.

SUBSEQUENT EVENTS

Acquisition of Huso Investments

On 22 June 2015, the group announced that it had entered into an option agreement with Huso Investments (Pty) Ltd ('Huso') to secure the rights to acquire Huso and its subsidiaries, namely Northern Namibia Development Corporation (Pty) Ltd and Morse Investments (Pty) Ltd. The operations of Huso involve a diamond mining operation and a diamond polishing factory – both located in Namibia. The option is exercisable by the group should the shareholders of Huso be able to demonstrate various contingent actions as detailed in the SENS announcement issued to the market on 22 June 2015.

The year ahead

The board of directors remains buoyed by an impressive set of results, in this financial year, which has sent a strong positive signal to the group's stakeholders. The members of the board continue to stand behind management as the continued growth and success of the group demonstrates a robust and promising business strategy.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 MARCH 2015

		Group			Company		
			Reclassified	Reclassified		Reclassified	Reclassified
		2015	2014	2013	**2015**	2014	2013
	Notes	**NAD'000**	NAD'000	NAD'000	**NAD'000**	NAD'000	NAD'000
ASSETS							
Cash and cash equivalents	3	**118 700**	131 606	46 924	**2 228**	79 300	41
Advances	4	**806 965**	699 932	360 713	**–**	–	–
Trade and other receivables	5	**574 390**	230 774	271 182	**6 585**	339	253
Current tax assets	39.2	**12 982**	4 716	860	**1 002**	–	–
Amounts due by related parties	6	**–**	–	8 482	**841 750**	748 449	366 660
Inventories	7	**323 917**	343 850	10 420	**–**	–	–
Property, plant and equipment	8	**269 329**	203 111	179 266	**–**	–	–
Investment property	9	**708 835**	537 330	344 247	**–**	–	–
Intangible assets	10	**197 623**	212 391	232 650	**–**	–	–
Investment in subsidiaries	11	**–**	–	–	**978 451**	68 550	68 550
Deferred tax assets	12	**146 359**	110 774	78 183	**15 053**	–	–
Total assets		**3 159 100**	2 474 484	1 532 927	**1 845 069**	896 638	435 504
EQUITY AND LIABILITIES							
Liabilities							
Overdraft	13	**15 020**	–	564	**441**	–	69
Borrowings	14	**1 045 641**	730 369	329 481	**294 546**	291 762	–
Trade and other payables	15	**78 891**	32 131	129 154	**25 348**	23 957	55 924
Current tax liabilities	39.2	**7 945**	5 561	29 116	**–**	854	3 851
Technical provisions	16	**18 880**	20 113	20 558	**–**	–	–
Amounts due to related parties	6	**527**	265	–	**210 616**	118 872	51 630
Policyholders' liability under insurance contracts	17	**44 839**	38 520	16 587	**–**	–	–
Other liabilities	18	**92 750**	212 449	6 106	**–**	–	–
Deferred tax liabilities	12	**304 441**	210 721	33 231	**–**	3 479	–
Total liabilities		**1 608 934**	1 250 129	564 797	**530 951**	438 924	111 474
Capital and reserves							
Share capital	19	**177 595**	177 595	169 545	**177 595**	177 595	169 545
Share premium	19	**46 300**	46 300	24 600	**46 300**	46 300	24 600
Deemed treasury shares	20	**(57 043)**	(69 026)	–	**(1 861)**	–	–
Shares for vendors	21	**14 976**	14 976	14 976	**14 976**	14 976	14 976
Contingency reserves	22	**2 250**	2 983	4 610	**–**	–	–
Put options	23	**–**	–	(52 832)	**–**	–	(52 832)
Revaluation reserves	24	**52 083**	30 641	21 797	**–**	–	–
Foreign currency translation reserve	25	**(5 936)**	(2 075)	1 869	**–**	–	–
Retained earnings		**1 319 941**	1 022 961	783 565	**1 077 108**	218 843	167 741
Total capital and reserves		**1 550 166**	1 224 355	968 130	**1 314 118**	457 714	324 030
Total equity and liabilities		**3 159 100**	2 474 484	1 532 927	**1 845 069**	896 638	435 504

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2015

		Group		Company	
	Notes	2015 NAD'000	Reclassified 2014 NAD'000	2015 NAD'000	Reclassified 2014 NAD'000
Insurance premium revenue	29	**180 863**	225 086	**–**	–
Revenue	29	**836 210**	618 468	**4 670**	3 600
Total revenue		**1 017 073**	843 554	**4 670**	3 600
Cost of sales	30	**(204 614)**	(171 976)	**–**	–
Gross profit		**812 459**	671 578	**4 670**	3 600
Investment income	35	**136 127**	123 518	**41 418**	90 456
Insurance benefits and claims	31	**(42 616)**	(54 996)	**–**	–
Operating expenses		**(404 079)**	(382 767)	**(65 226)**	(15 425)
Finance costs	36	**(105 496)**	(57 095)	**(29 258)**	(6 047)
Profit/(loss) before taxation	32	**396 395**	300 238	**(48 396)**	72 584
Taxation	37	**(93 157)**	(47 566)	**18 532**	(6 039)
Profit/(loss) for the year		**303 238**	252 672	**(29 864)**	66 545
Other comprehensive income, net of tax		**18 540**	5 409	**–**	–
Items that will not be subsequently reclassified to profit or loss					
Revaluation of property, plant and equipment	24	**22 401**	9 353	**–**	–
Items that may be subsequently reclassified to profit or loss					
Foreign currency translation adjustment	25	**(3 861)**	(3 944)	**–**	–
Total comprehensive income/(loss) for the year		**321 778**	258 081	**(29 864)**	66 545
Earnings per shares:					
Basic earnings per share (cents)	38	**43.59**	33.57		
Diluted earnings per share (cents)	38	**43.29**	33.35		

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2015

Group	Share capital NAD'000	Share premium NAD'000	Foreign currency translation reserve NAD'000	Deemed treasury shares NAD'000	Shares for vendors NAD'000	Con-tingency reserve NAD'000	Put options NAD'000	Re-valuation reserve NAD'000	Retained earnings NAD'000	Total NAD'000
Balance at 1 April 2013	169 545	24 600	1 869	–	14 976	4 610	(52 832)	21 797	783 565	968 130
Transfer to contingency reserve	–	–	–	–	–	(1 627)	–	–	1 627	–
Shares issued	8 050	21 700	–	–	–	–	–	–	–	29 750
Transfer between reserves	–	–	–	–	–	–	–	(509)	509	–
Deemed treasury shares purchased	–	–	–	(69 026)	–	–	–	–	–	(69 026)
Put option exercised by group	–	–	–	–	–	–	52 832	–	–	52 832
Total comprehensive income for the year	–	–	(3 944)	–	–	–	–	9 353	252 672	258 081
Dividends for the year	–	–	–	–	–	–	–	–	(15 412)	(15 412)
Balance at 31 March 2014	177 595	46 300	(2 075)	(69 026)	14 976	2 983	–	30 641	1 022 961	1 224 355
Balance at 1 April 2014	**177 595**	**46 300**	**(2 075)**	**(69 026)**	**14 976**	**2 983**	**–**	**30 641**	**1 022 961**	**1 224 355**
Transfer between reserves	–	–	–	–	–	–	–	(959)	959	–
Transfer to contingency reserves	–	–	–	–	–	(733)	–	–	733	–
Deemed treasury shares purchased	–	–	–	(1 861)	–	–	–	–	–	(1 861)
Deemed treasury shares sold	–	–	–	13 844	–	–	–	–	32 867	46 711
Total comprehensive income for the year	–	–	(3 861)	–	–	–	–	22 401	303 238	321 778
Dividends for the year	–	–	–	–	–	–	–	–	(40 817)	(40 817)
Balance at 31 March 2015	**177 595**	**46 300**	**(5 936)**	**(57 043)**	**14 976**	**2 250**	**–**	**52 083**	**1 319 941**	**1 550 166**
Notes:	19	19	25	20	21	22	23	24		

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2015

Company	Share capital NAD'000	Share premium NAD'000	Deemed treasury shares NAD'000	Shares for vendors NAD'000	Put option NAD'000	Retained earnings NAD'000	Total NAD'000
Balance at 1 April 2013	169 545	24 600	–	14 976	(52 832)	167 741	324 030
Share issue	8 050	21 700	–	–	–	–	29 750
Total comprehensive income for the year	–	–	–	–	–	66 545	66 545
Put option exercised by group	–	–	–	–	52 832	–	52 832
Dividends for the year	–	–	–	–	–	(15 443)	(15 443)
Balance at 31 March 2014	177 595	46 300	–	14 976	–	218 843	457 714

Company	Share capital NAD'000	Share premium NAD'000	Deemed treasury shares NAD'000	Shares for vendors NAD'000	Put option NAD'000	Retained earnings NAD'000	Total NAD'000
Balance at 1 April 2014	**177 595**	**46 300**	**–**	**14 976**	**–**	**218 843**	**457 714**
Comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**(29 864)**	**(29 864)**
Common control transaction effect	**–**	**–**	**–**	**–**	**–**	**933 312**	**933 312**
Treasury shares purchased	**–**	**–**	**(1 861)**	**–**	**–**	**–**	**(1 861)**
Dividends for the year	**–**	**–**	**–**	**–**	**–**	**(45 183)**	**(45 183)**
Balance at 31 March 2015	**177 595**	**46 300**	**(1 861)**	**14 976**	**–**	**1 077 108**	**1 341 118**
Notes:	19		20	21	23		

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2015

		Group		Company	
	Notes	**2015 NAD'000**	Restated 2014 NAD'000	**2015 NAD'000**	2014 NAD'000
Cash flow from operating activities					
Cash generated by operations before working capital changes	39.1	**448 057**	343 088	**(60 556)**	(11 825)
Changes in working capital	39.1	**(276 923)**	(159 580)	**(4 856)**	20 779
Interest received	35	**6 421**	3 095	**41 418**	35 456
Dividends received	35	**–**	–	**–**	55 000
Finance costs	36	**(105 496)**	(57 095)	**(29 258)**	(6 047)
Net Advances disbursed		**(98 215)**	(278 454)	**–**	–
Proceeds from funding liabilities for advances		**220 000**	240 000	**–**	–
Taxation paid	39.2	**(25 014)**	(16 146)	**(1 856)**	(5 557)
Net cash flow from operating activities		**168 830**	74 908	**(55 108)**	87 806
Cash flow from investing activities					
Additions to property, plant and equipment	8	**(8 598)**	(10 355)	**–**	–
Additions to investment property	9	**(13 321)**	–	**–**	–
Additions to intangible assets	10	**(11 661)**	(8 173)	**–**	–
Acquisition of subsidiary, net of cash acquired	40.3	**13 319**	(10 044)	**–**	–
Proceeds on sale of property, plant and equipment		**10 103**	869	**–**	–
Proceeds on sale of investment property		**2 170**	–	**–**	–
Proceeds on sale of intangible assets		**–**	6 355	**–**	–
Net cash flow from investing activities		**(7 988)**	(21 348)	**–**	–
Cash flow from financing activities					
Public issue of ordinary shares		**–**	29 750	**–**	29 750
Purchase of deemed treasury shares		**(1 861)**	(69 026)	**–**	–
Proceeds on sale of deemed treasury shares		**47 611**	–	**–**	–
Proceeds of borrowings		**80 000**	80 888	**24 333**	291 762
Repayment of borrowings		**(153 740)**	–	**–**	–
Proceeds from related party loans		**–**	8 747	**86 920**	67 242
Repayment of related party loans		**(262)**	–	**(88 475)**	(381 789)
Dividends paid		**(40 817)**	(15 412)	**(45 183)**	(15 443)
Repayment of other liabilities		**(119 699)**	(3 261)	**–**	–
Net cash flow from financing activities		**(188 768)**	31 686	**(22 405)**	(8 478)
Net change in cash and cash equivalents		**(27 926)**	85 246	**(77 513)**	79 328
Cash and cash equivalents at beginning of year		**131 606**	46 360	**79 300**	(28)
Cash and cash equivalents at end of year	39.4	**103 680**	131 606	**1 787**	79 300

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

1. ESTIMATES, JUDGEMENTS AND BASIS OF PREPARATION

The consolidated annual financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), the interpretations adopted by the International Accounting Standards Board, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncement as issued by the Financial Reporting Standards Council 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 judgements and estimates. The consolidated annual financial statements have been prepared on the historical cost basis, except for the measurement of investment properties and certain financial instruments at fair value, and incorporate the principal accounting policies set out below.

1.1 ACCOUNTING ESTIMATES AND JUDGEMENTS

In preparing the consolidated annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the consolidated annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the consolidated annual financial statements.

Judgements refer to specific judgements made by management in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the consolidated annual financial statements.

Estimation relates to uncertain future events and their effect on certain assets and liabilities accounted for in the consolidated annual financial statements.

Critical accounting policies

The directors are satisfied that the critical accounting policies are appropriate to the group.

Critical accounting judgements in applying the group's accounting policies

Judgements made in the application of IFRS that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Fair value estimation

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The group and the company use a variety of methods and make assumptions that are based on market conditions existing at each reporting date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

Expected manner of realisation for deferred tax

Deferred taxation assets are recognised to the extent that it is probable that the taxable income will be available against which they can be utilised. Future taxable profits are estimated based on business plans which include estimates and assumptions regarding economic growth, interest, inflation and taxation rates and competitive forces.

Taxation

Judgement is required in determining the provision for taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain. The group and the company recognise liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax and deferred tax provisions.

The group and the company recognise the net future tax benefit related to deferred tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred tax assets requires the group and the company to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the group and the company to realise the net deferred tax assets recorded at the reporting date could be impacted.

Property, plant and equipment

The residual values of property, plant and equipment are reviewed annually after considering future market conditions, the remaining life of the assets and projected disposal values. The estimation of the useful lives is based on historical performance as well as expectation about future use and, therefore, requires a degree of judgement to be applied. The depreciation rates represent management's current best estimate of the useful lives of the assets.

Trade receivables and loans and receivables

The group and the company assess their trade receivables and loans and receivables for impairment at each reporting date. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the group and the company make judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

Impairment testing

The impairment for trade receivables and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Intangibles

Impairment testing

The recoverable amounts of cash-generating units or individual assets have been determined based on the higher of value-in-use calculations and fair values. These calculations require the use of estimates and assumptions. It is reasonably possible that some assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of intangible assets.

The group and the company review and test the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value-in-use of intangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of economic factors such as foreign exchange rates, inflation rates and interest rates.

Distinction between investment properties and owner-occupied properties

Investment property is determined by the use within the group rather than the use by the individual company. In making its judgement, the group considers whether the property generates cash flows largely independently of the group. Owner-occupied properties generate cash flows that are attributable not only to property but also to other assets used in the production or supply or administrative process of the group.

Properties that are held to earn rentals or for capital appreciation are classified as investment properties and properties that the group occupy are classified as property, plant and equipment. The group considers each property separately in making its judgement.

Distinction between investment properties and IFRS 3 Business Combinations

The group has both recently and historically acquired shareholding in entities that hold investment property. The group primarily revises the appropriateness of treating the acquisition as a business combination and will not recognise the transaction in terms of IFRS 3 if the criteria are not met. The group will primarily determine whether or not the acquiree is presently conducting activities that may indicate that the purchase is a business combination.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2015

1. ESTIMATES, JUDGEMENTS AND BASIS OF PREPARATION (CONTINUED)

1.1 ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Insurance liabilities

One of the purposes of insurance is to enable policyholders to protect themselves against uncertain future events. Insurance companies accept the transfer of uncertainty from policyholders and seek to add value through the aggregation and management of these risks. The uncertainty inherent in insurance is inevitably reflected in the financial statements of the insurance company, principally in respect of the insurance liabilities of the company.

Insurance liabilities include the provisions for unearned premiums, outstanding claims and incurred but not reported (IBNR) claims.

Process to determine significant assumptions

Insurance risks are unpredictable and the group recognises that it is not always possible to forecast, with absolute precision, future claims payable under existing insurance contracts. Over time, the group has developed a methodology that is aimed at establishing insurance provisions that have an above-average likelihood of being adequate to settle all its insurance obligations.

(i) *Unearned premium provision*

Unearned premiums represent the amount of income set aside by the company to cover the cost of claims that may arise during the unexpired period of risk of insurance policies in force at the reporting date.

The group raises provisions for unearned premiums on a basis that reflects the underlying risk profile of its insurance contracts. An unearned premium provision is created at the commencement of each insurance contract and is released as the risk covered by the contract expires. Most of the group's insurance contracts have an even risk profile. Therefore, the unearned premium provision is released evenly over the period of insurance using a time proportion basis.

At each reporting date an assessment is made of whether the provisions for unearned premiums are adequate.

(ii) *Outstanding claims*

Outstanding claims represent the group's estimate of the cost of settlement of claims that have occurred and were reported by the reporting date, but that have not yet been finally settled.

Claims provision are determined based on previous claims experience, knowledge of events, the terms and conditions of relevant policies and on the interpretation of circumstances. Each notified claim is assessed on a separate case-by-case basis with due regard for specific circumstances, information available from the insured and/or loss adjuster and past experience with similar cases and historical claims payment trends. The approach also includes the consideration of the development of loss payment trends, the levels of unpaid claims, legislative changes, judicial decisions and economic conditions. The group employs employees experienced in claims handling and rigorously applies standardised policies and procedures to claims assessment.

The ultimate cost of reported claims may vary as a result of future developments or better information becoming available about the current circumstances. Therefore, case estimates are reviewed regularly and updated when new information becomes available.

The provision for outstanding claims is initially estimated at a gross level.

(iii) *Claims incurred but not reported (IBNR)*
There is also considerable uncertainty concerning the eventual outcome of claims that have occurred but had not yet been reported to the insurer by the reporting date. The IBNR provision relates to these events.

The claims provisions are subject to close scrutiny both within the group's business units and at a company level. In addition, for major classes where the risks and uncertainties inherent in the provisions are greatest, regular and ad hoc detailed reviews are undertaken by advisers who are able to draw upon their specialist expertise and a broader knowledge of current industry trends in claims development. The results of these reviews are considered when establishing the appropriate levels of provisions for the outstanding claims and unexpired periods of risk.

The degree of uncertainty will vary by policy class according to the characteristics of the insured risks and the cost of a claim will be determined by the actual loss suffered by the policyholder. There may be significant reporting lags between the occurrence of the insured event and the time it is actually reported to the group. Following the identification and notification of an insured loss, there may still be uncertainty as to the magnitude and timing of the settlement of the claim.

The establishment of insurance liabilities is an inherently uncertain process and as a consequence of this uncertainty, the eventual cost of settlement of outstanding claims can vary substantially from the initial estimates, particularly for the group's long tail lines of business. The group seeks to provide appropriate levels of claims provisions taking the known facts and experience into account.

1.2 BASIS OF PREPARATION

1.2.1 *Presentation of statement of financial position*

During the year, the group acquired all the shareholding in a banking institution and conducted various group reorganisations in order to align the Insurance operations and their investment functions; as a result the directors are of the opinion that presenting the statement of financial position in order of liquidity rather than the current versus non-current split, more closely aligns the group with its peers in the financial services industry and provides users of the financial statements with a more relevant overview of the operations. Where appropriate the split of current versus non-current assets are now presented in the individual notes. Figures that have been aggregated for the first time are reconciled to their historical split in the notes thereto and where figures have been aggregated, that period is described as 'reclassified'.

Previously split into current and non-current portions. The items which have now been aggregated in order to present the statement of financial position in order of liquidity basis include Advances (note 4), related portion (note 6), borrowings (note 14) and offer liabilities (note 18).

Certain items presented separately in the statement of comprehensive income are now aggregated with the aim of simplifying the user of the financial statements ability to understand the relevant drivers of information. The movement in technical insurance provisions and long-term Insurance provisions are now aggregated. Investment Income now includes other income, fair value gains on investment properties and gain on bargain purchase. The detail of the prior year comparatives are retained in notes 32 and 35. The seperate disclosure of these items as in prior years no longer represents material individual significant factors in a users ability to understand the statements.

The detail, now aggregated, on the face of the consolidated statement of comprehensive income is presented in the notes. All insurance related notes are now grouped together.

The changes to the presentation of the statement of comprehensive income have had no ancilliary effect on the statement of financial position, statement of changes in equity or had an effect on previously reported earnings or tax.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2015

2. ACCOUNTING POLICIES

2.1 BASIS OF CONSOLIDATION

2.1.1 *Investments in subsidiaries*

Company annual financial statements

Investments in subsidiaries are carried at cost less any accumulated impairment, unless restructured in a common control transaction in which case sudsidiaries are carried at fair value and not subsequently revalued.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group. The changes to the presentation of the statement of comprehensive income have had no ancilliary effect on the statement of financial position, statement of changes in equity or had an effect on previously reported earnings or tax.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the group, liabilities incurred by the group to the former owners of the acquiree and the equity interests issued by the group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity.

Common control transactions

As IFRS does not specifically govern the accounting treatment of common control transactions, guidance was sought by investigating the treatment of similar transactions in other jurisdictions. Guidance was obtained from US GAAP, specifically FRS 6.

For group reorganizations where the ultimate shareholder remains the same, 'merger accounting' is applied in accounting for the reorganization, the following is applicable:

- The results and cash flows of the combining entities is brought into the financial statements of the combined entity from the beginning of the period in which the combination occurred comparative information is similarly adjusted on the same basis.
- The difference between the net carrying value of assets transferred and liabilities assumed less the fair value of any consideration given is recognised in equity.
- Merger expenses are recognised in profit or loss.

2.2 FOREIGN CURRENCY

2.2.1 *Functional and presentation currency*

Items included in the financial statements of each entity in the group are measured using the currency that best reflects the primary economic environment in which the entity operates (the functional currency). The group financial statements are presented in Namibian Dollar, which is the functional and presentation currency of the parent company and the presentation currency of the group.

2.2.2 *Translation of foreign operations*

The financial statements of all group entities (none of which have the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency of the group are translated into the presentation currency as follows:

- assets and liabilities are translated at rates of exchange ruling at the reporting date;
- specific transactions in equity are translated at rates of exchange ruling at the transaction dates;
- income and expenditure and cash flow items are translated at weighted average exchange rates for the period; and
- all resulting foreign exchange translation differences are recognised in other comprehensive income.

An entity may have a monetary item that is receivable from or payable to a foreign operation. An item for which settlement is neither planned nor likely to occur in the foreseeable future is, in substance, a part of the entity's net investment in that foreign operation. On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to other comprehensive income. When a foreign operation is partially disposed of or sold and results in loss of control, exchange differences that were recorded in equity are recognised in profit or loss as part of the gain or loss on sale.

2.3 SEGMENT REPORTING

The reportable segments of the group have been identified based on the nature of businesses. This basis is representative of the internal structure for management reporting purposes. Information is also supplied for the various geographies in which the group operates.

Operating segments are components of the group that engage in separate business activities and about which separate financial information is available that is evaluated regularly by the chief operating decision-maker (group executive committee). The group executive committee decides how to allocate resources and assesses performance of operating segments. Segment accounting policies are the same as the accounting policies as applied to the group.

The executive committee (exco) reports on the following product lines namely: insurance, banking & finance and investments. Insurance in Namibia and in South Africa have been disaggregated as South Africa is the only non-Namibian operation and is subject to scrutiny.

Inter-segment transfers

Segment revenue, segment expenses and segment results include transfers between business segments and between geographical segments. Such transfers are accounted for at arm's length prices. These transfers are eliminated on consolidation.

Segmental revenue and expenses

All segment revenue and expenses are directly attributable to the segments.

Segmental assets

All operating assets used by a segment principally include property, plant and equipment, investments, inventories, cash balances and receivables, net of allowances.

Segmental liabilities

All operating liabilities of a segment principally include accounts payable, technical liabilities and external interest-bearing borrowings.

2.4 INVENTORIES

Inventories are measured at the lower of cost and net realisable value on the first-in-first-out (FIFO) basis. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The same cost formula is used for all inventories having a similar nature and use to the entity.

Inventory acquired through business combinations is measured at its fair value at the date of acquisition.

The cost of inventories comprises costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2015

2. ACCOUNTING POLICIES (CONTINUED)

2.4 INVENTORIES (CONTINUED)

The inventory of real estate is presented at cost (including development and preparation expenses). The cost of the real estate may not exceed the net realisable value. The net realisable value represents an estimate of the selling price in the ordinary course of business based on market prices at the reporting date and discounted for time value of money if material, less an estimate of the cost of construction, and less an estimate of the cost required to execute the sale.

In a transition from inventory to investment property, which is measured at fair value, any difference between the fair value of the real estate on that date and its prior carrying value in the books is recorded directly to profit and loss.

2.5 PROPERTY, PLANT AND EQUIPMENT

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to or replace part of it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is de-recognised. Day-to-day repairs and maintenance are recognised as expenses in profit or loss.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment.

Land, buildings and aircrafts are carried at revalued amounts, being the fair value at date of revaluation less any subsequent accumulated depreciation and subsequent impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date.

Increases in the carrying amounts of land, buildings and aircrafts arising on revaluation are recognised in other comprehensive income. Decreases that off-set previous increases of the same asset and all other decreases are charged to the statement of comprehensive income. Each year the difference between depreciation based on the revalued carrying amount of the assets (the depreciation charged to the statement of comprehensive income) and depreciation based on the asset's original cost is transferred from revaluation and other reserves to retained earnings.

Item	Average useful life
Land	Indefinite
Buildings	50 years
Machinery and equipment	6 – 15 years
Motor vehicles	8 years
Office equipment and furniture	6 – 8 years
Computer equipment and software	3 – 5 years
Aircraft	
▪ Engine	1 500 – 3 500 flight hours
▪ Airframe	18 000 – 20 000 flight hours
▪ Avionics and equipment	10 years

The residual value and the useful life of each asset is reviewed at each financial period end.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately.

The depreciation charge for each period is recognised in profit or loss unless it is included in the carrying amount of another asset.

The carrying amounts of property, plant and equipment are assessed for impairment whenever events or changes in circumstances indicate the carrying amounts may not be recoverable. If any such indication exists and where the carrying values exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

2.6 INVESTMENT PROPERTY

Investment properties are held for long-term rental yields or for capital appreciation or both, and are not occupied by companies within the group. Investment properties are measured initially at cost. After initial recognition, investment properties are measured and carried at fair value.

Fair value is based on valuation performed by appointed independent registered valuer(s) taking into account factors such as the property growth and market in the surrounding area. The fair value of the investment properties reflects the market conditions at the reporting date. Changes in fair values are recognised in profit or loss in the statement of comprehensive income as investment properties fair value adjustment.

On disposal of an investment property, or when it is permanently withdrawn from use and future economic benefits no longer are expected from the property concerned, it shall be derecognised. The difference between the net disposal proceeds and the carrying value is recognised as profit or loss in the period of the retirement or disposal.

Transfer to or from investment property will be made when there is a change in use of the property. The commencement of owner-occupation for the property would result in a transfer of the investment property to property, plant and equipment. On the other hand, the end of owner-occupation of a property would result in a transfer from property, plant and equipment to investment property.

The group transfers properties out of investment property when development to put property in a position to sell commences.

When a transfer from property, plant and equipment to investment properties is done, any revaluation to adjust fair values at transfer date is recognised in other comprehensive income.

2.7 INTANGIBLE ASSETS

Intangible assets are initially recognised at cost.

Internally generated activities

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred. Internally generated goodwill is not recognised.

An intangible asset arising from development (or from the development phase of an internal project) is recognised as an asset when, it has met the recognition criteria of the standard. The group chooses to recognise development costs relating to software development as an asset when the software is available for use in the business.

Finite life

The carrying amount of intangible assets are assessed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values as follows:

Item	Useful life
Computer software	2 – 10 years
Trademarks, licences and patents	10 – 25 years
Insurance book	5 years

The amortisation period, the residual value and the amortisation method for intangible assets are reviewed every year-end.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2015

2. ACCOUNTING POLICIES (CONTINUED)

2.7 INTANGIBLE ASSETS (CONTINUED)

FINANCIAL INSTRUMENTS

The group has decided not to early adopt IFRS 9.

Initial recognition

The group and the company classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial assets and financial liabilities are recognised on the group and the company's statements of financial position when the group and the company becomes parties to the contractual provisions of the instrument.

Derecognition

A financial liability is derecognised when and only when the liability is extinguished, that is when the obligation specified in the contract is discharged, cancelled or has expired. The difference between the carrying amount of a financial liability (or part thereof) extinguished or transferred to another party and consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the income statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and subsequently carried at amortised cost using the effective-interest method. The portion of these financial assets are disclosed as current assets unless they matures later than 12 months after financial year-end. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the affected loans and receivables' (e.g. trade receivable) carrying amount and the present value of the estimated future cash flows discounted at the original effective-interest rate applicable to the relevant loans and receivables. As soon as individual trade accounts receivable can no longer be collected in the normal way and are expected to result in a loss, they are designated as doubtful trade accounts receivable and valued at the expected collectible amounts. The net carrying amount will be reduced through the use of an allowance account and the loss recognised in profit or loss. They are written off completely and the financial asset derecognised when they are deemed to be uncollectible because of bankruptcy or other forms of receivership of the debtors.

Other financial liabilities

These liabilities (including borrowings and trade and other payables) are recognised initially at fair value. Subsequently, they are stated at amortised cost using the effective-interest rate method.

Effective interest method

The effective-interest method is a method of calculating the amortised cost of financial assets and liabilities and of allocating interest expense and income over the relevant period. The effective-interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective-interest rate, transaction costs and other premiums or discounts) through the expected life of the financial assets or liabilities, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

2.8 TAX

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities and assets for the current and prior periods are measured at the amount expected to be paid to or recovered from the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date.

A deferred tax liability is recognised for all taxable temporary differences associated with investments in subsidiaries, except to the extent that both of the following conditions are satisfied:

- the parent, investor or venturer is able to control the timing of the reversal of the temporary difference; and
- it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that:

- is not a business combination; and
- at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences arising from investments in subsidiaries, to the extent that it is probable that:

- the temporary difference will reverse in the foreseeable future; and
- taxable profit will be available against which the temporary difference can be utilised.

A deferred tax asset is recognised for the carry-forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date.

Reclassification of normal tax to deferred tax

Owing to the ambiguity in the taxing of property sale transactions in the Namibian Income Tax Act, there are two different allowed alternatives available:

- the taxation of individuals on transfer date; and
- a blend of taxation for corporates which results in either the tax liability accruing in the year which the sale is made o transfer date (depending on the accounting treatment of the company).

Given the ambiguity, Trustco felt it necessary to ensure that our tax treatment would be consistent in future periods and therefore claimed an allowance from the receiver to reduce current tax payable. As a result the deferred tax liability was raised in this regard to ensure that the financial statements continue to comply with IAS 12. The liability was moved from current tax liabilities to deferred tax and consequent from current to non-current liabilities.

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except where the transaction is recognised in other comprehensive income, or directly in equity and to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, directly in equity; or
- a business combination.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2015

2. ACCOUNTING POLICIES (CONTINUED)

2.9 LEASES

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. Operating leases are all other leases which are not classified as finance leases.

Finance leases – lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased assets or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of return on the remaining balance of the liability.

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

Any contingent rents are expensed in the period they are incurred.

2.10 EMPLOYEE BENEFITS

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance. There are no other employee benefits, expenses or obligations that are incurred apart from short-term ones.

2.11 REVENUE

Property sales revenue

Revenue from the sale of property is recognised to separately identifiable components of a single transaction in order to reflect the substance of the transaction.

- The property sale contracts can be split between sale of land and servicing of land.
- Revenue from the servicing portion of the contract is recognised on the basis of stage of completion.
- Revenue from the sale of land portion of the contract is recognised when all the constituent criteria for the sale of goods have been met.

Advertising revenue

Advertising revenue is recognised when adverts are published.

Tuition fees

Tuition fees are recognised by the stage of completion of the service to be provided under each contract.

Interest received on financial assets (includes interest received on student advances)

Interest income on financial assets that are classified as loans and receivables are determined using the effective interest method. Calculation of the effective interest rate takes into account fees receivable that are an integral part of the instrument's yield, premiums or discounts on issue, early redemption fees and transaction costs. All contractual terms of a financial instrument are considered when estimating future cash flows.

Rental income

Rental income arising from operating leases is recognised on a straight-line basis over the lease terms on ongoing leases.

Dividends received

Dividends are recognised, in profit or loss, when the company's right to receive payment has been established.

2.12 INSURANCE CONTRACTS

Classification of contracts

An insurance contract is a contract under which the insurer accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. Such contracts may also transfer financial risk. Trustco defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event that are significantly more than the benefits payable if the insured event did not occur.

Financial risk is the risk of a possible future change in the value of an asset or financial instrument due to a change in the interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other measurable variable.

The following typical types of contracts issued by the group are classified as insurance contracts:

- policies which provide legal cover in event of litigation against or in favour of policyholders;
- policies providing lump sum benefits and costs recoveries for death;
- policies which provide salary cover;
- policies which provide medical insurance cover; and
- policies which provides all of the above cover.

Long-term insurance operations

All policyholder contracts that transfer significant insurance risk are classified as insurance contracts. These contracts are valued in terms of the Financial Soundness Valuation (FSV) basis contained in PGN 104 (a mandatory guidance note issued by the Actuarial Society of South Africa that gives guidance on IAS making specific reference to the South African environment).

The statutory actuary reviews the calculation of the liabilities under long-term insurance contracts and investment contracts annually at the statement of financial position date in accordance with prevailing legislation, Generally Accepted Actuarial Standards in South Africa and International Financial Reporting Standards as appropriate. The transfers to or from insurance liabilities are accounted for in the statement of comprehensive income and represent the increase or decrease in contract liabilities, including all necessary provisions and reserves.

The liabilities for investment contracts are set equal to the accumulated fair value of the underlying assets plus a non-unit reserve calculated in accordance with PGN 104. Any deficiency is immediately charged to profit and loss and a provision is raised for losses from the liability adequacy tests.

Investment contracts are initially and thereafter recognised at fair value, with changes in fair value being accounted for in the statement of comprehensive income. The premiums, benefit payments and investment earnings relating to these investment contracts have been excluded from the statement of comprehensive income and accounted for directly as movements in the liability.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire. Investment contracts can however be reclassified as insurance contracts after inception, if insurance risk becomes significant although this generally does not occur with the current investment contracts being written.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2015

2. ACCOUNTING POLICIES (CONTINUED)

2.13 INSURANCE CONTRACTS (CONTINUED)

Short-term insurance operations

Contracts under which the short-term insurance operations accept significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affects the policyholder, or other beneficiary, are classified as insurance contracts. Insurance risk is risk other than financial risk, transferred from the holder of the contract to the issuer. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, a credit rating or credit index or other variable. Insurance contracts may also transfer some financial risk.

INSURANCE RESULTS

Long-term insurance operations

Profits or losses are determined in accordance with the guidance note on Financial Soundness Valuations (PGN 104) and International Financial Reporting Standards. The underlying philosophy of the Financial Soundness Valuation is to recognise profits over the term of each insurance contract. In the valuation of liabilities, provision is made for:

- The best estimate of future experience;
- Compulsory margins prescribed in PGN 104; and
- Discretionary margins determined to release profits to shareholders consistent with policy design and company policy.

Short-term insurance operations

The underwriting results are determined after making provisions for unearned premiums, outstanding claims, incurred but not reported claims, unexpired risk provision and such additional provisions as are considered necessary. The methods used to determine these provisions are as follows:

Premiums

Premiums are earned from the date the risk attaches, over the indemnity period, based on the pattern of the risk underwritten. Unearned premiums, which represent the proportion of premiums written in the current year which relate to risks that have not expired by the end of the financial year, are calculated on the 365th basis for even risk business and other bases that best represent the unearned risk profile for uneven risk business.

Claims

Claims incurred consist of claims and claims handling expenses paid during the financial year together with the movement in the provision for outstanding claims. Claims outstanding comprise provisions for the estimate of the ultimate cost of settling all claims incurred but unpaid at the statement of financial position date whether reported or not, and an appropriate risk margin. Related anticipated reinsurance recoveries are disclosed separately as assets. These estimated reinsurance and other recoveries are assessed in a manner similar to the assessment of claims outstanding.

While the directors consider that the gross provisions for claims and the related reinsurance recoveries are fairly stated on the basis of the information currently available to them, the ultimate liability will vary as a result of subsequent information and events and may result in significant adjustments to the amounts provided. Adjustments to the amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made, and disclosed separately if material. The methods used to value these provisions, and the estimates made, are reviewed regularly.

Expenses for the acquisition of insurance contracts

Expenses for the acquisition of insurance contracts consists of commission and marketing management costs paid by the group upon the acquisition of new and additional insurance business. These costs are expensed in full in the financial period during which the new policies are acquired.

Liability adequacy test

At each reporting date, liability adequacy tests are required to ensure the adequacy of the insurance contract liabilities. In performing these tests, current best estimates of future premiums, claims, and claims handling and administration expenses, as well as investment income from the assets backing such liabilities, are used. Since the insurance policy liabilities are calculated in terms of the Financial Soundness Valuation (FSV) basis as described in PGN104, which meets the minimum requirements of the liability adequacy test, it is not necessary to perform an additional liability adequacy test.

Incurred but not reported claims (Short-term business) (IBNR)

IBNR reflects the total amount owed by the insurer to all valid claimants who have a covered loss but not yet reported this to the insurer. Claims are calculated as a percentage of premiums earned. Different percentages are applied by class of business.

IBNR is calculated as either one month's claims or 4/12ths of annual expected claims depending on the nature of the policy.

Policyholder liability under insurance contract (long-term business)

The liabilities under life insurance contracts are valued in terms of the Financial Soundness Valuation (FSV) basis containing a discounted cash flow valuation based on best estimates of future cash flows plus margins for adverse deviation as prescribed by SAP 104 issued by the Actuarial Society of South Africa and Namibian Long-term Insurance Act (1998). The operating surpluses or losses arising from life insurance contracts are determined by the annual valuation and are included in 'Insurance liabilities'. These surpluses or losses are arrived at after taking into account the movement within the policyholder liabilities.

Unearned premium reserve

Provision in respect of premiums written in the current year relating to future periods, is determined for all business on actual monies received in advanced. This is calculated by multiplying premium with the ratio of outstanding term to the original term of the policies in force.

Contingency reserve

The group raises a contingency reserve of 10% of written premiums in accordance with Namibian generally accepted insurance industry practice. The contingency reserve is transferred directly from retained earnings to contingency reserves, and is reflected as a movement in the statement of changes in equity.

REVENUE RECOGNITION

Long-term insurance operations

Premiums and annuity considerations on insurance contracts are recognised when due in terms of the contract, other than group schemes. Premiums receivable in respect of group schemes that are due after the year-end date, are ignored. However where the operating ratios exceeds 100%, a deficiency reserve is established to offset any expected losses up until the next renewal date. Premium income on insurance contracts is shown gross of reinsurance. Premiums are shown before deduction of commission. Premium income received in advance is included in trade and other payables. Amounts received under investment contracts, such as premiums, are recorded as deposits to investment contract liabilities.

Short-term insurance operations

Gross written premiums comprise the premiums on insurance contracts entered into during the year, irrespective of whether they relate in whole or in part to a later accounting period. Premiums are disclosed gross of commission to intermediaries and exclude value added tax. Premiums written include adjustments to premiums written in the prior accounting periods. The earned portion of the premium received is recognised as revenue. Premiums are earned from the date of attachment of risk, over the indemnity period, based on the pattern of risks underwritten.

Solvency margin

The solvency margin is a measurement of the financial strength of a short-term insurer. It represents the shareholders' funds, expressed as a percentage of net premium income. This method of measurement is done in accordance with section 20 of the Short-term Insurance Act of 1998.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2015

2.13 DEEMED TREASURY SHARES

Consideration paid/received for the purchase/sale of treasury shares is recognised directly in equity. The cost of treasury shares held is presented as a separate reserve (the "deemed treasury share" reserve). Any excess of the consideration received on the sale of treasury shares over the weighted average cost of the shares sold is credited to retained earnings.

2.14 EVENTS AFTER REPORTING DATE

Recognised amounts in the annual financial statements are adjusted to reflect events arising after the reporting date that proved evidence of conditions that existed at the reporting date. Events after the reporting date that are indicative of conditions that arose after the reporting date are dealt with by way of a note.

Business combinations that occurred after reporting date but before the annual financial statements were approved by the Board of Directors are disclosed in accordance with IFRS 3.

2.15 EARNINGS PER SHARE

The group determines earnings per share and headline earnings per share as follows:

Earnings per share is calculated using the weighted average number of ordinary shares in issue during the period and is based on the net profit attributable to ordinary shareholders. For the purpose of calculating earnings per share, treasury shares are deducted from the number of ordinary shares in issue.

Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares and is based on the net profit attributable to ordinary shareholders, adjusted for the after-tax dilutive effect.

Headline earnings per share

Headline earnings per share is calculated using the weighted average number of ordinary shares in issue during the period and is based on the earnings attributable to ordinary shareholders, after excluding those items as required by Circular 2/2013 issued by the South African Institute of Chartered Accountants (SAICA).

Diluted headline earnings per share

Diluted headline earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares and is based on the earnings attributable to ordinary shareholders, after excluding those items as required by Circular 2/2013 issued by the South African Institute of Chartered Accountants (SAICA).

3. CASH AND CASH EQUIVALENTS

	Group		Company	
	2015 NAD'000	2014 NAD'000	**2015 NAD'000**	2014 NAD'000
Cash at bank and on hand	**118 526**	131 435	**2 228**	79 300
Short-term bank deposits	**174**	171	**–**	–
	118 700	131 606	**2 228**	79 300

4. ADVANCES

	Group		
	2015 NAD'000	2014 NAD'000	2013 NAD'000
Property advances	**125 287**	104 465	21 447
Student advances	**630 805**	591 953	332 414
Other loans advanced	**50 873**	3 514	6 852
	806 965	699 932	360 713
Current assets	**199 062**	182 499	130 525
Non-current assets	**607 903**	517 433	230 188
Reconciliation of loans	**806 965**	699 932	360 713
Advances at beginning of the year	**735 572**	391 610	303 334
Impairment of loans at beginning of the year	**(35 640)**	(30 897)	(28 045)
Opening balance	**669 932**	360 713	275 289
	107 033	339 219	85 424
Loans advanced (including transaction costs)	**401 778**	484 400	221 418
Acquisitions through business combinations	**8 407**	–	–
Payments received	**(303 563)**	(205 946)	(132 301)
Transfers from property debtors	**35 236**	70 000	–
Bad debts written off	**(25 551)**	(4 492)	(841)
Increase in impairment provision	**(9 274)**	(4 743)	(2 852)
Closing balance	**806 965**	699 932	360 713

	Group		
	2015 NAD'000	2014 NAD'000	2013 NAD'000
Consisting of:			
Advances at end of the year	**851 879**	735 572	391 610
Impairment of loans at end of the year	**(44 914)**	(35 640)	(30 897)
Closing balance	**806 965**	699 932	360 713
Less: Short-term portion	**(199 062)**	(182 499)	(130 525)
Long-term portion	**607 903**	517 433	230 188
Reconciliation of impairment			
Opening balance	**35 640**	30 897	28 045
Increase in provision for impairment for the year	**9 274**	4 743	2 852
Closing balance	**44 914**	35 640	30 897

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2015

4. ADVANCES (CONTINUED)

Property advances

The purchasers of land sold by group are able to apply for a loan to finance the purchase price from Trustco Capital (Pty) Ltd, a subsidiary in the group, interest rates range between 10.25% to 13.25% (2014: 10.25% – 13.25%), repayable over an average of 240 (2014: 177) monthly installments of NAD1 034 558 (2014: NAD1 419 499). Loans are secured by properties sold. Personal surety is also obtained from respective buyers where deemed necessary. None of the loans are past due or impaired.

Student advances

The balance of student advances that are overdue but not impaired amounted to NAD36.7 million (2014: NAD17.1 million). Overdue but not impaired category comprises loans with payments that are outstanding for more than one month but not longer than three months. A provision for impairment is made based on an estimation of a portfolio impairment and based on base practice in the finance industry of probability of default applied. These loans bears interest at 20% (2014: 18.5%), are unsecured and repayable over periods between 12 and 60 months. The carrying amounts approximate fair value.

The student advances serves as security for the facilities of ABSA, DEG, PROPARCO, AFDS and IFC, refer to note 14.

Other advances

Other advances include small business loans (unsecured), Group lending schemes (unsecured), Mortage loans (secured by Title deed over immoveable property) and property advances (secured by property gurantees) in Trustco Bank Ltd. Interest rates range from 10% to 16% repayable over an average of 150 monthly installments of NAD23 000. No comparatives are presented as the bank was only acquired during the this financial year. A total amount of NAD3.1 million has been withheld as security in respect of loans extended to customers. Total allowance for impairment of NAD1.79 million is held for current loans of NAD48.3 million and for loans past due but not impaired of NAD0.3 million. A specific provision for loan impairment of NAD1.28 million is held against amount past due and impaired of NAD2.82 million.

Included in other loans is an amount of NAD2.5 million (2014: NAD3.5 million) originated from the sale of non-core business divisions to various parties. No impairment is recognised on this balance.

These loans are classified as 'loans and receivables' for IA5 39 financial instruments: Recognition and Measurement purposes. The carrying amounts approximates the fair value.

	Group		
	2015	2014	2013
	NAD'000	NAD'000	NAD'000
Total advances	**806 965**	699 932	360 713
– past due but not impaired	**2 822**	17 095	8 476
– past due and impaired	**36 960**	32 481	21 932
– unimpaired	**767 183**	650 356	330 305

5. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2015 NAD'000	2014 NAD'000	**2015 NAD'000**	2014 NAD'000
Trade receivables	**27 499**	34 179	**–**	–
Less: Impairment of trade receivables	**–**	(277)	**254**	–
Net trade receivables	**27 499**	33 902	**254**	–
Property sales receivables	**501 489**	150 900	**–**	–
Prepayments	**–**	8 541	**–**	253
State: Other taxes receivable	**9 507**	6 631	**4 974**	86
Other receivables	**35 895**	30 800	**1 357**	–
	574 390	230 174	**6 585**	339
Movement in impairment				
Opening balance	**277**	294	**–**	–
Impairment losses provided for	**(277)**	(17)	**–**	–
Closing balance	**–**	277	**–**	–

No trade receivables have been pledged as collateral for liabilities or contingent liabilities.
As at 31 March 2015, NAD172 million of property sales receivable relating to pre-sales of erven in Elisenheim are due to be received more than 12 months of the end of the financial year.

	Group	
	2015 NAD'000	2014 NAD'000
Current portion of trade and other receivables	**401 673**	230 174
Non-current	**172 717**	–

As of 31 March 2015, receivables of NAD42.8 million (2014: NAD111.6 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing of these receivables is as follows:

	Group	
	2015 NAD'000	2014 NAD'000
1 – 3 months	**8 996**	32 690
3 – 6 months	**3 030**	3 519
Older than 6 months	**30 800**	75 438
	42 826	111 647

The other classes within trade and other receivables do not contain assets that should have been impaired. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable. The group does not hold any collateral as security.

All receivables not recoverable, have been impaired.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2015

6. AMOUNTS (DUE TO)/DUE BY RELATED PARTIES

	Group			Company		
	2015 NAD'000	2014 NAD'000	2013 NAD'000	**2015 NAD'000**	2014 NAD'000	2013 NAD'000
Subsidiaries of the company						
Institute for Open Learning (Pty) Ltd	**–**	–	–	**129 316**	78 017	3 621
Legal Shield Holdings (Pty) Ltd	**–**	–	–	**(118 855)**	(43 807)	(7 325)
Printas (Pty) Ltd	**–**	–	–	**(11 739)**	(11 739)	(5 000)
Trustco Air Services (Pty) Ltd	**–**	–	–	**(5 905)**	(4 469)	(450)
Trustco Labour Consultants (Pty) Ltd	**–**	–	–	**(240)**	–	–
Trustco Business Development (Pty) Ltd	**–**	–	–	**–**	–	43
Trustco Capital (Pty) Ltd	**–**	–	–	**70 965**	125 921	138 348
Trustco Education (Pty) Ltd	**–**	–	–	**34 357**	34 357	20 000
Trustco Finance (Pty) Ltd	**–**	–	–	**(3 305)**	170 411	(15 747)
Trustco Property Holding (Pty) Ltd	**–**	–	–	**70 444**	–	–
Trustco Financial Services (Pty) Ltd	**–**	–	–	**321 651**	184 209	64 812
Trustco Fleet Management Services (Pty) Ltd	**–**	–	–	**89 486**	81 351	2 656
Trustco Group International (Pty) Ltd (Inc in Republic of Namibia)	**–**	–	–	**16 495**	(46 071)	88 573
Trustco Group International (Pty) Ltd (Inc in Republic of South Africa)	**–**	–	–	**–**	47 530	43 313
Elisenheim Property Development Company (Pty) Ltd	**–**	–	–	**13 417**	–	–
Trustco Estate Planners Association (Pty) Ltd	**–**	–	–	**5**	–	–
Trustco administration and Support & Services (Pty) Ltd	**–**	–	–	**29 697**	–	–
Trustco Insurance Ltd	**–**	–	–	**(55 902)**	–	(8 768)
Trustco Life Ltd	**–**	–	–	**34 053**	–	(1 600)
Trustco Media (Pty) Ltd	**–**	–	–	**1 016**	1 016	300
Trustco Mobile (Pty) Ltd	**–**	–	–	**8 990**	8 862	–
Trustco Mobile Mauritius	**–**	–	–	**3 696**	3 161	–
Trustco Newspapers (Pty) Ltd	**–**	–	–	**18 163**	13 614	4 973
Webbiz (Pty) Ltd	**–**	–	–	**(74)**	(74)	(30)
Other related parties						
Trustco Staff Share Incentive Scheme Trust	**–**	–	–	**(12 715)**	(12 712)	(12 710)
Next Investments (Pty) Ltd	**(527)**	(265)	8 482	**(1 882)**	–	21
	(527)	(265)	8 482	**631 134**	629 577	315 030
Non-current assets	**–**	–	–	**748 061**	717 030	366 660
Current assets	**–**	–	8 482	**93 689**	31 419	–
Non-current liabilities	**–**	–	–	**(188 767)**	(118 872)	(51 630)
Current liabilities	**–**	(265)	–	**(21 849)**	–	–
	(527)	(265)	8 482	**631 134**	629 577	315 030

The balance owing by Next Investments (Pty) Ltd is unsecured, bears interest at the Namibian prime lending rate of (9.25% p.a (2014: 9.25% p.a)) and is repayable within the next 12 months.

Loans to/(from) related parties, all of which are with direct or indirect subsidiaries (Inc. in the Republic of Namibia) are unsecured, bear interest at rates that are determined by the directors from time to time (the rates at year-end were between 0% to 10% per annum) and have no fixed terms of repayment, other than not being repayable within the next 12 months.

The carrying amounts approximate fair value.

7. INVENTORIES

	Group	
	2015 NAD'000	2014 NAD'000
Work in progress	**316 136**	336 111
Finished goods	**7 781**	7 739
	323 917	343 850

Work in progress of NAD316.1 million (2014: NAD336.1 million) relates to real estate. This real estate has been mortgaged as security for liability described on note 14.

The cost of inventories recognised as an expense and included in cost of sales amounted to NAD96.3 million (2014: NAD93.0 million).

No inventories are required to be written down to net realisable value during the year under review.

8. PROPERTY, PLANT AND EQUIPMENT

	2015			2014		
Group	**Cost NAD'000**	**Accumulated depreciation NAD'000**	**Carrying amount NAD'000**	Cost NAD'000	Accumulated depreciation NAD'000	Carrying amount NAD'000
Land and buildings	**119 793**	**(2 176)**	**117 617**	94 990	(863)	94 127
Computer equipment and software	**24 166**	**(14 168)**	**9 998**	21 145	(9 651)	11 494
Machinery and equipment	**4 588**	**(2 246)**	**2 342**	2 929	(994)	1 935
Motor vehicles	**31 735**	**(7 876)**	**23 859**	23 255	(5 056)	18 199
Aircrafts	**136 102**	**(26 834)**	**109 268**	86 208	(22 112)	64 096
Office equipment and furniture	**9 232**	**(2 987)**	**6 245**	16 709	(3 449)	13 260
	325 616	**(56 287)**	**269 329**	245 236	(42 125)	203 111

	2015	2014
The following capitalised leased assets are included in property, plant and equipment:		
Motor vehicles (carrying value)	**7 380**	4 352

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2015

8. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The carrying amount of property, plant and equipment can be reconciled as follows:

2015	Land and Buildings NAD'000	Computer equipment and software NAD'000	Machinery and equipment NAD'000	Motor vehicles NAD'000	Aircraft NAD'000	Office equipment and furniture NAD'000	Total NAD'000
Carrying amount at beginning of year	**94 127**	**11 494**	**1 935**	**18 199**	**64 096**	**13 260**	**203 111**
Additions	**1 382**	**5 178**	**905**	**191**	**–**	**942**	**8 598**
Non-cash additions	**–**	**–**	**–**	**9 707**	**49 894**	**–**	**59 601**
Transfer from investment property	**2 846**	**–**	**–**	**–**	**–**	**–**	**2 846**
Acquired through business combinations	**451**	**323**	**1 193**	**2 751**	**–**	**1 375**	**6 093**
Revaluations	**20 123**	**–**	**–**	**–**	**3 399**	**–**	**23 522**
Depreciation	**(1 312)**	**(6 981)**	**(1 623)**	**(1 009)**	**(8 121)**	**(3 195)**	**(22 241)**
Disposals	**–**	**(16)**	**(68)**	**(5 980)**	**–**	**(6 137)**	**(12 201)**
Carrying amount at end of year	**117 617**	**9 998**	**2 342**	**23 859**	**109 268**	**6 245**	**269 329**
2014							
Carrying amount at beginning of year	85 265	13 331	143	17 455	58 437	4 635	179 266
Additions	2 565	2 351	95	2 441	409	2 494	10 355
Non-cash additions	–	–	2 270	–	–	–	2 270
Transfer from investment properties	2 220	–	–	–	–	–	2 220
Acquired through business combinations	–	1 042	99	1 045	–	8 459	10 645
Revaluations	4 562	–	–	–	8 898	–	13 460
Depreciation	(485)	(5 000)	(672)	(1 759)	(3 648)	(2 069)	(13 633)
Disposals	–	(230)	–	(983)	–	(259)	(1 472)
Carrying amount at end of year	94 127	11 494	1 935	18 199	64 096	13 260	203 111

FAIR VALUE OF ASSETS

On an annual basis, an independent valuation of the group's land and buildings and aircraft is performed by independent valuers to determine the fair value of these assets for the year ended 31 March 2015 and 2014. The revaluation surplus net of applicable deferred taxes was credited to other comprehensive income and shown in 'revaluation reserves' in shareholders equity.

VALUATION TECHNIQUES USED TO DETERMINE FAIR VALUES

The aeroplanes were valued using methods detailed in the International Recognised Blue Book for aircraft valuations.

Land and buildings are stated at fair value in accordance with International Valuation Standards. Properties were valued by using the income capitalisation method. This method involves the determining of the net income of the property that is capitalised at a rate sought by prudent investors to determine the fair value of the subject property. The expected income of the property is determined by the comparison of the market rentals of similar properties.

AEROPLANES

The group's aeroplanes were valued by R Irons of ExecuJet Aviation Group during March 2015. Neither R Irons nor ExecuJet Aviation Group are connected to the company. R Irons has recent experience in the valuation of aeroplanes.

LAND AND BUILDINGS

Properties are stated at fair value, which has been determined based on valuations performed by Gert Hamman Property Valuers CC and by disclosed bank valuation received from Absa South Africa, during March 2015. Gert Hamman Property Valuers CC is not connected to the group, is a qualified property valuator and has recent experience in location and category of the property being valued.

No impairment losses were recognised in profit or loss during the year.

Certain property, plant and equipment are encumbered as stated in note 14 and 18.

A register containing the information required by paragraph 22(3) of Schedule 4 of the Companies Act of Namibia is available for inspection at the registered office of the company.

If property, plant and equipment which are recognised on the revaluation model were stated on the historical cost basis, the carrying amounts would be as follows:

	Land and buildings NAD'000	Aircraft NAD'000	Total NAD'000
2015	**66 919**	**94 106**	**161 025**
2014	63 552	52 333	115 885

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2015

9. INVESTMENT PROPERTY

	Group	
	2015 NAD'000	2014 NAD'000
Balance at beginning of year	**537 330**	344 247
Additions	**13 321**	–
Transfer to property, plant and equipment	**(2 846)**	(2 220)
Disposals	**(2 170)**	–
Acquired through business combination	**60 000**	74 880
Fair value adjustments	**103 200**	120 423
Balance at end of year	**708 835**	537 330
The following amounts, included in the statement of comprehensive income, relate to these properties:		
Rental income	**3 203**	665
Direct operating expenses: income generating properties	**294**	135

Investment properties are stated at fair value on 31 March 2015, which has been determined based on valuations performed by Gert Hamman Property Valuers CC and A. de Beer. In accordance with International Valuation Standards. Gert Hamman Property Valuers CC and de Beer are not connected to the group, are qualified property valuators and have recent experience in location and category of the investment property being valued.

Certain investment properties as described above have been mortaged as security for liabilities described in note 14. A register containing the information required by paragraph 22(3) of Schedule 4 of the Namibian Companies Act is available for inspection at the registered office of the company.

Valuation techniques used to determine fair values

The valuations were based on the direct sales comparison method in combination with the Land Residual method.

The valuation on undeveloped investment properties in Namibia is done by applying the direct sales comparison method in combination with the Land Residual valuation method and includes the following assumptions:

- serviced land selling prices between NAD738 to NAD2 200, (2014: NAD348 and NAD1 500) per bulk square metre, depending on services installed and intended usage;
- a 30% discount factor is applied to make provision for roads and public open spaces;
- a cost to establish bulk servicing of 20%;
- a market discount of 10% was used to determine the sales to take into account the time required to dispose of the property.

Valuation used to determine fair value of developed rental properties

The valuation on developed income generating investment properties in Namibia and South Africa is done by applying the comparable sales method valuation model. This method involves comparing recent sales of similar properties and applying the same factors to the consideration of the value of the property under inspection property.

Refer to note 43 for the fair value hierarchy.

10. INTANGIBLE ASSETS

Group	2015 Cost NAD'000	2015 Accumulated depreciation and impairment NAD'000	2015 Carrying amount NAD'000	2014 Cost NAD'000	2014 Accumulated depreciation and impairment NAD'000	2014 Carrying amount NAD'000
Computer software-indefinite life	**–**	**–**	**–**	43 647	(43 647)	–
Computer software – Finite life	**184 885**	**(22 206)**	**162 679**	190 371	(13 713)	176 658
Trademarks, licences and patents	**39 152**	**(4 208)**	**34 945**	50 554	(15 346)	35 208
Insurance book	**525**	**(525)**	**–**	4 481	(3 956)	525
	224 562	**(26 939)**	**197 623**	289 053	(76 662)	212 391

The carrying amount of intangible assets can be reconciled as follows:

2015	**Computer software finite life NAD'000**	**Computer software indefinite life NAD'000**	**Trade-marks, licences and patents NAD'000**	**Insurance book NAD'000**	**Total NAD'000**
Carrying amount at beginning of year	**176 658**	**–**	**35 733**	**525**	**212 916**
Additions	**8 241**	**–**	**3 420**	**–**	**11 661**
Disposals	**(15)**	**–**	**–**	**–**	**(15)**
Amortisation	**(22 206)**	**–**	**(4 208)**	**(525)**	**(26 939)**
Carrying amount at end of year	**162 678**	**–**	**34 945**	**–**	**197 623**
2014					
Carrying amount at beginning of year	14 611	177 571	35 899	4 569	232 650
Additions	5 474	–	2 699	–	8 173
Disposals	(490)	–	–	(2 546)	(3 036)
Impairment	–	(15 241)	–	–	(15 241)
Transfer to finite life	162 330	(162 330)	–	–	–
Amortisation	(5 267)	–	(3 390)	(1 498)	(10 155)
Carrying amount at end of year	176 658	–	35 208	525	212 391

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2015

10 INTANGIBLE ASSETS (CONTINUED)

Computer software consists of items which have finite useful lives which are amortised on a straight-line basis over their useful lives.

Computer software includes internally generated computer software and purchased software which is now deployed in systems across the group. Trademarks, licences and copyrights relate to educational course content, mobile technology and insurance patents, and propriety trademarks aquired.

IMPAIRMENT TESTING OF INTANGIBLES

Intangible assets are tested for impairment if evidence of impairment is deemed to exist. The recoverable amount of the intangible asset has been calculated using the value-in-use method, based on the present value of expected future cash flow premium collection and administration. In the current period the South African segment reported a net loss after tax of NAD103.4 million (2014: NAD134.9 million) which gave rise to potential indicators of impairment of the intangible asset.

The recoverable amount of the intangible asset has been calculated using the value-in-use method. This calculation was performed using a pre-tax cash flow discounted at a pre-tax discount rate, based on a five-year forecast performed by management that reflects historically observed growth rate and sales. Cash flows beyond five years are estimated using a long-term average rate discounted by inflation which is lower than the industry growth rate and projected inflation.

The key assumptions for the value-in-use calculation for the financial period are as follows:

	2015 %	2014 %
Gross royalty rate applied to premium collection	**4.00**	4.00
Growth rate (post year five)	**3.50**	3.50
Weighted average cost of capital (post tax)	**12.98**	13.95
Discount rate (pre–tax WACC plus risk premium)	**20.48**	22.86

Based on the value-in-use calculation performed above, no impairment charge was recognised (2014: NAD15.2 million).

The group received an independent reperformance of the impairment test on the software. The recalculation showed that the recoverable amount of the asset exceeded the carrying amount.

The independent review was performed by Yvonne Venter of Manahan Corporate Finance who is an experienced IT consultant, the variables used in her calculation were independently verified and critically compared to the group's estimates. The expert is not connected to the company and has recent experience in this field.

11. INVESTMENT IN SUBSIDIARIES

	Company 2015 NAD	2014 NAD
Unlisted shares at cost		
Legal Shield Holdings (Pty) Ltd	**931 450 543**	100
Trustco Bank Namibia Ltd	**47 000 000**	–
Trustco Business Development (Pty) Ltd	**100**	100
Trustco Capital (Pty) Ltd	**100**	100
Trustco Corporate Management Services (Pty) Ltd	**100**	100
Trustco Education (Pty) Ltd	**–**	100
Trustco Group International (Pty) Ltd (Inc. in Republic of Namibia)	**–**	68 549 357
Trustco Group International (Pty) Ltd (Inc. in Republic of South Africa)	**100**	100
Trustco Media (Pty) Ltd	**–**	100
Trustco Mobile Mauritius	**100**	100
Trustco Property Holdings (Pty) Ltd	**–**	100
Trustco Tourism Holdings (Pty) Ltd	**–**	100
	978 451 043	68 550 357

All subsidiaries are 100% held.

COMMON CONTROL TRANSACTIONS

During the 2015 financial year, Trustco Group Holdings entered into various arrangements to transfer the shareholding of certain wholly owned subsidiaries to other wholly owned subsidiaries of the group. As IFRS 3 does not specifically govern the accounting treatment of common control transactions, guidance was sought by investigating the treatment of similar transactions in other jurisdictions. Guidance was obtained from US GAAP, specifically IFRS 6.

Subsidiaries transferred to other wholly owned subsidiaries:

Name of subsidiary	Date of transfer	Shareholding	Carrying value	Fair value
Trustco Property Holdings (Pty) Ltd	**30 September 2014**	**100%**	**100**	**400 000 000**
Trustco Media (Pty) Ltd	**31 March 2015**	**100%**	**100**	**100**
Trustco Tourism Holdings (Pty) Ltd	**31 March 2015**	**100%**	**100**	**100**
Trustco Capital (Pty) Ltd	**31 March 2015**	**100%**	**100**	**33 000 000**
Trustco Group International (Pty) Ltd (Inc. in Republic of Namibia)	**30 September 2014**	**100%**	**68 549 357**	**600 000 000**

Effect of transfers on existing Investments in subsidiaries:

Name of subsidiary	Carrying value 2015	Carrying value 2014
Legal Shield Holdings (Pty) Ltd	**931 450 543**	100

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2015

12. DEFERRED TAXATION

	Group			Company		
2015	**Opening balance NAD'000**	**Movement for the year NAD'000**	**Closing balance NAD'000**	**Opening balance NAD'000**	**Movement for the year NAD'000**	**Closing balance NAD'000**
Property, plant and equipment	**(25 989)**	**(2 984)**	**(28 973)**	**–**	**–**	**–**
Land	**(17)**	**–**	**(17)**	**–**	**–**	**–**
Inventory	**(92 598)**	**60 441**	**(32 157)**	**–**	**–**	**–**
Investment properties	**(1 182)**	**(15 179)**	**(16 361)**	**–**	**–**	**–**
Intangible assets	**(3 101)**	**193**	**(2 908)**	**–**	**–**	**–**
Finance lease liability	**810**	**1 612**	**2 422**	**–**	**–**	**–**
Prepayment	**(6 265)**	**(15 954)**	**(22 219)**	**(3 479)**	**841**	**(2 638)**
Property debtors	**(93 638)**	**(138 220)**	**(231 858)**	**–**	**–**	**–**
Provision for doubtful debts	**4 539**	**(4 488)**	**51**	**–**	**–**	**–**
Income received in advance	**2 049**	**(174)**	**1 875**	**–**	**–**	**–**
Provision for leave and bonuses	**693**	**(55)**	**638**	**–**	**–**	
Other	**2 470**	**22 007**	**24 477**	**–**		
Foreign currency translation	**1 022**	**1 901**	**2 923**	**–**	**–**	**–**
Deferred tax on assessed loss	**111 260**	**32 765**	**144 025**	**–**	**16 410**	**16 410**
	(99 947)	**(58 135)**	**(158 082)**	**(3 479)**	**17 251**	**(13 772)**
2014						
Property, plant and equipment	(24 635)	(1 354)	(25 989)	–	–	–
Land	(17)	–	(17)	–	–	–
Inventory	–	(92 598)	(92 598)	–	–	–
Investment properties	(1 182)	–	(1 182)	–	–	–
Intangible assets	(1 699)	(1 402)	(3 101)	–	–	–
Finance lease (assets)/liability	1 732	(922)	810	–	–	–
Prepayment	(585)	(5 680)	(6 265)	–	(3 479)	(3 479)
Property debtors	–	(93 638)	(93 638)	–	–	–
Provision for doubtful debts	3 633	906	4 539	–	–	–
Income received in advance	2 492	(443)	2 049	–	–	–
Provision for leave and bonuses	638	55	693	–	–	–
Other	–	2 470	2 470	–	–	–
Foreign currency translation	–	1 022	1 022	–	–	–
Deferred tax on assessed loss	64 575	46 685	111 260	–	–	–
	44 952	(144 899)	(99 947)	–	(3 479)	(3 479)

Reconciliation of deferred taxation

	Group		Company	
	2015 NAD'000	2014 NAD'000	**2015 NAD'000**	2014 NAD'000
Balance at beginning of the year	**(99 947)**	44 952	**(3 479)**	–
Movements during the year in profit and loss	**(74 025)**	(126 465)	**17 251**	(3 479)
Movements during year in other comprehensive income	**(780)**	1 943	**–**	–
Reclassification from normal tax*	**–**	(20 377)		–
Recognised in business combination	**16 670**	–	**–**	–
Closing balance	**(158 082)**	(99 947)	**13 772**	(3 479)
Non-current assets	**146 359**	110 774	**13 772**	–
Non-current liabilities	**(304 441)**	(210 721)	**–**	(3 479)
	(158 082)	(99 947)	**13 772**	(3 479)

Deferred tax assets and liabilities are only offset when the tax relates to the same legal entity or fiscal authority or it is intended to settle the assets and liabilities on a net basis.

The realisation of deferred tax assets on assessed losses is dependent on the generation of future taxable profits. The group believes that assessed losses will be utilised through the generation of future taxable income. In South Africa, utilisation of the deferred tax asset has already began, demonstrating the validity of management's assumptions on taxable profits as per the board approved budgets. The total deferred tax asset relating to assessed losses in all South African entities amounts to NAD42 million (2014: NAD55.4 million). Probable future income forecast over a five year period from insurance product sales in South Africa as well as license fees from the use of software owned by the South African entities in the rest of the group are expected to fully utilize tax losses.

In Namibia, the limited entities in an assessed loss position are expected to fully utilize these tax benefits through tax planning opportunities in the near future based on board approved budgets

*In the 2014 financial year-end, due to the ambiguity in the taxing of property sale transactions in the Namibian Income Tax Act, the group claimed an allowance from the Namibian tax authorities to reduce current tax payable. As a result the deferred tax liability was raised in this regard to ensure that the financial statements continue to comply with IAS 12. The liability was moved from current tax liabilities to deferred tax and consequent from current to non-current liabilities.

13. BANK OVERDRAFT

	Group		Company	
	2015 NAD'000	2014 NAD'000	**2015 NAD'000**	2014 NAD'000
The group's available banking facilities and the extent to which they have been used are as follows:				
Available and utilised	**15 020**		**441**	
Utilised	**15 020**	–	**441**	–

These banking facilities are secured as follows: Cession of covering mortgage bond over Lafrenz property to Bank Windhoek Ltd. There are no unutilized facilities as at 31 March 2015 (2014: Nil).

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2015

14. BORROWINGS

	Group			Company		
	2015 NAD'000	2014 NAD'000	2013 NAD'000	**2015 NAD'000**	2014 NAD'000	2013 NAD'000
Secured						
Term loans	**549 510**	348 916	220 910	**–**	–	–
Listed bonds	**294 546**	291 762	–	**294 546**	291 762	–
Mortgage loans	**126 089**	53 838	59 728	**–**	–	–
Liabilities under instalment sale agreements	**75 496**	34 783	36 056	**–**	–	–
Claims float	**–**	1 070	12 787	**–**	–	–
	1 045 641	730 369	329 481	**294 546**	291 762	–
Current portion	**(132 984)**	(133 699)	(40 764)	**–**	–	–
	912 657	596 670	288 717	**294 546**	291 762	–

Term loans

The term loans consist of:

	Year of loan value maturity	Loan value **2015 NAD'000**	2014 NAD'000	2013 NAD'000
Development Bank of Namibia Ltd	2015 – 2017	**49 967**	884	3 321
International Finance Corporation (IFC)	2015 – 2017	**39 998**	56 127	72 502
Absa Bank Ltd	2016	**8 922**	18 745	26 070
PROPARCO*	2019	**44 417**	48 577	48 577
DEG*	2019	**112 272**	49 084	48 014
AfDB*	2019	**57 410**	63 505	22 426
Standard Bank Namibia	2015 – 2018	**98 076**	–	–
Development Bank Namibia (Trustco Bank)	2016	**9 285**	–	–
FEFISOL	2015	**4 500**	–	–
Bank Windhoek Ltd#	2015 – 2016	**124 663**	111 994	–
		549 510	348 916	220 910

Mortgage loans

The mortgage loans are secured over land and buildings and investment properties with carrying values of NAD112.5 million (2014: NAD85.3 million) and NAD54.4 million (2014: NAD49.3 million), respectively and repayable in monthly instalments of NAD860 099 (2014: NAD788 095) for up to 17 years including interest at home loan rates ranging between 6.50% and 11% (2014: 6.50% and 10.75%).

The carrying amounts approximate fair value.

Listed bonds		**2015 NAD'000**	2014 NAD'000	2013 NAD'000
International Finance Corporation	2017 – 2018	**194 400**	192 234	–
Norfund	2019	**100 146**	99 528	–
		294 546	291 762	–

Listed bonds are presented net of transaction costs.

** These liabilities relate to amounts due by Trustco Financial Services (Pty) Ltd (TFS), a wholly owned subsidiary of the group.*

Liabilities under instalment sale agreements

Liabilities under instalment sale agreements are payable over periods from one to five years at effective interest rates ranging from 8.00% to 12.00% (2014: 8.00% to 12.00%) per annum. These liabilities are repayable in monthly instalments of approximately NAD698 258 (2014: NAD799 216) and are secured over machinery and equipment and aircraft with a carrying amount of NAD32.8 million (2014: NAD39.3 million).

Security

The following additional securities are in place for term loans and mortgage loans:

- Shares pledged by Q van Rooyen to serve as security for the Development Bank of Namibia Ltd loan (included under term loans above);
- Shares pledge granted by Trustco Group Holdings Ltd and Trustco Education (Pty) Ltd in favour of IFC;
- Unlimited surety by Q van Rooyen and C van Rooyen in favour of Bank Windhoek Ltd;
- First cession by Trustco Finance (Pty) Ltd of the Trustco Finance Student Loan Book, to be shared *pari passu* with the IFC and Absa; and
- Second cession by Trustco Finance (Pty) Ltd of the Trustco Finance Student Loan Book, to be shared *pari passu* with the IFC, AfDB, Absa DEG and PROPARCO.
- Shares pledged by Q van Rooyen and C van Rooyen to serve as security Bank Windhoek Loan (included under term loans
- Shares pledged by Q van Rooyen and C van Rooyen to serve as security Standard Bank Namibian Loan.
- Shares pledged by Q van Rooyen and C van Rooyen to serve as security for an instalment sale facility from Inselberg.
- Limited surety by Q van Rooyen and C van Rooyen in favour of Standard Bank Namibia Ltd.
- Limited surety by Q van Rooyen and C van Rooyen in favour of DEG Loan.

Total value of security pledged by the managing director on which the group reimburses him for suretyship in accordance with his management fee agreement was NAD812.4 million at year end (2014: NAD259 million).

Instalments paid per annum			**Interest**		
2015 NAD'000	2014 NAD'000	2013 NAD'000	**2015 %**	2014 %	2013 %
1 000	3 608	3 608	**6.25**	6.25	6.25
16 000	16 000	16 000	**13.02**	13.02	13.02
9 678	9 768	9 768	**8.25**	8.00	7.50
–	–	–	**9.11**	8.73	8.12
–	–	–	**9.11**	8.73	8.12
–	–	–	**9.11**	8.73	8.12
–	**–**	**–**	**9.00**	–	–
5 000	**–**	**–**	**5.00**	–	–
4 587	**–**	**–**	**12.50**	–	–
4 587	–	–	**10.00**	9.25	–
40 852	29 376	29 376			

Unutilised committed borrowings
As at 31 March 2015, NAD80 million of borrowing facilities not yet fully utilised remain undrawn.

2015 NAD'000	2014 NAD'000	2013 NAD'000	**2015 %**	2014 %	2013 %
–	–	–	**9.36**	8.98	–
–	–	–	**11.61**	11.83	–

Approved domestic medium term note programme
As at 31 March 2015, NAD700 million of NAD1 billion JSE approved domestic medium term note programme was not yet issued.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2015

15. TRADE AND OTHER PAYABLES

	Group		Company	
	2015 NAD'000	2014 NAD'000	**2015 NAD'000**	2014 NAD'000
Trade creditors	**42 120**	9 982	**21 467**	21 307
Accrued expenses	**6 840**	3 692	**3 881**	2 650
State: Other taxes due	**–**	8 964	**–**	–
Other payables	**29 931**	9 493	**–**	–
	78 891	32 131	**25 348**	23 957

16. TECHNICAL PROVISIONS

	Group	
	2015 NAD'000	2014 NAD'000
16.1 PROVISION FOR IBNR		
Balance at beginning of year	**3 333**	3 387
Transfer (to)/from profit and loss	**(930)**	(54)
Balance at end of year	**2 403**	3 333
16.2 PROVISION FOR OUTSTANDING CLAIMS		
Long-term insurance contracts		
Balance at beginning of year	**203**	316
Transfer (to)/from profit and loss	**66**	(113)
Balance at end of year	**269**	203
Short-term insurance contracts		
Balance at beginning of year	**7 092**	7 419
Transfer (to)/from profit and loss	**(80)**	(327)
Balance at end of year	**7 012**	7 092
Total provision for outstanding claims	**7 281**	7 295

	Group	
	2015	2014
	NAD'000	NAD'000
16.3 UNEARNED PREMIUM RESERVE		
Long-term insurance contracts		
Balance at beginning of year	**2 344**	2 075
Transfer (to)/from profit and loss	**(12)**	269
Balance at end of year	**2 332**	2 344
Short-term insurance contracts		
Balance at beginning of year	**7 141**	7 361
Transfer (to)/from profit and loss	**(278)**	(220)
Balance at end of year	**6 863**	7 141
Total unearned premium reserve	**9 195**	9 485
Total technical provisions	**18 880**	20 113

16.4 SOLVENCY MARGIN

	Group	
	2015	2014
	NAD'000	NAD'000
Solvency margin of Trustco Insurance (Pty) Ltd	37.5%	31.7%

The solvency margin represents shareholders' interest of NAD26.74 million (2014: NAD21.2 million) expressed as a percentage of net premium income of NAD71.3 million (2014: NAD67.1 million) for the year under review.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2015

16. TECHNICAL PROVISIONS (CONTINUED)

16.5 PROCESS USED TO DECIDE ON LONG-TERM INSURANCE ASSUMPTIONS

The business was divided up into homogeneous groupings and then each grouping was analysed. Best estimate assumptions were then derived based on these experience investigations. Where data was limited, industry information was used. Recent trends evident in the data were allowed for.

The value of insurance liabilities is based on best estimate assumptions of future experience plus compulsory margins as required in terms of PGN 104, plus additional discretionary margins determined by the statutory actuary.

The compulsory margins are summarised as follows

Assumption	Additional variables	Compulsory margin
Investment earnings	▪ Investment earnings assumption linked to bank deposit rate, adjusted by 3% credit margin, 3% mismate had a 1% cost	Investment earnings assumption was increased or decreased by 0.25% depending on which gives the higher liability
Expense Inflation	▪ Expected inflation 5%	10% loading on the expense inflation assumption
Mortality	▪ Assumption was increased by 20%; for credit life an additional 30% was added	Assumption was decreased by 7.5% for annuities and increased for all other classes morbidity
Lapses	▪ As per actual incidents	Lapse rate assumptions were increased or decreased by 25% depending on which gives the higher liability
Surrenders	▪ As per actual incidents	Surrender rate assumptions were increased or decreased by 10% depending on which gives the higher liability
Expenses	▪ Life business has an additional 10% discretionary margin	Not applicable
Mortality due to AIDS	▪ Additional mortality of 50% of Doyle II	Assumption was decreased by 7.5% for amuties

Negative reserves were eliminated on a policy-by-policy basis for all policies that had three or more premiums in arrears.

The assumptions used for insurance contracts are as follows:

All the assumptions below are based on the most recent experience investigations in each country modified for expected trends. Generally experience investigations are carried out for all assumptions every year:

(i) *Mortality*

Adjusted standard assured lives and annuity tables were used to reflect the group's recent claims experience.

(ii) *Morbidity*

Disability and dread rates are based on standard morbidity tables and critical illness tables and where appropriate, adjusted to reflect the group's recent claims experience.

(iii) *Medical and retrenchment*

The incidence of medical and retrenchment claims is derived from the risk premium rates determined from annual investigations. The adjusted rates are intended to reflect future expected experience.

(iv) *Withdrawal*

The withdrawal assumptions are based on the most recent withdrawal investigations taking into account past as well as expected future trends. The withdrawal rates are calculated every year for each company/country, and by class and policy duration. Typically the rates are higher at early durations.

(v) *Renewal expenses and inflation*

A detailed expense investigation for each company/country was undertaken and the expenses were split by line of business and between new business and maintenance expenses.

The maintenance expenses were adjusted for expected inflation in the future and spread over the anticipated volumes of business over the next year to derive a per policy expense for each class. The expenses allocated to new business are expected to be covered by future new business written.

(vi) *Tax*

The interest and expense assumptions are net of any taxation payable based on the tax environment for each country and the tax position of the company.

Changes in assumptions

No changes were made to the valuation basis for Trustco Group. All assumptions include compulsory margins.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2015

17. POLICYHOLDERS' LIABILITY UNDER INSURANCE CONTRACTS

	Group	
	2015 NAD'000	2014 NAD'000
Balance at beginning of year	**38 520**	16 587
Movement during the year	**6 319**	21 933
Balance at end of year	**44 839**	38 520

The reserving method is split into two methodologies namely: prospective valuation and retrospective valuation. Prospective valuation is used to compute the basic reserve and retrospective reserve calculation is used to compute claims Incurred But Not Reported (IBNR).

Process used to decide on assumptions

Assumptions used in the valuation of policyholder liabilities are set by reference to local guidelines and where applicable to the ASSA guidance.

Economic assumptions are set by reference to local economic conditions at the valuation date.

Changes in assumptions

There were no changes made to the assumptions used in the valuation of 2015 compared to the prior year.

Capital adequacy for life business

The solvency position determined in accordance with the Namibian Long-term Insurance Act, 1998, is summarised below:

Actuarial calculation for the life business only:

	2015 NAD'000	2014 NAD'000
Excess of assets over liabilities	**115 343**	91 305
Minimum statutory requirement	**5 053**	4 000
ASSA Capital adequacy benchmark*	**32 378**	25 630
CAR ratio*	**356%**	356%

** Note that the ASSA CAR is not a requirement of the Act, it is based on ASSA's SAP104.*

18. OTHER LIABILITIES

Total other liabilities	Group 2015 NAD'000	Group 2014 NAD'000	Group 2013 NAD'000	Company 2015 NAD'000	Company 2014 NAD'000	Company 2013 NAD'000
Lease liabilities	**7 340**	2 845	6 106	**–**	–	–
Vendors for acquisitions	**85 410**	209 604	–	**–**	–	–
	92 750	212 449	6 106	**–**	–	–
Less: Short-term portion	**(89 411)**	(146 642)	(4 516)	**–**	–	–
Long-term portion	**3 339**	65 807	1 590	**–**	–	–

18.1 LEASE LIABILITIES

	Group 2015 NAD'000	Group 2014 NAD'000	Group 2013 NAD'000	Company 2015 NAD'000	Company 2014 NAD'000	Company 2013 NAD'000
Finance lease obligations						
Minimum lease payments due						
– within one year	**6 161**	2 977	3 740	**–**	–	–
– in second to fifth year inclusive	**2 259**	7	3 195	**–**	–	–
	8 420	2 984	6 935	**–**	–	–
Less: Future finance charges	**(1 080)**	(139)	(829)	**–**	–	–
Present value of minimum lease payments due	**7 340**	2 845	6 106	**–**	–	–
Present value of minimum lease payments due						
– within one year	**4 001**	2 838	4 516	**–**	–	–
– in second to fifth year inclusive	**3 339**	7	1 590	**–**	–	–
	7 340	2 845	6 106	**–**	–	–
Non-current liabilities	**3 339**	7	1 590	**–**	–	–
Current liabilities	**4 001**	2 838	4 516	**–**	–	–
	7 340	2 845	6 106	**–**	–	–

Liabilities under finance leases are repayable over periods from one to five years at an effective interest rate of prime lending rate 9.25% (2014: 9.25%) per annum plus 0.25%. These liabilities are repayable in monthly instalments of approximately NAD228 571 (2014: NAD311 749) and are secured over motor vehicles with a carrying amount of NAD8.8 million (2014: NAD4.4 million).

18.2 VENDORS FOR ACQUISITIONS

	Group 2015 NAD'000	Group 2014 NAD'000	Group 2013 NAD'000	Company 2015 NAD'000	Company 2014 NAD'000	Company 2013 NAD'000
Balance at beginning of year	**209 604**	–	–	**–**	–	–
Movement during the year	**(124 194)**	209 604	–	**–**	–	–
Balance at end of year	**85 410**	209 604	–	**–**	–	–
Non-current portion	**–**	65 800	–	**–**	–	–
Current portion	**85 410**	143 804	–	**–**	–	–
	85 410	209 604	–	**–**	–	–

On 1 December 2013, the group acquired 100% of the issued share capital of Elisenheim Property Development Company (Pty) Ltd. In terms of the sale agreement, the purchase consideration of NAD202.6 million would be settled in tranches beginning 1 April 2014. The balance is interest free.

On 30 June 2014, in terms of the sale agreement the outstanding purchase consideration of Farm Herboths is payable in 18 tranches of NAD2.2 million. The balance is interest free.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2015

19. SHARE CAPITAL

	Company			
	Number of shares '000	Share capital NAD'000	Share premium NAD'000	Total NAD'000
Authorised				
2 500 000 000 ordinary par value shares of NAD0.23 each	**2 500 000**	**575 000**	**–**	**575 000**
Issued and fully paid				
Balance as at 1 April 2014	**772 142**	**177 595**	**46 300**	**223 895**
Share issue	**–**	**–**	**–**	**–**
Balance as at 31 March 2015	**772 142**	**177 595**	**46 300**	**223 895**
Balance as at 1 April 2013	**737 142**	**169 545**	**24 600**	**194 145**
Share issue	**35 000**	**8 050**	**21 700**	**29 750**
Balance as at 31 March 2014	**772 142**	**177 595**	**46 300**	**223 895**

The unissued shares are under the control of the directors for which renewed authority is to be sought at the forthcoming annual general meeting.

The company issued nil (2014: 35 000 000) ordinary shares in 2015 (2014: 29 August 2013). In 2014 the shares were issued at par value of NAD0.23 per share and a premium of NAD0.62. The shares were listed on the Namibian Stock Exchange and the JSE Ltd in compliance Schedule 6 of the Listing Requirements and were issued in terms of the general authority of the directors of the company for cash.

20. DEEMED TREASURY SHARES

	Number of shares		Group		Company	
	2015 '000	2014 '000	**2015 NAD'000**	2014 NAD'000	**2015 NAD'000**	2014 NAD'000
Opening balance	**75 906**	–	**69 026**	–	**–**	–
Purchase of shares	**1 052**	75 906	**1 861**	69 026	**1 861**	–
Exercise of the put option	**–**	74 312	**–**	67 642	**–**	–
Open market purchase of shares	**1 052**	1 594	**1 861**	1 384	**1 861**	–
Sale of deemed treasury shares	**(15 224)**	–	**(13 844)**	–	**–**	–
	61 734	75 906	**57 043**	69 026	**1 861**	–

21. SHARES FOR VENDORS

	Group		Company	
	2015 NAD'000	2014 NAD'000	**2015 NAD'000**	2014 NAD'000
Balance at beginning of year	**14 976**	14 976	**14 976**	14 976
Vendor shares movement	**–**	–	**–**	–
Balance at the end of the year	**14 976**	14 976	**14 976**	14 976

On 1 November 2007 the group acquired all of the shares in Trustco Financial Services (Pty) Ltd (TFS) previously DexGroup Financial Services (Pty) Ltd. In terms of the agreement, the group had to pay NAD20 million in cash upfront and a further NAD45 million by issuing a fixed number of shares. Shares were issued from 2008 to 2010 based on *pro rata* net profit after tax of TFS in each year. Total amount of shares not yet issued, contingent on conclusion of the purchase, is 4.922 million shares.

The purchase agreement was subsequently viewed as completed as TFS achieved its profit targets. At the time of conclusion however, DexGroup had not settled an overdraft facility of NAD19.4 million, which was a condition of the agreement. As a result, the liability for payment to the acquiree was not extinguished; and hence the shares for vendors, issuable once the purchase agreement is legally perfected, were not derecognised.

On 20 September 2013, DexGroup's appeal was dismissed by the Supreme Court of Appeal in South Africa. By 29 January 2014, DexGroup did not honour the order and an application for liquidation was filed. No penalty interest on overdue funds has been raised.

The group believes that the overdraft remains recoverable given historical representations made by Dex in various legal proceedings. The group's accounting policies require that this amount is not netted off against the outstanding receivables.

22. CONTINGENCY RESERVES

	Group	
	2015 NAD'000	2014 NAD'000
Balance at beginning of year	**2 983**	4 610
Transfer from reserve	**(733)**	(1 627)
Balance at the end of the year	**2 250**	2 983

The group raises a contingency reserve of 10% of written premiums in accordance with generally accepted insurance industry practice. The contingency reserve is transferred directly from Retained Earnings to contingency reserves, and is reflected as a movement in the statement of changes in equity.

23. PUT OPTIONS

	Number of shares		Group		Company	
	2015 NAD'000	2014 NAD'000	**2015 NAD'000**	2014 NAD'000	**2015 NAD'000**	2014 NAD'000
Opening balance	**–**	74 312	**–**	52 832	**–**	52 832
Put option exercised	**–**	(74 312)	**–**	(52 832)	**–**	(52 832)
Issue of options shares	**–**	–	**–**	–	**–**	–
Closing balance	**–**	–	**–**	–	**–**	–

The group exercised the put option on 19 January 2014, resulting in repurchase of issued share capital of the company. These shares were immediately classified as deemed treasury shares.

24. REVALUATION RESERVES

	Group		Company	
	2015 NAD'000	2014 NAD'000	**2015 NAD'000**	2014 NAD'000
Balance at beginning of year	**30 641**	21 797	**–**	–
Revaluation of property, plant and equipment	**23 522**	13 958	**–**	–
Release of revaluation reserve to distributable reserve	**(959)**	(509)	**–**	–
Deferred tax on revaluation	**(1 122)**	(4 605)	**–**	–
Balance at end of year	**52 083**	30 641	**–**	–

The revaluation reservations from the changes in fair value of property, plant and equipment measured under the revaluation method.

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25. FOREIGN CURRENCY TRANSLATION RESERVE

	Group		Company	
	2015 NAD'000	2014 NAD'000	**2015 NAD'000**	2014 NAD'000
Balance at the beginning of the year	**(2 075)**	1 869	**–**	–
Movement during the year	**(5 103)**	(5 887)	**–**	–
Deferred tax effect	**1 242**	1 943	**–**	–
Balance at the end of the year	**(5 936)**	(2 075)	**–**	–

The foreign currency translation reserve arises from the group's operations in Mauritius where the financial currency of the foreign entity is USD.

26. INSURANCE RISK

Long-term insurance operations

Insurance risk is the risk that future claims and expenses will exceed the premiums received to take on this risk.

It occurs due to the uncertainty of the timing and amount of future cash flows arising under insurance contracts. This could also occur because of the frequency or severity of claims and benefits being greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the estimate using statistical techniques.

The long-term insurance operations use appropriate base tables of standard mortality and morbidity which are modified to reflect the type of contract being written and the territory in which the insured person resides. An investigation into the actual experience of the group over the last three years is carried out, and statistical methods are used to adjust the crude mortality rates to produce a best estimate of expected mortality for the future. Termination statistics to investigate the deviation of actual termination experience against assumptions are used. Statistical methods are used to determine appropriate rates. An allowance is then made for any trends in the data to arrive at the best estimate of future termination rates.

Short-term insurance operations

This operation underwrites risks that natural persons, corporates or other entities wish to transfer to an insurer. Such risks may relate to property, accident, personal accident, motor, engineering, marine, liability and aviation. As such the operation is exposed to uncertainty surrounding the timing, frequency and severity of claims under insurance contracts. The principal risk is that the frequency and/or severity of claims are greater than expected. Insurance events are by their nature random and the actual size and number of events in any one year may vary from those estimated and experienced in prior periods.

The operation underwrites primarily short-tailed risks, that is, insurance under which claims are typically settled within one year of the occurrence of the events giving rise to the claims. Risks that are long-tailed in nature represent an insignificant portion of the group's insurance portfolio. Therefore the group's exposure at any time to insurance contracts issued more than one year before is limited.

CAPITAL ADEQUACY AND SOLVENCY RISK

Long-term operations

The capital adequacy requirement is determined according to generally accepted actuarial principles in terms of the guidelines issued by the Actuarial Society of South Africa. It is an estimate of the minimum capital that will be required to meet fairly substantial deviations from the main assumptions affecting the group's business. At 31 March 2015 the capital adequacy requirement is R24.1 million and the ratio of excess assets to capital adequacy requirements is 5 084% (2014: NAD25.6 million, capital adequacy ratio 356%).

Short-term operations

The group submits quarterly and annual returns to the Namibian Financial Institutions Supervisory Authority that show the solvency position of its insurance operations. The group is required to maintain, at all times, a statutory surplus asset ratio and free assets after spreading limitations as defined in the Short-term Insurance Act, 1998 ('the Act'). The returns submitted by the company to the regulator showed that the company met the minimum capital requirements at the year-end date.

UNDERWRITING RISK

Long-term insurance operations

The statutory actuary reports annually on the actuarial soundness of the premium rates in use and the profitability of the business taking into consideration the reasonable benefit expectation of policyholders. All new rate tables are approved and authorised by the statutory actuary prior to being issued. Annual investigations into mortality and morbidity experience are conducted. All applications for risk cover in excess of specified limits are reviewed by experienced underwriters and evaluated against established standards. All risk-related liabilities in excess of specified monetary or impairment limits are reinsured.

Short-term insurance operations

The operation limits its exposure to insurance risk through setting a clearly defined underwriting strategy including limits, adopting appropriate risk assessment techniques and the reinsurance of risks that exceed its risk appetite. The underwriting strategy ensures diversification of insurance risk in terms of type and amount of risk covered, geographical location and type of industry covered. The strategy also aims to develop a sufficiently large population of risks to reduce the variability of the expected outcome. Ongoing review and analysis of underwriting information enables the group to monitor its risks and take timely corrective action.

Regulatory risks

Continuous legislation changes in the long-term and short-term environment may impact on the operational and financial structures within these businesses. The group has sufficient resources to address the impact of legislation timeously and efficiently.

During the development stage of any new product, rights and obligations of all parties are clearly defined in the contracts and documentation.

FINANCIAL RISK

Long-term insurance operations

The group is exposed to financial risk through its financial assets, financial liabilities and insurance liabilities. In particular, the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance and investment contracts. Components of this financial risk are interest rate risk, equity price risk, currency risk, liquidity risk and credit risk. An investment committee sets policies and receives monthly and quarterly reports on compliance with investment policies.

The long-term insurance operations manage these positions within an asset liability management (ALM) framework that has been developed to achieve long-term investment returns in excess of its obligations under insurance and investment contracts. The principal technique of the ALM framework is to match assets to the liabilities arising from insurance and investment contracts by reference to the type and timing of benefits payable to policyholders.

Short-term insurance operations

The short-term operations are exposed to daily calls on its available cash resources from claims arising. Liabilities are matched by appropriate assets and the operations have significant liquid resources to cover its obligations.

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27. CONTINGENT LIABILITIES AND GUARANTEES

City of Windhoek

The group has guaranteed the undertaking of bulk services on its real-estate inventory (Lafrenz) amounting to NAD0.66 million.

Pending legal cases

The group has pending legal cases for which the total legal costs are estimated to be not more than NAD20.0 million

Real People

Amounts owing to Real People Ltd in connection with branch costs not properly transferred to Trustco are currently under dispute by the parties. The maximum potential settlement should the group be unsuccessful in defending its position is NAD10 million.

Canon

The cancellation of certain service activities performed by Canon in the South African operations has given rise to a potential claim by Canon on the remaining period of contracts which are currently in dispute by Trustco and Real People Ltd. The maximum potential loss to the group is NAD10 million.

28. CAPITAL COMMITMENTS

	Group		Company	
	2015 NAD'000	2014 NAD'000	**2015 NAD'000**	2014 NAD'000
Approved by directors but not contracted for:				
Property, plant and equipment	**361 422**	18 027	**–**	–
Investment property	**–**	23 977	**–**	–
	361 422	42 004	**–**	–

It is intended to finance this expenditure from existing borrowing facilities and from internally generated funds. No part of this expenditure has been contracted for at year-end.

29. REVENUE

Revenue comprises turnover, which excludes value added tax and represents the invoiced value of goods and services supplied.

	Group		Company	
	2015 NAD'000	2014 NAD'000	**2015 NAD'000**	2014 NAD'000
Major classes of revenue comprise:				
Insurance premium revenue	**180 863**	225 086	**–**	–
Property sales	**502 127**	306 345	**–**	–
Tuition and other related fees	**136 080**	144 641	**–**	–
Interest earned on student advances	**119 180**	100 725	**–**	–
Charter income	**23 500**	30 424	**–**	–
Advertising revenue	**14 058**	10 747	**–**	–

During the year, the group recognised NAD39.9 million (2014: nil) of revenue on the construction of real estate based on completion certificates provided by the engineering consultant. All other property sales are recognised on the date of sale and when all conditions are met.

	Group		Company	
	2015 NAD'000	2014 NAD'000	**2015 NAD'000**	2014 NAD'000
Broker commission and fees (administration, premium handling and claims administration)	**–**	24 904	**–**	–
Rental income	**3 204**	673	**–**	–
Other revenue	**38 061**	9	**–**	–
Management fees	**–**	–	**4 670**	3 600
Total revenue	**1 017 073**	843 554	**4 670**	3 600
Insurance income can be analysed as follows:				
Long-term insurance contracts				
Gross premium written	**108 360**	147 946	**–**	–
Change in deferred income	**12**	(269)	**–**	–
Short-term insurance contracts	**108 372**	147 677		
Gross premium written	**72 231**	77 140	**–**	–
Change in deferred income	**260**	269	**–**	–
Total insurance income	**180 863**	225 086	**–**	–

30. COST OF SALES

	Group		Company	
	2015 NAD'000	2014 NAD'000	**2015 NAD'000**	2014 NAD'000
Cost of goods sold	**58 463**	64 237	**–**	–
Cost of services rendered	**146 151**	107 739	**–**	–
	204 614	171 976	**–**	–

31. CLAIMS AND BENEFITS PAID ON INSURANCE CONTRACTS

		Group		Company	
	Notes	**2015 NAD'000**	2014 NAD'000	**2015 NAD'000**	2014 NAD'000
Long-term insurance contracts					
Death claims paid		**21 131**	16 105	**–**	–
Change in provision for outstanding claims	16.2	**66**	(113)	**–**	–
		21 197	15 992	**–**	–

		Group		Company	
	Notes	**2015 NAD'000**	2014 NAD'000	**2015 NAD'000**	2014 NAD'000
Claims paid out		**16 400**	17 403	**–**	–
Increase in provision for IBNR	16.1	**(930)**	(54)		
Transfer to policy holder liabilities	17	**6 319**	21 933		
Change in unearned premiums	29	**(290)**	49	**–**	–
Increase in provision for outstanding claims	16.2	**(80)**	(327)	**–**	–
		21 419	39 004	**–**	–
Total claims		**42 616**	54 996	**–**	–

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FOR THE YEAR ENDED 31 MARCH 2015

32. PROFIT BEFORE TAXATION

	Group		Company	
	2015 NAD'000	2014 NAD'000	**2015 NAD'000**	2014 NAD'000
This is arrived at after taking into account the following:				
Included in investment income is the following:				
Profit on foreign exchange differences	**8 640**	5 544	**–**	–
Gain on bargain purchase	**29 244**	3 000	**–**	–
Gain on bargain purchase: Fides Bank Namibia Ltd	**11 203**	–	**–**	–
Gain on bargain purchase: Farm Herboths (Pty) Ltd	**18 041**	–	**–**	–
Gain on bargain purchase: Elisenheim Property Development Company (Pty) Ltd	**–**	3 000	**–**	–
Fair value gains on investment property	**103 200**	120 423	**–**	–
Included in administration expenses is the following:				
Depreciation, amortisation and impairment losses				
– Property, plant and equipment	**22 241**	13 633	**–**	–
– Intangible assets	**26 939**	25 396	**–**	–
Auditors' remuneration	**2 283**	2 930	**–**	327
Loss on disposal of property, plant and equipment	**2 098**	603	**–**	–
Loss on disposal of intangible assets	**–**	1 336	**–**	–
Impairment of loans and receivables and bad debts written off	**25 828**	52 972	**–**	–
Increase in provision for doubtful debts relating to student advances	**9 274**	4 743	**–**	–

33. DIRECTORS' EMOLUMENTS

	Shareholding	Remuneration				
2015	Shares (direct) '000	Fees NAD'000	Basic NAD'000	Bonuses NAD'000	Other benefits NAD'000	Total NAD'000
Holding company directors						
Executive directors						
Q van Rooyen *(Managing Director)**	392 554	–	–	–	–	–
FJ Abrahams	1 313	–	1 261	–	95	1 357
R McDougall	657	–	1 992	–	144	2 136
	394 524	–	3 253	–	239	3 493
Non-executive directors						
W Geyser	8	235	–	–	–	235
Adv R Heathcote	680	397	–	–	–	397
R Taljaard	6	179	–	–	–	179
V de Klerk	16	66	–	–	–	66
J Mahlangu	–	154	–	–	–	154
	710	1 031	–	–	–	1 031
Subsidiary company directors						
Executive directors						
J Jones	2 861	–	1 293	–	98	1 391
A Lambert	228	–	710	138	47	895
E Janse van Rensburg	757	–	1 106	–	87	1 193
I Calitz	113	–	513	140	37	689
AJ Bornman (resigned 30 May 2014)	–	–	79	–	–	79
B Kandetu	397	–	481	–	–	481
	4 356	–	4 182	278	269	4 729
Non-executive directors of subsidiary boards						
W Geyser	–	451	–	–	–	451
R Taljard	–	221	–	–	–	221
T Newton (appointed 22 August 2014)	–	135	–	–	–	135
NJ Tshitayi (appointed 22 August 2014)	–	43	–	–	–	43
S Similo (appointed 19 November 2014)	10	13	–	–	–	13
	10	863	–	–	–	863
Total	399 600	1 894	7 435	278	508	10 115

No share transactions were carried out by directors after year-end and up to the date of approval of the annual financial statements.

*** Remuneration arrangement of Group Managing Director**

Q van Rooyen, the Group Managing Director, is the sole shareholder of Next Investments (Pty) Ltd. Next Investments (Pty) Ltd has a management contract with Trustco in terms of which a management fee is paid quarterly as follows:

- 0.5% of the turnover of the group;
- 1% of the headline earnings of the group; and
- 1% of the basic earnings of the group.

If targets are not met, the management fee is halved, whilst, if growth exceeds inflation plus 5%, then the management charge is doubled.

A surety fee is payable based on all surety pledged by the managing director for exposures in the group. The fee is calculated at 2% of all outstanding suretyships on a quartely basis. At 31 March 2015, the value of surety pledged was NAD812.4 million (2014: NAD259 million).

For further details on payments made to him and balances due to/from him by the group refer to notes 6 and 41 .

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DEALINGS BY DIRECTORS

The following directors were awarded contingently issuable cash-settled bonuses, these bonuses vest in 2017.

	NAD'000
J Jones	350
E Janse van Rensburg	350
B Kandetu	350
FJ Abrahams	350
R McDougall	350
	1 750

No expense allowance was paid to directors and no financial assistance was provided to directors.

	Shareholding	Remuneration					
2014	Shares (direct) '000	Fees NAD'000	Basic NAD'000	Bonuses NAD'000	Medical NAD'000	Other benefits NAD'000	Total NAD'000
Holding company directors							
Executive directors							
Q van Rooyen *(Managing Director)*	392 554	–	–	–	–	–	–
FJ Abrahams	1 043	–	977	100	–	59	1 136
R McDougall	226	–	1 596	100	–	91	1 787
	393 823	–	2 573	200	–	150	2 923
Non-executive directors							
W Geyser	–	360	–	–	–	–	360
Adv R Heathcote	373	403	–	–	–	–	403
R Taljaard	–	233	–	–	–	–	233
V de Klerk (resigned 1 September 2014)	16	134	–	–	–	–	134
J Mahlangu	–	140	–	–	–	–	140
	389	1 270	–	–	–	–	1 270
Subsidiary company directors							
Executive directors							
J Jones	2 228	–	1 293	100	–	89	1 482
A Lambert	112	–	564	74	–	29	667
E du Toit (resigned 12 July 2013)	–	–	224	–	–	–	224
E Janse van Rensburg	564	–	702	100	–	42	844
I Calitz	61	–	452	117	–	28	597
AJ Bornman (resigned 30 May 2014)	128	–	901	–	–	–	901
B Kandetu	300	–	481	100	–	1	582
D Caine (resigned 31 July 2015)	–	–	407	–	–	–	407
	3 393	–	5 024	491	–	189	5 704
Total	397 605	1 270	7 597	691	–	339	9 897

34. STAFF COSTS

	Group		Company	
	2015 NAD'000	2014 NAD'000	**2015 NAD'000**	2014 NAD'000
Salaries and wages	**134 198**	133 881	**–**	5 086
Social scheme and employee fund contributions	**2 642**	4 493	**–**	–
	136 840	138 374	**–**	5 086

35. INVESTMENT INCOME

	Group		Company	
	2015 NAD'000	2014 NAD'000	**2015 NAD'000**	2014 NAD'000
Interest received	**6 421**	3 095	**41 418**	35 456
– Bank	**–**	541	**–**	61
– Related party loans	**–**	–	**41 418**	35 395
– External party loans	**5 848**	2 381	**–**	–
– Investments	**573**	173	**–**	–
– Finance lease receivable	**–**	–	**–**	–
Fair value gains (insurance company assets)	**103 600**	–	**–**	–
Fair value gains and losses (non-insurance company assets)	**(400)**	120 423	**–**	–
Other income	**26 506**	15 585	**–**	3 236
	136 127	139 103	**41 418**	38 692
Dividends received	**–**	–	**–**	55 000
	136 127	139 103	**41 418**	93 692
Investment income, analysed by category of financial assets is as follows: Loans and receivables	**6 421**	3 095	**41 418**	35 456

36. FINANCE COSTS

	Group		Company	
	2015 NAD'000	2014 NAD'000	**2015 NAD'000**	2014 NAD'000
Interest paid				
– Bank overdraft	**13 619**	2 691	**–**	**35**
– Related party loans	**–**	2 854	**–**	**704**
– Long-term liabilities	**84 461**	42 498	**29 258**	**5 308**
– Finance leases	**7 416**	9 052	**–**	**–**
	105 496	57 095	**29 258**	**6 047**
Finance costs on financial liabilities, analysed by category of liabilities, is as follows:				
Other financial liabilities measured at amortised cost using the effective interest method	**105 496**	57 095	**29 258**	**6 047**
	105 496	57 095	**29 258**	**6 047**

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FOR THE YEAR ENDED 31 MARCH 2015

37. TAXATION

	Group		Company	
	2015	2014	**2015**	2014
	NAD'000	NAD'000	**NAD'000**	NAD'000
37.1 TAX RECOGNISED IN PROFIT OR LOSS				
Namibia normal tax				
Current tax expense in respect of the current year	**17 286**	9 112	**–**	2 560
Deferred tax expense relating to origination and reversal of temporary differences	**90 120**	106 919	**(1 628)**	3 479
Recognition of deferred tax (income)/expense relating to (recognition)/utilisation of tax losses	**(29 990)**	(46 685)	**(15 623)**	–
	77 416	69 346	**(17 251)**	6 039
Foreign normal tax				
Current tax expense in respect of the current year	**1 846**	–	**–**	–
Deferred tax expense relating to origination and reversal of temporary differences	**–**	–	**–**	–
Recognition of deferred tax (income)/expense relating to (recognition)/utilisation of tax losses	**13 895**	(21 780)	–	**–**
	15 741	(21 780)	**–**	–
	93 157	47 566	**(17 251)**	6 039
37.2 TAX RECOGNISED IN OTHER COMPREHENSIVE INCOME				
Namibia normal tax				
Deferred tax expense relating to origination and reversal of temporary differences	**(780)**	2 663	**–**	–
37.3 RECONCILIATION OF THE TAX EXPENSE				
The reconciliation of the effective tax rate with the company tax rate is:				
Taxation for the year as a percentage of profit before taxation	**23.4**	15.8	**33**	8.3
Tax effect of income that is exempt from taxation	**39.13**	41.2	**–**	24.7
Disallowable expenditure	**(30.9)**	(22.8)	**–**	–
Movement in contingency reserve	**0.2**	0.5	**–**	–
Tax rate adjustment	**0.0**	0.0	**–**	–
Effect of foreign tax rate differential	**1.2**	(1.7)	**–**	–
	33.0	33.0	**33.0**	33.0

The group has an estimated tax losses of NAD497 million (2014: NAD203.2 million) available for set off against future taxable income. The company has a tax loss of NAD49.7 million available for future set off against taxable income.

38. EARNINGS, HEADLINE EARNINGS AND DIVIDENDS PER SHARE

	Group		Company	
	2015 NAD'000	2014 NAD'000	**2015 NAD'000**	2014 NAD'000
Profit attributable to ordinary shareholders	**303 238**	252 672	**–**	–
Adjustments:	**(27 494)**	(111 150)	**–**	–
Loss on disposals of property, plant and equipment	**2 098**	603	**–**	–
Loss on disposals of intangibles	**–**	1 336	**–**	–
Fair value adjustments on investment properties	**400**	(120 423)	**–**	–
Gain on bargain purchase	**(29 244)**	(3 000)	**–**	–
Impairment of intangible assets	**–**	15 241	**–**	–
Tax effect	**(748)**	(4 907)	**–**	–
Headline earnings	**275 744**	141 522	**–**	–
Weighted number of ordinary shares for the purposes of basic earnings per share ('000)	**695 582**	752 771	**–**	–
Contingently issuable shares as a result of business combinations ('000)	**4 922**	4 922		
Weighted number of ordinary shares for the purposes of diluted earnings per share ('000)	**700 504**	757 693	**–**	–
Basic earnings per share (cents)	**43.59**	33.57	**–**	–
Diluted earnings per share (cents)	**43.29**	33.35	**–**	–
Headline earnings per share (cents)	**39.64**	18.80	**–**	–
Diluted headline earnings per share (cents)	**39.36**	18.68	**–**	–
Dividends per share				
During the year under review normal dividends of 5.75 cents per share (2014: 2.00 cents) amounting to a total of NAD44.4 million (2014: NAD15.41 million) were declared and paid by the company.			**5.75**	2.00

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FOR THE YEAR ENDED 31 MARCH 2015

39. CASH FLOW INFORMATION

	Group		Company	
	2015 NAD'000	2014 NAD'000	**2015 NAD'000**	2014 NAD'000
39.1 CASH GENERATED BY OPERATIONS				
Cash generated by operations before working capital changes	**448 057**	343 188	**(60 556)**	(11 825)
Profit on ordinary activities before taxation	**396 395**	300 238	**(48 396)**	72 584
Adjustments:				
– Depreciation and impairment losses	**22 241**	13 633	**–**	–
– Amortisation of intangible assets and impairment losses	**26 939**	25 396	**–**	–
– Gain on bargain purchase	**(29 244)**	(3 000)	**–**	–
– Investment income	**(6 421)**	(3 095)	**(41 418)**	(90 456)
– Finance costs	**105 496**	57 095	**29 258**	6 047
– Loss on disposal of property, plant and equipment	**2 098**	603	**–**	–
– Loss on disposal of intangible	**–**	1 336	**–**	–
– Fair value adjustment on investment properties	**(103 200)**	(120 423)	**–**	–
– Impairment of loans and receivables and bad debts	**35 102**	52 972	**–**	–
– Increase in technical provision	**(1 233)**	(445)	**–**	–
– (Increase)/decrease in policyholders' under insurance contracts	**6 319**	21 933	**–**	
– Other non-cash items	**(6 436)**	(3 155)	**–**	–
Changes in working capital:	**(276 923)**	(159 580)	**(4 856)**	20 779
– (Increase)/decrease in inventories	**19 933**	(1 958)	**–**	–
– (Increase) in trade and other receivables	**(343 616)**	(20 648)	**(6 246)**	(86)
– (Decrease)/increase in trade and other payables	**46 760**	(136 974)	**1 390**	20 865
	171 134	183 508	**(65 412)**	8 954
39.2 TAXATION PAID				
Balance outstanding at beginning of year	**845**	28 256	**854**	3 851
– Current tax assets	**(4 716)**	(860)	**–**	–
– Current tax liabilities	**5 561**	29 116	**854**	3 851
Expense for the year	**19 132**	9 112	**–**	2 560
Reversal of overprovision	**–**	(20 377)	**–**	–
Balance outstanding at end of year	**5 037**	(845)	**1 002**	(854)
– Current tax assets	**12 982**	4 716	**1 002**	–
– Current tax liabilities	**(7 945)**	(5 561)	**–**	(854)
	25 014	16 146	**1 856**	5 557

39. CASH FLOW INFORMATION (CONTINUED)

39.3 RECLASSIFICATION OF 2014 CASH FLOW STATEMENT

On 6 November 2014 the JSE notified Trustco that as a result of the JSE's pro-active monitoring of annual financial statements it had identified two misclassifications in the statement of cash flows as reported in the group's 2014 annual financial statements. These misclassifications, although considered immaterial by Trustco due to the detailed nature of the disclosure in the 2014 annual financial statements, were deemed by the JSE to be individually and collectively misleading to users of the financial statements, hence the JSE requested that Trustco reclassify the items in this set of results.

Where appropriate financial institutions can present net cash flows from advances and loans made to customers and the repayment of those advances and loans. This has been adopted in the 2015 financial year due to the acquisition of the banking subsidiary.

Extract of the condensed consolidated statement of cash flows:

	12 months 31 March 2014 Restated NAD'000	Effects of reclassification NAD'000	**Effects of netting of financial instruments NAD'000**	12 months 31 March 2014 Audited NAD'000
Cash from operating activities	**74 908**	21 933	**–**	52 975
Cash generated by operations	**183 508**	21 933	**–**	161 575
(Included in the above restatement is the effect of the increase in policyholders' liabilities under insurance contracts)	**21 933**	21 933	**–**	
Net advances (disbursed)/repaid	**(278 454)**	–	**(278 454)**	
Property advances		–	**17 616**	(17 616)
Prepayment of property advances		–	**(4 598)**	4 598
Student advances		–	**466 445**	(466 445)
Repayment of student advances		–	**(201 348)**	201 348
Other loans advanced		–	**339**	(339)
Cash flow from investing activities	**(21 348)**	69 026	**–**	(90 374)
Purchase of deemed treasury shares		69 026	**–**	(69 026)
Cash flow from financing activities	**31 686**	(90 959)	**–**	122 645
Purchase of deemed treasury shares	**(69 026)**	(69 026)	**–**	
Increase in policyholders under insurance contracts		(21 933)	**–**	21 933
Net change in cash and cash equivalents	**85 246**	–	**–**	85 246

The change had no impact on the statement of financial position, statement of comprehensive income, statement of changes in equity, earnings per share, headline earnings per share or diluted earnings per share.

39.4 CASH AND CASH EQUIVALENTS

	Group		**Company**	
	2015 %	2014 %	**2015 %**	2014 %
Bank balances and cash deposits	**118 700**	131 606	**2 228**	79 300
Bank overdraft	**(15 020)**	–	**(441)**	–
	103 680	131 606	**1 787**	79 300

40. BUSINESS COMBINATION

The group recognises a business combination by applying IFRS 3 Business combinations, which requires that the assets acquired and liabilities assumed of the acquiree/investee constitute a business and that the acquiree controls the acquirer. The group has gained control over the acquirees acquired during the period by transferring cash, cash equivalents or other assets. The acquirees were businesses as defined by IFRS 3.B7 at the time of acquisition.

As per the guidance of IFRS 10, the group had control over the entities as at the time of acquisition, it had power over the investee, exposure or rights, to variable returns from its involvement with the entities and the ability to use its power over the investee to affect the amount of the investor's returns.

Details of the acquisitions and business combinations are set out in notes 40.1, 40.2 and 40.3.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2015

40. BUSINESS COMBINATION (CONTINUED)

40.1 BUSINESS COMBINATION

On 30 June 2015, the group acquired by way of purchase of all the ordinary shares control of Farm Herboths (Pty) Ltd. The current operations of the acquiree include renting of farmland, sale of zoned and residential estates, operation and management of water supply to third parties and the management of services on neighbouring estates. The assets and resources acquired include staff and office buildings related to the operations. The group has taken over the management of operations of the entity but also intends to expand the existing residential development to more significant levels. This expansion will augment the existing investment and property development operations of the group and extend the foreseeable development timetable.

Gain on bargain purchase of NAD18 million was raised on purchase and included in the profit for the period. This gain arose as a result of a revaluation of identifiable assets notably undeveloped land, buildings and water supply system. The total fair value of the entity exceeded the purchase price.

The following table summarises the consideration paid at fair value of assets acquired and liabilities assumed at the acquisition date:

	Book value NAD'000	Fair value adjustment NAD'000	**Fair value NAD'000**
Investment property	52 224	7 776	60 000
Bank and cash	7	–	7
Other liabilities	(106)	–	(106)
Net assets	**52 125**	**7 776**	**59 901**
Purchase consideration			**(41 860)**
Gain on bargain purchase			**18 041**
Cash flow on acquisition			
Cash and cash equivalents			**7**
Bank overdraft			**–**
Net cash acquired			**7**
Consideration paid*			**(5 000)**
Cash outflow on acquisition, net of cash acquired			**(4 993)**

** A portion of the consideration for the purchase of Farm Herboths (Pty) Ltd was deferred. The purchase consideration was payable by the group in 18 monthly instalments of NAD2 222 222 beginning July 2014 and a lumpsum due in 2015 of NAD12 million less the settlement fee. The deferred purchase consideration bears interest at 10.25%. Acquisition-related costs of NAD525 641 have been charged to administrative expenses in the consolidated income statement for the period ended 31 September 2014.*

The revenue from these acquisitions included in the consolidated statement of comprehensive income since acquisition was NAD0.52 million and a net loss of NAD2.42 million was incurred during the same period. Had the business been consolidated from 1 April 2014, the consolidated statement of income would show revenue of NAD6.83 million and loss of NAD6.19 million.

40.2 BUSINESS COMBINATION

During the period under review the group acquired by way of purchase of all the ordinary shares control of Fides Bank Namibia Ltd on 1 September 2014. The acquisition of the bank, now named Trustco Bank Namibia Ltd, represents a natural progression of the group's strategy. The acquisition offers a best fit strategic opportunity to complement the current student lending, mortgage lending, property development and insurance businesses of the group.

Gain on bargain purchase of NAD11 million was raised on purchase and included in the profit for the period. This gain arose as a result of a combination of recognising a deferred tax asset relating to previously unrecognised tax losses in the entity. The total fair value of the entity exceeded the purchase price. The group believes that there are sufficient tax profits in Namibia that can be utilized by the bank's assessed loss through group tax planning opportunities to meet the criteria of IAS12 for seperate recognition of the tax asset in the business combination accounting.

The following table summarises the consideration paid at fair value of assets acquired and liabilities assumed at the acquisition date:

	Book value NAD'000	Fair value adjustment NAD'000	**Fair value NAD'000**
Bank and cash	25 312	–	**25 312**
Other assets	2 330	–	**2 330**
Loan portfolio	10 212	–	**10 212**
Property plant and equipment	2 155	–	**2 155**
Funding liabilities	(34 436)		**(34 436)**
Deferred tax asset	–	16 670	**16 670**
Other liabilities	(4 040)		**(4 040)**
Net assets	1 533	16 670	**18 203**
Purchase consideration			**(7 000)**
Gain on bargain purchase			**11 203**
Cash flow on acquisition			
Cash and cash equivalents			**25 312**
Bank overdraft			
Net cash acquired			**25 312**
Consideration paid			**(7 000)**
Cash outflow on acquisition, net of cash acquired			**18 312**

Acquisition-related costs of NAD250 000 have been charged to administrative expenses in the consolidated income statement for the period ended 31 March 2015. The group paid NAD7 million on acquisition date to settle the purchase. No conditions subsequent or further payments were required and the sellers held no further recourse on the group.

The revenue from these acquisitions included in the consolidated statement of comprehensive income since acquisition was NAD7 million and a net loss of NAD1.639 million was incurred during the same period. Had the business been consolidated from 1 April 2014, the consolidated statement of income would show revenue of NAD6.83 million and loss of NAD6.19 million.

40.3 CASH FROM BUSINESS COMBINATIONS

Subsidiary	Notes	**Amount**
Farm Herboths (Pty) Ltd	40.1	**(4 993)**
Fides Bank Namibia Ltd	40.2	**18 312**
Total cash inflow on acquisition, net of cash acquired		**13 319**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2015

41. RELATED PARTIES

The group is controlled by Q van Rooyen who owns 50.76% of the company's shares. Material related parties are disclosed in notes 5 and 33.

Other related parties are:

Subsidiaries

Agricultural Export Company (Pty) Ltd
Arru Island Investments (Pty) Ltd
Discuss Properties (Pty) Ltd
Erf 7179 (Pty) Ltd
Elisenheim Property Development Company (Pty) Ltd
Farm Herboths (Pty) Ltd
Insurance Claims Exchange (Pty) Ltd
Institute for Open Learning (Pty) Ltd
Komada Holdings (Pty) Ltd
Legal Shield Holdings (Pty) Ltd
New Adventure Insurance Brokers (Pty) Ltd
November Properties (Pty) Ltd
Printas (Pty) Ltd
Thera Island Investments (Pty) Ltd
Trustco Accommodation (Pty) Ltd
Trustco Administrative Support Services (Pty) Ltd
Trustco Air Services (Pty) Ltd
Trustco Bank Namibia Ltd
Trustco Business Development (Pty) Ltd
Trustco Capital (Pty) Ltd
Trustco Corporate Management Services (Pty) Ltd
Trustco Education (Pty) Ltd
Trustco Estate Planners and Administrators (Pty) Ltd
Trustco Finance (Pty) Ltd
Trustco Financial Services (Pty) Ltd
Trustco Fleet Management Services (Pty) Ltd
Trustco Group International (Pty) Ltd (inc. in Republic of Namibia)
Trustco Group International (Pty) Ltd (inc. in Republic of South Africa)
Trustco Informatix (Pty) Ltd
Trustco Insurance Ltd
Trustco Intellectual Property Holdings (Pty) Ltd
Trustco Intermediary Solutions (Pty) Ltd
Trustco Life Ltd
Trustco Media (Pty) Ltd
Trustco Mobile (Pty) Ltd
Trustco Newspapers (Pty) Ltd
Trustco Property Holdings (Pty) Ltd
Trustco Resources (Pty) Ltd
Trustco Reinsurance Ltd
Trustco Restaurants (Pty) Ltd
Trustco Tourism Holdings (Pty) Ltd
Sunda Island Investments Ltd

Entities in which board members have significant influence

Foxtrot Properties (Pty) Ltd
Golf Properties (Pty) Ltd
Namibia Medical Investments (Pty) Ltd
Next Investments (Pty) Ltd
Northern Namibia Development Company (Pty) Ltd
Othinge Investments (Pty) Ltd
Huso Investments (Pty) Ltd
Morse Investments (Pty) Ltd

Other related entities

Trustco Senior Employees Trust
Trustco Staff Share Incentive Scheme Trust

Transactions between the company and its subsidiaries, which are related parties of the company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the group and other related parties. are disclosed below.

		Group		Company	
		2015	2014	**2015**	2014
		NAD'000	NAD'000	**NAD'000**	NAD'000
41.1 CHARTER INCOME RECEIVED					
Subsidiaries					
Trustco Air Services (Pty) Ltd	Indirect subsidiary	**–**	–	**–**	(2 212)
Entities in which board members have significant influence					
Next Investments (Pty) Ltd	Common director: Q van Rooyen	**202**	24	**–**	–
Northern Namibia Development Company (Pty) Ltd	Common director: Q van Rooyen	**1 278**	367	**–**	–
41.2 EQUIPMENT RENT RECEIVED/(PAID)					
Entities in which board members have significant influence					
Next Investments (Pty) Ltd	Common director: Q van Rooyen	**–**	7	**–**	–
41.3 ADVERTISING INCOME RECEIVED/(PAID)					
Subsidiaries					
Trustco Newspapers (Pty) Ltd	Indirect subsidiary	**–**	–	**248**	40
Entities in which board members have significant influence					
Next Investments (Pty) Ltd	Common director: Q van Rooyen	**4**	4	**–**	–
Northern Namibia Development Company (Pty) Ltd	Common director: Q van Rooyen	**6**	–	**–**	–
41.4 INTEREST RECEIVED					
Subsidiaries					
New Adventure Insurance Brokers (Pty) Ltd	Indirect subsidiary	**–**	–	**–**	13 600
Trustco Capital (Pty) Ltd		**–**	–	**15 451**	–
Trustco Group International (Pty) Ltd (Inc. in Republic of South Africa)	Direct subsidiary	**–**	–	**–**	4 217
Trustco Finance (Pty) Ltd	Indirect subsidiary	**–**	–	**25 967**	2 824
Trustco Financial Services (Pty) Ltd	Indirect subsidiary	**–**	–	**–**	14 753
41.5 MANAGEMENT FEES RECEIVED/(PAID)					
Entities in which board members have significant influence					
Next Investments (Pty) Ltd	Common director: Q van Rooyen	**(22 036)**	(26 110)	**(7 562)**	–
Subsidiaries					
Trustco Group International (Pty) Ltd (Inc. in Namibia)	Direct subsidiary	**–**	–	**4 670**	–
41.6 DIVIDENDS RECEIVED					
Subsidiaries					
Trustco Corporate Management Services (Pty) Ltd	Direct subsidiary	**–**	–	**–**	55 000

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2015

41. RELATED PARTIES (CONTINUED)

		Group		Company	
		2015 NAD'000	2014 NAD'000	**2015 NAD'000**	2014 NAD'000
41.7 INTEREST PAID					
Trustco Finance (Pty) Ltd	Indirect subsidiary	**–**	–	**–**	704
41.8 FACILITY FEE					
Entities in which board members have significant influence					
Next Investments (Pty) Ltd	Common director: Q van Rooyen	**11 130**	5 074	**–**	–
Subsidiaries					
Trustco Financial Services (Pty) Ltd	Indirect subsidiary	**–**	–	**(19 151)**	(3 236)

42. SEGMENT RESULTS

Primary reporting format: Business segments

The group is organised into six business segments. These segments form a basis by which the group executive committee (chief operating decision-maker) formulates key operating decisions, allocate resources and assess performance. The reportable segments are differentiated and grouped by their relative size, namely: Insurance (Namibia); Banking & Finance; Insurance (Investments) and Insurance (Emerging markets). The business segment results are as follows:

	Banking & finance	Insurance & investments				Group Total
		Sub Total	Insurance	Investments	Insurance	
	Namibia NAD'000	NAD'000	Namibia NAD'000	Namibia NAD'000	Emerging markets NAD'000	NAD'000
2015						
Revenue						
Segment revenue	187 093	767 363	13 979	662 943	90 441	954 456
Inter-segment revenue	(13 979)	(103 979)	(13 979)	(2 509)	(87 491)	(117 958)
	173 114	663 384	–	660 434	2 500	836 498
Insurance income	–	180 575	167 912	–	12 663	180 575
External revenue	173 114	843 951	167 912	660 434	15 163	1 017 073
Segment result	61 916	355 579	95 171	389 409	(131 177)	417 495
Inter-segment	(9 388)	(104 870)	(6 491)	(123 248)	27 766	(114 258)
Profit for the year	52 528	250 709	87 959	266 161	(103 411)	303 237
Segment assets	1 521 863	1 637 237	131 998	1 214 626	290 617	3 159 100
Segment liabilities	465 309	1 143 626	66 954	1 034 119	42 581	1 608 935
Capital expenditure	8 406	73 628	7 060	62 997	3 571	82 034
Depreciation	945	21 296	–	15 863	5 434	22 241
Impairment of receivables and loans	9 274	419	–	419	–	9 551
Interest paid	37 357	68 139	2 642	61 032	4 465	105 496
Interest income	366	6 055	113	327	5 615	6 421
Amortisation of intangible assets	15 159	11 780	–	4 972	6 808	26 939

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2015

42. SEGMENT RESULTS (CONTINUED)

	Banking & finance	Insurance & investments				Group Total
		Sub Total	Insurance	Investments	Insurance	
	Namibia		Namibia	Namibia	Emerging markets	
	NAD'000	NAD'000	NAD'000	NAD'000	NAD'000	NAD'000
2014						
Revenue						
Segment revenue	118 899	608 221	31 318	523 522	53 381	727 120
Inter-segment revenue	(10 259)	(98 393)	(22 096)	(56 054)	(20 243)	(108 652)
	108 640	509 828	9 222	467 468	33 138	618 468
Insurance income						
Segment revenue	–	225 671	215 022	–	10 649	225 671
Inter-segment revenue	–	(585)	(585)	–	–	(585)
	–	225 086	214 437	–	10 649	225 086
External revenue	108 640	734 914	223 659	467 468	43 787	843 554
Segment result	70 590	408 823	153 910	344 476	(89 563)	479 413
Inter segment	(23 581)	(203 160)	(50 790)	(107 022)	(45 348)	(226 741)
Profit for the year	**47 009**	**205 663**	**103 120**	**237 454**	**(134 911)**	**252 672**
Segment assets	740 289	1 797 047	122 523	1 365 981	245 691	2 474 484
Segment liabilities	282 912	1 030 069	59 787	84 341	96 089	1 250 129
Capital expenditure	–	42 004	200	37 121	4 683	42 004
Depreciation	1 071	12 562	2 308	4 863	5 391	13 633
Impairment of receivables and loans	6 182	51 533	740	–	50 793	57 715
Interest paid	27 860	29 235	5 028	22 838	1 369	57 095
Interest income	2 745	350	49	168	133	3 095
Impairment losses	–	15 241	–	–	15 241	15 241
Amortisation of intangible assets	781	9 374	1 152	2 086	6 136	10 155

43. FAIR VALUES AND FAIR VALUE HIERARCHY

DETERMINATION OF FAIR VALUES

All financial instruments, regardless of their IAS 39 categorisation, are initially recorded at fair value. The fair value of a financial instrument on initial recognition is normally the transaction price, that is the fair value of the consideration given or received. In certain circumstances, however, the initial fair value may be based on other observable current market transactions in the same instrument, without modification or repackaging, or on a valuation technique whose variables include only observable data.

Subsequent to initial recognition, the fair values of financial instruments measured at fair value that are quoted in active markets are based on bid prices for assets, which in certain circumstances includes using quotations from independent third parties such as brokers and pricing services, and offer prices for liabilities. When quoted prices are not available, fair values are determined by using valuation techniques that refer, as far as possible, to observable market data. These include comparison with similar instruments where market observable prices exist, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants. A number of factors such as bid-offer spread, credit profile, servicing costs and model uncertainty are taken into account, as appropriate, when values are calculated using a valuation technique. Changes in the assumptions used in such valuations could impact the reported value of such instruments. All derivative instruments are measured at fair value

In general none of the carrying amounts of financial assets and liabilities carried at amortised cost have a fair value significantly different to their carrying amounts. Such assets and liabilities primarily comprise variable-rate financial assets and liabilities that re-price as interest rates change, short-term deposits or current assets.

All financial assets and liabilities that are measured at amortised cost are initially recognised at fair value plus transaction costs

LOANS AND ADVANCES

Loans and advances include mortgage loans, other asset-based loans, including collateralised debt obligations, and other secured and unsecured loans.

In the absence of an observable market for these instruments, the fair value is determined by using internally developed models that are specific to the instrument and that incorporate all available observable inputs. These models involve discounting the contractual cash flows by using a credit-adjusted zero-coupon rate.

BORROWED FUNDS

The fair values of amounts included in borrowed funds are based on quoted market prices at the reporting date where applicable, or by reference to quoted prices of similar instruments.

OTHER ASSETS AND LIABILITIES

The fair values of other non-financial assets and liabilities, such as property, plant and equipment measured under the revaluation model, or investment property carried at fair value is generally measured with reference to market factors and calculated under a fair value observeable model. The income or sales comparison method are usually favoured.

The fair values of other financial assets and liabilities (which comprise cash and cash equivalents, cash with central banks, other assets and liabilities) are reasonably approximated by the carrying amounts reflected in the statement of financial position as they are short term in nature or re-price to current market rates frequently.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2015

43. FAIR VALUES AND FAIR VALUE HIERARCHY (CONTINUED)

Fair valued assets and liabilities are grouped into Levels 1 to 3 based on the extent to which the fair value is observable.

The levels are classified as follows:

- **Level 1 –** quoted market prices: financial assets and liabilities with quoted prices for identical instruments in active markets. Instruments classified as Level 1 generally comprise listed equity securities, government securities and other listed debt securities and similar instruments, actively traded pooled investments, certain quoted derivative assets and liabilities, listed borrowed funds and investment contract liabilities linked to Level 1 pooled investments and other assets. As at 31 March 2015, the group had no Level 3 onsets or liabilities.
- **Level 2** – valuation techniques using observable inputs: assets and liabilities with quoted prices for similar assets or liabilities in active markets or quoted prices for identical or similar instruments in inactive markets and financial assets and liabilities valued using models where all significant inputs are observable. Instruments classified as Level 2 generally comprise unlisted equity and debt securities where the valuation is based on models involving no significant unobservable data. Certain inputs, such as discount rates and credit spreads may be unobservable but these inputs do not have a significant impact on the fair value of the instrument. This includes certain loans and advances, certain privately placed debt instruments, third-party interests in consolidated funds and amounts owed to bank depositors, aircraft, land and buildings and other investment property.
- **Level 3** – valuation techniques using significant unobservable inputs: financial assets and liabilities valued using valuation techniques where one or more significant inputs are unobservable. Assets and liabilities classified as Level 3 generally comprise unlisted equity and securities with significant unobservable inputs, securities where the market is not considered sufficiently active, including certain inactive pooled investments, derivatives embedded in certain portfolios of insurance contracts where the derivative is not closely related to the host contract and the valuation contains significant unobservable inputs, certain loans and advances, insurance contracts and provisions, and other liabilities.

The group deems a transfer to have occurred between Level 1 and Level 2 when an active, traded primary market ceases to exist for that financial instrument.

The best evidence of fair value is a quoted price in an active market. In the event that the market for an asset or liability is not active, or quoted prices cannot be obtained without undue effort, another valuation technique is used.

The judgement as to whether a market is active may include, for example, consideration of factors such as the magnitude and frequency of trading activity, the availability of prices and the size of bid/offer spreads. In inactive markets, obtaining assurance that the transaction price provides evidence of fair value or determining the adjustments to transaction prices that are necessary to measure the fair value of the asset or liability requires additional work during the valuation process.

The majority of valuation techniques employ only observable data and so the reliability of the fair value measurement is high. However, certain assets and liabilities are valued on the basis of valuation techniques that feature one or more significant inputs that are unobservable and, for them, the derivation of fair value is more judgemental. An asset or liability in its entirety is classified as valued using significant unobservable inputs if a significant proportion of that asset or liability's carrying amount is driven by unobservable inputs.

In this context, 'unobservable' means that there is little or no current market data available for which to determine the price at which an arm's length transaction would be likely to occur. It generally does not mean that there is no market data available at all upon which to base a determination of fair value. Furthermore, in some cases the majority of the fair value derived from a valuation technique with significant unobservable data may be attributable to observable inputs. Consequently, the effect of uncertainty in determining unobservable inputs will generally be restricted to uncertainty about the overall fair value of the asset or liability being measured. There have been no significant changes to the valuation techniques applied.

GROUP ASSETS AND LIABILITIES FAIR VALUE DISCLOSURES:

The table below presents the group's financial and non-financial assets and liabilities for which fair values are disclosed in the notes to the consolidated statement of financial position according to their classification in terms of the fair value hierarchy as required by IFRS.

	Level 1 NAD'000	Level 2 NAD'000	Level 3 NAD'000	Total carrying amount
2015				
Group: Assets				
– Land and buildings	**–**	**117 617**	**–**	**117 617**
– Aircraft	**–**	**109 268**	**–**	**109 268**
– Investment property	**–**	**708 835**	**–**	**708 835**
– Advances	**–**	**–**	**806 965**	**806 965**
– Trade and other receivables	**–**	**–**	**603 131**	**603 131**
– Cash and cash equivalents	**–**	**–**	**118 700**	**118 700**
	–	**935 720**	**1 528 796**	**2 464 516**
2015				
Group: Liabilities				
– Technical provisions	**–**	**–**	**18 880**	**18 880**
– Policyholder liability under insurance contracts	**–**	**–**	**44 839**	**44 839**
– Bank overdraft	**–**	**–**	**15 020**	**15 020**
– Trade and other payables	**–**	**–**	**107 632**	**107 632**
– Other liabilities	**–**	**–**	**92 750**	**92 760**
– Borrowings	**–**	**–**	**1 045 641**	**1 045 641**
	–	**–**	**1 324 763**	**1 324 763**
2014				
Group: Assets				
– Land and buildings	–	94 127	–	94 127
– Aircraft	–	64 096	–	64 096
– Investment property	–	537 330	–	537 330
– Advances	–	–	699 932	699 932
– Trade and other receivables	–	–	230 774	230 774
– Cash and cash equivalents	–	–	131 606	131 606
	–	695 553	1 062 312	1 757 865
2014				
Group: Liabilities				
– Technical provisions	–	–	20 113	20 113
– Policyholder liability under insurance contracts	–	–	38 520	38 520
– Trade and other payables	–	–	32 131	32 131
– Amounts by related parties	–	–	265	265
– Other liabilities	–	–	212 449	212 449
–Borrowings	–	–	730 369	730 369
	–	–	1 031 002	1 031 002

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2015

43. FAIR VALUES AND FAIR VALUE HIERARCHY (CONTINUED)

OTHER FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

The table below reconciles the opening balances of financial assets and liabilities measured in terms of Level 3 fair value hierarchy to the closing balance at the end of the year:

	2015 NAD'000	2014 NAD'000
Group:		
Liabilities		
Technical provisions		
Carrying value at beginning of the year	**20 113**	20 558
Net fair value loss/(gain) on technical provisions	**(1 233)**	(445)
Carrying value at the end of the year	**18 880**	20 113
Policyholder liability under insurance contracts		
Carrying value at beginning of the year	**38 520**	16 587
Net fair value loss on policy liabilities	**6 319**	21 933
Carrying value at the end of the year	**44 839**	38 520

There were no assets or liabilities included in Level 1.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments;
- The fair value of insurance technical liabilities is determined according to the requirements of the Namibian Long-term Insurance Act (1998) and in accordance with professional guide notes (PGNs) issued by the Actuarial Society of South Africa (ASSA);
- Technical liabilities are calculated as a percentage of premiums earned. Different percentages are applied by class of business; and
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

44. FINANCIAL RISK MANAGEMENT

This note presents information about the group's exposure to financial risks, the group's objectives, policies and processes for measuring and managing risk, and the group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The group's risk management policies are established to identify and analyse the risks faced by the group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the group's activities. The group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The group audit committee oversees how management monitors compliance with the group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the group. The group audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the group audit committee.

Capital risk management

The board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The board of directors monitors the return on capital, which the group defines as net operating income divided by total shareholders' equity. The board of directors also monitors the level of dividends paid to ordinary shareholders. The group manages its capital to ensure that entities in the group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the group consists of debt, which includes the borrowings disclosed in notes 14 and 18, shareholders' funds and equity attributable to equity holders of the parent, comprising issued capital and reserves as disclosed in note 19 to 25 inclusive.

The group monitors total combined capital using a ratio of tangible net asset value to liabilities. For this purpose, adjusted liabilities is defined as total liabilities, comprising all balance sheet liabilities less insurance provisions. Tangible net asset value is the total shareholders equity on a consolidated basis less intangible assets and negative reserves. Management monitors this ratio to ensure that it meets the capital requirements of any debt covenants required by its bondholders (limit is 1.5 times).

	2015 **NAD'000**	2014 NAD'000
Total liabilities per AFS	**1 637 675**	1 250 129
Less: Insurance provisions	**(63 719)**	(58 633)
Total liabilities per covenant requirements	**1 573 956**	1 191 496
Tangible net asset value	**1 352 542**	1 080 987
TNAV to liabilities ratio	**1.16**	1.10

Trustco Bank Namibia Ltd is subject to a Bank of Namibia imposed capital adequacy minimum. This ratio is calculated under Basel rules and is measured monthly. The current minimum capital adequacy ratio is 15%, Trustco Bank Namibia Ltd is currently at 53% (2014: – 34%)

From time to time the group purchases its own shares on the market; the timing of these purchases depends on market prices. Buy and sell decisions are made on recommendation of management to the board and approved by the Audit and risk committee; the group does not have a defined share buy-back plan, but shareholders have passed a general resolution allowing the company to buy back its own shares from time to time. In FY2015, the group sold 15.2 million shares which it had held in Treasury shares on 1 April 2014.

There were no changes in the group's approach to capital management during the year.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2015

44. FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk management objectives

The group's corporate treasury function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risk relating to the operations of the group through internal risk reports which analyse exposure by degree and magnitude of risks. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

The group seeks to minimise the effects of these risks by using financial instruments to hedge these risk exposures. The use of financial instruments is governed by the group's policies approved by the board of directors, which provide principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-financial derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

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 group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimising the return.

Foreign currency risk management

The group is exposed to currency risk on royalties earned that are denominated in a currency other than the respective functional currencies of group entities, primarily the Namibian Dollar, South African Rand and US Dollar. The currencies in which these transactions are concluded are primarily denominated in US Dollars.

There has been no change to the group's exposure to market risks or the manner in which it manages and measures the risk.

Foreign currency risk sensitivity analysis

A 10% weakening of Namibian Dollar exchange rate versus the US Dollar (most common foreign currency exposure) at 31 March as broadly anticipated by the market and exco would have increased equity by NAD0.4 million (2014: decreased by NAD0.5 million). The analysis assumes that all other variables would remain constant.

Interest rate risk management

Ultimate responsibility for interest rate risk management rests with the exco, which has established an appropriate framework for management of the group's exposure to changes in rates.

Entities within the group prepare quartely interest rate gap analysis to determine the effect of a parrallel shift in interest rate curves on interest bearing assets, liabilities and off-balance sheet items. The result of the gap analysis are benchmarked to a maximum set risk amount.

Credit risk management

Credit risk is the risk of financial loss to the group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the group's cash deposits, cash equivalents and receivables from customers.

Receivables from customers

The group's exposure to credit risk is influenced mainly by the default risk of the industries. The demographics of the group's customer base, including the individual characteristics of each customer and country in which customers operate, has less of an influence on credit risk. Trade receivables comprise a widespread customer base.

The risk management committee has established a credit policy under which each new customer is analysed individually for creditworthiness before the group's standard payment and delivery terms and conditions are offered. The group's review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer, which represents the maximum open amount without requiring approval from the risk management committee; these limits are reviewed on an *ad hoc* basis. Customers that fail to meet the group's benchmark creditworthiness may transact with the group only on a prepayment basis.

Goods are sold subject to retention of title clauses so that in the event of non-payment the group may have a secured claim. The group does not require collateral in respect of trade and other receivables.

The group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

Investments

The group limits its exposure to credit risk by only investing in liquid securities and only with counterparties that have an excellent credit rating.

Guarantees

The group's policy is to provide financial guarantees only to wholly-owned subsidiaries.

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the group's maximum exposure to credit risk without taking account of the value of collateral obtained.

Liquidity risk management

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. The group'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 both normal and stressed conditions, without incurring unacceptable losses or risking damage to the group's reputation.

Ultimate responsibility for liquidity risk management rests with the board of directors, which has build an appropriate liquidity risk management framework for the management of the group's short-, medium- and long-term funding and liquidity management requirements. The group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2015

44. FINANCIAL RISK MANAGEMENT (CONTINUED)

44.1 CATEGORIES OF FINANCIAL INSTRUMENTS

	Loans and receivables NAD'000	Fair value through profit or loss NAD'000	Amortised cost NAD'000	Total carrying amount NAD'000
Group				
2015				
Financial assets				
Students advance advanced	**630 805**	**–**	**–**	**630 805**
Other loans advanced	**50 874**	**–**	**–**	**50 874**
Property advances	**125 287**	**–**	**–**	**125 287**
Trade and other receivables	**574 390**	**–**	**–**	**574 390**
Cash and cash equivalents	**118 700**	**–**	**–**	**118 700**
	1 500 056	**–**	**–**	**1 500 056**
Financial liabilities				
Trade and other payables	**–**	**–**	**78 891**	**78 891**
Amounts by related parties		**–**	**527**	**527**
Borrowings	**–**	**–**	**1 045 641**	**1 045 641**
Other liabilities	**–**	**–**	**92 750**	**92 750**
Bank overdraft	**–**	**–**	**15 020**	**15 020**
	–	**–**	**1 232 829**	**1 232 829**

	Loans and receivables NAD'000	Fair value through profit or loss NAD'000	Amortised cost NAD'000	Total carrying amount NAD'000
2014				
Financial assets				
Student advances	591 953	–	–	591 953
Other loans advanced	3 515	–	–	3 515
Property advances	104 465	–	–	104 465
Trade and other receivables	215 602	–	–	215 602
Cash and cash equivalents	131 606	–	–	131 606
	1 047 140			1 047 140
Financial liabilities				
Trade and other payables	–	–	23 168	23 168
Borrowings	–	–	733 214	733 214
Amounts due to related parties	–	–	265	265
Vendors for acquisition	–	–	209 604	209 604
	–	–	1 087 738	1 087 738

The carrying amounts approximates the fair values.

	Loans and receivables NAD'000	Fair value through profit or loss NAD'000	Amortised cost NAD'000	Total carrying amount NAD'000
Company				
2015				
Financial assets				
Amounts due by related parties	**836 926**	**–**	**–**	**836 926**
Trade and other receivables	**1 611**	**–**	**–**	**1 611**
Cash and cash equivalents	**2 228**	**–**	**–**	**2 228**
	840 765	**–**	**–**	**840 765**
Financial liabilities				
Overdraft			**441**	**441**
Borrowings	**–**	**–**	**294 546**	**294 546**
Trade and other payables	**–**	**–**	**20 373**	**20 373**
Amounts due to related parties	**–**	**–**	**205 792**	**205 792**
	–	**–**	**521 152**	**521 152**

	Loans and receivables NAD'000	Fair value through profit or loss NAD'000	Amortised cost NAD'000	Total carrying amount NAD'000
2014				
Financial assets				
Amounts due by related parties	748 449	–	–	748 449
Cash and cash equivalents	79 300	–	–	79 300
	827 749	–	–	827 749
Financial liabilities				
Borrowings	–	–	291 726	291 726
Trade and other payables	–	–	23 957	23 957
Amounts due to related parties	–	–	118 872	118 872
	–	–	434 555	434 555

The carrying amounts approximates the fair values.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2015

44.2 LIQUIDITY TABLES

The following tables detail the group and the company's future liquidity position arising from its non-derivative financial liabilities and assets. The tables have been drawn up based on the undiscounted cash flows of financial liabilities and assets based on the earliest date on which the group and the company can be required to pay, or customers are expected to settle. The data includes cash flows arising from both principal and interest where applicable.

	Effective interest rate %	Due in less than one year NAD'000	Due in one to two years NAD'000	Due in two to three years NAD'000	Due in three to four years NAD'000	Due after four years NAD'000	Total NAD'000
Group: Assets							
2015							
Non-interest-bearing							
– Trade and other receivables	–	401 673	172 717	–	–	–	574 390
Variable interest rate instruments							
– Student advances	18.50	292 454	129 810	220 671	171 933	121 133	936 001
– Property advances	10.25 – 13.25	2 740	32 876	32 876	32 876	63 013	164 381
– Other loans advanced	10.00	12 362	18 381	4 033	4 033	56 456	95 264
– Cash and cash equivalents	2.50	118 700	–	–	–	–	118 700
		827 929	353 784	257 580	208 842	240 602	1 888 737

	Effective interest rate %	Due in less than one year NAD'000	Due in one to two years NAD'000	Due in two to three years NAD'000	Due in three to four years NAD'000	Due after four years NAD'000	Total NAD'000
Group: Liabilities							
Maturity analysis							
2015							
Other financial liabilities							
Non-interest-bearing							
– Trade and other payables	–	78 891	–	–	–	–	78 891
Variable interest rate instruments							
– Term loans	6.75 – 12.65	238 144	188 967	111 547	72 876	108 450	719 984
– Listed bonds	8.98 – 11.83	29 790	145 211	136 231	34 741	34 741	374 714
– Mortage loans	6.50 – 10.25	10 321	10 321	10 321	10 321	134 175	175 460
– Liabilities under instalment sale agreement	8.00 – 10.25	–	–	–	110 283	–	110 283
– Amounts due to related parties	9.25	527	–	–	–	–	527
– Finance lease obligations	8.00 – 10.25	3 339	4 391	–	–	–	7 730
– Vendors for acquisition	10.25	63 999	26 000	–	–	–	89 999
– Bank overdraft	9.75	15 020	–	–	–	–	15 020
		440 031	374 890	258 099	228 221	277 366	1 578 607

	Effective interest rate %	Due in less than one year NAD'000	Due in one to two years NAD'000	Due in two to three years NAD'000	Due in three to four years NAD'000	Due after four years NAD'000	Total NAD'000
Group: Assets							
2014							
Non-interest-bearing							
– Trade and other receivables	–	286 995	–	–	–	–	286 995
Variable interest rate instruments							
– Student advances	18.50	267 181	220 671	171 933	121 133	67 087	848 005
– Property advances	10.20 – 13.25	4 598	4 598	4 598	4 598	137 001	155 393
– Other loans advanced	10.00	1 000	1 000	1 000	1 000	504	4 504
– Cash and cash equivalents	2.50	131 606	–	–	–	–	131 606
		691 380	226 269	177 531	126 731	204 592	1 426 503

	Effective interest rate %	Due in less than one year NAD'000	Due in one to two years NAD'000	Due in two to three years NAD'000	Due in three to four years NAD'000	Due after four years NAD'000	Total NAD'000
Group: Liabilities							
2014							
Other financial liabilities							
Non-interest-bearing							
– Trade and other payables	–	86 019	–	–	–	–	86 019
– Administered claims float	–	–	–	–	–	1 070	1 070
Variable interest rate instruments							
– Term loans	6.75 – 12.65	127 723	47 077	38 853	37 308	193 298	444 259
– Listed bonds	8.98 – 1 1.83	–	12 500	25 000	25 000	367 172	429 672
–Mortgage loans	6.50 – 10.25	10 321	10 321	10 321	10 102	27 543	68 608
– Liabilities under instalment sale agreement	8.00 – 10.25	2 779	2 419	2 296	2 294	42 616	52 404
– Amounts due by related parties	9.25	265	–	–	–	–	265
– Finance lease obligations	8.00 – 10.25	2 977	7	–	–	–	2 984
– Vendors for acquisition	10.25	152 188	44 000	26 000	–	–	222 188
– Bank overdraft	9.75	–	–	–	–	–	–
		382 272	116 324	102 470	74 704	631 699	1 307 469

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2015

44. FINANCIAL RISK MANAGEMENT (CONTINUED)

44.2 LIQUIDITY TABLES (CONTINUED)

	Effective interest rate %	Due in less than one year NAD'000	Due in one to two years NAD'000	Due in two to three years NAD'000	Due in three to four years NAD'000	Due after four years NAD'000	Total NAD'000
Company: Assets							
Maturity analysis							
2015							
Non-interest-bearing							
– Amounts due by related parties	–	–	584 195	–	–	–	584 195
– Trade and other receivables	–	6 585	–	–	–	–	6 585
Variable interest rate instruments							
– Amounts due by related parties	9.75	23 600	163 155	47 200	23 600	–	257 555
– Cash and cash equivalents	2.00	2 228	–	–	–	–	2 228
		32 413	747 350	47 200	23 600	–	850 563
Company: Liabilities							
Maturity analysis							
2015							
Interest-bearing							
– Listed bonds	8.98 – 11.83	29 790	145 211	136 231	31 741	31 741	374 714
Non-interest-bearing							
– Trade and other payables	–	25 348	–	–	–	–	25 348
– Amounts due to related parties	–	–	210 616	–	–	–	210 616
		55 138	355 827	136 231	31 741	31 741	610 678

	Effective interest rate %	**Due in less than one year NAD'000**	**Due in one to two years NAD'000**	**Due in two to three years NAD'000**	**Due in three to four years NAD'000**	**Due after four years NAD'000**	**Total NAD'000**
2014							
Non-interest-bearing							
– Amounts due by related parties	–	–	139 027	–	–	–	139 027
– Trade and other receivables	–	339	–	–	–	–	339
Variable interest rate instruments							
– Amounts due by related parties	9.25	–	403 066	–	–	–	403 066
– Cash and cash equivalents	2.00	42	–	–	–	–	42
		381	542 093	–	–	–	542 474
2014							
Interest-bearing							
– Borrowings	8.98 – 11.83	–	12 500	25 000	25 000	367 172	429 672
Non-interest-bearing							
– Trade and other payables	–	23 957	–	–	–	–	23 957
– Amounts due to related parties	–	–	118 872	–	–	–	118 872
		23 957	131 372	25 000	25 000	367 172	572 501

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2015

44.3 INTEREST RATE RISK (GAP ANALYSIS)

The interest rate sensitivity gap classifies all assets, liabilities and off balance sheet transactions by effective maturity from an interest rate reset perspective. This comparison gives an approximate view of the interest rate risk of the balance sheet to determine an effect on profitability should rates rise in a parallel fashion. Weighting factors for the interest rate shock in each repricing or maturity bucket are based on an estimate of the duration of the assets and liabilities. The result of the gap analysis combined with the duration weighting factor gives a rough approximation of the change in the group's economic value.

	Group						
As at 31 March 2015	Within 12 months NAD'000	One to two years NAD'000	Two to three years NAD'000	Three to five years NAD'000	Over five years NAD'000	Non-interest-bearing NAD'000	Total NAD'000
Assets							
Cash and cash equivalents	118 700	–	–	–	–	–	118 700
Advances	–	–	–	–	–	–	–
– Student advances	630 805	–	–	–	–	–	630 805
– Property advances	–	125 287	–	–	–	–	125 287
– Other loans advanced	50 874	–	–	–	–	35 356	86 230
Trade and other receivables	401 673	172 717	–	–	–	–	574 390
Current tax assets	12 982	–	–	–	–	–	12 982
Inventories	–	–	–	–	–	323 917	323 917
Property, plant and equipment	–	–	–	–	–	246 359	246 359
Investment property	–	–	–	–	–	708 835	708 835
Intangible assets	–	–	–	–	–	197 623	197 623
Deferred tax assets	–	–	–	–	–	146 359	146 359
Total assets	1 215 034	298 004	–	–	35 356	1 658 449	3 206 843

As at 31 March 2015	Group Within 12 months NAD'000	One to two years NAD'000	Two to three years NAD'000	Three to five years NAD'000	Over five years NAD'000	Non-interest-bearing NAD'000	Total NAD'000
Liabilities							
Bank overdraft	15 020	–	–	–	–	–	15 020
Borrowings							
– Term loans	591 494	15 727	10 627	6 987	–	–	624 835
– Bonds	294 546	–	–	–	–	–	294 546
– Mortgages and other	126 260	–	–	–	–	–	126 260
Trade and other payables	–	–	–	–	–	78 891	78 891
Current tax liabilities	7 943	–	–	–	–	–	7 943
Amounts due to related parties	527	–	–	–	–	–	527
Other liabilities	92 750	–	–	–	–	–	92 750
Deferred tax liabilities	–	–	–	–	–	304 441	304 441
Total liabilities	1 128 540	15 727	10 627	6 987	–	405 356	1 567 237
Net interest repricing gap	86 494	282 277	(10 627)	(6 987)	35 356	1 253 093	1 639 606
Weighting factor for interest rate shock (%)	0.70	1.25	1.75	2.25	3.75	0.00	–
Earnings effect of an interest rate increase	605	3 528	(186)	(157)	1 326	–	–
Total earnings effect of interest rate increase	5 116	–	–	–	–	–	–

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2015

44. FINANCIAL RISK MANAGEMENT (CONTINUED)

44.3 INTEREST RATE RISK (GAP ANALYSIS) (CONTINUED)

	Group						
As at 31 March 2014	Within 12 months NAD'000	One to two years NAD'000	Two to three years NAD'000	Three to five years NAD'000	Over five years NAD'000	Non-interest-bearing NAD'000	Total NAD'000
Assets							
Cash and cash equivalents	131 606	–	–	–	–	–	131 606
Advances							
– Student advances	591 953	–	–	–	–	–	591 953
– Property advances	33 291	104 465	–	–	–	–	137 756
– Other loans advanced	3 514	–	–	–	–	–	3 514
Trade and other receivables	230 774	–	–	–	–	–	230 774
Current tax assets	12 982	–	–	–	–	–	12 982
Inventories	–	–	–	–	–	343 850	343 850
Property, plant and equipment	–	–	–	–	–	203 111	203 111
Investment property	–	–	–	–	–	537 330	537 330
Intangible assets	–	–	–	–	–	212 391	212 391
Deferred tax assets	–	–	–	–	–	110 774	110 774
Total assets	1 004 120	104 465	–	–	–	1 407 456	2 516 041

As at 31 March 2014	Group Within 12 months NAD'000	One to two years NAD'000	Two to three years NAD'000	Three to five years NAD'000	Over five years NAD'000	Non-interest-bearing NAD'000	Total NAD'000
Liabilities							
Bank overdraft	–	–	–	–	–	–	–
Borrowings							
– Term loans	301 091	15 727	17 637	14 961	–	–	348 916
– Bonds	291 762		–	–	–	–	291 762
– Mortgages and other	87 691		–	–	–	–	89 691
Trade and other payables	–	–	–	–	–	32 131	32 131
Current tax liabilities	5 561	–	–	–	–	–	5 561
Amounts due to related parties	265	–	–	–	–	–	265
Other liabilities	68 190	144 259	–	–	–	–	212 449
Deferred tax liabilities	–	–	–	–	–	210 721	210 721
Total liabilities	756 560	159 986	17 637	14 461	–	242 852	1 191 496
Net interest repricing gap	247 560	(55 521)	(17 637)	(14 461)	–	1 101 752	1 311 563
Weighting factor for interest rate shock (%)	0.70	1.25	1.75	2.25	3.75	0.00	
Earnings effect of an interest rate increase	1 733	(694)	(309)	(325)	–	–	–
Total earnings effect of interest rate increase	405						

No gap analysis is performed for the company.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2015

45. RECLASSIFICATION OF 2014 STATEMENT OF FINANCIAL POSITION

During the current year it was revealed that the group incorrectly classified deferred revenue on the construction of real estate as a liability instead of reducing the total receivable on the sale of the property. NAD62.9 million was raised as a liability and recognised in Trade and other payables, due to an incorrect consolidation of a new subsidiary, this has now been retrospectively corrected by reducing Trade and other receivables. There was no effect on 2013 annual financial statements. This error has been corrected and the 2014 comparatives were restated. The change had no effect on the statement of comprehensive income, statement of changes in equity, cash flows, EPS, Diluted EPS, HEPS or Diluted EPS. The table below shows the effect on the financial statements.

	2014 NAD'000 Reclassified	2014 NAD'000 Audited
Trade and other receivables	**230 774**	293 626
Total assets	**2 474 484**	2 537 336
Trade and other payables	**32 131**	94 983
Total liabilities	**1 250 129**	1 312 981

46. SUBSEQUENT EVENTS

Acquisition of Huso Investments

On 22 June 2015, the group announced that it had entered into an option agreement with Huso Investments (Pty) Ltd ('Huso') to secure the rights to acquire Huso and its subsidiaries, namely Northern Namibia Development Corporation (Pty) Ltd and Morse Investments (Pty) Ltd. The operations of Huso involve a diamond mining operation and a diamond polishing factory – both located in Namibia. The option is exercisable by the group should the shareholders of Huso be able to demonstrate various contingent actions as detailed in the SENS announcement issued to the market on 22 June 2015.

At the time of publication of the Annual financial statements, the group was unable to determine whether the transaction would have any financial effects.

47. NEW AND REVISED IFRS APPLIED WITH NO MATERIAL EFFECT ON THE CONSOLIDATED FINANCIAL STATEMENTS

The following new and revised IFRS have also been adopted in these consolidated financial statements. The application of these new and revised IFRS has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

STANDARD AND SUBJECT OF AMENDMENT	DETAILS
IFRS 10, Consolidated Financial Statements	– New standard that replaces the consolidation requirements in SIC-12 Consolidation – Special Purpose Entities and IAS 27 Consolidated and Separate Financial Statements. Standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company and provides additional guidance to assist in the determination of control where this is difficult to assess; and – Amendments to transitional guidance.
IFRS 12, Disclosure of Interest in Other Entities	– New and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles; and – Amendments to transitional guidance.
IAS 39, Financial Instruments: Recognition and measurement	– Amendments regarding novation of derivatives
IAS 36, Impairment of Assets	– Amendments to address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.
IFRIC 21, Levies	– Amendments to accounting for provisions for levy payments.

48. STATEMENTS AND INTERPRETATIONS NOT YET EFFECTIVE

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

IFRS 2 Share-based payments (Amendments resulting from Annual Improvements 2010 – 2012 Cycle (definition of 'vesting condition')) – effective for annual periods beginning on or after 1 July 2014.

IFRS 3 Business combinations (Amendments resulting from Annual Improvements 2010 – 2012 Cycle (accounting for contingent consideration)) – effective for annual periods beginning on or after 1 July 2014.

IFRS 3 Business combinations (Amendments resulting from Annual Improvements 2011 – 2013 Cycle (scope exception for joint ventures)) – effective for annual periods beginning on or after 1 July 2014.

IFRS 7 Financial Instruments: Disclosures (Deferral of mandatory effective date of IFRS 9 and amendments to transition disclosures) – effective for annual periods beginning on or after 1 January 2015.

IFRS 7 Financial Instruments: Disclosures (Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9) – date of application is 1 January 2018. IFRS 8 Operating Segments (Amendments resulting from Annual Improvements 2010 – 2012 Cycle (aggregation of segments, reconciliation of segment assets)) – effective for annual periods beginning on or after 1 July 2014.

IFRS 9 Financial Instruments (Deferral of mandatory effective date of IFRS 9 and amendments to transition disclosures) – effective for annual periods beginning on or after 1 January 2015.

IFRS 9 Financial Instruments (Reissue to incorporate a hedge accounting chapter and permit the early application of the requirements for presenting in other comprehensive income the 'own credit' gains or losses on financial liabilities designated under the fair value option without early applying the other requirements of IFRS 9) – effective date of application is 1 January 2018.

IFRS 13 Fair value measurement (Amendments resulting from Annual Improvements 2011 – 2013 Cycle (scope of the portfolio exception in paragraph 52)) – effective for annual periods beginning 1 July 2014.

IFRS 15 Revenue from Contracts with Customers (Original issue) – effective for annual periods beginning 1 January 2017.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2015

48. STATEMENTS AND INTERPRETATIONS NOT YEAR EFFECTIVE (CONTINUED)

IAS 16 Property, plant and equipment (Amendments resulting from Annual Improvements 2010-2012 Cycle (proportionate restatement of accumulated depreciation on revaluation)) – effective for annual periods beginning 1 July 2014.

IAS 19 Employee benefits (Amended to clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service) – effective for annual periods beginning 1 July 2014.

IAS 24 Related party disclosures (Amendments resulting from Annual Improvements 2010-2012 Cycle (management entities)) – effective for annual periods beginning 1 July 2014.

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 of the interest rate exposure of a portion of a portfolio of financial assets or financial liabilities when IFRS 9 is applied, and to extend the fair value option to certain contracts that meet the 'own use' scope exception) – effective date of application is 1 January 2018.

The group does not envisage the adoption of these standards and interpretations until such time that they become applicable to the group's operations.

The board does not anticipate that the above standards and interpretations will have a material effect on the group's annual financial statements.