# PROVISIONAL REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

TRUSTCO GROUP HOLDINGS LIMITED

**FOR THE 12 MONTHS ENDED 31 MARCH 2019**

TRUSTCO

oshi li nawa | it's all good

## NATURE OF THE BUSINESS

Trustco is a diversified dual listed majority family owned and operated business, with a culture of creating long-term sustainable growth for all stakeholders. Decisions are biased towards long-term value creation and short-term hurdles are viewed as catalysts to drive success. Trustco operates from three business segments being;

- Insurance and its investments
- Resources and
- Banking and finance.

## BUSINESS REVIEW

The group's diversified business model, both in revenue streams, geographic regions and asset spread again proved its worth, as group consolidated revenue increased by 85% to NAD 1.48 billion, with profit after tax similarly increasing by 165% to NAD 725 million.

As a result, the group is proud to report that basic earnings per share has increased by 199% to 71c per share, with headline earnings increasing by 157% per share, to 70c per share.

A detailed business overview will be contained in the Integrated Report of the group and in the individual Integrated Report of each segment, due to be released on or about 28 June 2019.

## SEGMENT OVERVIEW

### INSURANCE AND ITS INVESTMENTS

Revenue for the segment increased to NAD 1.3 billion which represents growth of 241% compared to the prior year. Profit after tax increased to NAD 292 million which represents growth of 99% from the prior year. The segment contributed 35 cents per share to the consolidated group EPS and group HEPS. The group owns 80% of this segment.

### RESOURCES

The resources segment reported an increase in after tax profits of NAD 486 million for the reporting period, compared to NAD 139 million of the previous reporting year. At the time of reporting, an offer was made for a diamond asset, two copper assets are being evaluated and one zinc asset has been identified. These assets are all located in Namibia. The segment currently has three assets: Meya Mining, Northern Namibia Development Company and Morse Investments.

***Meya Mining***

Meya Mining is a world class kimberlite deposit, situated in Sierra Leone. Meya Mining's primary focus during the reporting period was to conclude all the regulatory, technical, social and environmental studies in preparation for the large scale mining licence application and the transitioning from exploration to commercial production. The application was concluded and submitted to Sierra Leone Ministry of Mines and Mineral Resources on 20 May 2019.

***Northern Namibia Development Company***

Northern Namibia Development Company (Pty) Ltd (NNDC) received ML152, a 15 year mining licence, from the Namibian Ministry of Mines and Energy. The company is in the process of upgrading its mining fleet and processing plant.

***Morse Investments***

During the reporting period, Morse Investments obtained all the regulatory approvals to move its Export Processing Zone (EPZ) status diamond cutting and polishing factory from an industrial to a commercial area in Windhoek. EPZ status affords substantial tax free benefits.

### BANKING AND FINANCE

The banking and finance segment continued its upward trajectory, which resulted in profit after tax of NAD 262 million for the reporting period on an individual segmental basis (loss after tax of NAD 52 million on a consolidated basis) despite an additional NAD 41 million for credit impairment charges raised. The group owns 100% of this segment.

The initial adoption of IFRS 9 amounted to a provision of NAD 247 million that was accounted for through equity. At March 2019 the segment had total assets of NAD 2.7 billion on a stand alone basis. The segment has optimised the structure of its statement of financial position, in order to improve liquidity and to provide Trustco Bank with the opportunity to expand its lending operations through various avenues during the next financial period.

## DIVIDENDS

During the year under review, the board recommended that no dividend be declared for the financial period ended 31 March 2019.

## GOING CONCERN

The group further broadened its lender and capital base during the year under review.

At the time of this report, the restructuring of the debt with the international lenders was partially completed, with transactions concluded with five of the eleven lenders. It is expected that the remaining six lenders will have restructuring terms concluded in due course. The remaining international debt to be restructured represents 13% of the total capital structure (equity and liabilities) of the group. The group is confident that the remaining international debt will be successfully restructured as the lenders indicated their willingness to conclude the restructuring process when the standstill agreement expires on 15 June 2019.

## SUBSEQUENT EVENT

The directors are not aware of any material event which occurred after the reporting period and to date of this report.

## INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS), STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE

The group has decided not to early adopt the following standards and interpretations which have been published and are mandatory for the group's accounting periods beginning on or after 1 April 2019.

### IFRS 16 LEASES

IFRS 16 was issued in January 2016. For lessees, almost all leases will be recognised in the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. There are two exemptions, namely short-term and low-value leases.

The standard will affect primarily the accounting for the group's operating leases. At the reporting date, the group had non-cancellable operating lease commitments which were insignificant. The group does not expect that these commitments will result in the recognition of an asset and a liability for future payments and this will not affect the group's profit and classification of cash flows. The group will apply a modified retrospective transition method.

The standard will effect the group for the financial reporting period commencing 1 April 2019.

### IFRS 17 INSURANCE CONTRACTS

The standard is effective for years commencing on or after 1 January 2021. The standard will be adopted by the group for the financial reporting period commencing 1 April 2021.

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows.

The group is currently performing an assessment to determine the potential impact of the new standard on the group's statement of financial position and performance. The group is still considering the transitional approach to be applied. The group expects that significant additional disclosures will be added to the financial statements to meet the revised requirements of the standard.

## SALIENT FEATURES OF THE PROVISIONAL REVIEWED CONDENSED FINANCIAL STATEMENTS

### FINANCIAL STATEMENTS AND SELECTED NOTES

The provisional reviewed condensed consolidated financial statements comprise the Condensed Consolidated Statements of Financial Position at 31 March 2019, the Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income, Changes in Equity and Cash Flows and selected notes for the year then ended. When reference is made to the "group" in the accounting policies, it should be interpreted as referring to Trustco Group Holdings Ltd and/or the company, where the context requires, unless otherwise noted.

### RESPONSIBILITY FOR RESULTS

The board takes full responsibility for the preparation of this provisional report and confirms that the financial information has been correctly extracted from the reviewed underlying consolidated annual financial statements.

### BASIS OF PREPARATION

The provisional reviewed condensed consolidated financial statements for the year ended 31 March 2019 have been prepared in accordance with the group's accounting policies under the supervision of the group financial director, Floors Abrahams, BCom. The accounting policies adopted are consistent with those of financial statements for the year ended 31 March 2018 except for the accounting policies applied for common control transactions, mine properties, IFRS 15 and IFRS 9. Refer to notes 18 and 19 for further details. The provisional reviewed condensed consolidated financial statements comply with IAS 34 Interim Financial Reporting, the framework concepts and the recognition and measurement requirements of International Financial Reporting Standards (IFRS), SAICA Financial Reporting Guides as issued by the Financial Reporting Standards Council, the Listings Requirements of the JSE Limited (JSE) and the Namibian Stock Exchange (NSX) and the requirements of the Namibian Companies Act (Act 28 of 2004), as amended.

The provisional reviewed condensed consolidated financial statements of the group are prepared as a going concern on the historical basis except for certain financial instruments and investment properties which are stated at fair value as applicable and property, plant and equipment which is stated using the revaluation model.

### ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS

The preparation of the provisional reviewed condensed consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of the assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

### PRESENTATION CURRENCY

The provisional reviewed condensed consolidated financial statements are presented in Namibian Dollars (NAD), the functional currency of the group. All amounts are rounded to the nearest thousand, except where another rounding measure has been indicated in the reviewed condensed consolidated financial statements.

At 31 March 2019, NAD 1 was equal to ZAR 1 and  USD 14.20.

### NEW STANDARDS AND INTERPRETATIONS

All new standards and interpretations that came into effect during the reporting period were assessed and adopted. Refer to note 18 for the impact of new standards and interpretations on the provisional reviewed condensed consolidated financial statements.

## REVIEW OPINION

The provisional reviewed condensed consolidated financial statements and this provisional announcement have been reviewed by the company's auditors, Moore Stephens. The review has been conducted in terms of International Standards of Review Engagements. A copy of the unmodified review report is available for inspection at the company's registered office.

This auditors' review report does not necessarily report on all information contained in this announcement. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditors' engagement, they should obtain a copy of this auditors' review report together with the accompanying financial information from the company's registered office.

Any reference to future financial performance included in this announcement has not been reviewed nor reported on by the company's auditors.

## APPRECIATION

The board thanks all stakeholders for their continuous support.

By order of the board

Adv Raymond Heathcote SC
(Chairman)

Dr Q van Rooyen
(Chief Executive Officer)

Windhoek
13 June 2019

# PROVISIONAL REVIEWED CONDENSED STATEMENT OF CONSOLIDATED FINANCIAL POSITION

## AS AT 31 MARCH

| *Figures in Namibia Dollar thousand* | Notes | 2019 Reviewed | 2018 Audited |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and cash equivalents | | 172 791 | 68 942 |
| Advances | 1 | 1 387 091 | 1 754 103 |
| Trade and other receivables | | 520 556 | 684 845 |
| Current tax assets | | 4 495 | 6 004 |
| Amounts due by related parties | 2 | - | 528 194 |
| Inventories | | 281 977 | 370 205 |
| Property, plant and equipment | 3 | 670 256 | 591 515 |
| Investment property | 4 | 2 399 618 | 1 476 818 |
| Intangible assets | 5 | 452 521 | 462 452 |
| Evaluation and exploration assets | 6 | 530 275 | 278 638 |
| Mine properties | 7 | 164 875 | - |
| Deferred tax assets | | 147 293 | 150 656 |
| **Total assets** | | **6 731 748** | **6 372 372** |
| **EQUITY AND LIABILITIES** | | | |
| **LIABILITIES** | | | |
| Borrowings | 8 | 1 251 066 | 1 332 551 |
| Trade and other payables | | 386 260 | 430 279 |
| Current tax liabilities | | 10 243 | 8 938 |
| Insurance contract liabilities | | 45 393 | 63 057 |
| Amounts due to related parties | 2 | 1 021 276 | - |
| Other liabilities | | 63 447 | 71 760 |
| Deferred tax liabilities | | 179 089 | 299 566 |
| **Total liabilities** | | **2 956 774** | **2 206 151** |
| **CAPITAL AND RESERVES** | | | |
| Share capital | 9 | 224 084 | 190 245 |
| Share premium | 9 | 921 719 | 267 400 |
| Deemed treasury shares | 10 | (197 959) | (200 804) |
| Other reserves | | (869 002) | 44 933 |
| Retained income | | 3 158 409 | 3 426 491 |
| Equity attributable to shareholders of parent | | 3 237 251 | 3 728 265 |
| Non-controlling interest | | 537 723 | 437 956 |
| **Total capital and reserves** | | **3 774 974** | **4 166 221** |
| **Total equity and liabilities** | | **6 731 748** | **6 372 372** |

# PROVISIONAL REVIEWED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

## FOR THE YEAR ENDED 31 MARCH

| *Figures in Namibia Dollar thousand* | Notes | 2019 Reviewed | 2018 Audited |
|---|---|---|---|
| Revenue | 12 | 1 478 918 | 800 939 |
| Cost of sales | | (500 317) | (274 265) |
| **Gross profit** | | **978 601** | **526 674** |
| Investment and other income | | 554 792 | 480 794 |
| Operating expenses | | (708 576) | (542 489) |
| Insurance benefits and claims | | (16 784) | (34 441) |
| Finance costs | | (202 144) | (188 881) |
| **Profit before tax** | 13 | **605 889** | **241 657** |
| Income tax benefit | | 119 147 | 31 971 |
| **Profit for the year** | | **725 036** | **273 628** |
| | | | |
| **Other comprehensive income:** | | | |
| Total items that will not be reclassified to profit or loss: revaluation of property, plant and equipment net of tax | | (2 700) | (5 129) |
| Total items that may be reclassified to profit or loss: exchange differences on translating foreign operations net of tax | | 11 837 | (22 281) |
| **Total comprehensive income for the year** | | **734 173** | **246 218** |
| | | | |
| **Profit attributable to:** | | | |
| Owners of the parent | | 608 232 | 178 830 |
| Non-controlling interest | | 116 804 | 94 798 |
| | | **725 036** | **273 628** |
| | | | |
| **Total comprehensive income attributable to:** | | | |
| Owners of the parent | | 606 010 | 160 144 |
| Non-controlling interest | | 128 163 | 86 074 |
| | | **734 173** | **246 218** |
| | | | |
| **Earnings per share** | | | |
| Basic earnings per share (cents) | | 70.99 | 23.74 |
| Diluted earnings per share (cents) | | 40.81 | 23.47 |

# PROVISIONAL REVIEWED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## FOR THE YEAR ENDED 31 MARCH

| | Share capital | Share premium | Other reserves | Deemed treasury shares | Retained income | Equity attributable to owners of | Non-controlling interest | Total equity |
|---|---|---|---|---|---|---|---|---|
| ***Audited (Figures in Namibia Dollar thousand)*** | | | | | | | | |
| **Balance at 1 April 2017** | **177 595** | **46 300** | **47 875** | **(178 358)** | **2 399 031** | **2 492 443** | **7** | **2 492 450** |
| Profit for the year | - | - | - | - | 178 830 | 178 830 | 94 798 | 273 628 |
| Other comprehensive income | - | - | (18 687) | - | - | (18 687) | (8 724) | (27 411) |
| **Total comprehensive income** | **-** | **-** | **(18 687)** | **-** | **178 830** | **160 143** | **86 074** | **246 217** |
| Issue of shares | 12 650 | 221 100 | (233 750) | - | - | - | - | - |
| Convertible financial instrument | - | - | 250 000 | - | - | 250 000 | - | 250 000 |
| Transfer between reserves | - | - | (505) | - | 505 | - | - | - |
| Deemed treasury shares acquired | - | - | - | (22 446) | - | (22 446) | - | (22 446) |
| Sale of shares in subsidiary | - | - | - | - | 848 125 | 848 125 | 351 875 | 1 200 000 |
| **Balance at 31 March 2018** | **190 245** | **267 400** | **44 933** | **(200 804)** | **3 426 491** | **3 728 265** | **437 956** | **4 166 221** |
| ***Reviewed (Figures in Namibia Dollar thousand)*** | | | | | | | | |
| Profit for the year | - | - | - | - | 608 232 | 608 232 | 116 804 | 725 036 |
| Other comprehensive income | - | - | (2 222) | - | - | (2 222) | 11 359 | 9 137 |
| **Total comprehensive income** | **-** | **-** | **(2 222)** | **-** | **608 232** | **606 010** | **128 163** | **734 173** |
| Issue of shares | 33 839 | 654 319 | (16 250) | - | - | 671 908 | - | 671 908 |
| Adjustment on initial application of IFRS 9 (note 18) | - | - | - | - | (247 531) | (247 531) | - | (247 531) |
| Transfer between reserves | - | - | 17 023 | - | (17 023) | - | - | - |
| Common control transaction (note 16) | - | - | (3 197 685) | - | - | (3 197 685) | - | (3 197 685) |
| Shares for vendors (note 16) | - | - | 2 285 199 | - | - | 2 285 199 | - | 2 285 199 |
| Deemed treasury shares sold | - | - | - | 4 806 | 3 465 | 8 271 | - | 8 271 |
| Deemed treasury shares acquired | - | - | - | (1 961) | - | (1 961) | - | (1 961) |
| Transaction with non-controlling interest (note 11) | - | - | - | - | (615 225) | (615 225) | (28 396) | (643 621) |
| **Balance at 31 March 2019** | **224 084** | **921 719** | **(869 002)** | **(197 959)** | **3 158 409** | **3 237 251** | **537 723** | **3 774 974** |
| Notes | 9 | 9 | | 10 | | | | |

# PROVISIONAL REVIEWED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

### FOR THE YEAR ENDED 31 MARCH

| *Figures in Namibia Dollar thousand* | 2019 Reviewed | 2018 Audited |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Cash (absorbed)/ generated by operations before working capital changes | (176 461) | 32 998 |
| Changes in working capital | 170 426 | (53 671) |
| **Cash used in operations** | **(6 035)** | **(20 673)** |
| Finance income | 18 243 | 9 409 |
| Finance costs | (202 144) | (188 881) |
| Net advances received | 58 577 | 47 323 |
| Repayments of funding liabilities for advances | (18 337) | (128 618) |
| Tax received/(paid) | 546 | (36 311) |
| **Net cash from operating activities** | **(149 150)** | **(317 751)** |
| | | |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Additions to property, plant and equipment | (86 184) | (26 237) |
| Disposal of property, plant and equipment | 6 753 | 11 710 |
| Additions to investment property | - | (247) |
| Additions to intangible assets | (23 010) | (17 896) |
| Disposal of intangible assets | 566 | - |
| Additions to mining properties | (18 008) | - |
| Additions to evaluation and exploration assets | (163 853) | (226 147) |
| Acquisition of subsidiary, net of cash acquired (note 16) | 157 | - |
| Advances to related parties | - | (180 788) |
| **Net cash from investing activities** | **(283 579)** | **(439 605)** |
| | | |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Proceeds from convertible financial instrument | - | 250 000 |
| Repayment of borrowings (note 14) | (58 848) | (196 276) |
| Repayment of other liabilities (note 14) | (17 360) | (78 357) |
| Disposal of deemed treasury shares | 8 271 | - |
| Purchase of deemed treasury shares | (1 961) | (22 446) |
| Transaction with non-controlling interests | - | 840 000 |
| Proceeds from related parties | 606 476 | - |
| **Net cash from financing activities** | **536 578** | **792 921** |
| | | |
| Net change in cash and cash equivalents | 103 849 | 35 565 |
| Cash and cash equivalents at the beginning of the period | 68 942 | 33 377 |
| **Cash and cash equivalents at the end of the period** | **172 791** | **68 942** |

# HEADLINE EARNINGS RECONCILIATION

## FOR THE YEAR ENDED 31 MARCH

| *Figures in Namibia Dollar thousand* | 2019 Reviewed | 2018 Audited |
|---|---|---|
| **BASIC EARNINGS PER SHARE** | | |
| Profit for the period attributable to equity holders of the parent | 608 232 | 178 830 |
| **HEADLINE EARNINGS** | | |
| Profit attributable to equity holders of the parent | 608 232 | 178 830 |
| **Adjustments:** | | |
| Loss/(profit) on disposal of property, plant and equipment | 1 141 | (1 832) |
| Impairment of intangible assets | 9 497 | - |
| Fair value adjustments on investment properties* | - | (1 964) |
| Reversal of impairment of property, plant and equipment | (23 243) | - |
| Impairment of property, plant and equipment | - | 42 173 |
| Tax effect thereon | 4 034 | (12 359) |
| **Headline earnings** | **599 661** | **204 848** |

***Reconciliation of weighted average number of ordinary shares used for earnings per share to weighted average number of ordinary shares used for diluted earnings per share***

| | 2019 Reviewed | 2018 Audited |
|---|---|---|
| Weighted average number of ordinary shares used for basic earnings per share ('000) | 856 749 | 753 322 |
| **Adjusted for:** | | |
| Shares issuable as a result of convertible equity loan ('000) | - | 3 824 |
| Contingently issuable shares as a result of business combinations ('000) (note 16) | 633 722 | 4 922 |
| **Weighted number of ordinary shares for the purposes of diluted earnings per share ('000)** | **1 490 471** | **762 068** |
| Basic earnings per share (cents) | 70.99 | 23.74 |
| Diluted earnings per share (cents) | 40.81 | 23.47 |
| Headline earnings per share (cents) | 69.99 | 27.19 |
| Diluted headline earnings per share (cents) | 40.23 | 26.88 |

*Fair value losses/gains on investment properties held by insurance companies are included in headline earnings.

# CONDENSED SEGMENTAL ANALYSIS

| 2019 Reviewed | Segment revenue | Inter-segment revenue | Revenue from external customers | Profit for the period | Depreciation amortisation and impairment | Interest income | Interest expense | Impairment of receivables and loans | Income tax expense |
|---|---|---|---|---|---|---|---|---|---|
| Banking and finance | 151 618 | (20 755) | 130 863 | (52 342) | 4 063 | 2 129 | 64 140 | 68 022 | 2 690 |
| Insurance and its investments* | 1 474 495 | (197 586) | 1 276 909 | 291 772 | 54 318 | 53 450 | 114 314 | 32 759 | (117 044) |
| Resources | 144 458 | (73 312) | 71 146 | 485 606 | 587 | - | 23 690 | - | (4 793) |
| **Total** | **1 770 571** | **(291 653)** | **1 478 918** | **725 036** | **58 968** | **55 579** | **202 144** | **100 781** | **(119 147)** |

| 2018 Audited | Segment revenue | Inter segment revenue | Revenue from external customers | Profit for the period | Depreciation amortisation and impairment | Interest income | Interest expense | Impairment of receivables and loans | Income tax expense |
|---|---|---|---|---|---|---|---|---|---|
| Banking and finance | 201 222 | (49 668) | 151 555 | (12 218) | 2 714 | 1 550 | 69 832 | 24 237 | (24 471) |
| Insurance and its investments* | 1 717 252 | (1 343 276) | 373 976 | 146 439 | 94 322 | 7 920 | 117 485 | 18 470 | 52 229 |
| Resources | 316 123 | (40 715) | 275 408 | 139 407 | 6 | (60) | 1 564 | - | 4 213 |
| **Total** | **2 234 597** | **(1 433 659)** | **800 939** | **273 628** | **97 042** | **9 410** | **188 881** | **42 707** | **31 971** |

Inter-segment sales are charged at prevailing market prices.

The accounting policies of the reportable segments are the same as the group's accounting policies. This is the measure reported to the Chief Operating Decision Maker (CODM) for the purpose of resource allocation and assessment of segment performance.

*Insurance and its investments above includes the Insurance and its investments segment as well as the TGH company and all subsidiaries allocated to the Incubator unit.

# CONDENSED SEGMENTAL ANALYSIS

| *Figures in Namibia Dollar thousand* | Total assets (2019) Reviewed | Total assets (2018) Audited | Total liabilities (2019) Reviewed | Total liabilities (2018) Audited |
|---|---|---|---|---|
| Banking and finance | 1 536 546 | 1 924 420 | (478 589) | (463 933) |
| Insurance and its investments | 3 909 260 | 3 675 251 | (2 282 692) | (1 387 083) |
| Resources | 1 285 942 | 772 701 | (195 493) | (355 135) |
| **Total** | **6 731 748** | **6 372 372** | **(2 956 774)** | **(2 206 151)** |
| **Geographic information** | **Revenue 2019 Reviewed** | **Revenue 2018 Audited** | **Assets 2019 Reviewed** | **Assets 2018 Audited** |
| Namibia | 1 407 773 | 525 494 | 5 679 196 | 5 567 986 |
| Sierra Leone | 71 145 | 275 445 | 1 052 552 | 804 386 |
| **Total** | **1 478 918** | **800 939** | **6 731 748** | **6 372 372** |

For the purposes of monitoring segment performance and allocating resources between segments the Group's Chief Operating Decision Maker (CODM) monitors the tangible, intangible and financial assets attributable to each segment.

# NOTES TO THE PROVISIONAL REVIEWED CONDENSED CONSOLIDATED FINANCIAL RESULTS

| *Figures in Namibia Dollar thousand* | 2019 Reviewed | 2018 Audited |
|---|---|---|

## 1. ADVANCES

| | | |
|---|---|---|
| Advances | 1 742 643 | 1 808 753 |
| Allowance for credit losses | (355 552) | (54 650) |
| **RECONCILATION OF CREDIT LOSS ALLOWANCE** | | |
| Opening balance | 54 650 | 40 824 |
| Adjustment upon application of IFRS 9 (note 18) | 247 531 | - |
| | **302 181** | **40 824** |
| Increase in credit loss allowance | 53 371 | 13 826 |
| | **355 552** | **54 650** |

Refer to note 18 for IFRS 9 disclosures.

## 2. AMOUNTS (DUE TO)/DUE BY RELATED PARTIES

| | | |
|---|---|---|
| Next Investments (Pty) Ltd | (1 021 276) | 178 110 |
| Riskowitz Value Fund LP | - | 350 084 |
| | **(1 021 276)** | **528 194** |

The amount due to Next Investments (Pty) Ltd arises from the NAD 1 billion loan transaction announced on the 8th of October 2018 in terms of which Dr. Q van Rooyen together with his investment vehicle, Next Investments (Pty) Ltd would lend to Trustco Group Holdings Ltd. The loan is repayable on 31 March 2024 and bears interest at the Namibian prime lending rate of 10.50%. The loan is convertible into Trustco's shares at the option of the lender and is subordinated until it is settled. No dilutive effect on headline earnings and earnings per share was calculated as the average share price during the year was lower than the exercise price of the option.

During the period Next waived a portion of its loan. Refer to note 13 for further information.

The amount due by Riskowitz Value Fund is the outstanding balance of the Legal Shield Holdings transaction. The balance bore interest of 11.50% p.a. and was repaid during the period.

## 3. PROPERTY, PLANT AND EQUIPMENT

| | | |
|---|---|---|
| Property acquired | 86 184 | 275 041 |
| Additions through common control transaction (note 16) | 10 841 | - |
| Disposals | (7 894) | (9 878) |
| Reversal of impairment/(impairment) of property | 23 243 | (42 173) |
| Depreciation capitalised in evaluation and exploration assets | 57 466 | - |
| Capital commitments (Not yet contracted for but authorised by directors) | 665 100 | 170 867 |

### REVALUATION 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. The revaluation surplus and the applicable deferred taxes were recognised in other comprehensive income and presented in 'other reserves' in equity.

### VALUATION TECHNIQUES USED TO DETERMINE REVALUED AMOUNTS

**(a) Aircraft**

Valuation of aircraft is based on the International Recognised Blue Book for aircraft which is the accepted source for aircraft valuations worldwide. The effective date of revaluation was 31 March 2019 (2018: 31 March 2018). Valuation of the aircraft is based upon the current operating hour and cycle readings of the aircraft. Values reflect prices to purchase similar aircraft in a similar condition at that date, based on all available data for such transactions in the market that would be used to replace these assets.

# NOTES TO THE PROVISIONAL REVIEWED CONDENSED CONSOLIDATED FINANCIAL RESULTS

| *Figures in Namibia Dollar thousand* | 2019 Reviewed | 2018 Audited |
|---|---|---|

Management has considered that these valuations materially represent revalued amounts as at 31 March 2019 (2018: 31 March 2018).

**(b) Land and buildings**

Land and buildings were valued by using the income capitalisation method. This method involves the determination of the net income of the property that is capitalised at a rate sought by prudent investors to determine the revalued amount of the subject property. The expected income of the property is determined by the comparison of the market rentals of similar properties. Refer to the statement of comprehensive income for revaluation loss for the year.

The properties fair value has been determined based on valuations performed by Gert Hamman Property Valuers CC and CP Marais. The effective date of the revaluations was 31 March 2019 (2018: 31 March 2018). Gert Hamman Property Valuers CC and CP Marais are not connected to the group, are qualified property valuators and have recent experience in location and category of the property being valued.

**IMPAIRMENT LOSS**

The group aircraft's revalued amount (reported in the group's "Insurance and its investments" segment) is directly linked to the US dollar. The exchange rate is one of the significant inputs. The movement of the exchange rate of the Namibian dollar to the US dollar from NAD 11.8 to NAD 14.1 (from NAD 13.4 to NAD 11.8 in previous financial year) resulted in significant increase (2018: decrease) in the revalued amount. The increase was recognised as a reversal of impairment loss in profit or loss to the extent of impairment loss recognised in the previous financial period.

During the period the reversal of impairment loss of NAD 23.2 million (for 12 months period ended 31 March 2018: NAD 42.2 million impairment loss) was recognised in the "Insurance and its investments" segment's profit or loss. The recoverable amount of the aircraft is NAD 184 million (2018: NAD 169 million) and is equal to its revalued amount less cost of disposal. Aircraft are classified in level 3 of the fair value hierarchy.

## 4. INVESTMENT PROPERTY

| | | |
|---|---|---|
| Additions | - | 247 |
| Fair value (losses)/gains | (61 627) | 465 759 |
| Transfer from inventory | 984 427 | - |

**TRANSFER FROM INVENTORY TO INVESTMENT PROPERTY**

In 2014 the group purchased a property development company (the developer), that owned property assets. These properties were held with the intention of being developed and disposed of in the ordinary course of business and therefore treated as inventory by the group. Due to the decline in the property market, as evidenced by relatively low demand and a decline in property prices, caused by the slowdown of the Namibian economy, management decided to review its plan and developed a new strategy as regards the extraction of value from these property assets. The revised strategy is to hold the properties for longer term capital appreciation and not for short term development and sale. As a consequence the board decided that the planned imminent development of the affected property assets be cancelled immediately. The strategy adopted for the affected property assets is now aligned with that adopted for other similar property assets within the property portfolio of the group which have been accounted for as investment properties.

Consequently, the group reclassified the affected properties from inventory to investment property as required by IAS 40 Investment Property when there is a change in the intention and actions of an entity under these circumstances. It is the group's policy to measure investment properties at fair value. Under such circumstances when an entity transfers items from inventories to investment property that will be carried at fair value, IAS 40 requires that the transfer be treated in a manner that "is consistent with the treatment of sales of inventories" and to "recognise any difference between the fair value of the property at that date and its previous carrying amount in profit or loss". The group has applied these requirements by recognising as revenue from "deemed sales of

# NOTES TO THE PROVISIONAL REVIEWED CONDENSED CONSOLIDATED FINANCIAL RESULTS

| *Figures in Namibia Dollar thousand* | 2019 Reviewed | 2018 Audited |
|---|---|---|

inventory" an amount of NAD 984 million, being the fair value of the property assets, and recognising as "deemed cost of sales" an amount of NAD 291 million being the carrying amount property assets (as inventory) at the date of transfer. A gain of NAD 693 million has therefore been recognised in profit or loss as required.

Subsequent to the transfer, the property assets will be accounted for as investment properties in a manner consistent with all other investment properties and as disclosed in full in our prior annual financial statements.

## 5. INTANGIBLE ASSETS

| | | |
|---|---|---|
| Intangible assets acquired | 23 058 | 17 896 |
| Additions through common control transaction (note 16) | 3 116 | - |
| Impairment loss | (9 497) | - |

**CONSTRUCTION OPERATIONS – TRUSTCO CONSTRUCTION SERVICES (PTY) LTD**

The goodwill associated with Trustco Construction Services (Pty) Ltd arose when the business was acquired by the group in the 2016 financial year. An impairment loss was recognised during the period under review as the recoverable amount of the business unit was significantly affected by a depressed operating environment. The other assets within this cash generating unit were deployed for use in other units within the group. The total amount recognised as an impairment loss in profit or loss during the period was NAD 9.5 million. The impairment loss was accounted for in the "Insurance and its investments" segment's profit or loss. The carrying amount of goodwill is NAD Nil million (2018: NAD 9.5 million).

## 6. EVALUATION AND EXPLORATION ASSETS

| | | |
|---|---|---|
| Additions | 163 853 | 226 147 |
| Depreciation capitalised | 57 466 | - |

## 7. MINE PROPERTIES

| | | |
|---|---|---|
| Mine under development | | |
| Additions (note 19) | 18 008 | - |
| Additions through common control transaction (note 16) | 146 867 | - |

## 8. BORROWINGS

| | | |
|---|---|---|
| Term loans | 1 002 227 | 1 011 303 |
| Listed bonds | - | 30 564 |
| Asset backed financing arrangements | 209 651 | 210 598 |
| Mortgage bonds | 39 188 | 80 086 |
| | **1 251 066** | **1 332 551** |

Refer to the going concern note in commentary section.

## 9. SHARE CAPITAL

| | | |
|---|---|---|
| Issued and fully paid | | |
| Ordinary | 224 084 | 190 245 |
| Share premium | 921 719 | 267 400 |
| | **1 145 803** | **457 645** |

# NOTES TO THE PROVISIONAL REVIEWED CONDENSED CONSOLIDATED FINANCIAL RESULTS

| *Figures in Namibia Dollar thousand* | 2019 Reviewed | 2018 Audited |
|---|---|---|

The unissued shares are under the control of the directors for which renewed authority is to be sought at the forthcoming annual general meeting. At the reporting date 974 265 619 (2018: 827 142 090) shares were issued and outstanding.

The following shares were issued during the period under review:
- The balance of the Riskowitz Value Fund shares of 3 823 529. The shares were issued at par value of NAD 0.23 per share and a premium of NAD 4.02 per share. The share issue was settled through conversion of an equity loan (previously reported under other reserves) entered into by the group and Riskowitz Value Fund.
- The Huso transaction as amended was perfected during the period under review. The group made a first payment of NAD 672 077 000 (refer to note 16), payable by way of an issue of 143 300 000 shares, as compensation for the purchase of Huso. The shares were issued at par value of NAD 0.23 per share and a premium of NAD 4.46 per share to Dr. Q. van Rooyen who nominated Next Investments (Pty) Ltd and Le-Hugo Investments as the beneficiaries of the shares in terms of the Huso transaction.

The shares were listed on the Namibian Stock Exchange and the JSE Ltd in compliance with Schedule 6 of the Listings Requirements and were duly approved by shareholders.

## 10. DEEMED TREASURY SHARES

| | Number of shares '000 | Cost of shares NAD'000 |
|---|---|---|
| Balance at the reporting date | 44 586 | 197 959 |

At the reporting date, the market value of treasury shares was NAD 467 million (2018: NAD 400 million).

## 11. ACQUISITION OF NON-CONTROLLING INTEREST

On 29 March 2019, Trustco entered into an agreement with Germinate SL Ltd in terms of which the group acquired a further 14% of Meya Mining from Germinate for a purchase price of NAD 644 million (six hundred and forty four million Namibia Dollars) bringing in its total interest to 65%.

The following table summarises the details of the transaction:

| | |
|---|---|
| Consideration paid | 643 621 |
| Net asset value 14% shareholding | (28 396) |
| **Acquisition of non-controlling interest** | **615 225** |

The transaction was settled by a loan advanced from Next Investments (Pty) Ltd. Refer to note 14 for movements in liabilities arising from financing.

## 12. REVENUE

| | 2019 Reviewed | 2018 Audited |
|---|---|---|
| Premium revenue | 128 562 | 133 154 |
| Property sales | 100 115 | 166 750 |
| Transfer of inventory to investment property* | 984 427 | - |
| Tuition and other related fees | 44 749 | 52 668 |
| Interest earned on student advances | 122 287 | 148 810 |
| Diamond sales | 71 145 | 275 407 |
| Other revenue | 27 633 | 24 510 |
| **Total revenue** | **1 478 918** | **801 299** |

*Refer to note 4 on revenue received from transfer of inventory to investment property.

# NOTES TO THE PROVISIONAL REVIEWED CONDENSED CONSOLIDATED FINANCIAL RESULTS

| *Figures in Namibia Dollar thousand* | 2019 Reviewed | 2018 Audited |
|---|---|---|

## 13. PROFIT BEFORE TAX

| | | |
|---|---|---|
| Operating profit for the year is stated after accounting for the following: | | |
| Employee costs | 199 847 | 179 927 |
| Loss/(profit) on foreign exchange differences | 86 637 | (317) |
| Auditors' remuneration - audit fees | 10 462 | 6 539 |
| Loss/(profit) on disposal of property, plant and equipment | 1 141 | (1 832) |
| Reversal of impairment loss of property, plant and equipment | (23 243) | - |
| Impairment loss of property, plant and equipment | - | 42 173 |
| Impairment of goodwill | 9 497 | - |
| Impairment of other receivables | 39 877 | - |
| Impairment of advances | 7 533 | 3 559 |
| Increase in credit loss allowance on advances (note 1) | 53 371 | 13 826 |
| Loan waiver* | 545 601 | - |

*During the period under review Next Investments (Pty) Ltd waived NAD 546 million, a portion of which was a short term working capital support facility previously provided to fund the operations of Huso group (Huso). The waiver of the loan facility by Next resulted in the group being legally released from its contractual obligation to settle the loan, and the financial liability was derecognised. Owing to the fact that there was no consideration paid by the group, nor equity instruments issued by the group in exchange for this release of debt, the gain has been recognised in profit or loss.

## 14. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING

| **2019 Reviewed** | **Opening balance** | **New leases** | **Other non cash flow items** | **Cash flows related to operations** | **Sub total** | **Cash flows related to financing** | **Closing balance** |
|---|---|---|---|---|---|---|---|
| Borrowings | 1 332 551 | - | (4 300) | (18 337) | 1 309 914 | (58 848) | 1 251 066 |
| Other liabilities | 71 760 | 9 047 | - | - | 80 807 | (17 360) | 63 447 |
| Amounts from related parties | (528 194) | - | 942 994 | - | 414 800 | 606 476 | 1 021 276 |
| | **876 117** | **9 047** | **938 694** | **(18 337)** | **1 805 521** | **530 268** | **2 335 789** |

| **2018 Audited** | **Opening balance** | **New leases** | **Other non cash flow items** | **Cash flows related to operations** | **Sub total** | **Cash flows related to financing** | **Closing balance** |
|---|---|---|---|---|---|---|---|
| Borrowings | 1 657 445 | - | - | (128 618) | 1 528 827 | (196 276) | 1 332 551 |
| Other liabilities | 82 609 | 67 508 | - | - | 150 117 | (78 357) | 71 760 |
| | **1 740 054** | **67 508** | **-** | **(128 618)** | **1 678 944** | **(274 633)** | **1 404 311** |

*Borrowings used to finance the operations of the student loan book are classified as operating activities.

# NOTES TO THE PROVISIONAL REVIEWED CONDENSED CONSOLIDATED FINANCIAL RESULTS

| *Figures in Namibia Dollar thousand* | 2019 Reviewed | 2018 Audited |
|---|---|---|

## 15. RELATED PARTY TRANSACTIONS

| | | |
|---|---|---|
| **Riskowitz Value Fund LP**** | | |
| Interest received | 15 431 | 6 494 |
| | | |
| **Next Investments (Pty) Ltd^** | | |
| Sales | 2 326 | 2 715 |
| Management fees paid | (35 478) | - |
| Surety fees paid | (43 567) | - |
| Interest paid | (9 903) | - |
| Loan waiver (note 13) | 545 601 | - |
| | | |
| **Northern Namibia Development Company (Pty) Ltd^*** | | |
| Sales | 128 | 2 527 |
| | | |
| **Portsmut Hunting Safaris (Pty) Ltd^** | | |
| Sales | - | 313 |
| | | |
| **Morse Investments (Pty) Ltd^*** | | |
| Sales | - | 130 |

Refer to notes 2 and 14 for balances (due to)/due by related parties.
*-Indirect subsidiary
^*-Entity became an indirect subsidiary on 4 September 2018
**-Non-controlling interest
^-Common shareholder: Q van Rooyen

## 16. COMMON CONTROL TRANSACTION

On 4 September 2018 the group acquired control of 100% of the voting equity interest of the Huso group. Huso is the holding company of Northern Namibia Development Company (Pty) Ltd (NNDC) and Morse Investments (Pty) Ltd (Morse). At the time of acquisition the Huso group was under the control of Dr Q. Van Rooyen who is also the controlling shareholder of the Trustco group through his direct and indirect interests. As such the transaction is deemed a common control transaction and as a result IFRS 3 Business Combinations is not applicable to it.

As IFRS 3 is not applicable, the group has applied its own accounting policy for common control transactions the summary of which is reflected in the table below:

# NOTES TO THE PROVISIONAL REVIEWED CONDENSED CONSOLIDATED FINANCIAL RESULTS

Book value of assets acquired and liabilities assumed of Huso

| | NAD'000 |
|---|---|
| Property, plant and equipment | 10 842 |
| Intangible assets | 3 730 |
| Evaluation and exploration assets | 146 867 |
| Related party balances | 115 |
| Inventories | 1 400 |
| Trade and other receivables | 7 215 |
| Cash and cash equivalents | 157 |
| Related party balances | (401 407) |
| Trade and other payables | (9 329) |
| **Total identifiable net assets** | **(240 410)** |
| Common control reserve | 3 197 685 |
| | **2 957 275** |

### ACQUISITION DATE BOOK VALUE OF CONSIDERATION PAID

| | |
|---|---|
| Shares issued (note 9) | 672 077 |
| Contingent consideration arrangement | 2 285 198 |
| | **2 957 275** |

### CONTINGENT CONSIDERATION ARRANGEMENTS

A fixed number of shares will be payable to the seller at any time during the payment term (being not later than nine years from 4 September 2018), upon the Resources Segment reaching the following cumulative Earnings Before Interest, Tax, Depreciation, Amortisation and After Stock Adjustments (EBITDAASA) targets:

| **Event** | **EBITDAASA target NAD' million** | **Number of Shares million** |
|---|---|---|
| Upon reaching the first EBITDAASA target of | 250 | 120.2 |
| Upon reaching the second EBITDAASA target of | 250 | 120.2 |
| Upon reaching the third EBITDAASA target of | 250 | 120.2 |
| Upon reaching the fourth EBITDAASA target of | 250 | 120.2 |
| Upon reaching the fifth EBITDAASA target of | 308.1 | 148.0 |
| **Total** | **1 308.1** | **628.8** |

The purchase consideration, accounted as cost adjusted for time value of money, is based on significant inputs that are not observable in the market, key assumptions are a discount rate of 10.5% and an assumed probability of achieving the targets by the 2023 financial period. The contingent consideration is included in shares for vendors. The contingent consideration was classified as equity as it does not meet the definition of a financial liability.

### ACQUISITION RELATED COSTS

No acquisition-related costs were incurred and charged to administrative expenses in profit or loss for the current period ended.

# NOTES TO THE PROVISIONAL REVIEWED CONDENSED CONSOLIDATED FINANCIAL RESULTS

**GROUP REVENUE AND PROFIT OR LOSS FOR FULL YEAR**

The acquired business contributed revenues of NAD Nil, other income of NAD 424.4 million and a profit of NAD 419.5 million to the group for the period from 1 September 2018 to 31 March 2019.

Had the common control transaction taken place at the beginning of the reporting year, the revenue for the group would have been NAD Nil, other income of NAD 424.4 million and the net profit would have been NAD 415.3 million.

## 17. FAIR VALUE

The fair values of financial assets and liabilities are not materially different to their carrying amounts, since the interest receivable/payable is either close to current market rates or the instruments are short-term in nature.

## 18. NEW STANDARDS AND INTERPRETATIONS EFFECTIVE AND ADOPTED IN THE CURRENT YEAR

This note explains the impact of the adoption of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers on the group's financial statements and also discloses the new accounting policies that have been applied from 1 April 2018, where they are different to those applied in prior periods.

**a) IFRS 9 Financial Instruments**

***i) Impact on the financial statements***

As explained below, IFRS 9 was adopted without restating comparative information. The reclassifications and the adjustments arising from the new impairment rules are therefore not reflected in the restated statement of financial position as at 31 March 2018, but are recognised in the opening statement of financial position on 1 April 2018.

The group has adopted IFRS 9 with a date of transition of 1 April 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements. The group did not early adopt IFRS 9 in previous periods.

***ii) IFRS 9 Financial instruments – impact of adoption***

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments and impairment of financial assets.
The adoption of IFRS 9 Financial Instruments from 1 April 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out below.

In accordance with the transitional provisions in IFRS 9, comparative figures have not been restated.
The total impact on the group's retained earnings as at 1 April 2018 is as follows:

| | |
|---|---|
| *(Figures in Namibia Dollar thousand)* | |
| Closing retained earnings 31 March 2018 - IAS 39 | 3 426 491 |
| *Adjustment to retained earnings from adoption of IFRS 9 on 1 April 2018* | |
| Increase in expected credit loss for bank advances and loans at amortised costs | (2 105) |
| Increase in expected credit loss for property advances | (245 426) |
| **Opening retained earnings 1 April 2018 - IFRS 9** | **3 178 960** |

# NOTES TO THE PROVISIONAL REVIEWED CONDENSED CONSOLIDATED FINANCIAL RESULTS

***iii) Classification and measurement***
On 1 April 2018 (the date of initial application of IFRS 9), advances, loans and trade receivables previously classified as loans and receivables are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are now classified and measured as Debt instruments at amortised cost. There are no changes in classification and measurement for the group's financial liabilities.

***iv) Impairment of financial assets***
The adoption of IFRS 9 has fundamentally changed the group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the group to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets.

The group's financial assets that are subject to IFRS 9's expected credit loss model were:
- advances carried at amortised cost; and
- trade receivables carried at amortised cost.

The group was required to revise its impairment methodology under IFRS 9 for each of these classes of assets. The impact of the change in impairment methodology on the group's retained earnings and equity is disclosed in the table in note ii) above.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

***v) Accounting policy applied from 1 April 2018***

» *Classification*

*Financial Assets at amortised cost*
From 1 April 2018, the group classifies its financial assets as those measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. These assets are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest.

» *Measurement*
Subsequently the group measures advances and trade receivables at amortised cost and impairment is recognised on these assets.

Interest income from these financial assets is included in finance income using the effective interest method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses.

» *Impairment*
From 1 April 2018, the group assesses on a forward-looking basis the expected credit losses associated with its advances and trade receivables carried at amortised cost. Lifetime expected credit losses (ECL) are recognised when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

# NOTES TO THE PROVISIONAL REVIEWED CONDENSED CONSOLIDATED FINANCIAL RESULTS

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

» *Significant increase in credit risk*
In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

The group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the group has reasonable and supportable information that demonstrates otherwise.

Financial assets with an objective evidence of impairment considering the rebuttable presumption that default does not occur later than when a financial asset is 90 days past due are assessed as being in default, unless the group has reasonable and supportable information that demonstrates otherwise.

The group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

» *Measurement and recognition of expected credit losses*
The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above.

As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

Impairment losses are presented as separate line item in the statement of profit or loss.

» *Write off policy*
The group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised for receivables.

**b) IFRS 15 Revenue from contracts with customers**

The group has adopted IFRS 15 Revenue from Contracts with Customers from 1 April 2018 which resulted in a change in the accounting policy. There were no adjustments to the amounts recognised in the financial statements.

# NOTES TO THE PROVISIONAL REVIEWED CONDENSED CONSOLIDATED FINANCIAL RESULTS

**Accounting policy applied from 1 April 2018**
Revenue comprises the consideration received or receivable from contracts entered into with customers in the ordinary course of the group's activities. It is determined at an amount that depicts the consideration to which the group expects to be entitled in exchange for transferring the goods and services promised to the customer. Revenue is shown net of taxes and amounts collected on behalf of third parties. Revenue is recognised at the amount of the transaction price that is allocated to each distinct performance obligation, and is recognised when control of the performance obligations is transferred to the customer.

**Property sales revenue**
In property sale transactions, the land is a distinct performance obligation. Revenue is recognised when control of the land is transferred to the customer upon signature of the sales contract.

Revenue from servicing the land and revenue from construction contracts, each of which is identified as a performance obligation, which is recognised over time according to the stage of completion. Stage of completion is measured with reference to independently certified progress certificates issued by the appointed project engineer.

**Tuition fees**
Revenue from tuition services is recognised over time according to the stage of completion. Stage of completion is measured as the amount of work completed, as a percentage of the agreed work to be done.

**Diamonds sales**
Revenue is recognised when control (legal title) of the diamond is transferred to the customer.

## 19. NEW ACCOUNTING POLICIES

### COMMON CONTROL TRANSACTIONS
Transactions in which combining entities are controlled by the same party or parties before and after the transaction and where that control is not transitory are referred to as 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.

The group's accounting policy for the acquiring entity is to account for the transaction at book value as reflected in the consolidated financial statements of the selling entity. The group accounts for the merger prospectively, thus the acquired entity's results are included in the acquirer's financial statements from the date of the business combination. There is no restatement of comparative information.

For common control transactions, the group determines purchase consideration as the transaction cost adjusted for time value of money where applicable.

The excess of the purchase consideration over the acquirer's proportionate share of the net assets value acquired in common control transactions, will be allocated to the common control reserve in equity.

# NOTES TO THE PROVISIONAL REVIEWED CONDENSED CONSOLIDATED FINANCIAL RESULTS

**MINE PROPERTIES**

Expenditure is transferred from 'Exploration and evaluation assets' to Mine under development' which is a sub-category of 'Mine properties' once the exploration and evaluation results supports the future development of a mining property and such development receives appropriate approvals.

After transfer of the exploration and evaluation assets, all subsequent expenditure on the construction, installation or completion of infrastructure facilities is capitalised in 'Mines under construction'. Any costs incurred in testing the assets to determine if they are functioning as intended, are capitalised. After production starts, all assets included in 'Mines under construction' are then transferred to 'Producing mines' which is a sub-category of 'Mine properties'.

Revenue from the sale of mineral resources during the development phase is recognised in profit or loss.

# CORPORATE INFORMATION

## TRUSTCO GROUP HOLDINGS LTD

(Incorporated in the Republic of Namibia and registered as an external company in South Africa)
Company registration number: 2003/058
External company registration: Number 2009/002634/10
NSX Share code: TUC
JSE Share code: TTO
ISIN Number: NA000AORF067

### EXECUTIVE DIRECTORS

F J Abrahams
Dr Q Van Rooyen

### NON-EXECUTIVE DIRECTORS

W Geyser
R Taljaard
Adv R Heathcote
Prof L J Weldon (South African)
K N van Niekerk (South African)

### COMPANY SECRETARY

A Bruyns

### AUDITORS: NAMIBIA

BDO (Namibia)
Registered Accountants and Auditors
Chartered Accountants (Namibia)
61 Bismarck Street Windhoek Namibia

### AUDITORS: SOUTH AFRICA

Moore Stephens
50 Oxford Road Parktown
Johannesburg 2193
South Africa

### BANKERS: NAMIBIA

Bank Windhoek Ltd
First National Bank of Namibia Ltd
Standard Bank Namibia Ltd

### BANKERS: SOUTH AFRICA

ABSA
First National Bank South Africa Ltd
Standard Bank South Africa Ltd

### JSE EQUITY SPONSOR

Vunani Limited through Vunani Corporate Finance
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Sandton

**JSE DEBT SPONSOR**
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**NSX SPONSOR**
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**TRANSFER SECRETARIES NAMIBIA**
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Namibia

**TRANSFER SECRETARIES SOUTH AFRICA**
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(Reg no: 2004/003647/07)
Rosebank Towers, 15 Biermann Avenue,
Rosebank 2196 PO Box 61051,
Marshalltown, 2107

**PRINCIPAL BUSINESS**
Trustco is a diversified dual listed majority family owned and operated business, with a culture of creating long-term sustainable growth for all stakeholders. Decisions are biased towards long-term value creation and short-term hurdles are viewed as catalysts to drive success. Trustco operates from three business segments being;
- Insurance and its investments
- Resources and
- Banking and finance.