

AUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

SALIENT FEATURES OF THE AUDITED CONDENSED INTERIM FINANCIAL STATEMENTS AND SELECTED NOTES

The audited condensed interim consolidated financial statements comprise the Condensed Consolidated Statements of Financial Position as at 31 March 2020, the Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income, Changes in Equity and Cash Flows and selected notes for the period 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.

BASIS OF PREPARATION

The audited condensed interim consolidated financial statements for the period ended 31 March 2020 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 2019, except where stated. The audited condensed interim 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 audited condensed interim 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 audited condensed interim 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 audited condensed interim 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 condensed consolidated financial statements.

At 31 March 2020, NAD 1 was equal to ZAR 1 and USD 17.86.

PRO-ACTIVE MONITORING PROCESS

Shareholders are advised that the Johannesburg Stock Exchange Limited ("JSE") selected Trustco as part of the JSE's pro-active monitoring process wherein the JSE reviewed Trustco's audited results for the 12 months ended 31 March 2019 ("Year-end Results") and its unaudited results for the six months ended 30 September 2019 ("Interim Results").

Following the conclusion of the pro-active monitoring process, the JSE informed Trustco that a decision had been made that Trustco's Year-end Results and Interim Results were not fully compliant with IFRS with respect to three matters (listed below) and consequently were required to affect certain restatements.

The three matters were:

1. Treatment of reclassification of inventory to investment property;
2. Recognition of revenue from the sale of unserviced erven (real estate inventory); and
3. Treatment of loan waivers.

With regards to matter 2, Trustco agreed to effect a restatement for the 2018 and 2019 financial years as disclosed in note 11 of the 2020 results. Trustco is objecting to the decisions with respect to matters 1 and 3 hence no further adjustments will be made to either the Year-end Results or the Interim Results until the above objection process and the exhaustion of all other legal avenues available to Trustco have been completed.

Concerning matters 1 and 3, Trustco has objected to JSE finding of incorrectness and its decision to direct Trustco to apply a particular accounting as allowed for in paragraph 1.4 of the JSE Listings Requirements. The directors of Trustco, having consulted with the IFRS expert, following a review by the JSE accredited auditors, maintain the view that the transactions were correctly accounted for. This outcome is reflected in the fact that the group has not made any restatements with regards matters 1 and 3 and by the unmodified audit report for the period ended 31 March 2020 dated 30 October 2020 as issued by our independent auditors.

The matters in question were correctly identified by Trustco as complex and non-routine and as such the company sought expert IFRS advice at the time of determining the accounting treatment thereof. The transactions were significant and as such were the subject of detailed discussions with our previous auditors and their IFRS experts as part of the audit process. At the conclusion it was agreed that accounting adopted by Trustco was correct and this is reflected in the unmodified audit opinion issued. Taking all of the above into account Trustco's board of directors take responsibility for the accounting treatment of these matters.

Apart from objecting to the findings of incorrectness by the JSE, Trustco is also objecting to the accounting it is being directed to apply with respect to matters 1 and 3 by the JSE as it is of the view that the JSE has not furnished it with a clear record of the basis of the accounting. In the absence of that clear record of the accounting basis, Trustco is unable to articulate to users the nature of the error which is sought to be corrected nor the basis of the corrected accounting as is required by IFRS. The powers of the JSE to direct a company to adopt a particular accounting treatment must be accompanied by a responsibility to place on record the IFRS basis for that treatment. We have taken advice on this matter from our IFRS advisors WConsulting and their report (Independent IFRS advisor's report) is to be found on <https://www.tgh.na/investors/results-centre/>.

Notwithstanding the disappointing outcome that the company and the JSE were unable to reach agreement on the appropriate application of IFRS on these few matters, the group and the board maintains a robust process for the review of complex accounting matters and the approval of financial statements. These include inter alia:

- Interrogation of management's assessment and accounting for specific transactions in terms of IFRS by the relevant board-appointed committees
- Consultation with subject matter experts and IFRS advisors accredited by the JSE
- For significant transactions, a review of accounting entries by independent JSE accredited IFRS advisors from whom a formal written opinion is obtained before entries are processed
- Assessment by group Board of the above sourced opinions for the appropriate accounting entries in terms of IFRS
- Audit by Namibian and JSE accredited auditors with their internal quality control processes which include independent IFRS reviews
- Independent review of the annual financial statements by JSE accredited IFRS consultants for compliance with IFRS
- Group board review of annual financial statements as well as the reviews and the audit report obtained above, by both main board as well as subsidiary boards, with their respective audit and risk committees

The board remains responsible and accountable to shareholders for the preparation of the financial statements and their compliance with IFRS. The board will not abdicate this responsibility to third parties. The board refers shareholders to the unmodified audit report of Nexia SAB&T.