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Independent Auditor's Report

To the shareholders of Trustco Group Holdings Limited

Report on the Audit of the Interim Condensed Consolidated Financial Statements

Opinion

We have audited the interim condensed consolidated financial statements of Trustco Group Holdings Limited and its subsidiaries (the "Group"), which comprise the condensed consolidated statement of financial position as at 31 March 2020, and the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the year then ended, and notes to the condensed consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the interim condensed consolidated financial statements present fairly, in all material respects, the consolidated financial position of the group as at 31 March 2020, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Accounting Standard 34 "*Interim Financial Reporting*" ("IAS 34"), JSE Limited Listing Requirements and the requirements of the Companies Act of South Africa.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Interim Condensed Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised January 2018)*, parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* respectively. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to note 26 of the interim condensed consolidated financial statements, which describes the conditions associated with the proactive monitoring and the instruction received by the JSE Limited to restate the annual financial statements for the year ended 31 March 2019, as well as management's steps taken with regard to the instruction. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the interim condensed consolidated financial statements of the current period. These matters were addressed in the context of our audit of the interim condensed consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the key audit matter
Impairment of trade receivables and advances	
As at 31 March 2020, the group recognised trade and other receivables and advances carried at amortised cost valued of N$246 million (2019: N$332 million) and N$1.24 billion (2019: N$1.39 billion). As described in the notes to the group financial statements the impairment loss is determined in accordance with IFRS 9 - Financial Instruments. The application of IFRS 9's requirements related to credit loss allowances is considered to be a key audit matter due to the significant degree of judgement required in assessing the impairment of financial instruments.	Our audit procedures included amongst others: • We have tested the design, implementation and operating effectiveness of key controls over identification of significant increase in credit risk, measurement of expected credit losses and evaluation of the consistency of methodologies and appropriateness of the assumptions used by the management; • We evaluated the source of data used by the management expert in their assessment to ensure there is no data discrepancies between the financial systems, accounting systems and the actuarial data extract from the actuarial valuation systems; • We assessed the competency, capabilities, objectivity, experience and professional certification of management's expert that performed the valuations; • We assessed the appropriateness of the valuation method/model, inputs and assumptions used by management in the determining expected credit losses including assessing whether the inputs incorporates prior information, current information and forward looking information and to ascertain whether the method/model and assumptions used are comparable with industry benchmarks and incorporated a further risk premium for the impact of COVID-19 a part of testing; • We recalculated the expected credit losses using an independently calculated expected credit loss that result from those default events on the financial instrument that are possible within 12 months after the reporting date or expected credit losses that result from all possible default events over the life of the financial instrument as calculated by the management experts. We followed up on material differences; • We assessed whether disclosures made in the interim condensed consolidated financial statements relating to the impairment of the trade receivables and advanced met the requirements of IFRS 9 - Financial Instruments.
Fair value adjustment on investment property	
As at 31 March 2020, the group recognised investment property carried at fair value of N$2.2 billion (2019: N$2.4 billion). Investment property makes up a significant portion of the total assets of the group. The fair value adjustment on the investment properties included in investment and other income, is significant. The valuations of the properties are performed by independent expert valuators and are based on both observable and un-observable data. The valuator makes various key estimates and assumptions that directly affect the valuation of	Our procedures included amongst others: • We have tested the assumptions and data used by management's expert (the valuator), to derive at the fair values of the investment properties by independently verifying the reasonability of these assumptions and data to third parties and market data. • We evaluated the competence, capabilities, objectivity and independence of the valuator; • We evaluated the appropriateness of the valuation methods used, based on the type and use of the properties; • We have also established through discussions with management and their experts that the valuations complied with the requirements of IFRS 13 Fair Value Measurement; • We critically assessed the measurement basis and disclosures for the valuation in accordance with International Financial Reporting Standards;

properties and has an impact the fair value adjustment. Valuation of investment property was considered a matter of most significance in our audit due to the amount of judgments and assumptions made by management as well as the expert involved in the valuation of investment property.	• We used an independent auditors' expert valuator to critically assess management's expert's key assumptions used on valuations of investment properties, which resulted in significant current period fair value adjustments.
Waiver of debt in the amount of N$1 billion	
Included within investment and other income is an amount of N$1 billion (2019: N$545 million), which contributes significantly to the earnings of the group, resulting from a loan waiver given by one of the group's lenders. With effect from 30 September 2019, Next Capital Limited, an associate of a major shareholder of the Group, informed Trustco Resources (Pty) Ltd, a subsidiary of Trustco Group Holdings Limited of its intention to write-off the entire capital amount of N$1 billion, following which Trustco Resources (Pty) Ltd waived the thirty days' notice period and accepted the loan waiver. The loan was classified as a financial liability immediately prior to the waiver thereof. Due to the significant value the loan waiver, this was considered to be a matter of most significance for the current financial period.	Our procedures included amongst others; • We reviewed the contractual agreement and confirmed the legal structure of the liability met the definition of a financial liability and confirming an obligation existed at inception; • We ensured the loan was correctly classified as a liability prior to the waiver thereof; • We ensured that the loan waiver complied with relevant contractual and legal requirements; • We ensured the loan waiver was in terms of the resolutions duly signed by the relevant parties; • We obtained management's expert's opinion on how this transaction should be accounted for; and we analysed if the treatment of the transaction was done in accordance with International Financial Reporting Standards 9: Financial Instruments; • We consulted an auditor's expert on how this transaction should be accounted for and verified treatment thereof in accordance with International Financial Reporting Standards.
Impairment of Goodwill	
The group recognised goodwill in the amount of N$258 million (2019: N$258 million) related to its Mining Operations – Meya Mining Limited. The directors are required to perform an annual impairment test on the recoverability of goodwill. The directors performed their assessment using discounted cash flow models to determine the value in use for each appropriate cash generating unit. There are a number of key sensitive judgements made in determining the inputs into these models which include: resource estimations; revenue growth; operating margins; discount rates applied to the projected cash flows; and the impact of COVID-19 on the assessment. The impairment test of goodwill is considered to be a key audit matter due to the judgements involved in determining the recoverable amount of the ash generating unit.	Our audit included the evaluation of the key assumptions made by the directors in assessing the goodwill for impairment. Some of our procedures included: • Evaluating the determination of the cash generating units; • Analysing the future projected cash flows used in the models to determine whether they are reasonable and supportable given the current economic climate and expected future performance of the cash generating unit to which the goodwill relates; • Calculating a discount rate for each cash generating unit using our independently sourced data and incorporated a further risk premium for the impact of COVID-19 as part of our testing; • Comparing the projected cash flows, including the assumptions relating to revenue growth rates and operating margins, against historical performance to test the reasonableness of the directors' projections, as well as testing the underlying calculations; and • Evaluating the inputs used by the directors in determining the discount rate against independent sources.

Responsibilities of the Directors for the Interim Condensed Consolidated Financial Statements

The directors are responsible for the preparation and fair presentation of the interim condensed consolidated financial statements in accordance with accordance with International Accounting Standard 34 "*Interim Financial Reporting*" ("IAS 34"), JSE Limited Listing Requirements and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of interim condensed consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the interim condensed consolidated financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Interim Condensed Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the interim condensed consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these interim condensed consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the interim condensed consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the interim condensed consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the interim condensed consolidated financial statements, including the disclosures, and whether the interim condensed consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the interim condensed consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the interim condensed consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Nexia SAB&T has been the auditor of Trustco Group Holdings Limited and its subsidiaries for 1 year.

Nexia SAB&T

Nexia SAB&T
Director: J. Engelbrecht
Registered auditor
30 October 2020
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