# TRUSTCO GROUP HOLDINGS LIMITED

***(formerly Trustco Group Holdings (Proprietary) Limited***

(Incorporated in the Republic of Namibia)
(Registration Number 2003/058)
Share code: JSE: TTO NSX: TUC ISIN: NA000A0RF067
("Trustco" or "the group")

# PRE-LISTING STATEMENT

PRESENTED IN NAMIBIA DOLLARS WHICH IS LINKED TO THE SOUTH AFRICAN RAND

Prepared and issued in terms of the Listings Requirements ("the Listings Requirements") of the JSE Limited ("the JSE") relating to the dual primary listing of 707 142 090 ordinary par value shares of Trustco on the Africa Board of the JSE together with the existing listing on the Namibian Stock Exchange ("NSX"). The listing is by way of introduction, at a price of N$0.72 per Trustco par value share and will be effective from the commencement of business on 19 February 2009. The price of N$0.72 per Trustco par value share has been calculated as the ruling share price on the NSX of N$3.60 adjusted for a subdivision of 5 Trustco shares for every 1 Trustco share held.

This pre-listing statement is not an invitation to the public to subscribe for shares in Trustco. It is issued in compliance with the Listings Requirements of the JSE for the purpose of providing information to the public with regard to Trustco.

On 19 February 2009, the proposed date of listing of Trustco on the JSE, the authorised share capital of Trustco will comprise 2 500 000 000 ordinary shares of N$0.23 each. The group will have an issued share capital of 707 142 090 ordinary shares of N$0.23 with a total value of N$145 988 000, after deducting deemed treasury shares and share issue expenses, which will have a primary listing on both the JSE and the NSX.

The JSE has granted Trustco a listing of 707 142 090 par value shares under the abbreviated name "Trustco", share code "TTO" and ISIN: NA000A0RF067, with effect from the commencement of trade on 19 February 2009 and the NSX has granted Trustco a listing of 707 142 090 par value shares under the abbreviated name "Trustco", share code "TUC" and ISIN: NA000A0RF067, with effect from 12 February 2009.

The directors of Trustco, whose names are set out in paragraph 11, accept, collectively and individually, full responsibility for the accuracy of the information contained herein and certify that, to the best of their knowledge and belief, there are no omissions of facts or considerations which would make any statements of fact or opinion contained in this pre-listing statement false or misleading and that all reasonable enquiries to ascertain such facts have been made and that this pre-listing statement contains all information required by law and the Listings Requirements.

BDO Spencer Steward, whose reports are included in this pre-listing statement, have given and have not withdrawn their written consent to the inclusion of their reports in the form and context in which they appear. The sponsor, attorneys, commercial banker and Namibian and South African transfer secretaries, whose names are included in this pre-listing statement, have given and have not, prior to publication, withdrawn their written consents to the inclusion of their names in the capacities stated and, where applicable, to their reports being included in this pre-listing statement.

Copies of this pre-listing statement are only available in English and may be obtained during normal business hours from the registered office of the sponsor or the office of the Namibian and South African transfer secretaries, the information of which is set out in the "Corporate Information" section of this pre-listing statement.

An abridged version of this pre-listing statement will be published on the Securities Exchange News Services of the JSE and in the press on 12 February 2009.

Date of issue: 16 February 2009

**Sponsor**

QuestCo

**Reporting Accountants**

BDO

BDO Spencer Steward
Chartered Accountants

**South African Legal Advisors**

ROUTLEDGE MODISE

In association with

EVERSHEDS

**Namibian Legal Advisors**

Van Der Merwe Greeff

**NSX Sponsor**

IJG

Securities (Pty) Ltd.
Member of the NSX

## CORPORATE INFORMATION

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**Sponsor**

QuestCo Sponsors (Pty) Ltd
Registration number 2004/018276/07
The Campus
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Telephone: (011) 575 0088
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**Reporting Accountants**

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**South African Legal Advisors**

Routledge Modise in association with
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**NSX Sponsor**

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**Transfer Secretaries (Namibia)**

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**Commercial Bankers**

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## CONTENTS

## SALIENT FEATURES

The salient features are a summary only. For full appreciation, the pre-listing statement should be read in its entirety. The definitions commencing on page 10 of this pre-listing statement apply *mutatis mutandis* to the salient information of the listing presented below.

### STRATE – SOUTH AFRICA

Ordinary shares may only be traded on the JSE in electronic form (dematerialised shares) and will be trading for electronic settlement in terms of Strate immediately following the listing.

Strate is a system of "paperless" transfer of securities. If you have any doubt as to the mechanics of Strate please consult your broker, CSDP or other appropriate advisor. You are also referred to the Strate website at www.strate.co.za for more information.

Some of the principal features of Strate are as follows:

- electronic records of ownership replace share certificates and physical delivery of certificates;
- trades executed on the JSE must be settled within five business days;
- all investors owning dematerialised shares or wishing to trade their securities on the JSE are required to appoint either a broker or a CSDP to act on their behalf and to handle their settlement requirements; and
- unless investors owning dematerialised shares specifically request their CSDP to register them as an "own name" shareholder (which entails a fee), their CSDP's or broker's nominee company, holding shares on their behalf, will be the shareholder (member) of the relevant company and not the investor. Subject to the agreement between the investor and the CSDP or broker (or the CSDP's or broker's nominee company), generally in terms of the rules of Strate, the investor is entitled to instruct the CSDP or broker (or the CSDP's or broker's nominee company), as to how it wishes to exercise the rights attaching to the shares and/or to attend and vote at shareholders' meetings.

### NSX – NAMIBIA

Trading will continue as usual on the NSX in the paper certificate environment for those shareholders who elect to be on the Namibian shareholders' register. For further details in this regard you are advised to consult section 5 of the Rules and Regulations of the NSX, a copy of which will be open for inspection as per paragraph 33 of this pre-listing statement.

### INCORPORATION AND HISTORY

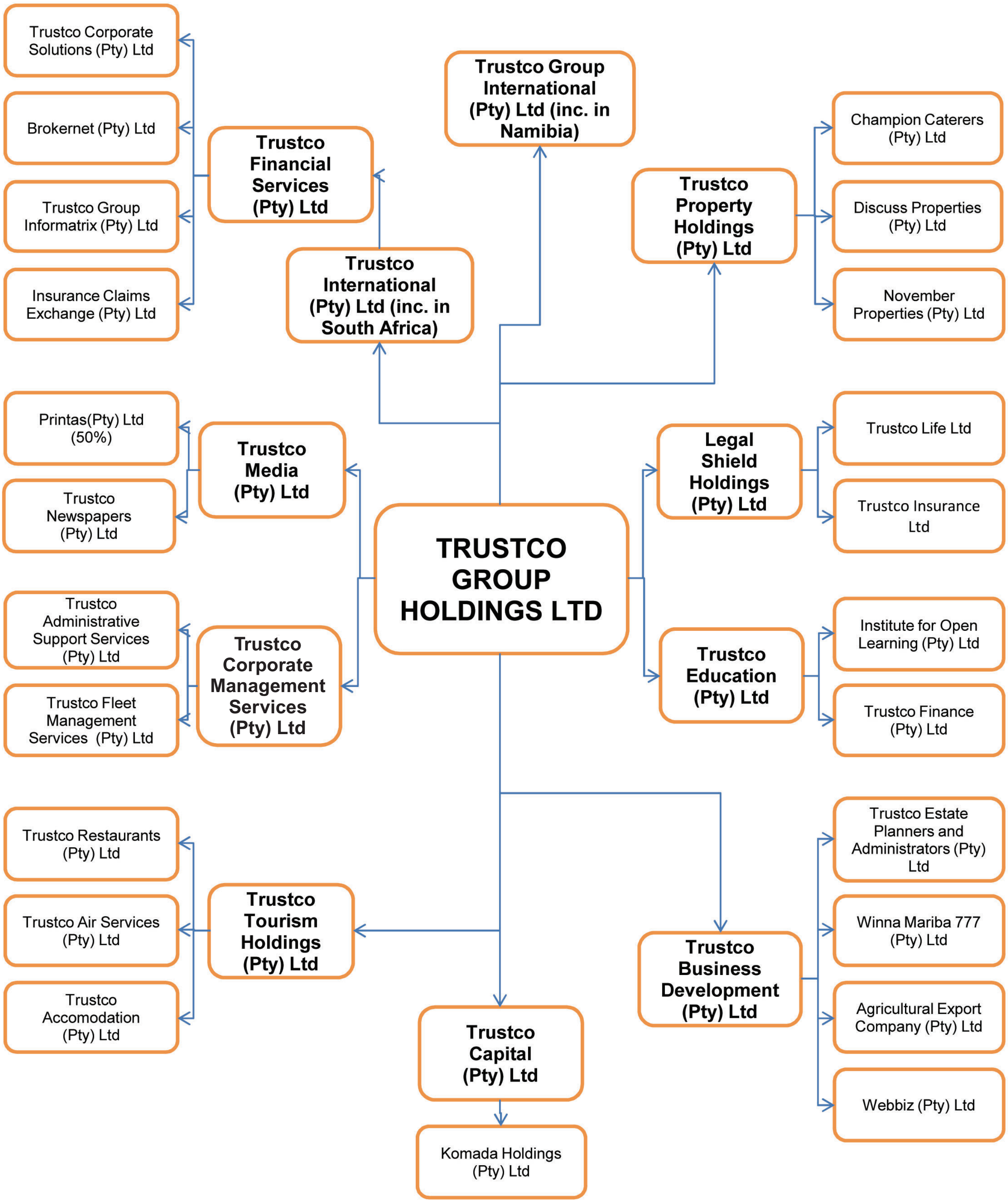
Trustco is a high growth Namibian group with a core focus on micro-insurance, education and micro-financial services. Other investments include property, property development, aircraft charter services, management services, publishing and printing. These investments do not only provide support and marketing services to the group, but also make their services available to the broader Namibian business community.

Trustco was incorporated on 4 February 2003 under the name Duppies Investments No.10 (Pty) Ltd. The original founder of the shelf company was Marcel du Plessis. Trustco listed on the NSX on 27 September 2006. The listing on NSX offered all Namibians an opportunity to participate in Trustco's future growth and prosperity. Trustco is listing on the Africa Board of the JSE so as to broaden the capital base of Trustco in order to facilitate further growth and expansion of its operations into the African continent and to further enhance investor and public awareness of Trustco and its activities within the international investing community.

In order to facilitate the group's listing on the NSX on 27 September 2006, the Group directors decided to restructure the group, effective 1 April 2006, whereby former divisions within Trustco Group International became companies in their own right and Trustco Group International shares were in turn sold to Trustco in order to create a holding company and a vehicle to facilitate the proposed listing on the NSX. The directors believed that this group structure would result in greater control and transparency and would allow shareholders a greater understanding of the operations of the group. For the time being, Trustco will retain its primary listing in Namibia since its roots are deeply founded in Namibia.

## GROUP STRUCTURE

All of Trustco's subsidiaries are 100% held with the exception of Printas which is 50% held.




## THE MAIN BUSINESS OF TRUSTCO

The main business of the group currently consists of three core business drivers which are micro-finance (for educational purposes only), micro-insurance and related financial services.

The micro lender together with the educational unit was acquired in 2005. The business subsequently became an independent company and was renamed IOL. The number of enrolled students has increased from 2 500 to over 15 000 since acquisition. Approximately 94% of students currently utilise the micro finance facility.

Trustco Insurance and Trustco Life (formerly Legal Shield Life), another core pillar of the group, provide micro-insurance services. Trustco Insurance was founded in June 2000 and has developed into one of the corner stones of the group. The Trustco Insurance business started with a staff complement of 18 people and today employs approximately 100 people at Trustco's head office alone and its Legal Shield brand is one of the most well known trademarks in Namibia.

Trustco Insurance's initial focus was on legal insurance but in 2002 it began selling a variety of new policy products such as medical trauma, illness, including dreaded diseases, and salary loss as a result of illness. All policies fall under the Legal Shield banner other than those offering funeral and life insurance. Trustco Insurance currently has approximately 298 000 policies. Trustco Life was granted a license to sell life products in mid 2007 which enables it to offer a greater variety of products within the micro-insurance business.

Despite being rooted firmly in Namibia, the group embraces growth opportunities outside the country. The financial year ended 31 March 2008 saw the acquisition of TFS, a South African group, with effect from 1 November 2007.

TFS was established in 1982 and began as a specialist provider of insurance systems and development tools. Today, TFS is a specialised provider of solution-driven products and services across the financial and management services sectors. In practical terms this entails issuing policy contracts to policy holders, calculating and collecting premiums and fees from policy holders, paying commissions and fees to TFS brokers, paying risk premiums to TFS insurers and executing all aspects of claim settling.

Other activities of the group include property developments, aircraft charter services, management services, publishing and printing.

## TRUSTCO'S KEY STRENGTHS

Trustco's key strengths include:

- The ability to launch innovative products to a well established existing customer base;
- The location of Trustco with regional offices and Windhoek, as the head office, gives the organisation very good geographical reach to the majority of the Namibian population;
- The debtors' book monthly payments are supported by government salary deductions, which minimises credit risk;
- Dynamic management team which is proactive to market trends, supported by competent and loyal staff;
- Legal Shield, IOL and Trustco are well known domestic brands in Namibia with strong brand equity value;
- Clear growth strategies are in place for core business units of Trustco, including monthly sales targets, cost management controls and central procurement systems;
- Trustco enjoys the benefits of a large customer base which it utilises well for the purpose of cross selling of new and existing products;
- Trustco owns its own newspaper, Informanté, which is a huge marketing advantage. This newspaper is distributed free of charge;
- The group's executive management collectively have 65 years service with Trustco (Refer to paragraph 11 for full details of the directors of the group);
- Management is well positioned to react promptly to changing market trends effectively and efficiently;
- Increased footprint with a recent financial services company acquisition in South Africa; and
- State of the art IT and insurance brokerage systems.

## PROSPECTS

Trustco realises that it has an important role to fulfil in the Southern African economy and strives to ensure that services and products are the best in the region. Trustco has made substantial progress in this regard through continued development of its core segments, education and insurance, via product and systems development for its insurance businesses and IOL. The group's revenue has increased from N$44 million in the 2004 financial year to more than N$283 million in the 2008 financial year, with the increase in turnover being attributable to the various initiatives implemented by the group in Namibia, primarily within the education and insurance segments as noted above and the acquisition of TFS in South Africa.

The key drivers to Trustco's future growth will be to build on the solid foundation it has established in Namibia, as well as the roll out of its operations into selected countries in Southern Africa. The group's latest creation is an exciting new micro insurance product and an innovation in mobile telephony. Trustco Mobile looks set to become one of their most lucrative ventures and is the latest product launched by the group in June 2008. The premise of the Trustco Mobile concept is that it will cater for the between 60% and 70% of the SADC population that do not have life insurance. To this end the group intends to embark on further capital and debt raising exercises and acquisitions.

The dual primary listing on the Africa Board of the JSE will enhance investor and public awareness of Trustco and its activities, thereby assisting the group to sell the Trustco product and expertise in Southern Africa. These factors should result in substantial turnover growth being achieved over the next three years.

The greatest growth opportunities for the recently acquired TFS lie in the application of its unique methodologies and products to the target market. The products and services benefit the emerging middle class and previously disadvantaged communities. The business of TFS is considered to be complimentary to certain of the services and products offered by Trustco. The acquisition of TFS will serve as a base and the first step in marketing the group's services and products within the South African market.

**SUMMARY OF HISTORICAL INCOME STATEMENTS**

**Historic income statements**

Set out below is an extract from the historic income statements of Trustco for the six months ended 30 September 2008 and the financial years ended 31 March 2008 and 31 March 2007, the preparation of which is the responsibility of the directors. The results must be read in conjunction with the independent reporting accountants' report thereon reproduced in Annexures 2 and 4 hereto.

| | **TRUSTCO Reviewed 6 months 30 September 2008 R'000** | **TRUSTCO Audited 12 months 31 March 2008 R'000** | **TRUSTCO Reviewed 12 months 31 March 2007 R'000** |
|---|---|---|---|
| Revenue | **178 783** | **208 207** | **114 210** |
| Cost of sales | (113 211) | (118 928) | (54 325) |
| **Gross profit** | **65 572** | **89 279** | **59 885** |
| Insurance income | 43 416 | 75 704 | 68 085 |
| Claims and benefits paid on insurance contract | (10 053) | (19 688) | (15 286) |
| Transfer to policyholder liabilities | (271) | (274) | 773 |
| Change in unearned premium provision | 99 | (759) | (2 071) |
| **Gross profit** | **98 763** | **144 262** | **111 386** |
| Other income | 1 511 | 37 776 | 5 008 |
| Administrative expenses | (77 457) | (109 581) | (84 595) |
| **Net profit before investment income, fair value adjustments and finance costs** | **22 817** | **72 457** | **31 799** |
| Investment revenue | 1 550 | 22 406 | 14 061 |
| **Profit before interest and taxation** | **24 367** | **94 863** | **45 860** |
| Fair value adjustments | 1 024 | 1 889 | 9 694 |
| Finance costs | (11 278) | (38 201) | (24 755) |
| **Profit before taxation** | **14 113** | **58 551** | **30 799** |
| Taxation | 6 923 | 19 364 | 692 |
| **Profit after taxation** | **21 036** | **77 915** | **31 491** |
| *Attributable to:* | | | |
| Equity holders of the parent | 20 474 | 77 682 | 32 863 |
| Minority interest | 562 | 233 | (1 372) |
| | 21 036 | 77 915 | 31 491 |

| | TRUSTCO Reviewed 6 months 30 September 2008 R'000 | TRUSTCO Audited 12 months 31 March 2008 R'000 | TRUSTCO Reviewed 12 months 31 March 2007 R'000 |
|---|---|---|---|
| Weighted average number of shares in issue | 125 882 | 119 440 | 114 757 |
| Earnings per share (cents) | 16.26 | 65.04 | 28.64 |
| Diluted earnings per share (cents) | 16.26 | 61.66 | 28.64 |
| Headline earnings per share (cents) | 15.92 | 38.83 | 23.43 |
| Diluted headline earnings per share (cents) | 15.92 | 36.82 | 23.43 |
| Dividends declared per share (cents) | 5.0 | 2.5 | – |
| Dividends paid per share (cents) | 5.0 | 2.5 | – |

***Pro forma* earnings and headline earnings for the six month period ended 30 September 2008 and the financial years ended 31 March 2008 and 31 March 2007 following the subdivision of the Trustco shares and the issue of Trustco shares to D van Huyssteen**

The unaudited *pro forma* earnings and headline earnings set out below have been prepared on the basis that the weighted average number of Trustco shares in issue had been subdivided in the ratio of 5 shares for each 1 share held and that, following the subdivision, 7 001 405 ordinary shares of N$0.23 each had been issued to D van Huyssteen at N$0.71 each ("subdivision and new issue"). The unaudited *pro forma* financial information is provided for illustrative purposes only to provide information about how the subdivision and new issue may have impacted on the group had the subdivision and new issue taken place on 1 April 2008, 1 April 2007 and 1 April 2006. Due to the nature of the unaudited *pro forma* financial information, it may not give a fair representation of the group's earnings and headline earnings per share after the subdivision and new issue. The unaudited *pro forma* financial information should be read in conjunction with the independent reporting accountants' report thereon as set out in Annexure 9. The directors of Trustco are responsible for the preparation of the unaudited *pro forma* financial information.

***Pro forma* earnings and headline earnings for the six months ended 30 September 2008**

| | Before Reviewed | After *Pro forma* |
|---|---|---|
| Illustrative average number of shares in issue ('000) | 125 882 | 636 410(1) |
| *Pro forma* earnings per share (cents) | 16.26 | 3.22(2) |
| *Pro forma* diluted earnings per share (cents) | 16.26 | 3.22(2) |
| *Pro forma* headline earnings per share (cents) | 15.92 | 3.15(2) |
| *Pro forma* diluted headline earnings per share (cents) | 15.92 | 3.15(2) |

***Pro forma* earnings and headline earnings for the year ended 31 March 2008**

| | Before Reviewed | After *Pro forma* |
|---|---|---|
| Illustrative average number of shares in issue ('000) | 119 440 | 604 200(1) |
| *Pro forma* earnings per share (cents) | 65.04 | 12.86(2) |
| *Pro forma* diluted earnings per share (cents) | 61.66 | 12.20(2) |
| *Pro forma* headline earnings per share (cents) | 38.83 | 7.68(2) |
| *Pro forma* diluted headline earnings per share (cents) | 36.82 | 7.28(2) |

***Pro forma* earnings and headline earnings for the year ended 31 March 2007**

| | Before Reviewed | After *Pro forma* |
|---|---|---|
| Illustrative average number of shares in issue ('000) | 114 757 | 580 785[(1)] |
| *Pro forma* earnings per share (cents) | 28.64 | 5.66[(2)] |
| *Pro forma* diluted earnings per share (cents) | 28.64 | 5.66[(2)] |
| *Pro forma* headline earnings per share (cents) | 23.43 | 4.63[(2)] |
| *Pro forma* diluted headline earnings per share (cents) | 23.43 | 4.63[(2)] |

**Notes:**

1. The after illustrative average number of shares in issue is the average number of Trustco shares that would have been in issue if the subdivision and issue had taken place at the beginning of each period.
2. The after earnings, diluted earnings, headline earnings and diluted headline earnings per share assumes that the subdivision and issue took place at the beginning of each period.

## COPIES OF THE PRE-LISTING STATEMENT

Copies of this pre-listing statement, in English, may be obtained during business hours from the offices of QuestCo Sponsors (Pty) Ltd and the Namibian and South African transfer secretaries, details of which are set out in the "Corporate Information" section of this pre-listing statement. More information can be obtained by sending an e-mail to shares@tgi.na.

## DEFINITIONS AND INTERPRETATION

In this pre-listing statement, annexures and attachments hereto, unless the context indicates otherwise, references to the singular include the plural and *vice versa*, words denoting one gender include the other, expressions denoting natural persons include juristic persons and associations of persons and *vice versa*, and words in the first column hereunder have the meanings stated opposite them in the second column, as follows:

| | |
|---|---|
| "AA" | affirmative action; |
| "AEC" | Agricultural Export Company (Pty) Ltd, registration number 93/427, a private company incorporated in Namibia and a 100% subsidiary of Trustco Business Development; |
| "CEO" | Chief Executive Officer; |
| "certificated shareholders" | Trustco shareholders who own shares in certificated form; |
| "certificated shares" | shares which have not yet been dematerialised, title to which is represented by a share certificate or other document of title; |
| "cents" | South African cents; |
| "the Companies Act" | the Namibian Companies Act, 1973 (Act 61 of 1973), as amended; |
| "CSDP" | Central Securities Depository Participant; |
| "directors" or "board of directors" | the directors of Trustco, further details of whom appear in paragraph 11.1; |
| "Exchange Control Regulations" | the Exchange Control Regulations, 1961, as amended, promulgated in terms of section 9 of the Currency and Exchanges Act, 1933 (Act 9 of 1933), as amended; |
| "the group" | collectively, Trustco and its subsidiaries; |
| "HR" | human resources; |
| "ICDL" | international computer driving licence; |
| "IOL" | Institute for Open Learning (Pty) Ltd, registration number 95/228, a private company incorporated in Namibia and a 100% subsidiary of Trustco Education; |
| "the JSE" | the JSE Ltd, registration number 2005/022939/06, a public company incorporated in South Africa and which is licensed as an exchange in terms of the Securities Services Act, Act 36 of 2004, as amended; |
| "the last practicable date" | the last practicable date prior to the finalisation of this pre-listing statement, which date was 31 December 2008; |
| "Legal Shield" | Legal Shield Holdings (Pty) Ltd, registration number 2006/399, a private company incorporated in Namibia and a 100% subsidiary of Trustco; |
| "the listing" | the proposed dual primary listing of 707 142 090 ordinary shares of Trustco on the Africa Board of the JSE by way of introduction, which listing is anticipated to commence at 09:00 on 19 February 2009; |
| "the Listings Requirements" | the Listings Requirements of the JSE; |
| "N$" | Namibia dollar, which is linked to one South African Rand; |

| | |
|---|---|
| "Namibia" | the Republic of Namibia; |
| "NAMFISA" | the Namibia Financial Institutions Supervisory Authority; |
| "Namibian transfer secretaries" | Transfer Secretaries (Pty) Ltd, registration number 93/713, a private company incorporated in Namibia; |
| "non-resident" | a person whose registered address is outside the common monetary area for exchange control purposes and outside of Namibia for dividend purposes; |
| "NBC" | Namibian Broadcasting Corporation; |
| "NQA" | Namibian Qualification Authority; |
| "NSX" | the Namibian Stock Exchange; |
| "the press" | Business Day; |
| "pre-listing statement" | this bound document dated 16 February 2009, including all annexures and enclosures thereto; |
| "Printas" | Printas (Pty) Ltd, formerly known as Free Press Printers (Pty) Ltd, registration number 2005/0328, a private company incorporated in Namibia and a 50% subsidiary of Trustco Media; |
| "Rand" or "R" | South African Rand; |
| "register" | the register of Trustco shareholders; |
| "SABC" | the South African Broadcasting Corporation; |
| "the Securities Services Act" | the Securities Services Act, 2004 (Act 36 of 2004), as amended; |
| "SENS" | the Securities Exchange News Service of the JSE; |
| "shareholders" or "Trustco shareholders" | registered holders of Trustco shares; |
| "shares" or "Trustco shares" | par value ordinary shares of N$0.23 each in the share capital of Trustco; |
| "South Africa" | the Republic of South Africa; |
| "South African transfer secretaries" | for purposes of the Strate environment the transfer secretaries are Computershare Investor Services (Pty) Ltd, registration number 2004/003647/07, a private company incorporated in South Africa; |
| "sponsor" | QuestCo Sponsors (Pty) Ltd, registration number 2004/018276/07, a private company incorporated in South Africa, and a sponsor as contemplated in the Listings Requirements which will be acting as the sponsor for the purpose of Trustco's dual primary listing on the Africa Board of the JSE; |
| "Strate" | the settlement and clearing system used by the JSE, managed by Strate Ltd, registration number 1998/022242/06, a public company incorporated in South Africa and which is a registered central securities depository in terms of the Securities Services Act; |
| "the subsidiaries" | the subsidiaries of Trustco, further details of which are set out in Annexure 13; |
| "TFS" | Trustco Financial Services (Pty) Ltd (previously DexGroup Financial Services (Pty) Ltd, registration number 1975/001412/07, a private company incorporated in South Africa; |

| | |
|---|---|
| “Trustco” or “the group” | Trustco Group Holdings Ltd, registration number 2003/058, formerly Trustco Group Holdings (Pty) Ltd, a public company incorporated in Namibia and listed on the NSX; |
| “Trustco Air Services” | Trustco Air Services (Pty) Ltd, registration number 2002/374, a private company incorporated in Namibia and a 100% subsidiary of Trustco Tourism; |
| “Trustco Business Development” | Trustco Business Development (Pty) Ltd, registration number 2006/282, a private company incorporated in Namibia and a 100% subsidiary of Trustco; |
| “Trustco Capital” | Trustco Capital (Pty) Ltd, registration number 2003/057, a private company incorporated in Namibia and a 100% subsidiary of Trustco; |
| “Trustco Corporate” | Trustco Corporate (Pty) Ltd, registration number 2006/298, a private company incorporated in Namibia and a 100% subsidiary of Trustco; |
| “Trustco Education” | Trustco Education (Pty) Ltd, registration number 2006/281, a private company incorporated in Namibia and a 100% subsidiary of Trustco; |
| “Trustco Finance” | Trustco Finance (Pty) Ltd, registration number 2005/495, a private company incorporated in Namibia and a 100% subsidiary of Trustco Education; |
| “Trustco Insurance” | Trustco Insurance Ltd (previously Legal Shield Ltd), registration number 99/208, a limited company incorporated in Namibia and a 100% subsidiary of Legal Shield; |
| “Trustco Group International” | Trustco Group International (Pty) Ltd, registration number 92/335 and its subsidiaries; |
| “Trustco Life” | Trustco Life Ltd (previously Legal Shield Life Ltd), registration number 2004/046, a limited company incorporated in Namibia and a 100% subsidiary of Legal Shield; |
| “Trustco Media” | Trustco Media (Pty) Ltd, registration number 2006/285, a private company incorporated in Namibia and a 100% subsidiary of Trustco; |
| “Trustco Newspapers” | Trustco Newspapers (Pty) Ltd, registration number 2006/283, a private company incorporated in Namibia and a 100% subsidiary of Trustco Media; |
| “Trustco Property” | Trustco Property Holdings (Pty) Ltd, registration number 2006/289, a private company incorporated in Namibia and a 100% subsidiary of Trustco; and |
| “Trustco Tourism” | Trustco Tourism Holdings (Pty) Ltd, registration number 2006/286, a private company incorporated in Namibia and a 100% subsidiary of Trustco. |

# TRUSTCO GROUP HOLDINGS LIMITED

***(formerly Trustco Group Holdings (Proprietary) Limited***

(Incorporated in the Republic of Namibia)
(Registration Number 2003/058)
Share code: JSE: TTO NSX: TUC ISIN: NA000A0RF067
("Trustco" or "the group")

**Directors***

Dr D Namwandi* (Non-executive) *(Chairman)*
Mrs V de Klerk* (Non-executive)
Mrs M Nashandi* (Non-executive)
Mr A H Toivo Ya Toiva**** (Non-executive)
Mr Q van Rooyen** (Executive) *(Managing Director)*
Mr J Jones***** (Alternate to Mr Q van Rooyen)
Mr G R I Walters*** (Executive)
Mr F J Abrahams* (Executive)
All directors are Namibian
* Appointed 22 August 2006
** Appointed 13 October 2003
*** Appointed 1 June 2007
**** Appointed 15 August 2007
***** Appointed 27 November 2007
The previous Chairman Adv T J Frank resigned with effect from 13 November 2008.

## PRE-LISTING STATEMENT

### 1. INTRODUCTION

Trustco intends to list on the Africa Board of the JSE, a move that will enhance investor and public awareness of Trustco and its activities, enabling the group to sell the Trustco products and expertise in Southern Africa and beyond. The JSE has approved a dual primary listing on the Africa Board of the JSE.

Trustco is a high growth Namibian company with a core focus on micro-insurance, education and micro-financial services. Other activities include property developments, aircraft charter services, management services, mobile airtime distribution, publishing and printing. These investments do not only provide support and marketing services to the group, but also make their services available to the broader Namibian business community.

One of the cornerstones of the group is IOL, which provides the group's educational services. It is the largest distance education institution in Namibia, with the number of students having grown from 2 500 to more than 15 000. IOL offers a wide range of courses including qualifications for teachers, business courses and computer based training. Televised classes are available to students. Trustco Finance, the micro-lending arm of IOL, provides financial assistance to students. Approximately 94% of students currently utilise this facility.

Trustco Insurance (formerly Legal Shield Ltd) and Trustco Life (formerly Legal Shield Life Ltd), the other core pillars of the group, provide insurance services. Trustco Insurance was founded in June 2000 and has developed into one of the corner stones of the group. The Legal Shield brand is one of the most well known trademarks in Namibia.

Trustco Insurance's initial focus was on legal insurance but in 2002 it began selling a variety of new policy products such as medical trauma, illness, including dreaded diseases, and salary loss as a result of illness. Trustco Insurance currently has approximately 298 000 active policies.

Despite being rooted firmly in Namibia, the group embraces growth opportunities outside the country. The financial year ended 31 March 2008 saw the acquisition of TFS, a South African group, with effect from 1 November 2007.

TFS was established in 1982 and began as a specialist provider of insurance systems and development tools. Today, TFS is a specialised provider of solution-driven products and services across the financial and management services sectors. In practical terms this entails issuing policy contracts to policy holders, calculating and collecting premiums and fees from policy holders, paying commissions and fees to TFS brokers, paying risk premiums to TFS insurers and executing all aspects of claim settling.

Several of Trustco's support divisions, such as group HR, finance, information technology, sales and marketing, have established themselves as first-class units providing the necessary management services to the relevant subsidiaries of the group. This allows for a cohesive management style that assures a consistent and focused approach on the core business.

## 2. INCORPORATION AND HISTORY

Trustco Group International was incorporated in 1992 as a property development company. Trustco Group International continued to expand with the founding of AEC which operates within the food industry. Following this expansion, Trustco Group International acquired several smaller companies before founding Trustco Insurance, which became the flagship business of Trustco Group International during the early 2000's. Its next major acquisition was OLGN in 2005, which was renamed IOL.

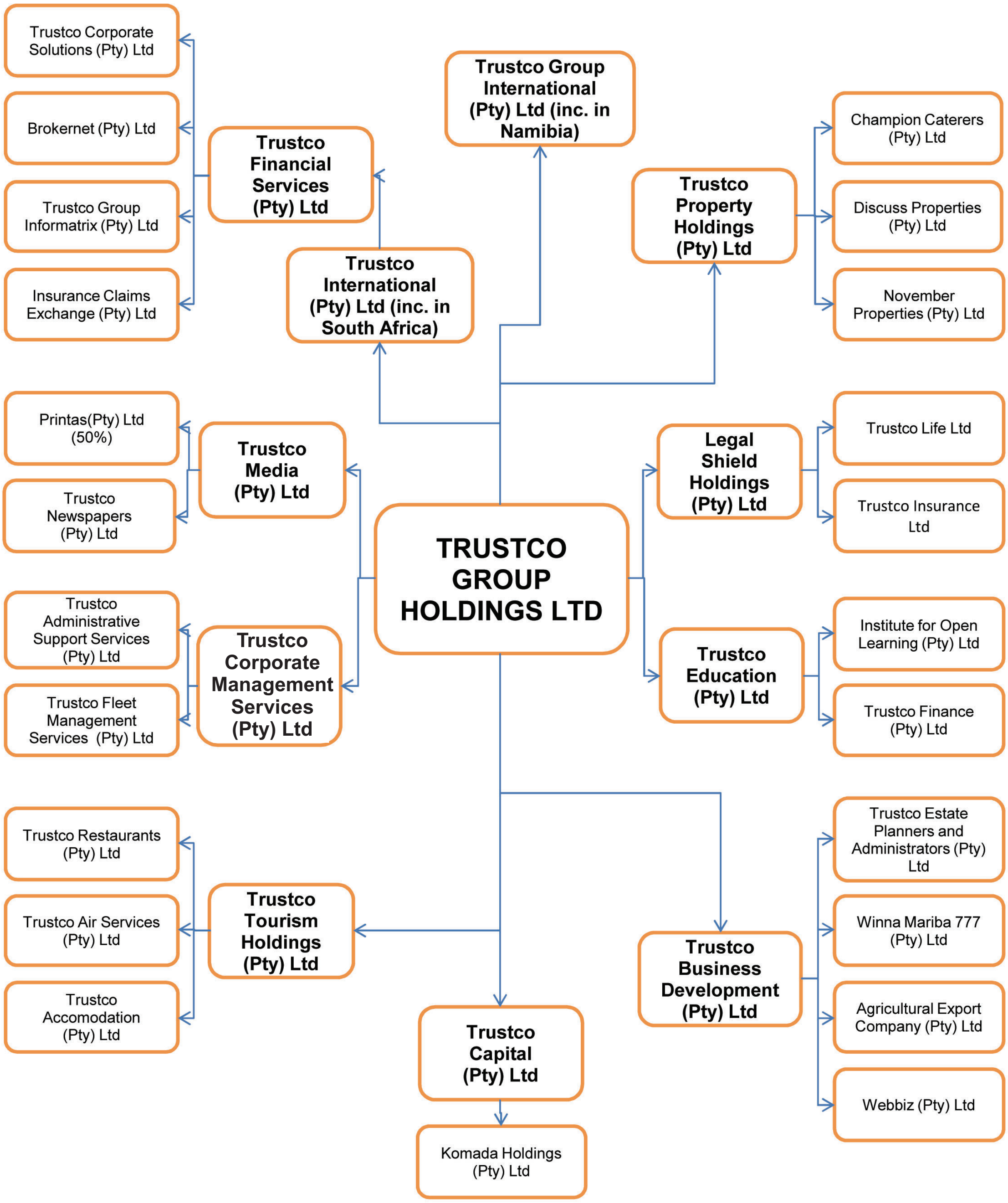
Trustco was incorporated on 4 February 2003 under the name Duppies Investments No.10 (Pty) Ltd. The original founder of the shelf company was Marcel du Plessis. Trustco listed all of its no par value shares on the NSX on 27 September 2006. The listing on the NSX offered all Namibians an opportunity to participate in Trustco's future growth and prosperity and incentivised staff members by affording them an opportunity to participate in the Trustco share incentive scheme. Trustco is listing on the Africa Board of the JSE so as to broaden the capital base of Trustco in order to facilitate further growth and expansion of its operations into the African continent and to further enhance investor and public awareness of Trustco and its activities within the international investing community.

In order to facilitate the company's listing on the NSX on 27 September 2006, the directors decided to restructure the group, effective 1 April 2006, whereby former divisions within Trustco Group International were formed into holding companies, namely Trustco Education (Pty) Ltd, Legal Shield Holdings (Pty) Ltd, Trustco Corporate (Pty) Ltd, Trustco Property Holdings (Pty) Ltd, Trustco Tourism Holdings (Pty) Ltd, Trustco Media (Pty) Ltd, Trustco Capital (Pty) Ltd and Trustco Business Development (Pty) Ltd. In addition, Trustco Group International shares were in turn sold to Trustco in order to create a holding company and a vehicle to facilitate the proposed listing on NSX. The directors believed that this would result in greater control and transparency and would allow shareholders a greater understanding of the operations of the group.

This restructuring has led to the main corporate structure as represented in paragraph 3 below, with each of the subsidiaries of Trustco having one or more wholly owned subsidiaries.

## 3. GROUP STRUCTURE

All of Trustco's subsidiaries are 100% held with the exception of Printas which is 50% held.




## 4. OVERVIEW OF TRUSTCO

### 4.1 Insurance

#### 4.1.1 *Trustco Insurance*

Trustco Insurance, a wholly owned subsidiary of Legal Shield, is one of the flagship companies of Trustco and makes cost-efficient and affordable legal and short-term insurance products available to the Namibian market. The utilisation of advanced computerised systems and various registered legal practitioners, registered by the Law Society of Namibia, as well as in-house support, positions Trustco Insurance in the forefront of the industry within which it operates. Trustco Insurance obtained its short-term insurance license in terms of the Short-term Insurance Act 4 of Namibia of 1998 to operate as a short-term insurer on 21 June 2000.

Trustco Insurance provides insurance cover against legal costs for families, excluding business-related claims. A 24-hour service is available to policy holders. Matters that require legal intervention are referred to legal practitioners who will represent the policy holders in courts of law.

**Trustco Insurance products**

**Legal Shield** – A short-term insurance policy that covers a policy holder and his/her direct family against legal costs plus a funeral benefit for the main policy holder.

**Medi Shield** – A short-term insurance policy that insures a policyholder and his/her direct family against the occurrence of specified medical events plus a funeral benefit for the main policy holder.

**Salary Shield** – A short-term insurance policy that insures a policyholder against the loss of his/her salary due to sickness after the member's sick leave has been exhausted, including a hospital benefit.

**Elite Plan** – This policy provides cover in the case of emergency medical evacuation. A qualified team stands by with a call centre available 24 hours a day. In the unfortunate event of death, Trustco Insurance will arrange transport of the mortal remains of the policyholder's beloved one from any mortuary to a chosen place of burial in Namibia or South Africa. The plan also makes provision for the insured to plan his/her estate, to provide for death bed expenses, debts due, financial provision for the insured's dependants while the estate is being finalised, possible savings on estate duty and income tax and costs of documentation to the Master of the High Court.

**OneShield** – This product is a new addition to the shield family, introduced in July 2006, and aims at a product that will include all of the above benefits in one product for an affordable premium, providing complete protection to the policyholder. This product is focused on the more affluent market.

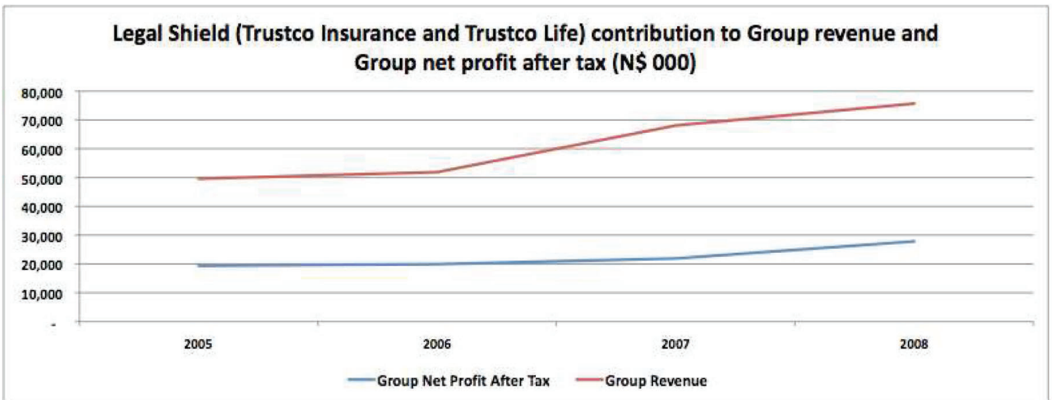
Trustco Insurance's short-term policies have grown over the past three years from 50 000 at the end of March 2004 to approximately 225 000 at the end of March 2008.

### 4.1.2 *Trustco Life*

Trustco Life, a wholly owned subsidiary of Legal Shield, registered as a long-term life insurer on 27 March 2006. Trustco Life is responsible for a very successful funeral shield product and also underwrites the death benefits offered by the various policies of Trustco Insurance.

Trustco Life's long term policies have grown from approximately 31 000 as at 31 March 2004 to approximately 82 000 at 31 March 2008. Management expects long term policies to increase by 7% annually over the next two years.

Legal Shield's (Trustco Insurance and Trustco Life) past performance can be depicted as follows:



4.2 **Trustco Education**

4.2.1 ***Institute for Open Learning (Pty) Ltd ("IOL")***

IOL is a Namibian distance education institution and was founded in July 1997. The NQA officially granted recognition to the primary education courses of IOL during 2001. This means that both the primary and tertiary education courses of IOL, including grade 12, are approved and can be recognised by the Ministry of Education for salary and promotion purposes.

IOL started offering computer based educational courses to its students in the 2006 financial year. Short courses were introduced in the 2007 financial year extending the reach of the educational services provided. In addition, contact sessions are also presented via television five days a week to ensure that "classes" are accessible to all students studying through IOL. Students tune in to the Namibia Broadcasting Corporation to gain access to interactive classes. Student numbers grew by 30% in the 2008 financial year and 46% in the 2007 financial year. The growth in student numbers is primarily as a result of the following:

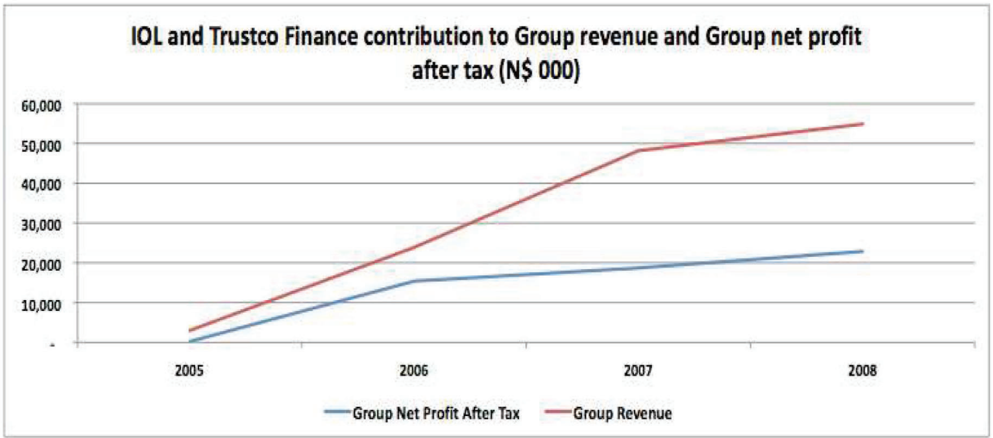
- IOL is the only distance learning institution in Namibia offering financing of its courses; and
- IOL is one of the few institutions offering the Advanced Certificate in Education (ACE), which is recognised by the NQA and results in the upgrade of the existing teaching qualification from category C to category D.

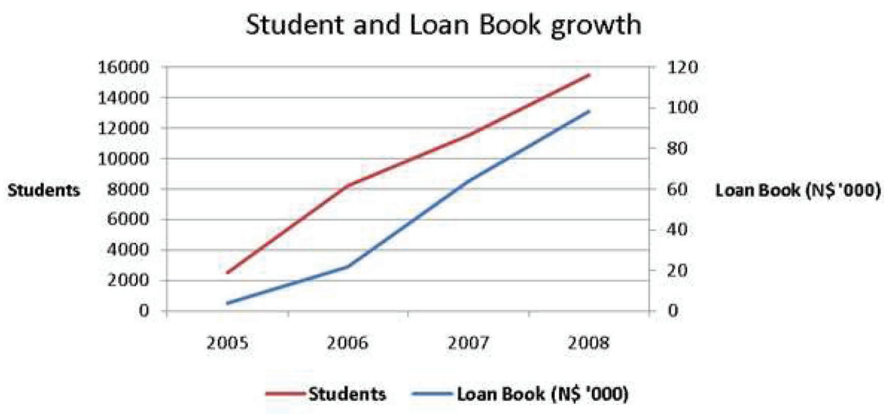
4.2.2 ***Trustco Finance***

Trustco Finance was established to provide student loans to IOL students (currently 94% of students utilise this facility) and is a micro-lender and therefore regulated by NAMFISA. The focus remains on educational loans.

During the 2008 financial year, IOL's student base increased from 11 950 as at 31 March 2007 to 15 500 as at 31 March 2008 and Trustco Finance's loan book grew by 47.3% from N$63.8 million as at 31 March 2007 to N$ 94.0 million over the same period.

IOL and Trustco Finance's past performance can be depicted as follows:



### 4.3 Business Development

The role of the Business Development division in the group is to assist management through the following responsibilities and activities that could have a corporate-wide application:

- Strategic and corporate planning;
- Business and project development;
- Merger and acquisitions;
- Business intelligence, strategic intelligence, business analysis and research; and
- Keep management informed of global, regional and local events and best practices that could have an impact on Trustco's corporate business environment.

#### 4.3.1 *Trustco Mobile*

One of the new innovative products launched by the group in June 2008 was Trustco Mobile, which provides micro insurance services to the uninsured in the African context via a mobile distribution network, Trustco developed an actuarial model to provide free life insurance to mobile subscribers based on airtime spend. Life cover, which is based on 100 times the airtime spend in a 30 day period and which is capped, is valid for 30 days after activation for anyone between the ages of 16 – 60 years. The concept was launched with Namibia's second cellular operator, CellOne, and it has captured more than 10 000 subscribers in the first 3 months since its launch.

The systems development and software platform, which was developed internally, provides for a seamless integration with mobile operators and Trustco's Life Insurance system. It almost provides for a paperless environment and the ability to mass-underwrite in a short time span.

Trustco Mobile intends to cater for the SADC population of which between 60% and 70% do not have life insurance. The group has patented this exclusive product internationally.

### 4.4 Trustco Property

Although relatively small in terms of its contribution to the overall turnover of the group, property development and holding activities have remained one of the trademark features of the company.

Trustco Property was established in 1992 as a division within in the group and later became a subsidiary holding company. It deals with the management and maintenance of Trustco's existing property portfolio, as well as the management of any new developments.

In April 2004, Trustco acquired approximately 368 hectares of unspoiled land in the Lafrenz area, which is a 15 minute drive north of the Windhoek city centre. A development of around 1 800 housing units over the next 10 years is planned for middle income families. The concept of the new development, the first of its kind in Namibia is to build residential houses in a secure area and within walking distance of shops, schools, business facilities as well as recreation and sports facilities.

Trustco Property's portfolio consists of residential and commercial property, both in Namibia and, more recently, in South Africa. The value of the portfolio is estimated to be in excess of N$160 million.

### 4.5 Trustco Media

#### 4.5.1 *Trustco Newspapers*

Informanté is a fast emerging specialist publication in Namibia, with a reputation for being first with the news on significant political, economic and social developments and infotainment across the country, as well as focussing on the growth momentum of the group by being its mouthpiece.

The weekly issue has succeeded in extrapolating tabloid news into a serious news-analytical publication thereby justifying its relevance to readers from all walks of society. This publication is distributed free of charge.

Today, Informanté is read weekly by a wide range of institutions and individuals around the country, all of them united in their need for timely, accurate and incisive analysis of contemporary Namibian developments.

Informanté has shown tremendous growth on all fronts. Its editorial content, which initially focused on the growth momentum of the holding company, has gradually taken on a national flair, depicting stories and analysis that matter to the Namibian society. Its advertising content, likewise, now consists of a broad array of companies and organisations, confirming that it has indeed developed into a valuable medium for advertisers. On the distribution front, it now covers almost 95% of all major towns in Namibia.

Informanté received an award for the second consecutive year at this year's PMR Golden Arrow Awards in the Category of Best Local Community Newsletter. Nominations are taken from the general Namibian public as well as businessmen and other influential people. The nominations are collected by the Professional Management Review, an independent South African company, to avoid any manipulation of the results. A recent independent study concluded that the Informanté is the most widely read newspaper in Namibia.

#### 4.5.2 *Printas*

Printas is, as its name suggests a printing press, which operates in Windhoek, Namibia. It is owned 50/50 by the group and The Free Press of Namibia (Pty) Ltd, publisher of the independent daily newspaper, The Namibian.

It started operations in September 2006. Apart from printing all issues of the Informanté, Printas also prints inserts for other papers, posters, flyers, glossy magazines and handbooks for IOL. This business unit is affected by fluctuations in exchange rates and raw materials, determining the import price of paper. Constant technological and operational innovation is therefore of the essence.

Negotiations are underway with the view to possibly acquire all shares in Printas.

### 4.6 Trustco Tourism

#### 4.6.1 *Trustco Air Services*

The fleet consists of two luxurious Pilatus PC12 aircraft which are owned by Trustco Fleet Management Services (Pty) Ltd, a wholly owned subsidiary of Trustco Corporate. The focus is on charter services to rural regions of Namibia as well as to Botswana, Angola, Zambia and South Africa. These charter services have become an invaluable tool for the group. The service is extremely popular, with flight schedules booked out months in advance. Management expects this division to show strong growth and plans for expansion are already under way.

### 4.7 Financial Services outside Namibia

#### 4.7.1 *Trustco Financial Services (Pty) Ltd (previously DexGroup Financial Services (Pty) Ltd)*

On 2 November 2007 a written agreement was concluded between DexGroup (Pty) Ltd, a company incorporated in South Africa, and the group in terms of which the group acquired the entire shareholding, loan accounts and claims in TFS, including E-Sure, a computer software system with effect from 1 November 2007.

TFS has four wholly-owned subsidiaries, details of which are as follows:

- Brokernet (Pty) Ltd;
- Trustco Corporate Solutions (Pty) Ltd (previously Dex Corporate Solutions (Pty) Ltd);
- ICE Insurance Claims Exchange (Pty) Ltd; and
- Trustco Informatix (Pty) Ltd (previously Dex Informatrix (Pty) Ltd).

TFS and its subsidiaries conduct business in the financial services sector in South Africa. It manages policy and claims administration and money management on behalf of registered brokers in the short-term insurance industry at an agreed fee. Today TFS is a specialised provider of solution-driven products and services across the financial and management services sectors. Flexibility and innovation is the essence of what TFS is about and has been proven in unique methodologies such as volume business management methodologies.

The greatest opportunities lie in those markets comprising a combination of emerging middle class and previously disadvantaged communities who can benefit from the application of these unique methodologies and products.

5. **TRUSTCO'S KEY STRENGTHS**

Trustco's key strengths include:

- The ability to launch innovative products to a well established existing customer base;
- The location of Trustco with regional offices and Windhoek, as the head office, gives the organisation very good geographical reach to the SADC region and beyond;
- The debtors' book monthly payments are supported by direct salary deductions, which minimises credit risk;
- Dynamic management team which is proactive to market trends, supported by competent and loyal staff;
- Trustco Insurance, IOL and Trustco are well known domestic brands in Namibia with strong brand equity value;
- Clear growth strategies are in place for core business units of Trustco, including monthly sales targets, cost management controls and central procurement systems;
- Trustco enjoys the benefits of a large customer base which is well utilised for the purpose of cross selling of new and existing products;
- Trustco owns its own newspaper, which is distributed free of charge and which is a large marketing advantage;
- The group executive collectively holds 65 years service within Trustco (Refer to paragraph 11 for full details of the directors of the group);
- Management is well positioned to react promptly to changing market trends effectively and efficiently;
- Increased footprint with a recent financial services company acquisition in South Africa; and
- State of the art IT insurance and brokerage systems.

6. **KEY OPPORTUNITIES**

- Due to the diverse nature of Trustco, there is an opportunity for new marketing campaigns, which continually enforces Trustco brand recognition.
- Ongoing opportunities for mergers, joint ventures and/or strategic alliances in SADC.
- The group is well positioned to move into new market segments that can offer improved profits. International expansion opportunities exist, particularly within the Southern Africa region, as well as the opportunity to increase market share created by ineffective competitors.
- The dual primary listing of Trustco on the JSE will assist the group to sell its consumer finance products through the TFS distribution network and to process the sales through the TFS IT system.
- Expertise in each business unit enables focused growth strategies in areas of expansion.
- Through good internal economic analysis the group can continually evaluate performance of products.
- TFS can with minimum expansion operate as a fully fledged insurer as the infrastructure for such operations is currently available.
- Trustco Mobile offers a world first life cover for free to mobile subscribers for their airtime usage.

## 7. TRUSTCO'S GROWTH STRATEGY

### 7.1 Micro Insurance

The existing Trustco Insurance and Trustco Life products still prove to be in high demand resulting in the company maintaining its position as Namibia's number one legal insurer. Existing cover in terms of the Trustco Insurance policy will further be extended in due course which should render the policy even more attractive to existing and potential policyholders. Trustco Insurance has recently expanded its short-term insurance business by entering into credit insurance agreements with Trustco Finance which will contribute to Trustco Insurance's success in future financial years.

Trustco Life is responsible for the development and marketing of funeral insurance products. It also underwrites death benefits offered by the short term insurer, Trustco Insurance. The policy has proven to be popular and finds favour in particular with persons who desire to have extended family members covered. During the 2007 financial year, the existing funeral products were extended to include a much more affordable policy available to single persons. Underwriting agreements were also entered into with the IOL and Trustco Finance which provides death benefits to its students and clients. These agreements will result in a healthy business accrual during future financial periods. The group's latest product is an innovation in mobile telephony. Trustco Mobile look set to become a lucrative venture and is the latest product launched by the group in June 2008. Trustco Mobile is a Micro Insurance product; which was introduced to service those market sectors that are unable to afford life cover and penetrate the untapped markets in the insurance industry and beyond. Having captured more than 10 000 subscribers in less than 3 months, Trustco Mobile intends to cater for the SADC population of which between 60% and 70% do not have life insurance. The Trustco Mobile concept is premised on the fact that free life cover for a limited period is extended to the purchasers of mobile airtime. The group has patented this exclusive product internationally. It is expected that Trustco Mobile will yield significant growth in the next year and this product has the potential to be expanded throughout Africa.

### 7.2 Education

IOL showed material growth in revenue in the 2008 financial year. This growth can be attributed to the fact that IOL has embarked on a strategy of "life long learnership" targeting not only grade 12's but also school leaving grade 10's, offering certificate level courses through to diplomas and subsequently post graduate degrees. Eight additional short courses have been introduced.

Given the history of the region, education has an unlimited growth potential especially if it is coupled with access to micro financing. The group intends expanding this business model throughout the region.

### 7.3 Trustco Finance

Trustco Finance's debtors book showed tremendous growth in the 2008 financial year against the prior financial year in excess of 44.17%. While the focus remains on educational loans, plans to expand Trustco Finance loans to other regional areas are in the planning stages and this together with the growth in IOL, will ensure that Trustco Finance becomes one of the premier micro-lenders. Management anticipates revenue to grow above average over the next two years. The growth is complemented with the current two year deduction code facility, which has been extended till August 2009, which will also boost the cash collections on receivables. This code allows for deduction prior to payment of the balance of salary to civil servants.

### 7.4 Trustco Properties

One of the projects on the horizon for Trustco Property is the development of 1 800 residential units over the next 10 years in Lafrenz. The first two phases consisting of 500 residential units will be valued at approximately N$ 200 million. The development is the first of its kind in Namibia. The project's aim is to provide high quality, affordable housing to the medium income sector.

With several exciting property projects in the early planning stages and despite the current slowdown, management believe that property development will remain one of the trademark features of the group in the future. Property remains one of Namibia's ever growing and popular investment options. Trustco Property has been making sound investments in the ever escalating property market since its inception in 1992.

### 7.5 Media

The current distribution model is such that the Informanté is distributed to most inhabitants in Namibia free of charge. Future strategy is to ensure that the paper also reaches those areas not covered at present.

## 8. PROSPECTS

Trustco seeks to fulfil an important role in the regional economy. Trustco has made substantial progress in this regard through continued development of its core segments. The Company's turnover has increased from N$44 million in the 2004 financial year to more than N$283 million in the 2008 financial year.

The key drivers to Trustco's future growth will be to build on the solid foundation it has established in Namibia during the past five years, as well as the roll out of its operations into selected countries in Southern Africa and beyond. To this end the Group has embarked on further capital and debt raising exercises and acquisitions.

The dual primary listing on the Africa Board of the JSE will enhance investor and public awareness of Trustco and it activities. These factors should assist in projected turnover growth being achieved over the next three years. The acquisition of TFS will serve as a base and the first step in marketing and expanding the group's services and products within the South African market.

## 9. HUMAN RESOURCES AND SOCIAL RESPONSIBILITY

Trustco approaches the management of its people, with the knowledge that they hold the key to the group's ability to operate profitably and to transform successfully.

Trustco' HR strategy has three pillars, which include:

- the strategic management of human capital;
- the facilitation of transformation within Trustco; and
- the incubation of a uniquely diverse and business relevant group culture.

HR operates as a specialist unit playing an active consulting role and ensuring compliance with the relevant regulatory frameworks, such as AA policy, across all individual businesses. The line management of individual businesses is responsible for implementing the HR structures and processes most appropriate to them within the context set by the group strategy.

### 9.1 Human capital management

Trustco views its human capital, inclusive of intellectual capital, as a key point of competitive advantage. Group HR is responsible for:

- the appointment of key staff in strategic positions;
- special measures to improve staff retention, especially that of key staff; and
- various other initiatives aimed at management training and development, as well as the identification and development of the group's current and future leadership and incorporating a succession plan.

### 9.2 Facilitating transformation

Besides the consulting role provided by group HR with regards to the implementation of the group's AA strategy, it has also:

- implemented leadership development programmes;
- undertaken an investigation of recruitment and selection procedures to support the group's AA policy;
- ensured that fair employment practices are adhered to with regard to previously disadvantaged groups;
- taken specific actions to improve the retention of key staff; and
- arranged attendance for a diverse range of workshops for staff members.

### 9.3 Trustco culture

Group HR focuses on implementing the relevant internal programmes to ensure that individual performance is closely linked with organisational goals. This process aims to build a high level of understanding within Trustco of the strategic direction the group is taking, and the responsibilities of each staff member in this regard.

Trustco's internal culture places a strong emphasis on skills development and training, and concurrently, the fostering of a uniquely diverse and dynamic workplace, which capitalises on its inherent potential. Trustco has always viewed its targets as far more than a legislative requirement.

### 9.4 Skills Development and training

A significant amount of Trustco's annual payroll is spent on training and development initiatives.

### 9.5 Employment equity

Trustco views employment equity as an integral element of its overall transformation strategy and understands the importance of compliance with the AA Act. Trustco accepts the need for the removal of the economic legacies of structural inequality, and views employment equity as an opportunity to position itself strategically to achieve its business objectives.

Trustco's statutory AA structures and reporting processes are fully functional and supportive of the group's transformation strategy.

The Trustco AA policy focuses on the elimination of all forms of unfair discrimination, the implementation of affirmative action measures, providing equal employment opportunities and entrenching an environment where diversity is appreciated and respected. The group's AA strategy aims to:

- achieve equitable representation of all designated groups at all occupational levels and categories;
- guide respective business units in the development and implementation of specific programs to assist with the internal transformation process; and
- establish and maintain an organisational environment that values and respects individual differences.

As at 31 March 2008, Trustco had 587 employees, up from 375 as at 31 March 2007. Of these, 501 are from previously disadvantaged groups in Namibia.

## 10. MAJOR AND CONTROLLING SHAREHOLDERS AND SHAREHOLDER SPREAD

As at 31 January 2009, following the conversion of the no par value shares into par value shares and the subdivision of the Trustco shares on the basis of five par value shares for every one held, the following major shareholders are interested in the issued share capital of Trustco:

| Name of shareholder | Number of shares held | Percentage held |
|---|---:|---:|
| Q van Rooyen | 392 554 120 | 55.51 |
| First National Bank (Namibia) Nominees | 113 971 795 | 16.12 |
| Standard Bank Namibia Nominees | 108 793 450 | 15.38 |
| **TOTAL** | **615 319 365** | **87.01** |

Save as set out in the table above, no other shareholders will, as far as the directors of Trustco are aware, directly or indirectly, hold 5% or more of the issued share capital of Trustco following the dual primary listing on the Africa Board of the JSE.

Insofar as is known to the directors, the controlling shareholder of Trustco is, and is anticipated to remain, as follows:

| Name of shareholder | Number of shares held | Percentage held |
|---|---|---|
| Q van Rooyen | 392 554 120 | 55.51 |

## 11. DIRECTORS AND MANAGEMENT

### 11.1 Details of directors

The full names, ages, business address and occupations of the directors of Trustco are outlined below:

| Name | Age | Occupation | Business Address |
|---|---|---|---|
| Dr D Namwandi | 54 | Independent Chairman | International University of Management<br>59 Bahnhof Street<br>Windhoek<br>Republic of Namibia |
| V de Klerk | 61 | Independent non-executive director | Swabou Building<br>25 Schonlein Street<br>Windhoek West<br>Republic of Namibia |
| M Nashandi | 48 | Independent non-executive director | Government Offices<br>Robert Mugabe Avenue<br>Windhoek<br>Republic of Namibia |
| A Toivo Ya Toivo | 84 | Independent non-executive director | 7 Luderitz Street<br>Windhoek<br>Republic of Namibia |
| Q van Rooyen | 43 | Managing director | 2 Keller Street<br>Windhoek<br>Republic of Namibia |
| J Jones | 37 | Alternate to Q van Rooyen | 2 Keller Street<br>Windhoek<br>Republic of Namibia |
| G R I Walters | 39 | Executive director business development | 2 Keller Street<br>Windhoek<br>Republic of Namibia |
| F J Abrahams | 33 | Financial director | 2 Keller Street<br>Windhoek<br>Republic of Namibia |

All of the above directors are Namibian citizens.

None of the directors are partners with unlimited liability or founders as defined by the Listings Requirements.

11.2 **Experience of directors**

The full names, ages, qualifications, business addresses, and occupations of the directors of Trustco are as follows:

***Dr David Namwandi (Chairman) (DOB: 28 February 1954) – PhD (Honoris Causa), MBA, Hon FABE, FCIM, FSBP (International Institute of Management, 59 Bahnhof Street, Windhoek)***

Dr Namwandi is a well respected individual within academic circles. He is currently serving as chairman of the International University of Management as well as a member of the NQA and National Council of Higher Education. Prior experience has also been gained in the financial services and transport sectors.

***Veronica de Klerk (Non-executive) (DOB: 26 November 1954) (Women's Action for development, Swabou Building, 25 Schonlein Street, Windhoek West)***

Mrs de Klerk is currently the executive director of Women's Action for Development, an organisation which strives to improve the socio-economic and socio-political situation of primarily rural communities and has held this position for five years. Previously she was a well known media representative and has also attained extensive business acumen by serving on the Presidents Economic Advisory Council since 1997.

***Monica Nashandi (Non-executive) (DOB: 12 October 1959) – MA (Diplomatic Studies), Diploma in Public Administration Youth and Development (Ministry of Foreign Affairs, Government Offices, Robert Mugabe Avenue, Windhoek)***

Mrs Nashandi is a veteran diplomat with over 20 years experience in the diplomatic corps. She is currently the head of the department of multilateral affairs, Ministry of Foreign Affairs. Previous posts include high commissioner to the United Kingdom of Great Britain and ambassador to the Republic of Ireland.

***Andimba Toivo Ya Toivo (Non-executive) (DOB: 22 August 1924)***

Mr Toivo Ya Toivo graduated as a teacher in 1950. Shortly thereafter he left for Cape Town and in 1952 he joined the railway police. In 1954 he joined the Modern Youth Society and acted as organising secretary. In 1966 he was arrested up by the South African security forces for assisting SWAPO and sentenced to 20 years imprisonment. He was released on 1 March 1984. He became a member of the Politbureau, Central Committee and Secretary General of SWAPO. In 1990 he was appointed as Minister of Mines and Energy and in 1999 he was appointed as Minister of Labour. In 2002 he was appointed as Minister of Prison and Correctional Services. He held the position until he retired on 21 March 2005. On 1 April 2005 he joined J&P Group Holdings as executive chairman until present.

***Quinton van Rooyen (Executive) (DOB: 16 April 1965) B Iuris, LLB, Group Managing Director, (Trustco, 2 Keller Street, Windhoek)***

Mr van Rooyen completed his studies part time whilst employed in the judicial department of the Government of Namibia. He obtained the position of public prosecutor before entering the private sector. After joining Trustco in 1992, he proceeded to build the group from a humble property company to where it is today. Mr Van Rooyen became managing director of the group in 2000.

***Johannes Jones (Alternate to Q van Rooyen) (DOB: 2 August 1971) Group Exco, Media and Business Development (Trustco, 2 Keller Street, Windhoek)***

Mr Jones has a wide range of experience in business management, ranging from operational and client management in several firms in Pretoria, to sales and marketing management (as well as co-owner) with firms in Namibia. Of particular note was his rise from IT manager for Wise Computer Solutions to his eventual buy-out of their most successful product, Schoolwrite, a student administration system that had sole mandate for schools in the Western Cape. Since Starting at Trustco in 2000, Mr Jones has moved up from being IT manager, to general manager and Company director in 2003, before accepting the position of assistant group Chief Executive Officer.

***Gorden Walters (Executive) (DOB: 16 June 1969) B Com, Hons B Compt, Director: Business Development, (Trustco, 2 Keller Street, Windhoek)***

Mr Walters has over 17 years of finance, accounting and business development experience. He started his work as a trainee accountant with NamDeb in 1990. He served his articles with Ernst & Young and was general manager of group finance at NamPower from 2002 until July 2006. In August 2006 he was appointed as the chief financial officer (Africa) for TMP in which he procured the funding for the second GSM mobile operator in Namibia, CellOne. He joined Trustco as a non-executive director in June 2007 and then as an executive director in September 2007.

He is a certified public accountant and has attended the EMBA at the University of Cape Town.

***Floors Abrahams (Executive) (DOB: 19 June 1975) – B.Com Group Financial Director, (Trustco, 2 Keller Street, Windhoek)***

Mr Abrahams completed his B.Com degree in 1996, started his articles in 1997 and completed them in 1999. During this time he participated in the audits of Trustco. In 2000 he was appointed as group financial manager. On 1 April 2004, Mr Abrahams became group financial director, where he has served ever since.

11.3 **Key Trustco senior management (nationalities noted if not Namibian)**

In addition to the directors noted above, the following individuals comprise the senior management of Trustco:

***Petrus Jacobus Miller (DOB: 12 January 1948) – B Iuris, LLB***

Group Exco – Company Secretary and Group Legal Advisor

Mr Miller has 36 years experience as a legal practitioner and is an admitted legal practitioner in Namibia. He joined Trustco in August 2003 and was subsequently appointed to the boards of directors of various group subsidiaries. He was appointed as group company secretary as from 1 October 2007. He has subsequently resigned from all boards within the Trustco Group.

***Christina van Rooyen (DOB: 21 May 1967)***

Group Exco – Support Services

Mrs van Rooyen was a director of Trustco International since 1992 and has been involved in the operational aspects of Trustco and its subsidiaries since its inception. Her liaison between the different business units forms an integral part for effective and efficient operational management. She also forms part of the group Exco.

***Adriana Lambert (DOB: 29 June 1976)***

Managing Director – IOL

Miss Lambert started her career at Trustco Group Holdings eleven years ago at a relatively young age. She has gained extensive experience in a wide variety of the group's business sectors.

She gained experience whilst involved with the processing and implementing of business processes across the units. As manager she also played a major role in managing sales people and especially in doing budgeting for the group. Miss Lambert is an experienced role player in the Trustco Group.

***David Swindon (DOB: 30 May 1969) ND(CDP) (South African)***

CEO – Strategic Software Systems

Mr Swindon obtained his national diploma (computer data processing) during the late 1980's, and spent most of the early 1990's as software engineer for Data Memory, developing computer accounting systems. From 1997 to 1999 he was systems manager at Southern Life, where his in-job training included a leadership edge course. Since 1999, he worked as an independent consultant on various software development efforts. He joined Trustco in 2003 as software systems management, where he co-ordinated and developed in-house systems before accepting his new position as chief executive of support services and now strategic software systems.

***Janene Van den Heever (DOB: 12 October 1971)***

Group Exco and Managing Director – Trustco Head Office

Ms Van den Heever has been with Trustco for more than seven years. She is a team player and has gained extensive experience in business management, operational management, sales and personnel services. Janene played a major role in establishing and managing the Trustco regional offices as successful business units in and around Namibia.

***Max Hamata (DOB: 15 October 1971) Masters in Investigative Journalism (Nottingham Trent) and a masters in development economics (Potsdam Institute)***

Group Exco and Editor – Informanté, (Trustco Media)

Mr Hamata has been with the company for two years. He holds a masters degree in investigative journalism and a masters degree in development economics from Nottingham Trent Institute in the UK and Potsdam Institute in Germany respectively. With 18 years of journalistic experience, he has previously worked at The Namibian and the Mail and Guardian, amongst others.

***Neville Basson (DOB: 6 September 1971) Diploma: Business Management and Communication***

Managing Director – Trustco Media

Mr Basson is a self-starter who has been in the media and marketing field for the past 15 years. His wide knowledge on products and services over an extended period of time has equipped him with the vital experience to head and manage the media aspects of Trustco. Mr Basson is responsible for the Informanté publication. His immediate objective is to build the Trustco brand into an even more powerful one and to ensure that it is a brand that becomes better known in the marketplace.

***Rudiger Saunderson (DOB: 25 September 1968) B.Com, Hons B.Compt (Unisa)***

Head – Group Internal Audit

Mr Saunderson has over 17 years of finance, accounting and business development experience. He served his articles with Deloitte & Touche and was manager (management accounting) at DeBeers from 1994 to 2002, financial manager at Communicare, from December 2002 until April 2004, and general manager – finance and administration at Roads Contractor Company Ltd from May 2004 until January 2007. In February 2007 he was appointed as general manager – finance and asset management at Namwater until September 2007. He joined Trustco in October 2007 as head of Internal Audit.

***Cornelius Johann Müller (DOB: 15 March 1947) B.Sc. (Eng.) (Industrial) (Pret.), MBA (Pret.), MCSSA (South African)***

Mr. Müller spent his first two years (1970-71) as an industrial engineer by participating in the installation of a costing system for a large ferro-chromium/stainless steel group.

He followed this by joining IBM for seven years (1971 – 79); initially as a systems engineer and later as a sales executive developing business solutions for large organisations and government departments in South Africa. During this period frequent overseas IBM training courses and customer visits were completed. At the end of this period he was elected a full member of the Computer Society of South Africa (hence MCSSA).

In 1980 he set up his own consulting business to focus on IT and the insurance industry and also sold insurance successfully. This led to the incorporation of DexData (Pty) Ltd in 1982. In 1986 he became the Managing Director and the majority shareholder of TFS. Afterwards other companies were founded, the TFS Group was established and diversification in product line as well as geographically (notably South America) followed. During this period the unique $VBM^2$ (Volume Business Management Methodology) were developed together with its supporting software.

In November 2007 Trustco acquired the shares of TFS and its subsidiaries from the TFS Group and Johann continues to lead TFS as its Managing Director. The insurance business of TFS is characterised by premium volumes that exceed R1 000 million per annum.

***Jeniffer Cockcroft (DOB: 10 August 1965)***

Executive Director of TFS

Ms Cockcroft has been with TFS since 1998. She started as a contractor for Special Projects – BrokerNet (Pty) Ltd. Over the years she has held the following positions with BrokerNet (Pty) Ltd: Manager: Client Services, Senior Manager: Client Services, General Manager: Sales & Service, General Manager: Special Projects, Helpdesk & Support Services. In 2003 she was appointed as a director of BrokerNet (Pty) Ltd.

***David John Caine (DOB: 16 May 1971)***

Executive Director of TFS

Mr Caine joined TFS as a computer operator in 1990. Since 1993 he has held the following positions: Operations Manager, Helpdesk Manager, Account and Sales Executive – Insurance, Business Development Manager – Insurance and General Manager of Trustco Corporate Solutions (Pty) Ltd. He was appointed a director of Trustco Corporate Solutions (Pty) Ltd in 2006.

***Johannes Jacobus Wessels (DOB: 30 November 1966) BSc (Wits), Dip Bus Management (Newport), MBL (Unisa)***

Executive Director of TFS and Vice Chairman of TFS Group

Mr Wessels joined TFS as a Programmer and Systems Developer in 1990. He has subsequently held the positions of MIS Manager, Manager Research and Development, Development Manager, Director IT, Managing Director of Trustco Informatix (Pty) Ltd, Executive Director of Trustco Financial Services (Pty) Ltd and he is currently the Vice Chairman of DexGroup (Pty) Ltd.

***Salomon Jacobus Stols (DOB:1 February 1957) MDP (Unisa), Fellow of the Insurance Institute of SA)***

Executive Director of TFS

Mr Stols has been in the insurance industry since 1979 when he joined African Eagle as a consultant. In 1981 he joined AA Mutual as an Underwriting Superintendent. Between 1982 and 1995 he was involved in all divisions of Protea Insurance and eventually became the Area Manager Personal Lines in Pretoria. He joined TFS in 1995 as Portfolio Manager – Insurance and became General Manager – Insurance in 2001. In 2003 he was appointed a Director of BrokerNet (Pty) Ltd and a Director of TFS in 2005. In 2007 he became the Managing Director of The Claims Company.

***Elsie Maria Laing (DOB: 19 December 1972) BCom (Accounts)***

Executive Director of TFS

Ms Laing worked as a Premium Administrator at Prestasi Insurance Brokers in 1991. In 1992 she joined Quest Systems as a Debtor/Creditors Clerk. In July 1992 she started at TFS as HR and Administrator of Insurance Premiums.

She later became the bookkeeper and then the accountant. In 2002 she was appointed the Financial Manager – Insurance and in 2007 she was appointed as a Director of TFS.

***Sharon Wendy Anne Castro Carballo (DOB: 9 April 1969)***

Executive Director of TFS

Ms Castro Carballo joined TFS in 1999 as a BrokerNet Sales Executive. In 2000 she became the Portfolio Manager for BrokerNet (Pty) Ltd. In 2005 she was appointed Claims Manager and in 2007 as a Director of The Claims Company.

***Renier Jacobus Taljaard (DOB: 11 September 1959)***

Managing Director of Legal Shield Holdings

Renier Taljaard started his career in the IT industry.

He then joined the Swabou group in 1986 where he worked in various departments. He started and managed Swabou Insurance Co in 1990 and Swabou Life in 1991 until 1995. He joined Nasria (National Special Risk Insurance Association) as the Managing Director in 1995. He started Harvest Reinsurance Co (an initiative of the Nasria board) in 1997 as Managing Director.

In 2000 he re-joined the Swabou group as Managing Director of Swabou Insurance Co. From 2004 until the third quarter in 2008 he was involved in the retail fuel and later in the mobile industry. During his career, he served on the Legal Shield board for six years, as well as the Swabou Insurance, Nasria and Harvest Reinsurance boards. He was a Fellow member of the Insurance Institute of Namibia & SA, an Associate member of the Institute of Banks, an Associate member of the Institute of Personnel Management and Personnel Practician at the SA Board of Personnel Practice.

### 11.4 Qualification, appointment, remuneration and borrowing powers of directors

The relevant provisions of the articles of association of Trustco relating to qualification, appointment, remuneration and borrowing powers of directors are set out in Annexure 10. The borrowing powers may only be varied by special resolution and have not been exceeded since Trustco's incorporation.

None of the directors of Trustco or members of the senior management (other than Mr Quinton van Rooyen in respect of the last bullet point whose declaration is contained below):

- been declared bankrupt, insolvent or have entered into any individual voluntary compromise arrangements;
- entered into any receiverships, compulsory liquidations, creditor voluntary liquidations, administrations, company voluntary arrangements or any compromise or arrangement with creditors generally or any class of creditors of any company where such directors are or were directors with an executive function during the preceding 12 months;
- entered into any compulsory liquidations, administrations or partnership, voluntary arrangements of any partnerships where such directors are or were partners during the preceding 12 months;
- entered into any receiverships of any asset(s) or of a partnership where such directors are or were partners during the preceding 12 months;
- been publicly criticised by a statutory or regulatory authority, including recognised professional bodies or disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company; and/or
- been involved in any offence of dishonesty, fraud or embezzlement.

Mr van Rooyen was convicted of fraud involving an amount of N$8 600 in 1992, with the conviction being changed to one of theft of N$8 600 on appeal. Both these decisions have been reported in the Namibian Law Reports under the references S v Van Rooyen and Another 1992 NR 165 and S v Van Rooyen 1993 NR 235 and are obtainable as "documents available for inspection".

As a result of the conviction he was prohibited from acting as a director of any company in terms of section 218(1)(d)(iii) of the Companies Act. On 10 February 2000 the High Court of Namibia, based on his conduct subsequent to the said conviction, authorised him to act as a director of companies. On 4 November 1999 a similar authorisation was granted to him in South Africa in the Transvaal Provincial Division of the High Court of that country.

11.5 **Remuneration of directors**

For the financial year ended 31 March 2008, emoluments paid to the directors of Trustco were as follows:

Emoluments paid to the directors of Trustco were as follows:

| **March 2008** | **Directors' fees R'000** | **Basic R'000** | **Bonuses R'000** | **Total R'000** |
|---|---|---|---|---|
| **Holding company** | | | | |
| *Executive Directors* | | | | |
| Q van Rooyen | | | | |
| *(Managing Director)* | 15 | 960 | – | 975 |
| F J Abrahams | – | 426 | 175 | 601 |
| G R I Walters | 26 | 421 | – | 447 |
| | 41 | 1 807 | 175 | 2 023 |
| *Non-executive directors* | | | | |
| Adv T J Frank SC *(Chairman)* | 345 | – | – | 345 |
| M Nashandi | 119 | – | – | 119 |
| Dr D Namwandi | 166 | – | – | 166 |
| V de Klerk | 90 | – | – | 90 |
| A H Toivo ya Toivo | 50 | – | – | 50 |
| | 770 | – | – | 770 |
| **Subsidiary company directors** | | | | |
| *Executive Directors* | | | | |
| J Jones | – | 551 | 240 | 791 |
| P J Miller | – | 459 | 175 | 634 |
| C van Rooyen | – | 301 | – | 301 |
| J van den Heever | – | 487 | – | 487 |
| M Hamata | – | 327 | – | 327 |
| P C Bekker | – | 376 | – | 376 |
| N Hearn | – | 369 | 50 | 419 |
| D Kleinscmidt | – | 360 | 50 | 410 |
| D Swindon | – | 661 | – | 661 |
| Dr C J Powell | – | 464 | – | 464 |
| J Grobler | – | 231 | – | 231 |
| N M Basson | – | 458 | 50 | 508 |
| G Herman | – | 588 | – | 588 |
| G Spinas | – | 407 | – | 407 |
| J Müller | – | 149 | – | 149 |
| A van Wyk | – | 281 | – | 281 |
| E Laing | – | 185 | – | 185 |
| S Stols | – | 368 | – | 368 |
| J Cockcraft | – | 129 | – | 129 |
| J Wessels | – | 453 | – | 453 |
| D Caine | – | 250 | – | 250 |
| S Jones Castro Carballo | – | 137 | – | 137 |
| | – | 7 991 | 565 | 8 556 |
| *Non-executive directors* | | | | |
| G Lister | 20 | – | – | 20 |
| **Total directors' emoluments** | 831 | 9 798 | 740 | 11 369 |

| March 2008 | Share appreciation rights Granted ’000 | Value ’000 |
|---|---|---|
| **Holding company** | | |
| *Executive Directors* | | |
| Q van Rooyen *(Managing Director)* | – | – |
| F J Abrahams | 257 | 66 |
| G R I Walters | 225 | 21 |
| | 482 | 87 |
| *Non-executive directors* | | |
| Adv T J Frank SC *(Chairman)* | – | – |
| M Nashandi | – | – |
| Dr D Namwandi | – | – |
| V de Klerk | – | – |
| A H Toivo ya Toivo | – | – |
| | – | – |
| **Subsidiary company directors** | | |
| *Executive Directors* | | |
| J Jones | 344 | 89 |
| P J Miller | 258 | 65 |
| C van Rooyen | – | – |
| J van den Heever | 156 | 27 |
| M Hamata | 78 | 11 |
| P C Bekker | 156 | 31 |
| N Hearn | – | – |
| D Kleinscmidt | 156 | 42 |
| D Swindon | 188 | 51 |
| DR C J Powell | 185 | 31 |
| J Grobler | 156 | 19 |
| N M Basson | – | – |
| G Herman | 184 | 46 |
| G Spinas | – | – |
| J Müller | – | – |
| A van Wyk | – | – |
| E Laing | – | – |
| S Stols | – | – |
| J Cockcraft | – | – |
| J Wessels | – | – |
| D Caine | – | – |
| S Jones Castro Carballo | – | – |
| | 1 861 | 412 |
| *Non-executive directors* | | |
| G Lister | – | – |
| All of the share appreciation rights were granted on 23 November 2007 at a price of N$3.20 with the exception of 28 571 of the share appreciation rights issued to Dr C J Powell which were granted on 1 December 2007 at N$3.50. 20% of the share appreciation rights are exercisable every 12 months for 5 years. | | |
| **Total directors’ emoluments** | 2 343 | 499 |

No payments were made, or accrued as payable during the year ended 31 March 2008, either directly or indirectly, in cash or securities or otherwise to the directors in respect of benefits, management, consulting, technical, secretarial fees, restraint payments, pension funds and expense allowances.

There will be no variation in the remuneration receivable by any of the directors as a direct consequence of the listing. The remuneration of the directors will be determined by the remuneration committee.

Trustco has not paid any amounts (whether in cash or in securities), nor given any benefits to any directors or to any company in which directors are beneficially interested, or to any partnership, syndicate or other association of which the directors are members, or to any director as an inducement to become a director or otherwise, or for services rendered by directors, or otherwise for services rendered by directors or by the associate company or associate entity, during the preceding three years.

No fees have been paid or accrued as payable to a third party in lieu of director's fees.

No fees have been paid or accrued as payable to the directors in respect of sums paid by way of expense allowance or any commission, gain or profit sharing arrangement.

No part of Trustco is managed, or is proposed to be managed, by a third party under a contract or arrangement and, therefore, no consideration has been paid, or will be paid, in respect of this.

### 11.6 Interests of directors

At 31 January 2009, following the subdivision of the Trustco shares, the directors, in aggregate, directly and indirectly held the following Trustco issued shares:

| | Beneficial | | | Percentage |
|---|---|---|---|---|
| **Director** | **Direct** | **Indirect** | **Total** | **held** |
| V de Klerk | 16 000 | – | 16 000 | 0.00 |
| Dr D Namwandi | 56 500 | – | 56 500 | 0.01 |
| M Nashandi | 15 000 | – | 15 000 | 0.00 |
| A Toivo Ya Toivo | – | – | – | – |
| Q van Rooyen | 392 554 120 | – | 392 554 120 | 55.51 |
| G Walters | – | – | – | – |
| J Jones | 1 075 000 | – | 1 075 000 | 0.15 |
| F J Abrahams | 150 000 | – | 150 000 | 0.02 |
| **Total** | **393 866 620** | **–** | **393 866 620** | **55.69** |

No director of Trustco has or had any interest, directly or indirectly, in any transaction which is, or was, material to the business of Trustco and which was effected by Trustco during the current financial year or immediately preceding financial year or in respect of any previous financial year which remains in any respect outstanding or unperformed.

### 11.7 Service contracts of directors

Save for the managing director, each of the executive directors has a letter of appointment from Trustco, containing terms that are normal for such contracts. The executive directors have a notice period of three months per their employment contracts. The employment contracts for the executive directors include a restraint of trade period of six months from the date of termination of their services. No amounts have been paid in respect of this restraint of trade period.

The non-executive directors have a term that is governed by the articles of association. They are re-elected by the shareholders at the Annual General Meeting (AGM). Two shall retire at each AGM but are eligible for re-election. Non-executive directors have a notice period of 24 hours. Further details are provided in Annexure 10.

The remuneration committee and board of directors have approved the following directors fees for the year ending 31 March 2009:

- Non-executive Chairman: N$10 000 per month;
- Non executive deputy chairman: N$7 500 per month;
- Non-executive director: N$5 000 per month;
- Group managing director: No salary for the next 5 years. An equity based compensation based on group performance is currently being negotiated with the Remuneration Committee;
- Group financial director: N$46 000 per month; and
- Director: Business development: N$60 000 per month.

11.8 **Other directorships held by the directors**

Details of other directorships currently held by the directors of Trustco are as follows:

| Director | Directorships |
|---|---|
| V de Klerk | Rennies Travel Namibia (Pty) Ltd |
| Dr D Namwandi | Nagua Ventures Holdings (Pty) Ltd<br>International University of Management (Pty) Ltd<br>Mark 4 (Pty) Ltd<br>Trans Atlantic Industries (Pty) Ltd |
| M Nashandi | Galaxy Telecommunications (Pty) Ltd |
| G Walters | Cricket Namibia |
| Q van Rooyen | Next Investments (Pty) Ltd<br>Galore Financial Services (Pty) Ltd<br>Northern Namibia Development Company (Pty) Ltd<br>Othinge Investments (Pty) Ltd<br>Shad Investments (Pty) Ltd<br>Sweep Investments (Pty) Ltd<br>Huso Investments (Pty) Ltd<br>Morse Investments (Pty) Ltd<br>Heymeadow Consultants (Pty) Ltd<br>Namibia Medical Investments (Pty) Ltd<br>Foxtrot Properties (Pty) Ltd<br>Golf Properties (Pty) Ltd<br>Legal Shield Holdings (Pty) Ltd |
| F J Abrahams | Galore Financial Services (Pty) Ltd<br>Heymeadow Consultants (Pty) Ltd |
| A Toivo Ya Toivo | Executive Chairman – J&P Group Holdings Ltd |
| C J Muller | Shibbolet Holdings (Pty) Ltd<br>Air Charter Services (Pty) Ltd<br>Amakeia Farms (Pty) Ltd<br>Bousentrale (Pty) Ltd<br>Brokernet Risk Services (Pty) Ltd<br>Brugfinans (Pty) Ltd<br>Chamanzi Consolidated Investments (Pty) Ltd<br>Chamanzi Ranches (Pty) Ltd<br>Chamanzi Riverside Park (Pty) Ltd<br>Chamanzi Wilderness Park (Pty) Ltd<br>Dex Africa Projects (Pty) Ltd<br>Dex Authentidoc (Pty) Ltd<br>DexBrasil Limitada<br>Brazma Limitada<br>DexData Overseas Ltd<br>Dex Consolidated Investments (Pty) Ltd |

| Director | Directorships |
|---|---|
| C J Muller (continued) | Dexafrica (Pty) Ltd<br>Dexair Services (Pty) Ltd<br>Dexdata Staff Holdings (Pty) Ltd<br>Dexdata Technologies (Pty) Ltd<br>DexGroup (Pty) Ltd<br>Dexholdings (Pty) Ltd<br>Dexpdms performance directed management systems (Pty) Ltd<br>Dexrad (Pty) Ltd<br>Dexsecurity Solutions (Pty) Ltd<br>Dexter IT Support (Pty) Ltd<br>Dirmicon (Pty) Ltd<br>Dirmicon Plaza (Pty) Ltd<br>E-Stamp Security (Pty) Ltd<br>ECU Investments (Pty) Ltd<br>ID-soft Holdings (Pty) Ltd<br>ID-soft SA (Pty) Ltd<br>Leste Oeste Exports (Pty) Ltd<br>Lynx Computer Systems (Pty) Ltd<br>Oriole Express (Pty) Ltd<br>Pro-vision International (Pty) Ltd<br>Quadrant Office Systems (Pty) Ltd<br>Quest Systems (Pty) Ltd<br>Romoco Traders (Pty) Ltd<br>Sankanman Beleggings (Pty) Ltd<br>Sentrale Vragbestuur (Pty) Ltd<br>Shibbolet (Pty) Ltd<br>Unsung Heroes Assoc Inc under S21<br>Vision to Africa Ministries Assoc Inc under S21<br>Vision to Africa Properties Assoc Inc under S21 |
| J J Wessels | Dex Authentidoc (Pty) Ltd<br>Dex Security Solutions (Pty) Ltd<br>Dexafrica (Pty) Ltd<br>Dexdata Technologies (Pty) Ltd<br>Dexgroup (Pty) Ltd<br>Dexholdings (Pty) Ltd<br>Dexpdms Performance Directed Management Systems (Pty) Ltd<br>Dexrad (Pty) Ltd<br>E-Stamp Security (Pty) Ltd |
| S J Stols | Brokernet Risk Services (Pty) Ltd<br>Dexafrica (Pty) Ltd |
| R J Taljaard | Neefs Eleven Investment Company (Pty) Ltd |

Details of other directorships held during the past five years prior to the last practicable date but not currently held are as follows:

| Director | Directorships | Reason for resignation |
|---|---|---|
| G Walters | NamPower International (Pty) Ltd | Resigned from the company |
| | Westcor (Pty) Ltd | Resigned from the company |
| | Van der Vijver Holdings (Pty) Ltd | Resigned from the company |
| | Oshakti Premier Electric (Pty) Ltd | 9 year term ended |
| | Aantu Investment and Consulting (Pty) Ltd | Sold shareholding |
| C J Muller | Dexafrica (Pty) Ltd | Resigned from the company |
| | Integrisure Brokers | Resigned from the company |
| | L City Retail Services | Resigned from the company |
| | Nimpa | Resigned from the company |

| Director | Directorships | Reason for resignation |
|---|---|---|
| C J Muller (continued) | Private Equity Partners<br>Second Site Management | Resigned from the company<br>Resigned from the company |
| R J Taljaard | Legal Shield Holdings (Pty) Ltd<br>Swabou Insurance Company Ltd<br>Harvest Reinsurance Company Ltd<br>Namibian Special Risk Insurance Association | Term ended<br>Resigned from the company<br>Resigned from the company<br>Resigned from the company |

11.9 **Secretarial and technical fees**

Trustco has not paid any material amounts to third parties in respect of managerial, secretarial and technical fees over the past three years. Secretarial fees relate to company secretarial work done by various companies for Trustco.

11.10 **Commissions paid or payable in respect of underwriting**

No commissions, discounts, brokerages or other special terms have been granted since incorporation in connection with the issue or sale of any securities or stock of the company.

## 12. SHARE CAPITAL AND DIVIDENDS

12.1 **Authorised and issued share capital**

The authorised and issued share capital of Trustco, taking into account the listing costs as set out in paragraph 31, which are to be offset against the share premium, are set out below:

| | Number of shares | Share capital (N$'000) |
|---|---|---|
| ***Authorised*** | | |
| 2 500 000 000 par value ordinary shares of N$0.23 each | 2 500 000 000 | 575 000 |
| ***Issued*** | | |
| 707 142 090 par value ordinary shares of N$0.23 each | 707 142 090 | 162 645 |
| Share premium | | 3 361 |
| *Less:* 29 901 800 par value ordinary shares of N$0.23 each | | |
| – deemed treasury shares | | (19 137) |
| *Less:* Share issue expenses | | (881) |
| | | 145 988 |

All the authorised and issued Trustco shares will be of the same class and will rank *pari passu* in every respect. On 9 January 2009 it was resolved by Trustco shareholders that the authorised and issued no par value shares of Trustco be converted into par values shares of N$1.15 each. The Trustco shares were further subdivided, details of which are provided in paragraph 12.2 below. The resolutions were registered on 20 January 2009.

Save as set out in below, there has been no sub-division or consolidation of shares during the three years prior to the date of the pre-listing statement.

In terms of the prospectus issued for the listing on NSX and dated 29 August 2006, 46 875 000 ordinary shares of no par value were made available to the public at a price of 320 cents by way of a public offer. This represented 30% of the share capital of Trustco, with the remaining 70% being beneficially owned by Mr. Quinton van Rooyen. Full details of the offer and subsequent allotment of shares are as follows:

| Date of prospectus | Shares offered to the public | Number of shares allotted to the public | Shares allotted to Q van Rooyen | Shares allotted to other directors | Total shares listed |
|---|---|---|---|---|---|
| 29 August 2006 | 46 875 000 | 23 984 600 | 109 425 000 | 70 700 | 133 480 300 |
| 26 July 2007* | | 2 300 | | | 2 300 |
| 16 June 2008 | | 6 545 537 | | | 6 545 537 |

* After the original issue of 133 480 300 shares was done based on audited lists of applicants provided by Trustco and Standard Bank, 14 additional applicants proved that they had submitted their applications and paid for 2 300 shares during the offer period. Trustco asked the NSX for approval to issue the additional 2 300 shares and such approval was granted on 26 July 2007.

During the financial year ended 31 March 2007, 13 362 860 no par value shares were purchased from Quinton van Rooyen by the Trustco Staff Share Incentive Scheme Trust at N$3.20, which was the issue price when Trustco listed at on the NSX.

This transaction was agreed prior to Trustco listing on the NSX and was included in that pre-listing statement. The trust borrowed the funds from Trustco. The purpose of the purchase was to facilitate the employee share scheme, which has been approved at the annual general meeting, dated 15 August 2007. The trust is controlled by three trustees, all of whom are non – executive directors of Trustco. For this reason for accounting purposes, the trust is treated as a special purpose entity that was consolidated into the group and company financial statements. The shares held by the trust are therefore treated as deemed treasury shares for consolidation and company purposes. In light of this, the shares issued are treated as treasury shares instead of issued shares, as noted previously. A further 687 500 shares were purchased by the staff share incentive trust from the senior employee trust, at N$3.40, in a further transaction during the 2007 financial-year. The senior employee trust was a trust established by a number of senior employees of the group who originally purchased a group of shares in the listing process. The majority of these shares were then sold to the public, after listing, and the remainder to the staff share incentive scheme. This sale was funded through a loan of N$2 337 500 which was approved at a board meeting on 13 March 2007.

Trustco Group Holdings Ltd Staff Share Incentive Scheme was implemented during the 2008 financial year in the company as a replacement for the Trustco staff share incentive scheme. As a result the Trust allotted no shares or share options to employees during the 2008 financial year from the Trust.

On 16 June 2008, Trustco issued TFS with 6 545 537 no par value shares in accordance with the purchase agreement.

On 20 January 2009, Trustco issued D van Huyssteen with 7 001 405 shares with a par value of N$0.23 per share at N$0.71 per share in lieu of advisory services rendered to Trustco in respect of the acquisition of TFS and services rendered over the preceding two and a half years including the restructuring of the group in preparation for the listing on the Africa Board of the JSE.

No debentures have been created or issued by Trustco.

12.2 **Alterations to authorised and issued share capital**

Trustco International (Pty) Ltd was incorporated in 2002 with an authorised ordinary share capital of 4 000 ordinary shares with a par value of N$1.00 each per share. On incorporation, Trustco International issued and allotted 100 ordinary shares with a par value of N$1.00 per share to its sole shareholder, being Quinton van Rooyen.

It was resolved on 22 August 2006 that:

- The existing authorised share capital of 4 000 shares of N$1.00 be increased and converted into 500 000 000 shares of N$0.000008 per share, such new shares to rank *pari passu* in every respect with the existing ordinary shares of the group.
- The authorised share capital of N$4 000, divided into 500 000 000 ordinary par value shares of N$0.000008, be converted into 500 000 000 no par value shares.
- The consideration for the sale of Trustco Group International shares by Mr Q van Rooyen to Trustco was N$68 549 357, being the consolidated net asset value of Trustco Group International as at 31 March 2006, for which 109 424 900 Trustco no par value shares were issued.
- The issued share capital of N$68 549 357 thereafter comprised 109 425 000 shares of no par value.

It was resolved on 9 January 2009 and registered with the Registrar of Companies on 20 January 2009 that:

- The authorised share capital of 500 000 000 ordinary shares of no par value be converted into 500 000 000 ordinary par value shares of N$1.15 each.
- The authorised share capital of 500 000 000 ordinary par value shares of N$1.15 each be subdivided into 2 500 000 000 ordinary par value shares of N$0.23 each.
- The issued share capital of 140 028 137 ordinary shares of no par value be converted into 140 028 137 ordinary par value shares of N$1.15 each and that the issued share capital of 140 028 137 ordinary shares of N$1.15 each be subdivided into 700 140 685 ordinary shares of N$0.23 each.

### 12.3 Unissued shares

At the special general meeting of shareholders held on 9 January 2009, the requisite ordinary resolution was passed placing all of the authorised but unissued share capital in the group under the control of the director to issue and allot such shares in their absolute discretion, subject to the Listing Requirements.

There will be 2 500 000 000 authorised ordinary shares in the share capital of Trustco, of which 1 792 857 910 authorised but unissued ordinary shares are under the control of the directors of Trustco until its next annual general meeting, subject to the provisions of sections 221 and 222 of the Companies Act and Trustco's articles of association.

### 12.4 Voting, variation and conversion of rights

The provisions of the articles of association of Trustco, which were adopted at the special general meeting on 9 January 2009 and registered with the Registrar of Companies on 20 January 2009, relating to the voting rights and variation of rights attaching to shares in the share capital of Trustco are set out in Annexure 10.

There are currently no preferential conversion or exchange rights to shares in Trustco.

### 12.5 Listings on other stock exchanges

As noted previously, an offer has been made to the public for the subscription or sale of shares and subsequent listing of the shares on NSX during the period from the date of Trustco's incorporation until the date of this pre-listing statement. There are currently 148 028 137 issued no par value ordinary shares listed on NSX which were replaced on 12 February 2009 with the subdivided par value shares. The ordinary shares of N$0.23 of Trustco in terms of this pre-listing statement will be listed on the Africa Board of the JSE in terms of a dual primary listing.

The company is considering listing on the Botswana Stock Exchange in the next year.

### 12.6 Dividends

The directors of Trustco believe that as the group is in a high growth phase an initial dividend cover of between 4 and 5 times will be sustainable. As Trustco progresses and attains maturity, the directors believe that a more aggressive dividend cover of between 3 and 4 times will be more appropriate.

The dividend will be declared and paid in the form of a final dividend and will be declared and paid after the annual financial statements have been finalised. It is the intention of the group to periodically consider this dividend policy and to take into account prevailing market conditions, particular circumstances of the group, and future cash requirements in determining whether it would be appropriate to pay a dividend in respect of any particular financial reporting period.

Should the group resolve to pay dividends, Trustco will only declare and pay dividends in respect of any given financial year, early in the following financial year, subject to any JSE and NSX timetable that may be applicable in respect to the declaration and payment of dividends by the group.

In terms of the group's articles of association, any dividend that remains unclaimed for a period of three years after having been declared by the group, shall revert to the group.

There is no arrangement under which future dividends will be waived or have been waived, except for the staff share incentive scheme.

## 13. HISTORICAL FINANCIAL INFORMATION

The audited and reviewed historical financial information for Trustco and Trustco Group International, the preparation of which is the responsibility of the directors, is presented in Annexures 1 and 3. Annexure 2 and 4 contain the independent reporting accountants' reports on the historical financial information of Trustco and Trustco Group International.

The audited and reviewed historical financial information for TFS, the preparation of which is the responsibility of the directors, is presented in Annexures 5 and 7. Annexure 6 and 8 contain the independent reporting accountants' reports on the historical financial information of TFS.

## 14. DUAL PRIMARY LISTING ON THE AFRICA BOARD OF THE JSE

The JSE has formally approved the listing of 707 142 090 ordinary shares in the share capital of Trustco on the Africa Board with effect from the commencement of trading on 19 February 2009. The shares will trade under the abbreviated name "Trustco", with the code "TTO" and ISIN: NA000A0RF067. The shares will trade in certificated from on the NSX under the abbreviated name "Trustco", with share code "TUC" and ISIN: NA000A0RF067.

The main purpose of Trustco's dual primary listing on the Africa Board is to enhance investor and public awareness of Trustco and it activities, assisting the group to sell the Trustco product and expertise in Southern Africa.

## 15. MATERIAL CHANGES

As noted previously, in order to facilitate the company's listing on NSX, the directors decided to restructure the group, effective 1 April 2006, whereby former divisions within Trustco Group International became companies in their own right and Trustco Group International shares were in turn sold to Trustco in order to create a holding company and a vehicle to facilitate the proposed listing.

In addition, Trustco acquired TFS with effect from 1 November 2007. Full details of this acquisition are provided in paragraphs 4.6.1 and 18.2 of this pre-listing statement.

Other than as mentioned above, there have been no other material changes in the financial or trading position of Trustco for the last five years up until the last practicable date, other than in the ordinary course of business.

In addition, there have been no changes in the controlling shareholders and trading objectives of Trustco, including its subsidiaries for the last five years up until the last practicable date.

## 16. CAPITAL COMMITMENTS, LEASE PAYMENTS AND CONTINGENT LIABILITIES

As at the latest practicable date, capital expenditure of N$23 million has been approved by the directors but not yet contracted for. This capital commitment is expected to be financed from existing borrowing facilities and internally generated funds and relates to computer equipment, motor vehicles and various other smaller renovations and developments.

Liabilities under finance leases for the purchase of motor vehicles are repayable over periods from 1 to 5 years at an effective interest rate of 13% (2007: 11.5%) per annum. There liabilities are repayable in monthly instalments of approximately N$ 362 868 (2007: N$ 281 397) and are secured over motor vehicles with a carrying amount of N$ 8.301 million (2007: N$ 7.645 million).

Liabilities under instalment sales agreements for the purchase of machinery and equipment, motor vehicles and aircrafts are payable over periods from 1 to 5 years at effective interest rates ranging from 13.25% to 15.25% (2007: 11.50% to 13.75%) per annum. These liabilities are repayable in monthly instalments of approximately N$ 964 886 (2007: N$ 966 896) and are secured over machinery and equipment, motor vehicles and aircrafts with a carrying of N$ 53.4 million (2007: N$49.9 million).

Monthly rental payments in respect of the property leases noted in paragraph 20 currently amount to N$20 000 per month.

Refer to paragraph 26 for a detailed discussion of the litigation currently outstanding with the SABC.

## 17. MATERIAL LOANS, LOANS RECEIVABLE AND BORROWING POWERS

The following material loans have been advanced to Trustco at the latest practicable date.

| Loan type | Loan amount N$'000 | Interest rate | Security | Maturity | Inception date |
|---|---|---|---|---|---|
| Term loan | 23 023 | Namibian prime rate 14.75% | Land and buildings and inventories with a carrying value of N$36.4 million | Repayable in 60 monthly instalments | April 2006 |
| Mortgage loans | 55 957 | Loan rates ranging between 12.5% and 15.25% | Land and buildings, inventories and investment properties with carrying value of N$91.1 million | Repayable in monthly instalments up to 20 years | From June 2004 to July 2007 |
| Liabilities under instalment sale agreements | 41 717 | Effective interest rates ranging between 13.25% to 15.25% per annum | Secured over motor vehicles, aircrafts, computer equipment and printing press with carrying amount of N$61.9 million | Repayable over periods of 1 to 5 years | From December 2004 to June 2008 |

The lenders for borrowings as detailed above are as follows:

- Mortgage loans – Bank of Windhoek, ABSA Bank Ltd
- Finance Leases – Standard Bank Namibia Ltd, Avis Lease, Nedbank Namibia Ltd
- Liabilities under installment sale agreements – First National Bank of Namibia Ltd, Standard Bank Namibia Ltd

The mortgage loans relate to property acquisitions of the group, as noted in paragraph 20.

The term loans relate to long term financial instruments which are secured by investments in balanced funds.

The liabilities under instalment sale agreements have been entered into in respect of motor vehicles, aircraft, machinery and equipment and a printing press.

All the borrowings listed above have no conversion or redemption rights.

No loan capital is outstanding.

The following material loans have been advanced from Trustco at the latest practicable date.

| Loan type | Loan amount N$'000 | Interest rate | Security | Maturity |
|---|---|---|---|---|
| Educational loans advanced | 114 178 | Varies between 16.75% and 27.75% | None | Repayable over periods between 12 to 60 months |

The educational loans advanced relate to loans advanced by Trustco Finance in the normal course of business.

The borrowing powers of the group may only be varied by special resolution and were amended on 9 January 2009 by a special resolution which was registered on 20 January 2009.

The borrowing powers of the directors are set out in Annexure 10.

The following material inter-company loans have been advanced from Trustco at the latest practicable date:

| Lender | Loan amount N$'000 | Interest rate | Security | Maturity |
|---|---|---|---|---|
| Trustco Fleet Management (Pty) Ltd | 1 845 | Prime | None | None |
| Trustco Group International (Pty) Ltd | 58 597 | Prime | None | None |
| Trustco Group International (Pty) Ltd (SA) | 36 926 | Prime | None | None |
| Trustco Finance (Pty) Ltd | 17 025 | Prime | None | None |
| Trustco Capital (Pty) Ltd | 95 462 | Prime | None | None |
| Trustco Staff Share Incentive Scheme | 15 957 | None | Shares held by the trust in Trustco | AGM approved the resolution to dissolve the trust on 15 August 2008. Shares will be placed on the dual primary listing of Trustco on the Africa Board of the JSE. |

The prime interest rate is currently 14.75%.

The above loans have arisen as a result of transactions in the normal course of business between Trustco and its subsidiaries.

No material inter-company loans have been advanced to Trustco Group Holdings at 31 March 2008.

The group is currently finalising a R35 million banking facility with ABSA Limited for one of its subsidiaries, Brokernet (Pty) Ltd.

The group is currently in negotiations, albeit at an early stage, with The Development Bank of Namibia for a N$20 million micro-finance loan facility.

The cash portion of the purchase consideration relating to the acquisition of TFS detailed in paragraph 18.2 below, was funded through a loan from Next Investments (Pty) Ltd. The loan from Next Investments (Pty) Ltd is unsecured and bears interest at 12% per annum. Repayment terms are in the process of renegotiation. No repayment will be made in the next 12 months. The sole shareholder of Next Investments (Pty) Ltd is Q van Rooyen.

## 18. PROPERTY AND SUBSIDIARIES ACQUIRED OR TO BE ACQUIRED

Details of the acquisition of immovable property during the past 3 years, is set out in paragraph 20 below.

Details of material acquisitions made by Trustco in the past three years are as follows:

| Nature of asset acquired | Names of vendors | Acquiring company | Address of vendors | Date of acquisition | Amount paid |
|---|---|---|---|---|---|
| Trustco International | Mr Q van Rooyen | Trustco | 2 Keller Street Windhoek Republic of Namibia | 1 April 2006 | N$68.5 million settled through the issued of 109 424 900 no par value Trustco shares on listing |
| TFS | DexGroup (Pty) Ltd the beneficial shareholders of which are as follows:<br>• The Johannes Muller Trust 75%; and<br>• Dirmicon (Pty) Ltd 25%* | Trustco | 201 BP House, 10 Junction Road, Parktown, Johannesburg, South Africa | 1 November 2007 | • R20 million in cash funded by Next Investments<br>• R45 million in Trustco shares (refer to paragraph 18.2 below) |

* the shareholders of Dirmicon (Pty) Ltd are Jans Wessels 24%, Sollie Stols 12%, David Craine 8%, various staff members 5% and Johann Muller 51%.

### 18.1 With regards to the acquisition of Trustco Group International

The historical financial information of Trustco Group International for the year ended 31 March 2006 (prior to the acquisition) is set out in Annexure 1.

The purchase price was settled through the issue of 109 424 900 Trustco no par value shares.

- Normal warranties for an acquisition of this nature was given in respect of this transaction.
- None of the assets or book debts were guaranteed.
- Any accrued taxation liabilities in Trustco Group International were settled by Trustco on their due dates.
- The sales agreement does not contain any restraint of trade on the vendor/s and does not preclude them from carrying on business in competition with Trustco.
- Mr Q van Rooyen, a director of Trustco, had a sole direct beneficial interest in the Trustco Group International acquisition.
- All of the assets acquired have been transferred into Trustco's name and none of the assets have been ceded or pledged.

### 18.2 With regards to the acquisition of TFS (formerly Dex Financial Services (Pty) Ltd)

The historical financial information of TFS for the three periods ended 31 March 2008 and the six months ended 30 September 2008 is set out in Annexures 5 and 7.

The excess of the company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of TFS over the cost of the business combination is immediately recognised in profit or loss.

The cash portion of the purchase consideration, amounting to R20 million, was funded through a loan from Next Investments (Pty) Ltd. The remaining R45 million of the purchase price will be paid through the issue of par value Trustco shares at N$0.76 per share.

- Normal warranties for an acquisition of this nature were given in respect of this transaction. The deferred purchase consideration of R45 million is subject to a profit warranty, as follows:

    - By 31 May 2008, issue ordinary shares in Trustco valued at N$0.76 per share, as would total the net profit after taxation achieved by TFS as at 31 March 2008. On 16 June 2008, Trustco issued 6 545 537 shares in this regard;
    - By 31 May 2009, issue ordinary shares in Trustco valued at N$0.76 per share, as would total the net profit after taxation achieved by TFS as at 31 March 2009;
    - By 31 May 2010, issue ordinary shares in Trustco valued at N$0.76 per share, as would total the net profit after taxation achieved by TFS as at 31 March 2010;
    - By 31 March 2011, issue ordinary shares in Trustco valued at N$0.76 per share, as would total the net profit after taxation achieved by TFS as at 31 March 2011;
- Notwithstanding the a foregoing the value of the shares issued is limited to R45 million.
- None of the assets or book debts were guaranteed.
- In terms of the purchase agreement, except for taxation liabilities in respect of which provision was specifically made in the purchase agreement, Trustco is indemnified against any taxation of every kind, not paid, relating to TFS.
- In terms of the purchase agreement, Cornelius Johann Muller is restrained from soliciting or enticing the services of senior staff members to perform work outside the normal business activities of TFS for a period of four years.
- No promoter or director of Trustco had any direct or indirect beneficial interest in the TFS acquisition.
- All of the assets acquired have been transferred into Trustco's name and none of the assets have been ceded or pledged.

No property has been disposed of during the preceding 3 years.

## 19. SHARES ISSUED OTHER THAN FOR CASH

Save for the issues as set out in paragraph 12, no shares have been issued or agreed to be issued by Trustco or any of its subsidiaries since incorporation, other than for cash.

## 20. PRINCIPAL IMMOVABLE PROPERTY OWNED AND LEASED

Principal properties leased by Trustco:

| Lessor | Lessee | Property type | Location | Square metres | Expiry date |
|---|---|---|---|---|---|
| D&I Woodwork CC | Trustco International | Regional offices | Rundu | 99 | 30/04/2011 |
| Atlanta Hotel Swakopmund | Trustco International | Regional offices | Swakopmund | 10 | 01/12/2007 |
| Best Investment CC | Trustco International | Regional offices | Keetmanshoop | 96 | Monthly |
| Thomas William Wilkenson Rocher | Trustco International | Regional offices | Katima Mulilo | 120 | 01/05/2011 |
| BP (Southern Africa) (Pty) Ltd | Brokernet | Regional offices | Johannesburg | 1 824 | 30/06/ 2014 |
| West Rand Prop-Rent & Removals CC | Brokernet | Commercial storage facility | Krugersdorp | 161 | Monthly |

Principal immovable properties owned by Trustco:

| Location | Square metres | Consideration ('000) | Valuation ('000) | Loans ('000) | Date acquired | Details |
|---|---|---|---|---|---|---|
| Windhoek | 90 | N$175 | N$640 | N$247 | 22/03/1994 | Erf 1293, Megapark |
| Windhoek | 148 | N$489 | N$920 | N$423 | 02/02/1996 | Section 15, 45 Berg Street |
| Windhoek | 168 | N$489 | N$980 | N$474 | 02/02/1996 | Section 07, 45 Berg Street |
| Windhoek | 487 | N$1 450 | N$5 372 | N$2 192 | 13/04/1999 | Erf 7179 |
| Windhoek | 3875 | N$30 000 | R39 978 | N$26 085 | 01/08/2001 | Erf 7490, Keller Street |
| Walvis Bay | 1853 | N$2 200 | N$4 131 | N$2 442 | 01/06/2007 | Erf 690 |
| Ongwediva | 5410 | N$2 900 | N$3 900 | N$3 148 | 07/06/2006 | Erf 5741 |
| Windhoek | 634 | N$1 029 | N$3 600 | N$1 688 | 30/01/1997 | Erf 3265, Section 1 |
| Windhoek | 637 | N$577 | N$3 600 | N$1 825 | 30/01/1997 | Erf 3256, Section 2 |
| Johannesburg | 620 | R1 500 | R1 850 | R1 500 | 08/02/2007 | Erf 870, Witkoppen |
| Johannesburg | 1983 | R2 050 | R2 850 | R1 236 | 07/12/2007 | Erf 411, Morningside Manor |
| Johannesburg | 1983 | R2 850 | R3 800 | R2 850 | 08/02/2007 | Erf 77, Westcliff |
| Johannesburg | 106 | R840 | R1 100 | R840 | 08/02/2007 | Unit 2, Cottonwoods |
| Johannesburg | 88 | R870 | R1 000 | R870 | 13/02/2007 | Unit 13, Cottonwoods |
| Johannesburg | 88 | R870 | R1 000 | R870 | 13/02/2007 | Unit 14, Cottonwoods |
| Johannesburg | 88 | R870 | R1 000 | R870 | 13/02/2007 | Unit 15, Cottonwoods |
| Windhoek | 351 | N$3 500 | N$55 000 | N$4 100 | 16/04/2004 | Remainder of Portion A of the Farm Nubuamis No 37 |

## 21. DETAILS OF SUBSIDIARIES

Details of the subsidiaries of Trustco are set out in Annexure 13.

## 22. ADEQUACY OF WORKING CAPITAL

The directors are of the opinion that the working capital available to Trustco, both prior and subsequent to the dual primary listing on the Africa Board of the JSE, is adequate for the present requirements of the group, i.e. for a period of 12 months from the date of issue of this pre-listing statement.

## 23. MATERIAL CONTRACTS

Except for the material contract listed below, the group has not entered into any material contracts, either verbally or in writing, otherwise than in the ordinary course of the business carried on by Trustco or any of its subsidiaries during the two years prior to the date of this pre-listing statement or which contains an obligation or settlement that is material to Trustco or its subsidiaries at the date of the pre-listing statement:

- TFS acquisition, details of which are given in paragraphs 4.6.1 and 18.2 above; and
- Trustco has entered into a six year royalty agreement to rent out the AEC trademark for the next six years at N$500 000 per annum. This agreement was entered into with a major maize operator in Namibia.

## 24. GOVERNMENT PROTECTION AND INVESTMENT ENCOURAGEMENT LAW

There is no government protection or investment encouragement law affecting Trustco.

## 25. OPTIONS AND PREFERENTIAL RIGHTS IN RESPECT OF SHARES

The directors of the company established the Trustco staff share incentive scheme trust for the benefit of executive directors and employees of the group. No options were granted to any executive directors or employees. The Trustco staff share incentive scheme trust has been dissolved in terms of an ordinary resolution passed by Trustco shareholders at the annual general meeting on 15 August 2008.

The directors of the company have established the Trustco Group Holdings Limited Staff Share Incentive Scheme, a share incentive scheme that entitles all employees who wish to partake in share appreciation rights. The salient features are set out in Annexure 12.

26. **LITIGATION**

On 09 March 2004 Trustco Group International entered into two agreements with the SABC. Essentially the first agreement provided that Trustco will render SMS services to the SABC at an agreed fee. The second contemplated a promotional campaign on SABC 2 television to promote the existence of the SMS service. Within a matter of months thereafter the SABC repudiated both agreements. Trustco accepted the repudiations and instituted arbitration proceedings claiming damages for loss of profits to a maximum of R132 million. SABC defended the action.

The arbitrator was requested to determine the issue of liability first. After a protracted hearing the arbitrator found that SABC had repudiated the agreements and were liable in damages. The SABC noted an appeal which was subsequently withdrawn. The hearing to determine the amount of damages to be awarded was scheduled to proceed in December 2008 but was postponed to July 2009.

The above litigation will not have a material negative impact on the group but could have a material positive impact on the group if they receive the damages of R132 million in cash.

27. **EXCHANGE CONTROL REGULATIONS**

The following is intended as a guide of the Exchange Control Regulations and is not, therefore, a comprehensive statement. Applicants are advised to consult their professional advisers if they have any doubt as to the effect of these regulations in, or the applicability of them to their particular case.

Non-residents must satisfy themselves as to the full observance of the laws of any relevant territory concerning the dual primary listing of the shares on the Africa Board of the JSE, including obtaining any requisite governmental or other consents, observing any other requisite formalities and paying any issue, transfer or other taxes due to such territory.

In terms of the Exchange Control Regulations of South Africa:

- A former resident of the common monetary area who has emigrated, may use emigrant blocked funds to subscribe for shares in terms of this pre-listing statement;
- All payments in respect of subscriptions for shares by an emigrant, using blocked funds, must be made through the authorised dealer in foreign exchange controlling the blocked funds;
- Any shares issued pursuant to the use of emigrant blocked funds, will be credited to their blocked share accounts at the CSDP controlling their blocked portfolios;
- Shares subsequently re-materialised and issued in certificated form, will be endorsed “Non-Resident” and will be sent to the authorised dealer in foreign exchange through whom the payment was made; and
- If applicable, refund monies payable in respect of unsuccessful applications or partly successful applications, as the case may be, for shares in terms of this pre-listing statement, emanating from emigrant blocked accounts, will be returned to the authorised dealer in foreign exchange through whom the payments were made, for credit to such applicants’ blocked accounts.

Applicants resident outside the common monetary area should note, where shares are subsequently re-materialised and issued in certificated form, such share certificates will be endorsed “Non-Resident” in terms of the Exchange Control Regulation.

28. **CODE OF CORPORATE PRACTICE AND CONDUCT**

Trustco and its directors are committed to the principles of effective corporate governance and application of the highest ethical standards in the conduct of its business and affairs.

The board of directors has appointed the following committees:

- Audit and Risk Management Committee; and
- Remuneration and Nomination Committee.

Details of Trustco’s code of corporate practice and conduct are set out in Annexure 11.

29. **ADVISERS' INTERESTS**

None of the advisors, whose names are set out on the inside cover of to this pre-listing statement, other than D van Huyssteen, who holds 7 001 405 shares as described in paragraph 12.1 above, hold any shares in Trustco or have agreed to acquire any shares in Trustco at the date of this pre-listing statement.

30. **ADVISERS' CONSENTS**

Each of the advisers, whose names appear on the inside cover of this pre-listing statement, have given and have not, prior to registration of this pre-listing statement, withdrawn their written consents to the inclusion of their names, and acting in the capacities stated and, where applicable, to their reports being included in this pre-listing statement.

31. **EXPENSES AND LISTING FEES**

The estimated expenses relating to the listing, exclusive of Value Added Tax, are as follows:

| | **R'000** |
|---|---|
| Printing, publication, distribution and advertising expenses | 180 |
| JSE documentation fees | 51 |
| JSE listing fees | 15 |
| Share issue expenses, fiscal duties and taxes – Computershare | 100 |
| South African transfer secretaries – Computershare | 50 |
| Sponsor fees – QuestCo Sponsors (Pty) Ltd | 150 |
| Reporting Accountants' fees – BDO Spencer Steward | 300 |
| Contingency | 35 |
| **Estimated total** | **881** |

The abovementioned estimated expenses will be written-off against the share premium to the extent permissible by the Companies Act.

32. **DIRECTORS' RESPONSIBILITY STATEMENT**

The directors of Trustco, whose names are given in paragraph 11 of this pre-listing statement:

- have considered all statements of fact and opinion in this pre-listing statement;
- accept, collectively and individually, full responsibility for the accuracy of such statements; and
- certify that, to the best of their knowledge and belief, there are no omissions of facts or considerations which would make any statements of fact or opinion contained in this pre-listing statement false or misleading and that all reasonable enquiries to ascertain such facts have been made and that this pre-listing statement contains all information required by law and the Listings Requirements.

33. **DOCUMENTS AVAILABLE FOR INSPECTION**

The following documents, or copies thereof, will be available for inspection at the registered offices of Trustco, and at the offices of QuestCo Sponsors (Pty) Ltd in Johannesburg, during normal office hours from the date of issue of this pre-listing statement:

- the Memorandum and Articles of Association of Trustco and its subsidiaries;
- the audited annual financial statements of Trustco Group International for the year ended 31 March 2006;
- the audited annual financial statements of Trustco for the two years ended 31 March 2007 and 2008;
- written consents from each of the advisers referred to in paragraph 30 above;
- the reporting accountants' report on the historical financial information of Trustco for the years ended 31 March 2008 and 2007 and Trustco Group International for the year ended 31 March 2006, as reproduced in Annexure 2;

- the reporting accountants' report on the historical financial information of Trustco for the six months ended 31 September 2008, as reproduced in Annexure 4;
- the reporting accountants' report on the historical financial information of TFS for the periods ended 28 February 2007 and 31 March 2008, as reproduced in Annexure 6;
- the reporting accountants' report on the historical financial information of TFS for the six months ended 30 September 2008, as reproduced in Annexure 8;
- the reporting accountants' report on the *pro forma* financial information of Trustco, as reproduced in Annexure 9;
- copies of the letters of appointment of the directors of Trustco;
- copies of the decisions that were reported in the Namibian Law Reports under the references S v Van Rooyen and Another 1992 NR 165 and S v Van Rooyen 1993 NR 235;
- a copy of the TFS purchase agreement;
- copies of valuations relating to the properties owned by Trustco as detailed in paragraph 20 above;
- the royalty agreement referred to in paragraph 23 above;
- Rules and Regulation of the NSX;
- a copy of the prospectus, dated 29 August 2006, issued in terms of the public offer of 46 875 000 ordinary no par value shares and the subsequent listing on NSX; and
- a copy of this pre-listing statement.

**SIGNED AT WINDHOEK ON 2 FEBRUARY 2009 BY QUINTON VAN ROOYEN ON BEHALF OF ALL THE DIRECTORS OF TRUSTCO GROUP HOLDINGS LIMITED, AS LISTED BELOW, IN TERMS OF POWERS OF ATTORNEYS SIGNED BY SUCH DIRECTORS**

**J Jones** **Q van Rooyen**

**V de Klerk** **F J Abrahams**

**D Namwandi** **M Nashandi**

**A Toivo Ya Toivo** **G R I Walters**

# REPORT OF THE HISTORICAL FINANCIAL INFORMATION OF TRUSTCO FOR THE YEARS ENDED 31 MARCH 2008 AND 2007 AND TRUSTCO GROUP INTERNATIONAL FOR THE YEAR ENDED 31 MARCH 2006

As detailed in paragraph 2 of the pre-listing statement, prior to Trustco Group Holdings Limited's ("Trustco Group Holdings" or "the company") listing on the Namibian Stock Exchange ("NSE") on 27 September 2006, the shares of Trustco Group International were sold to Trustco Group Holdings in order to create a holding company and a vehicle to facilitate the proposed listing on NSX.

The Report of Historical Financial Information of Trustco Group Holdings and its subsidiaries (collectively "the group") for the two years ended 31 March 2008 and of Trustco Group International (Proprietary) Limited ("Trustco Group International") for the year ended 31 March 2006 (collectively the "Historical Financial Information"), presented on a consolidated basis, is set out below. The information presented has been extracted from the statutory annual financial statements of Trustco Group Holdings for each of the two years ended 31 March 2008 and of Trustco Group International for the year ended 31 March 2006 (collectively the "Annual Financial Statements). The Annual Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Trustco Group Holdings is a public company domiciled outside the Republic of South Africa and Trustco Group International is a private company domiciled outside the Republic of South Africa. Both companies are registered in Namibia and governed by the Companies Act of Namibia.

The following information on Trustco Group Holdings and Trustco Group International is presented:

- income statements, balance sheets, statements of changes in equity and cash flow statements for the years ended 31 March 2008, 31 March 2007 and 31 March 2006;
- the accounting policies of Trustco Group Holdings; and
- the notes to such statements for the years ended 31 March 2008, 31 March 2007 and 31 March 2006.

BDO Spencer Steward (Namibia) are the auditors of Trustco Group Holdings for the two-year period ended 31 March 2008 and Trustco Group International for the year ended 31 March 2006 and BDO Spencer Steward in South Africa are the Reporting Accountants to Trustco Group Holdings.

For the year ended 31 March 2007, BDO Spencer Steward (Namibia) included an emphasis of matter in their audit report dated 26 June 2007. The emphasis of matter on the audit report for the year ended 31 March 2007 was due to the status of Trustco Finance as a micro lender. Namfisa (The Namibian Financial Institutions Supervisory Authority) claimed that the company is not a registered micro-lender. However the judgement by the High Court of Namibia ruled in favour of Trustco Finance. Namfisa appealed on 4 August 2006 and the company is still awaiting a ruling. The directors are confident that the high court will over-rule the appeal. At the date of the audit sign off, the Company's payroll deduction code (ie. the code granted that allows a direct deduction from a government employee's salary in respect of loans granted) would have expired on 31 August 2007 causing the need to raise a matter of emphasis. On 12 September 2007, the company received a letter from the Minister of Finance extending the deduction code until 31 August 2009.

The implication for the company, where the deduction code is no longer granted, is that there will be an increased administrative burden in respect of collection of outstanding loan amounts and the possibility exists that bad debt levels may increase due to the fact that the company now has to personally collect outstanding amounts.

The ruling of the High Court together with the extension of the deduction code has provided sufficient evidence to lift the emphasis of matter prior to the issue of the Trustco annual financial statements for the year ended 31 March 2008.

The Historical Financial Information has been prepared by and is the responsibility of the directors of Trustco Group Holdings and has been reported on, without qualification, by BDO Spencer Steward in South Africa. BDO Spencer Steward's reporting accountants' report on Historical Financial Information is attached as Annexure 2 to this pre-listing statement.

## CONSOLIDATED INCOME STATEMENTS

| | Notes | 2008 R'000 | 2007 R'000 | 2006 R'000 |
|---|---|---|---|---|
| **Revenue** | **28 & 43** | 208 207 | 114 210 | 81 071 |
| Cost of sales | **43** | (118 928) | (54 325) | (60 087) |
| **Gross profit** | | 89 279 | 59 885 | 20 984 |
| Insurance income | **28** | 75 704 | 68 085 | 51 890 |
| Claims and benefits paid on insurance contract | **29** | (19 688) | (15 286) | (16 416) |
| Transfer to policyholder liabilities | **21** | (274) | 773 | 95 |
| Change in unearned premium provision | **28** | (759) | (2 071) | (290) |
| | | 144 262 | 111 386 | 56 263 |
| Other income | | 37 776 | 5 008 | 1 946 |
| Administration expenses | | (109 581) | (84 595) | (36 520) |
| **Profit before investment income, fair value adjustments and finance cost** | **30** | 72 457 | 31 799 | 21 689 |
| Investment revenue | **33** | 22 406 | 14 061 | 797 |
| **Profit before fair value adjustments and finance costs** | | 94 863 | 45 860 | 22 486 |
| Fair value adjustments | **4** | 1 889 | 9 694 | 10 383 |
| Finance costs | **34** | (38 201) | (24 755) | (6 447) |
| **Profit before taxation** | | 58 551 | 30 799 | 26 422 |
| Taxation | **35** | 19 364 | 692 | (3 244) |
| **Profit for the year** | | 77 915 | 31 491 | 23 178 |
| ***Attributable to:*** | | | | |
| Equity holders of the parent | | 77 682 | 32 863 | 23 583 |
| Minority interest | **18** | 233 | (1 372) | (405) |
| | | 77 915 | 31 491 | 23 178 |
| **Earnings per shares:** | | | | |
| Basic earnings per share (cents) | **36** | 65.04 | 28.64 | 23 583 |
| Diluted earnings per share (cents) | **36** | 61.66 | 28.64 | 23 583 |
| Dividends declared per share (cents) | **36** | 2.50 | – | – |
| Dividends paid per share (cents) | **36** | 2.50 | – | – |

## CONSOLIDATED BALANCE SHEETS

| | Notes | 31 March 2008 R'000 | 31 March 2007 R'000 | 31 March 2006 R'000 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Property, plant and equipment | **3** | 142 529 | 125 217 | 79 428 |
| Investment properties | **4** | 36 812 | 32 627 | 20 840 |
| Intangible assets | **5** | 174 605 | 12 688 | 10 397 |
| Available-for-sale financial assets | **7** | – | 136 490 | – |
| Deferred income tax assets | **8** | 18 296 | 7 994 | 3 860 |
| Loans and receivables | **9** | 61 579 | 40 074 | 10 191 |
| Amounts due by related parties | **10** | – | – | 16 897 |
| *Total non-current assets* | | 433 821 | 355 090 | 141 613 |
| **Current assets** | | | | |
| Amounts due by related parties | **10** | – | 1 544 | – |
| Short-term portion of loans advanced | **9** | 32 404 | 23 773 | 9 799 |
| Available-for-sale financial assets | | 6 291 | – | – |
| Inventories | **11** | 30 972 | 30 818 | 26 244 |
| Trade and other receivables | **12** | 33 358 | 24 279 | 3 543 |
| Current income tax assets | **37.2** | 167 | 121 | 483 |
| Cash and cash equivalents | **13** | 98 927 | 27 580 | 16 042 |
| *Total current assets* | | 202 119 | 108 115 | 56 111 |
| **Total assets** | | 635 940 | 463 205 | 197 724 |
| **EQUITY AND LIABILITIES** | | | | |
| **Capital and reserves** | | | | |
| Stated capital | **14.1** | 141 448 | 141 920 | – |
| Policy holders' contingency reserve | **15** | (303) | (357) | 4 973 |
| Revaluation reserve | **17** | 12 801 | 7 513 | 14 878 |
| Deemed treasury shares | **14.2** | (35 359) | (45 051) | – |
| Vendor shares | **16** | 35 526 | – | – |
| Distributable reserves | | 107 862 | 33 220 | 49 103 |
| *Attributable to equity holders of the parent* | | 261 975 | 137 245 | 68 954 |
| Minority interest | **18** | (1 139) | (1 372) | (405) |
| Total capital and reserves | | 260 836 | 135 873 | 68 549 |
| **Non-current liabilities** | | | | |
| Shareholder's loan | | – | – | 372 |
| Long-term liabilities | **19** | 109 503 | 216 727 | 54 112 |
| Other liabilities | **20** | 936 | 2 920 | – |
| Deferred income tax liabilities | **8** | 25 466 | 21 091 | 16 273 |
| Policy holders' liability under insurance contracts | **21** | 2 001 | 1 727 | 2 500 |
| Employee Fund | | – | – | 2 089 |
| Amounts due to related parties | | 32 849 | – | – |
| *Total non-current liabilities* | | 170 755 | 242 465 | 75 346 |
| **Current liabilities** | | | | |
| Current portion of long-term liabilities | **19** | 14 854 | 9 281 | 10 119 |
| Current portion of other liabilities | **20** | 2 083 | 1 803 | – |
| Trade and other payables | **22** | 159 353 | 40 568 | 26 591 |
| Technical provisions | **23** | 11 018 | 11 596 | 8 691 |
| Provision for share appreciation rights | **24** | 1 361 | – | – |
| Current income tax liabilities | **37.2** | 169 | 285 | 185 |
| Bank overdraft | **25** | 15 511 | 21 334 | 8 243 |
| *Total current liabilities* | | 204 349 | 84 867 | 53 829 |
| **Total equity and liabilities** | | 635 940 | 463 205 | 197 724 |

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

| | Stated capital R'000 | Deemed treasury shares R'000 | Vendor shares R'000 | Other reserves R'000 | Distri-butable R'000 | Minority Interest R'000 | Total R'000 |
|---|---|---|---|---|---|---|---|
| **Balance at 1 April 2006** | **–** | **–** | **–** | **–** | **–** | **–** | **–** |
| Transfer to stated capital | 68 549 | – | – | – | – | – | 68 549 |
| Release of pre-listed contingency reserve | – | – | – | (357) | 357 | – | – |
| Public issue of ordinary shares | 76 516 | – | – | – | – | – | 76 516 |
| Listing costs | (3 145) | – | – | – | – | – | (3 145) |
| Revaluation of property, plant and equipment, net of deferred tax and release of depreciation to income statement | – | – | – | 7 513 | – | – | 7 513 |
| Consolidation of deemed treasury shares by the Trustco Staff Share Incentive Scheme Trust | – | (45 051) | – | – | – | – | (45 051) |
| *Net income/(expense) recognised directly in equity* | 141 920 | (45 051) | – | 7 156 | 357 | – | 104 382 |
| Profit for the year | – | – | – | – | 32 863 | (1 372) | 31 491 |
| **Balance at 31 March 2007** | 141 920 | (45 051) | – | 7 156 | 33 220 | (1 372) | 135 873 |
| **Balance at 1 April 2007** | **141 920** | **(45 051)** | **–** | **7 156** | **33 220** | **(1 372)** | **135 873** |
| Transfer to contingency reserve | – | – | – | 54 | (54) | – | – |
| VAT on listing costs | (472) | – | – | – | – | – | (472) |
| Revaluation of property, plant and equipment, net of deferred tax and release of depreciation to income statement | – | – | – | 5 288 | – | – | 5 288 |
| Shares to be issued as result of business combination | – | – | 35 526 | – | – | – | 35 526 |
| Sale of deemed treasury shares by the Trustco Staff Share Incentive Scheme Trust | – | 9 692 | – | – | – | – | 9 692 |
| *Net income/(expense) recognised directly in equity* | 141 448 | (35 359) | 35 526 | 12 498 | 33 166 | (1 372) | 185 907 |
| Profit for the year | – | – | – | – | 77 682 | 233 | 77 915 |
| *Total recognised income and expenses for 2008* | 141 448 | (35 359) | 35 526 | 12 498 | 110 848 | (1 139) | 263 822 |
| Dividends for the period | – | – | – | – | (2 986) | – | (2 986) |
| **Balance at 31 March 2008** | 141 448 | (35 359) | 35 526 | 12 498 | 107 862 | (1 139) | 206 836 |
| **Notes:** | 14.1 | 14.2 | 16 | 15 & 17 | | | |

## CONSOLIDATED CASH FLOW STATEMENTS

| | Notes | 31 March 2008 R'000 | 31 March 2007 R'000 | 31 March 2006 R'000 |
|---|---|---|---|---|
| **Cash flow from operating activities** | | | | |
| Cash generated from operations | **37.1** | 69 766 | 30 713 | 61 304 |
| Interest received | **33** | 3 988 | 3 820 | 797 |
| Dividends received | **33** | 18 418 | 10 241 | – |
| Finance costs | **34** | (38 201) | (24 755) | (6 447) |
| Net educational loans advanced | **9.1 & 43** | (28 201) | (43 857) | (16 944) |
| Dividends paid | | (2 986) | – | – |
| Taxation paid | **37.2** | (122) | 314 | 64 |
| *Net cash flow from operating activities* | | 22 662 | (23 524) | 38 774 |
| **Cash flow from investing activities** | | | | |
| Additions to property, plant and equipment | **3** | (20 600) | (55 065) | (30 824) |
| Additions to investment property | **4** | (2 461) | (9 088) | – |
| Additions to intangible assets | **5** | (24 280) | (2 693) | (359) |
| Acquisition of subsidiary, net of cash acquired | **37.4** | 45 483 | 7 799 | – |
| Additions to available-for-sale financial assets | | – | (136 490) | – |
| Proceeds on sale of property, plant and equipment | | 1 092 | 14 347 | 7 194 |
| Proceeds on sale of investment properties | | 141 | – | – |
| Proceeds on sale of intangible assets | | 1 270 | – | – |
| Proceeds on sale of available-for-sale financial assets | | 131 249 | – | – |
| *Net cash flow from investing activities* | | 131 894 | (181 190) | (23 989) |
| **Cash flow from financing activities** | | | | |
| Public issue of ordinary shares, net of listing costs | | – | 73 371 | – |
| VAT on listing costs | | (472) | – | – |
| Proceeds from long term liabilities raised | | 33 874 | 167 886 | 3 704 |
| Decrease in shareholders' loans | | – | – | (7 137) |
| Loans advanced to related parties | | – | (45 051) | (16 897) |
| Proceeds from related party loans raised | | 26 167 | 15 527 | – |
| Decrease/(increase) in policy holder under insurance contracts | | 274 | (773) | (95) |
| Repayment of term loan and unsecured long-term liabilities | | (135 525) | – | – |
| Repayment of finance lease liabilities | | (1 704) | – | – |
| Employee fund increase | | – | – | 49 |
| *Net cash flow from financing activities* | | (77 386) | 210 960 | (20 376) |
| **Net change in cash and cash equivalents** | | 77 170 | 6 246 | (5 591) |
| Cash and cash equivalents at beginning of year | | 6 246 | – | 13 390 |
| Cash and cash equivalents at end of year | **37.3** | 83 416 | 6 246 | 7 799 |

1. **ACCOUNTING POLICIES**

The consolidated annual financial statements have been prepared in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of Namibia, 1973. 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.

These accounting policies are consistent with the previous period.

1.1 **Significant judgements**

In preparing the consolidated annual financial statements, management is required to make estimates and assumptions that effect the amounts represented in the consolidated annual financial statements and related disclosures. Use of available information and the application of judgment 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. Significant judgments include:

**Fair value estimation**

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets is the current bid price.

The value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group and the Company use a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet 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. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the balance sheet date.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group and the Company for similar financial instruments.

**Available-for-sale financial assets**

The Group and the Company follow the guidance of IAS 39 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgment. In making this judgment, the Group and the Company evaluate, among other factors, the duration and extent to which the fair value of an investment is less than its cost and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

**Expected manner of realisation for deferred tax**

Deferred tax is provided for on the fair value adjustments of investment properties based on the expected manner of recovery, i.e. sale or use. This manner of recovery affects the rate used to determine the deferred tax liability.

**Taxation**

Judgment is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group and the Company recognises 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 income tax and deferred tax provisions in the period in which such determination is made.

The Group and the Company recognise the net future tax benefit related to deferred income 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 income 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 forecast 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 balance sheet date could be impacted.

**Trade receivables and loans and receivables**

The Group and the Company assess it trade receivables and loans and receivables for impairment at each balance sheet date. In determining whether an impairment loss should be recorded in the income statement, the Group and the Company makes judgments as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

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.

**Impairment testing**

The recoverable amounts of cash-generating units and 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 of assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The Group and the Company reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. 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 goodwill and tangible 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.

**Allowances for slow moving, damaged or obsolete inventory**

Any inventory that is physically identified as slow moving, damaged or obsolete is written down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items.

**Share appreciation rights (SAR's)**

Management used the binomial lattice model to determine the value of share appreciation rights.

**Contingent provisions on business combinations**

Contingencies recognised in the current year required estimates and judgments.

1.2 **Basis of consolidation**

**Subsidiaries**

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances and unrealized 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.

**Business combinations**

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair values at the acquisition date, irrespective of the extent of a minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

**Transaction and minority interests**

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration and the relevant share acquired of the carrying value of net assets of the subsidiary.

1.3 **Segment reporting**

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

1.4 **Property, plant and equipment and depreciation**

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the Group and the Company; and
- the cost of the item can be measured reliably.

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 derecognised. Day to day repairs and maintenance are not capitalised.

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 and buildings, machinery and equipment 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 form that which would be determined using fair value at the balance sheet date.

Increases in the carrying amounts of land and buildings, machinery and equipment and aircrafts arising on revaluation are credited to revaluation and other reserves in shareholders' equity. Decreases that offset previous increases of the same asset are charged against the revaluation reserve. All other decreases are charged to the income statement. Each year the difference between depreciation based on the revalue carrying amount of the assets (the depreciation charged to the income statement) and depreciation based on the asset's original cost is transferred from revaluation and other reserves to retained earnings.

| Item | Average useful life |
|---|---|
| – Buildings | 50 years |
| – Motor vehicles | 8 years |
| – Aircrafts: | |
| – Engine | 1 500 – 3 500 flight hours |
| – Airframe | 18 000 – 20 000 flight hours |
| – Avionics and equipment | 10 years |
| – Office equipment and furniture | 3 to 5 years |
| – Computer equipment and Software | 6 to 8 years |
| – Machinery and equipment | 6 to 15 years |

The depreciation value of buildings is considered to be nil on the basis that it is the Company's practice to maintain these buildings in a continual state of sound repair and to extend and to improve selected buildings from time to time, resulting in the residual value of these assets being equal to the current carrying values. 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 value amount exceed the estimated recoverable amount, the assets or cash generating units are written down to their recoverable amount.

### 1.5 Investment properties

Investment property is recognised as an asset when, and only when, it is probable that the future economic benefits that are associated with the investment property will flow to the enterprise, and the cost of the investment property can be measured reliable.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement. Subsequent to initial recognition investment property is measured at fair value. A gain or loss arising from a change in fair value is included in net profit or loss for the period in which it arises.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised. Day to day repairs and maintenance to items of investment property are not capitalised.

### 1.6 Intangible assets

Intangible assets are initially recognised at cost.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

Internally generated mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it is available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it
- it will generate probable future economic benefits.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

**Definite 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.

Reassessing the useful life of an intangible asset with a definite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

The amortisation period and the amortisation method for intangible assets are reviewed every period-end.

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 to 10 years |
| Trademarks | 25 years |
| Film Project | 5 years |

**Indefinite 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. Where intangible assets are considered to have an infinite life, impairment tests are performed at least annually.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these intangible assets.

The following intangible assets are regarded as having an indefinite useful life:

- Distribution licenses
- Computer software: E-Sure, DexCollect and associated components

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date. Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

## 1.7 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable asset of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is initially measured at cost.

Subsequently goodwill is carried at cost less any accumulated impairment.

The excess of the Group and the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of the business combination is immediately recognised in profit or loss.

Internally generated goodwill is not recognised as an asset.

## 1.8 Investments in subsidiaries

**Company annual financial statements**

Investments in subsidiaries are carried at cost less any accumulated impairment.

The cost of an investment in a subsidiary is the aggregate of:

- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Company; plus
- any costs directly attributable to the purchase of the subsidiary.

An adjustment to the cost of a business combination contingent on future events is included in the cost of the combination if the adjustment is probable and can be measured reliably.

## 1.9 Financial instruments

### 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 balance sheets when the Group and the Company becomes party to the contractual provisions of the instrument.

### Fair value determination

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group and the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

### Loans to (from) group companies

These include loans to holding companies, fellow subsidiaries and subsidiaries and are recognised initially at fair value plus direct transaction costs.

Subsequently these loans are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts.

On loans receivable an impairment loss is recognised in profit or loss when there is objective evidence that it is impaired. The impairment is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

### Loans to shareholders, directors, managers and employees

These financial assets are initially recognised at fair value plus direct transaction costs.

Subsequently these loans are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts.

On loans receivable an impairment loss is recognised in profit or loss when there is objective evidence that it is impaired. The impairment is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

### Trade and other receivables

Trade receivables are initially measured at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable may be impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the income statement.

**Trade and other payables**

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

**Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

**Bank overdraft and borrowings**

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs.

**Financial assets at fair value through profit or loss**

Financial assets are classified at fair value through profit and loss where the financial asset is either held for trading or it is designated as at fair value through profit or loss.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purposes of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at fair value through profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39: Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned.

Investments are measured initially and subsequently at fair value, gains and losses arising from changes in fair value are included in profit or loss for the period.

**Available for sale financial assets**

These financial assets are non-derivatives that are either designated in this category or not classified elsewhere.

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned.

These investments are measured initially and subsequently at fair value. Gains and losses arising from changes in fair value are recognised directly in equity until the security is disposed of or is determined to be impaired.

The Group and the Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement.

Impairment losses recognised in profit or loss for equity investments classified as available-for-sale are not subsequently reversed through profit or loss. Impairment losses recognised in profit or loss for debt instruments classified as available-for-sale are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement. Dividends on available-for-sale equity instruments are recognised in the income statement when the Group and the Company's right to receive payments is established.

Equity investments for which a fair value is not determinable are held at cost. Impairments on such investments are not reversed.

**Held to maturity**

Financial assets that the Group and the Company have the positive intention and ability to hold to maturity are classified as held to maturity.

These financial assets are initially measured at fair value plus direct transaction costs.

At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

**Equity instruments**

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

### 1.10 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 balance sheet date.

**Deferred tax assets and liabilities**

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from:

- the initial recognition of goodwill; or
- the initial recognition of an asset or liability in a transaction which:
- is not a business combination; and
- at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

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 venture 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 and unused Secondary Tax on Companies (applicable in the Republic of South Africa) credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused Secondary Tax on Companies credits 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 balance sheet date.

**Tax expenses**

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

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

1.11 **Inventories**

Inventories are measured at the lower of cost and net realizable value on the first-in, first-out basis.

Net realizable 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 cost of inventories comprises of all costs or purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of items of inventories that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

When inventories are sold, the carrying amount of those inventories are recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realizable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

### 1.12 Construction contracts and receivables

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date, as measured by completion of a physical proportion of the contract work.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

### 1.13 Impairment of assets

The Group and the Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Group and the Company estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the Group and the Company also:

- Tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with
- its recoverable amount. This impairment test is performed during the annual period and at the same time every period.
- Tests goodwill acquired in a business combination for impairment annually.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the units. The impairment loss is allocated to reduce the carrying amount of the assets of the unit in the following order:

- first, to reduce the carrying amount of any goodwill allocated to the cash-generating unit and
- then, to the other assets of the unit, *pro rata* on the basis of the carrying amount of each asset in the unit.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

### 1.14 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

**Finance leases – lessor**

The Group and the Company recognises finance lease receivables on the balance sheet.

Finance income is recognised based on a pattern reflecting a constant periodic rate of return on the Group and the Company's net investment in the finance lease.

**Finance leases – lessee**

Finance leases are recognised as assets and liabilities in the balance sheet at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet 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 – lessor**

Operating lease income is recognised as an income on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

Income for leases is disclosed under revenue in the income statement.

**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. This liability is not discounted.

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

### 1.15 Share based payments

Goods or services received or acquired in a share-based payment transaction are recognised when the goods or services are received. A corresponding increase in equity is recognised if the goods or services were received in an equity-settled share-based payment transaction or a liability if the goods or services were acquired in a cash-settled share-based payment transaction. When the goods or services received or acquired in a share-based payment transaction do not qualify for recognition as assets, they are recognised as expenses.

For equity-settled share-based payment transactions, the goods or services received are measured, and the corresponding increase in equity, directly, at the fair value of the goods or services received, unless that fair value cannot be estimated reliably.

In the fair value of the goods or services received cannot be estimated reliably, their value and the corresponding increase in equity, indirectly, are measured by reference to the fair value of the equity instruments granted.

For cash settled share-based payment transactions, the goods or services acquired and the liability incurred are measured at the fair value of the liability. Until the liability is settled, the fair value of the liability is re-measured at each reporting date and at the date of settlement, with any changes in fair value recognised in profit or loss for the period.

If the share based payments granted do not vest until the counterparty completes a specified period of service, the Company accounts for those services as they are rendered by the counterparty during the vesting period. If the share based payments vest immediately the services received are recognised in full.

For share-based payment transactions in which their terms of the arrangement provide either the entity or the counterparty with the choice of whether the entity settles the transaction in cash (or other assets) or by issuing equity instruments, the components of that transaction are recorded, as a cash-settled share-based payment transaction if, and to the extent that, a liability to settle in cash or other assets has been incurred, or as an equity-settled share-based payment transaction if, and to the extent that, no such liability has been incurred.

1.16 **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 obligation to make such payments as a result of past performance.

1.17 **Provisions and contingencies**

Provisions are recognised when:

- the Company has a present obligation as a result of a past event:
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating losses.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 26.

1.18 **Revenue**

Revenue from the sale of goods when al the following conditions have been satisfied:

- the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Company; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the balance sheet date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Company;
- the stage of completion of the transaction at the balance sheet date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at balance sheet date. Stage of completion is determined by the proportion of costs incurred to date bear to the total estimated costs of the transaction.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value added tax.

Interest is recognised, in profit or loss, using the effective interest rate method.

Royalties are recognised on the accrual basis in accordance with the substance of the relevant agreements.

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

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.19 **Cost of sales**

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realizable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The related cost of providing services recognised as revenue in the current period is included in cost of sales.

1.20 **Borrowing costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when:

- Expenditures for the asset have occurred;
- Borrowing costs have been incurred, and
- Activities that are necessary to prepare the asset for its intended use or sale are in progress.

Capitalisation is suspended during extended periods in which active development is interrupted. Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete. All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.21 **Translation of foreign currencies**

**Foreign currency transactions**

A foreign currency transaction is recorded, on initial recognition in Namibian Dollars, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At each balance sheet date:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous annual financial statements are recognised in profit or loss in the period in which they arise. When a gain or loss on a non-monetary item is recognised directly in equity, any exchange component of that gain or loss is recognised directly in equity. When a gain or loss on a non-monetary time is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss. Cash flows arising from transactions in a foreign currency are recorded in Namibian Dollars by applying to the foreign currency amount the exchange rate between the Namibian Dollars and the foreign currency at the date of the cash flow.

1.22 **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.

Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

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

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

**Valuation and recognition**

***Principles of valuation and profit recognition***

Liabilities in respect of insurance contracts are valued according to the requirements of the professional guidance notes (‘PGN’s’)issued by the Actuarial Society of South Africa (ASSA). Of particular relevance to the insurance liability calculations, are the following actuarial guidance notes:

- PGN 102: Life Offices – HIV/Aids
- PGN 103: report by statutory actuary in financial statements
- PGN 104: Life Offices – Valuation of Long-Term Insurers
- PGN 105: Recommended Aids extra mortality bases

***Valuation***

The assets and liabilities of Trustco Life Limited have been calculated in accordance whit PGN103 and PGN104. However, no capital adequacy requirement was calculated as this is not required in terms of Namibian Law. The Financial Soundness Valuation (FSV) as stipulated in PGN104, was valued using a gross premium method.

The liability has been based on cash flow projections, on a per policy basis. The assets were stated at the balances per the financial statements. The valuation of the policy holder’ liability was conducted on a basis consistent with the valuation of the assets. The liability is based on best-estimate assumptions as to mortality, persistency, maintenance expenses and investment income that are established at the time the contract is issued and updated on an annual basis at balance sheet date to reflect current expectations.

***Recognition***

*Premiums*

Premiums are recognised in the period during which the risk originates. Credit insurance premiums are recognised in the period during which they become due and payable. Premiums received in advance are included insurance liabilities.

*Claims*

Full provision is made for the estimated cost of claims notified but not settled at balance sheet date. Provision is also made for the expected cost of claims incurred but not intimated at balance sheet date. Provision for the full expected cost of claims over the period of the insured risk relating to credit insurance are made in the same period during which the credit insurance premiums are recognised. These provisions are carried forward to subsequent accounting periods as an unexpected risk reserve.

Each notified claim is assessed on a separate, case by case basis with due regard to specific circumstances, information available from the insured and past experience with similar claims. The company employs staff experienced in claims handling and rigorously applies standardised policies and procedures around claims assessment. The provision for each notified claim includes an estimate of the associated claims handling costs but excludes Value Added Tax.

*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 balance sheet 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)**

Incurred but not reported claims are calculated as a percentage of premiums earned. Different percentages are applied by class of business.

**Policy holder liability under insurance contract (long-term business)**

Long-term insurance liabilities are valued according to the requirements of the Namibian Long-term Insurance Act (1998) and in accordance with professional guide notes (PGN's) issued by the Actuarial Society of South Africa (ASSA).

**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.

**Contingency reserve**

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 distributable reserves to contingency reserves, and is reflected as a movement in the statement of changes in equity.

1.23 **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.

1.24 **Post balance sheet events**

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

## 2. 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 8: Operating Segments – IFRS 8 replaces IAS 14: Segment Reporting. IFRS 8 requires an entity to report financial and descriptive information about its reportable segments, which are operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources in assessing performance. The Group does not intend to adopt this standard early. The adoption of this interpretation will not have a material impact on the financial statements of the Group. This statement is effective for financial year ends commencing on or after 1 January 2009.
- IFRIC 12: Service Concession Arrangements – The interpretation addresses the accounting by private sector operators involved in the provision of public sector infrastructure assets and services. The interpretation is not applicable to the Company. This statement is effective for financial year ends commencing on or after 1 January 2008.
- IAS 1: Presentation of Financial Statements – The revised IAS 1 requires information in financial statements to be aggregated on the basis of shared characteristics and to introduce a statement of comprehensive income. This will enable readers to analyse changes in a companies equity resulting from transactions with owners in their capacity as owners separately from non-owner changes. The revisions include changes in the titles of some of the financial statements to reflect their function more clearly (for example: the balance sheet is renamed a statement of financial position). The new titles are not mandatory for use in financial statements. The adoption of this interpretation will not have a material impact on the financial statements of the Group. This statement is effective for years beginning on or after 1 January 2009.
- IAS 23: Borrowing Costs (Amendment) – The amendment removes the option of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. The capitalisation of borrowing costs as part of the cost of such assets is therefore now required. However, it does not require the capitalisation of borrowing costs relating to assets measured at fair value and inventories that are manufactured or produced in large quantities on a repetitive basis, even if they take a substantial period of time to get ready for use or sale. The Company’s accounting policy is to capitalise borrowing costs on a qualifying asset. The amendment will therefore not have an effect to the Company’s result. This statement is effective for financial year ends commencing on or after 1 January 2009.
- IFRIC 13: Customer Loyalty Programmes – The interpretation requires entities to allocate some to the proceeds of the initial sale of the award credits (such as “points” or travel miles) and recognise these proceeds as revenue only when the entity has fulfilled its obligations. An entity may fulfill its obligation by supplying awards themselves or engaging a third party to do so. The adoption of this interpretation will not have a material impact on the financial statements of the Group. This statement is effective for financial year ends commencing on or after 1 July 2008.
- IFRIC 14: The limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction – This interpretation clarifies that an additional liability need not be recognised by the employer unless the contributions that are payable under the minimum funding requirement cannot be returned to the company. The interpretation is not applicable to the company. This statement is effective for financial year ends commencing on or after 1 January 2008.

3. **PROPERTY, PLANT AND EQUIPMENT**

| **2008** | **Cost R'000** | **Accumulated depreciation R'000** | **Carrying amount R'000** |
|---|---|---|---|
| Land and buildings | 60 072 | – | 60 072 |
| Computer equipment and software | 24 465 | (12 716) | 11 749 |
| Machinery and equipment | 19 380 | (3 838) | 15 542 |
| Motor vehicles | 12 298 | (2 302) | 9 996 |
| Aircrafts | 47 644 | (5 210) | 42 434 |
| Office equipment and furniture | 6 106 | (3 370) | 2 736 |
| | 169 965 | (27 436) | 142 529 |
| The following capitalised leased assets are included in property, plant and equipment: | | | |
| Motor vehicles (carrying amount) | – | – | 8 301 |

| **2007** | **Cost R'000** | **Accumulated depreciation R'000** | **Carrying amount R'000** |
|---|---|---|---|
| Land and buildings | 50 955 | – | 50 955 |
| Computer equipment and software | 10 545 | (2 974) | 7 571 |
| Machinery and equipment | 17 267 | (1 110) | 16 157 |
| Motor vehicles | 10 628 | (776) | 9 852 |
| Aircrafts | 39 729 | (1 843) | 37 886 |
| Office equipment and furniture | 3 212 | (416) | 2 796 |
| | 132 336 | (7 119) | 125 217 |
| The following capitalised leased assets are included in property, plant and equipment: | | | |
| Motor vehicles (carrying amount) | – | – | 7 645 |

| **2006** | **Cost R'000** | **Accumulated depreciation R'000** | **Carrying amount R'000** |
|---|---|---|---|
| Land and buildings | 43 772 | – | 43 772 |
| Computer equipment and software | 9 363 | (4 859) | 4 504 |
| Machinery and equipment | 4 449 | (843) | 3 605 |
| Motor vehicles | 10 822 | (1 305) | 9 517 |
| Aircrafts | 16 851 | (470) | 16 381 |
| Office equipment and furniture | 4 031 | (2 383) | 1 648 |
| | 89 287 | (9 859) | 79 428 |
| The following capitalised leased assets are included in property, plant and equipment: | | | |
| Motor vehicles (carrying amount) | – | – | 7 231 |

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

| 2008 | Land and buildings R'000 | Computer equipment and software R'000 | Machinery and equipment R'000 | Motor vehicles R'000 | Aircraft R'000 | Office equipment and furniture R'000 | Total R'000 |
|---|---|---|---|---|---|---|---|
| Carrying amount at beginning of year | 50 955 | 7 571 | 16 157 | 9 852 | 37 886 | 2 796 | 125 217 |
| Additions | 7 617 | 7 433 | 913 | 1 371 | 2 953 | 313 | 20 600 |
| Acquired through business combinations | – | 598 | – | – | – | 547 | 1 145 |
| Revaluations | 1 500 | – | 318 | – | 4 511 | – | 6 329 |
| Depreciation | – | (3 853) | (1 717) | (894) | (2 916) | (417) | (9 797) |
| Disposals | – | – | (129) | (333) | – | (503) | (965) |
| Carrying amount at end of year | 60 072 | 11 749 | 15 542 | 9 996 | 42 434 | 2 736 | 142 529 |
| **2007** | | | | | | | |
| Carrying amount at beginning of year | – | – | – | – | – | – | – |
| Additions | 9 834 | 6 150 | 13 844 | 6 949 | 16 834 | 1 455 | 55 066 |
| Acquired through business combinations | 43 704 | 4 395 | 3 605 | 9 517 | 16 382 | 1 756 | 79 359 |
| Revaluations | 3 235 | – | 403 | – | 6 513 | – | 10 151 |
| Depreciation | – | (2 974) | (1 109) | (777) | (1 843) | (415) | (7 118) |
| Disposals | ( 5 818) | – | (586) | (5 837) | – | – | (12 241) |
| Carrying amount at end of year | 50 955 | 7 571 | 16 157 | 9 852 | 37 886 | 2 796 | 125 217 |
| **2006** | | | | | | | |
| Carrying amount at beginning of year | 37 796 | 4 099 | 1 768 | 6 604 | 2 333 | 2 073 | 54 674 |
| Revaluation and additions | 5 976 | 1 736 | 2 559 | 11 605 | 15 851 | 32 | 37 759 |
| Disposals | – | – | (356) | (8 129) | (1 450) | – | (9 935) |
| Depreciation | – | (1 330) | (366) | (563) | (353) | (457) | (3 069) |
| Carrying amount at end of year | 43 772 | 4 504 | 3 605 | 9 517 | 16 381 | 1 648 | 79 428 |

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:

| | Motor vehicles R'000 | Machinery and equipment R'000 | Aircraft R'000 | Total R'000 |
|---|---|---|---|---|
| 2008 | 55 337 | 14 842 | 31 969 | 102 148 |
| 2007 | 47 720 | 15 754 | 31 004 | 94 478 |

The machinery and equipment was revalued on 31 March 2008 by G Green of Heidelberg Graphic Systems Southern Africa (Pty) Ltd (HZA). G Green is not connected to the Group and has recent experience in the machinery and equipment being valued. G Green is employed as Product Manager, Web Offset by HZA. HZA is the appointed agent for Goss International, the manufacturers of the Goss Community Web Offset Printing Press. G Green is qualified to performed valuations by the fact that he has been involved in the manufacture and supply of Web Offset equipment for the past fifty years.

The Group's aeroplanes were valued by G Weiss of Pilatus PC 12 Centre on 31 March 2008 utilising methods detailed in the International Recognised Blue Book for aircraft valuations. Weiss is not connected to the company and has recent experience in the aeroplanes being valued.

Properties are stated at fair value, which has been determined based on valuations performed by G Hamman and L de Witt on 31 March 2008 in accordance with International Valuation Standards. Hamman and de Witt are not connected to the Group, are qualified property valuators and have recent experience in location and category of the property being valued. Commercial properties were valued by using the income capitalisation method. This method involves the determining of the net income of the property that will be capitalised at a rate sought by prudent investors to determine the capitalised value of the subject property. The expected income of the property will be determined by the comparison of the market rentals of similar properties.

Certain property, plant and equipment is encumbered as stated in note 19.

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

There have been no major changes in the nature of property, plant and equipment or any changes in policy regarding the use thereof.

## 4. INVESTMENT PROPERTIES

| | **2008** | **2007** | **2006** |
|---|---|---|---|
| Balance at beginning of year | 32 627 | – | 35 195 |
| Additions | 2 461 | 9 088 | – |
| Disposals | (165) | (6 995) | – |
| Acquired through business combination | – | 20 840 | – |
| Fair value adjustments | 1 889 | 9 694 | 10 383 |
| Change in use (transferred of inventory) | – | – | (24 738) |
| Balance at end of year | 36 812 | 32 627 | 20 840 |

Investment properties are stated at fair value, which has been determined based on valuations performed by G Hamman and L de Witt at 31 March 2007 in accordance with International Valuation Standards. Hamman, Meyer and de Witt are not connected to the Group, are qualified property valuators and have recent experience in location and category of the investment property being valued. The valuation was based on the direct sales comparison method and current market conditions.

The following amounts, included in the Income Statement, relate to these properties:

| | **2008** | **2007** | **2006** |
|---|---|---|---|
| Rental income | 2 420 | 9 782 | 3 053 |
| Direct operating expenses: income generating properties | 89 | 214 | 228 |

Certain investment properties as described above has been mortgaged as security for liabilities described in Note 19.

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

5. **INTANGIBLE ASSETS**

| **2008** | **Cost R'000** | **Accumulated amortisation and impairment R'000** | **Carrying amount R'000** |
|---|---|---|---|
| Computer software – Definite life | 1 144 | (224) | 920 |
| Computer software – Indefinite life | 157 747 | – | 157 747 |
| Trademarks and licenses | 16 689 | (1 304) | 15 385 |
| Film project | 553 | – | 553 |
| | 176 133 | (1 528) | 174 605 |
| **2007** | | | |
| Computer software – Definite life | – | – | – |
| Computer software – Indefinite life | – | – | – |
| Trademarks and licenses | 12 550 | (402) | 12 148 |
| Film project | 540 | – | 540 |
| | 13 090 | (402) | 12 688 |
| **2006** | | | |
| Computer software – Definite life | – | – | – |
| Computer software – Indefinite life | – | – | – |
| Trademarks and licenses | 10 515 | (477) | 10 038 |
| Film project | 359 | – | 359 |
| | 10 874 | (477) | 10 397 |

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

| **2008** | **Computer software Definite life R'000** | **Computer software Indefinite life R'000** | **Trademarks and licences R'000** | **Film project R'000** | **Total R'000** |
|---|---|---|---|---|---|
| Carrying amount at beginning of year | – | – | 12 148 | 540 | 12 688 |
| Additions | 1 144 | 7 628 | 5 409 | 13 | 14 194 |
| Internally generated | – | 10 086 | – | – | 10 086 |
| Disposals | – | – | (1 270) | – | (1 270) |
| Acquired through business combination | – | 140 033 | – | – | 140 033 |
| Amortisation | (224) | – | (902) | – | (1 126) |
| Carrying amount at end of year | 920 | 157 747 | 15 385 | 553 | 174 605 |
| **2007** | | | | | |
| Carrying amount at beginning of year/ Acquired through business combination | – | – | 10 038 | 359 | 10 397 |
| Additions | – | – | 2 512 | 181 | 2 693 |
| Amortisation | – | – | (402) | – | (402) |
| Carrying amount at end of year | – | – | 12 148 | 540 | 12 688 |
| **2006** | | | | | |
| Carrying amount at beginning of year | – | – | 26 877 | – | 26 877 |
| Additions | – | – | – | 359 | 359 |
| Disposals | – | – | (2 252) | – | (2 252) |
| Amortisation and impairment | – | – | (14 587) | – | (14 587) |
| Carrying amount at end of year | – | – | 10 038 | 359 | 10 397 |

Computer software consists of items which have both indefinite useful lives as well as items with limited useful lives. Amortisation is not provided for on items with indefinite useful lives. Computer software with indefinite useful lives consists of DexCollect and E-Sure which is the core of the insurance business of DexGroup Financial Services (Pty) Ltd. There is no foreseeable limit to the period over which DexCollect and E-Sure are expected to generate net cash inflows. This software is tested for impairment annually. All other items are amortised on a straight-line basis over their useful lives.

The Institute of Open Learning (IOL) and Legal Shield Life trademarks are considered to have a definite life of 25 years. All of these intangible assets have been tested for impairment during the year, and it was found that the recoverable amount exceeds the carrying amount.

The Informante and IOL Learn trademarks are currently being developed internally and costs for developing these trademarks will still continue during the 2009 financial year. These trademarks were tested for impairment and the amount is considered to be recoverable.

The film project comprise a script for film, that is in the development phase, and as a result no provision was made for amortisation for the current year. The intangible asset was tested for impairment during the year. The amount is considered to be recoverable.

## 6. INVESTMENT IN SUBSIDIARIES

| | | Shares at Cost | | |
|---|---|---|---|---|
| | Percentage held – Ordinary Shares | 2008 R'000 | 2007 R'000 | 2006 R'000 |
| **Subsidiary Name** | | | | |
| Agricultural Export Company (Pty) Ltd | 100 | 1 979 | 1 979 | 1 979 |
| Brokernet (Pty) Ltd | 100 | 0 | 0 | 0 |
| Champion Caterers (Pty) Ltd | 100 | 1 230 | 1 230 | 1 230 |
| Trustco Corporate Solutions (Pty) Ltd | 100 | 0 | 0 | 0 |
| Trustco Informatrix (Pty) Ltd | 100 | 0 | 0 | 0 |
| Trustco Financial Services (Pty) Ltd | 100 | 57 016 | 0 | 0 |
| Discuss Properties (Pty) Ltd | 100 | 761 | 761 | 761 |
| Estate Planners and Administrators (Pty) Ltd | 100 | 0 | 0 | 0 |
| Foxtrot Properties (Pty) Ltd | 100 | 0 | 0 | 374 |
| Free Press Printers (Pty) Ltd | 50 | 0 | 0 | 0 |
| Golf Properties (Pty) Ltd | 100 | 0 | 0 | 640 |
| Institute of Open Learning (Pty) Ltd | 100 | 2 167 | 2 167 | 2 167 |
| Insurance Claims Exchange (Pty) Ltd | 100 | 0 | 0 | 0 |
| Komada Holdings (Pty) Ltd | 100 | 0 | 0 | 0 |
| Legal Shield Holdings (Pty) Ltd | 100 | 0 | 0 | 0 |
| November Properties (Pty) Ltd | 100 | 1 034 | 1 034 | 1 034 |
| Trustco Accommodation (Pty) Ltd | 100 | 0 | 0 | 0 |
| Trustco Administrative Support Services (Pty) Ltd | 100 | 0 | 0 | 0 |
| Trustco Air Services (Pty) Ltd | 100 | 0 | 0 | 0 |
| Trustco Business Development (Pty) Ltd | 100 | 0 | 0 | 0 |
| Trustco Capital (Pty) Ltd | 100 | 0 | 0 | 0 |
| Trustco Corporate Management Services (Pty) Ltd | 100 | 0 | 0 | 0 |
| Trustco Education Holdings (Pty) Ltd | 100 | 0 | 0 | 0 |
| Trustco Finance (Pty) Ltd | 100 | 6 016 | 6 016 | 6 016 |
| Trustco Fleet Management Services (Pty) Ltd | 100 | 0 | 0 | 0 |
| Trustco Group International (Pty) Ltd | 100 | 68 549 | 68 549 | 0 |
| Trustco Hospitality Holdings (Pty) Ltd | 100 | 0 | 0 | 0 |

| | Percentage held – Ordinary Shares | Shares at Cost 2008 R'000 | 2007 R'000 | 2006 R'000 |
|---|---|---|---|---|
| Trustco Insurance Limited | 100 | 10 697 | 10 697 | 10 697 |
| Trustco Life Limited | 100 | 100 | 100 | 100 |
| Trustco Media Holdings (Pty) Ltd | 100 | 0 | 0 | 0 |
| Trustco Newspapers (Pty) Ltd | 100 | 0 | 0 | 0 |
| Trustco Property Holdings (Pty) Ltd | 100 | 0 | 0 | 0 |
| Trustco Restaurants (Pty) Ltd | 100 | 0 | 0 | 0 |
| Trustco Staff Share Incentive Scheme Trust | 100 | 0 | 0 | 0 |
| Trustco Tourism Holdings (Pty) Ltd | 100 | 0 | 0 | 0 |
| Webbiz (Pty) Ltd | 100 | 9 | 9 | 9 |
| Winna Mariba 777 (Pty) Ltd (Previously Microfin (Pty) Ltd) | 100 | 0 | 0 | 0 |

| | Percentage held – Ordinary Shares | Indebtedness 2008 R'000 | 2007 R'000 | 2006 R'000 |
|---|---|---|---|---|
| **Subsidiary Name** | | | | |
| Agricultural Export Company (Pty) Ltd | 100 | 0 | 0 | 0 |
| Brokernet (Pty) Ltd | 100 | 0 | 0 | 0 |
| Champion Caterers (Pty) Ltd | 100 | 0 | 0 | 222 |
| Trustco Corporate Solutions (Pty) Ltd | 100 | 0 | 0 | 0 |
| Trustco Informatrix (Pty) Ltd | 100 | 0 | 0 | 0 |
| Trustco Financial Services (Pty) Ltd | 100 | 0 | 0 | 0 |
| Discuss Properties (Pty) Ltd | 100 | 0 | 0 | (165) |
| Estate Planners and Administrators (Pty) Ltd | 100 | 0 | 0 | 0 |
| Foxtrot Properties (Pty) Ltd | 100 | 0 | 0 | 1 356 |
| Free Press Printers (Pty) Ltd | 50 | 0 | 0 | 0 |
| Golf Properties (Pty) Ltd | 100 | 0 | 0 | 1 191 |
| Institute of Open Learning (Pty) Ltd | 100 | 0 | 0 | 0 |
| Insurance Claims Exchange (Pty) Ltd | 100 | 0 | 0 | 0 |
| Komada Holdings (Pty) Ltd | 100 | 0 | 0 | 248 |
| Legal Shield Holdings (Pty) Ltd | 100 | 0 | 0 | 0 |
| November Properties (Pty) Ltd | 100 | 0 | 0 | (646) |
| Trustco Accommodation (Pty) Ltd | 100 | 0 | 0 | 0 |
| Trustco Administrative Support Services (Pty) Ltd | 100 | 0 | 0 | 0 |
| Trustco Air Services (Pty) Ltd | 100 | 0 | 0 | 0 |
| Trustco Business Development (Pty) Ltd | 100 | 0 | 0 | 0 |
| Trustco Capital (Pty) Ltd | 100 | 88 473 | 1 669 | 0 |
| Trustco Corporate Management Services (Pty) Ltd | 100 | 0 | 0 | 0 |
| Trustco Education Holdings (Pty) Ltd | 100 | 0 | 0 | 0 |
| Trustco Finance (Pty) Ltd | 100 | 14 615 | 770 | 0 |
| Trustco Fleet Management Services (Pty) Ltd | 100 | 1 709 | 1 011 | 0 |
| Trustco Group International (Pty) Ltd (inc in Namibia) | 100 | 22 497 | 23 404 | 0 |
| Trustco Group International (Pty) Ltd (inc in South Africa) | 100 | 26 682 | 0 | 0 |

| | Percentage held – Ordinary Shares | Indebtedness 2008 R'000 | 2007 R'000 | 2006 R'000 |
|---|---|---|---|---|
| Trustco Hospitality Holdings (Pty) Ltd | 100 | 0 | 0 | 0 |
| Trustco Insurance Limited (Previously Legal Shield Namibia Limited) | 100 | 0 | 0 | 0 |
| Trustco Life Limited (Previously Legal Shield Life Limited) | 100 | 0 | 0 | 0 |
| Trustco Media Holdings (Pty) Ltd | 100 | 0 | 0 | 0 |
| Trustco Newspapers (Pty) Ltd | 100 | 0 | 0 | 0 |
| Trustco Property Holdings (Pty) Ltd | 100 | 0 | 0 | 0 |
| Trustco Restaurants (Pty) Ltd | 100 | 0 | 0 | 0 |
| Trustco Staff Share Incentive Scheme Trust | 100 | 0 | 1 090 | 0 |
| Trustco Tourism Holdings (Pty) Ltd | 100 | 0 | 0 | 0 |
| Webbiz (Pty) Ltd | 100 | (16) | 0 | 0 |
| Winna Mariba 777 (Pty) Ltd (Previously Microfin (Pty) Ltd) | 100 | 0 | 0 | 0 |

| | Percentage held – Ordinary Shares | Share of profits and losses in subsidiaries 2008 R'000 | 2007 R'000 | 2006 R'000 |
|---|---|---|---|---|
| **Subsidiary Name** | | | | |
| Agricultural Export Company (Pty) Ltd | 100 | 5 | 680 | 1 319 |
| Brokernet (Pty) Ltd | 100 | 19 085 | – | – |
| Champion Caterers (Pty) Ltd | 100 | 102 | 223 | 474 |
| Trustco Corporate Solutions (Pty) Ltd | 100 | 339 | – | – |
| Trustco Informatrix (Pty) Ltd | 100 | 3 534 | – | – |
| Trustco Financial Services (Pty) Ltd | 100 | 4 985 | – | – |
| Discuss Properties (Pty) Ltd | 100 | 38 | 74 | 326 |
| Estate Planners and Administrators (Pty) Ltd | 100 | 10 | – | – |
| Foxtrot Properties (Pty) Ltd | 100 | – | – | 116 |
| Free Press Printers (Pty) Ltd | 50 | 467 | 1 372 | 405 |
| Golf Properties (Pty) Ltd | 100 | – | – | 147 |
| Institute of Open Learning (Pty) Ltd | 100 | 717 | 30 961 | 2 195 |
| Insurance Claims Exchange (Pty) Ltd | 100 | 814 | – | – |
| Komada Holdings (Pty) Ltd | 100 | 14 | 6 | 4 |
| Legal Shield Holdings (Pty) Ltd | 100 | 33 633 | 713 | – |
| November Properties (Pty) Ltd | 100 | 16 | 49 | 240 |
| Trustco Accommodation (Pty) Ltd | 100 | 5 | – | – |
| Trustco Administrative Support Services (Pty) Ltd | 100 | 4 | – | – |
| Trustco Air Services (Pty) Ltd | 100 | 299 | 2 531 | – |
| Trustco Business Development (Pty) Ltd | 100 | 8 | – | – |
| Trustco Capital (Pty) Ltd | 100 | 147 | 1 511 | – |
| Trustco Corporate Management Services (Pty) Ltd | 100 | 5 | 7 | – |
| Trustco Education Holdings (Pty) Ltd | 100 | 4 707 | 2 622 | – |
| Trustco Finance (Pty) Ltd | 100 | 205 | 211 | 41 |
| Trustco Fleet Management Services (Pty) Ltd | 100 | 48 | 5 971 | 3 392 |

| | Percentage held – Ordinary Shares | Share of profits and losses in subsidiaries 2008 R'000 | 2007 R'000 | 2006 R'000 |
|---|---|---|---|---|
| Trustco Group International (Pty) Ltd (inc in Namibia) | 100 | 9 641 | 81 465 | 41 043 |
| Trustco Group International (Pty) Ltd (inc in South Africa) | 100 | 25 173 | – | – |
| Trustco Hospitality Holdings (Pty) Ltd | 100 | 3 | 3 | – |
| Trustco Insurance Limited (Previously Legal Shield Namibia Limited) | 100 | 640 | 20 959 | 111 |
| Trustco Life Limited (Previously Legal Shield Life Limited) | 100 | 15 977 | 12 902 | 5 116 |
| Trustco Media Holdings (Pty) Ltd | 100 | 1 | 6 | – |
| Trustco Newspapers (Pty) Ltd | 100 | 4 | – | – |
| Trustco Property Holdings (Pty) Ltd | 100 | 4 | 6 | – |
| Trustco Restaurants (Pty) Ltd | 100 | 3 | – | – |
| Trustco Share Incentive Scheme Trust | 100 | 2 733 | – | – |
| Trustco Tourism Holdings (Pty) Ltd | 100 | 2 | – | – |
| Webbiz (Pty) Ltd | 100 | 61 | 36 | 1 |
| Winna Mariba 777 (Pty) Ltd (Previously Microfin (Pty) Ltd) | 100 | 6 | 20 | 1 |

The above profit and losses in subsidiaries are stated before their elimination of inter-company transactions.

* Investments in these subsidiaries consists of R100 and are disclosed as nil balances due to rounding to thousand.

## 7. AVAILABLE-FOR-SALE FINANCIAL ASSETS

| | 2008 R'000 | 2007 R'000 | 2006 R'000 |
|---|---|---|---|
| Investments in balanced funds with no specific date of maturity | 6 291 | 136 490 | – |
| Non-current portion | – | 136 490 | – |
| Current portion | 6 291 | – | – |

These investments are given as security for certain liabilities as stated in note 19. During the year under review the Group redeemed a significant investment in balanced funds which was managed by Plexus Secured Investments. This investment served as security for a term liability which was repaid simultaneously. The reason for the redemption of the investment and corresponding liability is due to the renegotiation of the term of the investment. Refer note 19 and 42.

## 8. DEFERRED TAXATION

| | 2008 R'000 | 2007 R'000 | 2006 R'000 |
|---|---|---|---|
| Net liability at beginning of year | 13 097 | – | 7 978 |
| Net (asset)/liability acquired through business combinations | (91) | 11 539 | – |
| Tax charge to equity | 2 215 | 2 366 | 859 |
| Deferred tax asset recognised on consolidation | (4 855) | – | – |
| Temporary differences | 13 403 | 9 135 | 4 354 |
| Tax losses utilised | (16 599) | (9 943) | (778) |
| Net liability/(asset) at end of year | 7 170 | 13 097 | 12 413 |
| *Comprising* | | | |
| Capital allowances | 32 605 | 22 859 | 17 017 |
| Revaluation of property plant and equipment | 4 581 | 3 877 | 859 |
| Unearned premium reserve | – | – | (1 359) |
| Assessed losses | (30 016) | (13 639) | (4 103) |
| | 7 170 | 13 097 | 12 413 |
| Non-current assets | 18 296 | 7 994 | (3 860) |
| Non-current liabilities | 25 466 | 21 091 | 16 273 |
| Net liability/(asset) at end of year | 7 170 | 13 097 | 12 413 |

Deferred tax assets and liabilities are only offset when the income tax relates to the same legal entity or fiscal authority or they intend to settle the assets and liabilities on a net basis. The Group through one of its subsidiaries has a tax asset available for set off against future taxable profit of R33 540 249. The deferred tax asset recognised in the financial statements for the current year is R4 854 833. The deferred tax asset recognised is based on the probability of future taxable profit being available in the distant future (next three years) to set it off against.

## 9. LOANS AND RECEIVABLES

| | 2008 R'000 | 2007 R'000 | 2006 R'000 |
|---|---|---|---|
| **9.1 Educational loans** | | | |
| Educational loans advanced at beginning of the year | 69 411 | 22 240 | 3 046 |
| Impairment of loans at beginning of the year | (5 564) | (2 250) | – |
| Opening balance | 63 847 | 19 990 | 3 046 |
| | 28 201 | 43 857 | 16 944 |
| Loans advanced (including transaction costs) | 60 548 | 79 391 | 16 944 |
| Payments received | (32 912) | (32 220) | – |
| Decrease/(Increase) in impairment | 565 | (3 314) | – |
| Closing balance | 92 048 | 63 847 | 19 990 |
| *Consisting of:* | | | |
| Educational loans advanced at end of the year | 97 047 | 69 411 | 19 990 |
| Impairment of loans at end of the year | (4 999) | (5 564) | – |
| Closing balance | 92 048 | 63 847 | 19 990 |
| *Less:* Short-term portion | (32 082) | (23 773) | (9 799) |
| Long-term portion | 59 966 | 40 074 | 10 191 |

Repayments of educational loans which are over due but not impaired amounted to R728 284 (2007: R510 776). The balance of these loans are R8 987 326 (2007: R6 154 383). Over due but not impaired is defined as payments that are outstanding for more than one month but not longer than 3 months. Loans with payments outstanding longer than 3 months are impaired. These loans bear interest at rates ranging between 15.25% and 27.75% (2007: 22% and 24.75%) are unsecured and repayable over periods between 12 to 60 months.

| | 2008 R'000 | 2007 R'000 | 2006 R'000 |
|---|---|---|---|
| **9.2 Amounts receivable under finance leases** | | | |
| **Minimum lease payments** | | | |
| Within one year | 500 | – | – |
| In the second to fifth years inclusive | 2 000 | – | – |
| | 2 500 | – | – |
| *Less:* Unearned finance income | (565) | – | – |
| | 1 935 | – | – |
| **Present value of minimum lease payments** | | | |
| Within one year | 322 | – | – |
| In the second to fifth years inclusive | 1 613 | – | – |
| | 1 935 | – | – |

The finance lease bears interest at a rate linked to the variable bond rate of Namibia and is unsecured. The average effective interest rate is approximately 9.19% per annum. Assets leased under finance leases do not have any residual values. The finance lease is repayable in five annual installments of R500 000 each.

| | 2008 R'000 | 2007 R'000 | 2006 R'000 |
|---|---|---|---|
| **Total loans and receivables** | | | |
| Educational loans | 92 048 | 63 847 | 19 990 |
| Amounts receivable under finance leases | 1 935 | – | – |
| | 93 983 | 63 847 | 19 990 |
| Loans and receivables as per balance sheet: | | | |
| Current assets | 32 404 | 23 773 | 9 799 |
| Non-current assets | 61 579 | 40 074 | 10 191 |
| | 93 983 | 63 847 | 19 990 |

### 9.3 Loans to Directors/Managers – s 8.11 c

During the year ended 31 March 2008, no loans were made for the benefit of any director.

During the year ended 31 March 2008, an immaterial loan to the amount of R10 530 was made to a manager (A. Lambert) on 28/03/2008 and is repayable from 30/04/2008. No further loans were made to managers during the year.

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

| | 2008 R'000 | 2007 R'000 | 2006 R'000 |
|---|---|---|---|
| **Related parties (other than subsidiaries)** | | | |
| The Free Press of Namibia (Pty) Ltd | (6 360) | – | – |
| Namibia Medical Investments (Pty) Ltd | – | – | 16 897 |
| Next Investments (Pty) Ltd (previously Bellissima Investments 79 (Pty) Ltd | (24 819) | 1 544 | – |
| DexGroup (Pty) Ltd | (1 670) | – | – |
| | (32 849) | 1 544 | 16 897 |
| Non-current assets | – | – | 16 897 |
| Current assets | – | 1 544 | – |
| Non-current liabilities | (32 849) | – | – |
| | (32 849) | 1 544 | 16 897 |

The loan from The Free Press of Namibia (Pty) Ltd is unsecured, bears no interest and has no fixed terms of repayment. No repayment will be made in the next 12 months. This entity is a 50% shareholder of Free Press Printers (Pty) Ltd, a subsidiary in the Group.

The loan from Next Investments (Pty) Ltd is unsecured, bears interest at 12% per annum. Repayment terms are in the process of renegotiation. No repayment will be made in the next 12 months. The sole shareholder of Next Investments (Pty) Ltd is Q van Rooyen.

The loan from DexGroup (Pty) Ltd is unsecured, interest free and has no fixed terms of repayment. These terms are currently in a process of renegotiation. No repayment will be made in the next 12 months. This entity was the previous holding company of DexGroup Financial Services (Pty) Ltd, which is now a wholly owned subsidiary of Trustco Group International (Pty) Ltd (inc. in Republic of South Africa).

## 11. INVENTORIES

| | 2008 R'000 | 2007 R'000 | 2006 R'000 |
|---|---|---|---|
| Stock | 743 | – | – |
| Work in progress | 27 964 | 26 555 | 24 762 |
| Finished goods | 2 265 | 3 722 | 808 |
| Trading live stock | – | 541 | 674 |
| | 30 972 | 30 818 | 26 244 |

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

Work in progress of R27.96 million (2007: R26.56 million) relates to land in Lafrenz, Windhoek, measuring 373.053 hectares and are expected to be recovered after more than 12 months. The Group is in the process of preparing the land for development of affordable housing. The property was valued by G S Hamman at 10 March 2008 for R63.3 million, on the basis of open market value, supported by market evidence, in accordance with International Valuation Standards.

The work in progress described above has been mortgaged as security for the liability described in Note 19.

## 12. TRADE AND OTHER RECEIVABLES

| | 2008 R'000 | 2007 R'000 | 2006 R'000 |
|---|---|---|---|
| Trade receivables | 12 771 | 4 142 | 2 907 |
| Prepayments | 4 612 | 2 716 | 15 |
| State: other taxes receivable | 5 320 | 15 404 | 99 |
| Other receivables | 10 655 | 2 017 | 94 |
| Due by policy holders | – | – | 428 |
| | 33 358 | 24 279 | 3 543 |

Other receivables contain an amount of R10 451 630 which relates to the sale of 3 million shares from the Trustco Staff Share Incentive Scheme Trust. The amount was received directly after year end. Also refer to note 14. Trustco Financial Services (Pty) Ltd has trade receivables of R3 104 103.

No trade and other receivables have been pledged as collateral for liabilities or contingent liabilities.

As of 31 March 2008, trade receivables of R3.2 million (2007: R2.9 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:

| | 2008 | 2007 | 2006 |
|---|---|---|---|
| Up to 3 months | 1 527 | 2 663 | |
| 3 to 6 months | 1 258 | 70 | |
| Older than 6 months | 410 | 187 | |
| | 3 195 | 2 920 | |

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.

## 13. CASH AND CASH EQUIVALENTS

| | 2008 R'000 | 2007 R'000 | 2006 R'000 |
|---|---|---|---|
| Cash at bank and on hand | 95 574 | 17 732 | 12 503 |
| Short-term bank deposits | 3 353 | 9 848 | 3 539 |
| | 98 927 | 27 580 | 16 042 |

## 14. STATED CAPITAL AND DEEMED TREASURY SHARES

### 14.1 Stated capital

| | *Number of shares* | | |
|---|---|---|---|
| | **2008** | **2007** | **2006** |
| ***Authorised*** | | | |
| 500 000 000 ordinary shares of no par value | 500 000 000 | 500 000 000 | 4 000 |
| ***Issued and fully paid*** | | | |
| Opening balance | 133 480 300 | – | – |
| Transfer to stated capital | – | 109 425 000 | – |
| Public issue of ordinary shares | – | 24 055 300 | – |
| Issue of ordinary shares | 2 300 | – | – |
| VAT on listing costs | – | – | – |
| Closing balance | 133 482 600 | 133 480 300 | – |

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

| | *Rand Value* | | |
|---|---|---|---|
| | **2008** | **2007** | **2006** |
| ***Authorised*** | | | |
| 500 000 000 ordinary shares of no par value | – | – | – |
| ***Issued and fully paid*** | | | |
| Opening balance | 141 920 | – | – |
| Transfer to stated capital | – | 68 549 | – |
| Public issue of ordinary shares | – | 73 371 | – |
| Issue of ordinary shares | – | – | – |
| VAT on listing costs | (472) | – | – |
| Closing balance | 141 448 | 141 920 | – |

14.2 **Deemed treasury shares**

| | *Number of shares* | | |
|---|---|---|---|
| | **2008** | **2007** | **2006** |
| Opening balance | 14 050 360 | – | – |
| Purchase of deemed treasury shares by the Trustco Staff Share Incentive Scheme Trust | – | 14 050 360 | – |
| Sale of deemed treasury shares by the Trustco Staff Share Incentive Scheme Trust | (3 000 000) | – | – |
| Closing balance | 11 050 360 | 14 050 360 | – |

| | *Rand Value* | | |
|---|---|---|---|
| | **2008** | **2007** | **2006** |
| Purchase of deemed treasury shares by the Trustco Staff Share Incentive Scheme Trust | – | 45 051 | – |
| Sale of deemed treasury shares by the Trustco Staff Share Incentive Scheme Trust | (9 692) | – | – |
| Closing balance | 35 359 | 45 051 | – |

During the 2007 financial year 13 362 860 and 687 500 shares were purchased from Q van Rooyen and the Senior Employee Trust by the Trustco Staff Share Incentive Scheme Trust (“the Trust”), respectively. The Trust borrowed the funds from the Company. The loan is interest free and shall be repaid from amounts received by the Trustees. The purpose of the purchase was to facilitate the Staff Share Incentive Scheme that was approved at the annual general meeting on 15 August 2007. The Trust is controlled by three trustees, all of whom are directors of the Company. For that reason for accounting purposes, the Trust is treated as a special purpose entity that was consolidated into the Group and Company’s financial statements. The shares held by the Trust are therefore treated as deemed treasury shares for consolidation and company purposes.

The Share Appreciation Rights arrangement as detailed in note 24, was implemented during the year in the Company to replace the Staff Share Incentive Scheme. As a result the Trust allocated no shares or share options to employees during the year under review.

On 31 March 2008 3 000 000 (R9.692 million) shares of the Trust were sold at R3.50 per share, reducing the number of deemed treasury shares to 11 050 360.

## 15. CONTINGENCY RESERVE

| | 2008 R'000 | 2007 R'000 | 2006 R'000 |
|---|---|---|---|
| **Policy holders' contingency reserve** | | | |
| Balance at beginning of year | (357) | – | 4 154 |
| Release of pre-listed contingency reserve | – | (357) | 820 |
| Increase in reserve | 54 | – | – |
| **Balance at the end of the year** | (303) | (357) | 4 973 |

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 distributable reserves to contingency reserves, and is reflected as a movement in the statement of changes in equity.

## 16. VENDOR SHARES

| | 2008 R'000 | 2007 R'000 | 2006 R'000 |
|---|---|---|---|
| Arising on acquisition through business combinations | 35 526 | – | – |

On 1 November 2007 the Group acquired all of the shares in DexGroup Financial Services (Pty) Ltd. The Group paid R20 million in cash and will pay a further R45 million by issuing a fixed number of shares. The number of shares was determined on the date of purchase by dividing R45 million by a price of R3.80, equalling 11 842 105 shares. These shares will be issued from 2008 to 2011 based on *pro rata* net profit after tax of DexGroup Financial Services (Pty) Ltd in each year. The fair value of the equity settled instrument is calculated using the share price at the date of exchange, being R3.00 note 37.4.

## 17. REVALUATION RESERVE

| | 2008 R'000 | 2007 R'000 | 2006 R'000 |
|---|---|---|---|
| Balance at beginning of year | 7 513 | – | 8 451 |
| Surplus arising from the revaluation of property, plant and equipment, net of deferred taxation and release of depreciation to the income statement | 5 288 | 7 513 | 6 427 |
| **Balance at the end of the year** | 12 801 | 7 513 | 14 878 |
| *Comprising:* | | | |
| Revaluation of property, plant and equipment | 12 801 | 7 513 | 14 878 |

## 18. MINORITY INTEREST

| | 2008 R'000 | 2007 R'000 | 2006 R'000 |
|---|---|---|---|
| Balance at beginning of year | 1 372 | – | 2 674 |
| Share of (profit)/loss for the year | (233) | 1 372 | (405) |
| Sale of interest to holding company | – | – | (2 674) |
| **Balance at the end of the year** | 1 139 | 1 372 | (405) |

19. **LONG-TERM LIABILITIES**

| | 2008 R'000 | 2007 R'000 | 2006 R'000 |
|---|---|---|---|
| *Secured* | | | |
| Bank loans | 24 597 | – | – |
| Mortgage loans | 58 120 | 48 706 | 39 844 |
| Finance leases | – | – | 6 062 |
| Liabilities under installment sale agreements | 41 640 | 41 777 | 14 639 |
| Term loan | – | 135 273 | – |
| | 124 357 | 225 758 | 60 546 |
| *Unsecured* | | | |
| Long-term loans | – | 250 | 3 685 |
| | 124 357 | 226 008 | 64 231 |
| Current portion included under current liabilities | (14 854) | (9 281) | (10 119) |
| | 109 503 | 216 727 | 54 112 |
| Current liabilities | 14 854 | 9 281 | 10 119 |
| Non-current liabilities | 109 503 | 216 727 | 54 112 |
| | 124 357 | 226 008 | 64 231 |

The bank loan is secured over work in progress with a carrying value of R27.96 million (market value of R63.3 million), repayable in 60 monthly instalments of R557 122 including interest at prime rate.

The mortgage loans are secured over land and buildings and investment properties with carrying values of R60.07 million (2007: R50.96 million) and R36.81 million (2007: R32.63 million), respectively and repayable in monthly installments up to 20 years of R608 027 (2007: R593 398) including interest at home loan rates ranging between 13.25% and 15.25% (2007: 11.75% and 13.75%).

Liabilities under installment sale agreements are payable over periods from 1 to 5 years at effective interest rates ranging from 13.25% to 15.25% (2007: 11.50% to 13.75%) per annum. These liabilities are repayable in monthly installments of approximately R964 886 (2007: R966 896) and are secured over machinery and equipment, motor vehicles and aircrafts with a carrying amount of R53.4 million (2007: R49.9 million).

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

- Suretyship for R15 000 000, R8 000 000, R5 650 000, R8 000 000 and R8 000 000 respectively by Trustco Group International (Pty) Ltd, registration number 92/335 in favour of Free Press Printers (Pty) Ltd, registration number 2005/0328.
- Suretyship for R15 000 000 and R8 000 000 respectively by Free Press Printers (Pty) Ltd, registration number 2005/0328.
- Power of Attorney for R8 500 000 and R2 250 000 respectively over Portion 1 of Portion A of the farm Nubuamis Number 37, Windhoek in the name of Trustco Group International (Pty) Ltd, registration number 92/335.
- Cession of Fire Damage over Portion 1 of the farm Nubuamis Number 37, Windhoek in the name of Free Press Printers (Pty) Ltd, registration number 2005/0328. Insured amount R10 000 000.
- Pledge dated 8 December 2006 over call deposit in name of Free Press Printers (Pty) Ltd, restricted to R3 300 000.
- Pledge dated 4 July 2007 over call deposit in name of Free Press Printers (Pty) Ltd, restricted to R2 300 000.

The term loan was repaid during the year under review due to the terms of the investment which served as security for the loan being renegotiated.

The unsecured loan was repaid during the year.

20. **OTHER LIABILITIES**

| | 2008 R'000 | 2007 R'000 | 2006 R'000 |
|---|---|---|---|
| **Finance lease obligations** | | | |
| *Minimum lease payments due* | | | |
| – within one year | 2 456 | 2 124 | – |
| – in second to fifth year inclusive | 998 | 2 998 | – |
| | 3 454 | 5 122 | – |
| *Less:* Future finance charges | (435) | (399) | – |
| Present value of minimum lease payments | 3 019 | 4 723 | – |
| *Present value of minimum lease payments due* | | | |
| – within one year | 2 083 | 1 803 | – |
| – in second to fifth year inclusive | 936 | 2 920 | – |
| | 3 019 | 4 723 | – |
| Non-current liabilities | 936 | 2 920 | – |
| Current liabilities | 2 083 | 1 803 | – |
| | 3 019 | 4 723 | – |

Liabilities under finance leases are repayable over periods from 1 to 5 years at an effective interest rate of 13% (2007: 11.5%) per annum. These liabilities are repayable in monthly instalments of approximately R362 868 (2007: R281 397) and are secured over motor vehicles with a carrying amount of R3.938 million (2007: R4.307 million).

21. **POLICY HOLDER LIABILITY UNDER INSURANCE CONTRACTS**

| | 2008 R'000 | 2007 R'000 | 2006 R'000 |
|---|---|---|---|
| Balance at beginning of year | 1 727 | – | 2 595 |
| Acquired through business combinations | – | 2 500 | – |
| Movement during the year | 274 | (773) | (95) |
| Balance at end of year | 2 001 | 1 727 | 2 500 |

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).

22. **TRADE AND OTHER PAYABLES**

| | 2008 R'000 | 2007 R'000 | 2006 R'000 |
|---|---|---|---|
| Trade creditors | 140 540 | 16 500 | 16 567 |
| Income received in advance | 2 255 | 3 751 | 3 121 |
| Accrued expenses | 10 260 | 4 340 | 3 344 |
| State: other taxes due | 3 121 | 12 631 | 869 |
| Other payables | 3 177 | 3 346 | 2 690 |
| | 159 353 | 40 568 | 26 591 |

The main increase in trade creditors relate to insurance premiums due to insurance companies which are included in DexGroup Financial Services (Pty) Ltd. The amount is R86 484 926 and relates to premium collections due to insurance companies that are collected through the DexCollect software system. The total amount of trade payables relating to DexGroup Financial Services (Pty) Ltd is R130 620 701. All premiums due are payable within a period of 15 days after collection month. The Board has assessed the cash flow projections for the period ending 31 March 2009 and foresee that the amount will be settled in full by the due date. Refer to note 26 on guarantees.

## 23. PROVISIONS

| | 2008 R'000 | 2007 R'000 | 2006 R'000 |
|---|---|---|---|
| **23.1 Provision for IBNR** | | | |
| Balance at beginning of year | 1 847 | – | – |
| Acquired through business combinations | – | 1 676 | – |
| Transfer (to)/from income statement | (551) | 171 | – |
| Balance at end of year | 1 296 | 1 847 | – |
| **23.2 Provision for outstanding claims** | | | |
| *Long-term insurance contracts* | | | |
| Balance at beginning of year | 297 | – | 3 410 |
| Acquired through business combinations | – | 257 | – |
| Transfer (to)/from income statement | (128) | 40 | 1 397 |
| Balance at end of year | 169 | 297 | 4 807 |
| *Short-term insurance contracts* | | | |
| Balance at beginning of year | 3 470 | – | – |
| Acquired through business combinations | – | 2 874 | – |
| Transfer from income statement | (658) | 596 | – |
| Balance at end of year | 2 812 | 3 470 | – |
| Total provision for outstanding claims | 2 981 | 3 767 | – |
| **23.3 Unearned premium reserve** | | | |
| *Long-term insurance contracts* | | | |
| Balance at beginning of year | 1 129 | – | 3 621 |
| Acquired through business combinations | – | 27 | – |
| Transfer (to)/from income statement | 140 | 1 102 | 263 |
| Balance at end of year | 1 269 | 1 129 | 3 884 |
| *Short-term insurance contracts* | | | |
| Balance at beginning of year | 4 853 | – | – |
| Acquired through business combinations | – | 3 884 | – |
| Transfer from income statement | 619 | 969 | – |
| Balance at end of year | 5 472 | 4 853 | – |
| Total unearned premium reserve | 6 741 | 5 982 | – |
| Total technical provisions | 11 018 | 11 596 | 8 691 |

## 24. SHARE APPRECIATION RIGHTS

The Trustco Group Holdings Limited Staff Share Appreciation Rights, that entitles eligible employees who wish to part take to share appreciation rights (SARs), was approved by the Company's Executive Committee. This is a cash-settled share-based payment arrangement as defined in IFRS 2: Share-based Payment. The amount of the cash payment is determined based on the increase in the share price of the Company between the grant date and the exercise date.

Employees who were employed by the Group prior to 27 September 2006 received SARs at R3.20 per share equal to their basic annual salary at the date of allocation vesting over a 5 year period.

Employees who were employed by the Group prior to 27 September 2006 received SARs equal to annual basic salary as the grant date. The allocation will be made at the closing share price of the Trustco Group Holdings Limited on the NSX on grant date, vesting over a 5-year period.

Employees who are offered new positions will receive SARs equal to their basic salary on the date of assumption of duties at the closing price value.

Performance incentives will be made quarterly on the following basis:

– If a subsidiary is within 2.5% or better of Board budgeted revenue each eligible employee in that subsidiary will receive 12.5% of their annual basis salary in the allocation of SARs at the closing price value.

– A further 12.5% will accrue if the subsidiary is within 2.5% or better of Board budgeted net profit on the same basis.

– Employees can exercise their SARs once the particular allocation or portion thereof was allocated more than one year prior to the date of trade.

– Each employee may trade in a maximum of 20% of their SARs during the first year, 40% during the second year, 60% during the third year, 80% during the fourth year and 100% during the fifth year. In any event. All SARs must be redeemed after five years after grant date.

– Management may suspend trade in SARs if in its opinion circumstances warrant such a step.

– If any of the subsidiaries do not achieve the quarterly budget targets the employees in that subsidiary will forfeit SARs as follows:

*Managing directors, General Managers, Managers and Supervisors*

– If a subsidiary is below the 97.5% budgeted revenue, 7.5% of the previous allocation is forfeited.

– If a subsidiary is below the 97.5% budgeted net profit, 7.5% of the previous allocation is forfeited.

*Other employees*

– If a subsidiary is below the 97.5% budgeted revenue, 5% of the previous allocation is forfeited.

– If a subsidiary is below the 97.5% budgeted net profit, 5% of the previous allocation is forfeited.

**Reconciliation of movements in SARs**

| | **Weighted average exercise price** | **Number of rights** |
|---|---|---|
| The number and weighted average exercise prices of SARs is as follows: | | |
| | **2008 R'000** | **2008 R'000** |
| Outstanding at the beginning of the period | – | – |
| Granted during the period at: | | |
| | R3.20 | 7 466 607 |
| | R3.30 | 111 817 |
| | R3.40 | 117 528 |
| | R3.45 | 256 864 |
| | R3.50 | 214 253 |
| | R3.51 | 1 858 |
| | R3.60 | 30 600 |
| Forfeited during the period | 3.20 | (607 645) |
| Exercised during the period | 3.51 | (7 875) |
| Outstanding at the end of the period | 3.22 | 7 584 007 |
| Exercisable at the end of the period | 3.20 | 797 714 |

**Reconciliation of movements in SARs**

| | Weighted average exercise price | Number of rights |
|---|---|---|
| The number and weighted average exercise prices of SARs is as follows: | | |
| | **2007 R'000** | **2007 R'000** |
| Outstanding at the beginning of the period | – | – |
| Granted during the period at: | | |
| | R3.20 | – |
| | R3.30 | – |
| | R3.40 | – |
| | R3.45 | – |
| | R3.50 | – |
| | R3.51 | – |
| | R3.60 | – |
| Forfeited during the period | – | – |
| Exercised during the period | – | – |
| Outstanding at the end of the period | – | – |
| Exercisable at the end of the period | – | – |

| **SARs model inputs** | **2008** | **2007** | **2006** |
|---|---|---|---|
| Number of SARs | 7 584 007 | – | – |
| Contractual life | 4.02 years | – | – |
| Share price at reporting date | R3.50 | – | – |
| Exercise price | R3.22 | – | – |
| Expected volatility | 14.70% | – | – |
| Expected dividends | Nil | – | – |
| Attrition rate | 40.4% | – | – |
| Risk-free interest rate (based on Namibian GC12 bond yield rates) | 9.92% | – | – |

The SARs outstanding at 31 March 2008 have an exercise price in the range of R3.20 to R3.51 (2007: nil) and a weighted average remaining contractual life of 4.02 years (2007: nil). The weighted average share price at the date of exercise for SARs exercised in 2008 was R3.51 (2007: nil).

| **Employee expenses** | **2008 R'000** | **2007 R'000** | **2006 R'000** |
|---|---|---|---|
| Expenses arising from SARs granted | 1 007 | – | – |
| Effect of changes in the fair value of SARs | 354 | – | – |
| Total expense recognised as employee costs | 1 361 | – | – |
| Total intrinsic value of liability for vested benefits | 239 | – | – |
| Total carrying amount of liabilities for cash-settled arrangements | 1 361 | – | – |

**Measurements and assumptions**

The fair value of services received is measured by reference to the fair value of SARs granted. The estimate of the fair value of SARs granted is measured using a binomial lattice model. SAR's are granted under a service and non-market based performance condition. Such conditions are not taken into account in the grant date fair value measurement of the SARs. There is no market conditions associated with the SARs.

All the above model inputs are expressed as weighted averages. The expected volatility is based on the annualised historic volatility since listing date (27 September 2006). The expected life assumption is based on the average length of time to expiration. These inputs in the binomial lattice model resulted in a weighted average fair value for the SAR's of R0.77 (2007: nil).

25. **BANK OVERDRAFT**

The Group's available banking facilities and the extent to which they have been used are as follows:

The banking facilities are secured as follows:

- 4th and 5th mortgage bonds totalling R7 000 000 over Erf 7490, Windhoek and extended at the lower of the mortgage bonds or 80% for the valuation of R29 349 400, and a cession over the fire policy of R37 500 000;
- Unlimited surety by Q van Rooyen dated 19/04/2002 for Trustco Group International (Pty) Ltd; and
- Unlimited surety by Trustco Group International (Pty) Ltd dated 04/09/2003.

| | **2008 R'000** | **2007 R'000** | **2006 R'000** |
|---|---|---|---|
| Available | 15 000 | 24 500 | 9 500 |
| Utilised | 15 511 | 21 334 | 8 243 |

- Unlimited surety by Trustco Finance (Pty) Ltd.
- Unlimited surety by Institute of Open Learning (Pty) Ltd.

26. **CONTINGENT LIABILITIES AND GUARANTEES**

Trustco Group International (Pty) Ltd is currently in an arbitration process with the South African Broadcasting Corporation (SABC) due to breach of contract by the SABC. The total estimated legal cost of the arbitration process is approximately R5 000 000, of which R4 000 000 has already been incurred. A ruling was made on 2 April 2007 in favour of TGI by an independent arbitrator. The SABC noted an appeal which it withdrew. The arbitration will proceed in September 2008 on the issue of the amount of damages to be awarded. A cost order of R1 060 000 was awarded to Trustco Group International (Pty) Ltd (inc. in Namibia) and should be sufficient to cover further legal expenses.

| | **2008 R'000** | **2007 R'000** | **2006 R'000** |
|---|---|---|---|
| Legal and consulting fees | 1 360 | 1 000 | 2 100 |

The Group has other pending legal cases for which the total legal cost is estimated to be not more that R300 000 (2007: R100 000).

**Guarantees**

In terms of section 45 of the Short-term Insurance Act of South Africa, 1998, an entity must be in possession of an Intermediaries Guarantee Facility Limited (IGF) guarantee in order to collect premiums and carry on the business as an insurer. An IGF guarantee to the amount of R50 million was taken out by BrokerNet (Pty) Ltd, an indirect subsidiary of the Company. IGF required that BrokerNet (Pty) Ltd obtains an underlying guarantee from an insurer. BrokerNet (Pty) Ltd obtained such guarantee from Constantia Insurance Company Limited (CIC) who placed the guarantee on the condition that the Company would issue a deed of surety and the Q van Rooyen cede 30 000 000 shares in the Company. All of these conditions have been met and CIC effected the placement of the guarantee.

27. **CAPITAL COMMITMENTS**

| | **2008 R'000** | **2007 R'000** | **2006 R'000** |
|---|---|---|---|
| Approved by directors but not contracted for: | | | |
| Property, plant and equipment | 23 000 | 4 200 | 78 500 |

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.

## 28. REVENUE

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

| | 2008<br>R'000 | 2007<br>R'000 | 2006<br>R'000 |
|---|---|---|---|
| Major classes of revenue comprise: | | | |
| Rental income | 3 495 | 9 782 | 8 126 |
| Maize meal products | – | 20 559 | 32 542 |
| Commission, development and management fees | 6 966 | 17 463 | 16 524 |
| Tourism | 9 311 | 4 888 | – |
| Printing revenue | 21 320 | 6 697 | – |
| Media | 6 505 | 2 582 | – |
| SMS revenue | 2 132 | 4 048 | – |
| Educational – and financial services | 54 889 | 48 195 | 23 879 |
| | 208 207 | 114 210 | 81 071 |
| Insurance income | 75 704 | 68 085 | 51 890 |
| Total revenue | 283 911 | 182 295 | 132 961 |
| Insurance income can be analysed as follows: | | | |
| *Long-term insurance contracts* | | | |
| Gross premium written | 29 762 | 23 994 | 8 057 |
| Change in deferred income | (140) | (1 102) | (82) |
| | 29 622 | 22 892 | 7 975 |
| *Short-term insurance contracts* | | | |
| Gross premium written | 46 701 | 46 162 | 44 178 |
| Change in deferred income | (619) | (969) | (263) |
| | 46 082 | 45 193 | 43 915 |
| Total insurance income | 75 704 | 68 085 | 51 890 |
| Aggregate change in deferred income | (759) | (2 071) | (290) |

Refer to note 43 on comparative figures.

## 29. CLAIMS AND BENEFITS PAID ON INSURANCE CONTRACTS

| | 2008<br>R'000 | 2007<br>R'000 | 2006<br>R'000 |
|---|---|---|---|
| **Long-term insurance contracts** | | | |
| Death claims paid | 1 936 | 2 333 | 2 328 |
| Change in provision for outstanding claims | (128) | (40) | 276 |
| | 1 808 | 2 293 | 2 604 |
| **Short-term insurance contracts** | | | |
| Claims paid out | 19 229 | 13 502 | 12 864 |
| Change in provision for outstanding claims | (1 349) | (509) | 948 |
| | 17 880 | 12 993 | 13 812 |
| Total claims | 19 688 | 15 286 | 16 416 |

## 30. PROFIT BEFORE INVESTMENT INCOME, FAIR VALUE ADJUSTMENTS AND FINANCE COSTS

| | 2008 R'000 | 2007 R'000 | 2006 R'000 |
|---|---|---|---|
| This is arrived at after taking into account the following: | | | |
| *Included in other income is the following:* | | | |
| Income for subsidiaries | | | |
| Interest received | – | 2 123 | – |
| Negative goodwill | 27 702 | – | – |
| Profit on disposals of investments | 1 050 | – | – |
| Loss on disposal of property, plant and equipment | – | – | (2 741) |
| Profit on foreign exchange differences | 1 262 | 667 | – |
| Profit on sale of trademark | 2 230 | – | – |
| Legal fees recovered (including SABC) | 1 250 | – | – |
| *Included in Administration expenses is the following:* | | | |
| Depreciation and amortisation | | | |
| – Property, plant and equipment | 9 797 | 7 118 | 3 069 |
| – Intangible assets | 1 126 | 402 | – |
| Auditors' remuneration | | | |
| – Audit fees | 703 | 503 | 375 |
| – Other services | 467 | – | – |
| (Profit)/Loss on disposal of property, plant and equipment | (127) | 505 | – |
| Loss on disposal of investment properties | 24 | – | – |
| Loss on foreign exchange | 73 | – | – |

## 31. DIRECTORS' EMOLUMENTS

| | Share Appreciation Rights* | | Shareholding | Remuneration | | | |
|---|---|---|---|---|---|---|---|
| **2008** | **Granted R'000** | **Value R'000** | **Shares (direct) R'000** | **Fees R'000** | **Basic R'000** | **Bonuses R'000** | **Total R'000** |
| **Holding Company directors** | | | | | | | |
| *Executive Directors* | | | | | | | |
| Q van Rooyen (*MD*) | – | – | 78 499 | 15 | 960 | – | 975 |
| F J Abrahams *(FD)* | 257 | 66 | 30 | – | 426 | 175 | 601 |
| G R I Walters | 225 | 21 | – | 26 | 421 | – | 447 |
| | 482 | 87 | 78 529 | 41 | 1 807 | 175 | 2 023 |
| *Non-executive directors* | | | | | | | |
| Adv T J Frank SC (*Chairperson)* | – | – | 53 | 345 | – | – | 345 |
| M Nashandi | – | – | 3 | 119 | – | – | 119 |
| Dr D Namwandi | – | – | 11 | 166 | – | – | 166 |
| V de Klerk | – | – | 3 | 90 | – | – | 90 |
| A H Toivo ya Toivo | – | – | – | 50 | – | – | 50 |
| | – | – | 70 | 770 | – | – | 770 |

| 2008 | Share Appreciation Rights* Granted R'000 | Value R'000 | Shareholding Shares (direct) R'000 | Remuneration Fees R'000 | Basic R'000 | Bonuses R'000 | Total R'000 |
|---|---|---|---|---|---|---|---|
| **Subsidiary company directors** | | | | | | | |
| *Executive Directors* | | | | | | | |
| J Jones | 344 | 89 | 215 | – | 551 | 240 | 791 |
| P J Miller | 258 | 65 | 10 | – | 459 | 175 | 634 |
| C van Rooyen | – | – | – | – | 301 | – | 301 |
| J van den Heever | 156 | 27 | 1 | – | 487 | – | 487 |
| M Hamata | 78 | 11 | – | – | 327 | – | 327 |
| P C Bekker | 156 | 31 | – | – | 376 | – | 376 |
| N Hearn | – | – | – | – | 369 | 50 | 419 |
| D C Kleinscmidt | 156 | 42 | 1 | – | 360 | 50 | 410 |
| D Swindon | 188 | 51 | 31 | – | 661 | – | 661 |
| Dr C J Powell | 185 | 31 | 10 | – | 464 | – | 464 |
| J Grobler | 156 | 19 | – | – | 231 | – | 231 |
| N M Basson | – | – | – | – | 458 | 50 | 508 |
| G Herman | 184 | 46 | – | – | 588 | – | 588 |
| G Spinas | – | – | 3 | – | 407 | – | 407 |
| J Muller | – | – | – | – | 149 | – | 149 |
| A van Wyk | – | – | – | – | 281 | – | 281 |
| E Laing | – | – | – | – | 185 | – | 185 |
| S Stols | – | – | – | – | 368 | – | 368 |
| J Cockcraft | – | – | – | – | 129 | – | 129 |
| J Wessels | – | – | – | – | 453 | – | 453 |
| D Caine | – | – | – | – | 250 | – | 250 |
| S Jones Castro Carballo | – | – | – | – | 137 | – | 137 |
| | 1 861 | 412 | 271 | – | 7 991 | 565 | 8 556 |
| *Non-executive directors* | | | | | | | |
| G Lister | – | – | – | 20 | – | – | 20 |
| Total | 2 343 | 499 | 78 870 | 831 | 9 798 | 740 | 11 369 |

* All share appreciation rights were granted during the year. No rights were exercised during the year under review.

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Holding Company directors** | | | | | | | |
| *Executive Directors* | | | | | | | |
| Q van Rooyen (*MD*) | – | – | 93 250 | 40 | 960 | – | 1 000 |
| F J Abrahams *(FD)* | – | – | 30 | – | 386 | – | 386 |
| | – | – | 93 280 | 40 | 1 346 | – | 1 386 |
| *Non-executive directors* | | | | | | | |
| Adv T J Frank SC (*Chairperson)* | – | – | 53 | 136 | – | – | 136 |
| M Nashandi | – | – | 3 | 40 | – | – | 40 |
| Dr D Namwandi | – | – | 11 | 40 | – | – | 40 |
| V de Klerk | – | – | 3 | 40 | – | – | 40 |
| Dr H Geingob | – | – | – | 53 | – | – | 53 |
| | – | – | 70 | 309 | – | – | 309 |
| **Subsidiary company directors** | | | | | | | |
| *Executive Directors* | | | | | | | |
| J Jones | – | – | 215 | – | 460 | 150 | 610 |
| P J Miller | – | – | 10 | – | 394 | – | 394 |
| C van Rooyen | – | – | – | – | 300 | – | 300 |
| P C Bekker | – | – | 10 | – | 125 | – | 125 |
| S Katzau | – | – | – | – | 226 | – | 226 |
| N Hearn | – | – | – | – | 354 | – | 354 |
| N Titus | – | – | – | – | 32 | – | 32 |
| D C Kleinscmidt | – | – | 1 | – | 308 | – | 308 |
| D Swindon | – | – | 31 | – | 603 | – | 603 |
| G Spinas | – | – | 3 | – | 409 | – | 409 |
| | – | – | 270 | – | 3 211 | 150 | 3 361 |
| *Non-executive directors* | | | | | | | |
| G Lister | – | – | – | 45 | – | – | 45 |
| Total | – | – | 93 620 | 394 | 4 557 | 150 | 5 101 |

## 32. STAFF COSTS

| | 2008<br>R'000 | 2007<br>R'000 | 2006<br>R'000 |
|---|---|---|---|
| Salaries and wages | 39 007 | 25 386 | 23 985 |
| Medical aid contribution | 1 172 | 176 | 212 |
| Share appreciation rights | 1 361 | – | 1 489 |
| | 41 540 | 25 562 | 25 686 |

## 33. INVESTMENT REVENUE

| | 2008<br>R'000 | 2007<br>R'000 | 2006<br>R'000 |
|---|---|---|---|
| Interest received | | | |
| Bank | 2 366 | 1 697 | 797 |
| Related party loans | – | 2 123 | – |
| Finance lease receivable | 205 | – | – |
| Investments | 1 417 | – | – |
| | 3 988 | 3 820 | 797 |
| Dividends received | 18 418 | 10 241 | – |
| | 22 406 | 14 061 | 797 |

Investment revenue earned on financial assets, analysed by category of asset, is as follows:

| | 2008<br>R'000 | 2007<br>R'000 | 2006<br>R'000 |
|---|---|---|---|
| Loans and receivables (including cash and bank balances) | 2 571 | 3 820 | 797 |
| Available for sale financial assets | 19 835 | 10 241 | – |
| | 22 406 | 14 061 | 797 |

## 34. FINANCE COSTS

| | 2008<br>R'000 | 2007<br>R'000 | 2006<br>R'000 |
|---|---|---|---|
| Interest paid | | | |
| Bank overdraft | 5 655 | 2 469 | 3 022 |
| Related party loans | 792 | 104 | – |
| Term loan | 21 160 | 12 072 | – |
| Long term liabilities | 6 882 | 7 814 | 3 425 |
| Finance leases | 4 325 | 2 844 | – |
| | 38 814 | 25 303 | 6 447 |
| *Less:* Amounts included in the cost of qualifying assets | (613) | (548) | – |
| | 38 201 | 24 755 | 6 447 |

## 35. TAXATION

| | 2008<br>R'000 | 2007<br>R'000 | 2006<br>R'000 |
|---|---|---|---|
| *Namibia normal tax* | | | |
| Current taxation | – | (150) | 2 |
| Deferred taxation | | | |
| Current year | 12 148 | 284 | 3 242 |
| | 12 148 | 134 | 3 244 |
| *South Africa normal tax* | | | |
| Deferred taxation | | | |
| Current year | 7 216 | 558 | – |
| | 19 364 | 692 | 3 244 |
| *Reconciliation of the tax expense* | | | |
| **South Africa** | | | |
| Profit before tax | 39 114 | 1 925 | – |
| Tax rate | 28.0% | 29.0% | – |
| Tax on profit before tax at applicable tax rate | 10 952 | 558 | – |
| Tax effect of income that is exempt from taxation | (14 165) | – | – |
| Disallowable expenditure | – | – | – |
| Deferred tax asset recognised on consolidation (refer note 8) | – | – | – |
| Assessed loss raised from prior periods | (4 003) | – | – |
| Tax (credit)/debit to income statement | (7 216) | 558 | – |
| *Reconciliation of the tax expense* | | | |
| **Namibia** | | | |
| Profit before tax | 19 437 | 28 874 | – |
| Tax rate | 35.0% | 35.0% | 35.0% |
| Tax on profit before tax at applicable tax rate | 6 803 | 10 106 | – |
| Tax effect of income that is exempt from taxation | (14 096) | (13 675) | – |
| Disallowable expenditure | – | 2 319 | – |
| Deferred tax asset recognised on consolidation (refer note 8) | (4 855) | – | – |
| Assessed loss raised from prior periods | – | – | – |
| Tax (credit)/debit to income statement | (12 148) | (1 250) | – |

No provision has been made for normal taxation in 2008 as the Group and Company have estimated tax losses of R108.96 million (2007: R52.24 million) and R1.49 million (2007: R2.85 million) respectively, available for set off against future taxable income.

## 36. EARNINGS PER SHARE AND HEADLINE EARNINGS

| | 2008 R'000 | 2007 R'000 | 2006 R'000 |
|---|---|---|---|
| Earnings for purposes of basic earnings per share being the profit attributable to ordinary shareholders | 77 682 | 32 863 | 23 583 |
| *Adjustments net of taxation:* | (31 299) | (5 973) | 5 945 |
| Loss on sale of property, plant and equipment | (83) | 328 | 1 741 |
| Impairment of intangible assets | – | – | 14 587 |
| Fair value adjustments on investment properties | (1 284) | (6 301) | (10 383) |
| Negative goodwill | (27 702) | – | – |
| Disposal of intangible asset | (2 230) | – | – |
| Headline earnings | 46 383 | 26 890 | 29 528 |
| Weighted number of ordinary shares for the purposes of basic earnings per share ('000) | 119 440 | 114 757 | – |
| Contingently issuable shares as a result of business acquisition | 6 546 | – | – |
| Weighted number of ordinary shares for the purposes of diluted earnings per share ('000) | 125 986 | 114 757 | – |
| Basic earnings per share (cents) | 65.04 | 28.64 | 23 582 946 |
| Diluted earnings per share (cents) | 61.66 | 28.64 | 23 582 946 |
| Headline earnings per share (cents) | 38.83 | 23.43 | 29 528 119 |
| Diluted headline earnings per share (cents) | 36.82 | 23.43 | 29 528 119 |

Dividends per share

During the year under review normal dividends of 2.5 cents per share (2007: nil) amounting to a total of R3.3 million (2007: nil) were declared and paid by the Company.

## 37. CASH FLOW INFORMATION

### 37.1 Cash generated by operations

| | 2008 R'000 | 2007 R'000 | 2006 R'000 |
|---|---|---|---|
| Profit on ordinary activities before taxation | 58 551 | 30 799 | 26 422 |
| *Adjustments:* | | | |
| Depreciation | 9 797 | 7 118 | 3 069 |
| Amortisation and impairment of intangible assets | 1 126 | 402 | 14 587 |
| Investment income | (22 406) | (14 061) | 797 |
| Finance costs | 38 201 | 24 755 | 6 447 |
| (Profit)/loss on disposal of property, plant and equipment | (127) | 505 | 2 741 |
| Loss on disposal of investment properties | 24 | – | – |
| Profit on disposals of investments | (1 050) | – | – |
| Fair value adjustment on investment properties | (1 889) | (9 694) | (10 383) |
| Negative goodwill | (27 702) | – | – |
| Finance lease assets | (1 935) | – | – |
| Other non-cash items | 2 893 | 2 224 | 276 |
| *Changes in working capital:* | | | |
| Increase in inventories | (154) | (4 574) | 4 816 |
| Decrease/(increase) in trade and other receivable | 2 719 | (20 736) | (1 429) |
| Increase in provision for share appreciation rights | 1 361 | – | – |
| Increase in trade and other payables | 10 357 | 13 975 | 13 961 |
| | 69 766 | 30 713 | 61 304 |

37.2 **Taxation paid**

| | 2008 R'000 | 2007 R'000 | 2006 R'000 |
|---|---|---|---|
| Balance outstanding at beginning of year | 164 | – | (362) |
| Current income tax assets | (121) | – | – |
| Current income tax liabilities | 285 | – | – |
| Acquired through business combination | (40) | – | 130 |
| Expense for the year | – | (150) | 2 |
| Balance outstanding at end of year | (2) | (164) | 298 |
| Current income tax assets | 167 | 121 | 483 |
| Current income tax liabilities | (169) | (285) | (185) |
| | 122 | (314) | 64 |

37.3 **Cash and cash equivalents**

| | 2008 R'000 | 2007 R'000 | 2006 R'000 |
|---|---|---|---|
| Bank balances and cash deposits | 95 574 | 17 732 | 12 559 |
| Short-term investments (call deposits) | 3 353 | 9 848 | 3 483 |
| Bank overdraft | (15 511) | (21 334) | (8 243) |
| | 83 416 | 6 246 | 7 799 |

37.4 **Subsidiaries purchased**

On 1 November 2007 the Group acquired all of the shares in DexGroup Financial Services (Pty) Ltd. The Group paid R20 million in cash and will pay a further R4 45 million by issuing a fixed number of shares. The number of shares was determined on the date of purchase by dividing R45 million by a price of R3.80, equalling 11 842 105 shares. These shares will be issued from 2008 to 2011 based on *pro rata* net profit after tax of DexGroup Financial Services (Pty) Ltd in each year.

| **2008** | **R'000** |
|---|---|
| The fair value of assets acquired and liabilities assumed were as follows: | |
| Property, plant and equipment | 1 145 |
| Intangible assets | 140 033 |
| Deferred income tax assets | 199 |
| Amounts due by related parties | 174 |
| Trade and other receivables | 11 798 |
| Current income tax assets | 47 |
| Cash and cash equivalents | 67 530 |
| Deferred income tax liabilities | (108) |
| Amounts due to related parties | (8 400) |
| Trade and other payables | (117 786) |
| Provisions | (334) |
| Current income tax liabilities | (7) |
| Bank overdraft | (557) |
| **Net assets** | 93 734 |
| Minority interest | – |
| Recognition of deferred tax on revaluation reserve | (9 016) |
| Cost of acquisition | (1 490) |
| Consideration | (55 526) |
| Negative goodwill | 27 702 |

| 2008 | R'000 |
|---|---|
| **Cash flow on acquisition** | |
| Cash and cash equivalents | 67 530 |
| Bank overdraft | (557) |
| Net cash acquired | 66 973 |
| Paid in cash | (21 490) |
| Consideration | (55 526) |
| Cost of acquisition | (1 490) |
| To be settled in equity – ordinary shares in Trustco Group Holdings Ltd | 35 526 |
| **Cash inflow on acquisition, net of cash acquired** | 45 483 |

| 2007 | R'000 |
|---|---|
| During the 2007 financial year the subsidiaries as detailed in note 6 were acquired. The fair value of assets acquired and liabilities assumed were as follows: | |
| Property, plant and equipment | 79 359 |
| Investment properties | 20 840 |
| Intangible assets | 10 397 |
| Deferred income tax assets | 3 860 |
| Loans and receivables | 19 990 |
| Amounts due by related parties | 16 898 |
| Inventories | 26 244 |
| Trade and other receivables | 3 543 |
| Current income tax assets | 298 |
| Cash and cash equivalents | 16 042 |
| Long term liabilities | (64 230) |
| Deferred income tax liabilities | (16 204) |
| Policy holders' liability under insurance contracts | (2 500) |
| Amounts due to related parties | (372) |
| Employee fund | (2 088) |
| Trade and other payables | (26 593) |
| Provisions | (8 691) |
| Bank overdraft | (8 243) |
| **Net assets** | 68 550 |
| **Cash flow on acquisition** | |
| Cash and cash equivalents | 16 042 |
| Bank overdraft | (8 243) |
| Net cash acquired | 7 799 |
| Purchase consideration | 68 550 |
| To be settled in equity – ordinary shares in Trustco Group Holdings Ltd | (68 550) |
| **Cash inflow on acquisition, net of cash acquired** | 7 799 |

37.5 **Subsidiaries disposed**

During the 2006 year under review, the Group sold 100% interest in one of its subsidiaries, Namibia Medical Investments (Pty) Ltd.

The fair value of assets sold and liabilities taken over were as follows:

| | 2008 | 2007 | 2006 |
|---|---|---|---|
| Property, plant and equipment | – | 351 | – |
| Intangible assets | – | 2 251 | – |
| Cash and cash equivalents | – | 20 | – |
| Inventories | – | 40 | – |
| Trade and other payables | – | (92) | – |

37.5 **Subsidiaries disposed (continued)**

| | 2008 | 2007 | 2006 |
|---|---|---|---|
| **Net asset** | – | 2 570 | – |
| Proceeds on sale of shares | – | – | – |
| Cost of shares sold | – | 2 570 | – |
| Cash and cash equivalents sold | | (20) | – |
| Cash flow on sale of subsidiary net of cash acquired | – | 2 550 | – |

**Income statement if business combination was effective 1 April 2007**

Trustco Group Holdings Ltd (TGH) acquired 100% of the issued ordinary share capital of Dex Group Financial Services (Pty) Ltd on 1 November 2007. If the acquisition was effective on 1 April 2007, the total revenue for the group would have been R360 464 000 and profit before tax would have been R62 725 000.

## 38. SOLVENCY MARGIN

| | 2008 | 2007 | 2006 |
|---|---|---|---|
| Solvency margin of Trustco Insurance Ltd (previously Legal Shield Namibia Ltd) | 23.6% | 22.8% | 21.3% |

The solvency margin represents shareholders' interest of R11 012 680 (2007: R10 545 275) expressed as a percentage of net premium income of R46 700 643 (2007: R46 161 957) for the year under review.

## 39. RELATED PARTIES

The Group is controlled by Q van Rooyen who owns 58.8% of the Company's shares.

Refer to note 6 for details on investments in direct subsidiaries.

Other related parties are:

*Indirect subsidiaries*

Discuss Properties (Pty) Ltd
November Properties (Pty) Ltd
Champion Caterers (Pty) Ltd
Trustco Life Ltd (previously Legal Shield Life Ltd)
Trustco Insurance Ltd (previously Legal Shield Namibia Ltd)
Estate Planners and Administrators (Pty) Ltd (previously Trustco Business Consulting (Pty) Ltd)
Winna Mariba 777 (Pty) Ltd (previously Microfin (Pty) Ltd)
Agricultural Export Company (Pty) Ltd
Webbiz (Pty) Ltd
Komada Holdings (Pty) Ltd
Free Press Printers (Pty) Ltd (50% shareholding)
Trustco Newspapers (Pty) Ltd
Trustco Administrative Support Services (Pty) Ltd
Trustco Fleet Management Services (Pty) Ltd
Trustco Restaurants (Pty) Ltd
Trustco Air Services (Pty) Ltd
Trustco Accommodation (Pty) Ltd
DexGroup Financial Services (Pty) Ltd
Brokernet (Pty) Ltd
Dex Corporate Solutions (Pty) Ltd
Dex Informatrix (Pty) Ltd
Insurance Claims Exchange (Pty) Ltd

*Entities in which board members have significant influence*

Next Investments (Pty) Ltd (previously Bellissima Investments 79 (Pty) Ltd)
Northern Namibia Development Company (Pty) Ltd
Namibia Medical Investments (Pty) Ltd
Othinge Investments (Pty) Ltd
Golf Properties (Pty) Ltd
Foxtrot Properties (Pty) Ltd
DexGroup (Pty) Ltd
Dexdata Technologies (Pty) Ltd
Secretarial Skills CC
Johannes Muller Trust

*Other related entities*

Trustco Staff Share Incentive Scheme Trust
The Free Press of Namibia (Pty) Ltd

| | | 2008 R'000 | 2007 R'000 | 2006 R'000 |
|---|---|---|---|---|
| 39.1 | **Purchases from related parties** | | | |
| | Secretarial Skills CC | 1 060 | – | – |
| | DexGroup (Pty) Ltd | 280 | – | – |
| | Dexdata Technologies (Pty) Ltd | 520 | – | – |
| 39.2 | **Charter income received** | | | |
| | Next Investments (Pty) Ltd | 194 | – | – |
| | Northern Namibia Development Company (Pty) Ltd | 284 | – | – |
| 39.3 | **Rent received** | | | |
| | Next Investments (Pty) Ltd | 56 | – | – |
| 39.4 | **Printing income received** | | | |
| | The Free Press of Namibia (Pty) Ltd | 19 860 | – | – |
| 39.5 | **Management fees received** | | | |
| | *Other related parties* | | | |
| | Next Investments (Pty) Ltd | 167 | 2 456 | – |
| 39.6 | **Interest Paid** | | | |
| | Next Investments (Pty) Ltd | 792 | – | – |

Refer to note 31 for details on key management compensation.

**Outstanding balances**

Included in trade and other receivables are the following related party amounts:

| | 2008 R'000 | 2007 R'000 | 2006 R'000 |
|---|---|---|---|
| The Free Press of Namibia (Pty) Ltd | 880 | – | – |

Refer to note 10 for details of other related party amounts outstanding.

40. **SEGMENT RESULTS**

*Primary reporting format: business segments*

For management purposes, the Company and its subsidiaries is organised into six major operating divisions, namely:

– Insurance related services: provides a range of legal, medical, funeral and salary insurance policies.

– Educational and financial services: provides educational courses and financial assistance to individuals.

– Financial services outside Namibia: management of policy and claims administration and money management on behalf of registered brokers in the short term insurance industry.

– Property holding and rental income: owns property and is held to earn rental income.

– Development and media: development in new businesses such as tourism, property development and media.

– Investment related services: provides management services to subsidiaries.

The business segment results are as follows:

| 2008 | Insurance related services R'000 | Educational and financial services R'000 | Financial services outside Namibia R'000 | Property holding and rental income R'000 | Development and media R'000 | Investment related services R'000 | Group R'000 |
|---|---|---|---|---|---|---|---|
| Segment revenue | – | 54 889 | 107 533 | 725 | 106 455 | – | 269 602 |
| Inter segment revenue | – | – | (3 944) | 1 608 | (59 059) | – | (61 395) |
| | – | 54 889 | 103 589 | 2 333 | 47 396 | – | 208 207 |
| Insurance income | 75 704 | – | – | – | – | – | 75 704 |
| External revenue | 75 704 | 54 889 | 103 589 | 2 333 | 47 396 | – | 283 911 |
| Segment result | 19 527 | 4 933 | 21 159 | (52) | (9 569) | 51 377 | 87 375 |
| Inter segment | 8 302 | 17 938 | – | 1 608 | 11 551 | (48 859) | (9 460) |
| Profit for the year | 27 829 | 22 871 | 21 159 | 1 556 | 1 982 | 2 518 | 77 915 |
| Share of profit of equity accounted investees | – | – | – | – | (233) | – | (233) |
| Profit attributable to equity holders of the parent | 27 829 | 22 871 | 21 159 | 1 556 | 1 749 | 2 518 | 77 682 |
| Segment assets | 27 746 | 106 597 | 154 265 | 76 705 | 128 339 | 142 288 | 635 940 |
| Segment liabilities | 17 205 | 17 491 | 123 323 | 15 563 | 127 873 | 73 649 | 375 104 |
| Capital expenditure | 10 | 1 814 | 19 097 | 9 944 | 16 476 | – | 47 341 |
| Depreciation | 91 | 182 | 136 | – | 9 388 | – | 9 797 |
| Amortisation of intangible assets | 111 | 290 | 224 | – | 501 | – | 1 126 |

*Secondary reporting format: Geographical segments*

The Company and its subsidiaries is situated in two geographical segments, namely: Namibia and South Africa.

The geographical segment results are as follows:

| | Namibia R'000 | South Africa R'000 | Group R'000 |
|---|---|---|---|
| External revenue | 180 322 | 103 589 | 283 911 |
| Segment assets | 468 391 | 167 549 | 635 940 |
| Capital expenditure | 28 244 | 19 097 | 47 341 |
| Segment liabilities | 243 660 | 131 444 | 375 104 |

Entities over which the Company has control

The geographical segment results are as follows:

| 2007 | Insurance related services R'000 | Educational and financial services R'000 | Financial services outside Namibia R'000 | Property holding and rental income R'000 | Development and media R'000 | Investment related services R'000 | Group R'000 |
|---|---|---|---|---|---|---|---|
| Segment revenue | – | 48 202 | – | 615 | 125 370 | – | 174 187 |
| Inter segment revenue | – | (7) | – | 9 167 | (69 137) | – | (59 977) |
| | – | 48 195 | – | 9 782 | 56 233 | – | 114 210 |
| Insurance income | 68 435 | – | – | – | – | – | 68 435 |
| Inter segment revenue | (350) | – | – | – | – | – | (350) |
| External revenue | 68 085 | 48 195 | – | 9 782 | 56 233 | – | 182 295 |
| Segment result | 35 575 | 33 372 | – | 217 | 73 754 | 10 088 | 153 006 |
| Inter segment | (13 673) | (14 665) | – | 994 | (72 891) | (21 280) | (121 515) |
| Profit for the year | 21 902 | 18 707 | – | 1 211 | 863 | (11 192) | 31 491 |
| Share of profit of equity accounted investees | – | – | – | – | 1 372 | – | 1 372 |
| Profit attributable to equity holders of the parent | 21 902 | 18 707 | – | 1 211 | 2 235 | (11 192) | 32 863 |
| Segment assets | 32 917 | 76 041 | – | 66 027 | 106 288 | 181 932 | 463 205 |
| Segment liabilities | 20 100 | 20 518 | – | 43 734 | 69 991 | 172 989 | 327 332 |
| Capital expenditure | 1 455 | – | – | 18 922 | 40 320 | 6 150 | 66 847 |
| Depreciation | 415 | – | – | – | 2 620 | 4 083 | 7 118 |
| Amortisation of intangible assets | – | – | – | – | – | 402 | 402 |

*Secondary reporting format: Geographical segments*

The Company and its subsidiaries is situated in two geographical segments, namely: Namibia and South Africa.

The geographical segment results are as follows:

| | Namibia R'000 | South Africa R'000 | Group R'000 |
|---|---|---|---|
| External revenue | 182 295 | – | 182 295 |
| Segment assets | 453 455 | 9 750 | 463 205 |
| Capital expenditure | 59 037 | 7 810 | 66 847 |
| Segment liabilities | 319 507 | 7 825 | 327 332 |

Entities over which the Company has control

Segment assets consist primarily of property, plant and equipment, investment properties, intangible assets, available-for-sale financial assets, loans and receivables, inventories, trade and other receivables and cash and cash equivalents.

Segment liabilities comprise operating liabilities.

Capital expenditure comprises additions to property, plant and equipment (note 3), investment properties (note 4) and intangible assets (note 5), including additions resulting from acquisitions through business combinations (notes 3, 5 and 37.4).

41. **FINANCIAL INSTRUMENTS**

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 Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established the risk management committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the Board of directors on its activities.

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, excluding minority interests. 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 a going concern 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 note 19 and 20, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, vendor shares and reserves as disclosed in note 14, 16, 15 and 17 respectively.

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

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

**Significant accounting policies**

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements.

**Categories of financial instruments**

| | 2008<br>R'000 | 2007<br>R'000 | 2006<br>R'000 |
|---|---|---|---|
| **Financial assets** | | | |
| Loans and receivables (including cash and cash equivalents) | 226 268 | 117 250 | – |
| Investments in subsidiaries at cost | – | – | – |
| Available-for-sale financial assets | 6 291 | 136 490 | – |
| **Financial liabilities** | | | |
| Amortised cost | 348 108 | 305 956 | – |

**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 written 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.

The corporate treasury function reports quarterly to the Group's risk management committee, an independent body that monitors risks and policies implemented to mitigate risk exposure.

**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 Groups 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.

The Group incurs financial liabilities, in order to manage market risk. All such transactions are carried out within the guidelines set by the Risk Management Committee.

**Foreign currency risk management**

The Group is exposed to currency risk on paper purchases 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 Dollar.

The Group manages its foreign currency risk through the use of FEC contracts. There were no outstanding FEC contracts at year end.

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

**Interest rate risk management**

The Group is exposed to interest rate risk as entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings, by the use of interest rate swap contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite, ensuring optimal hedging strategies are applied by either positioning the balance sheet or protecting interest expense through different interest rate cycles.

**Interest rate sensitivity analysis**

The result of the sensitivity analysis below have been determined based on the exposure to interest rates for non-derivative instruments at the balance sheet date. For floating liabilities, the analysis is prepared assuming the liability outstanding at balance sheet date was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 March 2008 would have decrease/increase by R41 883 (2007: decrease/increase by R129 519). This is mainly due to interest rates on variable rate borrowings.

The Group's sensitivity to interest rates has decreased during the current year mainly due to the reduction in variable rate debt instruments.

**Equity price sensitivity analysis**

The result of the sensitivity analysis below have been determined based on the exposure to equity price risks at the reporting date.

If equity had been 5% higher/lower:

– net profit for the year ended 31 March 2008 would have been unaffected as the equity investments are classified as available-for-sale and no equity investments were disposed of or impaired.

The Group's sensitivity to equity prices has not changed significantly from the prior year.

**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 Groups 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 quarterly. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

More than half of the Group's customers have been transacting with the Group for over four years and losses have occurred infrequently. In monitoring credit risk, customers are Grouped according to their credit characteristics including whether they are an individual or legal entity, whether they are a retail or end-user customer, geographic location, industry aging profile, maturity and existence of previous financial difficulties. Trade and other receivables relate mainly to the Group's wholesale customers. Customers that are graded as "high risk" are placed on a restricted customer list and future sales are made on a prepayment basis with approval of the Risk Management Committee.

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. At 31 March 2008 no guarantees were outstanding (2007: none).

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.

### Liquidity and interest risk tables

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based in the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

| **2008** | **Effective interest rate %** | **Due in less than 1 year R'000** | **Due in 1 to 2 years R'000** | **Due in 2 to 3 years R'000** | **Due in 3 to 4 years R'000** | **Due after 4 years R'000** | **Total R'000** |
|---|---|---|---|---|---|---|---|
| Non-interest bearing | | | | | | | |
| – Amounts due to related parties | – | – | 8 030 | – | – | – | 8 030 |
| – Trade and other payables | – | 159 353 | – | – | – | – | 159 353 |
| Variable interest rate instruments | | | | | | | |
| – Bank loans | 15.25% | 5 571 | 6 685 | 6 685 | 6 685 | 7 800 | 33 426 |
| – Mortgage loans | 15.25% | 11 396 | 11 397 | 11 397 | 11 397 | 64 923 | 110 510 |
| – Liabilities under instalment sale agreements | 15.25% | 8 410 | 8 410 | 8 410 | 34 214 | – | 59 444 |
| – Finance leases | 13.00% | 2 456 | 998 | – | – | – | 3 454 |
| – Bank overdraft | 15.25% | 17 876 | – | – | – | – | 17 876 |
| Fixed interest rate instruments | | | | | | | |
| – Amounts due to related parties | 12.00% | – | 31 333 | – | – | – | 31 333 |
| | | 205 062 | 66 853 | 26 492 | 52 296 | 72 723 | 423 426 |
| **2007** | | | | | | | |
| Non-interest bearing | | | | | | | |
| – Trade and other payables | – | 40 568 | – | – | – | – | 40 568 |
| Variable interest rate instruments | | | | | | | |
| – Mortgage loans | 13.7% | 7 426 | 7 426 | 7 426 | 7 426 | 44 972 | 74 676 |
| – Liabilities under instalment sale agreements | 13.75% | 11 603 | 11 603 | 11 603 | 11 603 | 11 603 | 58 015 |
| – Finance leases | 11.50% | 2 124 | 2 124 | 874 | – | – | 5 122 |
| – Bank overdraft | 13.75% | 24 267 | – | – | – | – | 24 267 |
| Fixed interest rate instruments | | | | | | | |
| – Term loan | 14.70% | 19 885 | 19 885 | 19 885 | 19 885 | 155 160 | 234 700 |
| | | 105 873 | 41 038 | 39 788 | 38 914 | 211 735 | 437 348 |

The following tables detail the Group's remaining contractual maturity for its non-derivative financial assets. The tables have been drawn up based on the undiscounted cash flows of financial assets including interest that will be earned on those assets except where the Group anticipates that the cash flow occur in a different period.

| 2008 | Effective interest rate % | Due in less than 1 year R'000 | Due in 1 to 2 years R'000 | Due in 2 to 3 years R'000 | Due in 3 to 4 years R'000 | Due after 4 years R'000 | Total R'000 |
|---|---|---|---|---|---|---|---|
| Non-interest bearing | | | | | | | |
| – Trade and other payables | – | 33 358 | – | – | – | – | 33 358 |
| Variable interest rate instruments | | | | | | | |
| – Educational loans advanced | 27.75% | 50 253 | 37 802 | 26 163 | 14 185 | 11 536 | 139 939 |
| – Amounts receivable under finance leases | 9.19% | 500 | 500 | 500 | 500 | 500 | 2 500 |
| – Cash and cash equivalents | 8.00% | 106 841 | – | – | – | – | 106 841 |
| Fixed interest rate instruments | | | | | | | |
| – Investments in balanced funds | 8.50% | 6 826 | – | – | – | – | 6 826 |
| | | 197 778 | 38 302 | 26 663 | 14 685 | 12 036 | 289 464 |
| **2007** | | | | | | | |
| Non-interest bearing | | | | | | | |
| – Trade and other payables | – | 24 279 | – | – | – | – | 24 279 |
| Variable interest rate instruments | | | | | | | |
| – Educational loans advanced | 24.80% | 32 186 | 25 098 | 17 889 | 13 575 | 10 863 | 99 611 |
| – Amounts due to related parties | 12.00% | – | 1 937 | – | – | – | 1 937 |
| – Cash and cash equivalents | 8.00% | 29 786 | – | – | – | – | 29 786 |
| Fixed interest rate instruments | | | | | | | |
| – Investments in balanced funds | 12.00% | 16 379 | 16 379 | 16 379 | 16 379 | 152 869 | 218 384 |
| | | 102 630 | 43 414 | 34 268 | 29 954 | 163 732 | 373 997 |

**Insurance risk and policies for mitigating insurance risk**

The primary activity of the Group relates to the assumption of loss from events involving persons or organisations. Such risks may relate to legal, salary, funeral, medical, credit and other perils that may arise from an insured event. As such the Group is exposed to the uncertainty surrounding the timing, severity and frequency of claims under insurance contracts.

The theory of probability is applied to the pricing and provisioning for a portfolio of insurance contracts. The principal risk is that the frequency and severity of claims is greater than expected and that the Group does not charge premiums appropriate for the risk accepted. Insurance events are, by nature, random, and the actual number and size of events during any one year may vary from those estimated using established statistical techniques. The Group manages its insurance risk through underwriting limits, approval procedures for new clients, pricing guidelines, centralised management of risk and monitoring of emerging issues.

**Concentrations of insurance risk and policies mitigating the concentrations**

Within the insurance process, concentrations of risk may arise where a particular event or series of events could impact heavily upon the Group's resources. The Group monitors the concentration of risk by class of business. The Group is broadly represented across Namibia and exposures to risks are representative of the economic activity in the various regions. The Group has exposure to lines of insurance business as described in the previous paragraph.

**Fair value of financial instruments**

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

## 42. EVENTS AFTER BALANCE SHEET DATE

**Vendor shares (resulting from business combination)**

Total profit after tax for the period ended 31 March 2008 of Trustco Financial Services (Pty) Ltd amounted to R24 873 040. The number of shares to be issued after year end is 6 545 537. Refer note 16.

## 43. COMPARATIVE FIGURES

***Income statement***

During the review of the balance sheet for the period ended 30 September 2007 and the related statements of income and cashflows, it was found that revenue, administrative expenses and cost of sales for the year ended 31 March 2007 was overstated by R10.7 million, R2.7 million and R8.2 million respectively. This was as a result of the non-elimination of related party transactions on consolidation. However, the effect on the balance sheet and the net profit for the period was nil. The 2007 figures have been adjusted accordingly.

***Cash flow statement***

The movement in educational loans was disclosed under cash flows from financing activities in the 2007 financial year. In the current year the movement is disclosed in cash flows from operating activities due to the fact that educational loans are the primary operating activity of Trustco Finance (Pty) Ltd.

# BDO SPENCER STEWARD INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE HISTORICAL FINANCIAL INFORMATION OF TRUSTCO FOR THE YEARS ENDED 31 MARCH 2008 AND 2007 AND TRUSTCO GROUP INTERNATIONAL FOR THE YEAR ENDED 31 MARCH 2006

"The Directors
Trustco Group Holdings Limited
Trustco House
2 Keller Street
Windhoek
Republic of Namibia

2 February 2009

Gentlemen

**INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE HISTORICAL FINANCIAL INFORMATION OF TRUSTCO GROUP HOLDINGS LIMITED ("TRUSTCO" OR "THE GROUP") FOR THE YEARS ENDED 31 MARCH 2008 AND 2007 AND TRUSTCO GORUP INTERNATIONAL (PROPRIETARY) LIMITED FOR THE YEAR ENDED 31 MARCH 2006**

**Introduction**

The definitions and interpretations commencing on page 10 of the pre-listing statement have been used in this report.

**Purpose of this Report**

At your request we present our report on the historical financial information of Trustco Group Holdings Limited and its subsidiaries (referred to collectively as the "Group") and Trustco Group International (Proprietary) Limited and its subsidiaries as set out in Annexure 1 for the purpose of complying with the JSE Limited ("JSE") Listings Requirements and for inclusion in the pre-listing statement of Trustco to be issued on or about 16 February 2009.

**Directors' Responsibility for the Historical Financial Information**

The directors of the Group are responsible for the compilation, contents and preparation of the pre-listing statement in accordance with the JSE Listings Requirements. The directors are also responsible for the fair presentation of the historical financial information contained herein in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing, and maintaining internal controls relevant to the preparation and fair presentation of the historical financial information that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**Reporting Accountants' Responsibility**

Our responsibility is to express an opinion on the historical financial information included in Annexure 1 to the pre-listing statement based on our audit and review.

**Historical Financial Information for the years ended 31 March 2008, 31 March 2007 and 31 March 2006.**

We have audited the historical financial information of Trustco for the year ended 31 March 2008.

We have reviewed the historical financial information of Trustco for the year ended 31 March 2007 and of Trustco Group International for the year ended 31 March 2006.

**Scope of the audit**

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the historical financial information for the year ended 31 March 2008 is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures of the abovementioned historical financial information. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the historical financial information, 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 historical financial information in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall historical financial information presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinion.

**Scope of the review**

We reviewed the historical financial information for the years ended 31 March 2007 and 31 March 2006. We conducted our review in accordance with the Statement of International Standards on Review Engagements (ISRE 2400). This standard requires that we plan and perform the review to obtain moderate assurance as to whether the historical financial information for the years ended 31 March 2007 and 31 March 2006 is free of material misstatement. A review is limited primarily to enquiries of company personnel and analytical procedures applied to financial data and thus provide less assurance than an audit. We have not performed an audit of the historical financial information for the years ended 31 March 2007 and 31 March 2006 and accordingly, we do not express an audit opinion thereon.

**Audit Opinion**

In our opinion, the historical financial information of Trustco relating to the year ended 31 March 2008, for the purpose of the pre-listing statement, fairly presents, in all material respects, the financial position of the company at 31 March 2008, and of its financial performance and its cash flow for the period then ended in accordance with International Financial Reporting Standards and the JSE Listings Requirements.

**Review Opinion**

Based on our review, nothing has come to our attention that causes us to believe that the historical financial information of Trustco for the year ended 31 March 2007 and of Trustco Group International for the year ended 31 March 2006, is not fairly presented, in all material aspects, in accordance with International Financial Reporting Standards and the JSE Listings Requirements.

**Consent**

We consent to the inclusion of this letter and the reference to our opinion in the pre-listing statement to be issued to Trustco shareholders in the form and context in which it appears.

Yours faithfully,

**BDO Spencer Steward**
*Chartered Accountants (SA)*
*Registered Auditors*

*Per:* **B Bosman**
*Partner*

BDO Place
457 Rodericks Place
Lynnwood
0081"

## REPORT OF THE HISTORICAL FINANCIAL INFORMATION OF TRUSTCO FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008 AND 30 SEPTEMBER 2007

**Basis of preparation**

**Part 1**

The income statements, balance sheets, statements of changes in equity and cash flow statements for the six months ended 30 September 2008 and 30 September 2007 ("condensed financial information") have been extracted, without adjustment, from the reviewed condensed financial statements of Trustco Group Holdings Limited ("Trustco"). Only those notes required to be presented in terms of IAS 34 – *Interim Financial Reporting* have been included below as it is not Trustco's policy to prepare a complete set of financial statements for interim results. The condensed financial statements of Trustco for the six months ended 30 September 2008 and 30 September 2007 have been prepared in accordance with International Financial Reporting Standards ("IFRS"): *IAS 34 – Interim Financial Reporting* and have been reported on without qualification by BDO Spencer Steward. The accounting policies applied in preparing the condensed financial information are consistent with those applied in the previous financial periods. Trustco is a public company registered in Namibia and governed by the Companies Act of Namibia. The condensed financial information has been prepared by and is the responsibility of the directors of Trustco.

**INCOME STATEMENT**

The income statement of Trustco for the six months ended 30 September 2008 and 30 September 2007 is set out below:

| | For the 6 months ended 30 September 2008 R'000 Reviewed | For the 6 months ended 30 September 2007 R'000 Reviewed |
|---|---|---|
| Insurance premium revenue | 43 416 | 36 591 |
| Revenue | 178 783 | 57 406 |
| **Total revenue** | 222 199 | 93 997 |
| Cost of sales | (113 211) | (20 471) |
| **Gross profit** | 108 988 | 73 526 |
| Investment income | 1 550 | 9 284 |
| Fair value gains and losses | 1 024 | 840 |
| Other income | 1 511 | – |
| Insurance benefits and claims | (10 053) | (10 161) |
| Transfer to policyholder liabilities | (271) | (470) |
| Change in unearned premium provision | 99 | (390) |
| Administrative expenses | (77 457) | (48 197) |
| Finance costs | (11 278) | (16 319) |
| **Profit before taxation** | 14 113 | 8 113 |
| Taxation | 6 923 | 3 756 |
| **Profit for the period** | 21 036 | 11 869 |
| ***Attributable to:*** | | |
| Equity holders of the parent | 20 474 | 12 568 |
| Minority interest | 562 | (699) |
| | 21 036 | 11 869 |
| **Earnings per shares:** | | |
| Basic earnings per share (cents) | 16.26 | 10.52 |
| Diluted earnings per share (cents) | 16.26 | 10.52 |
| Headline earnings per share (cents) | 15.92 | 9.95 |
| Weighted number of ordinary shares in issue ('000) | 125 882 | 119 430 |

**BALANCE SHEET**

The balance sheet of Trustco as at 30 September 2008 and 30 September 2007 is set out below:

| | As at 30 September 2008 R'000 Reviewed | As at 30 September 2007 R'000 Reviewed |
|---|---|---|
| **ASSETS** | | |
| **Non-current assets** | | |
| Property, plant and equipment | 143 283 | 126 498 |
| Investment properties | 37 794 | 35 519 |
| Intangible assets | 181 859 | 14 214 |
| Available-for-sale financial assets | – | 147 823 |
| Deferred income tax assets | 23 133 | 12 834 |
| Educational loans advanced | 69 878 | 53 580 |
| Finance lease receivables | 1 598 | – |
| *Total non-current assets* | 457 545 | 390 468 |
| **Current assets** | | |
| Amounts due by related parties | 3 434 | 6 632 |
| Short-term portion of loans advanced | 44 300 | 24 081 |
| Short-term portion of finance lease receivables | 337 | – |
| Available-for-sale financial assets | 8 970 | – |
| Inventories | 30 766 | 31 147 |
| Trade and other receivables | 25 915 | 15 588 |
| Current income tax assets | 90 | 121 |
| Cash and cash equivalents | 96 723 | 24 683 |
| *Total current assets* | 210 535 | 102 252 |
| **Total assets** | **668 080** | **492 720** |
| **EQUITY AND LIABILITIES** | | |
| **Capital and reserves** | | |
| Stated capital | 161 035 | 141 920 |
| Deemed treasury shares | (19 137) | (45 051) |
| Vendor shares | 14 976 | – |
| Contingency reserve | (303) | (357) |
| Revaluation reserves | 12 796 | 8 812 |
| Distributable reserves | 124 680 | 42 802 |
| *Attributable to equity holders of the parent* | 294 047 | 148 126 |
| Minority interest | (577) | (2 071) |
| *Total capital and reserves* | 293 470 | 146 055 |
| **Non-current liabilities** | | |
| Long-term liabilities | 120 529 | 229 149 |
| Other liabilities | 815 | – |
| Deferred income tax liabilities | 23 123 | 22 378 |
| Policy holders' liability under insurance contracts | 2 272 | 2 197 |
| Amounts due to related parties | 18 588 | – |
| *Total non-current liabilities* | 165 327 | 253 724 |

| | As at 30 September 2008 R'000 Reviewed | As at 30 September 2007 R'000 Reviewed |
|---|---:|---:|
| **Current liabilities** | | |
| Current portion of long-term liabilities | 10 208 | 11 359 |
| Current portion of other liabilities | 1 571 | – |
| Trade and other payables | 157 689 | 32 268 |
| Technical provisions | 14 820 | 11 819 |
| Provision for share appreciation rights | 2 272 | – |
| Current income tax liabilities | 164 | 964 |
| Bank overdraft | 22 559 | 36 531 |
| *Total current liabilities* | 209 283 | 92 941 |
| **Total equity and liabilities** | **668 080** | **492 720** |
| Net asset value per share (cents) | 209.58 | 122.29 |
| Net tangible asset value per share (cents) | 79.71 | 110.39 |
| Number of shares in issue ('000) | 140 028 | 119 430 |

**STATEMENT OF MOVEMENT IN EQUITY**

The statement of changes in equity of Trustco for the six months ended 30 September 2008 is set out below:

**STATEMENTS OF MOVEMENT IN EQUITY**

*for the period ended 30 September 2008*

| | Stated capital R'000 | Deemed treasury shares R'000 | Vendor shares R'000 | Other reserves R'000 | Distributable reserves R'000 | Minority interest R'000 | Total R'000 |
|---|---|---|---|---|---|---|---|
| **Balance at 1 April 2006** | – | – | – | – | – | – | – |
| Transfer to stated capital | 68 549 | – | – | – | – | – | 68 549 |
| Release of pre-listed contingency reserve | – | – | – | (357) | 357 | – | – |
| Public issue of ordinary shares | 76 516 | – | – | – | – | – | 76 516 |
| Listing costs | (3 145) | – | – | – | – | – | (3 145) |
| Revaluation of property, plant and equipment, net of deferred tax and release of depreciation | – | – | – | 7 513 | – | – | 7 513 |
| Purchase of deemed treasury shares by Trustco Staff Share Incentive Scheme Trust | – | ( 45 051) | – | – | – | – | (45 051) |
| *Net income/(expense) recognised directly in equity* | 141 920 | (45 051) | – | 7 156 | 357 | – | 104 382 |
| Profit/(loss) for the year | – | – | – | – | 32 863 | (1 372) | 31 491 |
| **Balance at 31 March 2007** | 141 920 | (45 051) | – | 7 156 | 33 220 | (1 372) | 135 873 |
| **Balance at 1 April 2007** | 141 920 | (45 051) | – | 7 156 | 33 220 | (1 372) | 135 873 |
| Revaluation of property, plant and equipment, net of deferred tax and release of depreciation | – | – | – | 1 299 | – | – | 1 299 |
| *Net income/(expense) recognised directly in equity* | 141 920 | (45 051) | – | 8 455 | 33 220 | (1 372) | 137 172 |
| Profit/(loss) for the year | – | – | – | – | 12 568 | (699) | 11 869 |
| *Total recognised income and expenses for the period* | 141 920 | (45 051) | – | 8 455 | 45 788 | (2 071) | 149 041 |
| Dividends for the period | – | – | – | – | (2 986) | – | (2 986) |
| **Balance at 30 September 2007** | 141 920 | (45 051) | – | 8 455 | 42 802 | (2 071) | 146 055 |

| | Stated capital R'000 | Deemed treasury shares R'000 | Vendor shares R'000 | Other reserves R'000 | Distributable reserves R'000 | Minority interest R'000 | Total R'000 |
|---|---|---|---|---|---|---|---|
| **Balance at 1 October 2007** | 141 920 | (45 051) | – | 8 455 | 42 802 | (2 071) | 146 055 |
| Transfer to contingency reserve | – | – | – | 54 | ( 54) | – | – |
| VAT on listing costs | (472) | – | – | – | – | – | (472) |
| Revaluation of property, plant and equipment, net of deferred tax and release of depreciation | – | – | – | 3 989 | – | – | 3 989 |
| Shares to be issued as result of business combination | – | – | 35 526 | – | – | – | 35 526 |
| Sale of deemed treasury shares by Trustco Staff Share Incentive Scheme Trust | – | 9 692 | – | – | – | – | 9 692 |
| *Net income/(expense) recognised directly in equity* | 141 448 | (35 359) | 35 526 | 12 498 | 42 748 | (2 071) | 194 790 |
| Profit for the year | – | – | – | – | 65 114 | 932 | 66 046 |
| **Balance at 31 March 2008** | 141 448 | (35 359) | 35 526 | 12 498 | 107 862 | (1 139) | 260 836 |
| **Balance at 1 April 2008** | **141 448** | **(35 359)** | **35 526** | **12 498** | **107 862** | **(1 139)** | **260 836** |
| Revaluation of property, plant and equipment, net of deferred tax and release of depreciation | **–** | **–** | **–** | **(5)** | **–** | **–** | **(5)** |
| Shares issued as result of business combination | **19 636** | **–** | **(19 636)** | **–** | **–** | **–** | **–** |
| Vendor shares repaid in cash | **–** | **–** | **(914)** | **–** | **–** | **–** | **(914)** |
| Costs of share issue | **(49)** | **–** | **–** | **–** | **–** | **–** | **(49)** |
| Sale of deemed treasury shares by Trustco Staff Share Incentive Scheme Trust | **–** | **16 222** | **–** | **–** | **–** | **–** | **16 222** |
| Profit on sale of deemed treasury shares | **–** | **–** | **–** | **–** | **3 042** | **–** | **3 042** |

| | Stated capital R'000 | Deemed treasury shares R'000 | Vendor shares R'000 | Other reserves R'000 | Distributable reserves R'000 | Minority interest R'000 | Total R'000 |
|---|---|---|---|---|---|---|---|
| *Net income/(expense) recognised directly in equity* | **161 035** | **(19 137)** | **14 976** | **12 493** | **110 904** | **(1 139)** | **279 132** |
| Profit for the period | **–** | **–** | **–** | **–** | **20 474** | **562** | **21 036** |
| *Total recognised income and expenses for the period* | **161 035** | **(19 137)** | **14 976** | **12 493** | **131 378** | **(577)** | **300 168** |
| Dividends for the period | **–** | **–** | **–** | **–** | **(6 698)** | **–** | **(6 698)** |
| **Balance at 30 September 2008** | **161 035** | **(19 137)** | **14 976** | **12 493** | **124 680** | **(577)** | **293 470** |

**CASH FLOW STATEMENT**

The cash flow statement of Trustco for the six months ended 30 September 2008 and 30 September 2007 is set out below:

| | Notes | For the six months ended 30 September 2008 R'000 Reviewed | For the six months ended 30 September 2007 R'000 Reviewed |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash generated from operations | | 38 971 | 15 207 |
| Interest received | | 1 550 | – |
| Dividends received | | – | 9 284 |
| Finance costs | | (11 278) | (16 319) |
| Net educational loans advanced | | (22 130) | (13 814) |
| Dividends paid | | (6 698) | (2 986) |
| Taxation paid | | (185) | – |
| *Net cash generated from operating activities* | | 230 | (8 628) |
| **Cash flows from investing activities** | | | |
| Additions to property, plant and equipment | | (5 816) | (4 204) |
| Additions to investment properties | | (50) | (2 892) |
| Additions to intangible assets | | (7 729) | (1 928) |
| Additions to available-for-sale financial assets | | (2 679) | (11 333) |
| Proceeds on sale of property, plant and equipment | | 359 | 644 |
| *Net cash flow from investing activities* | | (15 915) | (19 713) |
| **Cash flows from financing activities** | | | |
| Redemption of vendor shares in cash | | **(1 157)** | **–** |
| Sale of deemed treasury shares | | **19 266** | **–** |
| Proceeds from long term liabilities | | **6 380** | **9 777** |
| Repayment of other liabilities | | **(633)** | **–** |
| Loans advanced to related parties | | **(5 104)** | **–** |
| Repayment of related party loans | | **(12 590)** | **–** |
| Decrease in policy holder under insurance contracts | | **271** | **470** |
| *Net cash flow from financing activities* | | **6 433** | **10 247** |
| **Net change in cash and cash equivalents** | | (9 252) | (18 094) |
| Cash and cash equivalents at the beginning of period | | 83 416 | 6 246 |
| **Cash and cash equivalents at the end of period** | | 74 164 | (11 848) |

## SEGMENTAL REPORT

The segmental report of Trustco for the six months ended 30 September 2008 and 30 September 2007 is set out below:

| | For the six months ended 30 September 2008 R'000 Reviewed | For the six months ended 30 September 2007 R'000 Reviewed |
|---|---|---|
| **Total revenue** | | |
| Micro Insurance | 43 415 | 36 591 |
| Micro Finance and Education | 37 883 | 29 582 |
| Financial services outside Namibia | 113 264 | – |
| Property holding and rental income | 2 102 | 3 925 |
| Development and media | 25 535 | 23 899 |
| | 222 199 | 93 997 |
| **Net profit/(loss) after tax** | | |
| Micro Insurance | 21 541 | 17 375 |
| Micro Finance and Education | 17 151 | 12 469 |
| Financial services outside Namibia | 8 780 | – |
| Property holding and rental income | (126) | 1 538 |
| Development and media | (3 174) | (1 872) |
| Investment related services | (23 698) | (16 942) |
| | 20 474 | 12 568 |
| **Total assets** | | |
| Micro Insurance | 28 070 | 23 397 |
| Micro Finance and Education | 129 166 | 79 438 |
| Financial services outside Namibia | 180 405 | – |
| Property holding and rental income | 78 990 | 69 165 |
| Development and media | 166 554 | 122 762 |
| Investment related services | 84 895 | 197 958 |
| | 668 080 | 492 720 |
| **Total liabilities** | | |
| Micro Insurance | 19 699 | 12 552 |
| Micro Finance and Education | 14 750 | 26 468 |
| Financial services outside Namibia | 116 315 | – |
| Property holding and rental income | 68 655 | 45 192 |
| Development and media | 129 647 | 78 630 |
| Investment related services | 25 544 | 183 823 |
| | 374 610 | 346 665 |

**EARNINGS AND HEADLINE PER SHARE**

| | Six months ended 30 September 2008 Reviewed R'000 | For the six months ended 30 September 2007 Reviewed R'000 |
|---|---|---|
| Earnings for the purposes of basic earnings per share being the profit attributable to ordinary shareholders | **20 474** | 12 568 |
| Adjustments net of taxation: | **(434)** | (688) |
| – Loss/(profit) on sale of property, plant and equipment | **172** | 152 |
| – Fair value adjustments on investment properties | **(606)** | (840) |
| Headline earnings | **20 040** | 11 880 |

**Directors commentary**

**Six months ended 30 September 2008**

***Micro Insurance***

Micro insurance consist of micro short term and micro life insurance. Revenue increased by 19% compared to September 2007 and claims expenses as a percentage of revenue decreased by 5% to 23% from 28%. The remedial steps taken to address the significant increase in legal claims in the prior year resulted in this decrease. After tax profit in this sector grew by 24% from September 2007 to September 2008.

***Micro Finance and Education***

This sector achieved growth in revenue of 28% and net profits after tax of 38%. The focus on e-learning contributed largely to the results. The Group foresees that grade 12 courses and the further introduction of new courses will yield excellent growth for this sector in the second half of the financial year. The Educational loan book grew with 24% from R92 million at the end of March 2008 to R114 million at the end of September 2008. Further, above average growth is expected in this sector as the demand for further education remains high.

***Development and Media***

This sector comprises of activities which are to some extent in a fledgling state but are showing potential for growth. The sector recorded a loss after tax of R3.2 million, mainly due to Trustco Mobile. Further capital investment in this sector aimed at improved capacity and economies of scale is envisaged.

Trustco Mobile was launched during the period under review. The product affords free life cover to airtime users. It recorded a loss of R4.2 million due to start-up costs. Trustco expects a break-even situation for this product within the next 12 months. This product has the potential to be expanded throughout Africa. Significant contributions both in revenue and profits are expected from Trustco Mobile in future.

***Financial Services outside Namibia (South Africa)***

The Group acquired Dex Financial Services (Pty) Ltd (now Trustco Financial Services (Pty) Ltd), a South African registered company on 1 November 2007. Trustco Financial Services (Pty) Ltd contributed R8.8 million to Group earnings which is in line with projections.

***Property holding and rental***

Although this sector recorded a small loss, it will contribute significant profits when the housing project is developed. It is estimated that the project will contribute R1 billion in revenue with a 10% net return over a 10 year period.

### *Dividends Paid*

Trustco declared its second dividend on 8 July 2008 since its initial listing on the NSX. A dividend of 5 cents per share was paid to the ordinary shareholders on 30 September 2008. The Board of directors did not recommend an interim dividend for the half year results.

## Six months ended 30 September 2007

### *Nature of Business*

Trustco Group Holdings Limited (TGH) is in a high growth phase of the group's business cycle. It operates mainly in the Namibian economy and has a core focus on insurance, education and financial services. Other major investments include property, property development, aircraft charter services and publishing and printing. The Group has facilities in Windhoek, Ongwediva, Rundu, Katima Mulilo, Walvis Bay and Keetmanshoop. On 27 September 2007, Trustco celebrated its first year as a listed company on the Namibian Stock Exchange.

### *Review of Operations Insurance*

Growth is still experienced in this sector of operation. Management is of the opinion that the life insurance sector in Namibia offers above average growth opportunity, especially if it is supported by high-end technology. Although the insurance sector as a whole performs in terms of expectations, higher interest rates and commodity prices might have a dampening effect on exceptional growth. Although an increase in claims expenses was experienced, net profit still increased. Performance for the first six months was driven by an increase in the policy holder base and a reduction in expenses paid. This resulted in a growth in net profit after tax of 21.06% versus prior year period.

### *Education and Financial Services*

The Institute for Open Learning is now the largest distance education entity in Namibia. IOL Learn, the free to air channel of the Institute for Open Learning has generated the expected results. Student numbers have grown by 68%. Exceptional growth is expected in this sector. Most enrolments take place in the second half of the financial year. The market segment that offers training courses for teachers has almost reached maturity. The group is currently directing its focus on e-training and school leavers in grades 10 and 12. Revenue grew by 47.03% whilst net profit after tax grew by 28.84% versus prior period.

### *Wholesale, Development & Management Services*

This sector was under pressure in the period under review, because of technical difficulties experienced in the printing press. A contributing factor was the fluctuating exchange rate contributing to higher cost in the purchase of raw materials. An increase in revenue and concomitant increases in net profit is expected for the next six months in this sector.

Planning of the property development in the northern suburbs of Windhoek is at an advanced stage. Final regulatory approval is awaited. Major development is envisaged for the new financial year.

The growth in head office costs of 5.6% is primarily attributable to the Group's attention to achieve the highest corporate governance levels, its increased social responsibility and its drive to ensure internal controls at all levels. Compliance with regulatory requirements also resulted in higher costs.

### *Litigation*

Trustco Group International initiated arbitration proceedings against the SABC claiming substantial damages. The claim arose from the alleged repudiation by the SABC of two agreements concluded between the parties on 9 March 2004.

At the outset the arbitrator was asked to only determine the liability of the SABC. After a protracted hearing the arbitrator on 2 April 2007 held that the SABC had indeed repudiated both agreements and was liable in damages.

The SABC noted an appeal which it subsequently withdrew. The SABC indicated that it was willing to settle an amount of damages. If the matter cannot be settled the arbitrator will hear evidence on the issue during 2008 and award such damages as he deems appropriate.

### *Emphasis of Matter*

The directors disclosed the following under the heading "Micro Lending" in the Annual Report of Trustco Group Holdings Limited for the year ended 31 March 2007, which led to an emphasis of matter in the audit report: "All micro lenders in Namibia, with a deduction code facility granted by the Ministry of Finance, have five year contracts which expire on 31 August 2007. The industry is in consultation with the Minister for the renewal of these facilities.

The Group has received written confirmation from the Ministry of Finance on 12 September 2007, extending the micro lending payroll deduction code facility granted to Trustco Finance (Pty) Ltd (previously OLGN Finance CC) for a further two years, until 31 August 2009.

### *Capital Raising*

On 27 November 2007 the board approved a secondary listing on the JSE.

### *TFS Acquisition*

The board approved the acquisition of Trustco Financial Services (Pty) Ltd on 27 November 2007.

### *Financial Results*

Total revenue increased by 23.3% to N$93.9 million. Gross margins increased from 61% to 67%, whilst profits after tax increased by 41.6%.

Before adjusting for minority interests, attributable earnings increased by 45.8%. Headline earnings increased by 33.2% to N$11.88 million.

### *Dividend*

The Board proposes no interim dividend.

### Subsequent events

### *SABC Legal Action*

The arbitration was scheduled to continue during the week, commencing 1 December 2008, to determine the amount of damages payable by the SABC. However, the arbitrator issued a ruling on 6 November 2008 that the matter will now proceed only from 27 July 2009 until 3 August 2009.

# BDO SPENCER STEWARD INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE HISTORICAL FINANCIAL INFORMATION OF TRUSTCO FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008 AND 30 SEPTEMBER 2007

"The Directors
Trustco Group Holdings Limited
Trustco House
2 Keller Street
Windhoek
Republic of Namibia

2 February 2009

Gentlemen

**INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE HISTORICAL FINANCIAL INFORMATION OF TRUSTCO GROUP HOLDINGS LIMITED ("TRUSTCO" OR "THE GROUP") FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008 AND 30 SEPTEMBER 2007**

## Introduction

The definitions and interpretations commencing on page 10 of the pre-listing statement have been used in this report.

## Purpose of this Report

At your request, we present our report on the historical financial information of Trustco Group Holdings Limited and its subsidiaries (referred to collectively as the "Group") as set out in Annexure 3 for the purposes of complying with the JSE Limited ("JSE") Listings Requirements and for inclusion in the pre-listing statement of Trustco to be issued on or about 16 February 2009.

## Directors' Responsibility for the Historical Financial Information

The directors of the Group are responsible for the compilation, contents and preparation of the pre-listing statement in accordance with the JSE Listings Requirements. The directors are also responsible for the fair presentation of the historical information contained herein in accordance with International Financial Reporting Standards.

## Reporting Accountants' Responsibility

Our responsibility is to express a review opinion on the historical financial information for the six months ended 30 September 2008 and 30 September 2007 included in Annexure 3 to the pre-listing statement based on our review.

## Historical Financial Information for the six months ended 30 September 2008 and 30 September 2007

We have reviewed the historical financial information for the six months ended 30 September 2008 and 30 September 2007.

## Scope of review

We conducted our review of the historical financial information for the six months ended 30 September 2008 and 30 September 2007 in accordance with the Statement of International Standards on Review Engagements (ISRE 2400). This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the historical financial information is free of material misstatement. A review is limited primarily to enquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion on the historical financial information for the six months ended 30 September 2008 and 30 September 2007

**Conclusion on historical financial information for the six months ended 30 September 2008 and 30 September 2007**

Based on our review, nothing has come to our attention that causes us to believe that the historical financial information for the six months ended 30 September 2008 and 30 September 2007 included in the pre-listing statement is not fairly presented, in all material respects, in accordance with the recognition and measurement requirements of International Financial Reporting Standards, the presentation and disclosure requirements of the International Financial Reporting Standard on Interim Financial Reporting (IAS 34) and in the manner required by the JSE Listings Requirements.

**Consent**

We consent to the inclusion of this letter and the reference to our opinion in the pre-listing statement to be issued to Trustco shareholders in the form and context in which it appears.

Yours faithfully,

BDO Spencer Steward
Chartered Accountants (S.A.)
Registered Auditors

Per: B Bosman
Partner

BDO Place
457 Rodericks Place
Lynnwood
0081"

# REPORT OF THE HISTORICAL FINANCIAL INFORMATION OF TFS FOR THE PERIODS ENDED 31 MARCH 2008, 28 FEBRUARY 2007 AND 28 FEBRUARY 2006

## 1. BASIS OF PREPARATION

The income statements, balance sheets, statements of changes in equity, cash flow statements and the related notes for the 13 months ended 31 March 2008 and the two years ended 28 February 2007 and 28 February 2006 ("historical financial information") have been extracted, without adjustment, from the audited financial statements of Trustco Financial Services (Proprietary) Limited] ("TFS" or "the Group"). The audited financial statements of TFS have been prepared in accordance with International Financial Reporting Standards and have been reported on without qualification by BDO Spencer Steward for the 13 months ended 31 March 2008, by CM Auditors Incorporated for the year ended 28 February 2007 (as reviewed by BDO Spencer Steward) and by P van der Westhuizen & Co for the year ended 28 February 2006.

## 2. INCOME STATEMENTS

The income statements of TFS for the 13 months ended 31 March 2008 and the two years ended 28 February 2007 and 28 February 2006 are set out below:

| | Notes | *13 Months ended 31 March 2008 R'000* | *Year ended 28 February 2007 R'000* | *Year ended 28 February 2006 R'000* |
|---|---|---|---|---|
| Revenue | 7.12 | 256 709 | 174 401 | 145 322 |
| Cost of sales | 7.13 | (213 888) | (145 136) | (113 770) |
| **Gross profit** | | 42 821 | 29 265 | 31 552 |
| Operating costs | | (31 287) | (28 007) | (31 056) |
| **Operating profit** | 7.14 | 11 534 | 1 258 | 496 |
| Other income | | 4 084 | – | – |
| Investment income – interest received | 7.15 | 2 095 | 587 | 161 |
| Finance costs – interest paid | 7.16 | (140) | (790) | (8) |
| **Profit for the period/year before taxation** | | 17 573 | 1 055 | 649 |
| Taxation | 7.17 | 8 457 | (1 540) | (222) |
| **Profit/Loss for the period/year** | | 26 030 | (485) | 427 |
| Weighted average number of shares in issue | | 8 | 8 | 8 |
| Profit per share (cents) | | **325 375** | **(6 063)** | **5 338** |
| Headline loss per share (cents) | | 274 325 | (6 063) | 5 338 |

## 3. BALANCE SHEET

The balance sheets of TFS as at 31 March 2008, 28 February 2007 and 28 February 2006 are set out below:

| | Notes | *As at 31 March 2007 R'000* | *As at 28 February 2007 R'000* | *As at 28 February 2006 R'000* |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Non-current assets** | | 134 424 | 45 071 | 40 604 |
| Equipment | 7.1 | 1 249 | 1 297 | 1 288 |
| Intangible assets | 7.2 | 126 337 | 43 084 | 39 316 |
| Deferred tax asset | 7.4 | 6 838 | 690 | – |
| **Current Assets** | | 80 604 | 74 842 | 49 053 |
| Loans to directors, managers and employees | 7.3 | – | 139 | – |
| Loans to related parties | 7.3 | – | 169 | |
| Current tax receivable | 47 | 72 | – | |
| Trade and other receivables | 7.5 | 5 362 | 11 303 | 2 157 |
| Cash and cash equivalents | 7.6 | 75 195 | 63 159 | 46 896 |
| **TOTAL ASSETS** | | 215 028 | 119 913 | 89 657 |
| **EQUITY AND LIABILITIES** | | | | |
| **Capital and reserves** | | 81 315 | 873 | 1 358 |
| Ordinary share capital | 7.7 | 4 | 4 | 4 |
| Share premium | 7.7 | 59 850 | – | – |
| Accumulated profit | | 21 461 | 869 | 1 354 |
| **Non-current liabilities** | | 504 | 2 341 | 8 916 |
| Loans from group | 7.3 | – | – | 8 801 |
| Operating lease liability | 7.8 | 472 | – | – |
| Deferred tax liability | 7.4 | 32 | 2 341 | 115 |
| **Current liabilities** | | 133 209 | 116 699 | 79 383 |
| Current tax liability | | 7 | 6 | 133 |
| Loans to related parties | 7.3 | 1 670 | 2 224 | |
| Trade and other payables | 7.11 | 44 471 | 29 926 | 21 581 |
| Insurance premiums due to insurance companies | 7.10 | 86 485 | 79 642 | 56 535 |
| Provisions | 7.9 | 576 | 4 735 | 280 |
| Bank overdraft | 7.6 | – | 166 | 854 |
| **Total equity and liabilities** | | 215 028 | 119 913 | 89 657 |
| Number of shares in issue | | 8 | 8 | 8 |
| Net asset value per share (cents) | | 1 016 438 | 10 913 | 16 975 |
| Net tangible asset value per share (cents) | | (641 950) | (507 000) | (473 038) |

4. **STATEMENTS OF CHANGES IN EQUITY**

The statements of changes in equity of TFS for the 13 months ended 31 March 2008 and the two years ended 28 February 2007 and 28 February 2006 are set out below:

| | *Ordinary share capital R'000* | *Share premium R'000* | *Accumulated profit R'000* | ***Total R'000*** |
|---|---|---|---|---|
| **Balance at 1 March 2005** | 4 | – | 927 | 931 |
| Accumulated profit for the period | – | – | 427 | 427 |
| **Balance at 1 March 2006** | 4 | – | 1 354 | 1 358 |
| Accumulated loss for the year | – | – | (485) | (485) |
| **Balance as at 1 March 2007** | 4 | – | 869 | 873 |
| Accumulated profit for the 13 months | – | – | 26 030 | 26 030 |
| Capitalisation of shareholders loan | – | 59 850 | – | 59 850 |
| Dividend | – | – | (5 438) | (5 438) |
| **Balance at 31 March 2008** | **4** | **59 850** | **21 461** | **81 315** |
| **Notes** | 7.7 | 7.7 | | |

5. **CASH FLOW STATEMENTS**

The cash flow statements of TFS for the 13 months ended 31 March 2008 and the two years ended 28 February 2007 and 28 February 2006 are set out below:

| | *Notes* | *13 Months ended 31 March 2008 R* | *Year ended 28 February 2007 R* | *Year ended 28 February 2006 R* |
|---|---|---|---|---|
| **Cash flows from operating activities** | 7.19.1 | | | |
| Cash utilised in operating activities | | 39 946 | 30 578 | 38 734 |
| Interest received | | 2 095 | 587 | 161 |
| Interest paid | | (140) | (790) | (8) |
| Tax received | 7.19.2 | 26 | 63 | (360) |
| Net cash used in operating activities | | 41 927 | 30 438 | 38 527 |
| **Cash flows from investing activities** | | | | |
| *Expenditure to maintain operating capacity* | | | | |
| Acquisition of equipment | 7.1 | (343) | (346) | (1 412) |
| *Expenditure to increase operating activity* | | | | |
| Acquisition of intangible assets | 7.2 | (69 891) | (24) | (29 316) |
| Expenditure on product development | 7.2 | (13 657) | (6 434) | – |
| Loans advanced to related parties | | (2 224) | (6 544) | (650) |
| Net cash used in investing activities | | (86 115) | (13 348) | (31 378) |
| **Cash flows from financing activities** | | | | |
| Loan account capitalisation to share premium | | 59 850 | – | – |
| Repayment of loans to related parties | | 1 670 | – | – |
| Repayment of loans to directors, managers and employees | | 139 | (139) | – |
| Repayment of loans from related parties | | – | – | (2 602) |
| Repayment of shareholders loan | | 169 | – | – |
| Dividend paid | 7.19.3 | (5 438) | – | – |
| Net cash generated by financing activities | | 56 390 | (139) | (2 602) |

| | Notes | 13 Months ended 31 March 2008 R | Year ended 28 February 2007 R | Year ended 28 February 2006 R |
|---|---|---|---|---|
| Increase in cash and cash equivalents | | 12 202 | 16 951 | 4 547 |
| Cash and cash equivalents at beginning of the year/period | | 62 993 | 46 042 | 41 495 |
| Cash and cash equivalents at end of the year/period | 7.6 | 75 195 | 62 993 | 46 042 |

## 6. ACCOUNTING POLICIES

### 6.1 Statement of compliance

The historical financial information has been prepared in accordance with International Financial Reporting Standards ("IFRS") and its interpretations adopted by the International Accounting Standards Board ("IASB") and in the manner required by the Companies Act of South Africa.

### 6.2 Basis of preparation

The historical financial information has been prepared on the historical cost basis, except for the measurement of certain financial instruments at fair value, and incorporate the principal accounting policies set out below.

### 6.3 Accounting Policies

#### 6.3.1 Significant judgements

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

**Impairment testing**

The recoverable amounts of cash-generating units and 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 the fair value assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The Group reviews and tests 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 tangible and intangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including retention of clients, growth in premium income and future development cost of software together with economic factors such as inflation and interest rates that prevail.

**Provisions**

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in note 7.9 – Provisions.

**Expected manner of realisation for deferred tax**

Deferred tax is provided for on the carrying value of assets based on the expected manner of recovery, i.e. sale or use. This manner of recovery affects the rate used to determine the deferred tax liability. Refer note 7.4 – Deferred tax.

**Taxation**

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises 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 income tax and deferred tax provisions in the period in which such determination is made. The Group recognises the net future tax benefit related to deferred income 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 income tax assets requires the Group to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast 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 to realise the net deferred tax assets recorded at the balance sheet date could be impacted.

**Tangible assets**

The Group assess methods of deprecation, residual values and estimate useful life of tangible assets to determine the depreciation expense recognised on tangible assets that affect the carrying value of these assets. Depreciation methods, residual values and useful lives are assessed annually. In the event that there are any changes to these estimates the carrying values of tangible assets could be impacted.

**Intangible assets**

The Group assess methods of deprecation, residual values and estimate useful life of intangible assets to determine the depreciation expense recognised on tangible assets that affect the carrying value of these assets. Depreciation methods, residual values and useful lives are assessed annually. In the event that there are any changes to these estimates the carrying values of tangible assets could be impacted. Based upon conditions explained in the note to intangible assets, certain assets have been found to have an indefinite life. If these conditions change, the carrying values of these assets could be impacted.

### 6.3.2 Tangible assets

The cost of an item of tangible assets is recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the Group; and
- the cost of the item can be measured reliably.

Tangible assets are carried at cost less accumulated depreciation and any impairment losses.

| Item | Average useful life |
|---|---|
| Furniture and fixtures | 6 years |
| Office equipment | 5 years |
| IT equipment | |
| *Personal computers* | 3 years |
| *Mainframe computers* | 5 years |
| Computer software | |
| *Operating systems – personal computers* | 3 years |
| *Operating systems – mainframe computers* | 5 years |

The residual value and the useful life of each asset are 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 gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

### 6.3.3 Intangible assets

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the Group; and
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Expenditure on research is recognised as an expense when it is incurred.

An intangible asset arising from development is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these intangible assets. For all other intangible assets amortisation is provided on a straight-line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed every period-end. Reassessing the useful life of an intangible asset with a definite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, customer lists and items similar in substance are not recognised as intangible assets.

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

| Item | Useful life |
| --- | --- |
| Distribution licenses | Indefinite |
| Computer software – E-Sure, DexCollect and associated components | Indefinite |
| Computer software – other applications | 2 to 10 years |
| GreyPower exclusivity agreement | 1 year |

### 6.3.4 Financial instruments

**Initial recognition**

The Group 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's balance sheet when the Group becomes party to the contractual provisions of the instrument.

**Fair value determination**

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

**Loans to (from) group**

These include loans to holding companies, fellow subsidiaries, subsidiaries, joint ventures and associates and are recognised initially at fair value plus direct transaction costs. Subsequently these loans are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts.

On loans receivable an impairment loss is recognised in profit or loss when there is objective evidence that it is impaired. The impairment is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Loans to (from) group companies are classified as loans and receivables.

**Loans to shareholders, directors, managers and employees**

These financial assets are initially recognised at fair value plus direct transaction costs.

Subsequently these loans are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts.

On loans receivable an impairment loss is recognised in profit or loss when there is objective evidence that it is impaired.

The impairment is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

**Trade and other receivables**

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) is considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in the income statement.

Trade and other receivables are classified as loans and receivables.

**Trade and other payables**

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

**Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

**Bank overdraft and borrowings**

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs.

Other financial liabilities are measured initially at fair value and subsequently at amortised cost, using the effective interest rate method.

**Other loans and receivables**

Other financial assets classified as loans and receivables are initially recognised at fair value plus transaction costs, and are subsequently carried at amortised cost less any accumulated impairment.

These financial assets are not quoted in an active market and have fixed or determinable payments.

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

**Deferred tax assets and liabilities**

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which 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 to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

Deferred tax liabilities are not recognised for assets with an indefinite life, as these differences between the carrying value and the tax value of these assets are not taxable temporary differences.

A deferred tax asset is recognised for the carry forward of unused tax losses and unused STC credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused STC credits 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 balance sheet date.

**Tax expenses**

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except 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.

### 6.3.6 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

**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. This liability is not discounted. Any contingent rents are expensed in the period they are incurred.

### 6.3.7 Share capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of a Group after deducting all of its liabilities.

### 6.3.8 Share based payments

Goods or services received or acquired in a share-based payment transaction are recognised when the goods or as the services are received. A corresponding increase in equity is recognised if the goods or services were received in an equity-settled share-based payment transaction or a liability if the goods or services were acquired in a cash-settled share-based payment transaction.

When the goods or services received or acquired in a share-based payment transaction do not qualify for recognition as assets, they are recognised as expenses. For equity-settled share-based payment transactions, the goods or services received are measured, and the corresponding increase in equity, directly, at the fair value of the goods or services received, unless that fair value cannot be estimated reliably.

If the fair value of the goods or services received cannot be estimated reliably, their value and the corresponding increase in equity, indirectly, are measured by reference to the fair value of the equity instruments granted. For cash-settled share-based payment transactions, the goods or services acquired and the liability incurred are measured at the fair value of the liability. Until the liability is settled, the fair value of the liability is re-measured at each reporting date and at the date of settlement, with any changes in fair value recognised in profit or loss for the period.

If the share-based payments granted do not vest until the counterparty completes a specified period of service, Group accounts for those services as they are rendered by the counterparty during the vesting period, (or on a straight line basis over the vesting period).

If the share based payments vest immediately the services received are recognised in full.

For share-based payment transactions in which the terms of the arrangement provide either the Group or the counterparty with the choice of whether the Group settles the transaction in cash (or other assets) or by issuing equity instruments, the components of that transaction are recorded, as a cash-settled share-based payment transaction if, and to the extent that, a liability to settle in cash or other assets has been incurred, or as an equity-settled share-based payment transaction if, and to the extent that, no such liability has been incurred.

### 6.3.9 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.

**Defined contribution plans**

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the Group's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

### 6.3.10 Provisions and contingencies

Provisions are recognised when:

- the Group has a present obligation as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation. Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the Group settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision. Provisions are not recognised for future operating losses.

If a company has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

A constructive obligation to restructure arises only when a company:

- has a detailed formal plan for the restructuring, identifying at least:
- the business or part of a business concerned;
- the principal locations affected;
- the location, function, and approximate number of employees who will be compensated for terminating their services;

- the expenditures that will be undertaken; and
- when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note.

6.3.11 **Revenue**

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the balance sheet date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group;
- the stage of completion of the transaction at the balance sheet date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at balance sheet date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Contract revenue comprises:

- the initial amount of revenue agreed in the contract; and
- variations in contract work, claims and incentive payments:
- to the extent that it is probable that they will result in revenue; and
- they are capable of being reliably measured.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value added tax.

Interest is recognised, in profit or loss, using the effective interest rate method.

Royalties are recognised on the accrual basis in accordance with the substance of the relevant agreements.

Dividends are recognised, in profit or loss, when the Group's right to receive payment has been established. Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

6.3.12 **Turnover**

Turnover comprises of sales to customers and service rendered to customers. Turnover is stated at the invoice amount and is exclusive of value added taxation.

6.3.13 **Cost of sales**

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The related cost of providing services recognised as revenue in the current period is included in cost of sales.

Contract costs comprise:

- costs that relate directly to the specific contract;
- costs that are attributable to contract activity in general and can be allocated to the contract; and
- such other costs as are specifically chargeable to the customer under the terms of the contract.

6.3.14 **Borrowing costs**

Borrowing costs are recognised as an expense in the period in which they are incurred.

6.3.15 **Basis for consolidation**

**Subsidiaries**

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the

Group controls another entity. Subsidiaries are fully consolidated from the date of which control is transferred to the Group. They are de-consolidated from the date that control ceases. 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 the subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

## 7. NOTES TO THE FINANCIAL STATEMENTS

### 7.1 Equipment

| | Cost R'000 | Accumulated Depreciation R'000 | Net book value R'000 |
|---|---|---|---|
| **31 March 2008** | | | |
| *Owned assets* | | | |
| Office equipment | 905 | (386) | 519 |
| Computer equipment | 1 803 | (1 073) | 730 |
| | 2 708 | (1 459) | 1 249 |
| **28 February 2007** | | | |
| *Owned assets* | | | |
| Office equipment | 877 | (232) | 645 |
| Computer equipment | 1 929 | (1 277) | 652 |
| | 2 806 | (1 509) | 1 297 |
| **28 February 2006** | | | |
| *Owned assets* | | | |
| Office equipment | 674 | (114) | 560 |
| Computer equipment | 1 345 | (617) | 728 |
| | 2 019 | (731) | 1 288 |

The carrying amounts of equipment can be reconciles as follows:

| **31 March 2008** | *Carrying value at beginning of year R* | *Additions R* | *Depreciation R* | *Carrying value at end of year R* |
|---|---|---|---|---|
| *Owned assets* | | | | |
| Office equipment | 645 | 26 | (153) | 518 |
| Computer equipment | 652 | 317 | (238) | 731 |
| | 1 297 | 343 | (391) | 1 249 |

| **28 February 2007** | **Carrying value at beginning of year R'000** | **Additions R'000** | **Depreciation R'000** | **Carrying value at end of year R'000** |
|---|---|---|---|---|
| *Owned assets* | | | | |
| Office equipment | 560 | 203 | (118) | 645 |
| Computer equipment | 728 | 143 | (219) | 652 |
| | 1 288 | 346 | (337) | 1 297 |

| **28 February 2006** | **Carrying value at beginning of year R'000** | **Additions R'000** | **Depreciation R'000** | **Carrying value at end of year R'000** |
|---|---|---|---|---|
| *Owned assets* | | | | |
| Office equipment | 42 | 601 | (83) | 560 |
| Computer equipment | 56 | 812 | (140) | 728 |
| | 98 | 1 413 | (223) | 1 288 |

There have been no major changes in the nature of property, plant and equipment or any changes in policy regarding the use thereof.

7.2 **Intangible assets**

| | Cost/ Valuation R'000 | Amortisation R'000 | Carrying value R'000 |
|---|---|---|---|
| **31 March 2008** | | | |
| Distribution licenses acquired | 5 411 | – | 5 411 |
| Computer software acquired | 26 976 | (124) | 26 852 |
| Computer software internally generated | 93 716 | – | 93 716 |
| GreyPower exclusivity agreement | 430 | (72) | 358 |
| | 126 533 | (196) | 126 337 |

| | Cost/ Valuation R'000 | Amortisation R'000 | Carrying value R'000 |
|---|---|---|---|
| **28 February 2007** | | | |
| Distribution licenses acquired | 5 411 | – | 5 411 |
| Computer software acquired | 26 399 | (3 869) | 22 530 |
| Computer software internally generated | 15 143 | – | 15 143 |
| | 46 953 | (3 869) | 43 084 |
| **28 February 2006** | | | |
| Distribution licenses acquired | 5 411 | – | 5 411 |
| Computer software | 35 247 | (1 342) | 33 905 |
| | 40 658 | (1 342) | 39 316 |

Carrying value of intangible assets can be reconciled as follows:

| | Distribution licenses R'000 | Computer software – Definite life R'000 | Computer Software – Indefinite life R'000 | Total R'000 |
|---|---|---|---|---|
| *Computer system related assets* | | | | |
| Balance as at 1 March 2005 | – | 3 313 | 7 802 | 11 115 |
| Acquired | 5 411 | 22 998 | 28 409 | |
| Internally generated | – | – | 907 | 907 |
| Amortisation | – | (1 115) | – | (1 115) |
| Balance as at 1 March 2006 | 5 411 | 25 196 | 8 709 | 39 316 |
| Acquired | – | 24 | – | 24 |
| Internally generated | – | – | 6 434 | 6 434 |
| Amortisation | – | (2 690) | – | (2 690) |
| Balance as at 1 March 2007 | 5 411 | 22 530 | 15 143 | 43 084 |
| Acquired | – | 461 | 69 000 | 69 461 |
| Internally generated | – | 4 084 | 9 573 | 13 657 |
| Amortisation | – | (223) | – | (223) |
| Balance as at 31 March 2008 | 5 411 | 26 852 | 93 716 | 125 979 |

| | Opening balance | Additions | Amortisation | Carrying value |
|---|---|---|---|---|
| **31 March 2008** | | | | |
| Grey Power Exclusivity Agreement | – | 430 | (72) | 358 |

**Other information**

All intangible assets controlled by the entity meet the recognition criteria of IAS 38 – *Intangible Assets*.

The following individual intangible assets are material and details thereof are as follows:

| | 31 Mar 2008 R'000 | 28 Feb 2007 R'000 | 28 Feb 2006 R'000 |
|---|---|---|---|
| **E-Sure™ software system** | 60 000 | – | – |

The E-Sure™ software system provides administration functionality for insurance business processes, providing indivudual brokers, insurers, Underwriting Management Agencies (UMA's) and other intermediaries with total automated solution to administer and grow their business. The systems also ensure sound corporate governance in terms of the financial administration and compliance with acts that govern the insurance information technology industry.

| | 31 Mar 2008 R'000 | 28 Feb 2007 R'000 | 28 Feb 2006 R'000 |
|---|---|---|---|
| **DexCollect™ software system** | 7 802 | 7 802 | 7 802 |

The DexCollect™ software system provides total spectrum of Money Management Services, ranging from collections to the complex split calculations and distribution of funds collected based on business processes, legislative and other requirements. The system is capable of processing high volumes transactions with dual-way (collections and payments) functionality. The system has the ability to assess various transaction outcomes and take correcting actions for example re-submitting collections where the collection returned "RD" and at the same time keeping track of monies already split and paid which need to be "clawed back"

| | 31 Mar 2008 R'000 | 28 Feb 2007 R'000 | 28 Feb 2006 R'000 |
|---|---|---|---|
| **Generalised e-commerce management system** | 9 000 | – | – |

This system ensures that the clients obtain maximum benefit from developments around internet usage, remote communication and broadband access whilst retaining the strength and stability achieved with other systems in TFS. This is the manifestation of intellectual property contained in the teams and experience of the industry and business, built over several years whilst utilising latest communication channels and technology developments. This suite of solutions is the result of repeated analysis of business processes, client needs and technology options. Intangible assets with an indefinite life as at 31 March 2008 total R125.6 million. Management commissioned a valuation report of the E-Sure™ and DexCollect™ software systems. The software, however, is not stated at revalued amount, but at cost, due to limitations relating to this accounting treatment placed on recognising assets at fair value by IFRS (IAS 38 – Intangible Assets)

From the report it was evident that the ability of the software to generate future economic benefit ("FEB") that will flow to the entity increased substantially since the previous valuation.

The board of directors, during their assessment of the useful life of these assets relied upon the evidence as contained in the valuation report. The fact that the FEB generated by the assets increase as the systems are further developed, convinced the board that the period over which the FEB will be received is indefinite, meaning that there is no foreseeable limit to the period of time over which the assets will generate attributable FEB for the entity.

Based on the above, the board classified the intangible assets mentioned as having an indefinite life.

These assets are however subject to impairment testing on an annual basis, where management reviews all relevant factors pertaining to the assets including but not limited to the assets ability to generate FEB and measuring the benefit so received to the carrying value of the assets.

In the event that the carrying value is higher than the assessment of FEB attributable to the assets, the assets' carrying value will be adjusted accordingly, recognising the adjustment in value to the profit and loss for such period. As at 31 March 2008, no impairment of assets was evident.

**Basis of capitalisation**

Development costs are capitalised based on an assessment of resources committed to software system improvements during the financial period. Costs that can be measured reliably are then capitalised in the event that the recognition criteria, as stated in IAS 38 Intangible Assets, are satisfied.

7.3 **Loans to related parties**

| | 31 Mar 2008 R'000 | 28 Feb 2007 R'000 | 28 Feb 2006 R'000 |
|---|---|---|---|
| **Group Companies** | | | |
| DexGroup (Pty) Ltd – Holding company | – | (2 224) | (8 801) |
| **Related Parties** | | | |
| DexGroup (Pty) Ltd | (1 670) | – | – |
| Johannes Muller Trust | – | 169 | – |
| Loans to directors and employees | – | 139 | – |

**Loans to Group Companies**

**DexGroup (Pty) Ltd**

The loan is unsecured, carries no interest and is repayable on demand.

**Loans to Related Parties**

**DexGroup (Pty) Ltd**

The loan is unsecured, carries no interest and is repayable on demand. Note that shareholding changed on 31 October 2007 and therefore the reclassification of the loan to DexGroup (Pty) Ltd.

**Johannes Muller Trust**

The loan is unsecured, carries no interest and is repayable on demand.

**Loans to directors and employees**

The loans are unsecured, carries interest at market related rates and are all repayable in monthly repayments predetermined at the commencement of the loan.

7.4 **Deferred tax**

| | 31 Mar 2008 R'000 | 28 Feb 2007 R'000 | 28 Feb 2006 R'000 |
|---|---|---|---|
| **Deferred tax asset/(liability)** | | | |
| Accelerated capital allowances for tax purposes | (32) | (2 341) | (115) |
| Resulting deferred tax asset through tax losses and other deductions available for future set-off | 6 838 | 690 | – |
| | 6 806 | (1 651) | (115) |
| **Reconciliation of deferred tax asset (liability)** | | | |
| At the beginning of the period | (1 651) | (115) | – |
| Reduction due to rate change | 57 | – | – |
| Increase in tax losses available for future set-off against future taxable income | 2 778 | 514 | 325 |
| Temporary differences on tangible assets | (9) | (2 439) | (440) |
| Temporary differences on intangible assets | 6 701 | 389 | |
| Temporary differences on provisions | (1 070) | – | |
| | 6 806 | (1 651) | (115) |

**Recognition of deferred tax assets**

Although the group has had taxable losses, the board of directors are of the opinion that the deferred tax assets meet the requirement of recognition. The major contributing factor for the tax loss is the allowance claimed in respect of the E-Sure™ software system acquired during the 13 months under review.

It is estimated that the group will be in a net taxable situation within 3 years, as the cost of the asset will be written off over this period for tax purposes. After this period the group will be able to utilise the assessed losses against taxable income.

| | 31 Mar 2008 R'000 | 28 Feb 2007 R'000 | 28 Feb 2006 R'000 |
|---|---|---|---|
| Deferred tax assets relating to tax losses suffered | 12 918 | 2 893 | 1 121 |

7.5 **Trade and other receivables**

| | 31 Mar 2008 R'000 | 28 Feb 2007 R'000 | 28 Feb 2006 R'000 |
|---|---|---|---|
| Trade receivables | 2 820 | 9 958 | 963 |
| Employee costs in advance | 52 | 17 | – |
| Prepayments | 810 | 523 | – |
| Value Added Taxation asset | 1 440 | 15 | 1 025 |
| Prepayments | – | 190 | – |
| Other receivables | 240 | 600 | 169 |
| | 5 362 | 11 303 | 2 157 |

7.6 **Cash and cash equivalents**

| | 31 Mar 2008 R'000 | 28 Feb 2007 R'000 | 28 Feb 2006 R'000 |
|---|---|---|---|
| Cash at bank | 74 884 | 63 159 | 46 896 |
| Term deposits | 311 | – | – |
| Bank overdraft | – | (166) | (854) |
| | 75 195 | 62 993 | 46 042 |

The group previously utilised bank overdraft facilities outside the current group structure, that were available to the previous holding company. After the business combination transaction where the holding company changed, the board has been unsuccesful in finalising the new bank overdraft facility due to various complications. Therefore the group does not have access to any overdraft facilities as at balance sheet date.

The board of directors are of the opinion that the group has access to sufficient funding to sustain current working and long term capital requirements through an agreement of funding between the holding company and the group.

**Securities**

The Group is party to the following surety agreements:

**Overdraft facility previously held as part of the DexGroup**

The overdraft facility with Standard Bank of South Africa Limited, is in the name of DexData Technologies (Pty) Ltd, previously a fellow subsidiary on group level.

The Group is bound by an omnibus interlinking suretyship agreement by and between:

- DexGroup (Pty) Ltd;
- Trustco Financial Services (Pty) Ltd (previously DexGroup Financial Services (Pty) Ltd);
- DexData Technologies (Pty) Ltd;
- Brokernet (Pty) Ltd;
- DexAfrica (Pty) Ltd; and
- Trustco Corporate Solutions (Pty) Ltd (previously Dex Corporate Solutions (Pty) Ltd).

As soon as management has finalised the new banking facilities the Group will be released from the surety.

**Bankserv facility**

The Group has Bankserv (previously ACB) facilities in place to effect the money administration business that it is carries on. These facilities are with Standard Bank of South Africa Limited and ABSA Bank Limited.

Both these institutions hold suretyship agreements that incorporate suretyships by and between:

- DexGroup (Pty) Ltd;
- Shibbolet (Pty) Ltd (previous ultimate holding company);
- Trustco Financial Services (Pty) Ltd (previously DexGroup Financial Services (Pty) Ltd);
- Brokernet (Pty) Ltd; and
- Trustco Corporate Solutions (Pty) Ltd (previously Dex Corporate Solutions (Pty) Ltd).

The suretyship is limited to the facility available per collection instruction as decided from time to time by the financial institutions.

7.7 **Ordinary share capital**

| | Par value R/share | Number of shares | Share premium R | Total R |
|---|---|---|---|---|
| **Share capital – authorised** | | | | |
| Incorporation at par | 0.50 | 8 000 | – | 4 000 |
| **Share capital – issued** | | | | |
| Incorporation at par | 0.50 | 8 000 | 59 850 000 | 59 854 000 |

On 30 October 2007, TFS capitalised shareholders loans to the amount of R59.850 million towards the share premium account upon a decision of the shareholders. This was done in order to acquire the E-Sure™ software system.

7.8 **Operating lease liability**

| | Charge to income statement R'000 | Fair value adjustment income R'000 | Carrying value R'000 |
|---|---|---|---|
| **31 March 2008** | | | |
| Operating lease liability | 777 | (305) | 472 |

The liability relates to the straight lining of a lease agreement that the Group entered into, containing an annual increase of 10% on the base rental. The lease payments are straight lined over the remainder of the lease period and amortised to present value using a discount rate of 7.7% per annum.

7.9 **Provisions**

| | Management fees R'000 | RSC levy R'000 | License fees R'000 | Total R'000 |
|---|---|---|---|---|
| **Opening balance as at 1 March 2005** | – | – | – | – |
| Additions for the period | – | 280 | – | 280 |
| Utilisation for the period | – | – | – | – |
| **Balance as at 1 March 2006** | – | 280 | – | 280 |
| Additions for the period | 4 373 | 82 | – | 4 455 |
| Utilisation for the period | – | – | – | – |
| **Balance as at 1 March 2007** | 4 373 | 362 | – | 4 735 |
| Additions for the period | – | 34 | 180 | 214 |
| Utilisation for the period | (4 373) | – | – | (4 373) |
| **Balance as at 31 March 2008** | – | 396 | 180 | 576 |

7.10 **Insurance premiums due to insurance companies**

| | 31 Mar 2008 R'000 | 28 Feb 2007 R'000 | 28 Feb 2006 R'000 |
|---|---|---|---|
| Insurance premiums due to insurance companies | 86 485 | 79 642 | 56 535 |

The amount relates to insurance premiums that were collected and are due to insurance companies, net of any fees due to the Group on the insurance premium

The Group has the required IGF guarantee in place as stipulated by section 45 of the Short-term Insurance Act (Act 58 of 1998) of South Africa, as placed with International Guarantee Fund ("IGF").

The IGF guarantee was issued, to the maximum statutory amount of R50 million, on the condition that the Group obtain an insurance guarantee and that payment of determined guarantee fees as expensed in the profit an loss for the periods.

The insurance guarantee was placed with SGI/Constantia Insurance Company Limited ("CICL"). SGI/CICL holds a deed of surety effected by Mr Q van Rooyen, Group Managing Director of Trustco Group. Mr van Rooyen ceded 30 million shares in Trustco Group Holdings Limited in favour of the insurer.

7.11 **Trade and other payables**

| | 31 Mar 2008 R'000 | 28 Feb 2007 R'000 | 28 Feb 2006 R'000 |
|---|---|---|---|
| Trade payables | 2 334 | 1 240 | 2 389 |
| Commission payable | 12 539 | 13 582 | 8 593 |
| Amounts due to Financial Service Providers | 23 287 | 10 398 | 5 891 |
| Claims float | 4 476 | 3 457 | 3 224 |
| Accrued expenses – payroll | 135 | 82 | – |
| Accrued leave pay | 1 378 | 618 | 751 |
| Deposits received | 72 | 66 | – |
| Value added tax liabilities | 250 | 483 | 733 |
| | 44 471 | 29 926 | 21 581 |

7.12 **Revenue**

| | 31 Mar 2008 R'000 | 28 Feb 2007 R'000 | 28 Feb 2006 R'000 |
|---|---|---|---|
| Rendering of financial services | 256 709 | 174 401 | 145 322 |

7.13 **Cost of sales**

| | 31 Mar 2008<br>R'000 | 28 Feb 2007<br>R'000 | 28 Feb 2006<br>R'000 |
|---|---|---|---|
| Rendering of financial services | 213 888 | 145 136 | 113 770 |

7.14 **Operating profit**

Operating profit for the year is stated after accounting for the following:

| | 31 Mar 2008<br>R'000 | 28 Feb 2007<br>R'000 | 27 Feb 2006<br>R'000 |
|---|---|---|---|
| **Operating lease charges** | | | |
| Premises (contractual amounts) | 3 373 | 1 508 | 1 270 |
| Equipment (contractual amounts) | 284 | 276 | – |
| Amortisation on intangible assets | 296 | 2 690 | 1 115 |
| Depreciation on office and computer equipment | 391 | 374 | 223 |
| Employee costs | 14 708 | 14 553 | 14 265 |

7.15 **Investment revenue**

| | 31 Mar 2008<br>R'000 | 28 Feb 2007<br>R'000 | 27 Feb 2006<br>R'000 |
|---|---|---|---|
| Bank | 1 790 | 587 | 161 |
| Fair value adjustment – operating lease liability | 305 | – | – |
| | 2 095 | 587 | 161 |

7.16 **Finance cost**

| | 31 Mar 2008<br>R'000 | 28 Feb 2007<br>R'000 | 27 Feb 2006<br>R'000 |
|---|---|---|---|
| Bank | 140 | 790 | 8 |

7.17 **Taxation**

| | 31 Mar 2008<br>R'000 | 28 Feb 2007<br>R'000 | 27 Feb 2006<br>R'000 |
|---|---|---|---|
| **Major components of the tax (income) expense** | | | |
| Current | | | |
| Local income tax – current period | – | 4 | 107 |
| Deferred | | | |
| Originating and reversing temporary differences | (8 457) | 1 536 | 115 |
| | (8 457) | 1 540 | 222 |
| **Reconciliation of tax expense** | | | |
| Reconciliation between accounting profit and tax expense | | | |
| Accounting profit | 17 572 | 1 055 | 649 |
| Tax at applicable rate of 28% (2007: 29% and 2006: 29%) | 4 920 | 306 | 188 |
| Tax effect of adjustment on taxable income | | | |
| Deferred tax effect income | (8 457) | 1 540 | 115 |
| Income not taxable under legislation | (1 298) | – | – |
| Expenses deducted not allowed under tax legislation | 460 | 749 | 440 |
| Tax losses carried forward | 2 901 | 5 469 | 325 |
| Allowances claimed under tax legislation | (6 983) | (6 524) | (846) |
| | (8 457) | 1 540 | 222 |

7.18 **Auditors remuneration**

| | 31 Mar 2008 R'000 | 28 Feb 2007 R'000 | 27 Feb 2006 R'000 |
|---|---|---|---|
| Fees | 155 | 46 | 42 |
| Consulting | 491 | 59 | |
| | 646 | 105 | 42 |

7.19 **Notes to the cash flow statements**

7.19.1 **Cash generated from operations**

| | 31 Mar 2008 R'000 | 28 Feb 2007 R'000 | 27 Feb 2006 R'000 |
|---|---|---|---|
| Profit before taxation | 17 573 | 1 055 | 649 |
| ***Adjustments for:*** | | | |
| Depreciation and amortisation | 687 | 3 065 | 1 269 |
| Interest received | (2 095) | (587) | (161) |
| Finance costs | 139 | 790 | 8 |
| Movements in operating lease accrual | 472 | – | – |
| Movements in provisions | (4 159) | 139 | |
| Increase in Insurance Premiums due to Insurance Companies | 6 843 | 22 983 | 14 548 |
| **Changes in working capital:** | | | |
| Trade and other receivables | 5 750 | (4 810) | 262 |
| Prepayments | 191 | (191) | – |
| Trade and other payables | 14 546 | 8 134 | 22 159 |
| | 39 947 | 30 578 | 38 734 |

7.19.2 **Tax refunded (paid)**

| | 31 Mar 2008 R'000 | 28 Feb 2007 R'000 | 28 Feb 2006 R'000 |
|---|---|---|---|
| Balance at the beginning of the year | 66 | 133 | (386) |
| Current tax for the year recognised in the profit and loss | – | (4) | (107) |
| Balance at the end of the period | (40) | (66) | 133 |
| | 26 | 63 | (360) |

7.19.3 **Dividends paid**

| | 31 Mar 2008 R'000 | 28 Feb 2007 R'000 | 28 Feb 2006 R'000 |
|---|---|---|---|
| Dividends paid | 5 438 | – | – |

Dividends were paid to the registered shareholders as per the share register on 30 October 2007. A dividend of 67 977.91 cents per share was paid.

7.20 **Related party disclosure**

**Relationships**

| | |
|---|---|
| Ultimate holding company | Trustco Group Holdings Limited (incorporated and listed on the Namibian Stock Exchange |
| Holding Company | Trustco Group International (Pty) Ltd (incorporated in South Africa) |
| Subsidiaries | Brokernet (Pty) Ltd<br>Trustco Corporate Solutions (Pty) Ltd<br>Trustco Informatix (Pty) Ltd<br>I C E Insurance Claims Exchange (Pty) Ltd trading as The Claims Company |
| Entities where board members have significant influence (2008) | DexGroup (Pty) Ltd<br>DexData Technologies (Pty) Ltd<br>Secretarial Skills Close Corporation |
| Previous ultimate holding company (2007) | DexGroup (Pty) Ltd |
| Shareholder with joint control (2007) | Johannes Muller Trust |
| Member of Key Management | See list of directors as per note on directors remuneration |

**Related party balances**

| | 31 Mar 2008 R'000 | 28 Feb 2007 R'000 | 28 Feb 2006 R'000 |
|---|---|---|---|
| **Loan accounts owing (to) by related parties** | | | |
| DexGroup (Pty) Ltd | (1 670) | (2 224) | (8 801) |
| Johannes Muller Trust | – | 169 | – |
| Directors and staff | – | 139 | – |
| **Related party transactions** | | | |
| **Purchases from (sales to) related parties** | | | |
| Secretarial Skills CC | 1 060 | – | – |
| DexGroup (Pty) Ltd | 280 | (2 762) | – |
| DexData Technologies (Pty) Ltd | 520 | – | – |
| **Assets acquired from related parties** | | | |
| DexGroup (Pty) Ltd | 69 000 | – | – |

7.21 **Directors emoluments**

**31 March 2008**

| | Basic R'000 | Medical R'000 | Pension R'000 | Total R'000 |
|---|---|---|---|---|
| **Executive** | | | | |
| Caine, D J (Exco) | 472 | 28 | 69 | 569 |
| Castro Carballo, S W A | 284 | 15 | 46 | 345 |
| Cockcroft, J | 327 | 13 | – | 340 |
| Laing, E M (appointed 3 September 2007) | 237 | – | 25 | 262 |
| Muller, C J (Exco) | 1 427 | 53 | 145 | 1 625 |
| Stols, S J (Exco) | 689 | 41 | 77 | 807 |
| Van Wyk, A (Exco) (appointed 3 September 2007) | 339 | – | – | 339 |
| Wessels, J J (Exco) | 911 | 41 | 152 | 1 104 |
| | 4 686 | 191 | 514 | 5 391 |

**28 February 2007**

| | Basic R'000 | Medical R'000 | Pension R'000 | Total R'000 |
|---|---|---|---|---|
| **Executive** | | | | |
| Caine, D J (Exco) (Appointed 18 December 2006) | 95 | 6 | 15 | 116 |
| Castro Carballo, SWA (appointed 18 January 2007) | 42 | 2 | 7 | 51 |
| Cockcroft, J | 302 | 5 | – | 307 |
| Muller, C J (Exco)[1] | 140 | 34 | 134 | 308 |
| Stols, S J (Exco) | 438 | 29 | 59 | 526 |
| Wessels, J J (Exco)[1] | 774 | 30 | 129 | 933 |
| | 1 791 | 106 | 344 | 2 241 |

Directors emoluments (continued)

**28 February 2006**

| | Basic R'000 | Medical R'000 | Pension R'000 | Total R'000 |
|---|---|---|---|---|
| **Executive** | | | | |
| Cockcroft, J | 290 | – | – | 290 |
| Muller, C J (Exco)[1] | 30 | 33 | 99 | 162 |
| Stols, S J (Exco) | 374 | 42 | 50 | 466 |
| Wessels, J J (Exco)[1] | 335 | 31 | 52 | 418 |
| | 1 029 | 106 | 201 | 1 336 |

**Note 1** – Director paid by ultimate holding company for other capacities held not included herewith.

### 7.22 Prior period errors

**Intangible assets**

In the prior period the DexCollect ™ system was carried at revalued amount. Due to change in interpretation of IAS38 Intangible Assets, the outcome of this change in interpretation is that the software is now carried at cost and the revaluation reserve was reversed.

**Deferred taxation**

Due to an error in the calculation of the deferred taxation liability, the liability was previously understated. This error has been corrected and was treated as a prior period adjustment

**Regional Services Council levies**

Under-provision for RSC levies that were not provided for, as the entity was not registered for the levy. During the year the entity registered and submitted the required information and was assessed. The liability was not recognised in the prior year.

The correction of the errors results in adjustments as follows:

| | 31 Mar 2008 R'000 | 28 Feb 2007 R'000 | 28 Feb 2006 R'000 |
|---|---|---|---|
| **Balance sheet** | | | |
| Intangible assets | – | (32 198) | (32 198) |
| Revaluation reserve | – | (32 198) | (32 198) |
| Deferred tax balance | – | 1 818 | |
| Provision (RSC Levies) | – | 222 | |

| | 31 Mar 2008 R'000 | 28 Feb 2007 R'000 | 28 Feb 2006 R'000 |
|---|---|---|---|
| **Income Statement** | | | |
| Operating expenses | – | 20 | |
| Finance cost | – | 28 | – |
| Deferred taxation charge | – | 1 818 | |

7.23 **Comparative figures**

Certain comparative figures have been reclassified

| | 31 Mar 2008 R'000 | 28 Feb 2007 R'000 | 28 Feb 2006 R'000 |
|---|---|---|---|
| **Balance Sheet** | | | |
| Trade and other receivables | – | 4 209 | |
| Trade and other payables | – | 4 094 | |
| Insurance premiums due to insurance companies | – | 124 | |
| Provisions | – | 3 | |
| **Income statement** | | | |
| Revenue | – | (654) | – |
| Other income | – | (26) | – |
| Operating expenses | – | 610 | – |
| Investment revenue | – | 1 | – |
| Finance costs | – | 3 | – |

7.24 **Risk management**

**Liquidity risk**

The Group's risk to liquidity is a result of the funds available to cover future commitments. The Group manages liquidity risk through an ongoing review of future commitments and credit facilities.

**31 March 2008**

| | Less than 1 month R'000 | Between 1 and 3 months R'000 | Between 3 and 12 months R'000 | Over 12 months R'000 |
|---|---|---|---|---|
| Borrowings | – | – | 1 670 | – |
| Insurance premiums due to insurance companies | 61 402 | 25 083 | – | – |
| Trade and other payables | 27 913 | 16 558 | – | – |
| Tax payable | – | – | 7 | – |
| Provisions | – | 576 | – | – |
| Operating lease liability | – | – | – | 472 |

**28 February 2007**

| | Less than 1 month R'000 | Between 1 and 3 months R'000 | Between 3 and 12 months R'000 | Over 12 months R'000 |
|---|---|---|---|---|
| Borrowings | – | – | 2 224 | – |
| Insurance premiums due to insurance companies | 54 912 | 24 730 | – | – |
| Trade and other payables | 27 436 | 2 490 | – | – |
| Tax payable | – | – | – | 6 |
| Provisions | – | 4 735 | – | – |
| Bank overdraft | 166 | – | – | – |

**28 February 2006**

| | Less than 1 month R'000 | Between 1 and 3 months R'000 | Between 3 and 12 months R'000 | Over 12 months R'000 |
|---|---|---|---|---|
| Borrowings | – | – | – | 8 801 |
| Insurance premiums due to insurance companies | 32 590 | 23 945 | – | – |
| Trade and other payables | 15 775 | 5 806 | – | – |
| Tax payable | – | – | – | 133 |
| Provisions | – | – | – | – |
| Bank overdraft | 854 | – | – | – |

**Interest rate risk**

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging

**Cash flow interest rate risk**

| Financial instrument | Current interest rate | Due in less than 1 month | Due in 1 to 3 months | Due in 3 to 12 months |
|---|---|---|---|---|
| Current tax receivable | 9% | – | – | 47 |
| Trade and other receivables (normal credit terms) | – | – | 5 362 | – |
| Cash in bank accounts | 11% | 75 195 | – | – |
| Trade and other payables (normal credit terms) | – | (27 913) | (16 558) | – |
| Current tax payable | 13% | – | – | (7) |

**Credit risk**

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The Group only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk to customers on an ongoing basis. If customers are independently rate, these ratings are used. Otherwise, if there is no independent rating, risk control assess the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored.

Normal credit terms extended to business partners do not exceed 60 days. No credit limits were exceeded during the reporting periods and management does not expect any losses from non-performance by these counter-parties.

Financial assets exposed to credit risk at period end were as follows:

| | 31 Mar 2008 R'000 | 28 Feb 2007 R'000 | 28 Feb 2006 R'000 |
|---|---|---|---|
| Tax receivable | 47 | 72 | – |
| Trade receivables | 5 362 | 11 303 | 2 157 |
| Cash and cash equivalents | 75 195 | 63 159 | 46 896 |

7.25 **Change in year-end**

The company and all subsidiaries have changed their year-end to the last day of March to accommodate the new holding company.

7.26 **Change in auditors**

During the period CM Auditors Inc was replaced by BDO Spencer Steward (Pretoria). The consultation fees as disclosed in the note on audit fees was paid to the previous auditors.

7.27 **Statements and interpretations not yet effective**

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

- IFRS 8: Operating Segments – IFRS 8 replaces IAS14: Segment Reporting. The group does not intend to adopt this standard early. This statement is effective for financial year-ends commencing on or after 1 January 2009.
- IAS23: Borrowing Costs (Amendment). The Group does not capitalise borrowing costs. The amendment will therefore not have an effect on the Group's results. This statement is effective for financial year-ends commencing on or after 1 January 2009.
- IFRIC12: Service Concession Agreements. The interpretation is not applicable on the Group's results. This interpretation is effective for financial year-ends commencing on or after 1 January 2008.
- IFRIC13: Customer Loyalty Programs. The adoption of this standard will not have a material effect on the results of the Group. This interpretation is effective for financial year-ends commencing on or after 1 January 2008.
- IFRIC14: The limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. The interpretation is not applicable to the Group. This interpretation is effective for financial year-ends commencing on or after 1 January 2008.
- IFRIC15: Agreements for the Construction of Real Estate. The interpretation is not applicable to the Group. This interpretation is effective for financial year-ends commencing on or after 1 January 2009.
- IFRIC16: Hedges of Net Investments in Foreign Operation. The interpretation is not applicable to the Group. This interpretation is effective for financial year-ends commencing on or after 1 January 2009.

7.28 **Capital commitments and contingent liabilities**

There are no capital commitments or contingent liabilities.

7.29 **Profit/(loss) per share**

The calculation of profit/(loss) per ordinary share is based on:

- Weighted average of 8 000 ordinary shares outstanding during the period, and

| | | | |
|---|---|---|---|
| • Net profit (loss) attributable to ordinary shareholders of R26 030 236 (2007 – (R 484 936) and 2006 – R546 362) – cents | 26 030 236 | (484 936) | 427 041 |
| Basic profit/(loss) per share – cents | 325 378 | (6 062) | 5 338 |

7.30 **Headline profit/(loss) per share**

The calculation of headline profit/(loss) per ordinary share is based on a weighted average of 8 000 ordinary shares in issue during the year, and headline loss calculated as follows:

| | 13 Months ended 31 Mar 2008 R'000 | Year ended 28 Feb 2007 R'000 | Year ended 28 Feb 2006 R'000 |
|---|---|---|---|
| Reconciliation between loss and headline loss | | | |
| Profit/(loss) attributable to ordinary shareholders | 26 030 | (485) | 427 |
| *Adjustments for* – Other income | (4 084) | – | – |
| | 21 946 | (485) | 427 |
| Headline profit/(loss) – cents | 274 326 | (6 062) | 5 338 |

7.31 **Post balance sheet events**

The directors of TFS are not aware of that material changes have taken place in the financial position or nature of the company between 31 March 2008 and the date of this report, other than those arising in the normal course of business.

7.32 **Directors commentary**

**31 March 2008**

During the year the Group was sold to Trustco Group International (Pty) Ltd, a local subsidiary of Trustco Group Holdings Limited, a Namibian listed company. The majority of the management of the Group will remain the same besides certain internal restructuring planned earlier. The Group has changed its year end to the last day in March to accommodate the new holding company.

Income for the period, being 13 months, increased with 47.1% to R256 million, resulting in a operating profit of R11.5 million – an increase of 816.8%. This can be attributed to the growth in the business resulting from earlier investment in software systems and additional resources paying off.

The management expects the growth to reach higher levels in the coming year and is excited about possible synergies with the new group that it belongs to.

**28 February 2007**

Gross revenue for the year was up 20% and was therefore far higher that the 2008 inflation rate. The net loss after tax reported, R485 000, was mainly due deferred tax charge of R1.531 million. Profit before tax was R1.055 million. The company further invested in resource structure to enable it to deal with the expected growth.

**28 February 2006**

Year on year the real income of the Group declined by 9% although the company remained profitable. Profit after tax was R427 000. The Group developed and acquired insurance software systems to the value of R29.3 million for the purpose of lending capacity to the existing software system thereby enabling the Group to ascertain a higher share of the insurance market.

# BDO SPENCER STEWARD INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE HISTORICAL FINANCIAL INFORMATION OF TFS FOR THE PERIODS ENDED 31 MARCH 2008 AND 28 FEBRUARY 2007

"The Directors
Trustco Group Holdings Limited
Trustco House
2 Keller Street
Windhoek
Republic of Namibia

2 February 2009

Gentlemen

**INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE HISTORICAL FINANCIAL INFORMATION OF TRUSTCO FINANCIAL SERVICES (PROPRIETARY) LIMITED ("TFS") FOR THE PERIOD ENDED 31 MARCH 2008 AND YEAR ENDED 28 FEBRUARY 2007**

## Introduction

The definitions and interpretations commencing on page 10 of the pre-listing statement have been used in this report.

## Purpose of this Report

At your request we present our report on the historical financial information of Trustco Financial Services (Proprietary) Limited and its subsidiaries (referred to collectively as the "Group") as set out in Annexure 5 for the purpose of complying with the JSE Limited ("JSE") Listings Requirements and for inclusion in the pre-listing statement of Trustco to be issued on or about 6 February 2009.

## Directors' Responsibility for the Historical Financial Information

The directors of Trustco are responsible for the compilation, contents and preparation of the pre-listing statement in accordance with the JSE Listings Requirements. The directors of TFS are responsible for the fair presentation of the historical financial information contained herein in accordance with International Financial Reporting Standards and the Companies Act of South Africa. This responsibility includes: designing, implementing, and maintaining internal controls relevant to the preparation and fair presentation of the historical financial information that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

## Reporting Accountants' Responsibility

Our responsibility is to express an opinion on the report of historical financial information included in Annexure 5 to the pre-listing statement based on our audit.

## Historical Financial Information for the periods ended 28 February 2007 and 31 March 2008

We have audited the historical financial information of TFS for the thirteen months ended 31 March 2008.

We have reviewed the historical financial information of TFS for the year ended 28 February 2007.

**Scope of the audit**

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the historical financial information for the thirteen months ended 31 March 2008 is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures of the abovementioned historical financial information. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the historical financial information, 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 historical financial information in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall historical financial information presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinion.

**Scope of the review**

We reviewed the historical financial information for the year ended 28 February 2007. We conducted our review in accordance with the Statement of International Standards on Review Engagements (ISRE 2400). This standard requires that we plan and perform the review to obtain moderate assurance as to whether the historical financial information for the year ended 28 February 2007 is free of material misstatement. A review is limited primarily to enquiries of company personnel and analytical procedures applied to financial data and thus provide less assurance than an audit. We have not performed an audit of the historical financial information for the year ended 28 February 2007 and accordingly, we do not express an audit opinion thereon.

**Audit Opinion**

In our opinion, the historical financial information of TFS relating to the thirteen months ended 31 March 2008, for the purpose of the pre-listing statement, fairly presents, in all material respects, the financial position of the company at 31 March 2008, and of its financial performance and its cash flow for the period then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa and the JSE Listings Requirements.

**Review Opinion**

Based on our review, nothing has come to our attention that causes us to believe that the historical financial information of TFS for the year ended 28 February 2007, is not fairly presented, in all material aspects, in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa and the JSE Listings Requirements.

**Consent**

We consent to the inclusion of this letter and the reference to our opinion in the pre-listing statement to be issued to Trustco shareholders in the form and context in which it appears.

Yours faithfully,

BDO Spencer Steward
Chartered Accountants (S.A.)
Registered Auditors

Per: B Bosman
Partner

BDO Place
457 Rodericks Place
Lynnwood
0081"

# REPORT OF THE HISTORICAL FINANCIAL INFORMATION OF TFS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008 AND EIGHT MONTHS ENDED 31 OCTOBER 2007

## 1. BASIS OF PREPARATION

The income statements, balance sheets, statements of changes in equity and cash flow statements for the six months ended 30 September 2008 and the eight months ended 31 October 2007 ("condensed financial information") have been extracted, without adjustment, from the reviewed condensed financial statements of Trustco Financial Services (Proprietary) Limited ("TFS"). Only those notes required to be presented in terms of IAS 34 – *Interim Financial Reporting* have been included below as it is not TFS's policy to prepare a complete set of financial statements for interim results. The condensed financial statements of TFS for the six months ended 30 September 2008 and the eight months ended 31 October 2007 have been prepared in accordance with International Financial Reporting Standards ("IFRS"): *IAS 34 – Interim Financial Reporting* and have been reported on without qualification by BDO Spencer Steward. The accounting policies applied in preparing the condensed financial information are consistent with those applied in the previous financial periods. TFS is a private company registered in South Africa and governed by the Companies Act of South Africa. The condensed financial information has been prepared by and is the responsibility of the directors of TFS.

## 2. INCOME STATEMENTS

The income statements of TFS for the six months ended 30 September 2008 and the eight months ended 31 October 2007 are set out below:

| | *For the 6 months ended 30 September 2008 Reviewed R'000* | *For the 8 months ended 31 October 2007 Reviewed R'000* |
|---|---|---|
| Revenue | 113 264 | 149 729 |
| Cost of sales | (95 770) | (125 928) |
| **Gross profit** | 17 494 | 23 801 |
| Other income | – | 2 807 |
| Operating expenses | (14 789) | (23 130) |
| **Operating profit** | 2 705 | 3 478 |
| Investment revenue | 1 248 | 822 |
| Finance costs | (93) | (58) |
| **Profit before taxation** | 3 860 | 4 242 |
| Taxation | 3 763 | – |
| **Profit for the period** | 7 623 | 4 242 |
| **Earnings per shares:** | | |
| Basic earnings per share (cents) | 95 288 | 53 026 |
| Headline earnings per share (cents) | 95 288 | 53 026 |
| Weighted number of ordinary shares in issue ('000) | 8 | 8 |

3. **BALANCE SHEETS**

The balance sheets of TFS as at 30 September 2008 and 31 October 2007 are set out below:

| | *As at 30 September 2008 Reviewed R'000* | *As at 31 October 2007 Reviewed R'000* |
|---|---|---|
| **ASSETS** | | |
| **Non-current assets** | | |
| Property, plant and equipment | 1 328 | 1 145 |
| Investment properties | – | – |
| Intangible assets | 132 524 | 107 834 |
| Deferred income tax assets | 10 569 | 199 |
| Loans to related parties | 3 434 | 333 |
| *Total non-current assets* | 147 855 | 109 511 |
| **Current assets** | | |
| Stationery consumables | 26 | – |
| Trade and other receivables | 3 763 | 12 276 |
| Current income tax assets | 46 | 46 |
| Cash and cash equivalents | 81 235 | 67 511 |
| *Total current assets* | 85 070 | 79 833 |
| **Total assets** | **232 925** | **189 344** |
| **EQUITY AND LIABILITIES** | | |
| **Capital and reserves** | | |
| Stated capital | 59 854 | 59 854 |
| Equity loan | – | – |
| Retained income | 29 085 | (216) |
| *Total capital and reserves* | 88 939 | 59 638 |
| **Non current liabilities** | | |
| Operating lease liability | 680 | – |
| Deferred income tax liability | – | 1 926 |
| Claims funds administered – long-term funds | 3 000 | – |
| Loans from group | 10 005 | 348 |
| *Total non-current liabilities* | 13 685 | 2 274 |
| **Current liabilities** | | |
| Current tax payable | 7 | 7 |
| Trade and other payables | 45 925 | 45 284 |
| Insurance premiums due to insurers | 84 359 | 73 184 |
| Loans from group | – | 8 400 |
| Bank overdraft | 11 | 557 |
| *Total current liabilities* | 130 302 | 127 432 |
| | 143 987 | 129 706 |
| **Total equity and liabilities** | **232 925** | **189 344** |
| Net asset value per share (cents) | 1 111 732 | 745 474 |
| Net tangible asset value per share (cents) | (676 933) | (580 860) |
| Number of shares in issue ('000) | 8 | 8 |

4. **STATEMENTS OF MOVEMENT IN EQUITY**

The statements of changes in equity of TFS for the six months ended 30 September 2008 and the eight months ended 31 October 2007 are set out below:

| | Share capital | Share premium | Retained income | Total equity |
|---|---|---|---|---|
| **Balance as at 1 March 2007** | 4 | – | 980 | 984 |
| Profit for the period 8 months | – | – | 4 242 | 4 242 |
| Dividends paid | – | – | (5 438) | (5 438) |
| Capitalisation of loan accounts to share premium | – | 59 850 | – | 59 850 |
| Balance as at 1 November 2007 | 4 | 59 850 | (216) | 59 638 |
| Profit for the 5 months | – | – | 21 678 | 21 678 |
| **Balance as at 1 April 2008** | 4 | 59 850 | 21 462 | 81 316 |
| Profit for the 6 months | – | – | 7 623 | 7 623 |
| **Balance as at 30 September 2008** | 4 | 59 850 | 29 085 | 88 939 |

5. **CASH FLOW STATEMENTS**

The cash flow statements of TFS for the six months ended 30 September 2008 and the eight months ended 31 October 2007 are set out below:

| | *For the 6 months ended 30 September 2008 Reviewed R'000* | *For the 8 months ended 31 October 2007 Reviewed R'000* |
|---|---|---|
| **Cash flows from operating activities** | | |
| Cash generated from operations | 344 | 10 286 |
| Interest income | 1 248 | 822 |
| Finance costs | (93) | (58) |
| Tax paid | – | (26) |
| *Net cash generated from operating activities* | 1 499 | 11 024 |
| **Cash flows from investing activities** | | |
| Additions to property, plant and equipment | (285) | (108) |
| Additions to investment properties | – | – |
| Additions to intangible assets | (138) | (67 839) |
| Loans from group companies advanced/(repaid) | 10 005 | 8 569 |
| Loans to related parties repaid/(advanced) | (5 052) | (2 247) |
| *Net cash flow from investing activities* | 4 530 | (61 625) |
| **Cash flows from financing activities** | | |
| Dividends paid | – | (5 438) |
| Capitalisation of loan | – | 60 000 |
| *Net cash flow from financing activities* | – | 54 562 |
| **Net change in cash and cash equivalents** | 6 029 | 3 961 |
| Cash and cash equivalents at the beginning of period | 75 195 | 62 993 |
| **Cash and cash equivalents at the end of period** | 81 224 | 66 954 |

**Directors commentary**

**Six months ended 30 September 2008**

**Nature of business**

TFS is a South African Group of Companies with its core focus on financial services with an emphasis on insurance and money management solutions. It provides an integrated information technology, insurance portfolio administration, insurance product development and claims management solution to insurers, corporate customers and insurance brokers alike.

**Financial Highlights**

The Group's results reflect a growth in sustainable profit. Net profit after tax is 140% up, compared to the adjusted comparative period, to R7.6 million (October 2007 adjusted for 6 months: R3.2 million). Headline earnings per share ("HEPS") achieved compared to the recalculated HEPS for the comparative period is also 140% higher.

**Review of Operations**

Through increased volumes of administered funds and additional insurance product developments concluded during the six months ended 30 September 2008, the Group was able to achieve real growth against the backdrop of a threatening global recession. Due to the Group's positioning in the financial services sector it has mainly been able to escape the recent declines in business, as the main focus is short-term insurance related solutions.

The average monthly funds administered by the E-Sure™ and DexCollect ™ systems are in excess of R100 million.

**Subsequent events**

At the date of this report the directors were not aware of any subsequent events that required adjustment of the interim results as presented, nor that would affect any decision based thereon.

# BDO SPENCER STEWARD INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE HISTORICAL FINANCIAL INFORMATION OF TFS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008 AND EIGHT MONTHS ENDED 31 OCTOBER 2007

"The Directors
Trustco Group Holdings Limited
Trustco House
2 Keller Street
Windhoek
Republic of Namibia

2 February 2009

Gentlemen

**INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE HISTORICAL FINANCIAL INFORMATION OF TRUSTCO FINANCIAL SERVICES (PROPRIETARY) LIMITED ("TFS" OR "THE GROUP") FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008 AND EIGHT MONTHS ENDED 31 OCTOBER 2007**

## Introduction

The definitions and interpretations commencing on page 10 of the pre-listing statement have been used in this report.

## Purpose of this Report

At your request, we present our report on the historical financial information of Trustco Financial Services (Proprietary) Limited and its subsidiaries (referred to collectively as the "Group") as set out in Annexure 7 for the purposes of complying with the JSE Limited (JSE) Listings Requirements and for inclusion in the pre-listing statement of Trustco to be issued on or about 16 February 2009.

## Directors' Responsibility for the Historical Financial Information

The directors of Trustco are responsible for the compilation, contents and preparation of the pre-listing statement in accordance with the JSE Listings Requirements. The directors of TFS are responsible for the fair presentation of the historical financial information contained herein in accordance with International Financial Reporting Standards and the Companies Act of South Africa.

## Reporting Accountants' Responsibility

Our responsibility is to express a review opinion on the historical financial information for the six months ended 30 September 2008 and eight months ended 31 October 2007 included in Annexure 7 to the pre-listing statement based on our review.

## Historical Financial Information for the six months ended 30 September 2008 and eight months ended 31 October 2007

We have reviewed the historical financial information for the six months ended 30 September 2008 and eight months ended 31 October 2007.

**Scope of review**

We conducted our review of the historical financial information for the six months ended 30 September 2008 and eight months ended 31 October 2007 in accordance with International Standard on Review Engagements ISRE 2410. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the historical financial information for the six months ended 30 September 2008 and eight months ended 31 October 2007.

**Conclusion on Historical Financial Information for the six months ended 30 September 2008 and eight months ended 31 October 2007**

Based on our review, nothing has come to our attention that causes us to believe that the historical financial information for the six months ended 30 September 2008 and eight months ended 31 October 2007 included in the pre-listing statement is not fairly presented, in all material respects, in accordance with the recognition and measurement requirements of International Financial Reporting Standards, the presentation and disclosure requirements of the International Financial Reporting Standard on Interim Financial Reporting (IAS 34) and in the manner required by the Companies Act of South Africa and the JSE Listings Requirements.

**Consent**

We consent to the inclusion of this letter and the reference to our opinion in the pre-listing statement to be issued to Trustco shareholders in the form and context in which it appears.

Yours faithfully,

BDO Spencer Steward
Chartered Accountants (S.A.)
Registered Auditors

Per: B Bosman
Partner”

# BDO SPENCER STEWARD INC INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE *PRO FORMA* FINANCIAL INFORMATION

"The Directors
Trustco Group Holdings Limited
Trustco House
2 Keller Street
Windhoek
Republic of Namibia

2 February 2009

Gentlemen

**REPORT OF THE INDEPENDENT REPORTING ACCOUNTANTS ON THE *PRO FORMA* FINANCIAL INFORMATION OF TRUSTCO GROUP HOLDINGS LIMITED ("TRUSTCO" OR "THE GROUP")**

We have performed our limited assurance engagement in respect of the *pro forma* financial information as set out in the Salient Features (collectively, "the *pro forma* financial information") of Trustco Group Holdings Limited set out in the Trustco pre-listing statement, to be dated on or about 16 February 2009 ("the pre-listing statement"). The *pro forma* financial information has been prepared in accordance with the JSE Limited Listings Requirements, for illustrative purposes only, to provide information about how the subdivision of Trustco's ordinary shares and issue of 7 001 405 new shares to D van Huyssteen ("Subdivision and New Issue") might have affected the reported historical financial information presented, had the Subdivision and New Issue been undertaken at the commencement of the periods being reported on in the pre-listing statement.

## Directors' Responsibility

The directors are responsible for the compilation, contents and presentation of the *pro forma* financial information contained in the pre-listing statement and the financial information from which it has been prepared. Their responsibility includes determining that: the *pro forma* financial information has been properly prepared on the basis stated; the basis is consistent with the accounting policies of Trustco; and the *pro forma* adjustments are appropriate for the purposes of the *pro forma* financial information disclosed in terms of the JSE Limited Listings Requirements.

## Reporting Accountants' Responsibility

Our responsibility is to express our limited assurance conclusion on the *pro forma* financial information included in the Salient Features of the pre-listing statement to Trustco shareholders. We conducted our assurance engagement in accordance with the International Standards on Assurance Engagements applicable to Assurance Engagements Other than Audits or Reviews of Historical Financial Information and the Guide on *Pro Forma* Financial Information issued by the South African Institute of Chartered Accountants.

This standard requires us to obtain sufficient appropriate evidence on which to base our conclusion.

We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the *pro forma* financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

**Sources of information and work performed**

Our procedures consisted primarily of comparing the unadjusted financial information with the source documents, considering the *pro forma* adjustments in light of the accounting policies of Trustco, the issuer, considering the evidence supporting the *pro forma* adjustments and discussing the adjusted *pro forma* financial information with the directors of the Company.

In arriving at our conclusion, we have relied upon financial information prepared by the directors of Trustco and other information from various public, financial and industry sources. While our work performed has involved an analysis of the historical financial information included in the Pre-listing statement and other information provided to us, our assurance engagement does not constitute an audit or review of any of the underlying financial information conducted in accordance with International Standards on Auditing or International Standards on Review Engagements and accordingly, we do not express an audit or review opinion.

In a limited assurance engagement, the evidence-gathering procedures are more limited than for a reasonable assurance engagement and therefore less assurance is obtained than in a reasonable assurance engagement. We believe our evidence obtained is sufficient and appropriate to provide a basis for our conclusion.

**Conclusion**

Based on our examination of the evidence obtained, nothing has come to our attention, which causes us to believe that:

- the *pro forma* financial information has not been properly compiled on the basis stated;
- such basis is inconsistent with the accounting policies of the issuer; and
- the adjustments are not appropriate for the purpose of the *pro forma* financial information as disclosed in terms of section 8.17 and 8.30 of the JSE Limited Listings Requirements.

**Consent**

We consent to the inclusion of this letter and the reference to our opinion in the pre-listing statement to be issued to Trustco shareholders in the form and context in which it appears.

Yours faithfully,

BDO Spencer Steward
Chartered Accountants (S.A.)
Registered Auditors

Per: B Bosman
Partner

BDO Place
457 Rodericks Place
Lynnwood
0081”

## EXTRACTS FROM THE ARTICLES OF ASSOCIATION OF TRUSTCO

"**DIRECTORS**

**Appointment of directors**

50. The maximum number of directors shall be decided at every annual general meeting, but shall not be less than five.

51. Not more than one half of the total number of the directors appointed in terms of Article 50 shall be employed by the Company, its holding company or by any of its subsidiaries.

**Qualification and remuneration of directors**

52. There shall be no share qualification for any director or alternate director.

53. The directors shall be paid out of the funds of the Company by way of remuneration for their services such sum as the Company in general meeting shall from time to time determine.

54. If any director shall devote to the business of the Company either his whole time and attention, or more of his time and attention than in the opinion of the board would usually be so devoted by a person holding such office, or shall undertake or perform any duties or services other than those which, in the opinion of the board, would usually be undertaken or performed by a person holding such office, or shall be called upon to perform and shall perform extra services or make any special exertions for any of the purposes of the Company, then and in any of such cases the board may remunerate the director concerned either by a fixed sum, annual or otherwise, or in such other manner as shall be determined by the board, and such remuneration may at the discretion of the board be either in addition to or in substitution for all or any part of any other remuneration to which such director may be entitled under these Articles in accordance with the provisions of Article 59.

55. The board may repay to any director all such travelling, hotel and other expenses as he may properly incur in attending and returning from meetings of the board or of any committee of the board or general meetings or otherwise in or about the business of the Company.

**Executive directors**

**Appointment of executive directors**

61. The board may from time to time appoint one or more of its members to the office of chief executive officer or other executive director on such terms as to remuneration, pension and otherwise as it may think fit and for such period as the board may determine (but with a maximum period of five years any one time) and, subject to the terms of any contract entered into in any particular case, may at any time revoke any such appointment. A director so appointed shall, subject to the terms of any agreement between him and the Company and save as provided in Article 65 of these Articles, be subject to the same provisions as to resignation or removal as the other directors and, without prejudice to any claim for damages or compensation to which he may be entitled, his appointment shall be automatically determined if he ceases from any cause to be a director of the Company.

**Proceedings of directors**

70. The board may meet together for the dispatch of business, adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by majority of votes, and in case of an equality of votes the chairman of the meeting shall have a second or casting vote. If the quorum of directors is two, the chairman shall not be permitted to have a casting vote if only two directors are present at a meeting of directors.

The chairman and the Chief Executive Officer of the company, or any two directors may, and the secretary on the requisition of the chairman and the Chief Executive Officer or any two directors shall, at any time summon a meeting of the board. Notice of such a meeting will be deemed to be properly given, if transmitted by e-mail to an e-mail address elected in writing for this purpose, by a Director. It shall not be necessary to give notice of a meeting of the board of director for the time being absent from the Republic but notice shall be given to his duly appointed alternate director who may at the time be within the Republic.

The quorum necessary for the transaction of the business of the board shall be one half of the directors appointed at any one time, plus one (if that is an even number) or rounded up to the nearest whole number (if that is an odd number).

71. A director of the Company shall at the commencement of every board meeting disclose his interest in contracts with the Company in accordance with Sections 234 to 241 inclusive of the Act.

72. A director shall not vote in respect of any contract or arrangement in which he is interested (and if he shall do so his vote shall not be counted) nor shall he be counted for the purposes of any resolution regarding the same in the quorum present at the meeting.

73. The continuing directors may act notwithstanding any vacancies in their body, but if and so long as the number of directors is reduced below the minimum number fixed by these Articles as the quorum of directors the continuing directors may act for the purpose of summoning general meetings of the Company, but not for any other purpose. If there be no directors or director able or willing to act, then any two members may summon a general meeting for the purpose of appointing directors.

74. The board shall elect from its own number a chairman and may elect a deputy chairman and one or more vice chairmen. All such officers shall hold office till the first board meeting in the calendar year following their election but they shall then be eligible for re-election. Any casual vacancy in the office of chairman or deputy or vice chairman maybe filled up by the board for the remainder of the current year.

75. The chairman shall preside at all meetings of the board, but if at any time there is no chairman or if at any meeting the chairman be not present, the deputy chairman shall preside. In the event that there be not chairman or deputy chairman or if neither of them is present within five minutes from the time appointed for holding the meeting, then the directors present shall choose one of the vice chairman, or failing any vice chairmen, one of their own number to be chairman of the meeting.

76. The board may delegate all or any of its powers to any committee or committees as it may think fit including the power to sub-delegate. Such committee or committees shall include but not be limited to, an Audit Committee, Remuneration Committee and senior Risk Committee. Any such committee may consist of one or more members of the board, and the board shall also be entitled to appoint such other person or persons as it considers expedient to a committee but so that the majority at least of the members of any such committee shall consist of directors appointed by the company. Any committee so formed shall in exercise of the powers so delegated conform to any regulations or charters which may from time to time be imposed by the board. The board may at any time dissolve, or revoke any delegation made to any committee established under this article.

77. The meetings and proceedings of any such committee consisting of two or more members shall be governed by the provisions of these Articles regulating the meetings and proceedings of the board, so far as the same are applicable and are not superseded by any regulations or charters made by the board under the last preceding article.

78. All acts done by any meeting of the board, or of a committee of the board, or by any person acting as a director, shall as regards all persons dealing in good faith with the Company, notwithstanding that there was some defect in the appointment or continuance in office of any member of the board or such committee or person acting as aforesaid, or that they or any of them were disqualified or had vacated office, or where not entitled to vote, be as valid as if every such person had been duly appointed and was qualified and had continued to be a director or a member or such committee and had been entitled to vote. A resolution signed, by all directors (or their alternates, if applicable), which resolution is then inserted in the minute book, shall be as valid and effective as if it had been passed at a meeting of directors. Any such resolution may consist of several documents and shall be deemed to have been passed on the date on which it was signed by the last director who signed it (unless a statement to the contrary is made in that resolution).

**Borrowing powers**

68. The board may in its discretion borrow or raise from time to time such amounts as it deems fit for the Company's purposes: provided that it will be obliged to procure (and as regards any subsidiaries of the Company, only insofar as by the exercise of voting and other rights or powers of control exercisable by it the board can so procure) that the aggregate principal amount at any one time outstanding in respect of monies so borrowed or raised by –

    (a) the Company; and/or

    (b) all its subsidiaries for the time being,

    shall not exceed the amount for the time being authorised to be borrowed or secured in the aggregate by the directors of the Company.

    For the purposes of the aforesaid provisions, "borrowing" will not include:

    (a) monies borrowed or raised by or deposited with or any undertaking, guarantee or suretyship given in the course of its business by the Company or any subsidiary of the Company;

    (b) monies borrowed or raised by the Company from any of its subsidiaries or its holding company or by any of the Company's subsidiaries from it or its holding company or any other subsidiary of its holding company;

    (c) such proportion of borrowings of a partly owned subsidiary as represent the minority interest.

    The aforesaid approval will not be required for the borrowing of any monies intended to be applied and which are actually applied within ninety days to the repayment (with or without any premium) of any monies then already borrowed and outstanding, notwithstanding the fact that that new borrowing may result, as at the date thereof, in the aforesaid limit being exceeded.

**Appointment and retirement of directors**

42. Subject as hereinafter mentioned, at the first annual general meeting, all the directors shall retire from office and at the annual general meeting in each subsequent year one-third of the directors for the time being, or if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office. A chief executive officer or other executive director holding that office for an unexpired term shall not be subject to retirement by rotation under this article or be taken into account in determining the number of directors so to retire. A retiring director shall retain office until the conclusion of the meeting.

43. The directors to retire by rotation at an annual general meeting shall be those non-executive directors who have been longest in office and so that as between persons who became or were last re-elected directors on the same day those to retire shall (unless they otherwise agree amongst themselves) be determined by lot. The length of time during which a director has been in office shall be computed from the time when he was last elected or re-elected. A retiring director shall be eligible for re-election.

44. The Company at the meeting at which a director retires in the manner aforesaid may by ordinary resolution fill up the office being vacated by electing thereto a person eligible for appointment and in default the retiring director shall, if willing to continue to act, be deemed to have been re-elected unless at such meeting it is expressly resolved not to fill such vacated office or unless a resolution for the re-election of such director shall have been put to the meeting and lost."

**Authority to issue shares**

3.1 Subject to the provisions of the Act and of the memorandum and these articles, and without prejudice to any right previously conferred on the holder of an issued share, a general meeting, may by resolution:

    3.1.1 issue any shares (whether with or without any preferred, deferred or other special right or restriction, in regard to dividends, voting, return of capital or otherwise);

    3.1.2 issue preference shares which are, at the option of the company liable to be redeemed;

3.2 Subject to Sections 221 And 222 of the Act and any waiver by shareholders of their pre-emptive rights in accordance with the requirements of the NSX and the JSE Limited, all unissued or new shares shall be offered to existing shareholders *pro rata* to their shareholding unless these are issued for the acquisition of assets.

3.3 Subject to Section 222 of the Act, the shareholders in a general meeting may authorise the directors to issue unissued shares and/or give options to subscribe for unissued shares as the directors may in their discretion think fit, provided this has been approved by all stock exchanges on which the shares of the company may be listed at the time of the issue.

**Dividends**

79. The company in a general meeting or the directors may from time to time declare a dividend to be paid to the members in proportion to the number of shares held by them.

80 A period of not less than fourteen days shall be allowed between the date of the declaration or confirmation of the dividend, whichever is the later, and the closing of the transfer register in respect of such dividend; and

81 The last day for members to be registered shall be a Friday and if the Friday is not a business day, then the last day to register shall be the preceding business day. If the shares are listed on the JSE Limited then the last day to trade must be five trading days before record date. To be recorded in the register on the record date, trade must take place five trading days before the record date.

The record date is the date on which the register must be in a final form and the record date must be on a Friday unless the Friday is public holiday in which case it will be on the last business day of that week.

82. The company may transmit any dividend or the amount payable in respect of a share by ordinary post to the address of the holder or electronically to the nominated bank account thereof recorded in the register and the company shall not be responsible for any loss in transmission.

82.1.1 which is unclaimed, may be retained by the company and may be invested or used as the directors may deem fit for the benefit of the company until claimed by the member concerned;

82.1.2 which is retained and unclaimed:

82.1.2.1 for three years; or

82.1.2.2 for 12 months, should the company be wound up or deregistered,

After the payment date of the dividend in question, shall be forfeited and revert to the company or its assigns and may be dealt with by the directors or such assigns as they deem fit;

82.1.3 shall not bear interest against the company;

82.2 Any monies other than dividends due to shareholders shall be held in trust by the company indefinitely or until lawfully claimed by the shareholders; and the company shall, for the purpose of facilitating its winding up or deregistration, or the reduction of its share capital, any share premium account or capital redemption reserve fund, be entitled by special resolution to delegate to any bank, registered as such in accordance with the laws of the Republic, the liability for payment of any such dividend, payment of which has not been forfeited in terms of the aforegoing or other monies held in trust as aforesaid.

## CORPORATE GOVERNANCE

Trustco is fully committed to the principles of transparency, integrity and accountability as advocated in the King Report II on corporate governance.

Accordingly, the directors endorse and have applied the code of corporate practices and conduct as set out in the King Report II. In supporting the code the directors recognise the need to conduct the business of the enterprise with integrity and in accordance with generally accepted corporate practices. Monitoring the group's compliance with the code forms part of the mandate of the group's audit committee.

Although the code is generally applied to all entities in the group, it is specifically and in all respects adopted in all national and international operating entities of the nature and size identified in the King Report II.

### Chairperson and managing director

The board will be chaired by the non-executive chairman who will be responsible for the effective functioning of the board, leadership and selection of the board as well as ensuring that the corporate governance practices are upheld.

The managing director has been tasked to control the day to day affairs of the business and to implement the policies and strategies adopted by the board. The roles of the chairperson and managing director shall be distinct and independent from each other.

### Board of directors

The board of directors of Trustco shall comprise three executive directors and six non-executive directors.

The board's responsibilities include providing Trustco with a clear strategy, directing the group and overseeing the operational performance of management. The board is also responsible for implementing effective internal control procedures and monitoring these controls to effectively manage the risk areas in the group.

The board is responsible for the appointment of the managing director.

The board has defined levels of authority which may be delegated to management from time to time. These levels are reviewed and monitored on a regular basis.

The board of directors will be entitled to seek the advice of independent professionals on any matters concerning the affairs of Trustco. A corporate code of conduct will be adopted to deal with specific issues, i.e. conflicts of interest and other director related matters.

Non-executive directors are high calibre individuals and will be able to bring an independent view to the board's decision making process.

The board is scheduled to meet quarterly on a formal basis with an agenda being distributed on a timely basis to ensure that decisions can be made on a reasonable and informed basis.

All subsidiary companies of Trustco have unitary board structures. The boards meet regularly, retain full and effective control over the companies concerned and monitor operational management. Each board reserves to itself a range of key decisions to ensure that it retains focused direction and control of the respective company.

### Independence of the board

The board's independence will be maintained by the following:

- Separate roles for the chairperson and managing director;
- The chairperson is a non-executive director;

- The six non-executive directors are not involved in the day to day operations of the company;
- The non-executive directors do not hold a fixed term of office;
- The non-executive directors are high calibre individuals and will bring an independent view to the board's decision making process.

Accountability to the shareholders remains paramount in board decisions and this is balanced against the demands of the regulatory environment in which the group operates.

**Remuneration and Nomination committee**

It is the policy of Trustco to appoint a remuneration and nomination committee consisting of four of the independent non-executive directors, to make recommendations to the board within agreed terms of reference on the group's framework of executive remuneration and to determine specific remuneration packages for each of the executive directors. This is, ultimately, the responsibility of the board. This committee will be chaired by an independent non-executive director. In order to obtain his or her input on the remuneration of the other executives the committee should consult the managing director, who may attend meetings by invitation. The managing director will play no part in decisions regarding his/her own remuneration.

**Audit and Risk Management committee**

Members of the board of directors currently perform the functions of an audit committee. Consultants and the external auditors are used on a regular basis to examine and evaluate the group's activities with the objective of assisting the members of the board with the effective discharge of their responsibilities. Meetings are held when required to review the financial statements and accounting policies, the effectiveness of management information and other systems of internal control.

The audit committee will be chaired by an independent non-executive director, and attended by the group's designated adviser. The audit committee's main purpose will be to monitor and review:

- the effectiveness of the group's systems of internal control;
- the effectiveness of the group's information systems;
- the effectiveness of the internal audit function;
- reports issued by the internal and external auditors;
- the external audit findings and fees and approval thereof;
- the annual report and the annual financial statements therein;
- the accounting policies of the group and any proposed revisions thereto; and
- compliance with applicable legislation and requirements of regulatory authorities.

The internal and external auditors will have unrestricted access to the audit committee which will ensure that their independence is not impaired. The audit committee will also set the principles for recommending the use of the external auditors for non-audit services.

The members of the Audit and Risk Management committee are as follows:

- Mr David Namwandi *(Chairman)*;
- Mrs Monica Nashandi;
- Mr Quinton van Rooyen (by invite);
- Mr Floors Abrahams (by invite); and
- Mr Gorden Walters (Director – New Business Development)

### Company secretary

All directors have access to the advice and services of the company secretary, who is responsible to the board for ensuring that board procedures are followed. The company secretary will be appointed by the board.

All directors are entitled to seek independent professional advice about the affairs of the group at the group's expense.

### Internal control

Trustco maintains systems of internal control over financial reporting and safeguarding of assets against unauthorised acquisition, use or disposition, which are designed to provide reasonable assurance to the board of directors regarding the preparation of reliable published financial statements and the safeguarding of the group's assets. The systems include established policies and procedures, and the careful selection, training and development of staff. Management monitor the operation of the internal control system and report findings and recommendations to the board of directors. Corrective actions are taken to address control deficiencies and other opportunities for improving the system as they are identified.

There are inherent limitations in the effectiveness of any system of internal control, including the possibility of human error and the circumvention or overriding of controls. Accordingly, even an effective internal control system can provide only reasonable assurance with respect to financial statement preparation and the safeguarding of assets. Furthermore, the effectiveness of an internal control system can change with circumstances. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of the internal controls, procedures and systems has occurred.

### Code of Ethics

Trustco's code of ethics commits Trustco to the highest standards of integrity, behaviour and ethics in dealing with all its stakeholders, including its directors, managers, employees, customers, suppliers, investors, shareholders, society at large as well as competitors. Directors and staff are expected to observe their ethical obligations in such a way as to carry on business only through fair commercial competitive practices.

Trustco's procedure and practices will be reviewed periodically to ensure further compliance with the code.

# SALIENT FEATURES OF THE TRUSTCO GROUP HOLDINGS LTD STAFF SHARE INCENTIVE SCHEME

The Trustco Group Holdings Ltd Staff Share Incentive Scheme, a share incentive scheme that entitles all employees who wish to partake in share appreciation rights ("SARs") was approved by the Annual General Meeting on 15 August 2007. This scheme is a cash-settled share-based payment scheme as defined in IFRS 2: *Share-based Payment*. The amount of the cash payment is determined based on the increase in the share price of the company between the grant date and the exercise date.

No share appreciation rights were granted before 7 November 2002.

Employees who were employed by the company prior to 27 September 2006 will receive SARs at R 3.20 per share equal to their basic annual salary at the date of allocation.

Employees who were employed subsequent to 27 September 2006 will receive SARs equal to their annual basic salary as at the grant date. The allocation will be made at the closing price of the Trustco Group Holdings Ltd share on the NSX.

Employees who are offered new positions will receive SARs equal to their annual basic salary on the date of assumption of duties at the closing price value.

Performance incentives will be made quarterly on the following basis:

- If a subsidiary is within 2.5% or better of budgeted revenue each eligible employee in that subsidiary will receive 12.5% of their annual basis salary in the allocation of SARs at the closing price value.
- A further 12.5% will accrue if the subsidiary is within 2.5% or better of budgeted net profit on the same basis.
- Employees can trade in their SARs once the particular allocation or portion thereof was allocated more than one year prior to the date of trade.
- Each employee may trade in a maximum of 20% of their SARs during the first year, 40% during the second year, 60% during the third year, 80% during the fourth year and 100% during the fifth year. In any event, all SARs must be redeemed after five years after grant date.
- Management may suspend trade in SARs if in its opinion circumstances warrant such a step.
- If any of the subsidiaries do not achieve the quarterly budget targets the employees in that subsidiary will forfeit SARs as follows:

  Managing directors, General managers, Managers and Supervisors

  – If a subsidiary is below the 2.5% budgeted revenue, 7.5% of the previous allocation is forfeited.

  – If a subsidiary is below the 2.5% budgeted net profit, 7.5% of the previous allocation is forfeited.

  Other employees

  – If a subsidiary is below the 2.5% budgeted revenue, 5% of the previous allocation is forfeited.

  – If a subsidiary is below the 2.5% budgeted net profit, 5% of the previous allocation is forfeited.

## DETAILS OF SUBSIDIARIES

| Ultimate Holding Company | Holding Company | Subsidiaries | Nature of business | Percentage shareholding by the holding company in subsidiary | Registration number |
|---|---|---|---|---|---|
| **Trustco Group Holdings Ltd** | | | | | 2003/058 |
| | **Legal Shield Holdings (Pty) Ltd** | | Holding company | 100% | 2006/399 |
| | | Trustco Life Ltd | Provider of funeral products and other insurance benefits | 100% | 2004/046 |
| | | Trustco Insurance Ltd | Provider of short-term insurance products | 100% | 99/208 |
| | **Trustco Capital (Pty) Ltd** | | Holding company | 100% | 2003/057 |
| | | Komada Holding (Pty) Ltd | Company secretarial work | 100% | 94/531 |
| | **Trustco Corporate Management Services (Pty) Ltd** | | Holding company | 100% | 2006/298 |
| | | Trustco Fleet Management Services (Pty) Ltd | Leasing of vehicles and aircraft to other companies within the group | 100% | 2003/056 |
| | | Trustco Administrative Support Services (Pty) Ltd | Head office support services, including operations, maintenance and security | 100% | 2006/299 |
| | **Trustco Business Development (Pty) Ltd** | | Holding company | 100% | 2006/282 |
| | | Webbiz (Pty) Ltd | Web domain services | 100% | 2003/0149 |
| | | Winna Mariba 777 (Pty) Ltd | Running of marketing campaigns from SMS technology | 100% | 96/347 |
| | | Agricultural Export Company (Pty) Ltd | Currently dormant. Will rent out its trademark for R0.5 million per annum over the next 2 years | 100% | 93/427 |
| | | Trustco Estate Planners and Administrators (Pty) Ltd | To provide estate and administration services to insurance groups | 100% | 2006/290 |

| Ultimate Holding Company | Holding Company | Subsidiaries | Nature of business | Percentage shareholding by the holding company in subsidiary | Registration number |
|---|---|---|---|---|---|
| | **Trustco Group International (Pty) Ltd** | | Holding company | 100% | 92/335 |
| | | Discus Properties (Pty) Ltd | Property holding company | 100% | 99/056 |
| | | November Properties (Pty) Ltd | Property holding company | 100% | 99/027 |
| | **Trustco Education (Pty) Ltd** | | Holding company | 100% | 2006/281 |
| | | Institute for Open Learning (Pty) Ltd | Namibian distance education provider | 100% | 95/228 |
| | | Trustco Finance (Pty) Ltd | Provider of student loans and micro lending facilities | 100% | 2005/495 |
| | **Trustco Tourism Holdings (Pty) Ltd** | | Holding company | 100% | 2006/286 |
| | | Trustco Air Services (Pty) Ltd | Provider of charter services | 100% | 2002/374 |
| | | Trustco Restaurants (Pty) Ltd | Dormant | 100% | 2006/288 |
| | | Trustco Accommodation (Pty) Ltd | Dormant | 100% | 2006/284 |
| | **Trustco Media (Pty) Ltd** | | Holding company | 100% | 2006/285 |
| | | Trustco Newspapers (Pty) Ltd | Dormant | 100% | 2006/283 |
| | | Printas (Pty) Ltd | Printing press currently servicing Informanté | 50% | 2005/0328 |
| | **Trustco Property Holdings (Pty) Ltd** | | Holding company | 100% | 2006/289 |
| | | Champion Caterers (Pty) Ltd | Property holding company | 100% | 96/0073 |
| | **Trustco Group International (Pty) Ltd *** | | Property and investment holding company | 100% | 1988/012318/07 |
| | **Trustco Financial Services (Pty) Limited *** | | Holding company | 100% | 1975/001412/07 |
| | | BrokerNet (Pty) Ltd | Brokerage services | 100% | 1997/012798/07 |
| | | ICE Insurance Claims Exchange (Pty) Ltd | Claims exchange in insurance | 100% | 1982/001809/07 |
| | | Trustco Informatrix (Pty) Ltd | Insurance related information technology services | 100% | 1971/008250/07 |
| | | Trustco Corporate Solutions (Pty) Ltd | Financial services corporate solutions | 100% | 1997/013419/07 |

*** Incorporated in South Africa**

## MARKET VALUE OF SECURITIES ON THE NSX

The high and low price of Trustco's shares on the NSX, and the aggregated quarterly volumes and values traded since 31 December 2007 to 31 December 2008 were as follows:

| Quarter ended | High (N$ per share) | Low (N$ per share) | Value (N$) | Volume (shares) |
|---|---|---|---|---|
| 31 December 2008 | 3.70 | 3.60 | 311 676.00 | 84 660 |
| 30 September 2008 | 3.85 | 3.65 | 33 044 807.10 | 8 732 702 |
| 30 June 2008 | 3.85 | 3.50 | 16 445 180.82 | 4 367 412 |
| 31 March 2008 | 3.60 | 3.40 | 12 815 101.00 | 3 651 700 |
| 31 December 2007 | 3.50 | 3.00 | 55 105 377.87 | 16 442 472 |

The high and low price of Trustco's shares on the NSX, and the aggregated monthly volumes and values traded since 30 November 2007 until 31 December 2008 were as follows:

| Month ended | High (N$ per share) | Low (N$ per share) | Value (N$) | Volume (shares) |
|---|---|---|---|---|
| 31 December 2008 | 3.60 | 3.60 | – | – |
| 30 November 2008 | 3.70 | 3.60 | 54 576.00 | 15 160 |
| 31 October 2008 | 3.70 | 3.60 | 257 100.00 | 69 500 |
| 30 September 2008 | 3.70 | 3.65 | 1 175 451.00 | 318 050 |
| 31 August 2008 | 3.81 | 3.70 | 3 946 288.20 | 1 066 520 |
| 31 July 2008 | 3.85 | 3.69 | 27 923 067.90 | 7 348 132 |
| 30 June 2008 | 3.85 | 3.61 | 12 364 358.00 | 3 220 550 |
| 31 May 2008 | 3.61 | 3.60 | 24 715.82 | 6 862 |
| 30 April 2008 | 3.61 | 3.50 | 4 056 107.00 | 1 140 000 |
| 31 March 2008 | 3.50 | 3.45 | 10 860 275.00 | 3 103 500 |
| 29 February 2008 | 3.55 | 3.45 | 517 754.00 | 148 000 |
| 31 January 2008 | 3.60 | 3.40 | 1 437 072.00 | 400 200 |
| 31 December 2007 | 3.50 | 3.30 | 46 133 429.40 | 13 571 491 |
| 30 November 2007 | 3.20 | 3.20 | 320 448.00 | 100 140 |

The high and low price of Trustco's shares on the NSX for each trading day commencing from 17 December 2008 until the 23 January 2009, and the daily trading volumes and values were as follows:

| Daily – 2008 | High (N$ per share) | Low (N$ per share) | Value (N$) | Volume (shares) |
|---|---|---|---|---|
| 17 December | 3.60 | 3.60 | – | – |
| 18 December | 3.60 | 3.60 | – | – |
| 19 December | 3.60 | 3.60 | – | – |
| 22 December | 3.60 | 3.60 | – | – |
| 23 December | 3.60 | 3.60 | – | – |
| 24 December | 3.60 | 3.60 | – | – |
| 29 December | 3.60 | 3.60 | – | – |
| 30 December | 3.60 | 3.60 | – | – |
| 31 December | 3.60 | 3.60 | – | – |

| Daily – 2008 | High (N$ per share) | Low (N$ per share) | Value (N$) | Volume (shares) |
|---|---|---|---|---|
| 2 January | 3.60 | 3.60 | – | – |
| 5 January | 3.60 | 3.60 | – | – |
| 6 January | 3.60 | 3.60 | – | – |
| 7 January | 3.60 | 3.60 | – | – |
| 8 January | 3.60 | 3.60 | – | – |
| 9 January | 3.60 | 3.60 | – | – |
| 12 January | 3.60 | 3.60 | – | – |
| 13 January | 3.60 | 3.60 | – | – |
| 14 January | 3.60 | 3.60 | – | – |
| 15 January | 3.60 | 3.60 | – | – |
| 16 January | 3.60 | 3.60 | – | – |
| 19 January | 3.60 | 3.60 | – | – |
| 20 January | 3.60 | 3.60 | – | – |
| 21 January | 3.60 | 3.60 | – | – |
| 22 January | 3.60 | 3.60 | – | – |
| 23 January | 3.60 | 3.60 | – | – |

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