

TRUSTCO GROUP HOLDINGS LIMITED

Incorporated in the Republic of Namibia

(Registration number 2003/058)

Registered as an external company in South Africa

(External registration number 2009/002634/10)

NSX share code: TUC

JSE share code: TTO

OTCQX share code: TSCHY

ISIN Number: NA000A0RF067

(“Trustco” or “the Group”)

TRADING STATEMENT FOR THE 12 MONTHS ENDED 31 AUGUST 2022

1. Introduction

- 1.1 Trustco shareholders (**“Shareholders”**) are advised that the Group is finalising its Audited Annual Financial Statements for the 12-month period ended 31 August 2022 (**“2022 Year End Results”**).
- 1.2 In terms of the Listings Requirements (“LR”) of JSE Limited (“JSE”), companies are required to publish a trading statement as soon as they become reasonably certain that the financial results for the period to be reported on will differ by more than 20% from that of the previous corresponding period.
- 1.3 In this regard, comparisons for purposes of this trading statement are made against Trustco’s restated results for the 12-month period ended 31 August 2021 (**“2021 Restated Results”**).
- 1.4 With effect from 1 September 2021, the Trustco Group, after consultation with its professional advisors, determined that it meets the criteria for the investment entity exception of IFRS 10 (International Financial Reporting Standards), whereby investment entities are required to measure certain investments at fair value.
- 1.5 Trustco had already commenced with this transition in 2017, when it first sold a minority interest in part of its financial services portfolio. As a result, the group

transitioned from managing only fully owned and operated businesses, to evaluating each business portfolio for its investment returns to shareholders and investors instead. During the COVID-19 pandemic, this process accelerated, as each investment portfolio was assessed in terms of its returns, which incorporates fair value assessments, as well as when the group should exit each investment to maximise shareholder and investor value.

- 1.6 This has resulted in Trustco Group as an entity having to value its portfolio of investments in terms of IFRS 13. Valuations were done mainly *via* the income approach, with differing discount rates relative to the portfolio companies' activities, all applied from a market participants' perspective.

2. Trading Statement

Accordingly, a review by management of the financial results for the 2022 Year End Results has indicated that Trustco expects to report:

- 2.1 Net Asset Value per share ("**NAVPS**") for the 2022 Year End Results of between 182 and 190 cents per share, compared to the NAVPS of 42 cents in respect of the 31 August 2021 Restated Results;
- 2.2 Basic earnings per share ("**EPS**") for the 2022 Year End Results of between 137.22 and 154.56 cents per share, compared to the loss per share ("**LPS**") of (86.66) cents reported on in respect of the 31 August 2021 Restated Results; and
- 2.3 Headline loss per share ("**HLPS**") for the 2022 Year End Results of between (187.59) and (202.67) cents per share, compared to the headline loss per share of (75.41) cents in respect of the 31 August 2021 Restated Results.
- 2.4 The financial information of this trading statement has not been reviewed or reported on by Trustco's auditors.

3. Restatement

- 3.1 Following a JSE proactive monitoring process, the ruling of the Financial Services Tribunal and the judgement of the North Gauteng High Court of the Republic of South

Africa, these financial statements have been restated as a result of the instruction of the JSE.

- 3.2 The JSE determined that the recognition of certain waivers of shareholder loans in profit or loss was not compliant with IFRS and, therefore, should be corrected and recognised in equity as these were transactions with equity holders in that capacity. The JSE further determined that Trustco should not have reclassified certain phases of the real estate investment portfolio from inventory to investment property and that these should have remained classified as inventory.
- 3.3 Regarding the accounting Trustco applied concerning the loan waivers, the recognition of a gain through profit or loss triggered the earnout provision under the Huso Transaction. As such, Trustco issued TTO shares to Dr Q Van Rooyen (“Van Rooyen”) and Next Capital Ltd (“Next”) and its associates.
- 3.4 As described above, the restatement decision of the JSE has the effect that the earnout under the Huso Transaction was not triggered, and therefore, no shares should have been issued.
 - 3.4.1 To comply with the JSE’s restatement decision, the following corrective actions were required and have been applied:
 - 3.4.2 Reversing the waiver by Van Rooyen and/or Next of the NAD 545.6 million loan and the resultant NAD 545.6 million (FY2019) gain on the waiver of shareholder's debt previously recognised in profit or loss.
 - 3.4.3 Reversing the waiver by Next of the NAD 1.0 billion loan and the resultant NAD 1.0 billion (FY2020) gain on the waiver of shareholder's debt previously recognised in profit or loss.
 - 3.4.4 Reversing the reclassification of a portion of the real estate investment portfolio from investment property to inventory, consequently reversing the FY2019 NAD 693 million gain (presented as revenue of NAD 984 million and cost of sales of NAD 291 million) from profit or loss.

- 3.4.5 Reversing fair value adjustments against a portion of the real estate portfolio investment whilst they were classified as investment properties represented a loss of NAD 200 million (FY2020) and a gain of NAD 69 million (FY2021).
- 3.4.6 Reversing management fees accrued to Next due to revenue, profit and headline earnings reduction. The fees were previously recognised as an expense of NAD 35.5 million (FY 2019), NAD 21.0 million (FY2020) and NAD 1.6 million (FY2021).
- 3.4.7 Reversing VAT recognised on management fees paid to Next, which was previously identified as NAD 5.3 million (FY 2019), NAD 3.2 million (FY2020) and NAD 0.2 million (FY2021).
- 3.5 It was noted by the Board that its initial decision to accept the loan waivers had been made in the bona fide belief that it would result in an issue of shares under the Huso Transaction earnout triggers, and it was also clear to it that the offer to waive the loans was made on the same understanding. This understanding was confirmed after consultation with its IFRS advisers and also passed review by the auditors, who did not issue any related qualifications for the periods in which these transactions were accounted for as understood by Trustco.
- 3.6 The Board has taken legal advice and based on that, concluded that the legal effect of implementing the JSE's instruction is that both the loan waiver transactions should be reversed and that the parties must be reinstated in their original positions as if the loan waivers and the resultant benefits derived therefrom, never occurred.
- 3.7 Based on legal advice, and to give effect to these consequential effects of the JSE restatement decision, the following further adjustments have been applied by the Board to the restatement:
- 3.7.1 Reversing shares issued to Next and its associates in the 2020 reporting period in terms of the earnout mechanism of the Huso Transaction. The reversal resulted in the reinstatement of shares for vendors of NAD 2.3 billion.
- 3.7.2 Reinstatement of the loans in favour of Next on the same terms and conditions as had applied before the waivers.

- 3.7.3 Next has deferred the charging of any interest circa NAD 400 million of the reinstated loans, until discussions with the board, together with its European and African Group of International Funders have been concluded.
- 3.7.4 Next will also be entitled to a payment of NAD 2.9 billion if the earnout targets of the Huso transaction are met before the FY2028.
- 3.8 The restatements relate to financial reporting periods before the current period and affect the financial position and associated financial performance for the periods ending 31 March 2019, 30 September 2020, and 31 August 2021. The Board, while complying with the rule of law, has no option but to comply with the JSE's instruction, and to deal with the consequences thereof at the time of publishing the current annual financial statements despite pending appeal proceedings. Should Trustco succeed on appeal these issues may have to be revisited.
- 3.9 As a result of these restatements described above, headline loss per share ("HLPS") reporting for 2021 Year End Results increased from 48.82 cents to 75.41 cents.
- 3.10 Furthermore the results of these restatements above, loss per share ("LPS") reporting for 2021 Year End Results increased from 55.55 cents to 86.66 cents.
- 3.11 Weighted average number of ordinary shares in issue for the reporting period 2021 Year End Results were adjusted from 1,569,706,000 to 940,868,381 incorporating the restatements above.

4. Conclusion

- 4.1 Shareholders are referred to the announcement published on SENS on 31 January 2023 in terms whereof Trustco advised that they aim to publish their 2023 Year End Results at the first available time.
- 4.2 Trustco and its JSE-accredited independent external auditors are in the final stages of completing their audit and internal quality assurance processes and therefore



Trustco is expecting to release its 2022 Year End Results on or about Tuesday the 28th of February 2023.

Trustco apologises to its shareholders for any inconvenience caused and shareholders are welcome to contact the company secretary for more information at komada@tgh.na.

Windhoek, Namibia,

22 February 2023

Komada Holdings (Pty) Ltd

Company Secretary and Investor Relations Services to Trustco Group Holdings Limited

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