



FINANCIAL RESULTS 2013

Trustco Group Holdings Limited

Unaudited Condensed Consolidated Interim Results for the six months ended 30 September 2013 and Interim Dividend Declaration



Nature of the business

The Group operates subsidiaries in three main sectors across Africa:

- Micro insurance;
- Microfinance; and
- Property.

The Group's core operational revenues are derived from the above businesses in Namibia, but its insurance products and innovative delivery methods enable Trustco to offer micro-financial services across the African continent in a variety of ways.

Financial summary

The first six months of Trustco's 2014 financial year show a favourable financial improvement and cement the Group's resolve to achieve both a meaningful contribution to bottom line and to further social development on the continent through innovative financial offerings.

Trustco grew net profit after tax by 29% to record NAD 65 million for the six months ended 30 September 2013, compared to NAD 50 million for the six months ended 30 September 2012.

Headline earnings of NAD 23 million for the six months ended 30 September 2013, compared to NAD 50 million against the comparative six months, represents a decrease of 54%. This decrease in earnings is a function of the cyclical behaviour of the property segment wherein property sales are captured in headline earnings, but revaluations of the remaining property, albeit profitable from an accounting perspective, are excluded from the headline earnings metric.

Group revenue for the first six months, in relation to the comparative period, has increased by 6% from NAD 297 million to NAD 315 million. This increase is supported by excellent growth in the micro insurance sectors' insurance revenue, although partially offset by a decrease in other revenue due to the scaling down of the legacy business in South Africa.

Review of operations

Micro insurance (Namibia)

The micro insurance segment in Namibia showed stellar growth in both revenues and profit for the period. In line with management expectations revenue grew from NAD 70 million to NAD 123 million, an increase of 75%. This also translated to an increase in net profit after tax of 80%.

Since the previous interims were announced, Trustco has launched a mobile product offering with a retail chain in Namibia, a legal protection product in South Africa (YAMBU Legal) and a new term life product in Namibia (YAMBU Life). These new offerings have noticeably improved the profitability of the segment and opened new opportunities for ordinary citizens to benefit from insurance cover.

Microfinance

Gross educational loans grew by 80%, demonstrating that the appetite and demand for these loans in the region remains high. The Group remaining firmly committed to growing this loan book in the future, and to that end was able to raise NAD 145 million from external funders during the last six months in order to continue the positive trend.

Revenue has grown to NAD 156 million from NAD 64 million, a comparative increase of 144%. Gross educational loans of NAD 507 million (30 September 2012: NAD 282 million) is offset by a provision for bad and doubtful debts of NAD 21 million which represents an impairment ratio of 4.2% (30 September 2012: 5.3%).

Net profit after tax increased by 57% from NAD 14 million to NAD 22 million, mainly due to increase in net interest margin and the sales of educational courses and technology products to students in Namibia.

Property

The demand remains high for serviced land in Namibia, particularly in the Windhoek Basin. Net profit after tax in this segment increased from NAD 8 million to NAD 47 million, mainly due to the pre-tax fair value gains of NAD 45 million on investment property. Phase 1 of Trustco's "Land Bank" development in Namibia was completed during the 2013 financial year with Phase 2 of the development expected to begin selling erven during the 2014 calendar year.

Rest of Africa

The South African insurance and rest of Africa insurance operations were combined into a single reportable segment during the first half of the 2014 financial year. Operations in Zimbabwe have ceased; and the financial services back-office insurance administration business previously operated in South Africa, were completely wound down during the current period, resulting in a sizeable reduction in revenues.

Revenues declined 76% from NAD 129 million to NAD 31 million, whilst losses due to the ongoing effort by the Group to establish a firm insurance presence in South Africa and in the rest of Africa ended the period as a net loss after tax of NAD 49 million compared to a net profit after tax of NAD 3 million for the six months ended 30 September 2012.

An impairment loss of NAD 3.8 million was recognised in the South African insurance operations on the downward adjustment of forecast licensing fees receivable from agents utilising the software systems of the Group.

Prospects

Rest of Africa

The African continent's demand for micro insurance products has not been exhausted. Demand remains high and the current low penetration rates should provide further future growth in this segment. Trustco continues to pursue various opportunities to roll-out innovative products and delivery mechanisms to these markets.

Raising sufficient capital to continually grow the educational loan book culminated with the approval and subsequent issue of a Domestic Medium Term Note (DMTN) programme on the JSE, in doing so, Trustco became the first private Namibian entity to raise financing through a JSE-approved debt programme. A bond of ZAR 200 million was subscribed to by the International Finance Corporation ("IFC") during the period under review, with prospects that the remaining ZAR 800 million will be issued and the proceeds thereof deployed into the business in the medium-term.

Explanatory notes to the interim financial results

Trustco Group Holdings Limited issued 35 000 000 ordinary shares on 29 August 2013 to the IFC. The shares were issued at par value of NAD 0.23 cents per share and a premium of NAD 0.62 cents. The shares were listed on the Namibian Stock Exchange (NSX) and the JSE Limited (JSE) in compliance Schedule 6 of the Listing Requirements and were issued in terms of the general authority of the Directors of the company for cash.

The Group managing director, Quinton van Rooyen contracts his services to the Group under a management agreement with Next Investments (Pty) Ltd ("Next"). During the 2013 financial year due to a penalty clause on failure to achieve financial targets, the management agreement required that some of the amounts already paid to Mr van Rooyen were to be repaid to the Group. This resulted in a receivable from Next of NAD 8.4 million. This amount is contractually required to be settled during the current financial year.

On 20 September 2013, Dex Group's appeal was dismissed by the Supreme Court of Appeal in South Africa. The process for collection of amounts due is ongoing. No penalty interest on overdue funds has been raised. The total amount of shares to be issued upon payment of the NAD 19.4 million (plus other costs and interest), is 4.922 million shares. These amounts are recorded separately in the Statement of Financial Position under other receivables and vendor shares respectively.

Tranche 1, Series 1 of a private bond placement with the IFC was transacted before the end of the financial period, with settlement occurring in October 2013. An amount of NAD 100 million was therefore recognised as a financial liability in the separate financial statements of Trustco Group Holdings Limited as the issuer of the bond.

Property, plant and equipment of NAD 13 million (2012: NAD 9 million) was acquired, and NAD 0.7 million (2012: NAD 2.5 million) was disposed of during the current period.

Basis of preparation and presentation

Statement of compliance

The unaudited condensed consolidated interim results have been prepared in accordance with framework concepts and measurement and recognition criteria of International Financial Reporting Standards ("IFRS") and comply with IAS 34: Interim Financial Reporting and are in accordance with the SAICA Financial Reporting Guides, as issued by the Financial Reporting Standards Council, the Namibian Companies Act, No. 28 of 2004 (as amended) and the Listings Requirements of the JSE Limited and the Namibian Stock Exchange.

Basis of preparation

The unaudited condensed consolidated interim results are prepared in thousands of Namibian Dollars ("NAD'000"). The Group's functional and presentation currency is Namibian Dollars. At 30 September 2013, NAD 1 was equal to ZAR 1.

These interim results are unaudited and have not been reviewed by the auditors. The accounting policies applied are in accordance with IFRS and are consistent with those of the previous annual financial statements.

The preparation of the interim results has been supervised by the Financial Director, Ryan McDougall CA (SA), CA (Namibia).

Dividends

The Directors of Trustco ("the Board") are pleased to announce that the Board has passed a resolution on the 31 October 2013 to pay an interim dividend of 2 cents per share for the six months ended 30 September 2013.

The following information is provided to shareholders in respect of the new applicable Dividend Tax:

- The dividend has been declared from income reserves;
- Shareholders are further advised that Namibian non-resident shareholders' tax of 15% on the declared dividend will be applicable to all shareholders with addresses outside Namibia.
- The dividend withholding tax rate for South Africa is 15% resulting in a net dividend of 1.7 cents per share; and
- Trustco Group Holdings Limited's Namibian Income Tax Reference Number is 3356338011.

The salient dates for the payment of this dividend are set-out below:

- Last day to trade cum dividend
Friday, 22 November 2013.
- Trading ex dividend commences Monday, 25 November 2013.
- Record Date
Friday, 29 November 2013.
- Payment Date
Monday, 9 December 2013.

Share certificates may not be dematerialised or rematerialised between Monday, 25 November 2013 and Friday, 29 November 2013; both days inclusive. The dividend is declared in Namibian Dollars and payable in the currencies of the Republics of South Africa and Namibia which is pegged 1:1.

Acknowledgments

The Board of Directors of Trustco (the "Board") acknowledge with gratitude the efforts and commitment from stakeholders and staff.

| Consolidated Statement Of Comprehensive Income | | | |
|--|----------------------------|----------------------------|-----------------------------|
| | 6 Months 30 Sep 2013 | 6 Months 30 Sep 2012 | 12 Months 31 Mar 2013 |
| | % change | Unaudited NAD'000 | Audited NAD'000 |
| Insurance premium revenue | 75% | 116 950 | 150 710 |
| Revenue | (14%) | 197 611 | 444 529 |
| Total revenue | 6% | 314 561 | 595 239 |
| Cost of sales | 35% | (75 597) | (240 194) |
| Gross profit | 33% | 238 964 | 355 045 |
| Investment income | (85%) | 321 | 3 849 |
| Fair value gains and losses | - | 45 330 | 26 304 |
| Other income | >100% | 3 784 | 14 080 |
| Insurance benefits and claims | (75%) | (19 142) | (26 717) |
| Transfer to policyholder liabilities | <(100%) | (7 579) | (5 903) |
| Change in unearned premium provision | (8%) | (681) | (981) |
| Administrative expenses | (64%) | (173 151) | (294 167) |
| Finance costs | (49%) | (19 439) | (27 814) |
| Profit before taxation | 33% | 68 407 | 43 696 |
| Taxation | <(100%) | (3 364) | (4 312) |
| Profit for the period | 29% | 65 043 | 39 384 |
| Other comprehensive income, net of tax | >100% | 3 234 | 8 138 |
| Items that will not be subsequently reclassified to profit or loss | | | |
| - Revaluation of property, plant and equipment | >100% | 2 468 | 6 269 |
| Items that may be subsequently reclassified to profit or loss | | | |
| - Foreign currency translation adjustment | 100% | 766 | 1 869 |
| Total comprehensive income for the period | 34% | 68 277 | 47 522 |
| Earnings per shares: | | | |
| Basic earnings per share (cents) | 20% | 8.59 | 5.41 |
| Diluted earnings per share (cents) | 20% | 8.53 | 5.38 |

| Consolidated Statement Of Financial Position | | | |
|--|----------------------------|----------------------------|-----------------------------|
| | 6 Months 30 Sep 2013 | 6 Months 30 Sep 2012 | 12 Months 31 Mar 2013 |
| | % change | Unaudited NAD'000 | Audited NAD'000 |
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 16% | 189 220 | 179 266 |
| Investment property | 5% | 337 255 | 344 247 |
| Intangible assets | (16%) | 227 875 | 232 650 |
| Deferred income tax assets | 6% | 85 895 | 78 183 |
| Mortgage loan book | 100% | 30 602 | 20 070 |
| Educational micro loans advanced | >100% | 334 073 | 204 426 |
| Other loans advanced | (82%) | 4 691 | 5 692 |
| Total non-current assets | 19% | 1 209 611 | 1 064 534 |
| Current assets | | | |
| Short-term portion of mortgage loan book | 100% | 1 377 | 1 377 |
| Short-term portion of educational micro loans advanced | 37% | 152 165 | 127 988 |
| Short-term portion of other loans advanced | 44% | 1 160 | 1 160 |
| Short-term portion of finance lease receivable | (100%) | - | - |
| Amounts due by related parties | 100% | 8 482 | 8 482 |
| Inventories | >100% | 62 956 | 10 420 |
| Trade and other receivables | (41%) | 212 196 | 271 182 |
| Current income tax assets | 8% | 1 079 | 860 |
| Cash and cash equivalents | >100% | 131 621 | 46 924 |
| Total current assets | 7% | 571 036 | 468 393 |
| Total assets | 15% | 1 780 647 | 1 532 927 |
| EQUITY AND LIABILITIES | | | |
| Capital and reserves | | | |
| Share capital | 5% | 177 595 | 169 545 |
| Share premium | 88% | 46 300 | 24 600 |
| Put options | - | (52 832) | (52 832) |
| Deemed treasury shares | 100% | (1 006) | - |
| Vendor shares | - | 14 976 | 14 976 |
| Contingency reserve | 55% | 4 610 | 4 610 |
| Revaluation reserves | 40% | 24 265 | 21 797 |
| Foreign currency translation reserve | 100% | 2 635 | 1 869 |
| Distributable reserves | 5% | 848 608 | 783 565 |
| Attributable to equity holders of the parent | 8% | 1 065 151 | 968 130 |
| Non-current liabilities | | | |
| Long-term liabilities | 90% | 433 958 | 288 717 |
| Other liabilities | (49%) | 1 046 | 1 590 |
| Deferred income tax liabilities | (9%) | 31 951 | 33 231 |
| Policy holders' liability under insurance contracts | 96% | 24 166 | 16 587 |
| Total non-current liabilities | 77% | 491 121 | 340 125 |
| Current liabilities | | | |
| Current portion of long-term liabilities | (8%) | 38 819 | 40 764 |
| Current portion of other liabilities | (5%) | 2 500 | 4 516 |
| Trade and other payables | (32%) | 120 598 | 129 154 |
| Technical provisions | 12% | 21 966 | 20 558 |
| Current income tax liabilities | 19% | 40 492 | 29 116 |
| Amounts due to related parties | (100%) | - | - |
| Bank overdraft | (100%) | - | 564 |
| Total current liabilities | (22%) | 224 375 | 224 672 |
| Total equity and liabilities | 16% | 1 780 647 | 1 532 927 |

| Consolidated Statement Of Cash Flows | | | |
|---|----------------------------|----------------------------|-----------------------------|
| | 6 Months 30 Sep 2013 | 6 Months 30 Sep 2012 | 12 Months 31 Mar 2013 |
| | % change | Unaudited NAD'000 | Audited NAD'000 |
| Cash flow from operating activities | | | |
| Cash generated by operations before working capital changes | (11%) | 60 501 | 96 917 |
| Changes in working capital | >100% | 58 160 | (76 332) |
| Interest received | (85%) | 321 | 3 849 |
| Finance costs | (49%) | (19 439) | (27 814) |
| Finance lease assets | - | - | 457 |
| Other loans advance | - | - | (346) |
| Mortgage loans advance | (100%) | (12 376) | (6 008) |
| Mortgage loans repaid | 100% | 1 844 | 2 097 |
| Educational loans advanced | <(100%) | (246 381) | (212 861) |
| Educational loans repaid | 41% | 87 814 | 129 222 |
| Taxation paid | <(100%) | (3 768) | (13 600) |
| Net cash flow from operating activities | 11% | (73 324) | (104 419) |
| Cash flow from investing activities | | | |
| Additions to property, plant and equipment | (54%) | (13 247) | (23 250) |
| Additions to investment properties | 82% | (478) | (3 364) |
| Additions to intangible assets | 55% | (4 935) | (10 326) |
| Proceeds on sale of investment property | - | - | 1 600 |
| Proceeds on sale of property, plant and equipment | (98%) | 56 | 6 917 |
| Proceeds on sale of intangible assets | 100% | 130 | - |
| Net cash flow from investing activities | 7% | (18 474) | (28 423) |
| Cash flow from financing activities | | | |
| Proceeds of share issue | (6%) | 29 750 | 31 500 |
| Purchase of treasury shares | (100%) | (1 006) | - |
| Proceeds on the sale of deemed treasury shares | (100%) | - | 5 719 |
| Proceeds from long term liabilities | >100% | 143 296 | 83 433 |
| Repayment of other liabilities | <(100%) | (2 560) | 3 227 |
| Repayment of related party loans | 100% | - | (9 895) |
| Dividends paid | 100% | - | (29 916) |
| Increase in policy holder under insurance contracts | >100% | 7 579 | 5 903 |
| Net cash flow from financing activities | >100% | 177 059 | 89 971 |
| Net change in cash and cash equivalents | >100% | 85 261 | (42 871) |
| Cash and cash equivalents at beginning of period | (48%) | 46 360 | 89 231 |
| Cash and cash equivalents at end of period | >100% | 131 621 | 46 360 |

| Earnings and Headline Earnings Per Share | | | |
|---|----------------------------|----------------------------|-----------------------------|
| | 6 Months 30 Sep 2013 | 6 Months 30 Sep 2012 | 12 Months 31 Mar 2013 |
| | % change | Unaudited NAD'000 | Audited NAD'000 |
| Profit attributable to ordinary shareholders | | | |
| Adjustments | <(100%) | (42 201) | (5 521) |
| Loss/(Profit) on disposal of property, plant & equipment | >100% | 585 | 774 |
| Profit on disposal of investment property | - | - | (180) |
| Fair value adjustments on investment properties | (100%) | (45 330) | (26 304) |
| Impairment of intangible assets | 100% | 3 801 | 28 406 |
| Tax effect | <(100%) | (1 257) | (8 217) |
| Headline earnings | (54%) | 22 842 | 33 863 |
| Earnings per shares: | | | |
| Basic earnings per share (cents) | 20% | 8.59 | 5.41 |
| Diluted earnings per share (cents) | 20% | 8.53 | 5.38 |
| Headline earnings per share (cents) | (58%) | 3.02 | 4.65 |
| Diluted headline earnings per share (cents) | (58%) | 3.00 | 4.62 |
| Dividends per share (cents) | (100%) | - | 4.15 |
| Shares | | | |
| Total number of ordinary shares in issue | 5% | 772 142 | 737 142 |
| Weighted number of ordinary shares in issue | 4% | 757 559 | 727 652 |
| Contingently issuable shares as a result of business acquisition | 3% | 4 922 | 4 789 |
| Weighted number of ordinary shares for diluted earnings per share | 8% | 762 481 | 732 441 |

| Consolidated Statement Of Movements In Equity | | | |
|--|----------------------------|----------------------------|-----------------------------|
| | 6 Months 30 Sep 2013 | 6 Months 30 Sep 2012 | 12 Months 31 Mar 2013 |
| | % change | Unaudited NAD'000 | Audited NAD'000 |
| Balance at the beginning of the period | 6% | 968 130 | 913 305 |
| Issue of shares | (6%) | 29 750 | 31 500 |
| Sale of deemed treasury shares | (100%) | - | 5 719 |
| Deemed treasury shares purchased | (100%) | (1 006) | - |
| Dividends for the period | 100% | - | (29 916) |
| Total comprehensive income for the period | 34% | 68 277 | 47 522 |
| Balance at the end of the period | 8% | 1 065 151 | 968 130 |
| Comprising of: | | | |
| Share capital | 5% | 177 595 | 169 545 |
| Share premium | 88% | 46 300 | 24 600 |
| Deemed treasury shares | (100%) | (1 006) | - |
| Put options | - | (52 832) | (52 832) |
| Vendor shares | - | 14 976 | 14 976 |
| Contingency reserve | 55% | 4 610 | 4 610 |
| Foreign currency translation reserve | 100% | 2 635 | 1 869 |
| Revaluation reserve | 40% | 24 265 | 21 797 |
| Retained earnings | 5% | 848 608 | 783 565 |
| | 8% | 1 065 151 | 968 130 |

| Condensed Segment Analysis | | | |
|-----------------------------|----------------------------|----------------------------|-----------------------------|
| | 6 Months 30 Sep 2013 | 6 Months 30 Sep 2012 | 12 Months 31 Mar 2013 |
| | % change | Unaudited NAD'000 | Audited NAD'000 |
| Revenue | | | |
| Micro insurance | 75% | 122 805 | 150 013 |
| Microfinance | >100% | 156 052 | 141 642 |
| Property | (85%) | 4 868 | 126 671 |
| Rest of Africa | (76%) | 30 836 | 176 913 |
| | 6% | 314 561 | 595 239 |
| Net profit after tax | | | |
| Micro insurance | 80% | 45 771 | 66 998 |
| Microfinance | 57% | 21 639 | 27 778 |
| Property | >100% | 46 745 | 18 691 |
| Rest of Africa | <(100%) | (49 112) | (74 083) |
| | 29% | 65 043 | 39 384 |
| Total assets | | | |
| Micro insurance | 38% | 248 000 | 170 559 |
| Microfinance | 85% | 705 287 | 455 649 |
| Property | (25%) | 528 578 | 675 102 |
| Rest of Africa | 3% | 298 782 | 231 617 |
| | 15% | 1 780 647 | 1 532 927 |
| Total liabilities | | | |
| Micro insurance | 39% | 165 584 | 106 809 |
| Microfinance | 98% | 416 739 | 307 898 |
| Property | (34%) | 93 700 | 137 178 |
| Rest of Africa | (59%) | 39 473 | 12 912 |
| | 26% | 715 496 | 564 797 |

Directorate and Administration

Directors:

Executive Directors

Mr Q van Rooyen (Managing Director)
Mr R McDougall (Financial Director)

Mr F J Abrahams

Non-executive

Mr W J Geysers

Adv. R Heathcote

Ms VC de Klerk

Mr R J Taljaard

Mr J Mahlangu

Company Secretary

Mr DJ Steyn

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Transfer Secretaries (Pty) Ltd

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Registration Number: 2004/003647/07

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Auditors:

Namibia

BDO

Registered Accountants and Auditors

Chartered Accountants (Namibia)

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Namibia

South Africa

BDO South Africa Incorporated

Registered Auditors

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Parktown

Johannesburg

South Africa

Sponsors:

Namibia

IJG Securities (Pty) Ltd

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PO Box 186

Windhoek

Namibia

Registration Number: 95/505

South Africa

Sasfin Capital (a division of Sasfin Bank Limited)

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