

Net profit after tax **↑17%** Headline earnings per share **↑29%** Total assets **↑12%** Net asset value **↑21%**

### NATURE OF THE BUSINESS

Trustco is a Namibian-based Insurance and Banking group. The group's insurance and banking portfolios are strengthened by active investments into various industries including, real estate, education and resources.

### HIGHLIGHTS

Trustco's 2016 interim results show an increase in headline earnings of 38% on the 2015 interim period ('comparative period'). This increase, which is mirrored by a 17% increase in net profit after tax, is a result of the growing positive climate for businesses operating a diversified model in an unforgiving economic environment.

Administrative costs remain in line with the comparative period, however there is a marked increase in finance costs, which is due to the group's growing banking portfolio which favours a leveraged model.

In the 2016 interim period Trustco announced its intention to acquire control over a diamond mining and polishing group, Huso Investments (Pty) Ltd and its subsidiaries ('Huso'). Shareholders voted favourably for the transaction on 5 October 2015 at a general meeting of shareholders. The transaction is expected to close on or around the financial year-end date upon the issuance of a diamond mining licence and Export Processing Zone status to the subsidiaries of Huso, at which date Trustco expects mining, cutting and sale of diamonds to immediately begin contributing to the group's returns.

### OPERATIONAL REVIEW

#### INSURANCE SEGMENT

The group continues to focus on growing insurance revenues and is pleased to report an increase of 28% on insurance premiums for the 2016 Interim period compared to the comparative period.

The insurance segment once again benefited from positive returns in its investment portfolio, and consistent with the previous 24 months, property investments recorded the largest proportion of contribution to the segment's results. Strong sales continue in both residential and commercial/industrial estates with price growth and strong market demand indicating that the market for property remains robust in Namibia. Overall revenue from the sale of properties is lower on a comparative basis as fewer properties were made available for sale in the 2016 interim period. This is due to the slightly smaller residential phase which was sold in this period relative to the comparative period.

#### BANKING AND FINANCE SEGMENT

The banking and finance segment targets three main asset classes, namely mortgage lending, student loans and SME financing. The growth in the segment is expected to be funded by a blend of term funding and retail deposits. Total gross advances have grown by 6.6% to NAD908 million from 31 March 2015, whilst non-performing loans as a percentage of total advances have decreased to 3.7% from 5.3% as at March 2015.

Trustco Bank Namibia Ltd continues to remain well capitalised with a total capital adequacy ratio of 34%. Tier 1 Capital of NAD33.3 million coupled with a NAD2.5 million Tier 2 charge in the bank is expected to support and maintain its near-term asset growth targets. Total capital is NAD30.8 million as at 30 September 2015 which exceeds the required capital of NAD8.6 million. The bank remains exposed predominantly to credit risk on its advances portfolio, which remains well buffered by capital adequacy and provisioning.

### OUTLOOK FOR THE FUTURE

The group plans to markedly increase its Namibian presence in the insurance and banking markets, in the medium term. The growth strategy for the ancillary investment portfolio is a continued expansion through the acquisition of businesses where active management and economies of scale can eventually translate into positive group earnings contributions.

### BASIS OF PREPARATION AND PRESENTATION

#### STATEMENT OF COMPLIANCE

The unaudited interim results have been prepared in accordance with the 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 2015, NAD1 was equal to ZAR1.

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).

### EXPLANATORY NOTES TO THE INTERIM FINANCIAL RESULTS

The South African Insurance division took the decision during the 2015 financial year to close all the existing sales branches in South Africa and move to a more traditional broker-type sales approach. The reduction in branches has resulted in various fixed overhead savings albeit having precipitated a slower rate of growth in revenues from the operations.

The amalgamation of Namibian and South African operations has necessitated a revision to the IAS 8: *Operating Segments* disclosure to align reporting with internal operational oversight by the group Executive Committee. The previously reported Emerging Markets segment is therefore now a part of the Insurance segment.

The cash flow statement reflects that operating activities resulted in a net utilisation of cash. This is caused by the protracted period between cash proceeds and recognition of property sales; a cycle which averages between 18 and 24 months. The proceeds from properties sold in 2014Q4 are expected to transfer before the end of this calendar year – this will result in an overall net cash generated by operations position.

The group has, at the date of publication, undrawn facilities of NAD45 million and unissued approved bonds of NAD700 million.

In July 2015, the remainder of the Trustco Group Holdings shares held by Trustco Life as a listed investment were disposed of in order to liquidate the position and invest in a more diversified portfolio. The transaction generated NAD198 million of proceeds.

### DIVIDENDS

The Directors of Trustco ("the Board") are pleased to announce that the Board passed a resolution on 3 November 2015 to pay an interim dividend of 3.4 cents per share for the six months ended 30 September 2015.

The following information is provided to shareholders in respect of tax on dividends:

- The dividend has been declared from income reserves;
- Shareholders are advised that Namibian non-resident shareholders' tax ('NRST') of 20% on the declared dividend will be applicable to all shareholders with addresses outside Namibia (unless any specific rules relating to double tax treaties apply) resulting in a net dividend of 2.72 cents per share;
- The NRST rate for South African resident shareholders is 15% resulting in a net dividend of 2.89 cents per share;
- South African dividend tax does not apply;
- Trustco Group Holdings Limited's Namibian Income Tax Reference Number is 3356338011; and
- Trustco had 772 142 090 shares in issue at the declaration date.

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

Last day to trade *cum*-dividend Friday, 20 November 2015.

Trading *ex* dividend commences Monday, 23 November 2015.

Record date Friday, 27 November 2015.

Payment date Tuesday, 8 December 2015.

Share certificates may not be dematerialised or rematerialised between Monday, 23 November 2015 and Friday, 27 November 2015, both days included. The dividend is declared in Namibian Dollars and payable in the currencies of the Republics of South Africa and Namibia which are pegged 1:1.

### ACKNOWLEDGEMENTS

The board of directors of Trustco acknowledge with gratitude the efforts and commitment from stakeholders and staff.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

			6 months 30 Sep 2015 Unaudited NAD'000	12 months 31 Mar 2015 Audited NAD'000	6 months 30 Sep 2014 Unaudited NAD'000
	Notes	change			
ASSETS					
Cash and cash equivalents		(60%)	47 368	118 700	69 019
Advances	1	8%	874 586	806 965	763 719
Trade and other receivables	2	48%	852 617	574 390	491 850
Current tax assets		(68%)	4 195	12 982	3 693
Inventories		9%	351 756	323 917	341 131
Property, plant and equipment	3	5%	282 474	269 329	204 563
Investment property		3%	728 017	708 835	605 014
Intangible assets		11%	218 773	197 623	201 970
Deferred tax assets		20%	175 268	146 359	146 533
Total assets		12%	3 535 054	3 159 100	2 827 492
EQUITY AND LIABILITIES					
Liabilities					
Overdraft		10%	16 596	15 020	33 306
Borrowings		4%	1 088 762	1 045 641	778 187
Trade and other payables		10%	86 892	78 891	159 960
Current tax liabilities		92%	15 269	7 945	11 511
Amounts due to related parties		(100%)	–	527	1 367
Other liabilities		(75%)	23 187	92 750	174 690
Deferred tax liabilities		17%	357 350	304 441	269 398
Technical provisions		13%	21 404	18 880	19 771
Policyholders' liability under insurance contracts		7%	48 052	44 839	45 335
Total liabilities		3%	1 657 512	1 608 934	1 493 525
Capital and reserves					
Share capital		–	177 595	177 595	177 595
Share premium		–	46 300	46 300	46 300
Deemed treasury shares	4	100%	–	(57 043)	(69 026)
Shares for vendors		–	14 976	14 976	14 976
Contingency reserve		–	2 250	2 250	2 983
Revaluation reserves		2%	53 279	52 083	30 857
Foreign currency translation reserve		(54%)	(2 724)	(5 936)	(2 164)
Distributable reserves		20%	1 585 866	1 319 941	1 132 446
Total capital and reserves		21%	1 877 542	1 550 166	1 333 967
Total equity and liabilities		12%	3 535 054	3 159 100	2 827 492

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

			6 months 30 Sep 2015 Unaudited NAD'000	6 months 30 Sep 2014 Unaudited NAD'000	12 months 31 Mar 2015 Audited NAD'000
	change				
Banking and investment income	(1%)		411 915	416 853	972 337
Insurance premium	28%		122 701	96 162	180 863
Income from operations	4%		534 616	513 015	1 153 200
Insurance benefits and claims	6%		(24 955)	(23 516)	(42 616)
Operating expenses	1%		(262 412)	(260 340)	(608 693)
Finance costs	31%		(65 087)	(49 747)	(105 496)
Profit before taxation	2%		182 162	179 412	396 395
Taxation	(39%)		(31 150)	(50 781)	(93 157)
Profit for the period	17%		151 012	128 631	303 238
Other comprehensive income, net of tax	>100%		4 408	127	18 540
Items that will not be subsequently reclassified to profit or loss					
– Revaluation of property, plant and equipment	>100%		1 197	216	22 401
Items that may be subsequently reclassified to profit or loss					
– Foreign currency translation adjustment	>100%		3 211	(89)	(3 861)
Total comprehensive income for the period	21%		155 420	128 758	321 778

CONDENSED CONSOLIDATED STATEMENT OF MOVEMENTS IN EQUITY

			6 months 30 Sep 2015 Unaudited NAD'000	12 months 31 Mar 2015 Audited NAD'000	6 months 30 Sep 2014 Unaudited NAD'000
	change				
Balance at the beginning of the period	27%		1 550 166	1 224 355	1 224 355
Sale of deemed treasury shares	>100%		198 581	46 711	–
Deemed treasury shares purchased	(100%)		–	(1 861)	–
Dividends for the period	(35%)		(26 625)	(40 817)	(19 146)
Total comprehensive income for the period	(52%)		155 420	321 778	128 758
Balance at the end of the period	21%		1 877 542	1 550 166	1 333 967

CONDENSED SEGMENT ANALYSIS

	TOTAL	INSURANCE	INSURANCE (INVESTMENTS)	BANKING AND FINANCE
	NAD'000	NAD'000	NAD'000	NAD'000
6 months 30 September 2015 – unaudited				
Revenue	552 042	126 520	328 841	96 681
External revenue	498 769	126 079	294 537	78 153
Intersegment revenue	53 273	441	34 304	18 528
Net profit after tax	151 012	39 503	76 692	34 817
Total assets	3 535 054	1 149 403	1 450 209	935 442
Total liabilities	1 657 512	83 828	1 111 098	462 586
6 months 30 September 2014 – unaudited				
Revenue	537 439	98 454	365 085	73 900
External revenue	455 761	97 775	295 883	62 103
Intersegment revenue	81 678	679	69 202	11 797
Net profit after tax	128 631	8 624	86 001	34 006
Total assets	2 827 492	280 532	1 715 341	831 619
Total liabilities	1 493 525	92 394	1 087 931	293 200
12 months 31 March 2015 – audited				
Revenue	1 135 031	284 995	662 943	187 093
External revenue	1 017 073	183 525	660 434	173 114
Intersegment revenue	117 958	101 470	2 509	13 979
Net profit after tax	303 238	(15 452)	266 162	52 528
Total assets	3 159 100	422 615	1 214 622	1 521 863
Total liabilities	1 608 934	109 535	1 034 090	465 309

HEADLINE EARNINGS PER SHARE

		6 months 30 Sep 2015 Unaudited NAD'000	6 months 30 Sep 2014 Unaudited NAD'000	12 months 31 Mar 2015 Audited NAD'000
	change			
Profit attributable to ordinary shareholders	17%	151 012	128 631	303 238
Adjustments:	(86%)	(2 871)	(20 983)	(27 494)
(Profit)/loss on disposal of property, plant and equipment	>(100%)	(4 285)	913	2 098
Fair value adjustments on investment properties	–	–	–	400
Gain on bargain purchase	(100%)	–	(21 595)	(29 244)
Tax effect	569%	1 414	(301)	(748)
Headline earnings	38%	148 141	107 648	275 744
Earnings per share:				
Basic earnings per share	(cents) 10%	20.29	18.48	43.59
Diluted earnings per share	(cents) 10%	20.16	18.35	43.29
Headline earnings per share (cents)	29%	19.91	15.46	39.64
Diluted headline earnings per share	(cents) 29%	19.78	15.35	39.36
Dividends paid per share	(cents) 45%	4.00	2.75	5.75
Shares				
Total number of ordinary shares in issue	–	772 142	772 142	772 142
Weighted number of ordinary shares in issue	7%	744 107	696 236	695 582
Contingently issuable shares as a result of business acquisition	–	4 922	4 922	4 922
Weighted number of ordinary shares for diluted earnings per share	7%	749 029	701 158	700 504

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

		6 months 30 Sep 2015 Unaudited NAD'000	6 months 30 Sep 2014 Unaudited NAD'000	12 months 31 Mar 2015 Audited NAD'000
	change			
Cash flow from operating activities				
Cash (utilised)/generated by operations	>(100%)	(62 894)	87 192	171 134
Interest received	>100%	1 388	501	6 421
Finance costs	31%	(65 087)	(49 747)	(105 496)
Net loans advanced	(8%)	(67 621)	(73 841)	(98 215)
Proceeds from funding liabilities	(30%)	35 000	50 000	220 000
Taxation paid	>100%	(15 037)	(3 563)	(25 014)
Net cash flow from operating activities	>(100%)	(174 251)	10 542	168 830
Net cash flow from investing activities				
Net cash flow from investing activities	>(100%)	(39 952)	2 148	(7 988)
Net cash flow from financing activities				
Net cash flow from financing activities	>100%	141 295	(95 182)	(188 768)
Net change in cash and cash equivalents				
Net change in cash and cash equivalents	(12%)	(72 908)	(82 492)	(27 926)
Cash and cash equivalents at beginning of period	(21%)	103 680	131 606	131 606
Cash and cash equivalents at end of period	(37%)	30 772	49 114	103 680





NOTES TO THE CONDENSED INTERIM RESULTS

	6 months 30 Sep 2015 Unaudited NAD'000	12 months 31 Mar 2015 Audited NAD'000	6 months 30 Sep 2014 Unaudited NAD'000
1 Advances			
Total loans advanced	908 257	851 879	794 955
Provision for bad debts	(33 671)	(44 914)	(31 236)
Net advances	874 586	806 965	763 719
Less: Short-term portion	(191 146)	(199 063)	(191 963)
Long-term portion	683 440	607 902	571 756

NAD11.2 million of impairment reversals were passed relating to improving credit quality of student advances as well as a release of impairment relating to bank advances (2015: NAD21.7 million release).

	6 months 30 Sep 2015 Unaudited NAD'000	12 months 31 Mar 2015 Audited NAD'000	6 months 30 Sep 2014 Unaudited NAD'000
2 Trade and other receivables			
Trade receivables	30 871	27 499	37 476
Property sales receivables	763 391	501 489	406 091
Other receivables	58 355	35 895	48 283
	852 617	564 883	491 850
3 Property, plant and equipment			
Property acquired	40 065	74 290	8 980
Disposals	(1 365)	(12 201)	(910)

4 Deemed treasury shares

The carrying value of treasury shares as at 30 September 2015 is NAD0 (31 March 2015: NAD57 million). The group made no repurchases (6 months to September 2014: NAD0) of its own shares during the interim period. Disposals of NAD69.0 million (6 months to September 2014: NAD0 million) were made.

	6 months 30 Sep 2015 Unaudited NAD'000	12 months 31 Mar 2015 Audited NAD'000	6 months 30 Sep 2014 Unaudited NAD'000
5 Fair value hierarchy			
Level 1			
No assets or liabilities are categorised as level 1	-	-	-
Level 2			
Land and buildings	119 171	117 617	95 801
Investment property	728 017	708 835	605 014
Aircraft	95 719	109 268	63 471
Level 3			
Advances	874 586	806 965	763 719
Trade and other receivables	852 617	574 390	491 850
Trade and other payables	(86 892)	(78 891)	(159 960)
Other liabilities	(23 187)	(92 750)	(174 690)
Borrowings	(1 088 762)	(1 045 641)	(778 187)
The carrying value of financial assets held as loans and receivables, and liabilities at amortised cost approximate their fair values.			
Advances, trade and other receivables, trade and other payables and borrowings are carried at amortized cost using the effective interest method. The group applies market related discount rates where appropriate and hence all carrying values approximate fair values.			
Land and buildings, aircraft and investment property are revalued either by independent experts or by reference to quoted similar assets. The techniques and inputs used have not changed since the year-end.			
Technical provisions and policyholder liabilities under insurance contracts remain calculated on a forecast modelling and/or pre-identified factor. Such factors have not been adjusted since financial year-end.			

	6 months 30 Sep 2015 Unaudited NAD'000	12 months 31 Mar 2015 Audited NAD'000	6 months 30 Sep 2014 Unaudited NAD'000
6 Transactions with related parties			
Next Investments (Proprietary) Limited			
Management fees paid	(13 113)	(22 036)	(11 512)
Charter income received	336	202	19
Surety fees and other	(8 274)	(11 130)	(2 975)
Northern Namibia Development Company (Proprietary) Limited			
Charter income received	257	1 278	580

NOTES TO THE CONDENSED INTERIM RESULTS (continued)

7 Business combination

On 30 June 2015, the group acquired control by way of the purchase of all the ordinary shares of Watermeyer Mining and Construction (Proprietary) Limited ("WMC") for NAD30 000 000. WMC is a construction company specialising in construction projects. The assets and resources acquired include staff and office buildings related to the operations. The group has taken over the management of the operations of the entity. This expansion will augment the existing investment and property development operations of the group and extend the foreseeable development timetable.

The following table summarises the consideration paid at fair value of assets acquired and liabilities assumed at the acquisition date:

	Fair value of net assets acquired NAD'000
Property, plant and equipment	24 000
Bank and cash	10 649
Other assets	1 300
Other liabilities	(14 817)
Deferred tax liabilities	(3 508)
Net assets	17 624
Purchase consideration	(28 066)
Goodwill*	10 442
Cash flow on acquisition	
Cash and cash equivalents	10 649
Bank overdraft	-
Net cash acquired	10 649
Consideration paid**	(15 000)
Cash outflow on acquisition, net of cash acquired	(4 351)

\* Goodwill is attributable to the expected savings to be made by the group relating to the reduced cost of bulk servicing via WMC rather than external vendors.

\*\* A portion of the consideration for the purchase of Watermeyer Mining and Construction (Proprietary) Limited was deferred. The purchase consideration is payable by the group in two instalments of NAD15 000 000 the first having been paid in July 2015 and the second instalment payable in July 2016. The deferred purchase consideration bears no interest.

Acquisition-related costs of NAD385 000 have been charged to administrative expenses in the consolidated income statement for the period ended 30 September 2015.

DIRECTORATE AND ADMINISTRATION

DIRECTORS

Executive Directors

Dr Q van Rooyen (Managing Director)  
Mr R McDougall (Financial Director)  
Mr FJ Abrahams

Non-executive

Adv. R Heathcote SC (Chairman)  
Mr WJ Geyser  
Mr RJ Taljaard  
Mr J Mahlangu

Company Secretary

Ms S Miller

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BANKERS

Namibia

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First National Bank of Namibia Limited  
Standard Bank Namibia Limited

South Africa

Absa Bank Limited  
First National Bank Limited  
Nedbank Limited

TRUSTCO GROUP HOLDINGS LIMITED

Incorporated in the Republic of Namibia  
(Registration number: 2003/058)  
NSX share code: TUC  
JSE share code: TTO  
ISIN: NA000A0RF067  
("the Company" or "the Group" or "Trustco")

