



Trustco Group Holdings Limited FINANCIAL REPORT

09

Reviewed Provisional Consolidated Condensed Financial Results for the 12 months ended 31 March 2009 and small related party transaction

Registration number 2003/058

↑ **71%**
Revenue

↑ **38%**
Gross Profit

↑ **54%**
Headline Earnings

↑ **30%**
Net Profit for
Micro Insurance

↑ **31%**
Net Profit for Micro Finance
and Education

↑ **80%**
Distributable Reserves

Nature of Business

Trustco Group Holdings Ltd ("Trustco") is a Namibian based company with its core focus on micro insurance, micro finance and education which delivers products with a strong social justice undertone. Trustco operates mainly from Namibia and South Africa and is in the process of expanding its business into the rest of Africa. Approximately half of Trustco's revenue was generated from Trustco Financial Services (Pty) Ltd (formerly Dex Financial Services (Pty) Ltd), the South African subsidiary, although Namibia was the biggest contributor to profit after tax. The Namibian operations also made a substantial contribution to Group sales, with growth in excess of 20% compared with the previous financial year.

Financial Highlights

Trustco continued on its path of exceptional growth over the past five years despite the current world-wide economic climate. Even though the second half of the year has historically contributed approximately 70% of the Group's annual profit, expectations were exceeded as the second half of the 2009 financial year contributed NAD 72 million in profits after tax (77%). This was mainly achieved through growth in revenue, improved spending measures and the sale of non-core operations (also see "Property, Development and Media"). Attributable earnings increased by almost 20% from 2008. Headline earnings increased by 54%. Distributable reserves increased by 80% from March 2008 to NAD 194 million while educational loans advanced increased by 45% to NAD 133 million for the same period. Trustco divested from its restaurant operations and increased its investments in the media segment by acquiring the remaining shareholding in Printas (Pty) Ltd.

The current year is the first year in which Trustco Financial Services (previously known as Dex Financial Services) was consolidated for a full 12 months (2008: 5 months as acquired 1 November 2007). This contributed to the increases in revenue, cost of sales and administrative expenses.

Some selected ratios are:

PE ratio	7.0 times (based on a 76c share price)
ROE	25%
Interest Cover	3.44 times
EBITDA	21% of revenue

The Group, through one of its subsidiaries, has a tax asset available for set off against future taxable profit of NAD 13.4 million. The deferred tax asset recognized in the financial statements for the current year is NAD 20.1 million. The deferred tax asset recognized is based on the probability of future taxable profit being available in the future to set it off against.

Africa Board Listing (JSE)

Trustco has supplemented its primary Namibian Stock Exchange listing (share code: TUC), and made history by being the first African company to list on the new Africa Board of the JSE Limited "JSE" (share code: TTO) on 19 February 2009 by means of a dual primary listing. (The listing criteria for the Africa Board is the same as for the main board of the JSE.) In preparation for the listing, a share split was approved by shareholders on 9 January 2009 and registered by the Registrar of Companies on 20 January 2009. One ordinary no par value share was converted into a par value share of NAD 1.15 and thereafter subdivided into 5 ordinary par value shares of 23c each.

The weighted number of shares used in the 2008 calculation of basic earnings, diluted earnings, headline earnings and diluted headline earnings per share has been restated based on the subdivision of 1 to 5 shares.

Review of Operations

Micro Insurance

Micro Insurance consists of micro short term and micro life insurance. Revenue increased by 24% compared with the year ended 31 March 2008 and claims expenses as a percentage of revenue decreased by 3% to 23% from 26%. This sector managed to maintain its annual growth in a challenging market through business synergies with other Trustco operations and very stringent expense controls.

Micro Finance and Education

This sector achieved growth in revenue of 30% and net profits after tax of 31% from the year ended 31 March 2008 to the year ended 31 March 2009. The current course offerings produced better than expected growth in revenue. This is the second year that floods hampered sales during the main period of registration which runs from January to March. The Educational loan book balance grew by 45% from NAD 92 million at 31 March 2008 to NAD 133 million at 31 March 2009. Further, above average growth is expected in this sector as the demand for education remains high. The launch of e-learning training and accredited short courses will also be prominent in future sales and profits.

Property, Development and Media

Trustco restructured and merged these segments during the 2009 financial year as part of the Group's medium term strategy to be more versatile and to focus on its core business. This will put Trustco in a better position to roll out its core business into Africa through the launch of the exciting Trustco Mobile product and other business initiatives in the new financial year. The comparatives in the segments analysis have been restated accordingly.

Trustco acquired the remaining shareholding in Printas (Pty) Ltd for NAD 1 million and now has a 100% shareholding.

Trustco Mobile

This innovative concept provides free life cover for mobile phone subscribers upon the purchase of airtime from mobile operator partners. Trustco has successfully implemented this product in Namibia and is in the process of rolling it out to other African countries. Management expects Trustco Mobile to significantly boost Micro Insurance revenue and profit for this segment in the 2010 financial year and beyond.

Financial Services outside Namibia (South Africa)

Trustco Financial Services (Pty) Ltd ("TFS") contributed NAD 19.6 million to Group earnings which exceeded projections at the time of acquisition. Plans are to expand this business in the new year through further acquisitions and roll out of the renowned underwriting management software owned by TFS to African countries.

Small Related Party Transaction

Trustco has agreed to dispose of the Café Society Restaurant, located in Windhoek, Namibia, to Rotisa Training and Recruitment CC ("Rotisa"), an entity controlled by Wilhelm and Rolanda Grobler, for an amount of NAD 2 million ("the disposal").

In addition, Trustco entered into a loan agreement with Rotisa for an amount of NAD 2 million at an interest rate of 10% per annum in order to facilitate the disposal ("the loan agreement"). Mr Grobler is a director of Trustco Tourism (Pty) Limited, a subsidiary of Trustco, and Rolanda is his wife. In terms of the JSE Limited Listings Requirements, the disposal is accordingly a small related party transaction.

The Café Society Restaurant has not been a profitable part of Trustco's business and the board of directors believe that it is in the best interests of the shareholders of Trustco to implement the disposal and to enter into the loan agreement. An independent adviser acceptable to the JSE will be appointed to advise Trustco shareholders on whether the terms and conditions of the disposal are fair to the Trustco shareholders.

The effective date of the disposal is 25 March 2009.

The financial effects of the disposal and the entering into of the loan agreements are less than 3% on Trustco's earnings and headline earnings per share, asset value and tangible asset value per share based on the results contained in this announcement.

The proceeds of the disposal are to be utilised in the ordinary course of the company's business.

Basis of preparation of provisional results

The reviewed consolidated condensed financial results of the Group for the 12 months ended 31 March 2009 is provisional results as defined in paragraph 3.16 of the JSE Listings Requirements ("JSE") and Namibian Stock Exchange ("NSX") Listings Requirements and has been prepared in accordance with paragraphs 3.15 and 8.57 to 8.61 of the JSE and NSX Listings Requirements and have been presented in accordance with, and containing the information required by IAS34: Interim Financial Reporting.

The results have been prepared in accordance with accounting policies of the Group that comply with International Financial Reporting Standards and the Listings Requirements of the JSE Limited and the NSX and have been consistently applied throughout the Group, to all periods presented. BDO Spencer Steward (Namibia) and BDO Spencer Steward in South Africa are in the process of finalising the audit of the annual financial statements. Trustco Shareholders will be advised on the outcome of the audit as required in terms of the JSE and NSX Listings Requirements in due course.

Dividends Paid

The policy of the Group is to declare dividends of between four and five times cover. In view of the financial results and growth prospects, during June 2009 the board will consider what dividend, if any, should be declared.

Subsequent events

SABC Legal Action

Trustco Group International (Pty) Ltd is currently in an arbitration process with the South African Broadcasting Corporation (SABC) because of breach of contract by the SABC. A ruling was made on 2 April 2007 in favour of TGI by an independent arbitrator. 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. The preliminary amount claimed is NAD 140 million. However, the amount to be awarded is in the discretion of the arbitrator.

Funding

Trustco is in the process of obtaining further funding to support its Africa expansion plans. The proposed transaction with Barclays Capital PLC (Barclays) did not materialize as envisaged.

Micro Finance Government Deduction Code

The deduction code is renewable from time to time. The current code is valid until 30 August 2009. On previous occasions it was renewed whenever it came up for renewal. The Ministry of Finance undertook in writing on 15 April 2009 that should the deduction code expire, Trustco will be allowed to utilise the code until the then current loans are repayed without loading new students on the system.

Future outlook

The Board remains optimistic about the future and expects the extraordinary growth to continue. This growth will be a combination of organic, new ventures and acquisitions. Micro Insurance will remain an integral part of the group's strategy to achieve continued growth through the launch of new business initiatives into Africa (i.e. Trustco Mobile). Future growth will further be driven by Micro Finance and Education through new course offerings and the Lafrenz housing project. Trustco expects that the Group tax assets will be fully utilized during the next financial year resulting in a potential tax charge for the 2010 financial year.

Auditors review opinion

The provisional consolidated condensed financial results of the Group for the period ended 31 March 2009 have been reviewed by BDO Spencer Steward (Namibia) and BDO Spencer Steward in South Africa, who have expressed an unmodified review conclusion on the results. A copy of their report is available for inspection at the Company's registered office.

Appreciation

The Board and management wish to thank service providers and clients who have contributed to Trustco achieving exceptional results once again. In particular, the staff is thanked for their continuing extraordinary efforts.

By order of the Board

PJ Miller
Company Secretary
Windhoek, 28 May 2009

Directorate and Administration

Directors:

Directors: Dr. D Namwandi (Chairman), Mr. A Toivo Ya Toivo (Non-Executive), Mrs. V de Klerk (Non-Executive), Mrs. M Nashandi (Non-Executive), Mr. FJ Abrahams (Financial Director), Mr. G Walters (Director: New Business), Mr. Q van Rooyen (Managing Director)

Registered office:

Namibia
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Windhoek
Website: <http://www.tgi.na>
Registration No. 2003/058

RSA
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Parktown,
2193, South Africa

Transfer secretary (Namibia):

Transfer Secretaries (Pty) Ltd
Kaiserkrone Centre, Post Street Mall
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Registration No. 93/713
Telephone: +264 61 22 76 47
Facsimile: +264 61 24 85 31

Transfer Secretaries (South Africa):

Computershare Investor Services (Pty) Ltd
Registration number 2004/003647/07
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Auditors:

Namibia
BDO Spencer Steward (Namibia)
Registered Accountants and Auditors
Chartered Accountants (Namibia)
61 Bismarck Street, Windhoek, Namibia

RSA
BDO Spencer Steward
Registered Auditors
BDO Place 457,
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Pretoria, South Africa

Sponsors:

Namibia
IJG Securities (Pty) Ltd
Member of the NSX
100 Robert Mugabe Avenue
P O Box 186, Windhoek, Namibia
Registration No. 95/505

RSA
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CONSOLIDATED BALANCE SHEETS

	% change	Reviewed 2009 NS '000	Audited 2008 NS '000
ASSETS			
Non-current assets			
Property, plant and equipment	8%	154 210	142 529
Investment properties	(8%)	33 753	36 812
Intangible assets	7%	186 942	174 605
Deferred income tax assets	147%	45 147	18 296
Educational loans advanced	32%	79 003	59 966
Other loans advanced	100%	24 188	-
Finance lease receivable	(21%)	1 276	1 613
<i>Total non-current assets</i>	21%	524 519	433 821
Current assets			
Available-for-sale financial assets	60%	10 035	6 291
Short-term portion of educational loans advanced	68%	54 024	32 082
Short-term portion of other loans advanced	100%	386	-
Short-term portion of finance lease receivables	5%	337	322
Amounts due by related parties	100%	3 002	-
Inventories	(2%)	30 244	30 972
Trade and other receivables	(7%)	31 018	33 358
Current income tax assets	57%	263	167
Cash and cash equivalents	10%	108 496	98 927
<i>Total current assets</i>	18%	237 805	202 119
Total assets	20%	762 324	635 940
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	100%	162 645	-
Stated capital	(100%)	-	141 448
Deemed treasury shares	46%	(19 137)	(35 359)
Vendor shares	(58%)	14 976	35 526
Contingency reserves	340%	726	(303)
Revaluation reserves	32%	16 851	12 801
Distributable reserves	80%	194 416	107 862
<i>Attributable to equity holders of the parent</i>	41%	370 477	261 975
Minority interest	100%	-	(1 139)
<i>Total capital and reserves</i>	42%	370 477	260 836
Non-current liabilities			
Long-term liabilities	8%	117 832	109 503
Other liabilities	70%	1 590	936
Deferred income tax liabilities	6%	27 062	25 466
Policy holders' liability under insurance contracts	24%	2 472	2 001
Amounts due to related parties	(52%)	15 786	32 849
<i>Total non-current liabilities</i>	(4%)	164 742	170 755
Current liabilities			
Current portion of long-term liabilities	6%	15 700	14 854
Current portion of other liabilities	(46%)	1 128	2 083
Trade and other payables	12%	177 846	159 353
Technical provisions	44%	15 834	11 018
Provision for share appreciation rights	12%	1 522	1 361
Current income tax liabilities	(24%)	128	169
Bank overdraft	(4%)	14 947	15 511
<i>Total current liabilities</i>	11%	227 105	204 349
Total equity and liabilities	20%	762 324	635 940

CONSOLIDATED INCOME STATEMENTS

	% change	Reviewed 2009 NS '000	Audited 2008 NS '000
Insurance premium revenue	24%	93 745	75 704
Revenue	88%	390 667	208 207
Total revenue	71%	484 412	283 911
Cost of sales	(116%)	(257 172)	(118 928)
Gross profit	38%	227 240	164 983
Investment income	(80%)	4 500	22 406
Fair value gains and losses	45%	2 730	1 889
Other income	(11%)	33 521	37 776
Insurance benefits and claims	(11%)	(21 760)	(19 688)
Transfer to policyholder liabilities	(72%)	(471)	(274)
Change in unearned premium provision	92%	(63)	(759)
Administrative expenses	(40%)	(153 796)	(109 581)
Finance costs	34%	(25 375)	(38 201)
Profit before taxation	14%	66 526	58 551
Taxation	39%	26 852	19 364
Profit for the period	20%	93 378	77 915
Attributable to:			
Equity holders of the parent	19%	92 423	77 682
Minority interest	310%	955	233
	20%	93 378	77 915
Earnings per shares:			
Basic earnings per share (cents)	8%	14.00	13.01
Diluted earnings per share (cents)	9%	13.49	12.33
Dividends per share (cents)	100%	1.00	0.50

SEGMENT ANALYSIS

	% change	Reviewed 2009 NS '000	Audited 2008 NS '000
Total revenue			
Micro Insurance	24%	93 745	75 704
Micro Finance and Education	30%	71 197	54 889
Financial services outside Namibia	159%	267 843	103 589
Property, development and media	4%	51 627	49 729
	71%	484 412	283 911
Net profit after tax			
Micro Insurance	30%	36 227	27 829
Micro Finance and Education	31%	30 015	22 871
Financial services outside Namibia	(8%)	19 561	21 159
Property, development and media	(5%)	3 139	3 305
Investment related services	38%	3 481	2 518
	19%	92 423	77 682
Total assets			
Micro Insurance	7%	29 688	27 746
Micro Finance and Education	41%	150 795	106 597
Financial services outside Namibia	27%	195 822	154 265
Property, development and media	46%	299 700	205 044
Investment related services	(39%)	86 319	142 288
	20%	762 324	635 940
Total liabilities			
Micro Insurance	23%	21 174	17 205
Micro Finance and Education	83%	31 977	17 491
Financial services outside Namibia	6%	130 209	123 323
Property, development and media	26%	180 053	143 436
Investment related services	(61%)	28 434	73 649
	4%	391 847	375 104

CONSOLIDATED CASH FLOW STATEMENTS

	% change	Reviewed 2009 NS '000	Audited 2008 NS '000
Cash flow from operating activities			
Cash generated from operations	38%	96 325	69 766
Interest received	13%	4 500	3 988
Dividends received	(100%)	-	18 418
Finance costs	34%	(25 375)	(38 201)
Net educational loans advanced	(45%)	(40 979)	(28 201)
Dividends paid	(124%)	(6 698)	(2 986)
Taxation paid	(490%)	(720)	(122)
Net cash flow from operating activities	19%	27 053	22 662
Cash flow from investing activities			
Additions to property, plant and equipment	34%	(13 694)	(20 600)
Additions to investment properties	97%	(72)	(2 461)
Additions to intangible assets	45%	(13 434)	(24 280)
Acquisition of subsidiary, net of cash acquired	(100%)	-	45 483
Additions to available-for-sale financial assets	100%	(3 744)	-
Acquisition of minority interest in entity under common control	100%	(1 000)	-
Proceeds on sale of property, plant and equipment	21%	1 324	1 092
Proceeds on sale of investment properties	(100%)	-	141
Proceeds on sale of intangible assets	(100%)	-	1 270
Proceeds on sale of available-for-sale financial assets	(100%)	-	131 249
Net cash flow from investing activities	(123%)	(30 620)	131 894
Cash flow from financing activities			
Costs of share issue	100%	(49)	-
VAT on listing costs	100%	-	(472)
Redemption of vendor shares in cash	100%	(1 157)	-
Sale of deemed treasury shares	100%	19 266	-
Proceeds from long term liabilities	(73%)	9 175	33 874
Repayment of other liabilities	82%	(301)	(1 704)
(Repayment of)/proceeds from related party loans	(152%)	(13 705)	26 167
Decrease in policy holder under insurance contracts	72%	471	274
Repayment of term loan and unsecured long term liabilities	100%	-	(135 525)
Net cash flow from financing activities	118%	13 700	(77 386)
Net change in cash and cash equivalents	(87%)	10 133	77 170
Cash and cash equivalents at beginning of period	1236%	83 416	6 246
Cash and cash equivalents at end of period	12%	93 549	83 416

RECONCILIATION OF HEADLINE EARNINGS TO EARNINGS ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

	% change	Reviewed 2009 NS '000	Audited 2008 NS '000
Earnings for the purposes of basic earnings per share being the profit attributable to ordinary shareholders		92 423	77 682
<i>Adjustments net of taxation:</i>		(21 059)	(31 299)
Loss/(profit) on disposal of property, plant & equipment		131	(83)
Fair value adjustments on investment properties		(1 682)	(1 284)
Gain on loan written off		(7 216)	-
Profit on disposal of non-core divisions		(12 292)	-
Negative goodwill		-	(27 702)
Disposal of intangible asset		-	(2 230)
Headline earnings	54%	71 364	46 383
Weighted number of ordinary shares for the purposes of basic earnings per share ('000)		660 197	597 202
Contingently issuable shares as a result of business acquisition ('000)		24 960	32 730
Weighted number of ordinary shares for the purposes of diluted earnings per share ('000)		685 157	629 932
Basic earnings per share (cents)	8%	14.00	13.01
Diluted earnings per share (cents)	9%	13.49	12.33
Headline earnings per share (cents)	39%	10.81	7.77
Diluted headline earnings per share (cents)	41%	10.42	7.36

CONSOLIDATED STATEMENTS OF MOVEMENT IN EQUITY

	Stated Capital NS '000	Share Capital NS '000	Share Premium NS '000	Deemed trea- sury shares NS '000	Vendor Shares NS '000	Other Reserves NS '000	Distributable Reserves NS '000	Minority Interest NS '000	Total NS '000
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
Vendor shares to be issued as result of business combination	-	-	-	-	35 526	-	-	-	35 526
Sale of deemed treasury shares of Trustco Staff Share Incentive Scheme Trust	-	-	-	9 692	-	-	-	-	9 692
<i>Net income/(expense) recognised directly in equity</i>	141 448	-	-	(35 359)	35 526	12 498	33 166	(1 372)	185 907
Profit for the year	-	-	-	-	-	-	77 682	233	77 915
<i>Total recognised income and expenses for 2008</i>	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)	260 836
Balance at 1 April 2008	141 448	-	-	(35 359)	35 526	12 498	107 862	(1 139)	260 836
Transfer to contingency reserve	-	-	-	-	-	1 029	(1 029)	-	-
Vendor shares issued as result of business combination	19 636	-	-	-	(19 636)	-	-	-	-
Vendor shares settled in cash	-	-	-	-	(914)	-	-	-	(914)
Costs of share issue	(49)	-	-	-	-	-	-	-	(49)
Revaluation of property, plant and equipment, net of deferred tax and release of depreciation to income statement	-	-	-	-	-	4 050	-	-	4 050
Sale of deemed treasury shares of Trustco Staff Share Incentive Scheme Trust	-	-	-	16 222	-	-	-	-	16 222
Profit on sale of deemed treasury shares	-	-	-	-	-	-	3 042	-	3 042
Conversion of no-par value shares to par value shares	(161 035)	161 035	-	-	-	-	-	-	-
Share issue	-	1 610	3 361	-	-	-	-	-	4 971
Listing costs	-	-	(3 361)	-	-	-	-	-	(3 361)
Acquisition of minority interest in entity under common control	-	-	-	-	-	(1 184)	184	-	(1 000)
<i>Net income/(expense) recognised directly in equity</i>	-	162 645	-	(19 137)	14 976	17 577	108 691	(955)	283 797
Profit for the year	-	-	-	-	-	-	92 423	955	93 378
<i>Total recognised income and expenses for 2009</i>	-	162 645	-	(19 137)	14 976	17 577	201 114	-	377 175
Dividends for the period	-	-	-	-	-	-	(6 698)	-	(6 698)
Balance at 31 March 2009	-	162 645	-	(19 137)	14 976	17 577	194 416	-	370 477



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