

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
ISIN Number: NA000AORF067
("Trustco" or "the Company")

ACQUISITION OF CUMBRAE ISLAND INVESTMENTS, EEP 101 AND KUISEB COUNTRY ESTATE BY TRUSTCO PROPERTY HOLDINGS (PTY) LTD AND WITHDRAWAL OF CAUTIONARY ANNOUNCEMENT

1. BACKGROUND INFORMATION

Trustco Property Holdings (Pty) Ltd ("**Trustco Properties**" or "**the Purchaser**") entered into three separate sale of shares agreements ("**the Agreements**") with Nico van der Westhuizen ("**the Seller**") to acquire 100% of the shares and shareholders loans (if any) in Cumbrae Island Investments (Pty) Ltd ("**Cumbrae**") ("**the Cumbrae Transaction**"), Elisenheim Estate Property Number One Hundred And One (Pty) Ltd ("**EEP 101**") ("**the EEP 101 Transaction**") and Kuiseb Country Estate (Pty) Ltd ("**Kuiseb**") ("**the Kuiseb Transaction**") (collectively "**the Transactions**").

The Agreements were all entered into on 19 December 2018.

2. DESCRIPTION OF THE BUSINESS CONDUCTED BY CUMBRAE, EEP101 AND KUISEB

- 2.1 Cumbrae is an investment holding company owning a number of properties ("**Cumbrae Properties**") forming part of the Lafrenz development which were originally disposed of by a subsidiary of the Company, namely Trustco Group International (Pty) Ltd to Cumbrae on 2 June 2016. A number of properties shall be retained by the Seller as per the sale of shares agreement entered into in respect of the Cumbrae Transaction ("**Cumbrae Retained Properties**").
- 2.2 EEP101 is an investment holding company owning a number of properties ("**EEP 101 Properties**") forming part of the Elisenheim development which were originally disposed of by a subsidiary of the Company, namely Elisenheim Property Development Company Limited to EEP 101 on 27 June 2017.
- 2.3 Kuiseb is an investment holding company owning a property in the Windhoek District of Namibia measuring 353.2588 Hectares and to be known as the Kuiseb Country Estate ("**Kuiseb Properties**").

3. RATIONALE FOR THE TRANSACTION

- 3.1 The acquisition of the Cumbrae Properties and its shareholders loans, and the EEP 101 Properties and its shareholders loans were funded via various loans provided to Cumbrae and EEP 101 by Trustco Capital (Pty) Ltd ("**Trustco Capital**").
- 3.2 The details of the loans referred to in 3.1 above are as follows:
- 3.2.1 The acquisition of the Cumbrae Properties by Cumbrae was funded via a loan from Trustco Capital on 15 February 2017 in the amount of NAD 371 296 280 ("**Cumbrae Acquisition Loan**"). A further loan was provided by Trustco Capital to Cumbrae on 22 March 2018 in the amount of NAD 30 000 000 to fund part of the development costs of the Cumbrae Properties ("**Construction Loan**").
- 3.2.2 The acquisition of the EEP 101 Properties by EEP 101 was funded via a loan from Trustco Capital on 28 June 2017 in the amount of NAD 465 102 375 ("**EEP 101 Acquisition Loan**"). A further loan was provided by Trustco Capital to EEP 101 on 28 June 2017 in the amount of NAD 371 296 280 to fund the acquisition of all of the issued share capital of Elisenheim Estate Property Number One Hundred (Pty) Ltd ("**EEP100 Acquisition Loan**").
- 3.3 The property market in Namibia experienced severe pressure due to the implementation of new regulations issued by Bank of Namibia ("BoN") determining loan to value restrictions when commercial banks extend mortgage loans to customers, causing a change in the demand and affordability for residential housing, with the result that it is no longer economically viable for the Seller on a short term basis. The advantage of Trustco's property division is the long-term view the Group has towards property development in Namibia and the fact that the property portfolio is extremely lowly geared.
- 3.4 The current economic constraints have not depleted the demand for serviced stands in Namibia and Trustco's s property prices across the Group's portfolio have remained intact. With this transaction and the Group's long term view in investment property, Trustco would be well-positioned in anticipation of the improved market liquidity and the recovery of the economy in future.

- 3.5 The Seller will not be pursuing any property developments in the foreseeable future and wishes to dispose of his total property development portfolio and therefore the Purchaser has the opportunity to acquire the Cumbrae Properties, EEP 101 Properties and Kuiseb Properties. As part of the Transaction the Purchaser also took over some key employees.
- 3.6 A decision was made by Trustco Properties that, because the properties owned by Cumbrae and EEP101 are situated so strategically within the Lafrenz and Elisenheim developments respectively, the future value Trustco Properties can extract from the properties is worth more than the debt / loan owed to Tustco Capital. Hence the decision to enter into the Cumbrae and EEP 101 Transactions with Trustco's longer term view of providing serviced land and naturally to ensure that the Lafrenz and the Elisenheim developments mature over time.
- 3.7 Following from the Seller's intention to withdraw from the Namibian property development market, certain properties in his development portfolio have become available for sale. Trustco Properties has identified the Kuiseb Property as a development from which it can extract long-term value in future.

4. PURCHASE CONSIDERATION

The total purchase consideration to be paid by the Purchaser to the Seller in respect of the Transactions is NAD 56 898 882 as set out below:

- 4.1 The total purchase consideration in respect of the Cumbrae Transaction is NAD 28 566 380 made up as follows:
- 4.1.1 A nominal value of NAD 1.00 per share, for 100 shares for a total amount of NAD 100.00; plus
- 4.1.2 all costs related to the opening, upkeep and updating of the company secretarial records of Cumbrae and all special purpose companies established and owned by Cumbrae, being not more than NAD 457 380.00; plus

4.1.3 All costs related to the negotiation, drafting, and settling of the sale of shares agreement in respect of the Cumbrae Transaction and the transfer of the issued share capital of Cumbrae, being NAD 132 250.00.

4.1.4 The Cumbrae Retained Properties valued at NAD 27 976 650.

4.2 The total purchase consideration in respect of the EEP 101 Transaction is NAD 22 332 402 made up as follows:

4.2.1 A nominal value of NAD 1.00 per share, for 100 shares for a total amount of NAD 100.00; plus

4.2.2 All costs related to the negotiation, drafting, and settling of the sale of shares agreement in respect of the EEP 101 Transaction and the transfer of the issued share capital of EEP 101, being NAD 332 302.00; plus

4.2.3 such reasonable and agreed upon amounts as may be due to the auditors and company secretaries of EEP 101 in respect of audit costs, annual duties and company secretary fees but not more than NAD 1 000 000; plus

4.2.4 an amount of NAD 21 000 000 payable in sixty equal monthly instalments which shall accrue interest at a rate of 8% per annum on all outstanding amounts.

4.3 The total purchase consideration in respect of the Kuiseb Transaction is NAD 6 000 100 made up as follows:

4.3.1 A nominal value of NAD 1.00 per share, for 100 shares for a total amount of NAD 100.00; plus

4.3.2 an amount of NAD 6 000 000 which shall be realised by the Seller via the disposal of the Cumbrae Retained Properties. In the event the Cumbrae Retained Properties are disposed of for more than NAD 6 000 000, the excess shall be refunded to the Purchaser.

5. WARRANTIES

- 5.1 The Agreements all contains legal warranties which are considered normal in respect of a transaction of this nature.

6. INDEMNITIES

- 6.1 In terms of the Cumbrae Transaction, the Purchaser shall keep the Seller indemnified against all liabilities that the Seller may incur, from whatsoever cause and howsoever arising, in respect of the Acquisition Loan, the Construction Loan and outstanding audit costs, annual duties and company secretarial costs up to a maximum amounts set out above.
- 6.2 In terms of the EEP 101 Transaction, the Purchaser shall keep the Seller indemnified against all liabilities that the Seller may incur, from whatsoever cause and howsoever arising, in respect of the EEP 101 Acquisition Loan and the EEP 100 Acquisition Loan.

7. SETTLEMENT OF THE TRANSACTION

The Purchase Consideration for the Transactions, will be funded from existing cash resources.

8. EFFECTIVE DATE

The effective date of the Transactions will be the fifth business day after all of the conditions precedent have been fulfilled or waived.

9. NET ASSETS AND PROFITS OF CUMBRAE, EEP 101 AND KUISEB

The value of the net assets of Cumbrae which is a subject of the Transaction as at 19 December 2018 was negative NAD 180 067. The loss after tax attributable to the net assets that is a subject of the Transaction for the period ended 30 September 2018 was NAD 0.

The value of the net assets of Cumbrae and the loss after tax attributable to such net assets has been extracted from the management accounts as approved by the director of the Seller of Cumbrae for the period ended 30 September 2018.

The value of the net assets of EEP 101 which is a subject of the Transaction as at 19 December 2018 was NAD 100. The profit after tax attributable to the net assets that is a subject of the Transaction for the period ended 30 September 2018 was NAD 0.

The value of the net assets of EEP 101 and the profit after tax attributable to such net assets has been extracted from the management accounts as approved by the director of the Seller of EEP 101 for the period ended 30 September 2018.

The value of the net assets of Kuiseb which is a subject of the Transaction as at 19 December 2018 was NAD 100. The profit after tax attributable to the net assets that is a subject of the Transaction for the year ended 30 September 2018 was NAD 0.

The value of the net assets of Kuiseb and the profit after tax attributable to such net assets has been extracted from the management accounts as approved by the director of the Seller of Kuiseb for the year ended 30 September 2018.

10. CONDITIONS PRECEDENT

10.1 The Transactions are subject to the fulfilment or waiver, of the following conditions precedent ("**Conditions Precedent**") on or before the Effective Date (or such later date as the parties may agree to):

10.1.1 approval by the Namibian Competition Commission and Bank of Namibia or similar regulatory approvals, if required;

10.1.2 approval by the respective boards.

10.2 In addition to 10.1 above, the Kuiseb Transaction is also subject to a condition precedent that the Cumbrae Retained Properties are disposed of.

11. MOI'S OF ACQUIRED COMPANIES

11.1 The memorandum of incorporation ("**MOI**") of Cumbrae, EEP 101 and Kuiseb will be amended so as to conform to Schedule 10.21 of the Listings Requirements, as required.

12. CLASSIFICATION OF THE TRANSACTIONS

The Transactions collectively are classified as a Category 2 transaction in terms of the Listing Requirements of the JSE Limited (“**Listings Requirements**”). The total aggregate purchase consideration for the Transactions and the total aggregate amounts to be indemnified by the Purchaser were utilised for purposes of the categorisation calculation.

13. WITHDRAWAL OF CAUTIONARY ANNOUNCEMENT

Trustco shareholders are referred to the initial cautionary announcement, dated 28 September 2018, and the renewal of such cautionary announcement dated 19 November 2018 and are advised that all negotiations in respect of the transactions which were the subject of the above cautionary announcement have been concluded and as a result caution is no longer required to be exercised by shareholders when dealing in the Company’s securities.

Windhoek, Namibia

20 December 2018

Amanda Bruyns

Company Secretary

Trustco Group Holdings Limited

JSE Sponsor

Vunani Corporate Finance

NSX Sponsor

Simonis Storm Securities Proprietary Limited