



## 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 Company")

## Disposal by Trustco Property Holdings Proprietary Limited of a Property Known as Herbotho to Constantia Risk and Insurance and Cautionary Announcement

### 1. INTRODUCTION

Shareholders are advised that Trustco Property Holdings Limited ("**Trustco Properties**"), a wholly owned subsidiary of Legal Shield Holdings Limited ("**LSH**"), and Constantia Risk and Insurance Holdings Limited ("**Constantia**") ("**the Parties**") entered into a binding share sale and subscription agreement ("**Sale and Subscription Agreement**") in terms of which Trustco Properties shall dispose of 100% of the issued share capital ("**Sale Shares**") and all loan accounts (if any) of Herbotho Property Development Company (Proprietary) Limited ("**Herbotho**"), a wholly owned subsidiary of Trustco Properties, to Constantia for a total consideration ("**Purchase Consideration**") of NAD 1 000 000 000 ("one billion Namibia Dollars") ("**The Transaction**").



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\*(South Africa)



The Purchase Consideration shall be settled *via* a combination of cash (“**Cash Consideration**”) and a new issue of shares (“**Subscription Shares**”) in Constantia, as detailed in paragraph 6 below.

## 2. DESCRIPTION OF THE BUSINESS CONDUCTED BY HERBOTHs

Herboths is the holder of the property described as the remainder of the Farm Herboths No.485, situated in the Settlement Area of Kapps Farm in the Windhoek District, Khomas Region, Namibia, measuring 2 605 ( two thousand six hundred and five) hectares and to be known as the Herboths Blick Township (“**HB Property**”).

Trustco Properties is in the process of undertaking a number of activities to develop the HB Property including planning, registration as a township, subdivision and servicing of the HB Property *via* the installation of internal service infrastructure including, water, roads, sewerage, drainage and electricity connections and ultimately the sale of the residential and business erven to third party purchasers (“**HB Development**”).

The HB Property consist of approximately 1 660 (one thousand six hundred and sixty) hectares of sellable land and represents a long-term high value development opportunity.

Shareholders may obtain more information on the HB Property from this video link: [https://www.youtube.com/watch?v=U35UuP\\_bV98&t=2s](https://www.youtube.com/watch?v=U35UuP_bV98&t=2s). Shareholders are also encouraged to review Volume ii of Trustco’s 2019 Integrated Annual Report for more detail on Herboths at [www.tgh.na](http://www.tgh.na).



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### 3. DESCRIPTION OF THE BUSINESS CONDUCTED BY CONSTANTIA

Constantia offers a range of niche insurance and risk management solutions in South Africa, covering areas such as medical malpractice cover, primary health insurance and medical gap cover products, funeral and life insurance, guarantee and indemnity solutions, medical evacuation insurance and niche motor and property lines. It operates both in the short term and long term insurance markets and has access to substantial growth opportunities.

### 4. RATIONALE FOR THE TRANSACTION

4.1 It is the business of Trustco Properties to develop properties and sell to third parties. In terms of this Transaction, Trustco Properties sells a property at a market related value, in the ordinary course of business to the value of NAD 1 000 000 000 (one billion Namibia Dollars).

4.2 Through the Transaction, Constantia's net equity value increases, facilitating new growth prospects for Constantia.

### 5. EFFECTIVE DATE AND CLOSING DATE

The effective date of the Transaction shall be 30 December 2019 or the soonest practical date thereafter.

The closing date ("**Closing Date**") of the Transaction shall be the 5<sup>th</sup> business day after the fulfilment of the conditions precedent ("**Conditions Precedent**") set out in paragraph 9 below.



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## 6. SETTLEMENT OF THE PURCHASE CONSIDERATION

The Purchase Consideration shall be settled *via* a combination of the Cash Consideration and the issuance of the Subscription Shares in Constantia as set out below.

### 6.1 Cash Consideration

The Cash Consideration shall be equal to NAD 50 000 000 (Fifty million Namibia Dollars) and shall take the form of a fully refundable deposit, which deposit will become non-refundable and become part of the payment of the Purchase Consideration on the Closing Date.

The Cash Consideration shall be paid as follows:

- NAD 20 000 000 (twenty million Namibia Dollars) on or before the 5<sup>th</sup> of February 2020; and
- The balance of the Cash Consideration to be paid within 90 days from the Signature Date.

Should the Conditions Precedent not be fulfilled or waived by the parties in writing on or before 31 March 2020, or such later date as the parties may in writing agree upon, Trustco Properties shall refund the Cash Consideration above in full to Constantia on or before 10 July 2020.

### 6.2 Issue of Subscription Shares

The balance of the Purchase Consideration shall be settled *via* the allotment of the Subscription Shares to the value of NAD 950 000 000 (nine hundred and fifty million Namibia Dollars) to the Seller or its nominee, on the Closing Date, subject to any adjustment made to the Purchase Consideration as set out in paragraph 8 below.



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### 6.3 Trustco Property shareholding in Constantia

Shareholders are referred to the announcement released on SENS on 9 December 2019 regarding the acquisition by LSH of Constantia, (“**Constantia Acquisition**”) for a purchase consideration of NAD 2,000,004,232 (Two billion four thousand two hundred and thirty two Namibia Dollars) (“**Constantia Acquisition Purchase Price**”).

The Transaction will result in the agreed upon value of Constantia increasing by the Purchase Consideration and the Parties agree that the Transaction will not increase the Constantia Acquisition Purchase Price.

As the Subscription Shares to be issued to Trustco Properties shall be equal to NAD 950 000 000, Trustco Properties or its nominee shall own approximately 32.2% of Constantia post the issuance of the Subscription Shares.

The exchange rate of NAD to ZAR is 1:1

### 7. APPLICATION OF THE PURCHASE CONSIDERATION

The Cash Consideration shall be used by Trustco Properties for working capital purposes in the ordinary course of business. The Subscription Shares shall be held as an investment.

### 8. ADJUSTMENT OF THE PURCHASE CONSIDERATION

Both Trustco Properties and Constantia are entitled to obtain a valuation, which must be completed within 4 (four) weeks of the Signature Date of the Sale Shares from an independent



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accredited valuator in Namibia experienced in the valuation of publicly listed entities in the real estate sector, based on the valuation of the HB Property on the basis of the already obtained regulatory approvals for the commencement of the HB Development.

The average of the above two valuations obtained (“**Average Property Valuation**”) shall be utilised for purposes of determining whether the Purchase Consideration is required to be reduced or increased.

In the event that the Average Property Valuation is 5% lower than the Purchase Consideration, and the Parties are unable to agree on an adjustment to the Purchase Consideration based on their respective valuations, the Purchase Consideration will be reduced in accordance with the Average Property Valuation, provided that if the adjustment based on the Average Property Valuation reduce the Purchase Consideration below NAD 800 000 000 (eight hundred million Namibia Dollars) either Party will have an option to cancel the Agreement by giving 5 (five) days’ notice to the other Party. The reduction in the Purchase Consideration will be effected *via* a reduction in the number of Subscription Shares to be issued to Trustco Properties or its nominee.

In the event that the Average Property Valuation is 5% higher than the Purchase Consideration, the Purchase Consideration will be increased in accordance with the Average Property Valuation. The increase in the Purchase Consideration will be effected *via* a reduction in the number of Sale Shares to be disposed of or via an increase in the number of Subscription Shares to be issued to Trustco Properties, at the election of Trustco Properties.



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Under no circumstances will the Subscription Shares to be issued to Trustco Properties in terms of the Sale and Subscription Agreement exceed 49,9% of the issued share capital of Constantia.

## 9. CONDITIONS PRECEDENT

The Transaction is subject to the fulfilment or waiver of the following Conditions Precedent on or before 31 March 2020, or such longer period as the parties may agree upon:

- 9.1 The Purchaser has taken all required corporate action and obtained all required corporate approval for the issue and allotment of the Subscription Shares to the Seller or its nominee as payment in full to the Seller for the Sale Shares.
- 9.2 The Parties obtain all regulatory approvals in principle required for the execution of the Transaction by both parties.
- 9.3 The Parties and or their nominees entering into an arm's length market related Property Services and Management Agreement in form and substance acceptable to each of the Parties, including to provide for the payment of a property management fee in an amount equal to 1% of the value of the relevant Sold Shares from time to time which agreement must be completed within 4 (four) weeks from the Signature Date.

The Parties will use all reasonable endeavours to ensure the prompt satisfaction of the Conditions Precedent.



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## 10. NET ASSETS AND PROFITS

### Herboth's

The book value of the consolidated net assets of Herboth's at 30 September 2019 was NAD 137.5 million. The profit after tax attributable to the net assets of Herboth's for the 6 months ended 30 September 2019 was NAD 364 433.

The above financial information has been extracted from the unaudited results of Herboth's for the six months ended 30 September 2019 which were prepared in terms of International Financial Reporting Standards.

Shareholders are furthermore referred to the announcements on SENS dated 3 September and 9 October 2019 in terms whereof it was confirmed that the Need and Desirability for Township establishment on the HB Property was approved and that it was anticipated that the approval would have a material impact on the HB Property.

### Constantia

The book value of the consolidated net assets of Constantia at 30 June 2019 was ZAR699 million. The loss after tax attributable to the net assets of Constantia for the year ended 30 June 2019 was ZAR 582 million.

The above financial information has been extracted from the audited results of Constantia for the twelve months ended 30 June 2019 which were prepared in terms of International Financial Reporting Standards.



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## 11. CLASSIFICATION OF THE TRANSACTION

### Related party transaction

Sean Riskowitz controls Protea Asset Management (“**Protea**”). Protea is the Investment Advisor to the Riskowitz Value Fund LP and other accounts (“**RVF**”).

RVF and its associates are material shareholders of Trustco owning approximately 32% of the issued share capital of Trustco and thus considered to be a related party to Trustco in terms of paragraph 10.1(b) (i) of the Listings Requirements of the JSE Limited (“**JSE Listings Requirements**”).

RVF and its associates jointly manages and control more than 35% of Conduit meaning RVF and its associates are considered to be related parties to Conduit in terms of paragraph 10.1(b) (i) of the JSE Listings Requirements as they are a material shareholder of Conduit.

Trustco Properties is a wholly owned subsidiary of LSH. LSH in turn is owned 80% by Trustco and 20% by RVF. Constantia is a wholly owned subsidiary of Conduit. Therefore Trustco Properties and Constantia are considered to be related parties in terms of paragraph 10.1(b) (vii) of the JSE Listings Requirements.

Therefore as Trustco Properties and Constantia are considered to be related parties and that the Purchase Consideration is approximately 16% of Trustco’s market capitalization at the time of signing the Sale and Subscription Agreement, the Transaction is considered to be a category 2 related party transaction in terms of section 10 and paragraph 9.5(a) of the JSE Listings Requirements requiring a fairness opinion to be prepared by an independent expert



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and the approval of Trustco shareholders via an ordinary resolution, excluding any related parties.

A circular containing the full details of the Transaction, incorporating a notice convening the required general meeting of shareholders, a copy of the fairness opinion and any other required documentation, will be distributed to Shareholders in due course.

The salient dates and times of the Transaction, including the date of the general meeting of Shareholders, will be announced in due course.

## 12. CAUTIONARY ANNOUNCEMENT

Shareholders are referred to the announcement released on SENS on 9 December 2019 in respect of the Constantia Acquisition.

Given that the intention is to conclude the Transaction referred to herein in advance of implementing the Constantia Acquisition and that the Transaction may have an effect on the terms and structure required to implement the Constantia Acquisition, Shareholders are advised to exercise caution when dealing in the Company's securities until a further announcement relating to the terms and structure of the Constantia Acquisition is made.

11 February 2020

Heleen Steyn

**Acting Company Secretary**

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