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W. CONSULTING

4 December 2024

To: The Directors

Trustco Group Holdings Limited
2 Keller Street
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Namibia

Subject: Draft Fairness Opinion on the Proposed Related Party Transaction between Trustco Group Holdings Limited and the shareholders of Legal Shield Holdings Ltd

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1. Introduction

On 17 April 2024, Trustco Group Holdings Limited ("TGH" or "the issuer") proposed to acquire 1,135 shares in Legal Shield Holdings Ltd (LSH), constituting 11.35% of LSH's issued share capital. Trustco will issue 400,000,000 Trustco shares as payment for this interest in LSH ("the transaction").

LSH and the shareholders of LSH are related parties to TGH. In terms of JSE listing requirements 10.4(f) "*the issuer must include a statement by the board of independent directors confirming whether the transaction is fair insofar as the shareholders of the issuer are concerned and that the board of directors has been so advised by an independent expert acceptable to the JSE*...".

The board of directors of TGH ("the Board") has therefore requested W Technical Consulting Proprietary Limited ("W. Consulting") to act as independent professional expert in terms of the JSE Listings Requirements. The Board further mandated us to comment on the reasonableness of the transaction.

This fairness opinion has been prepared in compliance with JSE Listings Requirements. The purpose of this document is to outline the procedures conducted, the documents reviewed, the valuation methodologies applied, and the resulting conclusions.

2. Description of the Proposed Transaction

Management of Trustco Group Holdings Limited ("Management") indicated that the proposed transaction will enable Trustco to increase its stake in Legal Shield Holdings Ltd (LSH). Subject to the fulfilment of the conditions precedent ("CPs") of the Proposed Transaction as set out in the Sale and Conversion Agreement ("SCA"), Trustco will acquire 1,135 ordinary shares in LSH, which will result in Trustco holding 11.35% of LSH's issued share capital ("the Sale Shares"). According to the SCA, the consideration payable by Trustco to Riskowitz Value Fund LP ("the Seller") is the issuance of 400,000,000 new Trustco shares at a price of 117 South African cents per share ("the Consideration").
The key terms of the transaction are as follows:

- Trustco will issue 400,000,000 new shares to the Seller as Consideration.
- The Sale Shares constitute 11.35% of LSH's issued share capital.
- The Consideration is to be paid in two tranches: the first 200 million shares within seven days of the Effective Date and the remaining 200 million shares within twelve months thereafter, unless earlier issuance is advised by the Company Secretary as agreed by the parties to contract.
- The Sale Shares will be transferred to Trustco upon the issuance and registration of the new Trustco shares (first tranche).

Trustco's rights and economic interest in LSH pursuant to the Proposed Transaction are summarised as follows:

- Trustco will hold 11.35% of the shares issued by LSH.
- Trustco will issue 400,000,000 shares to the Seller as Consideration.
- The ownership, risk, and benefit in respect of the Sale Shares will transfer from the Seller to Trustco upon the effective issuance and registration of the Consideration shares. This will be after the first tranche.

The transaction aims to strengthen Trustco's strategic position in the market by consolidating its ownership in LSH, providing greater control and influence over the business operations of LSH.

3. Definition of Fairness and Reasonableness

Definition of fairness

The JSE requires an opinion on fairness which, in the case of the proposed transaction where the issuer is the purchaser, would be considered fair should the market value of the interest in LSH be greater than or equal to the consideration paid by TGH.

Since TGH shares are not actively traded on the JSE, a Discounted Cash Flow (DCF) valuation technique was used to determine a fair value for Trustco Group Holdings (TGH). This approach is especially relevant given the limited trading activity, which means that the share price may not reflect TGH's true market value. Consequently, market-based valuation methods, such as trading multiples or recent share prices, may be unreliable. The JSE requires this fairness opinion to specifically assess whether the transaction is fair to TGH shareholders by evaluating whether TGH is acquiring the interest in LSH at a reasonable price.

In this case, TGH is acquiring an 11.35% interest in LSH, and the fairness opinion must verify that the market value of this interest is at least equal to or greater than the purchase price. If so, the transaction would be considered fair from a financial perspective, as TGH would acquire the interest at a reasonable value, safeguarding shareholder interests. The DCF valuation plays a critical role by providing an objective assessment of LSH's intrinsic value, ensuring that TGH is not overpaying, particularly given the lack of reliable market prices due to low trading volumes. This approach aligns with JSE requirements and supports a conclusion on fairness rooted in TGH's commitment to long-term value creation and financial prudence.

As the transaction involves the exchange of two equity instruments—400,000,000 TGH shares for an 11.35% interest in LSH—our assessment required an evaluation of the fair values of both TGH and LSH. To determine the fairness of the proposed transaction, we estimated the fair value (as defined below) of the 11.35% interest in LSH and incorporated it into the calculation of the dilution effect on TGH shares. The diluted price per TGH share was calculated by dividing the combined fair value of TGH and the 11.35% interest in LSH by the total number of outstanding TGH shares, plus the 400,000,000 new shares to be issued to the seller. Our valuation analysis was conducted as at 30 September 2024.

Fair value is the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion.

Given this, it is important to question whether a true market exists for TGH shares, considering the limited trading activity and inconsistent price movements. The infrequency of trades and potential for significant price volatility suggest that the market price of TGH shares may not provide a reliable indication of fair value, as it does not reflect an efficient market where value is consistently determined by informed buyers and sellers. In such circumstances, the lack of active trading volume highlights the need for alternative valuation methods, such as a Discounted Cash Flow (DCF) approach, to achieve a more accurate and fair assessment of value.

This fairness opinion does not purport to cater for individual shareholders' positions but rather the general body of shareholders. Should a shareholder be in doubt, they should consult an independent adviser as to the merits of the proposed transaction.

Definition of reasonableness

The JSE only requires that the expert opine on the fairness of a transaction although it would allow the expert to opine on the reasonableness, provided detailed disclosure is made in this regard. Fairness is based on quantitative issues and reasonableness on qualitative issues. For illustrative purposes, in the case of a disposal to a related party, the transaction may be said to be fair if the consideration payable by the related party is equal to or greater than the value of the business that is the subject of the transaction. In other instances, even though the consideration may be lower than the value of the business, the transaction may be said to be reasonable in certain circumstances, after considering other significant qualitative factors. Examples of these factors include:

1. Enhanced Return on Investment (ROI): For an investment entity, increasing its ownership in a profitable subsidiary amplifies the potential for returns on invested capital. The Transaction may boost the subsidiary’s contribution to the overall portfolio, increasing income from dividends, cash flows, or earnings, which enhances the investment entity’s portfolio performance and supports its objectives of maximising shareholder value.
2. Improved Valuation and Liquidity Potential: An increased ownership stake can potentially improve the subsidiary's valuation over time, as the investment entity's commitment may enhance investor confidence in the subsidiary’s growth. Additionally, in the event of a future sale, a larger stake could make the entity more attractive to potential buyers, improving liquidity options and maximising exit potential.
3. Flexibility for Future Strategic Actions: Increasing the stake now may offer flexibility for future strategic actions, such as a full buyout, potential listing, or partial divestment. By securing a larger ownership position, the investment entity positions itself to capitalise on such options when market conditions are favourable, thereby managing risk and optimising value.
4. Enhanced Cash Flow Stability: For investment entities, a key goal is generating steady, reliable cash flows. By increasing its economic interest in the subsidiary, the investment entity secures a larger share of dividends or profit distributions, thereby enhancing portfolio cash flow stability and helping to meet investor expectations for consistent returns.

These qualitative factors illustrate how, even with existing control, an investment entity can justify acquiring additional shares to strengthen portfolio returns, improve asset management flexibility, and align with its long-term investment strategy. This added value makes the transaction reasonable from a strategic perspective, supporting the investment entity’s mandate to create value for its investors.

4. Sources of Information

In the course of our valuation analysis, we relied upon financial and other information, including prospective financial information, obtained from TGH and LSH management ("Management"), and from various public, financial, and industry sources. Our conclusion is dependent on such information being complete and accurate in all material respects.
As the appointed expert, I have undertaken reasonable steps to ensure that the information relied upon in this valuation is appropriate and reliable:

1. Management Discussions and Validation: I engaged in detailed discussions with the management teams of TGH to obtain a clear understanding of the financial and operational information, as well as the underlying assumptions supporting the prospective financial data provided. Management has confirmed that all material information presented is accurate and complete.
2. Cross-Verification with Independent Sources: To corroborate the data provided, I cross-referenced key financial and industry-specific information with reputable public sources and relevant industry benchmarks. This process was undertaken to ensure alignment with current market trends and independently sourced data, providing an additional layer of verification.
3. Historical Accuracy Assessment: I reviewed historical financial data, assessing the accuracy of past forecasts relative to actual outcomes. This analysis provided an indicator of management’s track record in forecasting, lending credibility to the current projections used in the valuation.
4. Independent Analysis of Assumptions: Key assumptions—such as growth rates, discount rates, and sector-specific drivers—were independently assessed for reasonableness. Sensitivity analyses were also conducted on critical assumptions to understand the range of potential outcomes, ensuring robustness in the valuation conclusions.
5. Reliance Statement: My opinion and conclusions are explicitly contingent on the assumption that the information provided by management is accurate and complete in all material respects. Any material inaccuracies, omissions, or misstatements in the information provided would directly impact the valuation outcome.

Through these procedures, I have taken all reasonable steps to satisfy myself that the information used is reliable and suitable for an objective and fair valuation analysis.
The principal sources of information being used in performing our valuation include:

- The Sale and Conversion Agreement ("SCA")
- Addendum to the SCA
- Income forecasts for LSH:
    - Trustco Life up to 31 July 2034
    - Trustco Insurance up to 31 March 2034
    - LSH properties up to 30 September 2034
    - Real Estate Rentals & Services up to 31 March 2034
- Board presentations and other presentations relating to the transaction and forecast assumptions obtained from management
- Audited annual financial statements for TGH from the year ended 31 March 2019 up to 31 August 2023 and interim financial statements as at 29 February 2024.
- Income forecasts for TGH subsidiaries up to 2034
- Discussions with management
- Macroeconomic research from sources such as the International Monetary Fund, South African Reserve Bank, and various financial institutions
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Where practicable, we have corroborated the reasonableness of the information provided to us for the purpose of supporting our opinion, whether in writing or obtained through discussions with management.

5. Procedures

The procedures we are performing comprise the following:

- Analysis of the terms and conditions of the proposed transaction as contained in the CSA
- Consideration of conditions in, and the economic outlook for, the industry in which LSH and TGH operate
- Consideration of general market data including economic, governmental, and environmental forces that may affect the value of LSH and TGH
- Discussions concerning the historical and future operations of LSH and TGH with management
- Discussions with LSH's and TGH's management to obtain an explanation and clarification of data provided
- Consideration of the operating and financial results of LSH and TGH
- Analysis of financial and operating projections
- Estimation of appropriate valuation discounts or premiums to apply to the results of our valuation analysis
- Analysis of the historical equity contributions in respect of LSH and TGH
- Analysis of other facts and data considered pertinent to this valuation to arrive at a conclusion of value

6. Assumptions

Our opinion is based on the following key assumptions:

- Current economic, regulatory, and market conditions in South Africa and Namibia will not change materially
- LSH and TGH are not involved in any other material legal proceedings other than those conducted in the ordinary course of business
- LSH and TGH have no material outstanding disputes with the South African Revenue Service or the Namibia Revenue Agency
- There are no undisclosed contingencies that could affect the value of LSH and TGH
- The proposed transaction will not give rise to any undisclosed tax liabilities that LSH and TGH will be required to settle
- For the purposes of this engagement, we assumed LSH’s and TGH's existing businesses to be ongoing under current business plans and management

- Representations made by management during the course of forming this opinion

7. Valuation

We have assessed the trading activity of TGH shares and concluded that they are not actively trading.

We reviewed trading data for the past two years from 26 September 2022 to 23 September 2024, and it revealed that the shares exhibit characteristics of low liquidity and minimal market activity. During this period the shares were suspended however even in the period leading up to the valuation date the shares remaining thinly traded.

Key Observations

Metric	Data Observed
VWAP (Volume Weighted Average Price)	R 0,2655
1Yr Average trading volume	110 170
2yr Average trading volume	83 399
Price Range	R0,05 (low) to R1.50 (high)
Trading Days with Limited or No Trades	Multiple days had only 1 or no trades recorded
Bid-Ask Spread	Significant difference between bid (3.62 million shares) and ask (2.78 million shares)
Total Volume Traded	6 518 386 shares traded over the period whereas Trustco has 941 238 443 outstanding shares

The key findings indicate that TGH shares are not actively traded. The total number of trades during the period 07 August 2024 to 30 September 2024 was only 215, averaging approximately 4 trades per day. In addition, there were numerous days with minimal or no trading activity, with certain days recording as few as 1 or no trades at all. This irregular trading pattern is a strong indication of limited market activity in these shares.

A notable observation is the wide bid-ask spread, which reflects low liquidity. The spread between the bid volume (3.62 million shares) and the ask volume (2.78 million shares) points to a market where buyers and sellers struggle to transact at agreeable prices, further evidencing the lack of active trading.

The price range observed during the period was also unusually broad, with prices fluctuating between R0.05 and R1.50. This level of volatility is characteristic of thinly traded stocks, where limited transactions can cause disproportionate price movements.
Given these factors—low number of trades, days with no activity, a wide bid-ask spread, significant price volatility, and inconsistent trading volumes—we concluded that TGH shares do not meet the criteria for active trading and should be regarded as illiquid for the purposes of this fairness opinion.

Accordingly, the fair value of TGH was determined using an appropriate valuation technique. In this process, TGH's listed shares have been fair-valued alongside LSH using a Discounted Cash Flow (DCF) valuation technique as part of a fairness opinion for Trustco Group Holdings (TGH) is appropriate, especially given the limited trading activity of its shares on the JSE. Since TGH's share price may not accurately reflect its true value due to low trading volumes, DCF provides a more reliable measure by focusing on the company's intrinsic value, derived from projected future cash flows. By estimating these cash flows and discounting them to present value, DCF captures TGH's operational performance and growth potential, offering a fair and objective assessment of its worth. This approach aligns with the objectives of a fairness opinion, ensuring stakeholders receive an accurate representation of TGH's value, independent of market volatility or illiquidity

For the purposes of our valuation, we used the Income Approach (discounted cash flow valuation) as our primary approach to value LSH and TGH. Given that TGH is not actively trading and is diverse, and the challenges of identifying perfectly comparable companies, our view is that the market approach is the least applicable valuation method on the basis of a lack of actively traded shares and the lack of recent transactions for comparable entities.

As TGH is an investment entity, most of its underlying asset and liabilities are measured at fair value, thus the net asset value (NAV) approximates the fair value. As such, the NAV from the latest TGH interim results, as fair valued by management was used merely as a sense check of our own valuation.

We have calculated the fair value of LSH as at 30 September 2024 using the Income Approach to be:

	N$M		
	Fair Value	Lower range of discount rate	Upper range of the discount rate
Fair value of 100% interest in LSH	**774**	1 127	506
11.35% thereof	88	128	57
Less minority discount – 16.9%	(15)	(22)	(10)
Fair value of 11.35% in LSH	**73**	106	48

The fair value of the 11.35% interest was determined from a market participant holding only 11.35% hence the minority discount of 16.9% was applied.

The fair value of LSH was derived as follows:

Enterprise Values (EV)	**N$M**
LSH Properties	1 561
Trustco Life	296
Trustco Insurance	14
Real Estate Rentals & Services	79
Total EV	**1 949**
External debt	(1 175)
Total equity	**774**

The EV of the above entities are included in the EV of TGH. However, they are limited to 80% of the above values as TGH owns 80% of LSH.

The fair value of TGH as at 30 September 2024 has been determined to be:

	N$M		
	Fair Value	Lower range of discount rate	Upper range of the discount rate
Fair Value of TGH	**880**	1 252	589
Price per share (undiluted - 992 174 000 shares)	0.89	1,26	0,59
Diluted price per share (880 473 041+ 72 998 436)/ (1 322 174 000 shares – 992 174 000+ 400 000 000)	0.68	0.98	0.46

The fair value of TGH was determined using a build-up approach in which all its subsidiaries were fair valued separately using the income approach, with additional holding adjustments applied. This method involved individually valuing each investment of TGH, and then aggregating these values to determine the overall fair value of TGH.

The TGH fair value was derived as follows:

Enterprise Values (EV)	**N$M**
Meya Resources	1 623
LSH Properties	1 249
TGISA	275
Trustco Life	236

Institute for Open Learning	164
Trustco Finance	121
Real Estate Rentals & Services	75
Trustco Capital	29
Trustco Insurance	11
Total EV	**3 784**
External debt	(2 683)
Equity value of TGH	1 101
Holding company discount – 20%	(220)
Equity Fair Value of TGH	**880**

The key value drivers were as follows:

Entity	Enterprise Value (EV) (N$M)	Key Valuation Drivers
Meya Resources	1,623	Value primarily driven by diamond reserves quality and production forecasts. Global diamond prices and operating costs are key determinants. Valuation shows sensitivity to price movements, operating cost variations, and production volume changes. Mining recovery rates and resource grade variations significantly impact performance.
LSH Properties	1,249	Value primarily driven by land development pipeline and servicing capabilities. Key value determinants are servicing costs (water, electricity, roads), and developed land sales prices. Shows sensitivity to development costs, sales price variations, and infrastructure cost fluctuations. Time to market significantly impact project returns. Development margins heavily influenced by efficiency in bulk infrastructure installation and market absorption rates for serviced stands.
TGISA	275	Valuation includes revenue from consulting services and growth potential in new contracts. Sensitive to client acquisition and retention.
Trustco Life	236	Value driven by premium income and mortality experience. Sensitive to premium growth, claims ratio changes, and investment return variations. Policy retention and cost-to-income ratio affect profitability. Reflects stable cash flows with moderate growth in the policyholder base.
Institute for Open Learning	164	Enrolment growth and tuition revenue are primary value drivers. Shows sensitivity to enrolment changes, tuition fee variations, and operating cost fluctuations.
Trustco Finance	121	Loan book growth and interest spreads drive valuation. Key sensitivities include loan growth variations, interest spread changes, and default rate fluctuations. Funding costs impact margins.
Real Estate Rentals & Services	75	Stable rental yields and property management fees drive value. Sensitive to rental income changes, and management fee fluctuations.
Trustco Capital	29	Value based on internal service fees and cost recovery. Shows sensitivity to service fee changes and cost recovery variations . Stable, low-risk cash flows.
Trustco Insurance	11	Premium growth and combined ratio drive value. Sensitive to premium changes and claims ratio variations.

Total Enterprise Value (EV) for Trustco Group Holdings (THG): N$3,784 million

Expanded Sensitivity and Scenario Analysis for Major Entities

Meya Mine - Detailed Sensitivity and Scenario Analysis

Variable	Base Assumption	+5% Change	-5% Change
Diamond Prices	Current market rate – USD 382 per carat	N$1 762M	N$1 484M
Production Costs	USD 155 per carat	N$1 563M	N$1 683M
Production Levels	Assumed Output -16%	N$1 763M	N$1 483M

Increased diamond prices by 5% lead to a valuation increase of approximately N$139M, while increased production costs by 5% reduce the valuation by N$69M. This reflects Meya Mine's sensitivity to price and cost changes, underscoring the importance of commodity price forecasts in the valuation.

LSH Properties - Occupancy and Appreciation Rate Sensitivity

Variable	Base Assumption	+5% Change	-5% Change
Sales prices (per square meter NAD)	Residential ervern – 400 to 5 460 General residential – 420 to 2 200 Business ervern – 450 to 2 200 Office – 1 950 Institutional – 350 Private open space – 150	N$1 398M	N$1 100M
Development costs (per square meter)	From 25 to 2 690	N$1 152M	N$1 344M

The valuation shows sensitivity to development costs, sales price variations, and infrastructure cost fluctuations. Time to market significantly impact project returns. Development margins heavily influenced by efficiency in bulk infrastructure installation and market absorption rates for serviced stands.

We compared our valuation of the property businesses to the property valuations recorded in the LSH financial statements as of 31 August 2024 and noted no material differences.

Fair value reasonableness check

The TGH fair value was compared to NAV from interim financial statements for TGH as at 29 February 2024.

	N$M
NAV of TGH	**1 263**
Holding company discount (20%)	(253)
Adjusted NAV	**1 010**
Price per share (undiluted - 992 174 000 shares)	1.02
Diluted price per share (1 010 400 000+ 72 998 436)/(1 322 174 000 shares – 992 174 000+ 400 000 000)	0.82

The decrease in fair value from February 2024 to September 2024 was primarily driven by a revision in forecasted cash flows, pushing them further into the forecasted period and an increase in discount rates. Management revised the cash flow projections based on their best estimates, considering their in-depth knowledge of the business and its future prospects.

Key inputs

The fair value for entities within the financial services sector was determined by discounting free cash flows to equity holders by the cost of equity:

Input	Capital	Finance	Insurance	Life
Risk-free Rate (R_f)	9,77%	9,77%	9,77%	9,77%
Equity Beta (bE)	0,65	0,65	0,45	0,98
Equity Risk Premium (ERP)	5,95%	5,95%	5,95%	5,95%
Cost of Equity (K_E)	13,63%	13,63%	12,45%	15,58%
Small Stock Premium	5,20%	5,20%	5,20%	5,20%
Specific Risk premium	3,20%	2,80%	0,00%	0,00%
Adjusted Cost of Equity (K_E)	22,03%	21,63%	17,65%	20,78%
Growth rate	5%	6%	6%	5%
Marketability discount	6,30%	6,30%	7,70%	7,70%

For other entities, the free cash flows for the enterprise were discounted using the weighted average cost of capital (WACC):

Input	IOL	TGISA	Meya mining	Real Estate Rentals & Services
Risk-free Rate (R_f)	9,77%	9,77%	4,28%	9,77%
Equity Beta (bE)	0,87	0,98	1,22	1,04
Equity Risk Premium (ERP)	5,95%	5,95%	15,12%	5,95%
Cost of Equity (K_E)	14,96%	15,58%	27,90%	15,94%
Small Stock Premium	5,20%	5,20%	5,25%	5,20%
Specific Risk premium	3,20%	3,20%	4,30%	3,20%
Adjusted Cost of Equity (K_E)	23,36%	23,98%	32,20%	24,34%
Tax Rate	32,00%	32,00%	30,00%	32,00%
Cost of Debt (K_D)	17,81%	18,16%	24,88%	16,27%
Debt / Value Ratio (D/V)	43,24%	21,97%	17,41%	41,43%
Equity / Value Ratio (E/V)	56,76%	78,03%	82,59%	58,57%
WACC	18,50%	21,42%	29,63%	18,84%
Growth rate	6,00%	6,00%	6,30%	6,00%
Marketability discount	6,30%	6,30%	15,30%	6,30%

LSH Properties

Some of the key inputs used to fair value the property businesses were as follows:

Input	Elisenheim Lifestyle Estate	Elisenheim Nature Estate	Elisenheim Key360	Lafrenz Ext 2	Nubuamis No	Herboths	Herboths Plots	Herboths Portion 3	Ondangwa Development
Risk-free Rate (R_f)	9,77%	9,77%	9,77%	9,77%	9,77%	9,77%	9,77%	9,77%	9,77%
Equity Beta (bE)	1,01	1,01	1,01	1,01	1,01	1,01	1,01	1,01	1,01
Equity Risk Premium (ERP)	5,95%	5,95%	5,95%	5,95%	5,95%	5,95%	5,95%	5,95%	5,95%
Cost of Equity (K_E)	15,75%	15,75%	15,75%	15,75%	15,75%	15,75%	15,75%	15,75%	15,75%
Small Stock Premium	3,40%	5,20%	5,20%	5,20%	5,20%	5,20%	5,20%	5,20%	5,20%
Specific Risk premium	3,40%	3,80%	8,80%	3,20%	3,20%	3,80%	3,20%	3,20%	3,40%
Adjusted Cost of Equity (K_E)	22,55%	22,55%	22,55%	22,55%	22,55%	22,55%	22,55%	22,55%	22,55%
Tax Rate	32,00%	32,00%	32,00%	32,00%	32,00%	32,00%	32,00%	32,00%	32,00%
Cost of Debt (K_D)	13,21%	13,21%	13,21%	13,21%	13,21%	13,21%	13,21%	13,21%	13,21%
Debt / Value Ratio (D/V)	44,47%	44,47%	44,47%	44,47%	44,47%	44,47%	44,47%	44,47%	44,47%
Equity / Value Ratio (E/V)	55,53%	55,53%	55,53%	55,53%	55,53%	55,53%	55,53%	55,53%	55,53%
WACC	16,52%	17,74%	21,96%	18,85%	18,85%	19,18%	18,85%	18,85%	18,96%
Marketability discount	7,70%	7,70%	7,70%	7,70%	7,70%	7,70%	7,70%	7,70%	7,70%

The key valuation assumptions considered in our Income Approach analysis included forecast assumptions in respect of revenue growth, cost growth, profit margins, taxation, capital expenditure, working capital requirements, the terminal growth rate, and a risk-adjusted discount rate calculated for LSH and TGH. The discounted cash flow valuation was performed taking cognisance of risk and other market and industry factors affecting LSH's and TGH's operations. In doing so we took note of the material uncertainty regarding the going concern in the auditors' opinion (refer Annexure 7), primarily in the consideration of discount rates applied to the cash flows applied in our valuation.

8. Fairness Opinion

Our assessment is based on the current economic, market, regulatory, and other conditions, and the information made available to us by management up to 30 September 2024. Accordingly, subsequent developments may affect this assessment, which we are under no obligation to update, revise, or re-affirm.

Fairness

The fairness of the transaction was evaluated by comparing the fair value of 992 174 000 shares (existing shares) before the transaction to their fair value after dilution. The post-dilution fair value accounts for the 11.35% stake acquired from the sellers.

The impact on existing shareholders is as follows:

	N$M		
	Fair Value	Lower range of discount rate	Upper range of the discount rate
Fair value of 992 174 000 TGH shares (at N$0.89)	**880**	1 252	589
Fair value of 992 174 000 TGH shares after the transaction (N$0.68)	**(680)***	(968)	(454)
Difference	**200**	284	135

** The fair value of 992 174 000 TGH shares after the transaction is derived by adding the fair value of TGH before the transaction and the fair value of LSH portion acquired and then dividing by the new number of shares after issuing 400 million shares. The new price per share is then used to derive the fair value of N$680 M for the 992 174 000 shares.*

The transaction will result in shares before the transaction losing N$200 million in valuation due to the dilution effect. The reason for the dilution effect is due to the value of the LSH shares acquired being below the value of the TGH shares to be transferred in the transaction.

As of the valuation date, 30 September 2024, it is our opinion that the transaction is not fair due to the material dilution effect.

As of the report date, 3 December 2024, while the business cash flows remain fundamentally unchanged, the discount rates are likely to have adjusted due to changes in benchmark rates and other inputs. Although these changes may be significant, they are expected to fall within the range of lower and upper discount rates considered in our analysis. Therefore, our conclusion that the transaction is not fair remains unchanged.

9. Reasonableness opinion

Background

Trustco Group Holdings (TGH), an investment entity, is proposing to increase its stake in LSH, a company involved in the insurance and real estate sectors, by acquiring an additional 11.35% stake. TGH currently holds 80% of the LSH shares. Trustco already holds a controlling stake in LSH and intends to simplify its ownership structure by reducing the number of outside shareholders. The transaction is structured as a share-for-share exchange, meaning that the exiting LSH shareholders will receive shares in Trustco, thereby remaining indirectly exposed to LSH's future performance.

The Transaction is at a significant premium to the current fair value of LSH (hence our opinion on fairness as expressed above), however we took note of the expectations of Trustco's directors regarding significant future growth in the value of LSH driven by:

- The undervaluation of LSH's undeveloped land holdings.
- Strong future cash flows from ongoing property developments.
- Expected macroeconomic growth in Namibia, particularly from the oil and green energy sectors.
- A reduction in borrowing costs as Namibia's REPO rates are projected to decline.

Our mandate is to assess whether this transaction can be considered reasonable given the factors outlined by Trustco's directors and the nature of the transaction.

Key Considerations in Assessing Reasonableness

1. Share-for-Share Structure

The share-for-share nature of the transaction has important implications for its reasonableness. Since no cash is changing hands, there are no immediate liquidity impacts for Trustco. This mitigates concerns around paying a premium, as Trustco does not need to raise or deploy cash resources for the Transaction.

Additionally, the exiting LSH shareholders are not completely removed from the future performance of LSH, as they will receive shares in Trustco, which continues to hold a significant stake in LSH. As Trustco's success is partly tied to LSH's future value, the exiting shareholders maintain indirect exposure to LSH's performance through their Trustco shares.

2. Simplification of Ownership

We have specifically assessed the strategic objective of simplifying the ownership structure by reducing the number of external shareholders in LSH and find it to be reasonable. By increasing its stake, Trustco aims to streamline governance processes and reduce the administrative complexity associated with managing a diverse shareholder base. This aspect of the transaction aligns with Trustco's long-term strategy for LSH, enabling it to operate more efficiently and respond more effectively to market opportunities without the added challenges posed by a fragmented ownership structure.

3. Timing of the Investment

The transaction represents a strategic early-entry decision, a common approach for investment entities aiming to generate alpha by positioning ahead of anticipated value-enhancing developments. While the price includes a premium relative to the current valuation of LSH, this is supported by expectations of future growth beyond current projections

Key drivers of this expected growth include macroeconomic expansion spurred by oil discoveries and green energy projects in Namibia, reductions in borrowing costs due to declining REPO rates, and land appreciation driven by rising demand for real estate. These factors cannot be included in the current valuation, as they are based on future events that lack sufficient certainty or measurable impact. However, they provide a rational basis for the premium, reflecting the potential for outsized returns should these developments materialise.

4. Strategic Value of Undeveloped Land

LSH's significant land holdings, especially those near strategic infrastructure projects and economic zones, are expected to appreciate as Namibia's economy grows. The current DCF valuation may not fully capture this potential due to conservative near-term assumptions, but the long-term appreciation of these assets is a key driver of Trustco's willingness to pay a premium.

The land banking strategy employed by LSH positions it to benefit from increasing demand for real estate in the future, which is aligned with Trustco's investment approach of holding assets with long-term growth potential.

Conclusion

In our opinion, while the transaction is not fair based on the current DCF valuation of LSH, it is reasonable when considering Trustco's long-term strategy and factors that support potential value appreciation. The share-for-share structure mitigates immediate liquidity risks, and exiting LSH shareholders retain indirect exposure to LSH's performance through their Trustco shares. Additionally, the transaction's strategic objective of consolidating ownership and control over LSH aligns with Trustco's goal to streamline operations and strengthen its influence over the asset.

The acquisition of an additional 11.35% interest, while not fundamentally changing Trustco's control (as it already holds majority ownership), does enhance Trustco's strategic influence and economic stake in meaningful ways. By increasing its share, Trustco will be entitled to a larger portion of LSH's earnings, directly benefiting its shareholders.. Simplifying ownership further aligns with Trustco's goal to streamline governance and reduce administrative complexities associated with minority shareholders.

Although this additional interest does not materially alter Trustco's legal control, it amplifies its economic and strategic influence, promoting operational alignment and potentially boosting long-term value creation. These factors enhance the reasonableness of the transaction, as they align with Trustco's objective to maximize efficiency and economic benefits within the group.

The timing of this investment, though potentially ahead of certain anticipated positive developments, reflects a typical investment strategy aimed at capturing upside by investing early in undervalued assets. The premium paid reflects Trustco's confidence in LSH's future potential and its capacity to manage short-term risks while seeking long-term returns.

Considering the lack of immediate liquidity concerns, the strategic advantages of simplified ownership, and Trustco's long-term investment horizon, we conclude that the transaction is reasonable despite uncertainties around the timing of expected positive outcomes. This approach aligns with Trustco's role as an investment entity focused on capital appreciation and is consistent with its strategic objectives for LSH.

10. Independence

We confirm that W. Consulting holds no shares in TGH or LSH, directly or indirectly. We have no interest, direct or indirect, beneficial or non-beneficial, in TGH or in the outcome of the proposed transaction. Furthermore, we confirm that our professional fees, payable in cash, are not contingent on the outcome of the proposed transaction. We also confirm that we have the necessary qualifications and competence to provide the fairness opinion.

11. Material Interests of Directors and Trustees

In accordance with sections 114(3)(e) and (f) of the Companies Act, we confirm that directors' have no interests in TGL and LSH.

12. Limiting Conditions

This letter and opinion have been prepared solely for the Board in connection with, and for the purposes of, the transaction in terms of Section 10. Therefore, it shall not be relied upon for any other purpose. We assume no responsibility to anyone if this letter and opinion are used for anything other than their intended purpose.

While our work has involved an analysis of financial information and the preparation of financial models, our engagement does not include an audit in accordance with International Standards on Auditing of the business records and financial data of LSH or TGH. Accordingly, we cannot express any opinion on the financial data or other information used in arriving at our opinion.

The valuation of companies and businesses is not a precise science, and conclusions arrived at in many cases will necessarily be subjective and dependent on the exercise of individual judgment. Further, whilst we consider our opinion to be defensible based on the information available to us, others may have a different view and arrive at a different conclusion.

Budgets/projections/forecasts relate to future events and are based on assumptions, which may not remain valid for the whole of the relevant period. Consequently, this information cannot be relied upon to the same extent as that derived from audited financial statements for completed accounting periods. We express no opinion as to how closely actual results will correspond to those projected/forecast by the management of LSH and TGH.

13. Consent

We hereby consent to the inclusion of our independent expert's report in any required regulatory announcement or documentation.

Your Sincerely

Rodgers Mavhiki

Rodgers Mavhiki
Director
W. Consulting