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: NA000A0RF067
("Trustco" or "the Company")

UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS FOR THE SIX MONTHS PERIOD ENDED 30 SEPTEMBER 2018

BUSINESS REVIEW AND OUTLOOK

Trustco invests and operates in high growth emerging markets, in Africa. Its head office, major investments and operations are situated in Namibia. It also has operations in South Africa, Sierra Leone and Mauritius. Its operations are under-pinned by the shared services segment which provides HR, IT, Legal, Strategic, Financial etc. support to the different operational units.

The period under review was characterised by worsening macro-economic conditions in Namibia where ten consecutive quarters of negative economic growth has just been reported by the Namibian Statistics Agency. Technical analysts now classify this prolonged economic recession as a depression. This would be the first depression in the post-independent economic era in Namibia. It is marked by a general lack of credit extension and exasperated by low commodity prices, erratic or low rainfall patterns in the country, where agricultural is a major economic contributor. The Government's response to this was a sudden and effective tightening of Government spending and tightening of monetary policy. South Africa, historically Namibia's main trading partner, just emerged out of a recession with growth of 0.6% announced for the third quarter.

Trustco is however still one of Namibia's most prolific, post-Independence success stories and has been recognised as an above average achiever both in growth and wealth created for its stakeholders.

It possesses a basket of world-class assets and human capital in which it has invested since 1992. Trustco is a robust, determined wealth creator that has and can withstand the most severe external and internal challenges.

It is lowly geared, well capitalised and positioned itself for the anticipated economic upswing in the areas of operation. During the reporting period the cash on hand increased by more than 100% to NAD 218 million.

Trustco is backed by its two groups of major shareholders being the Van Rooyen Family of Namibia holding 55% and the Riskowitz Value Fund of United States and its associates with a combined holding in excess of 33%. Staff members across the Group are shareholders and more than 3 500 shareholders make up the substantial retail shareholder base.

The standing commitment to the more than 1 000 staff members on the African continent is that not a single staff member will lose his or her job as a result of bad management.

Over the past 25 years, Trustco maintained an annualised 49% return on equity ("ROE"), arguable one of the highest growth rates in the world.

INSURANCE AND ITS INVESTMENTS

Insurance (Namibia and South Africa)

The core insurance business has performed resiliently in the persisting recessionary environment where consumer disposable income is under pressure. Various innovations and enhancements in the short-term and life products have boosted new business volumes and resulted in year-on-year growth of 3.3% in revenue.

Credit Life is expected to recover once new funding arrangements and facilities has been concluded for the Trustco student loan book expected during quarter one 2019.

The Namibian insurance operations currently have 268 758 policies in issue and the capital adequacy levels remained exceptionally strong. The solvency margin was 56% in the short term insurance business (compared to the regulatory requirement of 15%) as at 30 September 2018 and the Capital Adequacy Requirement ("CAR") cover was 3.7 times as per the latest actuarial valuation in the life insurance business (compared to the regulatory limit of 1 time cover).

Investments (of the insurance segment)

The property prices across the Group's portfolio have remained intact, in anticipation of the improved market liquidity and the recovery of the economy.

During the period under review the Group focused on the development of value added amenities of estate living which are expected to further boost demand for the erven and value to the residents. These include a shopping mall, private school as well as upgrades to the public open spaces with the implementation of playgrounds and hosting public events.

The Group has fully serviced stands with a market value of approximately NAD 400 million available for sale representing less than 1% of the Group's total available land with leverage on the total property portfolio of only NAD 69 million.

An application for permission to establish the Township of Herboths Blick has been submitted to the City of Windhoek during the period under review for consideration and a proposal for recommendation to the Namibian Planning Advisory Board (NAMPAB) for approval. Once this approval is obtained, the value of the property is expected to increase dramatically.

BANKING AND FINANCE (NAMIBIA)

Trustco Bank continued with the implementation of its systems and is now in a position to provide its customers with a state of the art internet banking and mobile banking platform. The diversified product range ensures a healthy spread of its credit portfolio.

During the period under review Trustco Bank's:

- Advances increased by 115%;
- Deposits increased by 203%;
- Revenue increased by 98%;
- Operational expenses increased by 24%, mainly due to increased software development costs and professional fees;
- Trustco Bank remains well capitalised with Tier 1 capital ratio of 71%, as at September 2018, well within the required ratio of 15%.

Focus during the reporting period was on the collection process, which resulted in keeping the non-performing loans ("NPL") at a steady 5%.

The segment services a client base of 45 426 customers with a total loan portfolio of NAD 1.480 Billion.

RESOURCES (NAMIBIA AND SIERRA LEONE)

The Huso transaction was perfected during the reporting period with the issue of a 15-year mining licence to Northern Namibia Development Company (Pty) Ltd ("NNDC") and situated in the North-Western frontier of Namibia. Next Investments (Pty) Ltd (the investment vehicle of the Van Rooyen Family) subsequently provided loan forgiveness to Huso of NAD 215 million after the acquisition.

Meya (Sierra Leone)

During the period under review, the focus of the Group was to continuously invest in the exploration program in Sierra Leone in order to complete the resource statement in advance of applying for a 25-year mining license. Once the resource statement has been completed, Meya will be able to optimise the mine configuration and the associated capital investment. Results to date indicate that the economic potential exceeds management's initial expectations, in terms of Meya's overall geological potential, however, further analysis and investigation regarding the optimal mining method will be required before the reserve statement can be finalised.

Resource development

Work on the resource development program, on the first dyke zone in accordance with the Phase 1 exploration program, including, additional delineation drilling as well as bulk sampling has been ongoing.

During the period under review an additional 1,455 meters infill holes were drilled along a 10,070 meter strike length, containing the Meya River, Bardu and Waterloo Dyke Zones. At least one additional large diameter core drill hole on each of the dyke zones will be drilled in order to recover a sufficient amount of material to conduct microdiamond analysis of each of the geological domains down to 550 meters vertical depth.

Meya physically verified 13 of at least 16 known kimberlite dykes, dyke zones oriented predominantly East-West across the licence area. Besides these dyke zones several additional zones have also been identified oriented predominantly North-South. Due to their close proximity to the processing plant, the Simbakoro and Koakoyima Dykes have been added to the Phase 1 targets. The other dykes will be systematically explored as part of the next phase of resource development.

During the period under review, 48,292 tonnes of Run-of-Mine ("ROM") ore, 439,887 tonnes of waste rock (granite) and 247,095 tonnes of overburden were mined from the Meya River, Waterloo and Simbakoro sample sites. In addition, 3,500 tonnes of weathered kimberlite material were mined, primarily from the Waterloo sample site.

A total of 50,246 tonnes of ROM ore, including waste dilution of 59% comprising mainly internal, but also a portion of external waste (granite) were processed as part of the ROM samples. The total yield from the 20,668 tonnes of *in situ* kimberlite was 11,190 carats, equal to a grade of 0.54 carats per tonne.

A small sample of 581 tonnes from the second dyke at Meya River sample, (labelled Meya River North), was also processed. This material included 61% waste (granite) that consists mostly of external mining waste due to the limited exposure of the dyke. The total yield from the 225 tonnes of kimberlite was 214 carats at an average stone size of 0.26 carats and a grade of 0.95 carat per tonne.

Various plant upgrades are under consideration in order to reduce diamond breakage, improve large diamond recovery and increase overall processing efficiency.

NNDC (NORTH WESTERN NAMIBIA)

During the period under review, the Namibian Ministry of Mines and Energy ("MME") approved NNDC application for Mining Licence 156. The MME issued ML 156 for an initial term of 15 years to NNDC, effective from 31 July 2018 to 30 July 2033.

To transition from the exploration phase to commercial production NNDC needs to increase the existing mine configuration.

MORSE

Morse Investments (Pty) Ltd ("Morse") relocated its cutting and polishing factory to the business centre in Windhoek in order to gain easier access to both the tourist and domestic markets. The new premises will include: the diamond cutting and polishing facilities, an exclusive retail outlet as well as an e-commerce trading platform that is being developed and will be integral to the retail side of the business, all part of the Group's vertical integrated diamond business model.

THE FUTURE

The Group's announced capital raising exercise is earmarked to benefit the resources segment specifically by increasing capacity in both mining assets as well as upgrade the Namibian polishing factory, in order to establish and maintain steady-state production post mining licenses.

DIVIDENDS

The board of directors has decided to defer the declaration of any 2019 interim dividend.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS), STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE

IFRS 16 LEASES

IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.
The accounting for lessors will not change significantly.

The standard will primarily affect the accounting for the group's operating leases. As at the reporting date, the group had non-cancellable operating lease commitments which were insignificant. The group does not expect that these commitments will result in the recognition of an asset and a liability for future payments and this will not affect the group's profit and classification of cash flows. These commitments will be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under IFRS 16.

The standard is effective for periods within annual reporting periods beginning on or after 1 January 2019. The group does not intend to adopt the standard before its effective date.

IFRS 17 INSURANCE CONTRACTS

The standard is effective for years commencing on or after 1 January 2021. The standard will be adopted by the group for the financial reporting period commencing 1 April 2021.

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows.

The Group is currently performing an assessment to determine the potential impact of the new standard on the Group's statement of financial position and performance. The Group is still considering the transitional approach to be applied. The Group expects that significant additional disclosures will be added to the financial statements to meet the revised requirements of the standard.

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 IFRS and comply with IAS34 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 NSX.

BASIS OF PREPARATION

The unaudited condensed consolidated financial statements are prepared in thousands of Namibian Dollars (“NAD`000”). The Group`s functional and presentation currency is Namibian Dollars. At 30 September 2018, NAD 1 was equal to ZAR 1.

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 except for recognition of common control transactions (refer to note 11) and the adoption of the amendments to revenue (IFRS 15) and financial instruments (IFRS 9) standards as detailed in note 10.

The preparation of the interim results has been supervised by the Group Financial Director, Mr Floors Abrahams, BCom (Acc).

ACKNOWLEDGEMENTS

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Figures in Namibia Dollar thousand	Note	**30 Sep 2018 unaudited**	**31 Mar 2018 audited**
Assets			
Cash and cash equivalents		218,008	68,942
Advances		1,480,319	1,754,103
Trade and other receivables		672,596	684,845
Current tax receivable		5,028	6,004
Amounts due by related parties		-	528,194
Inventories		376,537	370,205
Property, plant and equipment	1	738,014	591,515
Investment property		1,477,119	1,476,818
Intangible assets		461,550	462,452
Evaluation and exploration assets		562,718	278,638
Deferred tax assets		183,266	150,656
Total Assets		**6,175,155**	**6,372,372**

EQUITY AND LIABILITIES

Liabilities			
Borrowings		1,324,502	1,332,551
Trade and other payables		598,127	430,279
Current tax payable		15,919	8,938
Insurance contract liabilities		48,380	63,057
Amounts due to related parties		36,330	-
Other liabilities		64,600	71,760
Deferred tax liabilities		309,205	299,566
Total Liabilities		**2,397,063**	**2,206,151**
Capital and reserves			
Equity Attributable to Equity Holders of Parent			
Share capital	2	224,084	190,245
Share premium	2	921,554	267,400
Deemed treasury shares	3	(200,804)	(200,804)
Shares for vendors	5	2,300,174	14,976
Other reserves		(1,142)	29,957
Common control reserve	5	(3,197,685)	-
Retained income		3,292,017	3,426,491
		3,338,198	**3,728,265**
Non-controlling interest		439,894	437,956
Total capital and reserves		**3,778,092**	**4,166,221**
Total Equity and Liabilities		**6,175,155**	**6,372,372**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	**6 months ended 30 Sep 2018**	**6 months ended 30 Sep 2017**
Figures in Namibia Dollar thousand		**unaudited**	**unaudited**
Revenue		253,772	408,066
Cost of sales		(108,750)	(92,305)
Gross profit		**145,022**	**315,761**
Investment and other income		271,927	41,184
Operating expenses		(248,747)	(191,746)
Insurance benefits and claims		(5,486)	(16,309)
Finance costs		(88,682)	(121,114)

Profit before taxation	7	**74,034**	**27,776**
Income tax benefit		15,399	25,266
Profit for the period		**89,433**	**53,042**
Other comprehensive income:		**8,608**	**(2,436)**
Items that will not be reclassified to profit or loss:			
Gains and losses on revaluation of property plant and equipment		13,576	-
Income tax relating to items that will not be reclassified		(4,344)	-
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		(918)	(3,582)
Income tax relating to items that may be reclassified		294	1,146
Total comprehensive income for the period		98,041	50,606
Profit (loss) attributable to:			
Owners of the parent		110,952	53,042
Non-controlling interest		(21,519)	-
		89,433	**53,042**
Total comprehensive income attributable to:			
Owners of the parent		96,104	50,606
Non-controlling interest		1,937	-
		98,041	**50,606**
Earnings per share			
Basic earnings per share		14.23	7.11
Diluted earnings per share		7.85	6.55

CONDENSED CONSOLIDATED STATEMENT OF MOVEMENTS IN EQUITY

Figures in Namibia Dollar thousand	Note(s)	Share capital	Share premium	Deemed treasury shares	Shares for vendors	Other reserves	Common control reserve	Retained income	Equity of owners of the company	Non controlling interest	Total equity
Balance at 1 April 2018 unaudited		190,245	267,400	(200,804)	14,976	29,957	-	3,426,491	3,728,265	437,956	4,166,221
Change in accounting policy	10	-	-	-	-	-	-	(245,426)	(245,426)	-	(245,426)
Issue of shares	2/4	33,839	654,154	-	-	(16,250)	-	-	671,743	-	671,743
Common control transaction	5	-	-	-	2,285,198	-	(3,197,685)	-	(912,487)	-	(912,487)
Profit for the period		-	-	-	-	-	-	110,952	110,952	(21,519)	89,433
Other comprehensive income		-	-	-	-	(14,849)	-	-	(14,849)	23,457	8,608
Balance at 30 September 2018		**224,084**	**921,554**	**(200,804)**	**2,300,174**	**(1,142)**	**(3,197,685)**	**3,292,017**	**3,338,198**	**439,894**	**3,778,092**
Balance at 1 April 2017 unaudited		**177,595**	**46,300**	**(178,358)**	**14,976**	**32,899**	**-**	**2,399,031**	**2,492,443**	**7**	**2,492,450**
Convertible financial instrument	4	-	-	-	-	250,000	-	-	250,000	-	250,000
Interest on convertible financial instrument		-	-	-	-	3,452	-	(3,452)	-	-	-
Profit for the period		-	-	-	-	-	-	53,042	53,042	-	53,042
Other comprehensive income		-	-	-	-	(2,436)	-	-	(2,436)	-	(2,436)
Balance at 30 September 2017		**177,595**	**46,300**	**(178,358)**	**14,976**	**283,915**	**-**	**2,448,621**	**2,793,049**	**7**	**2,793,056**

CONSOLIDATED STATEMENT OF CASH FLOWS

Figures in Namibia Dollar thousand		6 months ended 30 Sep 2018 unaudited	6 months ended 30 Sep 2017 unaudited & reclassified
Cash flows from operating activities			
Cash generated by operations before working capital changes		(143,210)	159,790
Changes in working capital		172,751	(143,073)
Cash generated from operations		29,541	16,717
Interest received		20,074	1,160
Interest paid		(88,682)	(121,114)
Net movement in advances		28,358	(4,848)
Repayment of funding liabilities for advances		(6,461)	-
Tax refund		-	24
Net cash from operating activities		**(17,170)**	**(108,061)**
Cash flows from investing activities			
Additions to property, plant and equipment		(51,084)	(38,739)
Proceeds from property, plant and equipment		1,206	611
Additions to investment property		(301)	-
Additions to intangible assets		(7,402)	(120,031)
Additions to evaluation and exploration assets		(54,083)	-
Acquisition of subsidiary, net of cash acquired	5	157	-
(Advances to)/proceeds from related parties *		(9,306)	751
Net cash from investing activities		**(120,813)**	**(157,408)**
Cash flows from financing activities			
Proceeds of convertible financial instrument		-	250,000
Repayment of borrowings		(58,131)	(40,202)
Repayment of other liabilities		(14,820)	(53,792)

Proceeds on borrowings	-	82,212
Transaction with minorities	360,000	-
Net cash from financing activities	**287,049**	**238,218**
Net change in cash and cash equivalents	149,066	(27,251)
Cash and cash equivalents at the beginning of the period	68,942	33,377
Cash and cash equivalents at the end of the period	**218,008**	**6,126**

*Proceeds to related parties in the previous year of NAD 0.8 million were reclassified from financing activities to investing activities for more appropriate disclosure

CONDENSED SEGMENT ANALYSIS

Figures in Namibia Dollar thousand	**Total**	**Insurance and its investments**	**Banking and Finance**	**Resources**
6 Months 30 September 2018 unaudited				
Revenue	368,231	244,098	83,560	40,573
External revenue	253,772	143,066	70,133	40,573
Intersegment revenue	114,459	101,032	13,427	-
Net profit/ (loss) after tax	89,433	(139,185)	6,184	222,434
Income tax benefit/ (expense)	15,399	21,601	(7,237)	1,035
Total assets	**6,175,155**	**3,375,330**	**1,659,895**	**1,139,930**
Total liabilities	**2,397,063**	**1,323,809**	**482,113**	**591,141**
***6 Months 30 September* 2017 unaudited**				
Revenue	511,664	369,036	139,928	2,700
External revenue	408,066	279,013	126,353	2,700
Intersegment revenue	103,598	90,023	13,575	-
Net profit/ (loss) after tax	53,042	(9,540)	70,352	(7,770)
Income tax benefit	25,266	25,266	-	-

Total assets	**5,505,128**	**2,945,358**	**1,939,003**	**620,767**
Total liabilities	**2,712,072**	**1,817,626**	**575,345**	**319,101**

RECONCILIATION OF HEADLINE EARNINGS PER SHARE

Figures in Namibia Dollar thousand	**6 months ended 30 Sep 2018 unaudited**	**6 months ended 30 Sep 2017 unaudited**
Profit attributable to ordinary shareholders	110,952	53,042
Adjustments:		
Profit on disposal of property, plant & equipment	(30)	(11)
Reversal of impairment of property, plant & equipment	(42,173)	-
Tax effect	13,505	4
Headline earnings	**82,254**	**53,035**

EARNINGS PER SHARE

Basic earnings per share (cents)	14.23	7.11
Diluted earnings per share (cents)	7.85	6.55
Headline earnings per share (cents)	10.55	7.11
Diluted headline earnings per share (cents)	5.82	6.55

SHARES

Total number of ordinary shares in issue (‘000s)	974,266	772,142
Weighted number of ordinary shares in issue (‘000s)	779,494	745,806

Contingently issuable shares as a result of business acquisition (‘000s)	633,722	4,922
Shares issuable as a result of convertible equity loan (‘000s)	-	58,824
Weighted number of ordinary shares for diluted earnings per share (‘000s)	**1,413,216**	**809,552**

NOTES TO THE CONDENSED INTERIM RESULTS

Figures in Namibia Dollar thousand	Note	**30 Sep 2018 unaudited**	**30 Sep 2017 unaudited**
1. Property, plant and equipment			
Property acquired		66,003	65,120
Disposals		(1,176)	(600)
Capital commitments (Not yet contracted for but authorised by directors)		756,685	68,522

Reversal of impairment loss

The Group’s aircraft fair value (reported in the Group’s “*Insurance and its investments*” segment) is directly linked to the US dollar. Exchange rate is one of the significant inputs. The movement of the exchange rate of the Namibian dollar to the US dollar from NAD 11.8 to NAD 14.1 (from NAD 13.4 to NAD 11.8 in previous financial year) resulted in significant increase in fair value. The increase was recognised as reversal of impairment loss in profit or loss to the extent of impairment charge in the previous financial period. The balance was recognised through other comprehensive income.

The total amount during the period was NAD 42.2 million (for 12 months period ended 31 March 2018: NAD 42.2 million impairment loss) recognised in the “*Insurance and its investments*” segment as reversal of impairment loss in profit or loss. NAD 13.6 million was recognised through other comprehensive as income gains on revaluation of property plant and equipment.

The recoverable amount of aircraft is NAD 220 million (2018: NAD 169 million) and is equal to its fair value less cost of disposal. Aircraft is classified in level 3 of the fair value hierarchy.

Valuation techniques used to determine fair values

The aircraft were valued using methodology detailed in the International Recognised Blue Book for aircraft valuations (“Aircraft Bluebook”).

Aircraft

Valuation of aircraft is based on Aircraft Bluebook which is the accepted source for aircraft valuations worldwide. The effective date of revaluation was 30 September 2018 (2018: 31 March 2018). Valuation of the aircraft is based upon the current operating hour and cycle readings of the aircraft. Values reflect prices to purchase similar aircraft in a similar condition at that date, based on all available data on such transactions in the market that would be used to replace these assets. Management has considered that these valuations materially represent fair value as at 30 September 2018.

2. Share capital

The following shares were issued during the period under review:

- The balance of the Riskowitz Value Fund shares of 3,823,529. The shares were issued at par value of NAD 0.23 per share and a premium of NAD 4.02 per share.

- The Huso transaction was closed during the period under review. The Group made an initial payment of NAD 672 077 000, payable by way of an issue of 143.3 million shares, as compensation for the purchase of Huso. The shares were issued at par value of NAD 0.23 per share and a premium of NAD 4.46 per share to Dr. Q. van Rooyen who nominated Next Investments (Pty) Ltd and Le-Hugo Investments as the beneficiaries of the shares in terms of the Huso transaction.

The shares were listed on the Namibian Stock Exchange and the JSE Ltd in compliance Schedule 6 of the Listings Requirements and were duly approved by shareholders.

3. Deemed treasury shares

The carrying value of treasury shares as at 30 September 2018 is NAD 200.8 m (2017: NAD 178.4 m). No treasury shares were purchased by the group during the period.

4. Convertible financial instrument

Trustco entered into a convertible loan agreement with Riskowitz Value Fund dated 6 July 2017. In terms of the agreement, Riskowitz Value Fund advanced Trustco NAD 250 000 000 (two hundred and fifty million). The loan was converted into 55,000,000 ordinary shares of Trustco at a conversion price of NAD 4.25 per share on 30 October 2017. A balance of 3,823,529 shares were issued by Trustco during the period under review.

5. Business combinations

In terms of the guidance of IFRS 10, in order to determine whether the Group has gained control over an investee, the Group must have:

- Power over the investee;
- Exposure or rights to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect the amount of the group's returns.

Business combinations occurring during the current year (Huso Investments (Pty) Ltd ("Huso Group"))
On 4 September 2018 the Group acquired 100% of the voting equity interest of Huso Group which resulted in the Group obtaining control over Huso Group. Huso is incorporated in Namibia and is the holding company of Northern Namibia Development Company (Pty) Ltd (NNDC) and Morse Investments (Pty) Ltd (Morse). Morse is a licensed diamond processing and polishing factory located in Windhoek with an export processing zone status granted by the Receiver of Revenue of Namibia. NNDC is a diamond mining and exploration company incorporated in Namibia. This acquisition will unlock economic benefit in the group's resources segment and further augment group's expansion strategy.

The transaction was a common control transaction as it combines entities which are controlled by the same party (Dr Q. Van Rooyen) before and after the transaction.

Determination of Huso Group as a business
In concluding that Huso is a business, management considered the following:

- NNDC holds a 15 year exclusive diamond mining licence in the north-western corner of Namibia's

Skeleton Coast Park. NNDC is increasing the capacity of the existing plant to move from exploration to commercial production

- Morse secured an exclusive diamond off-take and marketing agreement with NNDC. Morse has the sole right to acquire, polish and market all the diamonds produced by NNDC.

Based on the above it was management's judgement that the group is capable of operating Huso Group as a business through the integration of its own inputs and processes and accordingly the transaction was accounted for as an acquisition of a business.

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

Book value of assets acquired and liabilities assumed of Huso

	NAD '000
Property, plant and equipment	10,842
Intangible assets	150,597
Related party balances	115
Inventories	1,400
Trade and other receivables	7,215
Cash and cash equivalents	157
Related party balances	(401,407)
Trade and other payables	(9,329)
Total identifiable net assets	(240,410)
Common control reserve	3,197,685
	2,957,275

Acquisition date book value of consideration paid

Shares issued	672,077
Contingent consideration arrangement	2,285,198
	2,957,275

Cash flow on acquisition

Cash and cash equivalents	157

Bank overdraft	-
Net cash acquired	157
Consideration paid	-
Cash inflow on acquisition, net of cash acquired	157

Contingent consideration arrangements

A fixed number of shares will be payable to the seller at any time during the payment term (being not later than nine years from the 4 September 2018), upon the resources segment reaching the following cumulative Earnings Before Interest, Tax, Depreciation, Amortisation and After Stock Adjustments (EBITDAASA) targets:

Event	EBITDAASA Target NAD' million	Number of Shares million
Upon reaching the first EBITDAASA target of	250	120.2
Upon reaching the first EBITDAASA target of	250	120.2
Upon reaching the first EBITDAASA target of	250	120.2
Upon reaching the first EBITDAASA target of	250	120.2
Upon reaching the first EBITDAASA target of	308.1	148.0
Total	**1,308.1**	**628.8**

The purchase consideration, accounted as cost adjusted for time value of money, is based on significant inputs that are not observable in the market, key assumptions are a discount rate of 10.5% and an assumed probability of achieving the targets by the 2023 financial period. The contingent consideration is included in shares for vendors.

Acquisition related costs

No acquisition-related costs were incurred and charged to administrative expenses in profit or loss for the current period ended.

Group revenue and profit or loss for full year

The acquired business contributed revenues of NAD nil, other income of NAD 41.2 million and a profit of NAD 40.9 million to the Group for the period from 1 September 2018 to 30 September 2018.

Had the business combinations taken place at the beginning of the reporting year, the revenue for the

Group would have been NAD nil, other income of NAD 41.2 million and the net profit would have been NAD 36.7 million.

Figures in Namibia Dollar thousand	**30 Sep 2018 unaudited**	**30 Sep 2017 unaudited**
6. Fair value hierarchy		
Level 3		
Financial assets		
Advances	1,480,319	1,820,602
Trade and other receivables	612,974	882,587
Cash and cash equivalents	218,008	21,029
Financial liabilities		
Insurance contract liabilities	(48,380)	(94,222)
Trade and other payables	(588,056)	(506,614)
Other liabilities	(64,600)	(55,198)
Borrowings	(1,324,502)	(1,699,455)
Bank overdraft	-	(14,903)
Related party balances	(36,330)	(3,429)

All financial instruments, are initially recognised at fair value. The fair value of a financial instrument on initial recognition is normally the transaction price, which is the fair value of the consideration given or received. In certain circumstances, however, the initial fair value may be based on other observable current market transactions in the same instrument, without modification or repackaging, or on a valuation technique whose variables include only observable data.

The fair values of assets and liabilities are not materially different to their carrying amounts, since the interest receivable/payable is either close to current market rates or the instruments are short-term in nature.

7. Profit before taxation

Profit on forex differences	(36,022)	(1,608)
Salaries and directors remuneration	82,513	67,601
Amortisation and depreciation	27,563	32,700
Impairment of loans and receivables	2,785	3,057
Reversal of impairment of property, plant and equipment**	(42,173)	-
Profit on disposal of property, plant and equipment	(30)	(11)
Loan forgiveness*	(215,543)	-

*Agreement was reached by the Group and Next Investments (Pty) Ltd (sole shareholder is Dr Q. van Rooyen) to write off a short term working capital loan facility due by the Group to Next Investments. The amount written-off was disclosed as investment and other income.

** Refer to note 1 for further information.

8. Transaction with related parties

Next Investments (Pty) Ltd*		
Sales to related party	(1,648)	(1,182)
Guarantee fee paid to related party	1,500	11,718
Management fees paid to related party	12,100	-
Purchases and acquisitions from related party	2,957,275	-
Loan forgiveness	(215,543)	-
Northern Namibia Development Company (Pty) Ltd*		
Sales to related party	(2,602)	(2,827)
Portsmut Hunting Safaris (Pty) Ltd*		
Sales to related party	(1,040)	(191)
Morse Investments (Pty) Ltd*		
Sales to related party	(169)	-

Figures in Namibia Dollar thousand	30 Sep 2018 unaudited	30 Sep 2017 unaudited
Foxtrot Properties (Pty) Ltd *		
Sales to related party	(6)	-
Riskowitz Value Fund LP**		
Interest paid to related party	1,495	-
Interest received from related party	(15,131)	-

* Common director: Dr Q van Rooyen

** Minority shareholder

9. Events occurring after the reporting period

Dr Quinton van Rooyen, together with his investment vehicle (being Next Investments (Pty) Ltd) have entered into a loan agreement valued up to NAD 1 billion with Trustco subject to approval by its shareholders. At the date of this report, the company has received irrevocable undertakings from 76.48% of its shareholders, who are eligible to vote, to vote in favour of the agreement.

The directors are not aware of any other material event which occurred after the reporting date and up to the date of this report.

10. Changes in accounting policies

This note explains the impact of the adoption of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers on the group's financial statements and also discloses the new accounting policies that have been applied from 1 April 2018, where they are different to those applied in prior periods.

a) IFRS 9 Financial Instruments

i) Impact on the financial statements

As explained below, IFRS 9 was adopted without restating comparative information. The reclassifications and the adjustments arising from the new impairment rules are therefore not reflected in the restated balance sheet as at 31 March 2018, but are recognised in the opening balance sheet on 1 April 2018.

The Group has adopted IFRS 9 with a date of transition of 1 April 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements. The Group did not early adopt any of IFRS 9 in previous periods.

As permitted by the transitional provisions of IFRS 9, the Group elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening retained earnings and other reserves of the current period.

ii) IFRS 9 Financial Instruments – Impact of adoption

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments and impairment of financial assets.

The adoption of IFRS 9 Financial Instruments from 1 April 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out below. In accordance with the transitional provisions in IFRS 9 (7.2.15) and (7.2.26), comparative figures have not been restated.

The total impact on the group's retained earnings as at 1 April 2018 is as follows:

Closing retained earnings 31 March 2018 - IAS 39	3,426,491
Adjustment to retained earnings from adoption of IFRS 9 on 1 April 2018	
Increase in provision of bank advances and loans at amortised costs	(2,105)
Increase in provision of property advances	(245,426)
Opening in retained earing 1 April 2018-IFRS 9	**(3,178.960)**

iii) Classification and measurement

On 1 April 2018 (the date of initial application of IFRS 9), the group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate IFRS 9 categories. Loans and receivables have been moved from loans and receivables to loans to financial assets at amortised costs.

iv) Impairment of financial assets

The Group's financial assets that are subject to IFRS 9's new expected credit loss model were:

- bank advances and loans at amortised costs; and
- property and student advances carried at amortised cost.

The Group was required to revise its impairment methodology under IFRS 9 for each of these classes of assets. The impact of the change in impairment methodology on the group's retained earnings and equity is disclosed in the table in note ii) above.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

v) Accounting policy applied from 1 April 2018

» Classification

Financial Assets at amortised costs

From 1 April 2018, the group classifies its financial assets as those measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

» Measurement

Subsequently the group measures property and bank advances at amortised cost.

These are assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

» Impairment

From 1 April 2018, the group assesses on a forward looking basis the expected credit losses associated with its advances carried at amortised. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

b) IFRS 15 Revenue from Contracts with Customers

The Group has adopted IFRS 15 Revenue from Contracts with Customers from 1 April 2018 which resulted in change in the accounting policy. There were no adjustments to the amounts recognised in the financial statements.

Accounting policy applied from 1 April 2018

Revenue comprises the consideration received or receivable from contracts entered into with customers in the ordinary course of the Group's activities. It is determined at an amount that depicts the consideration to which the Group expects to be entitled in exchange for transferring the goods and services promised to the customer. Revenue is shown net of taxes, discount and amounts collected on behalf of third parties. Revenue is recognised at the amount of the transaction price that is allocated to each distinct performance obligation, and is recognised when control of the performance obligations is transferred to the customer.

Property sales revenue

In property sale transactions, the land is a distinct performance obligation. Revenue is recognised when control of the land is transferred to the customer.

Revenue from servicing the land and revenue from construction contracts is recognised over time according to the stage of completion. Stage of completion is measured with reference to independently certified progress certificates issued by the appointed project engineer.

Tuition fees

Revenue from tuition services is recognised over time according to the stage of completion. Stage of completion is measured as the amount of work completed, as a percentage of the agreed work to be done.

Diamonds sales

Revenue is recognised when control of the diamond is transferred to the customer.

11. New accounting policies

Common control transactions

Transactions in which combining entities are controlled by the same party or parties before and after the transaction and where that control is not transitory are referred to as common control transactions.

As IFRS does not specifically govern the accounting treatment of common control transactions, guidance was sought by investigating the treatment of similar transactions in other jurisdictions. Guidance was obtained from US GAAP, specifically FRS 6.

The Group's accounting policy for the acquiring entity would be to account for the transaction at book values as reflected in the consolidated financial statements of the selling entity. The Group accounts for the merger prospectively, thus the acquired entity's results are included in the acquirer's financial statements from the date of the business combination. There is no restatement of comparative information.

For common control transactions, The Group determines purchase consideration as the transaction cost adjusted for time value of money where applicable.

The excess of the purchase consideration over the acquirer's proportionate share of the net assets value acquired in common control transactions, will be allocated to the common control reserve in equity.

Shareholders are advised that the unaudited condensed consolidated interim results for the 6 month period ended 30 September 2018 would be available for downloading on Trustco's website at the following website: www.tgh.na or, upon enquiry, a printed version may be requested from the Company Secretary at amandab@tgh.na.

By order of the board

Windhoek, Namibia

19 December 2018

Amanda Bruyns

Directors

Executive

Dr Q van Rooyen (*Group Managing Director)*

Mr F J Abrahams (*Group Financial Director)*

Non-executive

* Adv. R Heathcote SC (*Chairman)*

* Prof L J Weldon *(Lead Independent)*

* Mr W J Geyser

* Mr R J Taljaard

* Ms K N van Niekerk

** Independent*

All directors are Namibian with the exception of Prof L J Weldon and Ms K N van Niekerk who are a South African citizen.

Company Secretary: Trustco Group Holdings Limited

JSE Sponsor: Vunani Corporate Finance

NSX Sponsor: Simonis Storm Securities Proprietary Limited

South African Transfer Secretaries: Computershare Investor Services Proprietary Limited

Namibian Transfer Secretaries: Transfer Secretaries Proprietary Limited