

INTERIM RESULTS

SEPTEMBER 2019

TRUSTCO GROUP HOLDINGS LIMITED
UNAUDITED CONDENSED CONSOLIDATED
INTERIM RESULTS FOR THE SIX MONTHS
ENDED 30 SEPTEMBER 2019



TRUSTCO
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BUSINESS REVIEW AND OUTLOOK

Trustco Group Holdings Ltd operates from its Namibian headquarters in Windhoek and specialises in investing in high quality emerging markets assets in Namibia, Sierra Leone, Mauritius and South Africa. The group focuses on three main business segments, Insurance and its investments, Banking and finance and Resources, underpinned and supported by group Shared Services.

During the period under review, persistent adverse economic conditions inflamed by a historic drought in the Southern African region were experienced, leading to an international credit rating downgrade of Namibia's sovereign rating status.

Trustco, however, through its resilience, maintained its reputation as one of Namibia's most prolific post-independence business success stories in terms of growth as well as wealth creation for its stakeholders. Trustco group up-listed during September 2019 from the OTC market to the OTCQX Best Market in the United States of America, joining over 400 established, investor-focused international companies.

During the period under review, the group saw revenues increase to NAD 320.2 million, an increase of 28% compared to the corresponding period, with profits for the period increasing to NAD 738.3 million. Profit for the period increased by NAD 649 million. The increase was mainly attributed to a loan waiver of NAD 1 billion. The Global Credit Rating Company ("GCR") also upgraded Trustco's national long term rating to B+(NA) and its short term rating to B(NA) with a positive outlook.

In order to secure further equity capital, the group entered into a warrant transaction with EVO Fund, whereby EVO acquired four tranches of warrants (3 x 20 million shares and 1 x 37.4 million shares) at per share strike prices of ZAR 9, ZAR 13, ZAR 22 and ZAR 30 respectively. EVO Fund has already exercised 10 000 shares of the first tranche to benchmark the process. This transaction could raise up to NAD 2 billion if fully executed to fund the continuous pursuit for growth and wealth creation.

To accelerate access to growth opportunities the group's majority shareholder, Dr Q van Rooyen, and Next Capital Ltd waived a NAD 1 billion loan to the group, as established in the Related Party Loan Programme last year. The loan waiver will further deleverage the balance sheet of Trustco and to support the Resources segment while the group considers for an intended IPO of this segment.

INSURANCE AND ITS INVESTMENTS

Insurance (Namibia)

Profitability increased by 12% year-on-year through effective claims management and disciplined cost control although insurance premium growth remained subdued in the continuing recessionary environment. New products and enhancements are being developed to complement the full spectrum banking capabilities in Trustco Bank to better serve the existing client base of more than 275 000 insured members with modern and forward-thinking risk solutions. This is expected to drive the insurance business during the next reporting period. The segment also identified an acquisition in South Africa that it is pursuing.



Investments of insurance businesses

The application for the Need and Desirability for Township establishment on the remainder of Farm Herboths No 485 was approved by the Ministry of Urban and Rural Development on 7 October 2019 and was another significant milestone for the property division which will allow the township planning for a major development to proceed.

Property sales continued at a steady pace across the various developments and the property portfolio, which is currently valued at NAD 2.4 billion, has now been almost completely deleveraged in line with the group's strategic decision to consolidate and de-risk its property development positions.

Construction projects continued apace during the period and were focused on enhancing the existing Elisenheim Lifestyle Development and the Lafrenz Industrial Park. The construction of the Urban Village @ Elisenheim shopping mall has also progressed according to plan and is expected to open on schedule early in 2020 which will add substantial value to the residents of the estate.

BANKING AND FINANCE

Revenue from lending activities increased from the previous year, but profitability has largely been neutralised by IFRS 9 provisioning requirements based on the prevailing economic climate.

The student lending business however, has progressed positively as new funding is expected to generate above inflationary growth in the latter part of this financial year. Collections on the student loan book performed as per expectations in the current economic climate.

RESOURCES (NAMIBIA AND SIERRA LEONE)

During the reporting period, the Resources segment recorded growth of 317% in profit, totalling NAD 927.1 million, compared with the previous period. With additional investment into the exploration, evaluation and mining assets of the segment, net assets increased to NAD 967.4 million versus the previous period's value of NAD 548.8 million.

Meya Mining (Sierra Leone)

With the phase 1 exploration results to date exceeding expectations, both in terms of geoeconomic potential as well as mineable reserves, Meya Mining developed an underground mine plan with an initial configuration that targets approximately 300 000 carats per annum. The related internal prefeasibility study combined with a Surface Lease Agreement and Community Development Agreement formed the basis of an application for a Large Scale Mining Licence to the Government of Sierra Leone. The licence was subsequently granted by the Minister of Mines and Mineral Resources to Meya for an initial term of 25 years, effective from July 2019.

With tenor and 40% of required capital secured, Meya's transition from exploration to commercial production will gain momentum.



Resource development

Apart from the resource development work on the initial kimberlite dyke zone, of 13 km strike length, reconnaissance exploration delineated an additional 40 km kimberlite dykes. In addition, 9 791 tonnes of weathered kimberlite material were mined at the Waterloo and Simbakoro sample sites.

Kimberlite from Simbakoro dyke zone contained a large population of olivine, garnet and eclogite confirming good diamond carrying capacity. Only 2 135 tonnes of competent kimberlite ore, including waste dilution of 67% waste (granite) were processed. The total yield from the 703 tonnes of *in situ* kimberlite was 400.14 carats, equal to a grade of 0.57 carats per tonne.

A total of 8 218 tonnes of highly diluted weathered kimberlitic material, mainly from the Waterloo overburden was treated, yielding 515.34 carats. Grade calculations for this material are inconclusive due to laterite and saprolite (mudflow) dilution.

Results from exploration to date indicate that the diamondiferous kimberlite dykes within Meya Mining's licence area contains very high-quality diamonds, including extremely large and very rare (+500 carat) high-value Type IIa diamonds. These exceptional and very high-value diamonds are only recovered from three other primary diamond deposits globally.

In view of the findings to date and the scope of geological occurrences within the 129 km² licence area, management foresees that the Meya resource development programme will run concurrently with its depletion plan over the next 10 to 15 years, thus systematically quantifying the additional dyke zones and adding it to the resource base.

Marketing, sales and revenues

One diamond parcel was exported to Antwerp during the reporting period and sold on tender through an independent tender house. The 2 147 carats recovered from Meya River, Simbakoro, Waterloo dyke zones as well as tailing material were sold for USD 679 841 at an average of USD 317 per carat. Diamonds recovered from Simbakoro dyke zone achieved USD 300 per carat, and those recovered from Waterloo dyke zone achieved USD 307 per carat. Both results are extremely favourable considering the parcels contained relatively small quantities recovered from weathered material including the smaller fractions from tailings material.

Northern Namibia Development Company (Pty) Ltd (NNDC) (Namibia)

NNDC operations remained under care and maintenance during the period under review whilst detailed designs on the treatment plant upgrade for commercial production are being finalised.

Morse Investments (Pty) Ltd (Morse) (Namibia)

During the reporting period, the Ministry of Mines and Energy in Namibia approved the new business premises of Morse at 104 Robert Mugabe, Windhoek as a licenced cutting and polishing facility in line with the vertical integrated diamond business model of the Resources segment.



DIVIDENDS

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

CHANGES TO THE BOARD

There were no changes to the board of directors during the period under review.

GOING CONCERN

The directors believe that the group has adequate financial resources to continue in operation for the foreseeable future and accordingly, the unaudited condensed consolidated financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the group is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The directors are not aware of any new material changes that may adversely impact the group. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the group.

SUBSEQUENT EVENTS

A. Issue of shares

The company issued 10 000 shares to EVO Fund on 22 October 2019. The shares were issued at par value of NAD 0.23 per share and a premium of NAD 8.77 per share.

B. Proposed transaction with Conduit Capital Ltd

On 5 December 2019, the group entered into an agreement to acquire all the shares and claims held by Conduit Capital Ltd in Constantia Risk and Insurance Holdings Ltd ("CRIH") and Conduit Ventures (Pty) Ltd ("Conduit Ventures") for a total consideration of ZAR 2 billion subject to the following conditions:

- The group completing to its satisfaction, various due diligence investigations on CRIH and Conduit Ventures.
- Obtaining regulatory and other approvals which are necessary for the implementation of the transaction, including approval from JSE, Competition Commission of South Africa, Takeover Regulation Panel, FSCA and Bank of Namibia.
- All parties having obtained board approval from their respective boards and
- All parties having obtained shareholder approval to execute the transaction.

At the date of this report, the above were not fulfilled.

Refer to SENS announcement by the group and Conduit Capital Ltd issued on 9 December 2019 for further information.

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



FUTURE OUTLOOK

The period under review saw the Namibian and Southern African economies continue to experience sub-standard growth, with the Namibian economy in particular still in recession. As a result, acquisitions are currently the preferred choice for growth, and the directors remain optimistic that the Conduit Capital transaction will enable the group's growth trajectory to continue unimpeded. The Resources segment is currently transitioning its mining assets from exploration to commercial production, and it is expected to generate positive returns in the period ahead.

Bloomberg has reported that developing-nation assets will outperform their developed peers during the next year, according to their survey of 57 global investors, strategists and traders. As a result, the directors are cautiously optimistic that the improved macroeconomic conditions will translate into positive returns for stakeholders.

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

The company has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the company's accounting periods beginning on or after 01 October 2019:

IFRS 17: Insurance contracts

(effective for annual periods beginning on or after 01 January 2021)

- a) IFRS 17 creates one accounting model for all insurance contracts in all jurisdictions that apply IFRS.
- b) IFRS 17 requires an entity to measure insurance contracts using updated estimates and assumptions that reflect the timing of cash flows and take into account any uncertainty relating to insurance contracts.
- c) The financial statements of an entity will reflect the time value of money in estimated payments required to settle incurred claims.
- d) Insurance contracts are required to be measured based only on the obligations created by the contracts.
- e) An entity will be required to recognise profits as an insurance service is delivered, rather than on receipt of premiums.
- f) This standard replaces IFRS 4 – Insurance contracts.

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, the interpretations adopted by the International Accounting Standards Board, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the Listings Requirements of the JSE Limited and the Namibian Stock Exchange and in the manner as required by the Companies Act of Namibia and the Companies Act of South Africa, and are based upon appropriate accounting policies and supported by reasonable and prudent judgements and estimates.

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 2019, NAD 1 was equal to ZAR 1 (South African Rand) and the USD (United States Dollar) was equal to ZAR 15.2.

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 the adoption of the amendment detailed in note 11.

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.

AUTHORISATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These condensed interim financial statements were approved for issue by the board of directors on 12 December 2019, and were signed on the behalf by:

Adv Raymond Heathcote SC
(Chairman)

Windhoek
12 December 2019

Dr Q van Rooyen
(Chief Executive Officer)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 Sep 2019 unaudited	31 Mar 2019 audited
<i>Figures in Namibia Dollar thousand</i>	<i>Note</i>		
Assets			
Cash and cash equivalents		30 190	172 791
Advances	1	1 334 545	1 387 091
Trade and other receivables		522 530	520 556
Current tax receivable		4 254	4 495
Inventories		288 816	281 977
Property, plant and equipment	2	450 330	670 256
Investment property		2 402 968	2 399 618
Intangible assets		502 669	452 521
Evaluation and exploration assets	3	223 671	530 275
Mine properties	3	548 573	164 875
Deferred tax assets		156 272	147 293
Assets held for sale	4	120 767	-
Total assets		6 585 585	6 731 748
Equity and liabilities			
Liabilities			
Borrowings		1 044 522	1 251 066
Trade and other payables		488 057	386 260
Current tax payable		24 785	10 243
Insurance contract liabilities		45 167	45 393
Amounts due to related parties	5	140 022	1 021 276
Other liabilities		53 338	63 447
Deferred tax liabilities		182 289	179 089
Liabilities of assets held for sale	4	112 086	-
Total liabilities		2 090 266	2 956 774
Capital and reserves			
Share capital	6	279 376	224 084
Share premium	6	1 993 903	921 719
Deemed treasury shares	7	(197 959)	(197 959)
Other reserves		(2 010 773)	(869 002)
Retained income		3 906 413	3 158 409
Equity attributable to equity holders of the parent		3 970 960	3 237 251
Non-controlling interest		524 359	537 723
Total capital and reserves		4 495 319	3 774 974
Total equity and liabilities		6 585 585	6 731 748

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>Figures in Namibia Dollar thousand</i>	<i>Note</i>	6 months ended 30 Sep 2019 unaudited	6 months ended 30 Sep 2018 unaudited (Remeasured)*
Revenue		320 159	249 336
Cost of sales		(63 465)	(105 874)
Gross profit		256 694	143 462
Investment and other income	5	1 067 952	271 927
Operating expenses	8	(388 998)	(280 051)
Insurance benefits and claims		(16 577)	(5 486)
Finance costs		(141 727)	(85 825)
Profit before taxation	8	777 344	44 027
Income tax (expense) benefit		(16 550)	15 399
Profit from continuing operations		760 794	59 426
Loss from discontinued operations		(22 496)	30 007
Profit for the period		738 298	89 433
Other comprehensive (loss) income:		(17 953)	8 608
Items that will not be reclassified to profit or loss:			
Gains on revaluation of property plant and equipment net of tax		-	9 232
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations net of tax		(17 953)	(624)
Total comprehensive income for the period		720 345	98 041
Profit (loss) attributable to:			
<i>Owners of the parent</i>			
From continuing operations		770 500	80 945
From discontinued operations		(22 496)	30 007
<i>Non-controlling interest</i>			
From continuing operations		(9 706)	(21 519)
From discontinued operations		-	-
		738 298	89 433
Total comprehensive income (loss) attributable to:			
Owners of the parent		733 709	96 104
Non-controlling interest		(13 364)	1 937
		720 345	98 041
Earnings per share			
<i>From continuing and discontinued operations</i>			
Basic earnings per share (cents)		74.09	14.23
Diluted earnings per share (cents)		53.32	7.85
<i>From continuing operations</i>			
Basic earnings per share (cents)		76.31	10.38
Diluted earnings per share (cents)		54.91	5.73
<i>From discontinued operations</i>			
Basic earnings per share (cents)		(2.23)	3.85
Diluted earnings per share (cents)		(1.60)	2.12

* Prior period results have been remeasured to reflect the effect of discontinued operations.

CONDENSED CONSOLIDATED STATEMENT OF MOVEMENTS IN EQUITY

Figures in
Namibia Dollar thousand

	Note	Share capital	Share premium	Deemed treasury shares	Other reserves	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)	44 933	3 426 491	3 728 265	437 956	4 166 221
Profit for the period		-	-	-	-	110 952	110 952	(21 519)	89 433
Other comprehensive income		-	-	-	(14 849)	-	(14 849)	23 457	8 608
<i>Total comprehensive income</i>		-	-	-	(14 849)	110 952	96 103	1 938	98 041
Change in accounting policy		-	-	-	-	(245 426)	(245 426)	-	(245 426)
Issue of shares		33 839	654 154	-	(16 250)	-	671 743	-	671 743
Shares for vendors	6	-	-	-	2 285 199	-	2 285 199	-	2 285 199
Common control transaction		-	-	-	(3 197 685)	-	(3 197 685)	-	(3 197 685)
Balance at 30 September 2018		224 084	921 554	(200 804)	(898 653)	3 292 017	3 338 198	439 894	3 778 092
Balance at 1 April 2019 unaudited		224 084	921 719	(197 959)	(869 002)	3 158 409	3 237 251	537 723	3 774 974
Profit for the period		-	-	-	-	748 004	748 004	(9 706)	738 298
Other comprehensive income		-	-	-	(14 295)	-	(14 295)	(3 658)	(17 953)
<i>Total comprehensive income</i>		-	-	-	(14 295)	748 004	733 709	(13 364)	(720 345)
Issue of shares	6	55 292	1 072 184	-	(1 127 476)	-	-	-	-
Balance at 30 September 2019		279 376	1 993 903	(197 959)	(2 010 773)	3 906 413	3 970 960	524 359	4 495 319

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	6 months ended 30 Sep 2019 unaudited	6 months ended 30 Sep 2018 unaudited
<i>Figures in Namibia Dollar thousand</i>		
Cash flows from operating activities		
Cash utilised by operations before working capital changes	(69 479)	(143 210)
Changes in working capital	41 459	172 751
Cash (utilised by)/generated from operations	(28 020)	29 541
Interest received	1 077	20 074
Interest paid	(108 160)	(88 682)
Net movement in advances	19 520	28 358
Repayment of funding liabilities for advances	-	(6 461)
Tax paid	(100)	-
Net cash from operating activities	(115 683)	(17 170)
Cash flows from investing activities		
Additions to property, plant and equipment	(701)	(51 084)
Proceeds from disposal of property, plant and equipment	81 100	1 206
Additions to investment property	(5 950)	(301)
Proceeds from disposal of intangible assets	61	-
Additions to intangible assets	(7 300)	(7 402)
Additions to evaluation and exploration assets	-	(54 083)
Additions to mining assets	(6 023)	-
Acquisition of subsidiary, net of cash acquired	-	157
Proceeds from/(advances to) related parties	12 196	(9 306)
Net cash from investing activities	73 383	(120 813)
Cash flows from financing activities		
Repayment of borrowings	(90 192)	(58 131)
Repayment of other liabilities	(10 109)	(14 820)
Transaction with minorities	-	360 000
Net cash from financing activities	(100 301)	287 049
Net change in cash and cash equivalents	(142 601)	149 066
Cash and cash equivalents at the beginning of the period	172 791	68 942
Cash and cash equivalents at the end of the period	30 190	218 008

CONDENSED SEGMENT ANALYSIS

6 Months 30 September 2019 unaudited	Total	Insurance and its investments	Banking	Resources
Revenue	337 436	144 368	182 638	10 430
External revenue	320 159	136 491	173 238	10 430
Intersegment revenue	17 277	7 877	9 400	-
Net profit/(loss) after tax	738 295	(180 641)	(8 127)	927 063
Income tax (expense)/benefit	(16 550)	(10 250)	10 418	(16 718)
Loan waiver	1 000 000	-	-	1 000 000
Depreciation and amortisation	(34 078)	(29 710)	(3 867)	(501)
Reversal of impairment loss	117	117	-	-
Interest income	1 081	374	693	14
Interest expense	(141 741)	(52 377)	(29 486)	(59 878)
Credit allowance for credit losses on advances	(155 673)	-	(155 673)	-
Total assets*	6 464 818	3 620 903	1 458 718	1 385 197
Total liabilities*	1 978 180	1 066 637	493 731	417 812

* Total assets and liabilities exclude amounts relating to discontinued operations (refer to note 4).

6 Months 30 September 2018 unaudited (Remeasured)*	Total	Insurance and its investments	Banking	Resources
Revenue	363 795	239 662	83 560	40 573
External revenue	249 336	138 630	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 (expense)/benefit	15 399	21 601	(7 237)	1 035
Loan waiver	215 543	-	-	215 543
Depreciation and amortisation	(27 563)	(25 464)	(2 023)	(76)
Reversal of impairment loss	42 173	42 173	-	-
Interest income	20 074	15 391	3 420	1 263
Interest expense	(85 825)	(47 031)	(25 956)	(12 838)
Credit allowance for credit losses on advances	(2 785)	-	(2 785)	-
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

* Prior period comprehensive result disclosures have been remeasured to reflect the effect of discontinued operations.

RECONCILIATION OF HEADLINE EARNINGS PER SHARE

	6 months ended 30 Sep 2019 unaudited	6 months ended 30 Sep 2018 unaudited
<i>Figures in Namibia Dollar thousand</i>		
Profit attributable to ordinary shareholders	748 004	110 952
Adjustments:		
Loss/(profit) on disposal of property, plant and equipment	16 849	(30)
Reversal of impairment of property, plant and equipment	(117)	(42 173)
Tax effect	(5 354)	13 505
Headline earnings	759 382	82 254

SHARES

Total number of ordinary shares in issue ('000s)	1 214 666	974 266
Weighted number of ordinary shares in issue ('000s)	1 009 634	779 494
Contingently issuable shares as a result of business acquisition ('000s)	393 322	633 722

Weighted number of ordinary shares for diluted earnings per share ('000s)	1 402 956	1 413 216
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EARNINGS PER SHARE

Basic earnings per share (cents)	74.09	14.23
Diluted earnings per share (cents)	53.32	7.85
Headline earnings per share (cents)	75.21	10.55
Diluted headline earnings per share (cents)	54.13	5.82

BASIC EARNINGS

From continuing operations	770 500	80 945
From discontinued operations	(22 496)	30 007
	748 004	110 952

From continuing operations

Basic earnings per share (cents)	76.31	10.38
Diluted earnings per share (cents)	54.91	5.73

From discontinued operations

Basic earnings per share (cents)	(2.23)	3.85
Diluted earnings per share (cents)	(1.60)	2.12

The denominators used for the calculation of both basic and diluted earnings per share from continuing and discontinued operations are the same.

NOTES TO THE CONDENSED INTERIM RESULTS

Figures in Namibia Dollar thousand

	30 Sep 2019 unaudited	30 Sep 2018 unaudited
1. Advances		
Property advances	806 973	806 653
Student advances	500 246	619 513
Other advances	47 236	54 153
	1 354 455	1 480 319

Refer to note 8 for movement in credit allowance for credit losses.

2. Property, plant and equipment

Property acquired	701	66 003
Disposals	(97 949)	(1 176)
Capital commitments (not yet contracted for but authorised by directors)	535 282	756 685

Aircraft

Valuation of aircraft based on the International Recognised Blue Book for aircraft, which is the accepted source for aircraft valuations worldwide. The effective date of revaluation was 30 September 2019 (2018: 30 September 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 for such transactions in the market that would be used to replace these assets.

Reversal of impairment loss

The group aircraft revalued amount (reported in the group's "Insurance and its investments" segment) is directly linked to the US dollar. The exchange rate is one of the significant inputs. The movement of the exchange rate of the Namibian dollar to the US dollar from NAD 14.1 to NAD 15.2 (from NAD 11.8 to NAD 14.1 in the previous reporting period) increased the revalued amount. The increase was recognised as a reversal of impairment loss in profit or loss to the extent of impairment loss recognised in the previous reporting periods.

During the period the reversal of impairment loss of NAD 116 670 (2018: NAD 42.2 million impairment reversal and a gain of NAD 13.6 million was recorded through other comprehensive income). The reversals were recognised in the Insurance and its investments segment's profit or loss. The recoverable amount of the aircraft is NAD 93 million (2018: NAD 220 million) and is equal to its revalued amount less cost of disposal. Aircraft is reconciled as follows:

Opening balance 1 April 2018	169 352
Revaluation gain	13 576
Depreciation	(5 221)
Reversal of impairment	42 173
Balance September 2018	219 880
Revaluation loss	(13 576)
Impairment loss	(18 930)
Depreciation	(3 737)
Closing balance 31 March 2019	183 637

Opening balance 1 April 2019	183 637
Disposal*	(86 115)
Depreciation	(3 580)
Reversal of impairment	117
Transfer to assets classified as held for sale	(94 059)
Balance September 2019	-

* During the period the group disposed of three aircraft and the remaining two aircraft are held for sale as discussed in note 4.

Sensitivity analysis

The effect of a 1% change in the exchange rate (US Dollar to Namibian Dollar) with all other variables held constant, the group's profit for the year ended 30 September 2019 would decrease/increase by NAD 0.9 million (2018: NAD 2.2 million).

3. Evaluation and exploration asset and mining assets

A Large Scale Mining Licence was granted to Meya Mining during the period under review. As the mine is in the process of transitioning from the exploration and evaluation stage to commercial production, NAD 372 million was transferred from evaluation and exploration asset to mining assets.

4. Discontinued operations

During the period under review, the board resolved to dispose of the group's air charter operations and entered into negotiations with Next Capital Ltd (formerly Next Investments (Pty) Ltd). An agreement in principle has been reached. The sale of the aircraft business, which is expected to be concluded within 12 months, have been classified as a disposal group held for sale and presented separately in the statement of financial position. The proceeds of disposal are expected to exceed the carrying amount of the related net assets and accordingly, no impairment losses have been recognised on the assets held for sale. The disposal is consistent with the group's long-term policy to focus its activities on the group's other businesses. The major classes of assets and liabilities comprising the operations classified as held for sale are identified below.

Details of the assets and liabilities disposed of, cash flows and the calculation of the profit or loss of the discontinued operations are as follows;

	30 Sep 2019	30 Sep 2018
<i>Figures in Namibia Dollar thousand</i>	unaudited	unaudited
Financial performance		
Revenue	1 637	4 436
Cost of sales	(3 432)	(2 876)
Amortisation	(3 580)	(5 229)
Finance costs	(14)	(2 857)
Reversal of impairment loss	117	42 173
Salaries	(2 646)	(3 556)
Consulting fees	(263)	(728)
Loss on disposal of aircraft	(13 776)	-
Other costs	(539)	(1 356)
(Loss) / profit before tax	(22 496)	30 007
Attributable tax expense	-	-
(Loss) / profit attributed to discontinued operations	(22 496)	30 007

	30 Sep 2019 unaudited	30 Sep 2018 unaudited
<i>Figures in Namibia Dollar thousand</i>		
Cash flow information		
Net cash outflow from operating activities	(4 024)	(6 280)
Net cash inflow from investing activities	72 339	-
Net cash outflow from financing activities	(86 744)	(1 482)
Net decrease in cash utilised by the discontinued operations	(18 429)	(7 762)

	30 Sep 2019 unaudited
<i>Figures in Namibia Dollar thousand</i>	
Assets and liabilities classified as held for sale	
Property, plant and equipment	94 059
Inventories	188
Trade and other receivables	17 494
Amount due by related party (note 5)	4 350
Deferred tax assets	3 291
Cash and bank balances	1 385
Total assets classified as held for sale	120 767
Trade and other payables	(7 539)
Deferred tax liabilities	(2 289)
Borrowings	(102 258)
Total liabilities associated with assets classified as held for sale	(112 086)
Net assets of the discontinued operations	8 681

5. Amount due to related party

	30 Sep 2019 unaudited	30 Sep 2018 unaudited
<i>Figures in Namibia Dollar thousand</i>		
Next Capital Ltd	(140 022)	(36 330)
<i>Amount included elsewhere</i>		
Next Capital Ltd (note 4)	4 350	-
Total	(135 672)	(36 330)

On 30 September 2019, an agreement was reached by the group and Next Capital Ltd (sole shareholder is Dr Q van Rooyen) to waive a portion of the debt due by the group to Next Capital Ltd. An amount of NAD 1 billion (2018: NAD 216 million) was written-off and was disclosed as investment and other income.

The loan bears interest at the Namibian prime lending rate of 10.5%.

6. Share capital

On 4 September 2018 the group acquired control of 100% of the voting equity interest of the Huso group for NAD 2.96 billion, payable by issuance of 143.3 million shares and a further issuance of 628.8 million shares upon the Resources segment reaching prescribed Earnings Before Interest, Tax, Depreciation, Amortisation and After Stock Adjustments (EBITDAASA) targets (contingent consideration). In the financial period ending March 2019, the group issued 143.3 million shares, being the settlement of the purchase consideration. In the year ended 31 March 2019, the Resources segment achieved the first and second EBITDAASA targets triggering the obligation to issue 240.4 million shares as per contingent consideration arrangement. In the reporting period, the group issued the tranche of shares due to Dr Q van Rooyen who nominated Le-Hugo Investments as the beneficiary of the shares for settlement of the contingent consideration of the purchase of Huso Group. The shares were issued at par value of NAD 0.23 per share and a premium of NAD 4.46 per share.

The shares were listed on the JSE in compliance with Schedule 6 of the Listings Requirements and were issued in terms of the Huso purchase agreement as part payment of the Huso acquisition.

7. Fair value

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

8. Profit before taxation

	30 Sep 2019 unaudited	30 Sep 2018 unaudited
<i>Figures in Namibia Dollar thousand</i>		
This is arrived at after taking the following into account:		
Profit on forex differences	(63 346)	(36 022)
Salaries and directors' remuneration	95 224	82 513
Amortisation and depreciation	34 031	27 563
Increase in credit allowance for credit losses on advances	155 673	2 785
Reversal of impairment of property, plant and equipment*	(117)	(42 173)
Loss/(profit) on disposal of property, plant and equipment	16 849	(30)

* Refer to note 2 for further information.

9. Transactions with related parties

Next Capital Ltd*

Sales to related party	(1 623)	(1 648)
Guarantee fee accrued to related party	17 324	1 500
Management fees accrued to related party	16 460	12 100
Purchases from related party*	-	2 957 275
Loan waiver	(1 000 000)	(215 543)
Interest accrued to related party	58 486	-

*The group purchased Huso Group of Companies from Next Capital Ltd.

	30 Sep 2019 unaudited	30 Sep 2018 unaudited
<i>Figures in Namibia Dollar thousand</i>		
Northern Namibia Development Company (Pty) Ltd**		
Sales to related party	-	(2 602)
Portsmut Hunting Safaris (Pty) Ltd*		
Sales to related party	(794)	(1 040)
Morse Investments (Pty) Ltd**		
Sales to related party	-	(169)
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.

** The Fund has significant influence on both Trustco Group Holdings Ltd and Legal Shield Holdings Ltd.

Company became a subsidiary on 4 September 2018; transactions disclosed relate to the period before the entity became a subsidiary.

10. Events occurring after the reporting period

A. Issue of Shares

The company issued 10 000 shares to EVO Fund on 22 October 2019. The shares were issued at par value of NAD 0.23 per share and a premium of NAD 8.77 per share.

B. Proposed transaction with Conduit Capital Ltd

On 5 December 2019, the group entered into an agreement to acquire all the shares and claims held by Conduit Capital Ltd in Constantia Risk and Insurance Holdings Ltd ("CRIH") and Conduit Ventures (Pty) Ltd ("Conduit Ventures") for a total consideration of ZAR 2 billion subject to the following conditions:

- The group completing to its satisfaction, various due diligence investigations on CRIH and Conduit Ventures.
- Obtaining regulatory and other approvals which are necessary for the implementation of the transaction, including approval from JSE, Competition Commission of South Africa, Takeover Regulation Panel, FSCA and Bank of Namibia.
- All parties having obtained board approval from their respective boards and
- All parties having obtained shareholder approval to execute the transaction.

At the date of this report, the above where not fulfilled.

Refer to SENS announcement by the group and Conduit Capital Ltd issued on 9 December 2019 for further information.

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

11. Standards and interpretations effective and adopted in the current year

At the date of authorisation of these interim results, the following standards and interpretations have become effective. The group has adopted IFRS 16 Leases which is relevant to its operations.

There was no impact on the financial statements resulting from the adoption of the new standards.



CORPORATE INFORMATION

TRUSTCO GROUP HOLDINGS LTD

(Incorporated in the Republic of Namibia and registered as an external company in South Africa)

Company registration number: 2003/058

External company registration: Number 2009/002634/10

NSX Share code: TUC

JSE Share code: TTO

OTCQX: TSCHY

ISIN Number: NA000AORF067

EXECUTIVE DIRECTORS

F J Abrahams

Dr Q van Rooyen (alternate: QZ van Rooyen)

NON-EXECUTIVE DIRECTORS

W Geyser

R Taljaard

Adv R Heathcote

Prof L J Weldon (South African)

K N van Niekerk (South African)

COMPANY SECRETARY

A Bruyns (resigned 27 September 2019)

H Steyn (appointed 27 September 2019)

AUDITORS: NAMIBIA

BDO (Namibia)

Registered Accountants and Auditors

Chartered Accountants (Namibia)

61 Bismarck Street, Windhoek, Namibia

AUDITORS: SOUTH AFRICA

Moore Stephens MWM Inc.

50 Oxford Road, Parktown

Johannesburg, 2193

South Africa

BANKERS: NAMIBIA

Bank Windhoek Ltd

First National Bank of Namibia Ltd

Standard Bank Namibia Ltd

BANKERS: SOUTH AFRICA

ABSA

First National Bank South Africa Ltd

Standard Bank South Africa Ltd

JSE EQUITY SPONSOR

Vunani Limited through Vunani Corporate Finance

Vunani House, Vunani Office Park

151 Katherine Street, Sandown

Sandton, South Africa

JSE DEBT SPONSOR

Merchantec Proprietary Limited (Merchantec Capital)
13th floor, Illovo Point
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Illovo, Sandton, South Africa
PO Box 41480, Craighall, 2024, South Africa

NSX SPONSOR

Simonis Storm Securities Proprietary Ltd
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PO Box 3970, Windhoek
Namibia

OTCQX SPONSOR

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REGISTERED OFFICE: SOUTH AFRICA

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De Beers Ave
Somerset West, 7130

TRANSFER SECRETARIES NAMIBIA

Transfer Secretaries (Pty) Ltd (Reg no: 93/713)
4 Robert Mugabe Avenue,
Burg Street, Windhoek, Namibia
PO Box 2401, Windhoek
Namibia

TRANSFER SECRETARIES SOUTH AFRICA

Computershare Investor Services (Pty) Ltd
(Reg no: 2004/003647/07)
Rosebank Towers, 15 Biermann Avenue,
Rosebank 2196, PO Box 61051
Marshalltown, 2107

PRINCIPAL BUSINESS

Trustco is a diversified triple-listed majority family-owned and operated business, with a culture of creating long-term sustainable growth for all stakeholders. Decisions are biased towards long-term value creation and short-term hurdles are viewed as catalysts to drive success. Trustco operates from three business segments being;

- Insurance and its investments;
- Banking and finance; and
- Resources.



www.tgh.na



TRUSTCO
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