PSG FINANCIAL SERVICES LIMITED

ANNUAL FINANCIAL STATEMENTS

for the year ended 29 February 2020

These annual financial statements were compiled under the supervision of the group chief financial officer, Mr WL Greeff, CA(SA), and were audited by the group's external auditor, PricewaterhouseCoopers Inc. These annual financial statements should be read in conjunction with PSG Group Ltd's annual report, which will be available on or about 17 June 2020 on PSG Group Ltd's website at *www.psggroup.co.za* or may be requested and obtained in person, at no charge, at the registered office of PSG Financial Services Ltd during office hours.

CONTENTS

GLOSSARY

- "Capitec"
  Capitec Bank Holdings Ltd, a JSE-listed bank, in which PSL holds an associate interest of 30.7%. Capitec represents one of PSL's seven reportable segments.
- "CA Sales"
  CA Sales Holdings Ltd, a Botswana Stock Exchange-listed fast-moving consumer goods distributor, in which PSG Alpha holds an interest of 47.7%. PSL consolidates CA Sales in terms of IFRS 10, in light of, inter alia, its shareholding, board representation and additional voting rights. CA Sales forms part of the PSG Alpha reportable segment, being its largest investment.
- "Curro"
  Curro Holdings Ltd, a JSE-listed private basic education provider, in which PSL holds a subsidiary interest of 55.4% and Dipeo a further interest of 5.2%. Curro represents one of PSL's seven reportable segments.
- "Dipeo"
  Dipeo Capital (RF) (Pty) Ltd, an unlisted black economic empowerment investment holding company, in which PSL holds a subsidiary interest of 49%. PSL consolidates Dipeo in terms of IFRS 10, in light of, inter alia, its shareholding, board representation and the extent of preference share funding provided. Dipeo represents one of PSL's seven reportable segments.
- "Energy Partners"
  Energy Partners Holdings (Pty) Ltd, an unlisted manufacturer, owner and operator of energy-producing assets (including solar, steam and refrigeration), in which PSG Alpha and Dipeo hold interests of 54.1% and 15.7%, respectively. PSG Alpha's interest in Energy Partners forms part of the PSG Alpha reportable segment, being its seventh largest investment.
- "Evergreen"
  Evergreen Retirement Holdings (Pty) Ltd, an unlisted developer and operator of retirement lifestyle villages, in which PSG Alpha holds a joint venture interest of 50%. PSG Alpha's interest in Evergreen forms part of the PSG Alpha reportable segment, being its second largest investment.
- "JSE"
  JSE Ltd, a registered stock exchange in South Africa.
- "PSG Alpha"
  PSG Alpha Investments (Pty) Ltd, an unlisted investment holding company focused on early-stage investments in select growth sectors, thus serving as incubator to find and help build the businesses of tomorrow. PSG Alpha is invested in 11 businesses, including CA Sales, Energy Partners, Evergreen and Stadio. PSL holds a subsidiary interest of 98.1% in PSG Alpha. PSG Alpha represents one of PSL's seven reportable segments.
- "PSG Corporate"
  Represents the segment comprising PSL's wholly-owned subsidiaries, which offer management, administrative, advisory, treasury and corporate services. PSG Corporate represents one of PSL's seven reportable segments.
- "PSG Financial Services" or "PSL" or "group" or "company"
  PSG Financial Services Ltd is a wholly-owned subsidiary of PSG Group and holds the direct interests in Capitec, Curro, Dipeo, PSG Alpha, PSG Corporate, PSG Konsult and Zeder. PSG Financial Services' cumulative, non-redeemable, non-participating (i.e. perpetual) preference shares are listed on the JSE.
- "PSG Group" or "PSG"
  PSG Group Ltd, a JSE-listed investment holding company, and its subsidiaries, as the context may require.
- "PSG Konsult"
  PSG Konsult Ltd, a JSE-listed financial services company, in which PSL holds a subsidiary interest of 60.5%. PSG Konsult represents one of PSL's seven reportable segments.
- "Stadio"
  Stadio Holdings Ltd, a JSE-listed private higher education provider, in which PSG Alpha and Dipeo hold interests of 44% and 3.4%, respectively. The group consolidates Stadio in terms of IFRS 10, in light of, inter alia, its shareholding, board representation and management involvement. PSG Alpha's interest in Stadio forms part of the PSG Alpha reportable segment, being its third largest investment.
- "Zeder"
  Zeder Investments Ltd, a JSE-listed investment holding company focused on food and related businesses, in which PSL holds an interest of 43.8%. The group consolidates Zeder in terms of IFRS 10, in light of its shareholding, board representation and ongoing strategic input being provided by the PSG Group Executive Committee. Zeder represents one of PSL's seven reportable segments.

  Zeder is invested in, inter alia, JSE-listed held-for-sale associate Pioneer Food Group Ltd ("Pioneer Foods"), a food and beverage producer and distributor; unlisted subsidiary Capespan Group Ltd ("Capespan"), a fruit marketing and farming business; unlisted subsidiary The Logistics Group (Pty) Ltd ("TLG"), a logistics business unbundled from Capespan during January 2019; unlisted subsidiary Zaad Holdings Ltd ("Zaad"), an agricultural seed production and distribution business; JSE-listed associate Kaap Agri Ltd ("Kaap Agri"), a retail and agriculture business; unlisted subsidiary Agrivision Africa ("Agrivision Africa"), a Zambia-based farming and milling business; and JSE-listed associate Quantum Foods Holdings Ltd ("Quantum Foods"), a feed and poultry business.

REPORT OF THE AUDIT AND RISK COMMITTEE
For the year ended 29 February 2020

The PSG Group Audit and Risk Committee ("the Committee") is an independent statutory committee appointed by the board of directors in terms of section 94 of the Companies Act of South Africa. The Committee also acts as the statutory audit committee of public company wholly-owned subsidiaries, such as PSL, that are legally required to have such a committee.

The Committee comprises four independent non-executive directors, namely Mr PE Burton (chairman), Ms AM Hlobo, Ms B Mathews and Mr CA Otto, who have served as members of the audit and risk committee for 13, one, three and eight years, respectively. The Committee met twice during the past financial year on 23 April 2019 and 14 October 2019, as well as after financial year-end on 21 April 2020, with all members being present.

The Committee operates in terms of a board-approved charter. It conducted its affairs in compliance with, and discharged its responsibilities in terms of, its charter for the year ended 29 February 2020.

The Committee performed the following duties in respect of the year under review:

- Satisfied itself that the external auditor is independent of PSL, as set out in section 94(8) of the Companies Act of South Africa, and suitable for reappointment by considering, inter alia, the information stated in paragraph 22.15(h) of the JSE Listings Requirements;
- Ensured that the appointment of the external auditor complied with the Companies Act of South Africa;
- In consultation with management, agreed to the audit engagement letter terms, audit plan and budgeted audit fees for the 2020 financial year;
- Approved the nature and extent of non-audit services of the external auditor;
- Nominated for re-election at the annual general meeting, PricewaterhouseCoopers Inc. as the external audit firm;
- Satisfied itself, based on the information and explanations supplied by management and obtained through discussions with the external auditor, that the system of internal financial controls is effective and forms a basis for the preparation of reliable financial statements;
- Satisfied itself, based on the information and explanations supplied by management and obtained through discussions with the external auditor, that PSL be regarded as a going concern;
- Reviewed PSL's ordinary and preference share dividends proposed at interim and year-end, and recommended it to the board of directors for approval;
- Reviewed the accounting policies and financial statements for the year ended 29 February 2020 and, based on the information provided to the Committee, considers that the company and group comply, in all material respects, with the JSE Listings Requirements; International Financial

Reporting Standards ("IFRS"); the IFRIC interpretations; the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee; the Financial Reporting Pronouncements, as issued by the Financial Reporting Standards Council; and the manner required by the Companies Act of South Africa; and

- Satisfied itself in terms of paragraph 3.84(g)(i) of the JSE Listings Requirements that the group chief financial officer, as well as the group finance function, has the appropriate expertise and experience.

PricewaterhouseCoopers Inc. has served as external auditor of PSL for the past 22 years, while the designated external audit partner has served in such capacity for the past five years, being the maximum allowed, and accordingly a new designated external audit partner will be nominated for the ensuing year. The Committee remains satisfied with the quality of the external audit performed by PricewaterhouseCoopers Inc. The adoption of mandatory audit firm rotation, as set out in the rules of the Independent Regulatory Board of Auditors, is receiving the Committee's attention.

PE Burton
PSG Group Audit and Risk Committee Chairman

Stellenbosch
29 May 2020

APPROVAL OF ANNUAL FINANCIAL STATEMENTS

for the year ended 29 February 2020

The directors are responsible for the maintenance of adequate accounting records and to prepare annual financial statements that fairly represent the state of affairs and the results of the company and group. The external auditor is responsible for independently auditing and reporting on the fair presentation of the annual financial statements. Management fulfils this responsibility primarily by establishing and maintaining accounting systems and practices adequately supported by internal accounting controls. Such controls provide assurance that the group's assets are safeguarded, that transactions are executed in accordance with management's authorisations and that the financial records are reliable. The annual financial statements are prepared in accordance with the JSE Listings Requirements; IFRS; the IFRIC interpretations; the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee; the Financial Reporting Pronouncements, as issued by the Financial Reporting Standards Council; and the manner required by the Companies Act of South Africa.

The company has not appointed an audit committee since the functions in terms of Section 94 of the Companies Act are performed on its behalf by the audit committee of its ultimate holding company, PSG Group. The audit and risk committee of PSG Group, which meets regularly with the external auditor, as well as senior management, to evaluate matters concerning accounting policies, internal control, auditing and financial reporting. The external auditor has unrestricted access to all records, assets and personnel as well as to the PSG Group Audit and Risk committee.

The annual financial statements are prepared on the going concern basis, since the directors have every reason to believe that the company and group have adequate resources to continue for the foreseeable future.

The annual financial statements set out on pages 5 to 8 and 19 to 118, were approved by the board of directors of PSG Financial Services and are signed on its behalf by:

PJ Mouton
PSG Financial Services CEO

WL Greeff
PSG Financial Services CFO

Stellenbosch
29 May 2020

DECLARATION BY THE COMPANY SECRETARY

for the year ended 29 February 2020

We declare that, to the best of our knowledge, the company has filed all such returns and notices as are required of a public company in terms of the Companies Act of South Africa, and that all such returns and notices are true, correct and up to date.

PSG Corporate Services (Pty) Ltd
Per A Rossouw
PSG Financial Services Company Secretary

Stellenbosch
29 May 2020

NATURE OF BUSINESS

PSL, being an investment holding company, offers a broad range of goods and services through its various subsidiaries, joint ventures and associates. These goods and services mainly comprise financial services (wealth management, stockbroking, asset management, insurance, banking and investment services), logistical services, food and related goods and services, advisory and private education services.

OPERATING RESULTS

The operating results and state of affairs of the company and group are set out in the attached income statements and statements of financial position, comprehensive income, changes in equity and cash flows, as well as the notes thereto. For the year under review, the group's recurring earnings amounted to R2,945m (2019: R2,508m), headline earnings amounted to R2,801m (2019: R2,410m) and earnings attributable to owners of the parent amounted to R2,680m (2019: R2,142m). The group's total profit (gross of non-controlling interests) for the year amounted to R3,430m (2019: R2,411m).

STATED CAPITAL

Details regarding authorised and issued share capital are set out in note 18 to these annual financial statements.

DIVIDENDS

Details of dividends appear in note 38 to these annual financial statements.

DIRECTORS

The boards of directors of PSG Group and PSL are identical. Details of PSL's directors at the date of this report are set out below:

Executive

PJ Mouton (43) 1) 2)
BCom (Mathematics)
PSG Group CEO
Appointed 16 February 2009

WL Greeff (50) 1)
BCompt (Hons), CA(SA)
PSG Group CFO
Appointed 13 October 2008

JA Holtzhausen (49) 1)
BIuris, LLB, HDip Tax
PSG Capital CEO
Appointed 13 May 2010

Non-executive

FJ Gouws (55)
BAcc, CA(SA)
PSG Konsult CEO
Appointed 25 February 2013

JJ Mouton (45)
BAcc (Hons), CA(SA), MPhil (Cantab)
Investment professional
Appointed 18 April 2005

Independent non-executive

PE Burton (67) 2) 3) 4) 5) 6)
BCom (Hons), PG Dip Tax
Director of companies
Appointed 19 March 2001

ZL Combi (68) 2) 4) 5)
Diploma in Public Relations
Director of companies and PSG Group Chairman
Appointed 14 July 2008

AM Hlobo (44) 3)
BCompt (Hons), CA(SA), MCom (Finance)
Senior lecturer and director of companies
Appointed 11 April 2019

B Mathews (50) 3)
BCom (Hons), CA(SA), HDip Tax
Consultant and director of companies
Appointed 3 May 2016

CA Otto (70) 3) 4) 5)
BCom LLB
Director of companies
Appointed 25 November 1995

1) *Member of executive committee*
2) *Member of social and ethics committee*
3) *Member of audit and risk committee*
4) *Member of remuneration committee*
5) *Member of nomination committee*
6) *Lead independent director*

DIRECTORS' EMOLUMENTS

PSG Group's comprehensive remuneration report is included in its annual report available on or about 17 June 2020 at *www.psggroup.co.za.*

Executive directors

The table below provides information on the total remuneration of PSG Group/PSL's executive directors:

Audited R'000	Short-term remuneration Base salary Approved	Deferred for 12 months [1]	Prior year deferral paid out [1]	Paid during the year [2]	Discretionary performance-based bonus [3]	Total short-term remuneration	Long-term remuneration Gains from exercise of share options [4]	Total remuneration
For the year ended 29 Feb 2020								
WL Greeff	10,695	(3,209)	3,243	**10,729**		**10,729**	**30,374**	**41,103**
JA Holtzhausen	10,695	(3,209)	3,243	**10,729**	4,000	**14,729**	**30,418**	**45,147**
PJ Mouton	12,383	(3,715)	3,755	**12,423**		**12,423**	**34,893**	**47,316**
	33,773	(10,133)	10,241	**33,881**	4,000	**37,881**	**95,685**	**133,566**
For the year ended 28 Feb 2019								
WL Greeff	10,042	(3,013)	3,068	**10,097**		**10,097**	**29,116**	**39,213**
JA Holtzhausen	10,042	(3,013)	3,068	**10,097**	4,000	**14,097**	**29,130**	**43,227**
PJ Mouton	11,627	(3,488)	3,553	**11,692**		**11,692**	**33,260**	**44,952**
	31,711	(9,514)	9,689	**31,886**	4,000	**35,886**	**91,506**	**127,392**

1) *The deferred portion of base salaries is increased by the South African Revenue Services' official interest rate to compensate for time value of money, and paid out 12 months later on a monthly basis during the ensuing year, subject to i) malus/clawback provisions, ii) the executive director remaining in PSG Group's service and iii) the executive director meeting non-financial personal key performance objectives.*

2) *Includes all benefits.*

3) *The PSG Group/PSL CEO and CFO do not qualify for discretionary bonuses, to help drive long-term focus and decision-making in order to ultimately deliver on PSG Group/PSL's stated objective of sustainable long-term value creation for shareholders. PSG Capital's CEO, also serving as an executive director of PSG Group, continues to qualify for a discretionary performance-based bonus in terms of PSG Capital's revenue-sharing arrangement.*

4) ***The gains for the year ended 29 February 2020 emanated from the exercise of share options on 30 April 2019 at PSG Group's then ruling share price of R265.08. Subsequently, PSG Group's share price declined to R186.60 (30-day VWAP R213.71) as at 29 February 2020 – as a result, the unvested share options (as detailed on page 7) are significantly out of the money in the aggregate compared to the gains made during the past year. The executive directors are consequently penalised if PSG Group's share price does not perform over time as share options are consistently awarded at the ruling market price.***

Non-executive directors

The table below provides information on the total remuneration paid to PSG Group/PSL's non-executive directors, including fees paid by subsidiaries of PSG Group/PSL to non-executive directors for services rendered to such subsidiaries in either an executive or non-executive capacity:

Audited R'000 (excluding value added tax, to the extent applicable)	Paid for services rendered to PSG Group Fees	Base salary	Total	Paid for services rendered to subsidiaries Fees	Base salary	Discretionary performance-based bonus	Gains from exercise of share options	Total	Total remuneration
For the year ended 29 Feb 2020									
PE Burton	564		**564**	695				**695**	**1,259**
ZL Combi	725		**725**	1,000				**1,000**	**1,725**
FJ Gouws [1]			**-**		5,507	21,093	20,412	**47,012**	**47,012**
AM Hlobo [2]	426		**426**					**-**	**426**
B Mathews	426		**426**					**-**	**426**
JJ Mouton	266		**266**					**-**	**266**
CA Otto	479		**479**	1,024				**1,024**	**1,503**
	2,886	-	**2,886**	2,719	5,507	21,093	20,412	**49,731**	**52,617**
For the year ended 28 Feb 2019									
PE Burton	497		**497**	606				**606**	**1,103**
ZL Combi	387		**387**	740				**740**	**1,127**
FJ Gouws [1]			**-**		5,210	20,600	37,673	**63,483**	**63,483**
B Mathews	400		**400**					**-**	**400**
JF Mouton [3]	360	721	**1,081**					**-**	**1,081**
JJ Mouton	250		**250**					**-**	**250**
CA Otto	450		**450**	500				**500**	**950**
	2,344	721	**3,065**	1,846	5,210	20,600	37,673	**65,329**	**68,394**

1) *Mr FJ Gouws is the CEO of PSG Konsult, a subsidiary. The total performance-based bonus earned on a PSG Konsult level was R21.2m (2019: R21.5m), of which the payment of 70% (2020: R14.9m; 2019: R15.1m) is unconditional, while the payment of 15% each (2020: R3.2m; 2019: R3.2m) is subject to malus/clawback provisions and conditional on the director remaining in service for one and two years, respectively.*

2) *Ms AM Hlobo was appointed on 11 April 2019.*

3) *Mr JF Mouton resigned on 20 November 2018.*

DIRECTORS' EMOLUMENTS (continued)

The table below provides information on PSG Group/PSL's executive directors' unvested share options, awarded in terms of the PSG Group Ltd Supplementary Share Incentive Trust:

Audited	Number of share options as at 28 Feb 2019	Number of share options during the year Awarded	Vested [1]	Market price per share on vesting date R	Strike price per share R	Date granted	**Number of share options as at 29 Feb 2020**	**Gains from exercise of share options during the year R'000**	**Value of unvested share options as at 29 Feb 2020 [2] R'000**
WL Greeff	150,357		(150,357)	265.08	83.23	28/02/2014	-	**27,342**	
	28,702		(14,352)	265.08	136.84	28/02/2015	**14,350**	**1,841**	**1,103**
	41,153		(13,718)	265.08	178.29	29/02/2016	**27,435**	**1,191**	**972**
	72,292				236.13	28/02/2018	**72,292**		**(1,621)**
	185,877				250.56	28/02/2019	**185,877**		**(6,850)**
		131,082			213.71	28/02/2020	**131,082**		
	478,381	131,082	(178,427)				**431,036**	**30,374**	
JA Holtzhausen	150,561		(150,561)	265.08	83.23	28/02/2014	-	**27,380**	
	29,492		(14,747)	265.08	136.84	28/02/2015	**14,745**	**1,891**	**1,133**
	39,660		(13,220)	265.08	178.29	29/02/2016	**26,440**	**1,147**	**937**
	72,889				236.13	28/02/2018	**72,889**		**(1,634)**
	185,807				250.56	28/02/2019	**185,807**		**(6,847)**
		131,084			213.71	28/02/2020	**131,084**		
	478,409	131,084	(178,528)				**430,965**	**30,418**	
PJ Mouton	165,471		(165,471)	265.08	83.23	28/02/2014	-	**30,091**	
	37,347		(18,673)	265.08	136.84	28/02/2015	**18,674**	**2,395**	**1,435**
	62,995		(20,998)	265.08	178.29	29/02/2016	**41,997**	**1,822**	**1,488**
	84,203		(21,051)	265.08	237.31	28/02/2017	**63,152**	**585**	**(1,490)**
	113,018				236.13	28/02/2018	**113,018**		**(2,534)**
	227,700				250.56	28/02/2019	**227,700**		**(8,391)**
		183,503			213.71	28/02/2020	**183,503**		
	690,734	183,503	(226,193)				**648,044**	**34,893**	
	1,647,524	445,669	(583,148)				**1,510,045**	**95,685**	

1) *The executive directors have not yet elected to exercise their right in terms of the provisions of the share incentive scheme to exercise their share options that became exercisable on 29 February 2020. Such right will be exercised within the 180-day exercise window.*

2) *Based on the 30-day volume weighted average PSG Group share price of R213.71 as at 29 February 2020.*

Mr FJ Gouws, being the chief executive officer of PSG Konsult and also a non-executive director of PSG Group and PSL, has been awarded PSG Konsult share options in terms of the PSG Konsult Group Share Incentive Trust. Such share options are set out in the table below:

Audited	Number of share options as at 28 Feb 2019	Number of share options during the year Awarded [1]	Vested	Market price per share on vesting date R	Strike price per share R	Date granted	**Number of share options as at 29 Feb 2020**	**Gains from exercise of share options during the year R'000**	**Value of unvested share options as at 29 Feb 2020 [2] R'000**
FJ Gouws	1,587,500		(1,587,500)	10.35	5.06	01/03/2014	-	**8,398**	
	447,592		(223,797)	10.35	7.27	01/04/2015	**223,795**	**689**	**356**
	7,751,684		(2,583,895)	10.35	6.81	01/04/2016	**5,167,789**	**9,147**	**10,594**
	3,156,559		(789,140)	10.35	7.59	01/04/2017	**2,367,419**	**2,178**	**3,007**
	3,750,000				8.74	01/04/2018	**3,750,000**		**450**
		4,000,000			10.15	01/04/2019	**4,000,000**		**(5,160)**
	16,693,335	4,000,000	(5,184,332)				**15,509,003**	**20,412**	

1) *On 20 April 2020, Mr FJ Gouws accepted a further 4.8m PSG Konsult share options at a strike price of R7.13 per share, being the 30-day volume weighted average PSG Konsult share price as at 31 March 2020.*

2) *Based on the 30-day volume weighted average PSG Konsult share price as at 29 February 2020.*

PRESCRIBED OFFICERS

The members of the PSG Group Executive Committee ("Exco") are regarded as being the prescribed officers of the company. The Exco comprises the following PSG Group and PSL directors: Messrs PJ Mouton (chief executive officer), WL Greeff (chief financial officer) and JA Holtzhausen (executive). Their remuneration is detailed above. The duties and responsibilities of the Exco are set out in the environmental, social and governance section of the annual report available on or about 17 June 2020 at *www.psggroup.co.za.*

SHAREHOLDING OF DIRECTORS

The directors held no interest in the preference share capital of the company during the year under review, nor at any time up to the date of these annual financial statements.

The shareholding of directors in the issued share capital of PSG Group as at 29 February 2020 was as follows:

	Beneficial		Non-beneficial	**Total shareholding 2020** 4)		Total shareholding 2019	
Audited	Direct	Indirect	Indirect	**Number**	**%**	Number	%
PE Burton		197,500	100,000	**297,500**	**0.1**	297,500	0.1
ZL Combi 1)	354,000			**354,000**	**0.2**	354,000	0.2
WL Greeff	8,124	1,047,497		**1,055,621**	**0.5**	1,055,621	0.5
AM Hlobo		300		**300**	**-**		-
JA Holtzhausen	611,226	500,000		**1,111,226**	**0.5**	1,111,226	0.5
JJ Mouton 2) 3)	121,000	1,415,250	453,600	**1,989,850**	**0.9**	1,977,100	0.9
PJ Mouton 2) 3)	54,148	5,375,414	508,050	**5,937,612**	**2.7**	5,904,178	2.7
CA Otto	108		3,324,559	**3,324,667**	**1.5**	3,324,667	1.5
Total	1,148,606	8,535,961	4,386,209	**14,070,776**	**6.4**	14,024,292	6.4

1) *Mr ZL Combi's shareholding includes 276,000 shares that are subject to a European scrip-settled collar as hedging instrument, which expires on 31 August 2020.*

2) *Messrs JJ Mouton and PJ Mouton are also trustees and discretionary beneficiaries of the JF Mouton Familietrust with an effective holding of 42,269,481 PSG Group ordinary shares, representing approximately 19.4% of PSG Group's issued share capital (net of treasury shares).*

3) *The shareholding of the immediate family members of Messrs JJ Mouton and PJ Mouton (i.e. wives and minor children, held either in own name or via trusts) have been included as non-beneficial indirect shareholding, with the comparatives amended accordingly.*

4) *The shareholding of directors did not change between year-end and the date of approval of these annual financial statements.*

COMPANY SECRETARY

The registered and postal addresses of PSG Corporate Services (Pty) Ltd, being PSL's appointed company secretary, are set out below:

First Floor
Ou Kollege building
35 Kerk Street
Stellenbosch
7600
South Africa

PO Box 7403
Stellenbosch
7599
South Africa

AUDITOR

PricewaterhouseCoopers Inc. continues to serve as the external auditor of PSL and their re-appointment will be presented to PSG Group, as sole ordinary shareholder of PSL, at the upcoming annual general meeting scheduled for 16 July 2020.

EVENTS SUBSEQUENT TO THE REPORTING DATE

Events subsequent to the reporting date are detailed in note 44 to the annual financial statements.

Independent auditor's report

To the Shareholders of PSG Financial Services Limited

Report on the audit of the consolidated and separate financial statements

Our opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of PSG Financial Services Limited (the Company) and its subsidiaries (together the Group) as at 29 February 2020, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

What we have audited

PSG Financial Services Limited's consolidated and separate financial statements set out on pages 19 to 117 comprise:

- the consolidated and separate statements of financial position as at 29 February 2020;
- the consolidated and separate income statements for the year then ended;
- the consolidated and separate statements of comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended;
- the notes to the financial statements, which include a summary of significant accounting policies.

Certain required disclosures have been presented elsewhere in the document titled "*PSG Financial Services Limited Annual Financial Statements for the year ended 29 February 2020*", rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated and separate financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised January 2018)*, parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes

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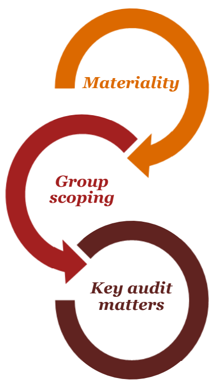
and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* respectively.

Our audit approach

Overview



Overall group materiality

- *R158 million, which represents 5% of consolidated profit before taxation.*

Group audit scope

- *We conducted full scope audits of the Company and the Group's seven main business units.*

Key audit matters

- *Impairment assessment of intangible assets including goodwill;*
- *Equity accounted earnings of Capitec Bank Holdings Limited (Capitec);*
- *Adoption of IFRS 16 - Leases; and*
- *Accounting for the investment in Pioneer Food Group Limited (Pioneer Foods), an associate, as held for sale*

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and separate financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall group materiality	*R158 million.*
How we determined it	*5% of consolidated profit before taxation.*
Rationale for the materiality benchmark applied	*We chose consolidated profit before taxation as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users of the financial statements and is a generally accepted benchmark. We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.*

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group has underlying investments that operate across a diverse range of industries, which include banking, financial services, education and food and related business, as well as early-stage investments in select growth sectors. Although the Group has seven main reportable segments, for Group audit scoping purposes the seven main business units identified are Capitec Bank Holdings Limited (Capitec), Curro Holdings Limited (Curro), PSG Konsult Limited (PSG Konsult), Zeder Investments Limited (Zeder), PSG Alpha Investments Proprietary Limited (PSG Alpha), Dipeo Capital (RF) Proprietary Limited (Dipeo) and CA Sales Holdings Limited (CA Sales).

The consolidated financial statements are derived from these business units' financial results, with Capitec being equity accounted and the other business units being consolidated. With the assistance of component auditors, we performed full scope audits on all these business units, as well as on the Company. These components were scoped in based on either risk or their financial significance to the Group. The Group audit team centrally performed audit procedures over the Group consolidation and analytical review procedures over financially inconsequential components within these seven main business units in order to gain sufficient comfort over the consolidated numbers.

In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed at the reporting units by us, as the Group engagement team, or by component auditors from PwC firms operating under our instruction. Where the work was performed by a component auditor, we determined the level of involvement we needed to have in the audit work at those business units to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the consolidated financial statements as a whole.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Consolidated financial statements

Key audit matter	*How our audit addressed the key audit matter*
Impairment assessment of intangible assets including goodwill *Refer to accounting policies 8 and 10, and note 2 of the consolidated financial statements* Goodwill and intangible assets with a carrying amount of R4.5 billion represents a substantial portion of the Group's total assets, when excluding client-related balances. Goodwill and intangible assets that have indefinite useful lives are tested by management for impairment bi-annually or when impairment indicators exist, and for all other intangible assets when impairment indicators exist, using price/earnings (P/E) multiples and discounted cash flow (DCF) valuations. In the current year, an impairment loss of R294 million was recorded relating mainly to the PSG Alpha segment in respect of goodwill on various subsidiaries. Management utilises two different valuation techniques in assessing for impairment: **P/E multiples** The P/E multiples are used to determine the fair value less cost to sell. The key judgements and estimates in determining the inputs are: • Forecast recurring earnings per share; and • P/E-multiple ranges and the reasonability thereof compared to similar entities operating in similar industries, as well as previous transactions. **DCF valuations** The DCF valuations are used to determine the value-in-use. The key judgements and estimates in determining the inputs are: • Taxation rate; • Growth rate; • Terminal growth rate; and • Discount rate. The impairment assessment of goodwill and intangible assets was considered to be a matter of most significance to our current year audit as management applies significant judgement in determining the inputs to the valuations.	• We evaluated the controls over the approval of the impairment calculations and assumptions by inspecting minutes of the audit, risk and executive committee meetings. • We tested the mathematical accuracy of the impairment calculations and considered whether the models used are consistent with the prior year and acceptable for the industry. We noted no exceptions. • We evaluated the cash flows in the impairment calculations by agreeing them to approved budgets and third-party information where appropriate. We noted no exceptions. We tested the reasonableness of the key assumptions for the two different techniques used, as detailed below: **P/E multiples** • We assessed and considered the P/E multiples applied by management and compared them to multiples of similar entities. We found that the P/E multiples used are comparable with third-party and independently established multiples. • We agreed the forecast recurring earnings used to the financial results of the respective investees. • In order to test the robustness of management's forecasts, we compared the latest actual results to the forecast information used in the prior year's impairment testing performed. The forecast information was within an acceptable range compared to the actual results, after allowing for changes in economic assumptions and other relevant variables. **DCF valuations** • We assessed the projected future cash flows, including the growth rate and the terminal growth rate, used in the DCF valuations by understanding the process followed by management to determine these forecasts and

	agreeing the forecast information to management approved budgets and business plans. • In order to test the robustness of management's forecasts, we compared the latest actual results to the forecast information used in the prior year's impairment testing performed. The forecast information was within an acceptable range compared to the actual results, after allowing for changes in economic assumptions and other relevant variables. • We compared the discount rate used by management in their calculations to our internally benchmarks developed using our valuation expertise. Our internal benchmarks were determined using our view of various economic indicators. We found that the discount rates applied by management were comparable with our internally developed benchmarks.
Equity accounted earnings of Capitec Bank Holdings Limited (Capitec) *Refer to accounting policy 4.4, note 5.1 to the consolidated financial statements and Annexure B to the consolidated financial statements.* The Group's largest investment is a 30.7% interest in Capitec. This investment is equity accounted in the consolidated financial statements under the equity method per International Accounting Standard 28 - *Investments in Associates and Joint Ventures* (IAS 28). The Group's share of the after-tax profits of Capitec for the year ended 29 February 2020 was R1.9 billion and the Group's share of Capitec's net assets was R9 billion as at 29 February 2020. The equity accounting of Capitec's earnings was considered to be a matter of most significance to our current year audit due to its significance to the Group's consolidated earnings and due to the significant judgement areas within its financial information.	We issued audit instructions to the Capitec audit team, which outlined the areas of audit focus necessary for the Group audit, as well as the information required to be reported back to the Group audit team. We obtained the audited financial results of Capitec, evaluated the consistency of its accounting policies with those of the Group and compared the results to the equity accounted results and movements recorded in the consolidated financial statements. We found no exceptions. We maintained continual interaction with the Capitec audit team, and involvement in their work. We evaluated the audit approach applied throughout all phases of the audit process by assessing whether the identified audit risks were addressed and examining working papers. We obtained an understanding of the significant judgement areas within Capitec and the impact it had on the Group's consolidated financial statements. IFRS 9 – *Financial Instruments* (IFRS 9) has a significant impact on the earnings of Capitec. As a result, we evaluated the work performed on judgements relating to

	Capitec's assessment of expected credit losses (ECLs) in terms of IFRS 9 by inspecting the testing performed by the Capitec audit team.
Adoption of IFRS 16 – Leases *Refer to accounting policy 9, and notes 3.1 and 3.2 of the consolidated financial statements* IFRS 16-*Leases* (IFRS 16) was effective for the first time in the current financial year. The Group adopted the new standard using the simplified approach. The impact of the adoption of IFRS 16 is disclosed in note 45 to the consolidated financial statements. The impact of adoption of IFRS 16 is reliant upon a number of key estimates and judgements, primarily applied in determining the appropriate discount rates (incremental borrowing rates) and the lease term for each lease. The lease term may include future lease terms for which the Group has extension options and which the Group is reasonably certain to exercise. On initial recognition, the Group recognised right-of-use assets and lease liabilities, of R987 million and R1.3 billion respectively. We considered the adoption of IFRS 16 to be a matter of most significance to the audit due to the estimation and judgements applied in the transition.	The right-of-use assets and lease liabilities recognised for the Group are almost entirely attributable to subsidiaries audited by component audit teams. We centrally directed the work performed by component audit teams, which included examining working papers as considered necessary. We maintained continual interaction with the component audit teams, and involvement in their work. Audit procedures included the following: • We assessed the discount rates used to calculate the lease obligation which included independently sourcing base rates for each lease origination date, linked to inter-bank rates. Adjustments made to the inter-bank rates to cater for lease terms were traced to independent sources. No material exceptions were noted. • We verified the accuracy of the underlying lease data on the IFRS 16 lease calculations obtained from management by agreeing a sample of leases to the original contract, and we checked the integrity and mathematical accuracy of these calculations for each lease tested through recalculation of the expected IFRS 16 adjustment. No material exceptions were noted. • We tested the completeness of the lease data by reconciling a sample of the Group's existing lease commitments to the lease data underpinning the IFRS 16 model. No material exceptions were noted. • We evaluated the lease terms, including the renewal periods, where applicable, by inspecting the underlying contracts and assessing management's judgements for the lease periods applied in the lease calculations. No material exceptions were noted. Based on the work executed by the component audit teams in accordance with our instructions and the procedures noted above, we have determined that the audit work performed, and

	audit evidence obtained were sufficient for our purposes.
Accounting for the investment in Pioneer Food Group Limited (Pioneer Foods), an associate, as held for sale *Refer to accounting policy 16, and note 26 of the consolidated financial statements* During the year under review, Pepsico made an offer to the Pioneer Foods ordinary shareholders (including the Group) to acquire all issued ordinary shares in Pioneer Foods for a cash consideration of R110 per share. The Group disposed of its investment in Pioneer Foods subsequent to year-end in terms of the aforementioned offer. The investment in Pioneer Foods has been presented in accordance with IFRS 5 - *Non-Current Assets Classified as Held for Sale and Discontinued Operations* (IFRS 5). As Pioneer Foods represents a separate major line of business, their results are presented as a discontinued operation in the consolidated income statement and related notes, including the restatement of the comparative financial information. The investment in Pioneer Foods in the consolidated statement of financial position is presented as non-current assets held for sale as at 29 February 2020. The accounting for the Group's investment in Pioneer Foods as held for sale was considered to be a matter of most significance to our current year audit due to the judgement applied in determining the timing of recognition and classification of the associate as held for sale.	Our audit procedures included the following: • We evaluated the presentation of the investment in Pioneer Foods in the consolidated financial statements as a non-current asset held for sale against the requirements of IFRS 5 in order to determine whether the requirements of IFRS 5 had been met. This included obtaining an in-depth understanding of the status of the sale as at 29 February 2020, and inspecting supporting documentation received from the directors in respect of the timing of recognition and classification as held for sale. • Making use of our accounting expertise, we evaluated the directors' analysis provided in relation to whether there is a high probability of sale of the investment in Pioneer Foods to assess whether the requirements of IFRS 5 had been met. • We assessed whether the investment in Pioneer Foods Limited was measured at the lower of carrying value and fair value less costs to sell as required by IFRS 5 by performing an independent recalculation of the fair value less costs to sell. No material exceptions were noted.

Separate financial statements

We have determined that there are no key audit matters in respect of the separate financial statements.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "*PSG Financial Services Limited Annual Financial Statements for the year ended 29 February 2020*", which includes the Directors' Report, the Report of the Audit and Risk Committee and the Declaration by the Company Secretary, as required by the Companies Act of South Africa. The other information does not include the consolidated or the separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and / or Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of PSG Financial Services Limited for 22 years.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.

Director: D de Jager

Registered Auditor

Stellenbosch

29 May 2020

PSG FINANCIAL SERVICES LIMITED

STATEMENTS OF FINANCIAL POSITION

as at 29 February 2020

		GROUP			COMPANY	
		2020	2019	2018	**2020**	2019
	Notes	**Rm**	Rm	Rm	**Rm**	Rm
ASSETS						
Property, plant and equipment	1	**12,117**	11,149	9,310		
Intangible assets	2	**4,483**	4,541	3,825		
Right-of-use assets	3.1	**1,107**				
Investment in subsidiaries	4				**8,798**	8,678
Investment in ordinary shares of associates	5.1	**10,672**	14,578	13,886	**3,219**	3,219
Investment in preference shares of/loans granted to associates	5.1	**42**	178	141		
Investment in ordinary shares of joint ventures	5.2	**986**	855	432		
Loans granted to joint ventures	5.2	**35**	5	8		
Employee benefit assets	24	**42**	43	39		
Unit-linked investments	6	**50,404**	46,495	42,200		
Equity securities	7	**5,242**	6,636	7,694	**2,597**	3,614
Debt securities	8	**6,212**	6,263	6,144		
Deferred income tax assets	9	**469**	303	245	**10**	8
Biological assets	10	**585**	593	558		
Investment in investment contracts	11	**16**	16	15		
Loans and advances	12	**1,806**	834	577	**1,667**	1,218
Trade and other receivables	13	**6,001**	4,589	4,492	**45**	30
Derivative financial assets	14	**24**	33	43	**36**	29
Inventory	15	**2,038**	1,696	1,723		
Current income tax assets		**39**	102	90		
Reinsurance assets	16	**134**	109	86		
Cash and cash equivalents	17	**1,977**	1,832	2,279		
Assets held for sale	26	**5,520**		7		
Total assets		**109,951**	100,850	93,794	**16,372**	16,796
EQUITY						
Equity attributable to owners of the parent						
Stated capital - ordinary shares	18	**1,827**	1,827	1,827	**1,827**	1,827
Stated capital - preference shares	18	**1,506**	1,506	1,506	**1,506**	1,506
Other reserves	19	**1,832**	2,851	2,639	**1,930**	2,720
Retained earnings		**11,860**	10,783	10,198	**957**	1,597
		17,025	16,967	16,170	**6,220**	7,650
Non-controlling interests	20	**10,265**	10,194	10,149		
Total equity		**27,290**	27,161	26,319	**6,220**	7,650
LIABILITIES						
Insurance contracts	21	**554**	543	543		
Third-party liabilities arising on consolidation of mutual funds	22.1	**29,999**	26,715	23,600		
Investment contract liabilities	22.2	**26,694**	25,932	24,279		
Deferred income tax liabilities	9	**1,535**	1,753	1,703	**568**	794
Borrowings	23	**16,203**	13,677	12,482	**9,473**	8,247
Lease liabilities	3.2	**1,453**				
Derivative financial liabilities	14	**117**	78	109	**36**	29
Employee benefit liabilities	24	**598**	528	541		
Trade and other payables	25	**5,350**	4,419	4,160	**75**	76
Reinsurance liabilities	16	**7**	5	3		
Current income tax liabilities		**135**	39	55		
Liabilities held for sale	26	**16**				
Total liabilities		**82,661**	73,689	67,475	**10,152**	9,146
Total equity and liabilities		**109,951**	100,850	93,794	**16,372**	16,796

PSG FINANCIAL SERVICES LIMITED

INCOME STATEMENTS

for the year ended 29 February 2020

		GROUP		COMPANY	
		2020	2019*	**2020**	2019
	Notes	**Rm**	Rm	**Rm**	Rm
CONTINUING OPERATIONS					
Revenue from sale of goods	27	**13,502**	13,041		
Cost of goods sold	28	**(11,339)**	(11,460)		
Gross profit from sale of goods		**2,163**	1,581		
Revenue earned from commission, school, net insurance and other fee income	29	**10,861**	9,239		
Investment income					
Interest income	30	**1,719**	1,789	**16**	15
Interest income calculated using the effective interest rate		**272**	532	**16**	15
Interest income on fair value through profit or loss financial instruments		**1,447**	1,257		
Dividend income	30	**738**	577	**1,136**	1,097
		2,457	2,366	**1,152**	1,112
Fair value adjustments and other income					
Changes in fair value of biological assets	10	**225**	194		
Fair value gains and losses	31	**(122)**	376		
Fair value adjustment to third-party liabilities arising on consolidation of mutual funds	22.1	**(1,270)**	(1,336)		
Fair value adjustment to investment contract liabilities	22.2	**(507)**	(1,073)		
Other operating income	32	**314**	216		
		(1,360)	(1,623)		
Expenses					
Insurance claims and loss adjustments, net of recoveries	33	**(663)**	(582)		
Marketing, administration, impairment losses and other expenses	34	**(11,523)**	(9,122)	**(431)**	(338)
		(12,186)	(9,704)	**(431)**	(338)
Net income from associates and joint ventures					
Share of profits of associates and joint ventures	5	**2,307**	2,042		
Loss on impairment of associates	5	**(323)**	(59)		
Net profit on sale/dilution of interest in associates	5	**130**	6		
		2,114	1,989		
Profit before finance costs and taxation		**4,049**	3,848	**721**	774
Finance costs	35	**(889)**	(676)	**(14)**	(14)
Profit before taxation		**3,160**	3,172	**707**	760
Taxation	36	**(525)**	(476)		
Profit for the year from continuing operations		**2,635**	2,696	**707**	760
DISCONTINUED OPERATION					
Profit/(loss) for the year from discontinued operation	26	**795**	(285)		
Share of profit of associate	5	**264**	318		
Reversal of/(loss on) impairment of associate	5	**617**	(617)		
(Loss)/profit on dilution of interest in associate	5	**(86)**	14		
Profit for the year		**3,430**	2,411	**707**	760
Attributable to:					
Owners of the parent		**2,680**	2,142	**707**	760
Continuing operations		**2,330**	2,267	**707**	760
Discontinued operation		**350**	(125)		
Non-controlling interests		**750**	269		
		3,430	2,411	**707**	760

** Re-presented for the discontinued operation detailed in note 26.*

PSG FINANCIAL SERVICES LIMITED

STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 29 February 2020

	GROUP		COMPANY	
	2020	2019	**2020**	2019
	Rm	Rm	**Rm**	Rm
Profit for the year	**3,430**	2,411	**707**	760
Other comprehensive (loss)/income for the year, net of taxation	**(1,220)**	133	**(790)**	456
Items that may be subsequently reclassified to profit or loss				
Currency translation adjustments	**(181)**	(19)		
Cash flow hedges	**(13)**	7		
Share of other comprehensive losses and equity movements of associates	**(238)**	(36)		
Fair value adjustments to equity securities	**(788)**	183	**(790)**	456
Items that may not be subsequently reclassified to profit or loss				
Losses from changes in financial and demographic assumptions of post-employment benefit obligations		(2)		
Total comprehensive income/(loss) for the year	**2,210**	2,544	**(83)**	1,216
Attributable to:				
Owners of the parent	**1,693**	2,311	**(83)**	1,216
Continuing operations	**1,798**	2,318	**(83)**	1,216
Discontinued operation	**(105)**	(7)		
Non-controlling interests	**517**	233		
	2,210	2,544	**(83)**	1,216

PSG FINANCIAL SERVICES LIMITED

STATEMENTS OF CHANGES IN EQUITY

for the year ended 29 February 2020

GROUP	Stated capital Ordinary shares Rm	Stated capital Preference shares Rm	Other reserves Rm	Retained earnings Rm	Non-controlling interests Rm	Total Rm
Balance at 1 March 2018	1,827	1,506	2,639	10,198	10,149	26,319
Adjustment due to initial application of IFRS 9 and IFRS 15				(231)	(32)	(263)
Total comprehensive income	-	-	170	2,141	233	2,544
Profit for the year				2,142	269	2,411
Other comprehensive income/(loss)			170	(1)	(36)	133
Transactions with owners	-	-	42	(1,325)	(156)	(1,439)
Issue of shares					433	433
Share-based payment costs - employees			73		39	112
Businesses/subsidiaries acquired (note 42.3)					25	25
Subsidiary deconsolidated (note 42.5)					(106)	(106)
Transactions with non-controlling interests and transfers between reserves (note 43)			(31)	19	(191)	(203)
Dividends paid - ordinary shares				(1,200)	(356)	(1,556)
Dividends paid - preference shares				(144)		(144)
Balance at 28 February 2019	1,827	1,506	2,851	10,783	10,194	27,161
Adjustment due to initial application of IFRS 16 (refer note 45)				**(103)**	**(133)**	**(236)**
Total comprehensive (loss)/income	**-**	**-**	**(987)**	**2,680**	**517**	**2,210**
Profit for the year				**2,680**	**750**	**3,430**
Other comprehensive loss			**(987)**		**(233)**	**(1,220)**
Transactions with owners	**-**	**-**	**(32)**	**(1,500)**	**(313)**	**(1,845)**
Issue of shares					**20**	**20**
Share-based payment costs - employees			**80**		**48**	**128**
Subsidiary acquired (note 42.3)					**66**	**66**
Subsidiary sold (note 42.5)					**(2)**	**(2)**
Transactions with non-controlling interests and transfers between reserves (note 43)			**(112)**	**(153)**	**(139)**	**(404)**
Dividends paid - ordinary shares				**(1,200)**	**(306)**	**(1,506)**
Dividends paid - preference shares				**(147)**		**(147)**
Balance at 29 February 2020	**1,827**	**1,506**	**1,832**	**11,860**	**10,265**	**27,290**

COMPANY	Stated capital Ordinary shares Rm	Stated capital Preference shares Rm	Other reserves Rm	Retained earnings Rm	Total Rm
Balance at 1 March 2018	1,827	1,506	2,264	2,183	7,780
Total comprehensive income	-	-	456	760	1,216
Profit for the year				760	760
Other comprehensive income			456		456
Transactions with owners	-	-	-	(1,346)	(1,346)
Dividend - ordinary shares				(1,200)	(1,200)
Dividend - preference shares				(146)	(146)
Balance at 28 February 2019	1,827	1,506	2,720	1,597	7,650
Total comprehensive (loss)/income	-	-	(790)	707	(83)
Profit for the year				707	707
Other comprehensive loss			(790)		(790)
Transactions with owners	-	-	-	(1,347)	(1,347)
Dividend - ordinary shares				(1,200)	(1,200)
Dividend - preference shares				(147)	(147)
Balance at 29 February 2020	**1,827**	**1,506**	**1,930**	**957**	**6,220**

PSG FINANCIAL SERVICES LIMITED

STATEMENTS OF CASH FLOWS

for the year ended 29 February 2020

		GROUP		COMPANY	
		2020	2019*	**2020**	2019
	Notes	**Rm**	Rm	**Rm**	Rm
Cash flows from operating activities					
Cash generated from/(utilised by) operations	42.1	**268**	(131)	**(20)**	5
Interest received		**1,711**	1,773	**16**	15
Dividends received		**1,695**	1,463	**1,136**	1,097
Continuing operations		**1,506**	1,250		
Discontinued operation	26	**189**	213		
Finance costs paid		**(840)**	(668)	**(14)**	(14)
Taxation paid	42.2	**(490)**	(693)		
Net cash flow from operating activities		**2,344**	1,744	**1,118**	1,103
Cash flows from investing activities					
Additional investment in subsidiaries				**(120)**	(427)
Businesses/subsidiaries acquired	42.3	**(235)**	(852)		
First-time consolidation of mutual fund	42.4.1		10		
Subsidiaries sold/deconsolidated	42.5	**54**	(59)		
Deconsolidation of mutual funds	42.4.2		(33)		
Acquisition of associates and joint ventures		**(515)**	(402)		
Proceeds from sale of associates		**796**	12		
Net advance of loans and preference share funding to associates and joint ventures		**(39)**	(48)		
Purchases of intangible assets (including books of business)		**(261)**	(294)		
Proceeds from sale of intangible assets (including books of business)		**11**	9		
Purchases of property, plant and equipment		**(1,672)**	(1,451)		
Proceeds from sale of property, plant and equipment		**45**	37		
Movement in other financial assets [1)]		**344**	2,203	**127**	(157)
Net cash flow from investing activities		**(1,472)**	(868)	**7**	(584)
Cash flows from financing activities					
Dividends paid to PSL ordinary shareholders		**(1,200)**	(1,200)	**(1,200)**	(1,200)
Dividends paid to PSL preference shareholders		**(147)**	(144)	**(148)**	(147)
Dividends paid to non-controlling interests		**(306)**	(356)		
Capital contributions by non-controlling interests		**15**	60		
Acquired from non-controlling interests		**(358)**	(323)		
Acquired by non-controlling interests		**93**	199		
Borrowings drawn	23	**3,165**	1,508		
Borrowings repaid	23	**(2,157)**	(1,274)		
Lease liabilities paid - principal portion	3.2	**(190)**			
Increase in net loans payable to holding company (company: holding company and subsidiaries)		**124**	359	**223**	828
Net cash flow from financing activities		**(961)**	(1,171)	**(1,125)**	(519)
Net decrease in cash and cash equivalents		**(89)**	(295)	**-**	-
Exchange (losses)/gains on cash and cash equivalents		**(21)**	7		
Cash and cash equivalents at beginning of the year		**705**	993		
Cash and cash equivalents at end of the year [2)]	42.6	**595**	705	**-**	-

[1)] Cash flow from other financial assets during the year comprised mainly disposal of debt securities (2019: comprised mainly proceeds of R1.2bn from Zeder's, through Capespan, disposal of its equity security investment in Joy Wing Mau, a fruit distributor in China, as well as disposal of debt securities).

[2)] Please refer to page 28 for a detailed explanation on the group's statement of cash flows and the impact of client-related balances thereon.

** Re-presented for the discontinued operation detailed in note 26.*

Linked investment contracts, consolidated mutual funds and other client-related balances ("client-related balances")

Client-related balances result in assets and liabilities of equal value being recognised in the consolidated statement of financial position, although not directly related to PSG Group/PSL shareholders. These balances mainly stem from:

- PSG Life Ltd (an existing subsidiary of PSG Konsult) issuing linked investment contracts to clients in terms of which the value of policy benefits payable (included under "investment contract liabilities") is directly linked to the fair value of the supporting assets. The group is thus not exposed to the financial risks associated with these assets and liabilities.
- The group consolidates mutual funds deemed to be controlled in terms of IFRS 10 Consolidated Financial Statements, with the group's own investments in these mutual funds having been derecognised and all the funds' underlying assets having been recognised. Third parties' funds invested in the respective mutual funds are recognised as a payable and included under "third-party liabilities arising on consolidation of mutual funds" and the group is thus not exposed to the financial risks associated with the assets and liabilities attributable to third parties.

The tables below separate the client-related balances from those balances attributable to ordinary shareholders of the group (i.e. own balances). PSL shareholders are therefore effectively exposed only to the amounts set out in the shaded columns below:

	Own balances			Client-related balances (financial instruments)	Total
ANALYSIS OF THE GROUP STATEMENT OF FINANCIAL POSITION	**Financial and insurance instruments Rm**	**Non-financial instruments Rm**	**Subtotal Rm**	**Rm**	**Rm**
As at 29 February 2020					
Assets					
Property, plant and equipment		12,117	12,117		12,117
Intangible assets		4,483	4,483		4,483
Right-of-use assets		1,107	1,107		1,107
Investment in ordinary shares of associates		10,672	10,672		10,672
Investment in preference shares of/loans granted to associates	42		42		42
Investment in ordinary shares of joint ventures		986	986		986
Loans granted to joint ventures	35		35		35
Employee benefit assets		42	42		42
Unit-linked investments	682		682	49,722	50,404
Equity securities	3,033		3,033	2,209	5,242
Debt securities	1,847		1,847	4,365	6,212
Deferred income tax assets		469	469		469
Biological assets		585	585		585
Investment in investment contracts			-	16	16
Loans and advances	1,806		1,806		1,806
Trade and other receivables	3,807	454	4,261	1,740	6,001
Derivative financial assets	1		1	23	24
Inventory		2,038	2,038		2,038
Current income tax assets		39	39		39
Reinsurance assets	134		134		134
Cash and cash equivalents	1,723		1,723	254	1,977
Assets held for sale	7	5,513	5,520		5,520
Total assets	13,117	38,505	51,622	58,329	109,951
Equity					
Equity attributable to owners of the parent		17,025	17,025		17,025
Non-controlling interests		10,265	10,265		10,265
Total equity	-	27,290	27,290	-	27,290
Liabilities					
Insurance contracts	554		554		554
Third-party liabilities arising on consolidation of mutual funds			-	29,999	29,999
Investment contract liabilities			-	26,694	26,694
Deferred income tax liabilities		1,535	1,535		1,535
Borrowings	16,203		16,203		16,203
Lease liabilities	1,453		1,453		1,453
Derivative financial liabilities	87		87	30	117
Employee benefit liabilities		598	598		598
Trade and other payables	3,160	584	3,744	1,606	5,350
Reinsurance liabilities	7		7		7
Current income tax liabilities		135	135		135
Liabilities held for sale	12	4	16		16
Total liabilities	21,476	2,856	24,332	58,329	82,661
Total equity and liabilities	21,476	30,146	51,622	58,329	109,951

PSG FINANCIAL SERVICES LIMITED

EXPLANATORY NOTE ON IMPACT OF CLIENT-RELATED BALANCES
for the year ended 29 February 2020

ANALYSIS OF THE GROUP STATEMENT OF FINANCIAL POSITION	Own balances: Financial and insurance instruments Rm	Own balances: Non-financial instruments Rm	Own balances: Subtotal Rm	Client-related balances (financial instruments) Rm	Total Rm
As at 28 February 2019					
Assets					
Property, plant and equipment		11,149	11,149		11,149
Intangible assets		4,541	4,541		4,541
Investment in ordinary shares of associates		14,578	14,578		14,578
Investment in preference shares of/loans granted to associates	178		178		178
Investment in ordinary shares of joint ventures		855	855		855
Loans granted to joint ventures	5		5		5
Employee benefit assets		43	43		43
Unit-linked investments	776		776	45,719	46,495
Equity securities	4,299		4,299	2,337	6,636
Debt securities	1,873		1,873	4,390	6,263
Deferred income tax assets		303	303		303
Biological assets		593	593		593
Investment in investment contracts			-	16	16
Loans and advances	834		834		834
Trade and other receivables	2,955	313	3,268	1,321	4,589
Derivative financial assets	22		22	11	33
Inventory		1,696	1,696		1,696
Current income tax assets		102	102		102
Reinsurance assets	109		109		109
Cash and cash equivalents	1,552		1,552	280	1,832
Total assets	12,603	34,173	46,776	54,074	100,850
Equity					
Equity attributable to owners of the parent		16,967	16,967		16,967
Non-controlling interests		10,194	10,194		10,194
Total equity	-	27,161	27,161	-	27,161
Liabilities					
Insurance contracts	543		543		543
Third-party liabilities arising on consolidation of mutual funds			-	26,715	26,715
Investment contract liabilities			-	25,932	25,932
Deferred income tax liabilities		1,753	1,753		1,753
Borrowings	13,566		13,566	111	13,677
Derivative financial liabilities	64		64	14	78
Employee benefit liabilities		528	528		528
Trade and other payables	2,617	500	3,117	1,302	4,419
Reinsurance liabilities	5		5		5
Current income tax liabilities		39	39		39
Total liabilities	16,795	2,820	19,615	54,074	73,689
Total equity and liabilities	16,795	29,981	46,776	54,074	100,850

PSG FINANCIAL SERVICES LIMITED

EXPLANATORY NOTE ON IMPACT OF CLIENT-RELATED BALANCES

for the year ended 29 February 2020

	Own balances			Client-related balances	
ANALYSIS OF THE GROUP STATEMENT OF FINANCIAL POSITION	**Financial and insurance instruments Rm**	**Non-financial instruments Rm**	**Subtotal Rm**	**(financial instruments) Rm**	**Total Rm**
As at 28 February 2018					
Assets					
Property, plant and equipment		9,310	9,310		9,310
Intangible assets		3,825	3,825		3,825
Investment in ordinary shares of associates		13,886	13,886		13,886
Investment in preference shares of/loans granted to associates	141		141		141
Investment in ordinary shares of joint ventures		432	432		432
Loans granted to joint ventures	8		8		8
Employee benefit assets		39	39		39
Unit-linked investments	635		635	41,565	42,200
Equity securities	5,390		5,390	2,304	7,694
Debt securities	2,597		2,597	3,547	6,144
Deferred income tax assets		245	245		245
Biological assets		558	558		558
Investment in investment contracts			-	15	15
Loans and advances	577		577		577
Trade and other receivables	2,550	348	2,898	1,594	4,492
Derivative financial assets	34		34	9	43
Inventory		1,723	1,723		1,723
Current income tax assets		90	90		90
Reinsurance assets	86		86		86
Cash and cash equivalents	1,924		1,924	355	2,279
Assets held for sale		7	7		7
Total assets	13,942	30,463	44,405	49,389	93,794
Equity					
Equity attributable to owners of the parent		16,170	16,170		16,170
Non-controlling interests		10,149	10,149		10,149
Total equity	-	26,319	26,319	-	26,319
Liabilities					
Insurance contracts	543		543		543
Third-party liabilities arising on consolidation of mutual funds			-	23,600	23,600
Investment contract liabilities			-	24,279	24,279
Deferred income tax liabilities		1,703	1,703		1,703
Borrowings	12,381		12,381	101	12,482
Derivative financial liabilities	92		92	17	109
Employee benefit liabilities		541	541		541
Trade and other payables	2,467	301	2,768	1,392	4,160
Reinsurance liabilities	3		3		3
Current income tax liabilities		55	55		55
Total liabilities	15,486	2,600	18,086	49,389	67,475
Total equity and liabilities	15,486	28,919	44,405	49,389	93,794

EXPLANATORY NOTE ON IMPACT OF CLIENT-RELATED BALANCES
for the year ended 29 February 2020

	2020			2019*		
ANALYSIS OF THE GROUP INCOME STATEMENT	**Own balances Rm**	**Client-related balances Rm**	**Total Rm**	Own balances Rm	Client-related balances Rm	Total Rm
CONTINUING OPERATIONS						
Revenue from sale of goods	**13,502**		**13,502**	13,041		13,041
Cost of goods sold	**(11,339)**		**(11,339)**	(11,460)		(11,460)
Gross profit from sale of goods	**2,163**	**-**	**2,163**	1,581	-	1,581
Revenue earned from commission, school, net insurance and other fee income	**10,936**	**(75)**	**10,861**	9,329	(90)	9,239
Investment income	**493**	**1,964**	**2,457**	556	1,810	2,366
Fair value adjustments and other income						
Changes in fair value of biological assets	**225**		**225**	194		194
Fair value gains and losses	**3**	**(125)**	**(122)**	(268)	644	376
Fair value adjustment to third-party liabilities arising on consolidation of mutual funds		**(1,270)**	**(1,270)**		(1,336)	(1,336)
Fair value adjustment to investment contract liabilities		**(507)**	**(507)**		(1,073)	(1,073)
Other operating income	**314**		**314**	216		216
	542	**(1,902)**	**(1,360)**	142	(1,765)	(1,623)
Expenses						
Insurance claims and loss adjustments, net of recoveries	**(663)**		**(663)**	(582)		(582)
Marketing, administration, impairment losses and other expenses	**(11,570)**	**47**	**(11,523)**	(9,179)	57	(9,122)
	(12,233)	**47**	**(12,186)**	(9,761)	57	(9,704)
Net income from associates and joint ventures						
Share of profits of associates and joint ventures	**2,307**		**2,307**	2,042		2,042
Loss on impairment of associates	**(323)**		**(323)**	(59)		(59)
Net profit on sale/dilution of interest in associates	**130**		**130**	6		6
	2,114	**-**	**2,114**	1,989	-	1,989
Profit before finance costs and taxation	**4,015**	**34**	**4,049**	3,836	12	3,848
Finance costs	**(889)**		**(889)**	(676)		(676)
Profit before taxation	**3,126**	**34**	**3,160**	3,160	12	3,172
Taxation	**(491)**	**(34)**	**(525)**	(464)	(12)	(476)
Profit for the year from continuing operations	**2,635**	**-**	**2,635**	2,696	-	2,696
DISCONTINUED OPERATION						
Profit/(loss) for the year from discontinued operation	**795**	**-**	**795**	(285)	-	(285)
Share of profit of associate	**264**		**264**	318		318
Reversal of/(loss on) impairment of associate	**617**		**617**	(617)		(617)
(Loss)/profit on dilution of interest in associate	**(86)**		**(86)**	14		14
Profit for the year	**3,430**	**-**	**3,430**	2,411	-	2,411

** Re-presented for the discontinued operation detailed in note 26.*

PSG FINANCIAL SERVICES LIMITED

EXPLANATORY NOTE ON IMPACT OF CLIENT-RELATED BALANCES

for the year ended 29 February 2020

ANALYSIS OF THE GROUP STATEMENT OF CASH FLOWS	2020 Own balances Rm	2020 Client-related balances Rm	2020 Total Rm	2019 Own balances Rm	2019 Client-related balances Rm	2019 Total Rm
Cash generated from/(utilised by) operations	2,190	(1,922)	268	1,732	(1,863)	(131)
Interest received	351	1,360	1,711	438	1,335	1,773
Dividends received	1,052	643	1,695	987	476	1,463
Finance costs paid	(840)		(840)	(668)		(668)
Taxation paid	(483)	(7)	(490)	(693)		(693)
Net cash flow from operating activities	2,270	74	2,344	1,796	(52)	1,744
Net cash flow from investing activities	(1,472)	-	(1,472)	(845)	(23)	(868)
Net cash flow from financing activities	(861)	(100)	(961)	(1,171)		(1,171)
Net decrease in cash and cash equivalents	(63)	(26)	(89)	(220)	(75)	(295)
Exchange (losses)/gains on cash and cash equivalents	(21)		(21)	7		7
Cash and cash equivalents at beginning of the year	425	280	705	638	355	993
Cash and cash equivalents at end of the year	341	254	595	425	280	705

It is important to note that the treasury functions of PSL and each of its subsidiaries operate on a decentralised basis and thus independent from one another. All available cash held at a PSL-level was invested in the PSG Money Market Fund, while some of the available cash held at a subsidiary-level was also invested in the PSG Money Market Fund. Available cash held at a PSL-level and invested in the PSG Money Market Fund amounted to R186m (2019: R323m) at the reporting date.

As a result of the group's consolidation of the PSG Money Market Fund, the cash invested therein is derecognised and all of the fund's underlying highly-liquid debt securities are recognised on the consolidated statement of financial position. Third parties' cash invested in the PSG Money Market Fund is recognised as a payable and included under "third-party liabilities arising on consolidation of mutual funds".

The table below reconciles the cash and cash equivalents reported per the consolidated statement of financial position to that reported per the consolidated statement of cash flows. It furthermore also reconciles such balances to the liquid cash resources at both a PSL- and subsidiary-level.

	2020 Own balances Rm	2020 Client-related balances Rm	2020 Total Rm	2019 Own balances Rm	2019 Client-related balances Rm	2019 Total Rm
Cash and cash equivalents (per the consolidated statement of financial position)	1,723	254	1,977	1,552	280	1,832
Bank overdrafts (included in "borrowings" per the consolidated statement of financial position)	(1,382)		(1,382)	(1,127)		(1,127)
Cash and cash equivalents (per the consolidated statement of cash flows - refer note 42.6)	341	254	595	425	280	705
Debt securities (per the consolidated statement of financial position)	1,847	4,365	6,212	1,873	4,390	6,263
Liquid cash resources	2,188	4,619	6,807	2,298	4,670	6,968
PSL-level (invested in the PSG Money Market Fund)	186			323		
Subsidiary-level cash and cash equivalents	3,384			3,102		
Subsidiary-level bank overdrafts	(1,382)			(1,127)		

The principal accounting policies applied in the preparation of these standalone and consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1. BASIS OF PREPARATION

PSG is an investment holding company with its ordinary shares listed on the JSE. PSG conducts all of its investment activities through PSL, being a wholly-owned subsidiary and its only asset. PSL's non-redeemable (i.e. perpetual) prefs are listed on the JSE. IFRS 10 requires a company with listed debt or equity instruments to publish consolidated financial statements. Although PSL previously published audited standalone financial statements, it did not publish consolidated financial statements, being an error and rectified herein in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors,* and accordingly these consolidated financial statements have been prepared. With PSL being a wholly-owned subsidiary and the only asset of PSG, these PSL consolidated financial statements are very similar to those of PSG.

The standalone and consolidated financial statements of PSL have been prepared in accordance with the JSE Listings Requirements and the requirements of the Companies Act of South Africa. The JSE Listings Requirements require financial statements to be prepared in accordance with the framework concepts and the recognition and measurement requirements of IFRS; the IFRIC interpretations; the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee; the Financial Reporting Pronouncements, as issued by the Financial Reporting Standards Council, and the manner required by the Companies Act of South Africa.

The financial statements have been prepared under the historical cost convention, as modified by i) financial assets and financial liabilities carried at amortised cost or fair value, ii) long-term insurance contract liabilities that are measured in terms of the financial soundness valuation ("FSV") method set out in SAP 104, iii) short-term insurance contract liabilities that are measured on the basis set out in APN 401, iv) employee defined benefit assets and liabilities, v) investments in associates and joint ventures being equity accounted and vi) adjusted for the effects of inflation where entities operate in hyperinflationary economies.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates, assumptions and judgements. Areas of critical accounting estimates, assumptions and judgements are disclosed throughout these accounting policies.

2. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS THAT ARE EFFECTIVE FOR THE FIRST TIME IN 2020

2.1 New standards, interpretations and amendments adopted by the group during the year

The following new standard, which is relevant to the group's operations, was adopted during the year:

- IFRS 16 Leases (effective 1 January 2019)

  New standard to replace IAS 17 Leases. The standard specifies how to recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise right-of-use assets and lease liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. Amounts payable in terms of leases where the lease term is 12 months or less or the underlying asset has a low value, are expensed monthly on a straight-line basis. Lessors continue to classify leases as operating or finance leases, with IFRS 16's approach to lessor accounting substantially unchanged from IAS 17.

  Various of the group's investees were significantly impacted by the adoption of IFRS 16, specifically in respect of leases pertaining to premises (e.g. Capitec branches, PSG Konsult advisor offices, TLG's port facilities, and Curro and CA Sales leased properties). The group elected to adopt IFRS 16 using the simplified approach whereby comparative figures were not restated but instead ordinary shareholders' equity and non-controlling interests as at 1 March 2019 were adjusted accordingly. The impact of adopting IFRS 16 is detailed in note 45.

- Annual improvements to IFRSs 2015 - 2017 review cycle

2.2 New standards, interpretations and amendments not currently relevant to the group's operations

The following new amendments and interpretation had no impact on reported amounts or disclosures in the current or prior year:

- Amendments to IFRS 9 Financial Instruments - Prepayment Features with Negative Compensation (effective 1 January 2019)
- Amendments to IAS 19 Employee Benefits - Plan Amendment, Curtailment or Settlement (effective 1 January 2019)
- Amendments to IAS 28 Investments in Associates and Joint Ventures - Long-term Interest in Associates and Joint Ventures (effective 1 January 2019)
- IFRIC 23 Uncertainty over Income Tax Treatments (effective 1 January 2019)

3. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS THAT ARE NOT YET EFFECTIVE

The following new standards, interpretations and amendments have been published and are mandatory for the group's accounting periods beginning on or after 1 March 2020 or later periods and have not been early adopted by the group:

- Amendments to IFRS 3 Business Combinations - Definition of a Business (effective 1 January 2020) *
- Amendments to IFRS 9, IAS 39 and IFRS 7 - Interest Rate Benchmark Reform (effective 1 January 2020) *

  Amendments to the requirements for hedge accounting to support the provision of useful financial information during the period of uncertainty caused by the phasing out of interest-rate benchmarks such as interbank offered rates (IBORs) on hedge accounting.

- IAS 1 Presentation of Financial Statements - Definition of Material (effective 1 January 2020) *
- IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material (effective 1 January 2020) *
- IFRS 17 Insurance Contracts (effective 1 January 2023, subject to due process)

  New standard to replace IFRS 4 Insurance Contracts. IFRS 17 defines clear and consistent rules that will significantly increase the comparability of financial statements of insurers. Under IFRS 17, the general model requires entities to measure an insurance contract at initial recognition at the total of the fulfilment cash flows (comprising the estimated future cash flows, an adjustment to reflect the time value of money and an explicit risk adjustment for non-financial risk) and the contractual service margin. The fulfilment cash flows are remeasured on a current basis in each reporting period.

3. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS THAT ARE NOT YET EFFECTIVE (continued)

- IFRS 17 Insurance Contracts (effective 1 January 2023, subject to due process) (continued)

  The unearned profit (contractual service margin) is recognised over the coverage period. Aside from this general model, the standard provides, as a simplification, the premium allocation approach. This simplified approach is applicable for certain types of contracts, including those with a coverage period of one year or less. For insurance contracts with direct participation features, the variable fee approach applies. The variable fee approach is a variation on the general model. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the contractual service margin. As a consequence, the fair value changes are not recognised in profit or loss in the period in which they occur, but over the remaining life of the contract.

  Management is in the process of assessing the impact of IFRS 17 on Capitec and PSG Konsult's insurance businesses and therefore the group.

- IAS 1 Presentation of Financial Statements - Classification of Liabilities as Current or Non-current (effective 1 January 2022) *

* *Management has assessed the impact of these new standards, interpretations and amendments on the reported results of the group and do not foresee any significant impact.*

4. CONSOLIDATION

4.1 Subsidiaries (including consolidated mutual funds)

Subsidiaries are all entities over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the entity acquired and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Acquisition-related costs are expensed in the income statement as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date; any gains or losses arising from such remeasurement are recognised in profit or loss.

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration, that is deemed to be an asset or liability, is recognised in accordance with IAS 39 or IFRS 9 in profit or loss. Contingent consideration that is classified as equity is not re-measured and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss as a bargain purchase gain.

Inter-company transactions, balances and unrealised gains/losses on transactions between group companies are eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the group's accounting policies.

Investments in subsidiaries are accounted for at cost less impairment in the standalone financial statements. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes directly attributable costs of investment.

CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

Classification as subsidiaries

Management concluded that the group controls and therefore consolidates certain entities in which it holds an interest of less than 50%, most notably Zeder (refer pages 1 and 113). Judgement is required in the assessment of whether the group has control over these entities in terms of the variability of returns from the group's involvement in these entities, the ability to use power to affect those returns and the significance of the group's investment in these entities.

PSL consolidates Zeder in terms of IFRS 10, in light of its shareholding, board representation and ongoing strategic input being provided by the Executive Committee. Critical to management's assessment that PSL controls Zeder was the fact that at recent Zeder shareholder meetings, PSL exercised in excess of 50% of the votes cast.

4.2 Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary acquired is recorded in equity. Gains or losses on disposals to non-controlling interests are similarly also recorded in equity.

4. CONSOLIDATION (continued)

4.3 Disposal of subsidiaries

When the group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

4.4 Associates

Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are equity accounted. Under the equity method of accounting, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss, where appropriate.

The group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income and other equity movements are recognised in other comprehensive income, with a corresponding adjustment to the carrying value of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount as an impairment loss in the income statement.

Unrealised gains on transactions between the group and its associates are eliminated to the extent of the group's interest in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the group.

Dilution gains and losses arising on investments in associates are recognised in the income statement.

4.5 Joint arrangements

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. PSL has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are equity accounted similarly to associates, as disclosed above.

5. SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (refer Annexure C). The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Exco.

6. FOREIGN CURRENCY TRANSLATION

6.1 Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which those entities operate ("functional currency"). The standalone and consolidated financial statements are presented in South African rand, being the company's functional and presentation currency.

6.2 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Foreign exchange gains and losses are presented in the income statement within fair value gains and losses.

6.3 Group companies

The results and financial position of group entities that have a functional currency different from the presentation currency and which do not operate in a hyperinflationary economy, are translated into the presentation currency as follows:

- Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rates on the various transaction dates);
- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position; and
- All resulting exchange differences are recognised in other comprehensive income.

The results and the financial position of the group entities which are accounted for as entities which operate in hyperinflationary economies and that have a functional currency that is different from the presentation currency of the group are translated into the presentation currency of its immediate parent at the exchange rates ruling at the reporting date.

6. FOREIGN CURRENCY TRANSLATION (continued)

6.3 Group companies (continued)

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the relevant closing rate. Exchange differences arising are recognised in other comprehensive income.

Group entities with functional currencies other than the presentation currency, have mainly the following functional currencies:

	2020		2019	
Currency	**Average rand per foreign currency unit**	**Closing rand per foreign currency unit**	**Average rand per foreign currency unit**	**Closing rand per foreign currency unit**
Botswana pula	1.34	1.40	1.30	1.33
British pound sterling	18.62	20.04	17.82	18.67
Chinese yuan renminbi	2.10	2.24	2.02	2.10
Euro	16.21	17.19	15.75	16.00
Japanese yen	0.13	0.14	0.12	0.13
Mozambique new metical	0.23	0.24	0.22	0.22
United States dollar	14.57	15.59	13.52	14.08
Zambian kwacha	1.10	1.04	1.26	1.17

Exchanges rates used are based on interbank bid rates.

6.4 Hyperinflation

Various characteristics of the economic environment of each country are taken into account to assess whether an economy is hyperinflationary or not. These characteristics include, but are not limited to, the following:

- The general population prefer to keep its wealth in non-monetary assets or in a relatively stable foreign currency;
- Prices are quoted in a relatively stable foreign currency;
- Sales and purchases on credit take place at prices that compensate for the expected loss of purchasing power during the credit period, even if the period is short;
- Interest rates, wages and prices are linked to a price index; and
- The cumulative inflation rate over three years is approaching, or exceeds, 100%.

Zimbabwe is a hyper-inflationary economy for the first time for accounting periods ending after 1 July 2019. Inflation has increased significantly in Zimbabwe and cumulative inflation since October 2018 has exceeded 100%. IAS 29 requires financial statements of an entity whose functional currency is the currency of a hyper-inflationary country to be restated into the current purchasing power at the end of the reporting period. Accordingly, the results, cash flows and financial position, including comparative amounts, of certain of the group's subsidiaries in Zimbabwe, forming part of the Zaad group, have been expressed in terms of the measuring unit current at the reporting date.

The carrying amounts of non-monetary assets and liabilities are adjusted to reflect the change in the general price index from the date of acquisition to the end of the reporting period. All items recognised in the statement of comprehensive income are restated by applying the change in the general price index from the dates when the items of income and expenses were initially earned or incurred. All items in the statement of cash flows are expressed in terms of the general price index at the end of the reporting period.

At the beginning of the first period of application, the components of owners' equity, except retained earnings, are restated by applying a general price index from the dates the components were contributed or otherwise arose. These restatements are recognised in other comprehensive income. Restated retained earnings are derived from all other amounts in the restated statement of financial position.

At the end of the first period and in the subsequent periods, all components of owners' equity are restated by applying a general price index from the beginning of the period or the date of contribution, if later.

As the presentation currency of the group is that of a non-hyperinflationary economy, comparative amounts are not adjusted for changes in the price level or exchange rates in the current year. Differences between these comparative amounts and the hyperinflation adjusted equity opening balances are recognised in other comprehensive income.

The general price indices, as published by the Reserve Bank of Zimbabwe, were used in adjusting the historic cost local currency results and financial positions of the group's Zimbabwean subsidiaries. The general price index as at the end of the reporting period was 564. An adjustment factor for the current reporting period of 5.73 was applied to restate the results of the Zimbabwean subsidiaries of the group. As at 29 February 2020, the cumulative three-year inflation rate was 831%.

Gains or losses on the net monetary position are recognised in profit or loss. An impairment loss is recognised in profit or loss if the restated amount of a non-monetary item exceeds its estimated recoverable amount. The impact of implementing IAS29 was an increase of R36m in the group's profit after tax for the year, which was treated as a non-recurring item.

7. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are carried at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the item of property, plant and equipment.

Subsequent costs are included in the asset's carrying value or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the period in which it is incurred.

Gains and losses on disposals of property, plant and equipment are determined by comparing the asset's proceeds with its carrying value and are included in profit or loss.

7. PROPERTY, PLANT AND EQUIPMENT (continued)

Depreciation is calculated on the straight-line method at rates considered appropriate to reduce carrying values to estimated residual values over the useful lives of the assets, as follows:

Buildings	25 - 99 years
Vehicles	4 - 5 years
Plant and machinery	5 - 15 years
Office equipment	3 - 10 years
Computer equipment	3 - 10 years

Land is not depreciated, except for land held under leasehold rights, which is depreciated over the relevant leasehold term.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying value is written down immediately to its recoverable amount if the asset's carrying value exceeds its recoverable amount.

8. INTANGIBLE ASSETS

8.1 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary, joint venture or associate at the date of acquisition. Goodwill on the acquisition of a subsidiary is reported in the statement of financial position as an intangible asset. Goodwill on the acquisition of a joint venture or associate is included in the respective investment's carrying value. Goodwill is tested bi-annually for impairment, or whenever there is an impairment indicator, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The groups of cash-generating units are not larger than operating segments.

An excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities arises where the net assets of a subsidiary, joint venture or associate at the date of acquisition, fairly valued, exceed the cost of the acquisition. This excess arising on acquisition is recognised as a bargain purchase gain in profit or loss.

8.2 Trademarks, patents and licences

Acquired trademarks, patents and licences are shown at cost less accumulated amortisation and impairment losses. Amortisation is generally calculated using the straight-line method over their estimated useful lives, which vary from two to 20 years (2019: three to 20 years) and are reassessed annually. The carrying value of each cash-generating unit is reviewed for impairment when an impairment indicator is identified.

The group, through Curro and Stadio, have acquired education-related trademarks as part of business combinations and have classified same as having indefinite useful lives. These assets are not amortised, but subject to bi-annual impairment testing. The classifications as having indefinite useful lives are reassessed bi-annually.

8.3 Customer lists

Acquired customer lists are shown at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method over their estimated useful lives ranging between one and 20 years (2019: one and 20 years), which reflect the expected life of the customer lists acquired. The carrying value of each cash-generating unit is reviewed for impairment when an impairment indicator is identified.

8.4 Computer software and other internally generated intangible assets

Costs associated with maintaining computer software programmes and other internally generated intangible assets are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique items controlled by the group, are recognised as intangible assets when all of the following criteria are met:

- It is technically feasible to complete the item so that it will be available for use;
- Management intends to complete the item and use or sell it;
- There is an ability to use or sell the item;
- It can be demonstrated how the item will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the item are available; and
- The expenditure attributable to the item during its development can be reliably measured.

Directly attributable costs that are capitalised as part of such items include development employee costs and an appropriate portion of relevant overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. These intangible assets are amortised using the straight-line method over their estimated useful lives, which range between two and 20 years (2019: two and 12 years).

CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

Recognition of intangible assets

With a business combination all identifiable assets are recognised at their respective fair values in the consolidated financial statements. The fair values of trademarks and customers lists acquired through business combinations are valued using discounted cash flow methodology (including the multi-period excess earnings and royalty relief methods) based on estimates, assumptions and judgements regarding future revenue growth, the weighted average cost of capital, operating costs and other economic factors affecting the value-in-use of these intangible assets. These assumptions reflect management's best estimates but are subject to inherent uncertainties, which may not be within management's control.

9. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Assets and liabilities arising from a lease are initially measured on a present value basis. Right-of-use assets are initially recognised at cost, which includes the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement of the lease and any initial indirect costs incurred by the lessee. Lease liabilities are initially measured on the present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under residual value guarantees;
- The exercise price of a purchase option if it is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of that option.

Lease payments to be made under reasonably certain extension options are included in the measurement of the liability. Lease payments associated with short-term leases or leases for which the underlying asset is of low value, are recognised as an expense on a straight-line basis over the lease term.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the group, the lessee’s incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the group:

- Considers government bond rates and the entity's borrowing rate for similar financing arrangements; and
- Make specific adjustments thereto for the lease (e.g. term, geographical location, currency, security and other property-specific factors).

After the commencement date of the lease, the carrying amount of the lease liability increases to reflect interest on the lease liability, reduces by payments of principal and interest and is remeasured to reflect reassessments or lease modifications.

Right-of-use assets are subsequently carried at cost less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. Right-of-use assets are depreciated over the shorter of the asset’s useful life and the lease term. Depreciation is calculated on the straight-line method and expensed in the income statement. The lease terms across the group typically range between two and 20 years (excluding renewal options), except for two of Curro's leased school premises containing extension options for various periods up to a maximum lease term of 93 years and for which it was assessed to be reasonably certain that these extension options would in due course be exercised.

10. IMPAIRMENT OF NON-FINANCIAL ASSETS

Goodwill and intangible assets that have indefinite useful lives and are not subject to amortisation, or that are not yet available for use, are tested annually for impairment. Other assets (such as investments in associates and joint ventures) are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recovered. The recoverable amount, being the higher of fair value less costs to sell and value-in-use, is determined for any asset for which an indication of impairment is identified. If the recoverable amount of an asset is less than its carrying value, the carrying value of the asset is reduced to its recoverable amount.

For the purpose of assessing impairment, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely dependent on cash inflows of other assets or groups of assets (the cash-generating unit). An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised as an expense in profit or loss in the period in which they are identified. An impairment loss in respect of goodwill is not reversed. In respect of other assets, reversal of impairment losses is recognised in profit or loss in the period in which the reversal is identified, to the extent that the asset is not increased to a carrying value higher than it would have been had no impairment loss been recognised for the asset in prior years.

CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

Impairment testing of goodwill

The group tests bi-annually, or whenever there is an impairment indicator, whether goodwill has suffered any impairment. The recoverable amounts of cash-generating units have been determined based on either fair value less cost to sell or value-in-use calculations, as set out in note 2. However, the impairment testing of goodwill is sensitive to any estimates, assumptions or judgements made regarding future revenue growth, the weighted average cost of capital, operating costs and other economic factors affecting either fair value less cost to sell or value-in-use calculations.

Impairment testing of investments in associates and joint ventures

Investments in associates and joint ventures are tested for impairment when indicators exist that the carrying value might exceed the recoverable amount, being the higher of fair value less cost to sell or value-in-use. An impairment loss is recognised for the amount by which the carrying value exceeds the investments' recoverable amount.

The directors are satisfied that the group's investment in associates and joint ventures are fairly stated following the recognition of the impairment losses detailed in note 5.1.

11. OFFSETTING FINANCIAL INSTRUMENTS

The group does not have any financial assets or financial liabilities that are currently subject to offsetting in accordance with IAS 32 – Financial instruments: Presentation.

12. FINANCIAL ASSETS

The group's financial assets consist of unit-linked investments, equity securities, debt securities, investment in investment contracts, loans and advances (including those to associates and joint ventures, as well as standalone loans to subsidiaries), trade and other receivables, derivative financial assets, and cash and cash equivalents.

On 1 March 2018, the company and group adopted IFRS 9 retrospectively without restating comparative figures or disclosures. The company and group's comparative information is therefore presented in accordance with the requirements of IAS 39, whereas the current year has been accounted for in accordance with IFRS 9.

12.1 Classification

IFRS 9

Financial assets are classified based on the business model and nature of cash flows associated with the instrument.

Financial assets at amortised cost

A debt instrument is classified in this category if it meets both of the following criteria and is not designated as at fair value through profit or loss:

- The asset is held within a business model whose objective is to hold the financial asset in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise to cash flows, on specified dates, that are solely payments of principal and interest ("SPPI").

Financial assets at fair value through other comprehensive income

A debt instrument is classified in this category if it meets both of the following criteria and is not designated as at fair value through profit or loss:

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise to cash flows, on specified dates, that are SPPI.

The company and group had no equity instruments that have been elected to be measured at fair value through other comprehensive income.

Financial assets at fair value through profit or loss

Financial assets not measured at amortised cost or fair value through other comprehensive income as described above are mandatorily measured at fair value through profit or loss. The group also designates certain financial assets (owing to client-related balances), that would otherwise meet the requirements to be measured at amortised cost or at fair value through other comprehensive income, as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

IAS 39

Under IAS 39, financial assets held by the company and group were classified as:

- Fair value through profit or loss being financial assets i) held for trading or ii) those designated at fair value through profit or loss at inception;
- Loans and receivables, measured at amortised cost; or
- Held-to-maturity, measured at amortised cost.

12.2 Recognition and measurement of financial assets

Purchases and sales of financial assets are recognised on trade date – the date on which the group commits to purchase or sell the asset. Financial assets not carried at fair value through profit or loss are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement.

Financial assets at fair value through profit or loss are subsequently carried at fair value. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise. Interest and dividend income arising on financial assets at fair value through profit or loss is recognised in the income statement as part of investment income.

Where available, the group measures the fair value of an instrument using the quoted price in an active market for that instrument. The fair values of quoted investments are based on current prices at the close of business on the reporting date. If the market for a financial asset is not active, or if it is unquoted, the group establishes fair value by using valuation techniques. These include the use of recent arm's-length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis refined to reflect the issuer's specific circumstances, premium/discount to net asset value and price-earnings techniques. The group's main valuation techniques incorporate all factors that market participants would consider and make maximum use of observable market data.

The existence of published price quotations in an active market is the best evidence of fair value. The phrase "quoted in an active market" means that quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's-length basis.

Readily available means that the pricing information is currently accessible and regularly available means that transactions occur with sufficient frequency to provide pricing information on an ongoing basis.

It is not necessary for quoted prices to be obtained from regulated markets. Prices can be obtained from other sources, although the available information may vary. For example, some industry groups or pricing services publish price information about certain instruments, while little or no information may be available about prices of other instruments.

12. FINANCIAL ASSETS (continued)

12.2 Recognition and measurement of financial assets (continued)

An entity is not generally required to perform an exhaustive search for price information, but should consider any information that is publicly available, or that can be obtained reasonably from brokers, industry groups, publications of regulatory agencies or similar sources, such as journals and websites. It should be noted that these prices may be indicative prices only. It should not be assumed that these prices reflect the price in an active market.

Sources from which prices can be obtained (to qualify as "quoted") include:

- Regulated exchange (e.g. JSE, BESA, SAFEX);
- Company secretary, transfer secretary or website;
- Brokers; and
- Daily newspapers and related sources (e.g. Business Day, Bloomberg).

Financial assets classified as at amortised cost are measured at amortised cost using the effective-interest method, less any impairment, with income recognised on an effective yield base.

12.3 Impairment of financial assets

IFRS 9

From 1 March 2018, the group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost.

Expected credit losses are a probability-weighted estimate of credit losses and are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows receivable in accordance with the contract and the cash flows that the group expects to receive).

The impairment methodology applied depends on whether there has been a significant increase in credit risk. The group determines whether the credit risk on a financial instrument has increased significantly by comparing this risk of default occurring on the financial instrument as at the reporting date with the risk of default occurring on the financial instrument as at the date of initial recognition together with reasonable and supporting information that indicates a significant increase in credit risk since initial recognition.

If there is no indication that there has been a significant increase in a financial instrument's credit risk since initial recognition, the loss allowance is measured at an amount equal to the 12-month expected credit losses. However, if the credit risk on a financial instrument has increased significantly since initial recognition, the loss allowances are measured at an amount equal to lifetime expected credit losses. Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument, whereas 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date.

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

An impairment gain or loss is recognised in profit or loss for the amount of expected credit losses (or reversals) that is required to adjust the loss allowance at the reporting date.

The gross carrying amount of a financial asset is written off and reduced when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof.

IAS 39

Financial assets carried at amortised cost were subjected to IAS 39's incurred loss impairment model as detailed below.

The group assessed at each reporting date whether there was objective evidence that a financial asset or a group of financial assets was impaired.

Loans and receivables were considered impaired if, and only if, there was objective evidence of impairment as a result of events that occurred after initial asset recognition (known as "loss events") and these loss events had an adverse impact on the assets' estimated future cash flows that could be reliably measured. Objective evidence that loans and receivables may be impaired, included breach of contract, such as a default or delinquency in interest or principal payments. In this regard instalments past due date were considered in breach of contract. The amount of the impairment loss was the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Impairment losses were recognised in and reversed through the income statement.

Held-to-maturity investments were considered impaired when there was objective evidence that the group would not be able to collect all amounts due according to the original contract terms. Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganisation, and default or delinquency in payments were considered indicators that the investment was impaired. The amount of the impairment provision was the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The movement in the amount of the provision was recognised in the income statement.

12.4 Derecognition of financial assets

Financial assets are derecognised when the right to receive cash flows from the financial asset has expired or has been transferred, and the group has transferred substantially all risks and rewards of ownership. The group also derecognises a financial asset when the group retains the contractual rights of the assets but assumes a corresponding liability to transfer these contractual rights to another party and thereby transfers substantially all the risks and benefits associated with the asset.

13. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash held at call with banks and other short-term highly liquid investments with maturities of three months or less. Investments in money market funds are classified as cash equivalents, since these funds are held to meet short-term cash requirements, are highly liquid investments, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are included within borrowings in the statement of financial position.

14. BIOLOGICAL ASSETS

14.1 Agricultural produce

Agricultural produce are measured on initial recognition and at the end of each reporting period at fair value less cost to sell. Changes in the measurement of fair value less cost to sell are included in profit or loss for the period in which they arise. Costs to sell include all costs that would be necessary to sell the assets, including transportation costs and incremental selling costs, including auctioneers' fees and commission paid to brokers and dealers. All costs incurred in maintaining the assets are included in profit or loss for the period in which they arise. Refer note 10 for further details regarding the valuation of biological assets. Agricultural produce is transferred at the prevailing fair value less cost to sell value to inventory upon harvest.

14.2 Bearer plants

Biological assets that meet the definition of bearer plants are measured at cost less accumulated depreciation and impairment losses. Bearer plants are measured at accumulated costs until maturity, similar to the accounting for a self-constructed item of property, plant and equipment.

Subsequent production and borrowing costs are included in the bearer plant's carrying value only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably.

Depreciation is calculated on the straight-line method at rates considered appropriate to reduce carrying values to estimated residual values over the useful lives of the assets. The useful life is determined in collaboration with the technical agricultural department, and is as follows:

Apples	36 years	Oranges and lemons	30 years
Pears	36 years	Grapes	18 years

A distinction is made between non-bearing and partially-bearing bearer plants and when the transformation has been sustainably completed (i.e. full-bearing orchards/vineyards). In collaboration with the technical agricultural department, the bearer plants (i.e. orchards/vineyards) are deemed to be full bearing when they reach the following ages:

Apples	6 years	Oranges and lemons	7 years
Pears	6 years	Grapes	3 years

All costs relating to the development of an orchard/vineyard are capitalised to the respective orchard/block of vineyard planted. The establishment costs are allocated per orchard/block of vineyard based on establishment costs allocated per hectare.

Production costs, capital expenditure and borrowing costs are capitalised to the bearer plant until the plant has reached the age of full bearing. Income that is received related to the orchard/vineyard prior to it becoming full bearing is credited to the capitalised costs.

Depreciation in respect of orchards/vineyards is calculated from the date the orchard/vineyard reaches the state of full bearing and calculated by taking the cost per orchard/vineyard and dividing by the relevant remaining life.

All orchards/vineyards to be removed during a financial year will be deemed to be removed from the date the last crop was harvested from the orchard/vineyard. No depreciation will be charged from that date for the specific orchard that is to be removed. The value of the orchards/vineyards removed is the carrying value of the orchard/vineyard at the deemed date of removal.

15. INVENTORY

Inventory is measured at the lower of cost and net realisable value. The cost of inventory is based on the weighted average principle, and includes expenditure incurred in acquiring the inventory, production or conversion costs and other costs incurred in bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

16. NON-CURRENT ASSETS (OR DISPOSAL GROUPS) HELD FOR SALE

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits and financial assets that are carried at fair value.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the statement of financial position.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit or loss.

16. NON-CURRENT ASSETS (OR DISPOSAL GROUPS) HELD FOR SALE (continued)

CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

Date of classifying investment in Pioneer Foods as an asset held for sale and discontinued operation in terms of IFRS 5 Non-Current Assets Classified as Held for Sale and Discontinued Operations

As at 29 February 2020, the group, through Zeder, transferred its investment in Pioneer Foods (previously classified as an investment in associate) to assets held for sale (refer note 26). Furthermore, as a result of Pioneer Foods being a material associate and the group's second largest associate investment (refer Annexure B), it was regarded to be a separate major line of business for purposes of meeting the definition of a "discontinued operation". Accordingly, the results of Pioneer Foods are presented as a discontinued operation in the income statement and related notes, including the restatement of the comparative financial information. During the year under review, Pepsico made an offer to the Pioneer Foods ordinary shareholders (including Zeder) to acquire all issued ordinary shares in Pioneer Foods for a cash consideration of R110 per share. General meetings of Zeder and Pioneer Foods shareholders were held on 30 September 2019 and 15 October 2019, respectively, and the required shareholder approvals were obtained to proceed with the transaction. However, despite obtaining such shareholder approvals, the transaction remained subject to various other significant suspensive conditions. These significant and highly uncertain suspensive conditions included, inter alia, relevant material adverse change clauses (i.e. Pioneer Foods profit warranties measured at each month-end), minority shareholder approvals and various competition commission approvals in numerous jurisdictions. Out of the numerous competition commission approvals required, the most significant one was in respect of South Africa, where the approval of the South African Competition Commission and South African Competition Tribunal were critical for the transaction to be successfully concluded. Subsequent to year-end, the necessary approvals were obtained and all suspensive conditions were met and therefore Zeder, and the group, could only reclassify Pioneer Foods as a non-current asset held for sale in terms of IFRS 5 on 29 February 2020.

17. STATED CAPITAL

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax.

PSL's cumulative, non-redeemable, non-participating preference shares, where the dividend declaration is subject to the discretion of PSL's board, are similarly classified as equity.

18. INSURANCE AND INVESTMENT CONTRACTS – CLASSIFICATION

The group issues contracts that transfer insurance risk, financial risk or both.

A distinction is made between investment contract liabilities (which fall within the scope of IFRS 9) and insurance contracts (where the FSV method continues to apply, subject to certain requirements specified in IFRS 4 – Insurance Contracts). A contract is classified as insurance where the group accepts significant insurance risk by agreeing with the policyholder to pay benefits if a specified uncertain future event (i.e. insured event) adversely affects the policyholder or other beneficiary. Significant insurance risk exists where it is expected that, for the duration of the policy or part thereof, policy benefits payable on the occurrence of the insured event will exceed the amount payable on early termination before allowance for expense deductions at early termination. Once a contract has been classified as an insurance contract, the classification remains unchanged for the remainder of its lifetime, even if the insurance risk reduces significantly during this period. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, credit rating, credit index or other variable provided, in the case of a non-financial variable, that the variable is not specific to a party to the contract. Insurance contracts may also transfer some financial risk.

Investment contracts are those contracts that transfer financial risk with no significant insurance risk. These contracts are measured at the fair value of the corresponding financial assets. A subsidiary of the group, PSG Life Ltd, is a linked insurance company and issues linked policies to policyholders (where the value of policy benefits is directly linked to the fair value of the supporting assets).

19. INSURANCE CONTRACTS

Policyholder contracts that transfer significant insurance risk are classified as insurance contracts, and further divided into two categories, depending on the duration of or type of insurance risks; namely: short-term and long-term insurance contracts.

19.1 Short-term insurance

Short-term insurance provides benefits under short-term policies, which include property, business interruption, transportation, motor, personal all risk, accident and health, professional indemnity, public liability, marine, employers' liability, group personal accident, natural disasters and miscellaneous. Short-term insurance contracts are further classified into the following categories:

- Personal insurance, consisting of insurance provided to individuals and their personal property; and
- Commercial insurance, providing cover on the assets and liabilities of business enterprises.

Recognition and measurement

i) Gross written premium

Gross premiums exclude value added tax and other foreign indirect taxes. Premiums are accounted for as income when the risk related to the insurance policy incepts and are spread over the risk period of the contract by using an unearned premium provision. This also includes premiums received in terms of reinsurance arrangements. All premiums are shown before deduction of commission payable to intermediaries.

ii) Claims incurred

Claims incurred consist of claims and claims handling expenses paid during the financial year and are charged to the income statement as incurred.

19. INSURANCE CONTRACTS (continued)

19.1 Short-term insurance (continued)

Recognition and measurement (continued)

iii) Provision for unearned premium

Premiums are earned from the date the risk attaches, over the indemnity period, based on the pattern of the risk underwritten. Unearned premiums, which represent the proportion of premiums written in the current year, which relate to risks that have not expired by the end of the financial year, are calculated on a time proportionate basis for even risk contracts and other bases that best represent the unearned risk profile for uneven risk contracts. The group has predominantly even risks contracts.

iv) Provision for unexpired risk

Provision is made for underwriting losses that may arise from unexpired risks when it is anticipated that unearned premiums will be insufficient to cover future claims, as well as claims-handling fees and related administrative costs. This liability adequacy test is performed annually to ensure the adequacy of short-term insurance liabilities.

v) Provision for claims

Provision is made on a prudent basis for the estimated final cost of all claims that have not been settled on the reporting date, less amounts already paid. Claims and loss adjustment expenses are charged to income as incurred, based on the estimated liability for compensation owed to the beneficiaries (contract holders or third parties damaged by the contract holders) of the insurance contracts. The claims provision include direct and indirect claims settlement costs and assessment charges and arise from events that have occurred up to the end of the reporting period even if they have not yet been reported to the group.

The group does not discount its claim provision for unpaid claims other than for disability claims. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the group and statistical analyses for the claims incurred but not reported, and to estimate the expected ultimate cost of more complex claims that may be affected by external factors (such as court decisions). The group's own assessors or external assessors individually assess claims.

vi) Provision for claims incurred but not reported

Provision is also made for claims arising from insured events that occurred before the close of the reporting period, but which had not been reported to the group by that date. The provision is based on a best estimate liability plus an adjustment for risk (where sufficient historical data is available).

vii) Deferred acquisition costs

Commissions that vary with and are related to securing new contracts and renewing existing contracts are deferred over the period in which the related premiums are earned, and recognised as a current asset. All other costs are recognised as expenses when incurred.

viii) Reinsurance contracts held

Contracts entered into by the group with reinsurers under which the group is compensated for losses on one or more contracts issued by the group and that meet the classification requirements for insurance contracts, are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets. Income received from insurance contracts entered into by the group under which the contract holder is another insurer (inwards reinsurance) is included with premium income.

The benefits to which the group is entitled under its reinsurance contracts held are classified as reinsurance assets. These assets consist of short-term balances due from reinsurers (classified within receivables) on settled claims, as well as estimates (classified as reinsurance assets) that are calculated based on the gross outstanding claims and incurred but not reported provisions. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period.

Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when incurred.

The reinsurer's share of unearned premiums represents the portion of the current year's outward reinsurance premiums that relate to risk periods covered by the related reinsurance contracts extending into the following year. The reinsurer's share of unearned premium is calculated using the 365th method.

Income from reinsurance contracts ceded, that varies with and is related to obtaining new reinsurance contracts and renewing existing reinsurance contracts, is deferred over the period of the related reinsurance contract and is recognised as a current liability.

The group assesses its reinsurance assets for impairment on a quarterly basis. If there is objective evidence that the reinsurance asset is impaired, the group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in profit or loss.

ix) Receivables and payables related to insurance contracts

Receivables and payables are recognised when due. These include amounts due to and from agents, intermediaries and insurance contract holders and are included under receivables and trade and other payables.

If there is objective evidence that the insurance receivable is impaired, the group reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in profit or loss. A provision for impairment is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired.

19. INSURANCE CONTRACTS (continued)

19.1 Short-term insurance (continued)

Recognition and measurement (continued)

x) Salvage reimbursements

Some insurance contracts permit the group to sell (usually damaged) property acquired in settling a claim (i.e. salvage). The group may also have the right to pursue third parties for payment of some or all costs (i.e. subrogation). Estimates of salvage recoveries are included as an allowance in the measurement of the insurance liability for claims. The allowance is the amount that can reasonably be recovered from the disposal of the property.

Subrogation reimbursements are also considered as an allowance in determining the insurance liability for claims and are recognised in other assets when the liability is settled. The allowance is the assessment of the amount that can be recovered from the action against the liable third party.

Short-term insurance liabilities

One of the purposes of insurance is to enable policyholders to protect themselves against uncertain future events. Insurance companies accept the transfer of uncertainty from policyholders and seek to add value through the aggregation and management of these risks. The uncertainty inherent in insurance is inevitably reflected in the financial statements of the insurance company, principally in respect of the insurance liabilities of the company.

Insurance risks are unpredictable and the group recognises that it is not always possible to forecast, with absolute precision, future claims payable under existing insurance contracts. Over time, the group has developed a methodology that is aimed at establishing insurance provisions that have an above-average likelihood of being adequate to settle all its insurance obligations.

i) Unearned premiums

Unearned premiums represent the amount of income set aside by the group to cover the cost of claims that may arise during the unexpired period of risk of insurance policies in force at the reporting date.

The group raises provisions for unearned premiums on a basis that reflects the underlying risk profile of its insurance contracts. An unearned premium provision is created at the commencement of each insurance contract and is released as the risk covered by the contract expires. The group's insurance contracts have an even risk profile. Therefore, the unearned premium provision is released evenly over the period of insurance using a time proportion basis.

The provisions for unearned premiums are first determined on a gross level and thereafter the reinsurance impact is recognised. Deferred acquisition costs and reinsurance commission revenue are recognised on a basis that is consistent with the related provisions for unearned premiums.

ii) Unexpired risk provision

If the expected value of claims and expenses attributable to the unexpired periods of policies in force at the statement of financial position date exceeds the unearned premiums provision in relation to those policies, after deduction of any deferred commission expenses, management assesses the need for an unexpired risk provision (estimated future underwriting losses relating to unexpired risks).

The need for an unexpired risk provision is assessed on the basis of information available at the reporting date. Claims events occurring after the statement of financial position date in relation to the unexpired period of policies in force at that time are not taken into account in assessing the need for an unexpired risk provision.

Management will base the assessment on the expected outcome of those contracts, including the available evidence of claims experience on similar contracts in the past year, as adjusted for known differences, events not expected to recur, and the normal level of seasonal claims.

iii) Outstanding claims

Outstanding claims represent the company's estimate of the cost of settlement of claims that have occurred and were reported by the reporting date, but that have not yet been finally settled.

Claims provisions are determined based on previous claims experience, knowledge of events, the terms and conditions of the relevant policies and the interpretation of circumstances. Each notified claim is assessed on a separate case-by-case basis with due regard for the specific circumstances, information available from the insured and/or loss adjuster and past experience with similar cases and historical claims payment trends. The approach also includes the consideration of the development of loss payment trends, the levels of unpaid claims, legislative changes, judicial decisions and economic conditions. The group employs people experienced in claims handling and rigorously applies standardised policies and procedures to claims assessment.

The ultimate cost of reported claims may vary as a result of future developments or better information becoming available about the current circumstances. Therefore, case estimates are reviewed regularly and updated when new information becomes available.

The provision for outstanding claims is initially estimated at a gross level. A separate calculation is carried out to estimate reinsurance recoveries. The calculation of reinsurance recoveries considers the type of risk underwritten, the year in which the loss claim occurred and under which reinsurance programme the recovery will be made, the size of the claim and whether the claim was an isolated incident or formed part of a catastrophe reinsurance claim.

19. INSURANCE CONTRACTS (continued)

19.1 Short-term insurance (continued)

Short-term insurance liabilities (continued)

iv) Claims incurred but not reported

Provisions need to held for the eventual outcome of open claims that have occurred but have not been reported to the insurer by the reporting date.

The company utilises its own actuarial models to determine the appropriate amount of provision to hold, taking into account the nature, scale and complexity of the business. Each class of business is placed into homogeneous groups and modelled separately to determine the best estimate liability (probability-weighted mean) to be held, based on historic data and expert judgement. Where necessary, business of similar nature with insufficient claims detail is accounted for by extrapolating to the entire population in proportion to gross premium. The basic technique involves analysing the historical delay between loss events and the ultimate finalisation of these events to determine estimated development factors based on this historical pattern. The selected development factors are applied to cumulative internal claims data for each accident quarter that is not yet fully developed to produce an estimated ultimate claims cost per accident quarter.

The provision is modelled on a gross basis with a related reinsurance asset recognised based on a proportion of reinsurance purchased for each portfolio and business line. Prudence is maintained on the net provision by including a separate risk adjustment. To obtain this adjustment, a stochastic chain-ladder model is utilised to perform numerous simulations and, in doing so, obtain a distribution of the ultimate claims cost. The risk adjustment is determined as being the additional funds required so that the incurred but not reported provision will be sufficient at the 75th to 80th percentile of the ultimate cost distribution.

Where data is deemed not to be sufficient and the business is different in nature to the modelled groups, the company makes use of the minimum prescribed requirements provided by the applicable regulatory body.

19.2 Long-term insurance

These contracts are valued in terms of the financial soundness valuation basis contained in SAP 104 issued by the Actuarial Society of South Africa and are reflected as insurance contract liabilities.

Liabilities are valued as the present value of future cash flows due to benefit payments and administration expenses that are directly related to the contract discounted at the rate of return at year-end on the assets backing the policyholder funds. Future cash flows are projected on a best estimate basis with an allowance for compulsory margins for adverse deviations as prescribed by SAP 104. Best estimate assumptions are required for future investment returns, expenses, persistency, mortality and other factors that may impact the financial position of the group. As per SAP 104, contractual premium increases are allowed for, but future voluntary premium increases are ignored.

In addition, certain discretionary margins are created to allow profits to emerge over the lifetime of the policy to reflect the small number of policies and associated volatility. Where the number of policies is small, the prescribed margins alone do not result in an acceptable probability of the total reserve being sufficient to meet all liabilities.

The financial soundness methodology includes allowance for liability adequacy testing to ensure that the carrying amount of technical provisions is sufficient in view of estimated future cash flows. Where a shortfall is identified an additional provision is made.

The group reflects premium income relating to insurance business on a gross basis together with the gross amount of any reinsurance premiums. All premiums are accounted for when they become due and payable.

The group shows the gross amount of policyholder benefit payments in respect of insurance contracts together with the gross reinsurance recoveries and accounts for such transactions when claims are intimated.

Claims on long-term insurance contracts, which include death, disability, maturity, surrender and annuity payments, are charged to income when notified of a claim based on the estimated liability for compensation owed to policyholders. Outstanding claims are recognised in insurance and other payables. Reinsurance recoveries are accounted for in the same period as the related claim.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under circumstances.

20. FINANCIAL LIABILITIES

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another entity.

Financial liabilities include third-party liabilities arising on consolidation of mutual funds, investment contract liabilities, borrowings, lease liabilities, derivative financial liabilities and trade and other payables, as well as standalone loans from subsidiaries.

All financial liabilities are initially recognised at fair value. The best evidence of the fair value at initial recognition is the transaction price (i.e. the fair value of the consideration received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets.

Financial liabilities at fair value through profit or loss are subsequently measured at fair value, with any resultant gains and losses recognised in the income statement. The gain or loss recognised in the income statement incorporates any measurement gains or losses and interest expense on the financial liability.

Financial liabilities, or a portion thereof, are derecognised when the obligation specified in the contract is discharged, cancelled or expired. On derecognition, the difference between the carrying amount of the financial liability, including related unamortised costs, and settlement amounts paid are included in the income statement.

Financial liabilities are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

20.1 Third-party liabilities arising on consolidation of mutual funds

Third-party financial liabilities on consolidation of mutual funds are effectively demand deposits of external investors' interests in consolidated mutual funds and are consequently measured at fair value, which is the quoted unit values as derived by the fund administrator with reference to the rules of each particular fund. Fair value gains or losses are recognised in profit or loss.

20.2 Investment contract liabilities

All investment contract liabilities are designated on initial recognition at fair value through profit or loss. This designation significantly reduces a measurement inconsistency that would otherwise arise if these financial liabilities were not measured at fair value, since the assets held to back the investment contract liabilities are also measured at fair value.

20.3 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective-interest method.

Preference shares, which are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised in the income statement as finance cost.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

20.4 Derivative financial liabilities

Derivative financial liabilities are classified as financial liabilities at fair value through profit or loss.

20.5 Trade and other payables

Trade and other payables are recognised initially at fair value, net of transaction costs incurred. Trade and other payables are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period using the effective-interest method.

21. EMPLOYEE BENEFITS

21.1 Short-term benefits

Profit sharing and bonus plans

The group recognises a liability and an expense for bonus plans and profit sharing, where contractually obliged, or where there is a past practice that has created a constructive obligation.

Annual leave

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the estimated annual leave as a result of services rendered by employees up to reporting date.

21.2 Post-employment benefits

The group operates various post-employment schemes, including both defined benefit and contribution pension and medical schemes.

A defined contribution plan is a plan under which the group pays fixed contributions into a separate entity. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a plan that is not a defined contribution plan.

Typically defined benefit plans define an amount of pension/medical benefits that an employee will receive from retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the statement of financial position in respect of defined benefit plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related obligations. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past-service costs are recognised immediately in profit or loss.

For defined contribution plans, the group pays contributions to publicly or privately administered insurance plans on a mandatory, contractual or voluntary basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

21.3 Share-based compensation

Share-based compensation schemes are detailed in note 18. For the share incentive schemes, the fair value of the employee services received in exchange for the grant of the share options is recognised as an expense. The total amount to be expensed over the vesting period, which is between two and five years, is determined by reference to the fair value of the share options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of share options that are expected to become exercisable. At each reporting date, the entity revises its estimates of the number of share options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period.

If the group cancels or settles a grant of equity instruments during the vesting period, the group accounts for the cancellation or settlement of the grant and recognise immediately the amount that otherwise would have been recognised for services received over the remainder of the vesting period.

The share-based payment costs are recognised in the income statement and a share-based payment reserve is recognised as part of equity and represents the fair value at grant date of the share options that will be delivered on vesting.

22. CONTINGENT LIABILITIES

A contingent liability is either a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity or a present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability. These contingent liabilities are not recognised in the statement of financial position but disclosed in the notes to the financial statements.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. These contingent assets are not recognised in the statement of financial position but are disclosed in the notes to the financial statements if the inflow of financial benefits is probable.

23. DIVIDEND DISTRIBUTIONS

Dividend distributions to the company's shareholders are recognised as a liability in the period in which the dividends are approved by the company's board of directors.

24. REVENUE RECOGNITION

Revenue comprises the fair value of the consideration received or receivable for goods sold and services rendered in the ordinary course of the group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the group.

24.1 Revenue recognised in accordance with IFRS 15

Revenue type	Description	Recognition and measurement
Revenue from sale of goods	Revenue from sales of goods comprising mainly agricultural produce, fast-moving consumer goods, mining and construction goods, and utilities.	Sales are recognised when control of the products have transferred, being when the products are delivered to the client, the client has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the client's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the client and either the client has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the group has objective evidence that all criteria for acceptance have been satisfied.
Commission, school, net insurance and other fee income		
• Commission and advisory	Revenue from advisory and portfolio management activities (including commission and administration fees).	Commission is recognised as services are rendered. In terms of IFRS 15, these commissions are recognised either at a point in time or over time, depending on when the performance obligations are satisfied. Administration fees are recognised when the services are rendered, in accordance with the substance of the relevant agreements.
	Revenue arising from dealing, structuring and brokerage fee income (including brokerage, custodian fees, settlement fees).	Revenue relating to dealing, structuring and stockbroking activities is recognised as services are rendered, by reference to the completion of the specific transaction. In terms of IFRS 15, revenue is recognised either at a point in time or over time, depending on when the performance obligations are satisfied.
• Management fees and performance fees	Revenue from management fees and performance fees.	Management fees on assets under management are recognised over the period for which the services are rendered, in accordance with the substance of the relevant agreements. Performance fees are earned, over and above management fees, on superior fund performance which exceeds specific agreed targets (typically market-related benchmarks) and are recognised when the performance obligation has been satisfied. Performance fees include variable consideration and therefore revenue is recognised only to the extent that it is highly probable that no significant revenue reversal will occur.
• School, tuition and other education-related fees	Revenue from education-related services rendered (including registration, enrolment and tuition fees).	Registration, enrolment and tuition fees are recognised over the period that tuition is provided to learners/students in accordance with the relevant contract. Registration and enrolment fees are paid to grant access to or to provide a right to use a certain education institution. In some instances, registration and enrolment fees paid by customers are non-refundable. The existence of a non-refundable registration or enrolment fee indicates that the arrangement includes a renewal option for future services at a reduced price (customer renews the agreement without the payment of an additional registration or enrolment fee). By not requiring the customer to pay the registration or enrolment fee again at renewal, the group is effectively providing a discounted renewal rate to the customer.

24. REVENUE RECOGNITION (continued)

24.1 Revenue recognised in accordance with IFRS 15 (continued)

Revenue is recognised either when the performance obligation has been satisfied ('point in time') or when control of the goods or service is transferred to the customer ('over time'). This requires an assessment of the group's performance obligations and of when control is transferred to the customer. Where revenue is recognised over time, this is in general due to the group performing and the customer simultaneously receiving and consuming the benefits over the life of the contract as services are rendered. For each performance obligation over time, the group apply a revenue recognition method that faithfully depicts the group's performance in transferring control of the service to the customer. If performance obligations in a contract do not meet the 'over time' criteria, the group recognises revenue at a point in time.

Revenue is measured based on the consideration specified in contracts with customers, excluding amounts collected on behalf of third parties and including an assessment of any variable consideration dependent on the achievement of agreed key performance indicators. Such amounts are only included based on the expected value or most likely outcome method, and only to the extent that it is highly probable that no significant revenue reversal will occur. In assessing whether a significant reversal will occur, the group considers both the likelihood and the magnitude of the potential revenue reversal.

24.2 Investment income

Revenue type	Description	Recognition and measurement
Investment income		
• Interest income	Interest income	Recognised using the effective-interest method and included in investment income in the income statement.
• Dividend income	Dividend income	Recognised when the right to receive payment is established and included in investment income in the income statement.

25. OPERATING LEASES

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

26. TAXATION

26.1 Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the group's subsidiaries, associates and joint ventures operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associated companies, except where the group controls the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

26.2 Dividend withholding tax

Dividend withholding tax is not levied on the company but on the beneficial owner of the share and accordingly does not require recognition in profit or loss. However, the group's share incentive trusts (not being exempt from dividend withholding tax) may incur a dividend withholding tax expense on treasury shares held.

27. EARNINGS PER SHARE

27.1 Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the parent by the weighted average number of outstanding shares ("WANOS") during the year (net of treasury shares), with the WANOS comparative adjusted for bonus elements as provided for in IAS 33 Earnings per Share.

27. EARNINGS PER SHARE (continued)

27.2 Diluted earnings per share

Diluted earnings per share is calculated on the same basis as basic earnings per share, adjusted for the impact that the issue/release of potential ordinary shares on an associate, joint venture, subsidiary or holding company level would have on earnings and WANOS.

27.3 Headline and diluted headline earnings per share

Headline and diluted headline earnings per share are calculated on the same basis set out above and in accordance with The South African Institute of Chartered Accountants (SAICA) Circular 1/2019.

GROUP	Land Rm	Buildings Rm	Vehicles, plant and machinery Rm	Office equipment Rm	Computer equipment Rm	Total Rm
1. PROPERTY, PLANT AND EQUIPMENT						
As at 29 February 2020						
Cost	**1,816**	**9,153**	**2,533**	**303**	**724**	**14,529**
Accumulated depreciation and impairment losses	**(117)**	**(447)**	**(1,247)**	**(158)**	**(443)**	**(2,412)**
Balance at end of the year	**1,699**	**8,706**	**1,286**	**145**	**281**	**12,117**
Reconciliation						
Balance at beginning of the year	**1,656**	**7,954**	**1,200**	**109**	**230**	**11,149**
Adoption of IFRS 16 (transfer of existing finance leases) (refer note 3.1)			**(51)**	**(2)**		**(53)**
Additions	**195**	**865**	**422**	**74**	**143**	**1,699**
Disposals	**(8)**	**(18)**	**(14)**	**(1)**	**(3)**	**(44)**
Depreciation	**(4)**	**(67)**	**(227)**	**(38)**	**(87)**	**(423)**
Impairments	**(106)**	**(81)**	**(32)**			**(219)**
Transfer to assets held for sale	**(48)**	**(26)**	**(13)**		**(1)**	**(88)**
Exchange differences	**(4)**	**(3)**	**(14)**	**2**	**(2)**	**(21)**
Subsidiaries acquired	**21**	**95**	**19**	**1**	**1**	**137**
Subsidiaries sold	**(3)**	**(13)**	**(4)**			**(20)**
Balance at end of the year	**1,699**	**8,706**	**1,286**	**145**	**281**	**12,117**
As at 28 February 2019						
Cost	1,692	8,274	2,266	237	606	13,075
Accumulated depreciation and impairment losses	(36)	(320)	(1,066)	(128)	(376)	(1,926)
Balance at end of the year	1,656	7,954	1,200	109	230	11,149
Reconciliation						
Balance at beginning of the year	1,179	6,705	1,112	104	210	9,310
Additions	347	978	332	30	100	1,787
Disposals	(4)	(18)	(15)	(2)	(1)	(40)
Depreciation	(5)	(55)	(228)	(31)	(87)	(406)
Impairments		(13)				(13)
Exchange differences	33	4	12		1	50
Subsidiaries acquired	110	359	14	8	8	499
Subsidiaries sold	(4)	(6)	(27)		(1)	(38)
Balance at end of the year	1,656	7,954	1,200	109	230	11,149

Additions include borrowing costs of R66m (2019: R55m) capitalised at a rate of 9.1% (2019: 9.2%). Depreciation is accounted for on land held under leasehold rights.

The current year impairments relate mainly to i) Agrivision Africa's milling and farming operations (R101m) and ii) two Curro schools with lower than expected learner growth and a piece of vacant land subsequently reclassified as held for sale (R104m), and were mainly as a result of the general challenging trading conditions. The prior year impairments related mainly to Capespan's grape farming operations, having been affected by weaker offtake prices.

Details of land and buildings are available at the registered offices of the relevant property-owning companies within the group. Some items of property, plant and equipment, most notably certain of Curro's land and buildings, serve as security for borrowings (refer note 23).

GROUP	Land Rm	Buildings Rm	Vehicles, plant and machinery Rm	Office equipment Rm	Computer equipment Rm	Total Rm
1. PROPERTY, PLANT AND EQUIPMENT (continued)						
As at 28 February 2018						
Cost	1,210	6,986	2,062	220	525	11,003
Accumulated depreciation and impairment losses	(31)	(281)	(950)	(116)	(315)	(1,693)
Balance at end of the year	1,179	6,705	1,112	104	210	9,310
Reconciliation						
Balance at beginning of the year	1,006	5,669	1,006	70	167	7,918
Additions	171	973	362	34	107	1,647
Disposals		(23)	(34)		(1)	(58)
Depreciation	(5)	(47)	(208)	(22)	(67)	(349)
Impairments	(2)	(2)	(15)			(19)
Exchange differences	(16)	(5)	(10)	(1)		(32)
Subsidiaries acquired	25	142	15	24	4	210
Subsidiaries sold		(2)	(4)	(1)		(7)
Balance at end of the year	1,179	6,705	1,112	104	210	9,310

Additions include borrowing costs of R67m capitalised at a rate of 10.0%. Depreciation is accounted for on land held under leasehold rights.

The impairments related mainly to Capespan's United Kingdom-based operations, having experienced challenging trading conditions.

Details of land and buildings are available at the registered offices of the relevant property-owning companies within the group. Some items of property, plant and equipment, most notably certain of Curro's land and buildings, serve as security for borrowings (refer note 23).

GROUP	Customer lists Rm	Trademarks and other Rm	Goodwill Rm	Total Rm
2. INTANGIBLE ASSETS				
As at 29 February 2020				
Cost	**1,345**	**1,535**	**2,652**	**5,532**
Accumulated amortisation and impairment losses	**(573)**	**(476)**		**(1,049)**
Balance at end of the year	**772**	**1,059**	**2,652**	**4,483**
Reconciliation				
Balance at beginning of the year	**817**	**966**	**2,758**	**4,541**
Additions	**35**	**239**		**274**
Disposals	**(8)**	**(26)**		**(34)**
Amortisation	**(69)**	**(103)**		**(172)**
Impairments	**(3)**	**(41)**	**(250)**	**(294)**
Transfer to assets held for sale		**(101)**		**(101)**
Exchange differences	**(1)**	**19**	**(8)**	**10**
Subsidiaries acquired	**1**	**106**	**154**	**261**
Subsidiaries sold			**(2)**	**(2)**
Balance at end of the year	**772**	**1,059**	**2,652**	**4,483**
As at 28 February 2019				
Cost	1,328	1,336	2,758	5,422
Accumulated amortisation and impairment losses	(511)	(370)		(881)
Balance at end of the year	817	966	2,758	4,541
Reconciliation				
Balance at beginning of the year	709	710	2,406	3,825
Additions	89	217		306
Disposals	(10)			(10)
Amortisation	(78)	(77)		(155)
Impairments	(1)	(9)	(108)	(118)
Exchange differences	1	9	31	41
Subsidiaries acquired	115	119	561	795
Subsidiaries sold	(8)	(3)	(132)	(143)
Balance at end of the year	817	966	2,758	4,541

The current year impairments relate mainly to the PSG Alpha segment in respect of i) goodwill on Energy Partners and its various subsidiaries (R117m), ii) Optimi Holdings (Pty) Ltd's goodwill on a subsidiary providing education solutions (R46m) and iii) CA Sales' goodwill on a Namibia-based operating subsidiary (R30m). Furthermore, the current year impairments also include the impairment of Capespan computer software (R33m) and goodwill in respect of Curro on a PSL-level (R22m). All of the aforementioned entities were affected by the general challenging trading conditions.

The prior year impairments related mainly to i) Zeder's remaining goodwill in respect of Agrivision (R49m), ii) a portion of Energy Partners' goodwill on its refrigeration division (R15m) and other product development costs (R8m), and iii) a portion of CA Sales' goodwill on two of its Namibia-based operating subsidiaries (R27m). All of the aforementioned entities were affected by the general challenging trading conditions.

Included in other intangible assets are internally-generated intangible assets with a carrying value of approximately R753m (2019: R647m), comprising mainly plant and seed breeding rights and other product development costs.

Apart from goodwill, education-related trademarks/curriculum development costs held/incurred by Curro and Stadio amounting to R181m (2019: R177m) in aggregate have been assessed as having an indefinite useful life. In reaching this conclusion, the respective entities' management gave specific consideration to the extensive period that comparable education facilities have existed for.

GROUP	Customer lists Rm	Trademarks and other Rm	Goodwill Rm	Total Rm
2. INTANGIBLE ASSETS (continued)				
As at 28 February 2018				
Cost	1,177	1,011	2,406	4,594
Accumulated amortisation and impairment losses	(468)	(301)		(769)
Balance at end of the year	709	710	2,406	3,825
Reconciliation				
Balance at beginning of the year	644	536	1,952	3,132
Additions	77	183		260
Disposals	(1)			(1)
Amortisation	(79)	(55)		(134)
Impairments		(14)	(139)	(153)
Exchange differences		5	(9)	(4)
Subsidiaries acquired	69	65	602	736
Subsidiaries sold	(1)	(10)		(11)
Balance at end of the year	709	710	2,406	3,825

The impairments related mainly to Agrivision's milling operations in Zambia, having experienced challenging trading conditions.

Included in intangible assets other than goodwill are internally-generated intangible assets with a carrying value of approximately R463m, comprising mainly plant and seed breeding rights and other product development costs.

Apart from goodwill, education-related trademarks held by Curro and Stadio amounting to R112m in aggregate have been assessed as having an indefinite useful life. In reaching this conclusion, the respective entities' management gave specific consideration to the extensive period that comparable education facilities have been in existence.

Customer lists

Individual customer lists with a carrying value in excess of R10m each, originating from various acquisitions, have the following carrying values and remaining amortisation periods:

Segment and customer list	Remaining amortisation period 2020	2019	2020 Rm	2019 Rm
Curro - Woodhill College	**6 years**	7 years	**10**	11
PSG Konsult				
Wealth advisor office	**11 years**	12 years	**67**	73
ABSA commercial and industrial insurance business	**18 years and 3 months**	19 years and 3 months	**63**	57
Wealth advisor office	**14 years**	15 years	**38**	41
ABSA personal lines insurance business	**18 years and 9 months**	19 years and 9 months	**32**	35
Wealth advisor office	**14 years**	15 years	**28**	30
Multinet Makelaars	**6 years and 1 month**	7 years and 1 month	**24**	28
Wealth advisor office	**16 years and 3 months**	17 years and 3 months	**13**	14
Diagonal Street Financial Services	**10 years and 6 months**	11 years and 6 months	**12**	14
Wealth advisor office	**13 years**	14 years	**11**	14
Tlotlisa Securities	**9 years and 2 months**	10 years and 2 months	**11**	12
Wealth advisor office	**18 years**	19 years	**10**	11
Short-Term Administration	**6 years and 2 months**	7 years and 2 months	**8**	10
Multifund	**10 years**	11 years	**9**	10
Insurance Solutions	**10 years**	11 years	**9**	10
			345	370

2. INTANGIBLE ASSETS (continued)

Customer lists (continued)

Segment and customer list	Remaining amortisation period	2018 Rm
Curro - Woodhill College	8 years	13
PSG Konsult		
Wealth advisor office	13 years	79
Wealth advisor office	16 years	44
Wealth advisor office	16 years	32
Multinet Makelaars	8 years and 1 month	32
Wealth advisor office	19 years and 10 months	15
Diagonal Street Financial Services	12 years and 6 months	15
Wealth advisor office	18 years and 3 months	15
Tlotlisa Securities	11 years and 2 months	13
Short-Term Administration	8 years and 2 months	11
Multifund	12 years	11
Insurance Solutions	12 years	11
PSG Alpha		
Provest Group (Pty) Ltd (Platchro)	2 years and 2 months	23
		314

Trademarks, computer software and other

Individual trademarks, computer software and other intangible assets with a carrying value in excess of R10m each, originating from various acquisitions, have the following carrying values:

Segment and intangible asset item	**Remaining amortisation period 2020**	2019	2018	**2020 Rm**	2019 Rm	2018 Rm
Curro						
Northern Academy trademark	**Indefinite**	Indefinite	Indefinite	**12**	12	12
Woodhill College trademark	**Indefinite**	Indefinite	Indefinite	**14**	14	14
Waterstone College trademark	**Indefinite**	Indefinite	Indefinite	**13**	13	13
Cooper College trademark	**Indefinite**	Indefinite		**15**	15	
PSG Alpha						
Stadio						
Embury trademark	**1 year and 11 months**	Indefinite	Indefinite	**16**	17	17
AFDA trademark	**Indefinite**	Indefinite	Indefinite	**20**	20	20
SBS trademark	**Indefinite**	Indefinite	Indefinite	**18**	18	18
Milpark trademark	**Indefinite**	Indefinite		**38**	38	
Optimi Holdings (Pty) Ltd						
Media Works trademark	**Indefinite**	Indefinite		**11**	11	
Zeder						
Zaad capitalised product development costs in respect of plant and seed breeding rights	**3 - 20 years**	< 7 years	< 7 years	**500**	416	304
Capespan software development costs		1 - 7 years	5 - 7 years		32	38
				657	606	436

Goodwill allocation

Goodwill relates to the following reportable segments:

	2020 Rm	2019 Rm	2018 Rm
Curro	**565**	570	419
PSG Konsult	**380**	384	350
PSG Alpha	**1,426**	1,600	1,394
Zeder	**281**	204	243
	2,652	2,758	2,406

2. INTANGIBLE ASSETS (continued)

Goodwill impairment testing

Curro

The recoverable amount of each cash generating-unit ("CGU"), which in most instances is represented by an individual school or campus, is determined with reference to value-in-use calculations. Key assumptions used for the value-in-use calculations are as follows:

	2020	2019	2018
	%	%	%
Taxation rate	**28.0**	28.0	28.0
Growth rate	**8.0**	8.0	8.0
Terminal growth rate	**8.0**	8.0	8.0
Discount rate	**13.3**	14.5	14.5

Value-in-use calculations are performed based on five-year cash flow projections forming part of financial budgets approved by management. Cash flows were extrapolated into perpetuity using the aforementioned terminal growth rate, whilst taking cognisance of capacity constraints.

If the discount rate used in the value-in-use calculation for the CGUs had been 1% higher than management's estimate, the group would not have recognised additional goodwill impairment.

If the terminal growth rate used in the value-in-use calculation for the CGUs had been 1% lower than management's estimate, the group would not have recognised additional goodwill impairment.

PSG Konsult

The recoverable amounts of CGU's are determined based on the higher of fair value less cost to sell and value-in-use calculations. Price/earnings ratios used by management to determine fair value less cost to sell are determined with reference to similar listed companies, adjusted for entity specific considerations. The price/earnings ratios used varied between 5 and 7.5 times (2019: between 5 and 7.5 times; 2018: between 5 and 7.5 times). Value-in-use calculations are performed based on five-year cash flow projections forming part of financial budgets approved by management. Cash flows were extrapolated into perpetuity using the below-mentioned terminal growth rate. Key assumptions used for the value-in-use calculations are as follows:

	2020	2019	2018
	%	%	%
Taxation rate	**28.0**	28.0	28.0
Growth rate	**3.0**	3.0	3.0
Terminal growth rate	**3.0**	3.0	3.0
Discount rate	**18.2**	18.3	18.3

PSG Konsult has considered and assessed reasonably possible changes in key assumptions and have not identified any instances that could cause the carrying amount of the CGUs to exceed the value-in-use. These sensitivities and other relevant factors were considered in management's determination that no intangible assets need to be impaired.

PSG Alpha

Goodwill forming part of this segment relates mainly (2020: 88%; 2019: 80%) to Stadio's private higher education businesses (2020: R749m; 2019: R749m) and CA Sales's businesses distributing fast-moving consumer goods throughout southern Africa (2020: R499m; 2019: R529m). Key assumptions used for the value-in-use calculations, determined by management to be reasonable given the various entity-specific considerations, are as follows:

	Stadio		**CA Sales**		PSG Alpha
	2020	2019	**2020**	2019	2018
	%	%	**%**	%	%
Taxation rate	**28.0**	28.0	**22.0 - 32.0**	22.0 - 32.0	22.0 - 28.0
Growth rate					7.0 - 17.5
Tuition fees/revenue	**3.0 - 7.0**	6.0 - 8.0	**5.2 - 13.5**	6.0 - 8.0	
Student numbers	**6.0 - 18.0**	5.0 - 21.0			
Operating expenses	**7.0 - 19.0**	8.0 - 17.0	**5.1 - 12.7**	5.5 - 15.2	
Terminal growth rate	**6.0**	7.0	**5.0 - 6.0**	5.0 - 5.3	5.0 - 6.5
Discount rate	**15.9**	14.4	**18.1 - 24.2**	17.5 - 26.5	15.9 - 26.1

Value-in-use calculations are performed based on five-year cash flow projections forming part of financial budgets approved by management. Cash flows were extrapolated into perpetuity using the aforementioned terminal growth rates.

If the discount rate used in Stadio's value-in-use calculations for CGUs had been 1% higher or if the terminal growth rate had been 1% lower than management's estimate, the group would not have recognised additional goodwill impairment. Furthermore, if the tuition fee increases and student number growth rates used in the value-in-use calculations for the CGUs had been lower than management's estimate by 50%, the group would not have recognised additional goodwill impairment.

If the discount rate used in CA Sales' most notable value-in-use calculations for CGUs had been 0.5% higher or if the terminal growth rate had been 0.9% lower than management's estimate, the group would not have recognised additional goodwill impairment.

2. INTANGIBLE ASSETS (continued)

Goodwill impairment testing (continued)

Zeder

The recoverable amounts of CGU's are determined based on the higher of fair value less cost to sell and value-in-use calculations. The fair value less cost to sell was determined based on either applying a price/earnings ratio or assessing net realisable value of the underlying assets (mostly agricultural land). Price/earnings ratios used by management are determined with reference to similar listed companies, adjusted for entity specific considerations. The price/earnings ratios applied ranged between 8 and 14 times (2019: between 12 and 14 times; 2018: 12 times), while the respective agricultural land was valued at between R104,454 and R118,485 (2019: between R86,960 and R91,493; 2018: between R72,777 and R76,570) per irrigated hectare. Key assumptions used for the value-in-use calculations are as follows:

	2020 %	2019 %	2018 %
Taxation rate	**28.0**	28.0	28.0 - 35.0
Growth rate	**4.0 - 5.0**	5.0 - 7.0	2.0 - 7.0
Terminal growth rate	**1.0**	2.0	2.0 - 7.2
Discount rate	**15.4 - 17.5**	17.9	13.8 - 19.1

Value-in-use calculations are performed based on five-year cash flow projections forming part of financial budgets approved by management. Cash flows were extrapolated into perpetuity using the aforementioned terminal growth rates.

Had the aforementioned price/earnings ratios been decreased by 10%, the additional amount of goodwill impaired would have amounted to approximately R30m. Had the aforementioned agricultural land valuations been decreased by 10%, no additional goodwill impairment would have been recognised. Furthermore, Zeder has considered and assessed reasonably possible changes in key assumptions underlying the value-in-use calculations which could cause the carrying amount of the CGUs to exceed the value-in-use, and none were identified.

Applicable to all segments

Performing aforementioned value-in-use calculations with pre-tax as opposed to post-tax discount rates and cash flows would not have necessitated any further impairment of goodwill.

GROUP	**Land and buildings Rm**	**Vehicles, plant and machinery Rm**	**Office equipment Rm**	**Total Rm**
3.1 RIGHT-OF-USE ASSETS				
As at 29 February 2020				
Cost	**1,203**	**163**	**6**	**1,372**
Accumulated depreciation and impairment losses	**(193)**	**(71)**	**(1)**	**(265)**
Balance at end of the year	**1,010**	**92**	**5**	**1,107**
Reconciliation				
Adoption of IFRS 16 (refer note 45)	**956**	**29**	**2**	**987**
Transfer of existing finance leases (refer note 1)		**51**	**2**	**53**
New leases entered into	**210**	**68**	**1**	**279**
Depreciation	**(177)**	**(44)**	**(1)**	**(222)**
Other movements	**15**	**(12)**	**1**	**4**
Subsidiaries acquired	**6**			**6**
Balance at end of the year	**1,010**	**92**	**5**	**1,107**

With the adoption of IFRS 16 on 1 March 2019, the group recognised right-of-use assets of R987m in respect of operating leases previously accounted for in terms of IAS 17.

As at 29 February 2020, the carrying value of right-of-use assets comprised mainly i) TLG's leased port facilities (R302m), ii) PSG Konsult's leased corporate and adviser offices (R248m), iii) Curro's leased school premises (R195m), iv) CA Sales's leased offices, warehouses, equipment and vehicles to support its fast-moving consumer goods businesses (R103m), v) Stadio's leased offices and administration buildings to support its private higher education businesses (R92m) and vi) Capespan's lease of a grape farm in Namibia (R72m).

		GROUP 2020 Rm
3.2	**LEASE LIABILITIES**	
	Adoption of IFRS 16 (refer note 45)	**1,283**
	Transfer of existing finance leases (refer note 23)	**42**
	New leases entered into	**294**
	Payments - principal portion	**(190)**
	Payments - finance cost	**(138)**
	Finance cost (refer note 35)	**148**
	Other movements	**3**
	Subsidiaries acquired	**11**
	Balance at 29 February 2020	**1,453**
	Current	**231**
	Non-current	**1,222**

With the adoption of IFRS 16 on 1 March 2019, the group recognised lease liabilities of R1,283m in respect of operating leases previously accounted for in terms of IAS 17.

As at 29 February 2020, the carrying value of lease liabilities comprised mainly aforementioned leases (refer note 3.1) of TLG (R435m), PSG Konsult (R305m), Curro (R195m), Stadio (R169m), Capespan (R139m) and CA Sales (R99m). Refer to note 3.1 for the nature of the group's leasing activities.

Lease liabilities are measured at the present value of the remaining lease payments. Extension and termination options are included in the measurement of the lease liability only if reasonably certain to be exercised, as assessed by the respective group entity's management. The group's weighted average incremental borrowing rate applied to lease liabilities during the year under review ranged between 9.6% and 11.8%. To determine the incremental borrowing rate, the group considers government bond rates and the particular entity's borrowing rate for similar financing arrangements, and make specific adjustments thereto for the lease (e.g. term, geographical location, currency, security and other property-specific factors).

		COMPANY 2020 Rm	COMPANY 2019 Rm
4.	**INVESTMENT IN SUBSIDIARIES**		
	Ordinary shares at cost less provision for impairment	**8,798**	8,678
	Refer Annexure A for further information regarding material subsidiaries.		
5.	**INVESTMENT IN ASSOCIATES AND JOINT VENTURES**		
5.1	**INVESTMENT IN ASSOCIATES**		
	Carrying value of ordinary share investment in associate		
	Listed ordinary shares in Capitec at cost	**3,219**	3,219

	GROUP 2020 Rm	2019 Rm	2018 Rm
5. INVESTMENT IN ASSOCIATES AND JOINT VENTURES (continued)			
5.1 INVESTMENT IN ASSOCIATES (continued)			
Carrying value of ordinary share investments	**10,672**	14,578	13,886
Listed	**9,954**	13,629	13,216
Unlisted	**718**	949	670
Carrying value of preference share investments (unquoted)		5	7
Carrying value of loans	**42**	173	134
GAP Chemicals (Pty) Ltd ("GAP") [1]		60	60
The unsecured loan carried interest at prime and was repayable on demand.			
JWM Asia	**30**	30	26
The unsecured loan is interest free and repayable on demand.			
Sonkwasdrift (Pty) Ltd			19
The secured loan carried interest at prime plus 2% and was repaid during the prior year.			
Clean Air Nurseries Agri Global (Pty) Ltd ("CAN-Agri") [2]		67	
The unsecured loan carries interest at prime plus 1% and is repayable in bi-annual instalments from 2020 onwards.			
Other associates	**12**	16	29
Various unsecured loans carrying interest at various rates of up to 9.8% (2019: 11.3%; 2018: 13.3%), and being repayable on various dates.			
	10,714	14,756	14,027

1) During the year under review, the group, through Zaad, being a subsidiary of Zeder, increased its interest in GAP from 49.7% to 100% and the investment was therefore consolidated for the first time and the loan accordingly eliminated (refer note 42.3).

2) As at 29 February 2020, Zeder's loan to CAN-Agri in an amount of R90m was impaired in full. Due to the start-up nature of CAN-Agri's business, its current and projected cash flow requirements and following default on a scheduled loan repayment, the loan is considered to be stage 3 credit-impaired.

Unless otherwise stated, the investment in preference shares of/loans granted to associates, are almost entirely fully performing, with only an insignificant amount of expected credit losses being provided for.

	GROUP 2020 Rm	2019 Rm	2018 Rm
Loans and preference shares			
Current	**41**	106	114
Non-current	**1**	72	27
	42	178	141

	GROUP		
	2020	2019	2018
	Rm	Rm	Rm
5. INVESTMENT IN ASSOCIATES AND JOINT VENTURES (continued)			
5.1 INVESTMENT IN ASSOCIATES (continued)			
Reconciliation of ordinary share investments			
Balance at beginning of the year	**14,578**	13,886	13,202
Share of profits of associates			
Continuing operations	**2,230**	1,985	1,681
Discontinued operation (refer note 26)	**264**	318	224
(Impairment)/reversal of impairment of associates			
Continuing operations	**(323)**	(59)	(8)
Discontinued operation (refer note 26)	**617**	(617)	
Dividends received			
Continuing operations	**(780)**	(677)	(554)
Discontinued operation (refer note 26)	**(189)**	(213)	(213)
Additions	**433**	40	243
Disposals	**(669)**	(12)	
Net (loss)/profit on dilution			
Continuing operations	**(1)**	6	10
Discontinued operation (refer note 26)	**(86)**	14	(24)
Subsidiaries acquired (refer note 42.3)	**4**		
Transfer to subsidiaries at fair value (refer note 42.3)	**(105)**	(7)	(41)
Transfer from subsidiary at fair value (refer note 42.5)		157	26
Transfer from/(to) equity securities (refer "additions" and "disposals" below)	**168**		(700)
Transfer to non-current assets held for sale (refer note 26)	**(5,217)**		
Other movements	**(252)**	(243)	40
Balance at end of the year	**10,672**	14,578	13,886

Refer Annexure B for further information regarding material associates.

(Impairment)/reversal of impairment

2020

During the current year, the group reversed R617m of the impairment charge previously recognised on Zeder's interest in Pioneer Foods (prior to being classified as held for sale, refer note 26) following a recovery in its JSE-listed share price. This was somewhat offset by an impairment of Zeder's interests in Kaap Agri and Quantum Foods following a decline in their respective JSE-listed share prices.

2019

Impairment charges related mainly to Zeder's interest in Pioneer Foods and Quantum Foods being written down to their respective JSE-listed fair values.

2018

Impairment charges related mainly to investments forming part of the PSG Alpha segment.

Additions

2020

Significant additions during the current year related mainly to Dipeo acquiring an interest of approximately 4% in each of Pioneer Foods and Quantum Foods (being existing associates of Zeder and therefore the group), when the associated ringfenced debt of R429m against such investments was settled upon the conclusion of the Pioneer Foods BEE Scheme. Dipeo's previous residual interest (i.e. net upside) in the Pioneer Foods BEE Scheme amounted to R168m and was reclassified from equity securities to associates at the time.

2019

Significant additions during the prior year included i) CA Sales acquiring an interest of 30% in IBP Africa Trading (Pty) Ltd, a South Africa-based FMCG distributor, for R23m; and ii) CA Sales acquiring an interest of 35% in Promexs Ltd, a Zambia-based FMCG promotional services provider, for R8m.

2018

Significant additions included i) Zaad acquiring an interest of 35% in May-Agro Tohumculuk Sanayi ve Ticaret Anonim Şirketi ("May Seed"), a Turkish-based seed company, for R141m; ii) Zeder acquiring an additional interest of 1.2% in Kaap Agri for R40m; and iii) Capespan acquiring an additional interest in Joy Wing May ("JWM"), a China-based fruit distribution business, for R28m. Significant influence over JWM was subsequently lost by Capespan and accordingly the entire interest in GWM was reclassified to equity securities at its then fair value of R700m.

5. INVESTMENT IN ASSOCIATES AND JOINT VENTURES (continued)

5.1 INVESTMENT IN ASSOCIATES (continued)

Disposals

2020

Disposals related mainly to Dipeo's aforementioned interests in Pioneer Foods and Quantum Foods being subsequently disposed of, as well as PSG Alpha's disposal of its 25% interest in Alaris Holdings Ltd, a global radio frequency technology group.

2019

No significant associates were disposed of during the prior year.

2018

No significant associates were disposed, apart from Capespan's aforementioned loss of significant influence over JWM.

Other movements

Other movements comprise mainly the group's share of associates' other comprehensive losses and equity movements, as well as the impact of Capitec's adoption of IFRS 9 in the prior year.

	GROUP		
	2020	2019	2018
	Rm	Rm	Rm
5.2 INVESTMENT IN JOINT VENTURES			
Balance at beginning of the year	**855**	432	10
Share of profits of joint ventures	**77**	57	21
Additions	**82**	375	401
Transfer to subsidiaries at fair value (refer note 42.3)	**(35)**		
Other movements	**7**	(9)	
Balance at end of the year	**986**	855	432
Loans (current)	**35**	5	8
	1,021	860	440

The additions related mainly to PSG Alpha obtaining (2018) and subsequently maintaining a 50% interest in Evergreen.

Loans granted to joint ventures, being measured at amortised cost, are fully performing, with no expected credit losses being provided for.

	2020 Rm	2019 Rm	2018 Rm
6. UNIT-LINKED INVESTMENTS			
Own balances	**682**	776	635
Unlisted but quoted	**656**	756	613
Unquoted	**26**	20	22
Consolidated mutual funds (refer note 22.1)			
Unlisted but quoted	**25,542**	22,356	19,979
Investments linked to investment contracts (refer note 22.2)	**24,180**	23,363	21,586
Unlisted but quoted	**23,907**	22,928	20,889
Unquoted	**273**	435	697
	50,404	46,495	42,200
Current	**2,325**	2,914	3,805
Non-current	**48,079**	43,581	38,395
	50,404	46,495	42,200

Fair value of the unit-linked investments (i.e. collective investment schemes invested in) are determined by reference to the underlying assets of the unit-linked investments, taking into account any relevant credit risk associated with the unit-linked investments.

GROUP	Fair value through profit or loss Rm
6. UNIT-LINKED INVESTMENTS (continued)	
Reconciliation	
Balance at 1 March 2017	37,656
Additions	9,063
Disposals	(7,620)
Fair value net gains	3,106
Exchange differences	(7)
Subsidiaries acquired	2
Balance at 28 February 2018	42,200
Additions	10,885
Disposals	(7,048)
Fair value net gains	1,933
Exchange differences	60
Subsidiaries acquired and first-time consolidation of mutual funds	252
Subsidiaries sold and mutual funds deconsolidated	(1,787)
Balance at 28 February 2019	46,495
Additions	**17,525**
Disposals	**(14,810)**
Fair value net gains	**1,185**
Exchange differences	**9**
Balance at 29 February 2020	**50,404**

7. EQUITY SECURITIES

	GROUP		
	2020	2019	2018
	Rm	Rm	Rm
Own balances	**3,033**	4,299	5,390
Listed	**2,994**	4,125	3,400
Unlisted but quoted	**2**	2	
Unquoted	**37**	172	1,990
Consolidated mutual funds (refer note 22.1)			
Listed	**112**	160	111
Investments linked to investment contracts (refer note 22.2)	**2,097**	2,177	2,193
Listed	**2,088**	2,177	2,193
Unquoted	**9**		
	5,242	6,636	7,694

GROUP	Fair value through other comprehensive income (2018: available-for-sale) Rm	Fair value through profit or loss Rm	Total Rm
Reconciliation			
Balance at 1 March 2017	4,035	3,905	7,940
Additions		704	704
Disposals	(2)	(752)	(754)
Fair value net losses	(655)	(174)	(829)
Transfer from associates		700	700
Other movements	(5)	(62)	(67)
Balance at 28 February 2018	3,373	4,321	7,694
Additions		847	847
Disposals		(2,046)	(2,046)
Fair value net gains/(losses)	267	(181)	86
Other movements		55	55
Balance at 28 February 2019	3,640	2,996	6,636
Additions		**428**	**428**
Disposals		**(468)**	**(468)**
Fair value net losses	**(1,018)**	**(172)**	**(1,190)**
Transfer to associates (refer note 5.1)		**(168)**	**(168)**
Subsidiaries sold		**(1)**	**(1)**
Other movements		**5**	**5**
Balance at 29 February 2020	**2,622**	**2,620**	**5,242**

	GROUP		
	2020	2019	2018
	Rm	Rm	Rm
Current	**278**	257	1,679
Non-current	**4,964**	6,379	6,015
	5,242	6,636	7,694

During the prior year, the group, through Zeder and Capespan, disposed of its equity security investment in Joy Wing Mau, a fruit distributor in China, for proceeds of R1.2bn.

	COMPANY	
	2020	2019
	Rm	Rm
7. EQUITY SECURITIES (continued)		
Own balances		
Listed	**2,595**	3,613
Unquoted	**2**	1
	2,597	3,614

COMPANY	**Fair value through other comprehensive income Rm**
Reconciliation	
Balance at 1 March 2018	3,025
Additions	1
Fair value gains	588
Balance at 28 February 2019	3,614
Additions	**1**
Fair value losses	**(1,018)**
Balance at 29 February 2020 (non-current)	**2,597**

The company's equity securities comprises 13,908,770 JSE-listed ordinary shares in PSG Group, the company's holding company.

	GROUP 2020 Rm	2019 Rm	2018 Rm
8. DEBT SECURITIES			
Own balances	**1,847**	1,873	2,597
Unlisted but quoted	**1,847**	1,864	2,573
Unquoted		9	24
Consolidated mutual funds (refer note 22.1)	**3,994**	4,022	3,063
Listed	**867**	876	922
Unlisted but quoted	**3,127**	3,146	2,141
Investments linked to investment contracts (refer note 22.2)	**371**	368	484
Unlisted but quoted	**371**	310	324
Unquoted		58	160
	6,212	6,263	6,144

GROUP	Fair value through profit or loss Rm	Measured at amortised cost (2018: held-to-maturity) Rm	Total Rm
Reconciliation			
Balance at 1 March 2017	2,692	4,169	6,861
Additions	4,229		4,229
Maturity/disposals	(4,767)	(784)	(5,551)
Fair value net gains	269		269
Finance income		336	336
Balance at 28 February 2018	2,423	3,721	6,144
Adjustment due to initial application of IFRS 9	3,536	(3,561)	(25)
Additions	2,693		2,693
Maturity/disposals	(2,711)	(105)	(2,816)
Fair value net gains	255		255
Finance income		12	12
Balance at 28 February 2019	6,196	67	6,263
Additions	**11,487**		**11,487**
Maturity/disposals	**(12,326)**	**(69)**	**(12,395)**
Fair value net gains	**855**		**855**
Finance income		**2**	**2**
Balance at 29 February 2020	**6,212**	**-**	**6,212**

	GROUP 2020 Rm	2019 Rm	2018 Rm
Current	**4,666**	4,471	4,667
Non-current	**1,546**	1,792	1,477
	6,212	6,263	6,144

Debt securities relate mainly to those held by the PSG Money Market Fund, as consolidated by PSG Konsult, with a business model whose objective is closely aligned to both collecting contractual cash flows (i.e. principal and interest) and potentially disposing of such financial assets (i.e. to fund redemptions by third parties), and therefore the debt securities are classified as at "fair value through profit or loss".

	GROUP 2020 Rm	2019 Rm	2018 Rm
9. DEFERRED INCOME TAX			
Deferred income tax assets	**469**	303	245
Deferred income tax liabilities	**(1,535)**	(1,753)	(1,703)
Net deferred income tax liability	**(1,066)**	(1,450)	(1,458)
Deferred income tax assets			
To be recovered within 12 months	**147**	133	141
To be recovered after 12 months	**322**	170	104
	469	303	245
Deferred income tax liabilities			
To be recovered within 12 months	**(27)**	(23)	(151)
To be recovered after 12 months	**(1,508)**	(1,730)	(1,552)
	(1,535)	(1,753)	(1,703)

The movements in the net deferred income tax liability were as follows:

GROUP	**Provisions, contract liabilities, income received in advance Rm**	**Tax losses Rm**	**Unrealised profits Rm**	**Wear & tear allowance i.r.o. PPE and intangible assets, as well as other differences * Rm**	**Sub-total Rm**
Balance at 1 March 2017	119	229	(1,224)	(633)	(1,509)
(Charged)/credited to profit or loss	(2)	109	(83)	(137)	(113)
Credited to other comprehensive income/loss			144		144
Other movements		2	19		21
Subsidiaries acquired	1	17		(15)	3
Subsidiaries sold		(4)			(4)
Balance at 28 February 2018	118	353	(1,144)	(785)	(1,458)
Credited/(charged) to profit or loss	16	(28)	310	(75)	223
Charged to other comprehensive income/loss			(85)	(3)	(88)
Other movements	12	(2)	(12)	16	14
Subsidiaries acquired	5	10		(153)	(138)
Subsidiary deconsolidated	(7)			4	(3)
Balance at 28 February 2019	144	333	(931)	(996)	(1,450)
Adoption of IFRS 16				**(6)**	**(6)**
Credited/(charged) to profit or loss	**39**	**72**	**62**	**(22)**	**151**
Credited/(charged) to other comprehensive income/loss	**4**		**230**	**(3)**	**231**
Other movements	**(10)**	**(43)**	**(10)**	**23**	**(40)**
Subsidiaries acquired	**1**		**(1)**	**(34)**	**(34)**
Subsidiaries sold	**1**	**(2)**			**(1)**
Balance at 29 February 2020	**179**	**360**	**(650)**	**(1,038)**	**(1,149)**

GROUP	Sub-total Rm	Lease liabilities Rm	Right-of-use assets Rm	Total Rm
9. DEFERRED INCOME TAX				
Balance at 28 February 2019	(1,450)			(1,450)
Adoption of IFRS 16	**(6)**	**162**	**(98)**	**58**
Credited/(charged) to profit or loss	**151**	**96**	**(83)**	**164**
Credited to other comprehensive income/loss	**231**			**231**
Other movements	**(40)**	**8**	**(4)**	**(36)**
Subsidiaries acquired	**(34)**	**3**	**(1)**	**(32)**
Subsidiaries sold	**(1)**			**(1)**
Balance at 29 February 2020	**(1,149)**	**269**	**(186)**	**(1,066)**

** These deferred income tax liabilities relate mainly to Curro's wear and tear allowances in respect of its school premises (i.e. property, plant and equipment).*

The deferred income tax assets and liabilities were calculated on all temporary differences under the liability method using a South African normal tax rate of 28% (2019: 28%; 2018: 28%) and a South African capital gains tax inclusion rate of 80% (2019: 80%; 2018: 80%). Where temporary differences arose in jurisdictions other than South Africa, the tax rates relevant to those jurisdictions were applied.

Deferred tax credited/charged to other comprehensive income/loss relates mainly to foreign currency translation adjustments.

The recoverability of deferred tax assets in respect of tax losses was assessed by the respective subsidiaries' management, taking cognisance of board-approved budgets and growth plans, and found adequately supported given the expected taxable income to be generated in future.

	COMPANY	
	2020 Rm	2019 Rm
Unrealised marked-to-market gains and losses		
Deferred income tax assets - to be recovered within 12 months	**10**	8
Deferred income tax liabilities - to be recovered within 12 months	**(10)**	(8)
Deferred income tax liabilities - to be recovered after 12 months	**(558)**	(786)
Net deferred income tax liability	**(558)**	(786)
Carrying value at beginning of the year	**(786)**	(654)
Credited/(charged) to other comprehensive income	**228**	(132)

10. BIOLOGICAL ASSETS

GROUP	2020 Current (agricultural produce) Rm	2020 Non-current (bearer plants) Rm	2020 Total Rm	2019 Current (agricultural produce) Rm	2019 Non-current (bearer plants) Rm	2019 Total Rm
Balance at beginning of the year	**167**	**426**	**593**	152	406	558
Additions	**175**	**40**	**215**	126	43	169
Disposals		**(7)**	**(7)**		(11)	(11)
Changes in fair value of biological assets	**225**		**225**	194		194
Transfer of harvested produce to inventory	**(389)**		**(389)**	(311)		(311)
Depreciation		**(19)**	**(19)**		(21)	(21)
Impairments		**(2)**	**(2)**		(1)	(1)
Exchange differences	**(2)**		**(2)**	4		4
Subsidiaries acquired			**-**	2	10	12
Subsidiaries sold	**(4)**	**(25)**	**(29)**			-
Balance at end of the year	**172**	**413**	**585**	167	426	593
Biological assets consist of the following:						
Maize crops *	**26**		**26**	5		5
Soya crops *	**33**		**33**	43		43
Orchards **	**53**		**53**	45		45
Vineyards **	**43**		**43**	54		54
Other *	**17**		**17**	20		20
Orchards ***		**246**	**246**		239	239
Vineyards ***		**167**	**167**		187	187
	172	**413**	**585**	167	426	593

GROUP	2018 Current (agricultural produce) Rm	2018 Non-current (bearer plants) Rm	2018 Total Rm
Balance at beginning of the year	122	364	486
Additions	117	62	179
Disposals			
Changes in fair value of biological assets	195		195
Transfer of harvested produce to inventory	(280)		(280)
Depreciation		(20)	(20)
Impairments			
Exchange differences	(2)		(2)
Subsidiaries acquired			-
Balance at end of the year	152	406	558
Biological assets consist of the following:			
Maize crops *	8		8
Soya crops *	28		28
Orchards **	54		54
Vineyards **	51		51
Other *	11		11
Orchards ***		215	215
Vineyards ***		191	191
	152	406	558

** These biological assets are valued at cost since an insignificant level of biological transformation has taken place since planting.*

*** These biological assets are carried at fair value, being determined based on expected fruit sales (free on board prices for export sales and net value for local sales), net of budgeted harvest, packing, storage and selling costs, as well as directly attributable overheads.*

**** Consisting of citrus orchards, pome (apple and pear) orchards and grape vineyards, being carried at cost less accumulated depreciation and impairment losses.*

10. BIOLOGICAL ASSETS (continued)

The abovementioned fair value of agricultural produce has been calculated using unobservable inputs (level 3). Had the fair value of the agricultural produce been 10% higher/lower at the reporting date, the group's profit for the year would have been R12m (2019: R12m; 2018: R11m) higher/lower.

Biological assets comprised mainly plantings of apples and pears (2020: 563ha; 2019: 568ha; 2018: 563ha), grapes (2020: 287ha - with two farming entities being disposed of during the year; 2019: 952ha; 2018: 948ha), citrus (2020: 278ha; 2019: 287ha; 2018: 306ha), soya (2020: 5,037ha; 2019: 6,283ha; 2018: 5,806ha) and maize (2020: 1,750ha; 2019: 420ha; 2018: 729ha).

11. INVESTMENT IN INVESTMENT CONTRACTS

	GROUP		
	2020	2019	2018
	Rm	Rm	Rm
Fair value through profit or loss (current)			
Reconciliation			
Balance at beginning of the year	**16**	15	16
Investment contracts benefits received		(1)	
Fair value gains/(losses)		2	(1)
Balance at end of the year	**16**	16	15

Fair value of the investment in investment contracts is determined by reference to the underlying assets' quoted prices. All of these investments are linked to investment contract liabilities (refer note 22.2).

12. LOANS AND ADVANCES

	GROUP			COMPANY	
	2020	2019	2018	**2020**	2019
	Rm	Rm	Rm	**Rm**	Rm
Secured loans	**276**	325	465	**28**	65
Unsecured loans	**1,530**	509	112	**1,639**	1,153
	1,806	834	577	**1,667**	1,218
Current	**1,601**	568	308		
Non-current	**205**	266	269	**1,667**	1,218

All loans and advances related to own balances, refer page 24.

12. LOANS AND ADVANCES (continued)

The group's secured loans comprise mainly loans to PSG Konsult financial advisors, the related-party preference share investment detailed in note 41, as well as share incentive scheme loans across the broader group. Secured loans and advances are thus mainly secured by cession and pledges over i) the income streams of PSG Konsult financial advisors and ii) ordinary shares in PSG Group, PSG Konsult, Curro, PSG Alpha (and its subsidiaries) and Zeder (and its subsidiaries).

The group's unsecured loans comprise mainly an intergroup loan between a wholly-owned subsidiary of PSL and its ultimate holding company, PSG Group. The loan is interest-free and has no fixed terms of repayment. The intergroup loan is measured at amortised cost, fully performing (i.e. stage 1) and, considering forward-looking information, deemed fully recoverable. Accordingly, no expected credit losses have been provided for. Intergroup loan balances are managed at a group level.

The group's loans, apart from intergroup loans being interest free, carry interest at various rates of up to a maximum of 16% and are repayable over various periods not exceeding seven years. Further financial risk management disclosures are set out in note 46.

The company's secured loans and advances comprise the investment in preference shares of a party related to a director of the company, as detailed in note 41.

The company's unsecured loans and advances comprise mainly intergroup loans to wholly-owned subsidiaries of PSL (2020: R1,055m; 2019: R52m) and an investment in preference shares of Dipeo (2020: R567m net of a provision for impairment of R823m; 2019: R1,101m net of a provision for impairment of R335m). The intergroup loans are interest-free and have no fixed terms of repayment, while the investment in preference shares of Dipeo carry a dividend rate of prime plus 2% (2019: prime plus 2%) and accrued preference share dividends are to be declared and paid, and thereafter capital redeemed and repaid, on the earlier of i) 31 March 2021 (2019: 31 March 2020) or ii) upon Dipeo's receipt of dividends from its underlying investments and/or the disposal thereof. The intergroup loans are measured at amortised cost, fully performing (i.e. stage 1) and, considering forward-looking information, deemed fully recoverable. Accordingly, no expected credit losses have been provided for. The investment in preference shares of Dipeo are under-performing (i.e. stage 2) and expected credit losses have been provided for to the extent not considered recoverable based on the fair values of Dipeo's underlying investments.

The group's loss allowances for loans and advances are measured under the general expected credit loss impairment model according to the categories detailed below:

Category	Description
Stage 1	These are loans which are up-to-date with no indication of a significant increase in credit risk as well as loans which are fully secured.
Stage 2	These are loans which have had a significant increase in credit risk, but are not credit impaired. A significant increase in credit risk may result from instances such as: • the PSG Konsult financial advisors' books of business are not performing as expected; or • the counterparty has missed payments.
Stage 3	These are loans which have been assessed to be credit impaired as a result of instances such as: • the PSG Konsult financial advisors no longer being employed by the group; or • legal proceedings have been instituted to try and recover the loan.
Write-off	Loans are written off when there is no reasonable expectation of further recovery.

The group's loans and advances and the related loss allowances can be analysed as follows applying the aforementioned categories:

GROUP	Stage 1 (fully performing) Rm	Stage 2 (under-performing) Rm	Stage 3 (non-performing) Rm	Total Rm
As at 29 February 2020				
Gross carrying value	**1,805**	**3**	**94**	**1,902**
Loss allowances	**(1)**	**(2)**	**(93)**	**(96)**
Opening balance	**(1)**	**(1)**	**(13)**	**(15)**
Charged to profit or loss		**(2)**	**(80)**	**(82)**
Amounts written off		**1**		**1**
Net carrying value	**1,804**	**1**	**1**	**1,806**
As at 28 February 2019				
Gross carrying value	808	22	19	849
Loss allowances	(1)	(1)	(13)	(15)
Opening balance	(4)		(20)	(24)
Credited/(charged) to profit or loss	3	(1)	7	9
Net carrying value	807	21	6	834

	GROUP			COMPANY	
	2020	2019	2018	**2020**	2019
	Rm	Rm	Rm	**Rm**	Rm
13. TRADE AND OTHER RECEIVABLES					
Trade receivables [1]	**3,564**	2,600	2,449		
Broker- and clearing accounts [2]	**1,626**	1,278	1,373		
Contract assets from contracts with customers [3]	**50**	32	26		
Prepayments and sundry receivables	**761**	679	644	**45**	30
	6,001	4,589	4,492	**45**	30
Own balances	**4,261**	3,268	2,898	**45**	30
Client balances	**1,669**	1,298	1,395		
Consolidated mutual funds (refer note 22.1)	**71**	23	199		
	6,001	4,589	4,492	**45**	30
Current	**5,997**	4,578	4,451	**45**	30
Non-current	**4**	11	41		

1) Included are insurance receivables due from contract holders and agents, brokers, reinsurers and intermediaries of R112m (2019: R111m; 2018: R87m), which are accounted for according to IFRS 4.

2) PSG Securities Ltd's ("PSG Online"), a subsidiary of PSG Konsult, broker- and clearing accounts of R1.6bn (2019: R1.3bn; 2018: R1.4bn) representing amounts owing by the JSE for trades in the last few days before year-end. These balances fluctuate on a daily basis depending on the activity in the markets. The control account for the settlement of these transactions is included under trade and other payables (refer note 25), with the settlement to the clients taking place within three days after the transaction date. All such balances have subsequently been settled accordingly.

3) Relates to reimbursive costs incurred by Energy Partners, a subsidiary of PSG Alpha, to fulfil contracts with customers in the ordinary course of its business of constructing energy-related assets.

Trade and other receivables include non-financial assets of R454m (2019: R313m; 2018: R348m).

For trade and other receivables, the group applies the simplified approach to providing for expected credit losses, which requires lifetime expected credit losses to be provided for. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on historical default rates over the expected life. The historical loss rates are adjusted to reflect current and forward-looking information on macro-economic factors affecting the ability of the customers to settle the receivables. The historical default rates have been assessed generally using a 12 to 24-month period. Forward-looking estimates include the economic outlook of the country in which the customer resides. Each subsidiary's board of directors is responsible for managing the respective entity's credit risk, including setting credit granting criteria and write-off policies.

Other receivables are assessed based on individual characteristics such as the relevant counterparty and payment history with such counterparty, in order to determine the credit risk and lifetime expected credit losses. There are no significant expected credit losses recognised in respect of other receivables.

The table below sets out the group's trade receivables and the average expected loss rate applied to each ageing category:

		Past due				
	Current	**0 - 30 days**	**31 - 60 days**	**61 - 90 days**	**> 90 days**	**Total**
GROUP	**Rm**	**Rm**	**Rm**	**Rm**	**Rm**	**Rm**
As at 29 February 2020						
Gross carrying value	**2,558**	**367**	**136**	**163**	**581**	**3,805**
Loss allowance	**(20)**	**(18)**	**(15)**	**(29)**	**(159)**	**(241)**
Opening balance						**(111)**
Charged to profit or loss						**(141)**
Amounts written off						**37**
Subsidiaries acquired						**(31)**
Other movements						**5**
Net carrying value	**2,538**	**349**	**121**	**134**	**422**	**3,564**
			1,026			
Expected loss rate	**0.8%**	**4.9%**	**11.0%**	**17.8%**	**27.4%**	**6.3%**

The group's net trade receivables past due of R1,026m relate mainly to CA Sales (R365m), Zaad (R350m) and Curro (R134m), with collection history, collateral held and forward-looking information indicating that these amounts are recoverable.

13. TRADE AND OTHER RECEIVABLES (continued)

The historical loss rates of CA Sales have been assessed using a 24-month period. Historical loss rates are adjusted for forward-looking estimates based on the economic outlook of the country in which the customer resides. A significant depreciation of the local currency as well as civil unrest increase the risk of defaults on customer accounts. CA Sales generally considers trade receivables to be in default when payment terms have been exceeded by more than 60 days without reason or arrangements made to extend the payment terms and considers trade receivables to be credit impaired when payment terms have been exceeded by more than 180 days with no communication received from the debtor. Credit-impaired trade receivables are written off. Trade receivables outstanding for 90 days are not seen as credit impaired as it is normal practice to extend credit to certain customers at those terms.

Zaad determines historical loss rates based on the payment profile of historical sales using an average period of 12 months. The historical loss rate is then adjusted to reflect the potential impact on future expected credit losses per aging category for factors that are specific to the customers and general economic conditions, such as the local and export market through sub-Saharan Africa, weather conditions (drought), foreign currency fluctuations, the availability of natural resources (water and electricity) and global competition. Average credit terms range between 30 to 180 days and accounts are in default if not settled within the allocated credit terms. Zaad considers trade receivables to be credit impaired when a deterioration in the ability to adhere to credit terms occurs and the prospect of recovery is in doubt. Credit-impaired trade receivables are written off when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery.

Curro determines historical loss rates based on the payment profiles of sales over the past 12 months and the corresponding historical credit losses experienced within this period. Considering the nature of the business, Curro has identified GDP and inflation to be the most relevant factors affecting the ability of the customers to settle the receivables and accordingly adjust the historical loss rates based on expected changes in these factors. Normal payment terms require fees to be settled within 30 days from date of invoice; however, credit periods may vary based on special payment agreements reached with parents of learners. Curro has rebutted the presumption that there is a significant increase in credit risk when payment terms have been exceeded by more than 30 days. Based on historic information, there is a significant increase in credit risk when collections deteriorate, the period of indebtedness lengthens and the debtor is no longer an active client of the business. Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include failure to make payments for a period of greater than 24 months.

		Past due				
	Current	**0 - 30 days**	**31 - 60 days**	**61 - 90 days**	**> 90 days**	**Total**
GROUP	**Rm**	**Rm**	**Rm**	**Rm**	**Rm**	**Rm**
As at 28 February 2019						
Gross carrying value	1,970	89	314	87	251	2,711
Loss allowance	(8)	(3)	(3)	(19)	(78)	(111)
Opening balance						(60)
Adjustment due to initial application of IFRS 9						(39)
Charged to profit or loss						(33)
Amounts written off						29
Subsidiaries acquired						(9)
Other movements						1
Net carrying value	1,962	86	311	68	173	2,600
			638			
Expected loss rate	0.4%	3.4%	1.0%	21.8%	31.1%	4.1%

The group's prior year net trade receivables past due of R638m related mainly to CA Sales (R293m), Zaad (R172m) and Curro (R65m), with collection history, collateral held and forward-looking information indicating that these amounts are recoverable.

	GROUP 2020 Rm	GROUP 2019 Rm	GROUP 2018 Rm	COMPANY 2020 Rm	COMPANY 2019 Rm
14. DERIVATIVE FINANCIAL INSTRUMENTS					
Derivative financial assets	**24**	33	43	**36**	29
Current	**24**	33	9	**36**	29
Non-current			34		
Derivative financial liabilities	**(117)**	(78)	(109)	**(36)**	(29)
Current	**(73)**	(44)	(68)	**(36)**	(29)
Non-current	**(44)**	(34)	(41)		
Net derivative financial liability	**(93)**	(45)	(66)	**-**	-
Analysis of net derivative financial liability					
Fixed-for-variable interest rate swaps	**(63)**	(38)	(53)		
Written put options extended to non-controlling interests	**(23)**	(25)	(39)		
Other (prior year included a preference share equity-kicker in respect of JSE-listed shares' market value, which was settled during the current year)	**(7)**	18	26		
	(93)	(45)	(66)		
Own balances	**(86)**	(42)	(58)		
Assets	**1**	22	34		
Liabilities	**(87)**	(64)	(92)		
Client-related balances	**(7)**	(3)	(8)		
Assets	**23**	11	9		
Liabilities	**(30)**	(14)	(17)		
	(93)	(45)	(66)		

Derivatives are classified as financial assets and liabilities at fair value through profit or loss. The fair value of interest rate swaps was determined as the difference between the floating leg and the fixed leg of the swap. The fair value of the fixed leg is the present value of fixed interest payments discounted at the risk-free rate plus a margin. The floating leg was valued by discounting projected floating leg payments using a risk-free rate plus a margin. The fair value of the written put options extended to non-controlling interests was calculated as the contractual put exercise price, discounted at a market-related interest rate. The fair value of the preference share equity-kicker was calculated with reference to the relevant JSE-listed shares' market value.

The fair value adjustments on derivative financial instruments included in "net fair value losses/gains on financial assets and financial liabilities at fair value through profit or loss" (refer note 31) amounted to a loss of R13m (2019: loss of R24m; 2018: loss of R40m).

		GROUP	
	2020	2019	2018
	Rm	Rm	Rm
15. INVENTORY			
Raw materials	**155**	123	118
Work-in-progress	**104**	14	44
Finished goods	**1,779**	1,559	1,561
	2,038	1,696	1,723

The cost of inventory recognised as an expense and included in cost of goods sold (refer note 28) in the income statement amounted to R10.9bn (2019: R10.5bn; 2018: R11.2bn).

16. REINSURANCE ASSETS AND LIABILITIES			
Reinsurance assets (current)			
Reinsurers' share of insurance liabilities	**127**	103	81
Balance at beginning of the year	**103**	81	72
Movement for the year	**24**	22	9
Deferred acquisition costs	**7**	6	5
Balance at beginning of the year	**6**	5	4
Movement for the year	**1**	1	1
	134	109	86

Amounts due from reinsurers in respect of claims already paid by the group on reinsured contracts, are included in trade receivables (refer note 13). All reinsurance assets were considered recoverable at the reporting dates.

Reinsurance liabilities (current)			
Deferred reinsurance acquisition revenue	**7**	5	3
Balance at beginning of the year	**5**	3	4
Movement for the year	**2**	2	(1)
17. CASH AND CASH EQUIVALENTS			
Cash at bank	**1,424**	1,387	1,391
Short-term liquid investments	**553**	445	888
	1,977	1,832	2,279
Own balances	**1,723**	1,552	1,924
Client-related balances	**254**	280	355
	1,977	1,832	2,279

The average interest rate on cash and cash equivalents (using the average of the opening and closing balances) was 9% (2019: 11%; 2018: 9.2%).

Cash and cash equivalents relate mainly to deposits held with FirstRand Bank Ltd, Absa Bank Ltd, Standard Bank of South Africa Ltd and Nedbank Ltd. Cash and cash equivalents are measured at amortised cost, fully performing (i.e. stage 1) and, considering forward-looking information, deemed fully recoverable. Accordingly, no expected credit losses have been provided for.

	GROUP		
	2020	2019	2018
	Rm	Rm	Rm
18. STATED CAPITAL			
Ordinary share capital			
Authorised			
1,000,000,000 (2019: 1,000,000,000; 2018: 1,000,000,000) shares with no par value			
Issued			
599,256,535 (2019: 599,256,535; 2018: 599,256,535) shares with no par value	**1,827**	1,827	1,827

The unissued shares in the company are placed under the control of the directors until the next annual general meeting. The directors are authorised to buy back shares subject to certain limitations and the JSE Ltd Listings Requirements.

Preference share capital			
Authorised			
30,000,000 (2019: 30,000,000; 2018: 30,000,000) shares with no par value			
Issued			
17,415,770 (2019: 17,415,770; 2018: 17,415,770) shares with no par value	**1,506**	1,506	1,506

The preference shares are cumulative, non-redeemable, non-participating preference shares. The preference dividend is calculated on a daily basis at 83.33% of the prime interest rate on a R100 nominal value and is payable in two semi-annual instalments. Arrear preference dividends shall accrue interest at the prime interest rate.

Share option schemes

PSG Group/PSL operates an equity-settled share incentive scheme by means of the PSG Group Ltd Supplementary Share Incentive Trust. In terms of the scheme, share options are granted to executive directors and other employees ("participants"). Furthermore, three material subsidiaries (namely PSG Konsult, Curro and Zeder) also operate share option schemes on similar terms. Other share option schemes operated by subsidiaries include, inter alia, that of Stadio, TLG, Capespan, Agrivision Africa, Energy Partners and CA Sales.

In terms of the aforementioned share option schemes, share options in respect of ordinary shares are allocated to participants on grant date at the respective market prices. The settlement of the purchase consideration payable by the participant in terms of the share options granted occurs upon exercise.

The total equity-settled share-based payment charge recognised in the income statement amounted to R128m (2019: R112m; 2018: R97m). This charge, net of the related tax effect, was debited to the income statement and credited to other reserves (refer note 19) and non-controlling interests (refer statement of changes in equity), respectively.

Share option scheme operated by the PSG Group Ltd Supplementary Share Incentive Trust

The weighted average strike price of PSG Group share options exercised during the year under review in terms of the equity-settled share option scheme was R107.54 (2019: R91.76; 2018: R101.11) per ordinary share.

The PSG Group Ltd Supplementary Share Incentive Trust currently holds 45,000 (2019: nil; 2018: nil) PSG Group ordinary shares, with 2,072,537 (2019: 2,256,402; 2018: 2,877,138) share options having been allocated that are unvested and/or unexercised with a total strike consideration of R469m (2019: R426m; 2018: R370m).

The maximum number of PSG Group shares which may be utilised for purposes of the scheme is 17,287,099 shares, while the maximum number of shares that may be offered to any single participant is 3,457,420 shares. To date, 8,240,505 (2019: 7,465,146) shares have been exercised by way of the scheme and accordingly a further 9,046,594 (2019: 9,821,953) shares may be exercised in future by way of the scheme. To date, a maximum of 1,827,453 (2019: 1,827,453) shares have been exercised by an individual who is no longer a participant of the scheme. The maximum number of shares that may be exercised by an employee who remains a participant of the scheme is 1,677,387 shares (2019: 1,903,580).

PSG Group shares	**2020 Number**	2019 Number	2018 Number
Number of share options allocated at beginning of the year	**2,256,402**	2,877,138	2,524,389
Number of share options cancelled during the year	**(13,038)**	(2,287)	(32,690)
Number of share options vested during the year	**(775,359)**	(1,335,503)	(9,890)
Number of share options allocated during the year	**604,532**	717,054	395,329
Number of share options allocated at end of the year	**2,072,537**	2,256,402	2,877,138

18. STATED CAPITAL (continued)

Share option scheme operated by the PSG Group Ltd Supplementary Share Incentive Trust (continued)

Outstanding PSG Group share options per tranche allocated:	**Number of shares**	Strike price R	Volatility %	Dividend yield %	Average risk-free rate %	Average fair value R
28 February 2015	87,894	136.84	21.7	2.2	6.8	29.43
29 February 2016	147,805	178.29	40.3	2.0	8.2	60.90
28 February 2017	130,309	237.31	27.7	1.6	7.4	64.23
28 February 2018	389,465	236.13	33.8	2.0	7.1	68.62
28 February 2019	712,532	250.56	25.4	2.0	7.3	62.20
28 February 2020	604,532	213.71	23.7	2.3	6.5	46.93
	2,072,537					

Volatility was calculated with reference to the one year historic volatility, whilst the fair value of share options was calculated using a Black-Scholes model.

Vesting of shares occurs as follows:	%
2 years after grant date	25
3 years after grant date	25
4 years after grant date	25
5 years after grant date	25
	100

	2020		2019		2018	
Analysis of outstanding PSG Group share options by financial year of maturity:	**Weighted average strike price (R)**	**Number**	Weighted average strike price (R)	Number	Weighted average strike price (R)	Number
28 February 2019					91.52	1,890,540
29 February 2020			127.06	1,013,816	186.95	339,731
28 February 2021	**215.13**	**695,436**	227.55	449,199	189.52	329,841
28 February 2022	**234.50**	**470,069**	244.02	336,602	216.47	218,205
28 February 2023	**234.21**	**426,633**	245.45	277,523	236.16	98,821
29 February 2024	**233.65**	**329,266**	250.56	179,262		
28 February 2025	**213.71**	**151,133**				
		2,072,537		2,256,402		2,877,138

Material subsidiaries' share option schemes

PSG Konsult

Share options are allocated to participants essentially on the same basis as set out above, except that the share options relate to PSG Konsult ordinary shares.

Outstanding PSG Konsult share options per tranche allocated:	**Number of shares**	Strike price R	Volatility %	Dividend yield %	Average risk-free rate %	Average fair value R
1 April 2015	**2,458,781**	7.27	24.7	2.0	7.1	1.73
1 April 2016	**12,449,140**	6.81	34.7	2.2	8.4	2.11
1 August 2016	**25,000**	6.83	34.1	2.3	7.8	1.98
1 April 2017	**13,203,479**	7.59	26.8	2.4	7.6	1.87
1 April 2018	**17,675,000**	8.74	22.1	2.5	7.8	2.08
1 April 2019	**16,625,000**	10.15	28.2	2.5 - 2.6	7.2	2.55
1 June 2019	**300,000**	10.27	28.0	2.5	7.1	2.27
1 November 2019	**250,000**	8.20	28.2	2.1 - 2.3	7.0	2.83
1 February 2020	**1,500,000**	9.26	28.3	2.8 - 2.9	6.5	2.13
	64,486,400					

Volatility was calculated with reference to the one year historic volatility, whilst the fair value of share options was calculated using a Black-Scholes model for share options issued prior to 1 March 2019, and using a Modified Binomial Tree model for share options issued subsequent to this date.

18. STATED CAPITAL (continued)

Material subsidiaries' share option schemes (continued)

PSG Konsult (continued)

Analysis of outstanding PSG Konsult share options by financial year of maturity:	**2020** Weighted average strike price (R)	**2020** Number	2019 Weighted average strike price (R)	2019 Number	2018 Weighted average strike price (R)	2018 Number
28 February 2019					4.99	23,041,226
29 February 2020			6.64	19,379,258	6.66	20,030,759
28 February 2021	**7.56**	**17,515,760**	7.58	19,398,008	7.19	15,080,759
28 February 2022	**8.18**	**19,725,730**	7.63	16,668,573	7.17	12,282,977
28 February 2023	**8.82**	**13,488,660**	8.15	10,208,664	7.59	5,677,034
29 February 2024	**9.42**	**9,087,500**	8.74	4,943,750		
28 February 2025	**10.05**	**4,668,750**				
		64,486,400		70,598,253		76,112,755

Curro

Share options are allocated to participants essentially on the same basis as set out above, except that the share options relate to Curro ordinary shares.

Outstanding Curro share options per tranche allocated:	**Number of shares**	Strike price R	Volatility %	Dividend yield %	Average risk-free rate %	Average fair value R
29 September 2015	**330,325**	35.42	25.3	-	6.8	10.25
29 September 2016	**665,300**	42.01	34.4	-	8.0	15.05
29 September 2017	**1,736,175**	37.53	22.9	-	8.4	11.40
29 September 2018	**2,287,500**	30.54	35.3	-	7.9	8.08
29 September 2019	**7,479,800**	19.81	42.0	-	6.4	4.89
	12,499,100					

Volatility was calculated with reference to the one year historic volatility, whilst the fair value of share options was calculated using a Black-Scholes model.

Analysis of outstanding Curro share options by financial year of maturity:	**2020** Weighted average strike price (R)	**2020** Number	2019 Weighted average strike price (R)	2019 Number	2018 Weighted average strike price (R)	2018 Number
28 February 2019					23.21	1,678,466
29 February 2020			30.79	1,768,775	30.63	1,944,900
28 February 2021	**33.53**	**1,813,575**	33.56	1,924,025	34.92	1,444,400
28 February 2022	**26.33**	**3,353,200**	34.59	1,569,025	37.05	1,061,575
28 February 2023	**25.24**	**3,020,550**	34.12	1,215,375	37.53	674,353
29 February 2024	**22.32**	**2,441,825**	30.54	592,425		
28 February 2025	**19.81**	**1,869,950**				
		12,499,100		7,069,625		6,803,694

Zeder

Share options are allocated to participants essentially on the same basis as set out above, except that the share options relate to Zeder ordinary shares.

Outstanding Zeder share options per tranche allocated:	**Number of shares**	Strike price R	Volatility %	Dividend yield %	Average risk-free rate %	Average fair value R
28 February 2015	**223,084**	7.71	28.6	0.5	6.8	2.27
29 February 2016	**581,553**	4.97	35.6	2.8	8.2	1.48
28 February 2017	**2,750,475**	7.29	27.4	1.5	7.5	1.99
28 February 2018	**6,426,185**	6.41	29.9	1.7	7.0	2.61
28 February 2019	**10,473,162**	4.36	30.2	2.5	7.3	1.80
29 February 2020	**6,243,003**	4.52	33.0	-	6.3	1.88
	26,697,462					

Volatility was calculated with reference to the one year historic volatility, whilst the fair value of share options was calculated using a Black-Scholes model.

18. STATED CAPITAL (continued)

Material subsidiaries' share option schemes (continued)

Zeder (continued)

Analysis of outstanding Zeder share options by financial year of maturity:	**2020** Weighted average strike price (R)	**2020** Number	2019 Weighted average strike price (R)	2019 Number	2018 Weighted average strike price (R)	2018 Number
28 February 2019					5.04	5,023,708
29 February 2020			6.04	6,102,448	6.62	3,101,483
28 February 2021	**5.90**	**8,469,672**	5.48	5,611,534	6.54	2,878,402
28 February 2022	**5.29**	**6,702,414**	5.51	5,304,910	6.72	2,571,778
28 February 2023	**4.97**	**5,785,586**	5.13	4,387,002	6.41	1,653,870
29 February 2024	**3.50**	**4,179,040**	4.36	2,733,132		
28 February 2025	**4.52**	**1,560,750**				
		26,697,462		24,139,026		15,229,241

19. OTHER RESERVES

GROUP	**Foreign currency translation Rm**	**Share-based payment Rm**	**Other [1] Rm**	**Total Rm**
Balance as at 1 March 2017	(104)	202	2,929	3,027
Currency translation adjustments	(39)			(39)
Cash flow hedges			(7)	(7)
Share of other comprehensive losses and equity movements of associates			(29)	(29)
Share-based payment costs - employees		66		66
Fair value adjustments to equity securities			(373)	(373)
Transactions with non-controlling interests and transfers between reserves		(26)	20	(6)
Balance as at 28 February 2018	(143)	242	2,540	2,639
Currency translation adjustments	(2)			(2)
Cash flow hedges			4	4
Share of other comprehensive losses and equity movements of associates			(15)	(15)
Fair value adjustments to equity securities			183	183
Share-based payment costs - employees		73		73
Transactions with non-controlling interests and transfers between reserves		(37)	6	(31)
Balance as at 28 February 2019	(145)	278	2,718	2,851
Currency translation adjustments	**(59)**			**(59)**
Cash flow hedges			**(7)**	**(7)**
Share of other comprehensive losses and equity movements of associates			**(133)**	**(133)**
Fair value adjustments to equity securities			**(788)**	**(788)**
Share-based payment costs - employees		**80**		**80**
Transactions with non-controlling interests and transfers between reserves	**4**	**(67)**	**(49)**	**(112)**
Balance as at 29 February 2020	**(200)**	**291**	**1,741**	**1,832**

COMPANY	**Other [1] 2020 Rm**	Other [1] 2019 Rm
Balance at beginning of the year	**2,720**	2,264
Fair value adjustments to equity securities	**(790)**	456
Balance at end of the year	**1,930**	2,720

[1] *Relates mainly to fair value adjustments on the company and group's equity securities in PSG Group (refer note 7).*

		GROUP	
	2020	2019	2018
	Rm	Rm	Rm
20. NON-CONTROLLING INTERESTS			
Non-controlling interests in subsidiaries (refer Annexure A)	**10,265**	10,194	10,149
21. INSURANCE CONTRACTS			
Long-term insurance (non-current)	**19**	21	22
Balance at beginning of the year	**21**	22	24
Liabilities released for payments on death, surrender and other terminations	**(3)**	(3)	(3)
Transfer to policyholder funds	**1**	2	1
Short-term insurance (current)	**535**	522	521
Balance at beginning of the year	**522**	521	520
Claims reported			
In respect of current year	**1,077**	918	901
In respect of prior year	**(155)**	(121)	(115)
Claims paid	**(892)**	(762)	(781)
Movement for the year	**(17)**	(34)	(4)
	554	543	543

22.1 THIRD-PARTY LIABILITIES ARISING ON CONSOLIDATION OF MUTUAL FUNDS

	2020	2019	2018
Balance at beginning of the year	**26,715**	23,600	21,394
Net capital contributions received from third parties	**2,014**	3,090	333
Fair value adjustment to third-party liabilities	**1,270**	1,336	1,873
First-time consolidation of mutual fund (refer note 42.4.1)		689	
Deconsolidation of mutual funds (refer note 42.4.2)		(2,000)	
Balance at end of the year (current)	**29,999**	26,715	23,600
Third-party liabilities arising on consolidation of mutual funds are represented by the following underlying investments:			
Unit-linked investments	**25,542**	22,356	19,979
Equity securities	**112**	160	111
Debt securities	**3,994**	4,022	3,063
Trade and other receivables	**71**	23	199
Cash and cash equivalents	**309**	173	268
Trade and other payables	**(29)**	(19)	(20)
	29,999	26,715	23,600

The group consolidates various mutual funds due to the group's investment therein and PSG Konsult's management of same (refer page 24). Third parties' funds invested in the consolidated mutual funds are included as a liability under "third-party liabilities arising on consolidation of mutual funds".

22.2 INVESTMENT CONTRACT LIABILITIES

	2020	2019	2018
Balance at beginning of the year	**25,932**	24,279	22,561
Investment contract receipts	**3,454**	3,708	4,077
Investment contract benefits paid	**(2,909)**	(2,872)	(3,814)
Commission and administration expenses	**(290)**	(256)	(215)
Fair value adjustments to investment contract liabilities	**507**	1,073	1,670
Balance at end of the year	**26,694**	25,932	24,279
Current	**2,946**	2,946	4,329
Non-current	**23,748**	22,986	19,950

		GROUP	
	2020	2019	2018
	Rm	Rm	Rm
22.2 INVESTMENT CONTRACT LIABILITIES (continued)			
Investment contract liabilities carried at:			
Fair value	**26,694**	25,874	24,119
Amortised cost		58	160
	26,694	25,932	24,279
Investment contracts are represented by the following underlying investments:			
Unit-linked investments	**24,180**	23,363	21,586
Equity securities	**2,097**	2,177	2,193
Debt securities	**371**	368	484
Investment in investment contracts	**16**	16	15
Cash and cash equivalents	**30**	8	1
	26,694	25,932	24,279

Investment contract liabilities relate to PSG Life Ltd clients' assets held under investment contracts, which are linked to a corresponding liability (refer page 24).

	2020	2019	2018
23. BORROWINGS			
Non-current	**5,753**	6,192	5,473
Bank overdrafts			62
Redeemable preference share capital and accumulated dividends	**1,036**	2,500	1,930
Unsecured loans	**277**	299	570
Secured loans	**4,440**	3,393	2,911
Current	**10,450**	7,485	7,009
Bank overdrafts	**1,382**	1,127	1,224
Redeemable preference share capital and accumulated dividends	**1,519**	19	19
Unsecured loans	**7,196**	5,962	5,313
Secured loans	**353**	377	453
Total borrowings	**16,203**	13,677	12,482
Own balances	**16,203**	13,566	12,381
Client-related balances		111	101
	16,203	13,677	12,482

At a PSL head office level

The only borrowings at a PSL head office level relates to redeemable preference shares issued by a wholly-owned subsidiary of PSL to third-party funders. As at the reporting date, preference share capital and accumulated preference share dividends payable amount to R1bn (2019: R1bn; 2018: R0.9bn) and R19m (2019: R19m; 2018: R19m), respectively. These redeemable preference shares carry a fixed dividend rate of 7.8% (2019: 7.8%; 2018: 8.3%) nominal annual compounded monthly, being serviced during May and November of each year, with the preference share capital repayable during April 2021 (R180m), April 2022 (R170m) and April 2023 (R650m). As security for the aforementioned borrowings, PSL ceded and pledged ordinary shares in Capitec (4.7m), PSG Konsult (160m), Zeder (450m) and Curro (48m), with a further negative pledge over additional ordinary shares in Capitec (3.3m), PSG Konsult (88m), Zeder (130m) and Curro (26m). Subsequent to year-end, the aforementioned redeemable preference share borrowings were settled in full.

PSL maintains a strict policy not to provide any guarantee or surety in respect of investee companies' borrowings, unless wholly-owned and managed at a head office level. Accordingly, none of the borrowings of Capitec, PSG Konsult, Curro, Zeder, PSG Alpha, Dipeo or any of their respective underlying investments have any recourse to PSL.

The unsecured loans (current portion) relates mainly to interest-free loans payable to PSG Group, being PSL's holding company, with no fixed terms of repayment.

At an investee level

Other redeemable preference shares relate mainly those issued by a wholly-owned subsidiary of Zeder (2020: R1.5bn; 2019: R1.5bn; 2018: R1bn) which carry fixed dividend rates ranging between 7.7% and 8.1% (2019: between 7.7% and 8.1%; 2018: fixed dividend rate of 8.1%) nominal annual compounded monthly. The redeemable preference shares are secured through the pledge of JSE-listed shares held by a wholly-owned subsidiary of Zeder to the value of R7bn (2019: R5.5bn; 2018: R4.8bn). Subsequent to year-end, the aforementioned redeemable preference share borrowings were settled in full.

23. BORROWINGS (continued)

At an investee level (continued)

Secured loans relate mainly to the following:

- Curro's rand-denominated borrowings of R3.7bn (2019: R2.9bn; 2018: R2.4bn);
- Agrivision Africa, Capespan, TLG and Zaad's rand-denominated borrowings of R0.2bn (2019: R0.1bn; 2018: R0.3bn) and United States dollar-denominated borrowings of R0.4bn (2019: R0.2bn; 2018: R0.2bn); and
- PSG Alpha subsidiaries' mainly rand-denominated borrowings of R0.5bn (2019: R0.5bn; 2018: R0.4bn).

The most significant security pledged towards the secured loans includes the majority of Curro's land and buildings, with a total carrying value at group level of R9bn (2019: R8.1bn; 2018: R6.7bn).

Bank overdrafts relate mainly to Agrivision Africa, Capespan and Zaad's rand-denominated overdrafts of R0.9bn (2019: R0.4bn; 2018: R0.5bn), United States dollar-denominated overdrafts of R0.1bn (2019: R0.3bn; 2018: R0.3bn) and Euro-denominated overdrafts of R0.2bn (2019: R0.2bn; 2018: R0.2bn).

The aforementioned borrowings are repayable to various counterparties with effective interest rates of up to 16.8% (2019: ranging between 1.8% and 22.5%; 2018: 2.2% and 35.5%).

Those borrowings which impact the group's cash flows from financing activities can be summarised as follows:

	2020					
		Financing cash flows per statement of cash flows				
GROUP Reconciliation of liabilities arising from financing activities	**Opening carrying value Rm**	**Increase in borrowings Rm**	**Borrowings repaid Rm**	**Subsidiaries acquired Rm**	**Other movements * Rm**	**Closing carrying value Rm**
Redeemable preference shares	**2,519**	**30**			**6**	**2,555**
Unsecured loans	**6,261**	**348**	**(425)**	**90**	**1,199**	**7,473**
Secured loans	**3,770**	**2,787**	**(1,732)**	**9**	**(41)**	**4,793**
	12,550	**3,165**	**(2,157)**	**99**	**1,164**	**14,821**
Bank overdrafts	**1,127**					**1,382**
Total borrowings	**13,677**					**16,203**

	2019					
		Financing cash flows per statement of cash flows				
GROUP Reconciliation of liabilities arising from financing activities	Opening carrying value Rm	Increase in borrowings Rm	Borrowings repaid Rm	Businesses/ subsidiaries acquired/ sold/de-consolidated/ Rm	Other movements * Rm	Closing carrying value Rm
Redeemable preference shares	1,949	570				2,519
Unsecured loans	5,883	12	(449)	20	795	6,261
Secured loans	3,364	926	(825)	(26)	331	3,770
	11,196	1,508	(1,274)	(6)	1,126	12,550
Bank overdrafts	1,286					1,127
Total borrowings	12,482					13,677

	2018					
		Financing cash flows per statement of cash flows				
GROUP Reconciliation of liabilities arising from financing activities	Opening carrying value Rm	Increase in borrowings Rm	Borrowings repaid Rm	Businesses/ subsidiaries acquired/sold Rm	Other changes * Rm	Closing carrying value Rm
Redeemable preference shares	1,255	1,000	(349)		43	1,949
Unsecured loans	5,575	490	(347)	22	143	5,883
Secured loans	2,639	1,916	(1,091)	45	(145)	3,364
	9,469	3,406	(1,787)	67	41	11,196
Bank overdrafts	993					1,286
Total borrowings	10,462					12,482

** Current year movements comprise mainly finance leases transferred (refer note 3.2), foreign currency exchange movements and accrued and unpaid finance costs, while the movements in prior years comprise mainly non-cash flow acquisitions of property, plant and equipment, foreign currency exchange movements and accrued and unpaid finance costs.*

	COMPANY 2020 Rm	2019 Rm
23. BORROWINGS (continued)		
Intergroup loans payable	**9,473**	8,247

The intergroup loans are unsecured, interest-free and have no fixed terms of repayment.

24. EMPLOYEE BENEFIT ASSETS/(LIABILITIES)

Assets and liabilities relating to the group's employee benefits can be summarised as follows:

	2020			2019		
GROUP	**Assets Rm**	**Liabilities Rm**	**Net Rm**	Assets Rm	Liabilities Rm	Net Rm
Short-term benefits		**(499)**	**(499)**		(425)	(425)
Post-employment benefits	**42**	**(99)**	**(57)**	43	(103)	(60)
	42	**(598)**	**(556)**	43	(528)	(485)

	2018		
GROUP	Assets Rm	Liabilities Rm	Net Rm
Short-term benefits		(450)	(450)
Post-employment benefits	39	(91)	(52)
	39	(541)	(502)

Short-term benefits

These benefits comprise mainly bonus and leave pay accruals.

Post-employment benefits

Medical benefits

The group, through Capespan and TLG, provides for defined-benefit medical aid benefits in respect of a limited number of retired employees (including their dependants) who retired from International Harbour Services (Pty) Ltd, Outspan International Ltd and Unifruco Ltd prior to 1999. To qualify for the scheme they had to be permanently employed, be a member of the company's designated scheme at retirement and remain resident in South Africa until their retirement. The obligation was quantified by an independent actuary.

Retirement benefits

The group, through Capespan, operates a number of externally funded defined-benefit pension schemes across various countries (most notably the United Kingdom, continental Europe and South Africa). The schemes are set up under trusts and the assets of the schemes are therefore held separately from those of the group.

Actuarial valuations were carried out by independent actuaries for the various pension schemes using the projected unit credit method.

	2020			2019		
	Medical benefits Rm	**Retirement benefits Rm**	**Total Rm**	Medical benefits Rm	Retirement benefits Rm	Total Rm
The respective employee defined-benefit plan deficits can be analysed as follows:						
Fair value of plan assets		**42**	**42**		43	43
Present value of funded obligations	**(19)**	**(80)**	**(99)**	(24)	(79)	(103)
	(19)	**(38)**	**(57)**	(24)	(36)	(60)
Balance at beginning of the year	**(24)**	**(36)**	**(60)**	(25)	(27)	(52)
Interest expense	**(2)**	**(9)**	**(11)**	(2)	(8)	(10)
Return on plan assets		**9**	**9**		8	8
Gains/(losses) from changes in financial and demographic assumptions	**5**	**(9)**	**(4)**	1	(4)	(3)
Employer contributions	**2**	**1**	**3**	2		2
Past service costs		**4**	**4**			-
Exchange differences		**2**	**2**		(5)	(5)
Balance at end of the year	**(19)**	**(38)**	**(57)**	(24)	(36)	(60)

24. EMPLOYEE BENEFIT ASSETS/(LIABILITIES) (continued)

The respective employee defined benefit plan deficits can be analysed as follows:

	2018 Medical benefits Rm	2018 Retirement benefits Rm	2018 Total Rm
Fair value of plan assets		39	39
Present value of funded obligations	(25)	(66)	(91)
	(25)	(27)	(52)
Balance at beginning of the year	(25)	(55)	(80)
Interest expense	(2)	(10)	(12)
Return on plan assets		8	8
Gains from changes in financial and demographic assumptions		24	24
Employer contributions	2		2
Settlements		5	5
Exchange differences		1	1
Balance at end of the year	(25)	(27)	(52)

	2020		2019		2018	
	Medical benefits %	**Retirement benefits %**	Medical benefits %	Retirement benefits %	Medical benefits %	Retirement benefits %
Principal actuarial assumptions used include:						
Discount rates	**8.5 - 8.6**	**0.5 - 1.9**	9.3	1.0 - 2.8	8.5	1.3 - 2.4
Future medical costs increases	**4.8 - 10.0**	**-**	10.0	-	-	-
Future salary increases	**-**	**-**	-	3.0	-	3.0
Inflation rates	**-**	**2.0 - 2.5**	-	1.7 - 2.4	9.0	2.0 - 2.3

Reasonable changes at the reporting date on one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligations as follows:

	Medical benefits					
	2020			2019		
		Impact of			Impact of	
	Change	**Increase Rm**	**Decrease Rm**	Change	Increase Rm	Decrease Rm
Discount rates	**0.5%**	**1**	**(1)**	0.5%	1	(1)
Future medical costs increases	**1.0%**	**1**	**(1)**	1.0%	1	(2)
Mortality rates	**1 year**	**1**	**(1)**	1 year	1	(1)

	Medical benefits		
	2018		
		Impact of	
	Change	Increase Rm	Decrease Rm
Discount rates	0.1%	1	(1)
Inflation rates	1.0%	(2)	2
Mortality rates	1 year	(1)	1

	Retirement benefits					
	2020			2019		
		Impact of			Impact of	
	Change	**Increase Rm**	**Decrease Rm**	Change	Increase Rm	Decrease Rm
Discount rates	**0.1%**	**(24)**	**22**	0.1%	(26)	26
Future salary increases	**0.5%**	**4**	**(3)**	0.5%	4	(3)
Inflation rates	**0.5%**	**(10)**	**12**	0.5%	(11)	15
Mortality rates	**1 year**	**(21)**	**21**	1 year	(23)	23

		Retirement benefits 2018	
		Impact of	
	Change	Increase Rm	Decrease Rm
24. EMPLOYEE BENEFIT ASSETS/(LIABILITIES) (continued)			
Discount rates	0.5%	27	(26)
Future salary increases	1.0%	4	(3)
Inflation rates	1.0%	(10)	14
Mortality rates	1 year	(22)	22

Provision has been made for early disability retirements. No account is taken of surpluses which may arise in the fund as the group does not consider itself entitled to the benefits.

	GROUP			COMPANY	
	2020 Rm	2019 Rm	2018 Rm	**2020 Rm**	2019 Rm
25. TRADE AND OTHER PAYABLES					
Trade payables [1] [2]	**3,143**	2,477	2,237	**3**	3
Dividends payable to PSL preference shareholders	**72**	76	74	**72**	73
Broker- and clearing accounts (refer note 13)	**1,526**	1,278	1,373		
Margin accounts	**28**	21	23		
Contract liabilities from contracts with customers [3]	**401**	391	214		
Subsidiary/associate purchase consideration payable	**180**	176	239		
	5,350	4,419	4,160	**75**	76
Own balances	**3,744**	3,117	2,768	**75**	76
Client balances	**1,577**	1,283	1,372		
Consolidated mutual funds	**29**	19	20		
	5,350	4,419	4,160	**75**	76
Current	**5,295**	4,324	4,148	**75**	76
Non-current	**55**	95	12		
Reconciliation of contract liabilities from contracts with customers [3]:					
Balance at beginning of the year	**391**	214			
Cash received in advance during the year	**493**	354			
Revenue recognised in respect of performance obligations satisfied during the year	**(487)**	(312)			
Other movements (including adjustments due to initial application of IFRS 15 in the prior year)	**4**	135			
Balance at end of the year	**401**	391			

1) Includes non-financial liabilities of R188m (2019: R109m; 2018: R87m).

2) Trade payables relate mainly to the business operations of CA Sales (2020: R1bn; 2019: R0.7bn; 2018: R0.5bn), Zaad (2020: R0.8bn; 2019: R0.4bn; 2018: R0.4bn), PSG Konsult (2020: R0.5bn; 2019: R0.5bn; 2018: R0.4bn), Curro (2020: R0.2bn; 2019: R0.3bn; 2018: R0.3bn) and Capespan (2020: R0.2bn; 2019: R0.5bn; 2018: R0.5bn).

3) Contract liabilities from contracts with customers relate to amounts received in advance for services provided over time in the normal course of business. The group's contract liabilities from contracts with customers mainly relate to tuition fees, registration and enrolment fees for educational services provided by Curro and Stadio. Revenue will be recognised in the income statement in the accounting period in which the related services are rendered.

26. ASSETS/LIABILITIES HELD FOR SALE AND DISCONTINUED OPERATION

Asset held for sale and discontinued operation

During the year under review, Pepsico made an offer to the Pioneer Foods ordinary shareholders (including Zeder) to acquire all issued ordinary shares in Pioneer Foods for a cash consideration of R110 per share. As at 29 February 2020, Zeder reclassified its investment in Pioneer Foods, an associate with a carrying value of R5.1bn, in accordance with IFRS 5 to an asset held for sale. During March 2020, the Competition Tribunal approved the transaction and all other suspensive conditions were met and Zeder's disposal of its interest in Pioneer Foods was implemented. Upon receipt of the R6.4bn cash proceeds pursuant to such disposal, Zeder declared a special dividend of R2.30 per share. PSL consequently received a special dividend from Zeder of R1.7bn on 28 April 2020.

The assets held for sale as at 28 February 2018 comprised certain non-current assets of Capespan's United Kingdom-based operations, which were disposed of during the 2019 financial year.

Other assets/liabilities held for sale

The remaining portion of assets/liabilities held for sale relates to i) Capespan's investment in two associates (R108m), ii) various assets (mainly property, plant and equipment, intangible assets and inventory) (R311m) and liabilities (R16m) of Klein Karoo Saad Bemarking (Pty) Ltd, a subsidiary of Zaad, and iii) vacant land held by Curro (R43m), all of which are in the process of being sold.

	GROUP 2020 Rm	GROUP 2019 Rm
27. REVENUE FROM SALE OF GOODS		
Agricultural produce/seed	**6,547**	6,800
Fast-moving consumer goods	**6,051**	4,746
Mining, construction and utility goods	**501**	1,307
Other goods	**403**	188
	13,502	13,041

Revenue from sale of agricultural produce/seed emanates from Zeder (i.e. Capespan, Zaad and Agrivision), while revenue from the sale of i) fast-moving consumer goods (i.e. CA Sales) and ii) mining, construction and utility goods (mainly Energy Partners, as well as Provest Group (Pty) Ltd in the prior year up to its deconsolidation) emanates from PSG Alpha.

	GROUP 2020 Rm	GROUP 2019 Rm
28. COST OF GOODS SOLD		
Changes in finished goods	**10,446**	10,042
Raw material and consumables used	**411**	476
Other expenses	**482**	942
	11,339	11,460

Cost of goods sold relates to aforementioned agricultural produce/seed, fast-moving consumer goods, mining, construction and utility goods.

	GROUP 2020 Rm	GROUP 2019 Rm
29. REVENUE EARNED FROM COMMISSION, SCHOOL, NET INSURANCE AND OTHER FEE INCOME		
Commission and advisory fees	**4,668**	3,917
Financial services - PSG Konsult *	**2,412**	2,097
Merchandising services - CA Sales	**1,081**	809
Logistical services - TLG	**937**	837
Other	**238**	174
Management and performance fees		
Financial services - PSG Konsult	**1,135**	1,143
School, tuition and other education-related fees	**3,961**	3,242
Private basic education services - Curro	**2,944**	2,496
Private higher education services - Stadio	**808**	621
Other	**209**	125
Net insurance premiums	**1,097**	937
Gross premiums - PSG Konsult	**1,553**	1,289
Reinsurance written premiums paid - PSG Konsult	**(456)**	(352)
	10,861	9,239
Revenue recognised at a point in time **	**1,256**	1,075
Revenue recognised over time	**9,605**	8,164

** Financial services commission and advisory fees includes dealing, structuring and brokerage fee income of R385m (2019: R333m).*

*** Revenue recognised at a point in time relates mainly to logistical and other services.*

Please refer to accounting policy note 24.1 for details regarding performance obligations of the contracts with customers giving rise to the revenue detailed above. Furthermore, such contracts do not contain significant warranties, payment terms, or obligations for returns, refunds and other similar obligations.

	GROUP 2020 Rm	GROUP 2019 Rm	COMPANY 2020 Rm	COMPANY 2019 Rm
30. INVESTMENT INCOME				
Interest income				
Loans and advances	**91**	84	**16**	15
Trade and other receivables	**32**	14		
Debt securities	**535**	501		
Unit-linked investments	**893**	965		
Cash and cash equivalents	**168**	225		
	1,719	1,789	**16**	15

	GROUP 2020 Rm	GROUP 2019 Rm	COMPANY 2020 Rm	COMPANY 2019 Rm
30. INVESTMENT INCOME (continued)				
Dividend income				
Equity securities at fair value through profit or loss	**74**	37		
Equity securities at fair value through other comprehensive income	**67**	65	**65**	60
Debt securities (preference shares)	**6**	9	**126**	161
Unit-linked investments at fair value through profit or loss	**591**	466		
Dividend income from subsidiaries			**280**	317
Dividend income from an associate			**665**	559
	738	577	**1,136**	1,097
	2,457	2,366	**1,152**	1,112

31. FAIR VALUE GAINS AND LOSSES

	GROUP 2020 Rm	GROUP 2019 Rm
Foreign exchange gains	**107**	138
Foreign exchange losses	**(106)**	(102)
Net fair value (losses)/gains on financial instruments at fair value through profit or loss	**(201)**	338
Fair value adjustment on step-up from associate and joint venture to subsidiary	**4**	2
Fair value loss on assets held for sale	**(52)**	
Gain from accounting for hyperinflationary foreign operations	**126**	
	(122)	376

The gain from accounting for hyperinflationary foreign operations relate to two Zimbabwe-based entities forming part of the Zaad group, which commenced the application of hyperinflationary accounting during the year under review.

32. OTHER OPERATING INCOME

	GROUP 2020 Rm	GROUP 2019 Rm
Profit on sale/deconsolidation of subsidiaries (refer note 42.5)	**58**	8
Profit on sale of property, plant and equipment	**14**	20
Bargain purchase gain		25
Other	**242**	163
	314	216

33. INSURANCE CLAIMS AND LOSS ADJUSTMENTS, NET OF RECOVERIES

	GROUP 2020 Rm	GROUP 2019 Rm
Short-term insurance contracts	**659**	578
Long-term individual life insurance contracts - death, maturity, surrender and sick leave benefits and transfers to policyholder liabilities	**4**	4
	663	582

GROUP	Gross Rm	Reinsurance Rm	Net Rm
2020			
Short-term insurance contracts	**939**	**(280)**	**659**
Claims paid	**930**	**(280)**	**650**
Movement in expected cost of outstanding claims	**48**	**(17)**	**31**
Salvages	**(39)**	**17**	**(22)**
Long-term individual life insurance contracts	**4**		**4**
	943	**(280)**	**663**
2019			
Short-term insurance contracts	800	(222)	578
Claims paid	801	(213)	588
Movement in expected cost of outstanding claims	36	(23)	13
Salvages	(37)	14	(23)
Long-term individual life insurance contracts	4		4
	804	(222)	582

	GROUP		COMPANY	
	2020	2019	**2020**	2019
	Rm	Rm	**Rm**	Rm
34. MARKETING, ADMINISTRATION, IMPAIRMENT LOSSES AND OTHER EXPENSES				
Expenses by nature				
Depreciation	**664**	427		
Property, plant and equipment (refer note 1)	**423**	406		
Right-of-use assets (refer note 3.1)	**222**			
Biological assets - bearer plants (refer note 10)	**19**	21		
Amortisation of intangible assets (refer note 2)	**172**	155		
Lease expenses	**97**	367		
Lease expense in respect of low-value items	**21**			
Lease expense in respect of short-term leases	**76**			
Operating lease rentals		367		
Auditors' remuneration	**57**	50		
Audit services				
Current year	**48**	42		
Prior year	**3**	4		
Tax services	**2**	1		
Other services	**4**	3		
Employee benefit expenses	**5,348**	4,441		
Salaries, wages and allowances	**5,220**	4,329		
Equity-settled share-based payment costs	**128**	112		
Impairment of intangible assets (refer note 2)	**294**	118		
Loss on sale of intangible assets		2		
Loss allowances on financial assets	**322**	25	**426**	335
Impairment of property, plant and equipment (refer note 1)	**219**	13		
Loss on sale of property, plant and equipment	**4**	6		
Impairment of biological assets (refer note 10)	**2**	1		
Other expenses	**2,779**	2,123	**5**	3
Management and administration fees	**75**	52		
Marketing	**162**	154		
Professional fees	**142**	106		
Other operating costs	**2,400**	1,811	**5**	3
Commissions paid	**1,565**	1,394		
	11,523	9,122	**431**	338

Refer to the directors' report for details regarding directors' remuneration.

	GROUP		COMPANY	
	2020	2019	**2020**	2019
	Rm	Rm	**%**	%
35. FINANCE COSTS				
Bank overdrafts	**111**	112		
Redeemable preference shares	**206**	193		
Secured loans	**345**	263		
Unsecured loans	**56**	89		
Derivative financial instruments	**23**	19	**14**	14
Lease liabilities (refer note 3.2)	**148**			
	889	676	**14**	14
36. TAXATION				
South African current taxation	**539**	514		
Current year	**527**	511		
Prior year	**12**	3		
South African deferred taxation	**(147)**	(99)		
Foreign current taxation	**146**	183		
Current year	**146**	194		
Prior year		(11)		
Foreign deferred taxation	**(17)**	(124)		
Dividend withholding taxation - current year	**4**	2		
Total taxation	**525**	476	**-**	-
Reconciliation of effective rate of taxation (%)				
South African normal taxation rate	**28.0**	28.0	**28.0**	28.0
Adjusted for:				
Non-taxable income	**(9.4)**	(3.4)	**(45.0)**	(40.4)
Capital gains tax rate differential	**(1.1)**	(0.5)		
Non-deductible charges and deferred tax assets not recognised in respect of assessed losses	**14.4**	18.0	**17.0**	12.4
Share of profits of associates and joint ventures	**(17.8)**	(19.4)		
Foreign tax rate differential	**(1.1)**	(6.4)		
Prior year adjustments	**0.2**	0.1		
Dividend withholding taxation - current year	**0.1**	0.1		
Effective rate of taxation	**13.3**	16.5	**-**	-

Non-taxable income relates mainly to dividend income and a reversal of impairment of associate in the current year (refer note 5.1), while non-deductible charges relate mainly to impairment charges, share-based payment costs and preference share funding costs (i.e. preference dividends). The foreign tax rate differential relates mainly to earnings generated by subsidiaries of Zeder across various tax jurisdictions.

	GROUP	
	2020	2019
	Rm	Rm
37. HEADLINE EARNINGS		
The calculations of earnings per share are based on the following:		
Profit attributable to owners of the parent	**2,680**	2,142
Continuing operations	**2,330**	2,267
Discontinued operation	**350**	(125)
Non-headline earnings (net of non-controlling interests and related tax effect):		
Continuing operations		
Net profit on sale/dilution of interest in associates	**(49)**	(15)
Gross amount	**(130)**	(6)
Non-controlling interests		(9)
Tax effect	**81**	
Profit on sale/deconsolidation of subsidiaries	**(25)**	(8)
Gross amount	**(58)**	(8)
Non-controlling interests	**33**	
Loss on impairment of associates	**142**	58
Gross amount	**323**	59
Non-controlling interests	**(181)**	(1)
Net loss on sale/impairment of intangible assets (including goodwill)	**227**	57
Gross amount	**294**	120
Non-controlling interests	**(65)**	(60)
Tax effect	**(2)**	(3)
Net loss/(profit) on sale/impairment of property, plant and equipment	**77**	-
Gross amount	**209**	(1)
Non-controlling interests	**(102)**	(1)
Tax effect	**(30)**	2
Loss on impairment of biological assets	**1**	-
Gross amount	**2**	
Non-controlling interests	**(1)**	
Non-headline items of associates and joint ventures	**(69)**	(65)
Gross amount	**(75)**	(64)
Non-controlling interests	**6**	(1)
Fair value gain on step-up from associate and joint venture to subsidiary	**(2)**	(2)
Gross amount	**(4)**	(2)
Non-controlling interests	**2**	
Bargain purchase gain	**-**	(14)
Gross amount		(25)
Non-controlling interests		11
Impairment of assets held for sale	**45**	-
Gross amount	**46**	
Non-controlling interests	**(1)**	
Subtotal carried forward	**3,027**	2,153

	GROUP 2020 Rm	GROUP 2019 Rm
37. HEADLINE EARNINGS (continued)		
Subtotal carried over	**3,027**	2,153
Discontinued operation		
(Reversal of)/loss on impairment of associate	**(272)**	272
Gross amount	**(617)**	617
Non-controlling interests	**345**	(345)
Loss/(profit) on dilution of interest in associate	**38**	(6)
Gross amount	**86**	(14)
Non-controlling interests	**(48)**	8
Non-headline items of associate	**8**	(9)
Gross amount	**19**	(17)
Non-controlling interests	**(11)**	8
Headline earnings	**2,801**	2,410
Continuing operations	**2,677**	2,278
Discontinued operation	**124**	132

The non-headline items of associates and joint ventures in the current and prior year related mainly to fair value gains recognised on investment property.

	2020	2019
Number of shares in issue (m)		
Ordinary shares	**599.3**	599.3
Preference shares	**17.4**	17.4
38. DIVIDEND PER SHARE		
Ordinary shares - normal dividends	**1,200**	1,200
Preference shares	**146**	146

Dividend per preference share

Interim: R4.28 (2019: R4.22) per share

Final: R4.13 (2019: R4.19) per share

Dividends are not accounted for until they have been declared by the company's board.

	2020	2019
39. FUTURE LEASE PAYMENTS AND CAPITAL COMMITMENTS AND OTHER CONTINGENT LIABILITIES		
Lease payments		
Lease payments - land and buildings		
Due within one year	**365**	260
Due within one to five years	**1,234**	1,076
Due after more than five years*	**37,864**	595
	39,463	1,931
Lease payments - vehicles, office equipment and other		
Due within one year	**45**	30
Due within one to five years	**63**	48
Due after more than five years	**2**	1
	110	79
Total	**39,573**	2,010

** Future lease payments reported as at 28 February 2019 included only those which were contractually required to be paid (i.e. excluding renewal options), while those reported as at 29 February 2020 also included payments expected to be made in respect of renewal periods for which the excercise of such renewal periods is reasonably certain. Please refer to note 45 for more detail in this regard.*

	GROUP 2020 Rm	GROUP 2019 Rm
39. FUTURE LEASE PAYMENTS AND CAPITAL COMMITMENTS AND OTHER CONTINGENT LIABILITIES (continued)		
Capital commitments		
Authorised but not yet contracted		
Property, plant and equipment	**1,086**	2,153
Intangible assets	**101**	82
Biological assets	**43**	22
	1,230	2,257
Contracted		
Property, plant and equipment	**459**	810
Intangible assets	**16**	22
	475	832

Other contingent liabilities

The group did not have any other material contingent liabilities at the reporting date.

The group is subject to litigation in the normal course of its business. Appropriate provisions are made when losses are expected to materialise. There are no legal or arbitration proceedings (including any such proceedings that are pending or threatened) of which the group is aware, which may have a material effect on the financial position of the group.

40. BORROWING POWERS

In terms of the company's memorandum of incorporation, borrowing powers are unlimited. Details of actual borrowings are disclosed in note 23.

The group's short and long-term undrawn borrowing facilities at the reporting date amounted to approximately R0.8bn (2019: R1.5bn) and approximately R1.5bn (2019: R1.6bn), respectively.

41. RELATED-PARTY TRANSACTIONS AND BALANCES

Group

PSL and its subsidiaries enter into various financial services transactions with members of the group. These transactions include a range of management, investment, administrative, advisory and corporate services in the normal course of business. Intergroup transactions between PSL and subsidiaries (including transactions between subsidiaries) have been eliminated on consolidation. Below is a summary of the most significant related-party transactions and balances. For further information regarding related-party transactions between PSG Konsult and mutual funds managed by itself, please refer to note 33 of PSG Konsult's 2020 annual financial statements available at www.psg.co.za.

Directors and prescribed officers

The members of the Exco are regarded as being the prescribed officers of the company. The Exco comprises Messrs PJ Mouton (chief executive officer), WL Greeff (chief financial officer) and JA Holtzhausen (executive), all being directors of PSG Group/PSL. The directors' report contains details of their shareholding and remuneration.

	GROUP 2020 Rm	GROUP 2019 Rm
Outstanding loans advanced in terms of the PSG Group Ltd Supplementary Share Incentive Trust (refer note 18) to directors in order to exercise share options *	**17**	16
WL Greeff	**4**	4
JA Holtzhausen	**13**	12
Investment in preference shares of a party related to a director of PSL **	**28**	65
	45	81

** These loans carry interest at SARS' official interest rate and are repayable seven years from the respective dates of advance.*

41. RELATED-PARTY TRANSACTIONS AND BALANCES (continued)

Directors and prescribed officers (continued)

*** This balance relates to an investment in preference shares issued by a related party of Mr FJ Gouws, a non-executive director of the company. The transaction was accounted for as a straightforward funding arrangement, with the carrying value of R28m (2019: R65m) included under loans and advances per the consolidated statement of financial position. The preference share funding carries a fixed dividend rate of 8.44% (2019: 8.44%) and PSG Konsult ordinary shares with a market value of R245m (2019: R376m) as at 29 February 2020 serve as security. Upon redemption of the preference share funding, should the market value of the security be less than the redemption amount, the counterparty has an option to put aforementioned security to the group at an amount equal to the redemption value. However, the exercise of such a put option by the counterparty seems extremely unlikely given that the security value exceeded the associated debt by R217m (2019: R311m), which also represented a security cover ratio of 8.8 times (2019: 5.8 times). Accordingly, the market value of the PSG Konsult ordinary shares serving as security would have to decline by approximately 89% (2019: 83%) before it would become advantageous for the counterparty to exercise the put option. The repayment date of the remaining outstanding capital and accrued preference share dividends was extended during the year from April 2020 to April 2023; however, since the reporting date, a further R25m was collected by the group on account of this preference share investment. In light of, inter alia, the extent of aforementioned security, the put option carries an insignificant fair value, which has not been accounted for.*

During the 2013 financial year, loans totalling R118m were advanced to related parties of four directors of PSG Group/PSL, being Messrs WL Greeff, JA Holtzhausen, PJ Mouton and JF Mouton, in order to each acquire 500,000 JSE-listed PSG Group ordinary shares ("the PSG Group Shares"). The PSG Group Shares served as security for the loans receivable, which carried interest at prime less 1% and were repayable during the 2020 financial year. However, during the 2018 and 2019 financial years, the related parties of aforementioned directors early-settled their respective loans in full. In terms of accounting standards, the loans receivable were eliminated on consolidation and the PSG Group Shares accounted for as treasury shares. The arrangement was accounted for in terms of IFRS 2 Share-based Payments, with the resultant charge to the group's profit or loss for the prior year amounting to R1m. The charge was calculated using a Black-Scholes valuation model with inputs similar to those previously disclosed for the tranche of share options issued on 28 February 2013.

Investment in debt securities of an associate

Mutual funds being consolidated by the group is invested in Capitec debt securities of approximately R105m (2019: R144m).

Company

Related-party transactions consist of dividends received from the company's investment in preference shares, an associate and subsidiaries (refer note 30), while related-party balances consist of loans to/from its holding company and wholly-owned subsidiaries (refer notes 12 and 23).

		GROUP		COMPANY	
		2020	2019	**2020**	2019
		Rm	Rm	**Rm**	Rm
42.	**NOTES TO THE STATEMENTS OF CASH FLOWS**				
42.1	**Cash generated from/(utilised by) operations**				
	Profit before taxation *	**3,160**	3,172	**707**	760
	Adjusted for:				
	Share of profits of associates and joint ventures *	**(2,307)**	(2,042)		
	Depreciation and amortisation	**836**	582		
	Changes in fair value of biological assets	**(225)**	(194)		
	Net profit on sale/dilution of interest in associates *	**(130)**	(6)		
	Interest income	**(1,719)**	(1,789)	**(16)**	(15)
	Dividend income	**(738)**	(577)	**(1,136)**	(1,097)
	Finance costs	**889**	676	**14**	14
	Fair value gains and losses	**1,973**	1,923		
	Share-based payment costs	**128**	112		
	Other non-cash items (mainly impairment charges as detailed in the income statement and note 34) *	**983**	154	**426**	335
		2,850	2,011	**(5)**	(3)
	Change in working capital	**(198)**	(116)	**(15)**	8
	Change in insurance contracts	**12**	(1)		
	Change in other financial instruments	**(2,181)**	(1,856)		
	Additions to biological assets	**(215)**	(169)		
		268	(131)	**(20)**	5

** Re-presented for the discontinued operation detailed in note 26.*

		GROUP 2020 Rm	GROUP 2019 Rm
42.2	**Taxation paid**		
	Charged to profit or loss	**(525)**	(476)
	Movement in deferred taxation	**(164)**	(223)
	Movement in net taxation asset	**199**	6
		(490)	(693)

42.3 Businesses/subsidiaries acquired

2020 acquisitions

GAP Chemicals (Pty) Ltd ("GAP")

During September 2019, the group, through Zaad, being a subsidiary of Zeder, increased its interest in GAP from 49.7% to 100% for a cash consideration of R110m (of which R35m was deferred and remains outstanding). GAP is involved in the agricultural chemicals sector throughout Africa, offering complementary services to Zaad's existing operations and as a result goodwill of R89m arose in respect of expected synergies.

Farm-Ag International ("Farm-Ag")

During September 2019, the group, through Zaad, being a subsidiary of Zeder, increased its interest in Farm-Ag from 50% to 100% for a cash consideration of R31m (of which R16m was deferred and remains outstanding). Farm-Ag is involved in the agricultural chemicals sector throughout Africa, offering complementary services to Zaad's existing operations and as a result goodwill of R11m arose in respect of expected synergies.

The expected synergies associated with the aforementioned business combinations include, inter alia, broadening the Zaad group's product range, cross selling a wider range of chemical products to existing clients of the Zaad group and vice versa, with both acquirees having a strong footprint in Africa which will allow Zaad to expand into new markets, as well as improved utilisation of the Zaad group's existing distribution network.

The amounts of identifiable net assets of subsidiaries acquired, as well as goodwill and non-controlling interests recognised from business combinations during the year under review, can be summarised as follows:

GROUP - 2020	**GAP Rm**	**Farm-Ag Rm**	**Other Rm**	**Total Rm**
Recognised amounts of identifiable assets acquired and liabilities assumed				
Property, plant and equipment	**46**	**67**	**24**	**137**
Intangible assets	**101**		**6**	**107**
Right-of-use assets	**6**			**6**
Investment in ordinary shares of associates	**4**			**4**
Investment in preference shares of/loans granted to associates	**1**			**1**
Investment in ordinary shares of joint ventures		**2**		**2**
Deferred income tax assets	**9**	**1**		**10**
Trade and other receivables	**353**	**205**	**5**	**563**
Inventory	**273**	**38**		**311**
Current income tax assets	**6**			**6**
Cash and cash equivalents	**4**	**55**	**5**	**64**
Deferred income tax liabilities	**(25)**	**(10)**	**(7)**	**(42)**
Borrowings	**(294)**	**(12)**		**(306)**
Lease liabilities	**(11)**			**(11)**
Trade and other payables	**(351)**	**(221)**	**(11)**	**(583)**
Current income tax liabilities		**(4)**		**(4)**
Total identifiable net assets	**122**	**121**	**22**	**265**
Non-controlling interests		**(66)**		**(66)**
Derecognition of existing investment in associate/joint venture at fair value	**(101)**	**(35)**	**(4)**	**(140)**
Goodwill	**89**	**11**	**54**	**154**
Total consideration	**110**	**31**	**72**	**213**

42. NOTES TO THE STATEMENTS OF CASH FLOWS (continued)

42.3 Businesses/subsidiaries acquired (continued)

2020 acquisitions (continued)

GROUP - 2020	GAP Rm	Farm-Ag Rm	Other Rm	Total Rm
Cash consideration paid	75	15	63	153
Deferred consideration	35	16	5	56
Contingent consideration			4	4
Total consideration	110	31	72	213
Cash consideration paid	(75)	(15)	(63)	(153)
Cash and cash equivalents acquired (incl. bank overdrafts included in "borrowings")	(142)	55	5	(82)
	(217)	40	(58)	(235)

Transaction costs relating to aforementioned business combinations were insignificant and expensed in the income statement.

The aforementioned business combinations' accounting have been finalised and do not contain any significant contingent consideration or indemnification asset arrangements. Non-controlling interests were measured with reference to their proportionate share of the identifiable net assets acquired.

Had the aforementioned business combinations been accounted for with effect from 1 March 2019, instead of their respective acquisition dates, the consolidated income statement would have reflected additional revenue and profit for the year of approximately R698m and Rnil, respectively.

Net receivables are included in the identifiable net assets acquired, which are all considered to be recoverable. The fair value of these receivables consequently approximates its carrying value.

2019 acquisitions

Commercial, industrial and personal short-term insurance brokerage businesses of ABSA Insurance and Financial Advisers (Pty) Ltd ("AIFA businesses")

During June and December 2018, the group, through PSG Konsult, acquired the AIFA businesses for a cash consideration of R52m, as well as still outstanding deferred and contingent consideration of R45m and R7m, respectively. Goodwill of R35m arose in respect of, inter alia, the workforce of the acquired businesses.

MBS Education Investments (Pty) Ltd and Milpark Education (Pty) Ltd (“Milpark”)

During March 2018, the group, through Stadio, being a subsidiary of PSG Alpha, acquired an effective interest of 87.2% in Milpark for a cash consideration of R211m (of which R4m was deferred and subsequently paid) and the issue of Stadio shares worth R51m. Milpark is involved in the private higher education sector in South Africa, offering complementary services to Stadio’s existing operations. Goodwill of R222m arose in respect of, inter alia, the workforce, expected synergies, economies of scale and the business’s growth potential.

Interactive Tutor (Pty) Ltd (“Media Works”)

During May 2018, the group, through FutureLearn, being a subsidiary of PSG Alpha, acquired all the issued share capital of Media Works for a cash consideration of R109m, of which R15m was contingent and remained outstanding. Media Works provides adult education and training services in South Africa. Goodwill of R88m arose in respect of, inter alia, the workforce, expected synergies, economies of scale and the business’s growth potential.

Cooper College (Pty) Ltd and related entities ("Cooper")

During April 2018, the group, through Curro, acquired an effective interest of 97% in Cooper for a cash consideration of R210m. Cooper operates a private school in Johannesburg, South Africa, being complementary to Curro's existing operations. Goodwill of R69m arose in respect of, inter alia, the workforce, expected synergies, economies of scale and the business's growth potential.

Baobab Primary School operations and properties (“Baobab”)

During July 2018, the group, through Curro, acquired the business operations and properties of Baobab for a cash consideration of P65m (R84m). Baobab operates a private school in Gaborone, Botswana, being complementary to Curro’s existing operations. Goodwill of R19m arose in respect of, inter alia, the workforce, expected synergies, economies of scale and the business’s growth potential.

Sagewood School operations and properties ("Sagewood")

During January 2019, the group, through Curro, acquired the business operations and properties of Sagewood for a cash consideration of R83m. Sagewood operates a private school in Johannesburg, South Africa, being complementary to Curro's existing operations. Goodwill of R29m arose in respect of, inter alia, the workforce, expected synergies, economies of scale and the business's growth potential.

42. NOTES TO THE STATEMENTS OF CASH FLOWS (continued)

42.3 Businesses/subsidiaries acquired (continued)

2019 acquisitions (continued)

The summarised assets and liabilities recognised at the respective acquisition dates were:

GROUP - 2019	AIFA businesses Rm	Milpark Rm	Media Works Rm	Cooper Rm	Subtotal Rm
Recognised amounts of identifiable assets acquired and liabilities assumed					
Property, plant and equipment		11		177	188
Investment in preference shares of/loans granted to associates			1		1
Intangible assets	96	50	22	24	192
Unit-linked investments		1			1
Trade and other receivables		45	19	10	74
Cash and cash equivalents		34	17	2	53
Deferred income tax (liabilities)/assets	(27)	11	(4)	(53)	(73)
Inventory			1		1
Employee benefit liabilities			(1)		(1)
Trade and other payables		(113)	(30)	(11)	(154)
Current income tax assets/(liabilities)		7	(1)		6
Total identifiable net assets	69	46	24	149	288
Non-controlling interests		(6)	(3)	(8)	(17)
Goodwill	35	222	88	69	414
Total consideration	104	262	109	210	685
Cash consideration paid	52	207	94	210	563
Ordinary shares (equity instruments) issued by a subsidiary		51			51
Deferred consideration	45	4			49
Contingent consideration	7		15		22
Total consideration	104	262	109	210	685
Cash consideration paid	(52)	(207)	(94)	(210)	(563)
Cash and cash equivalents acquired		34	17	2	53
	(52)	(173)	(77)	(208)	(510)

GROUP - 2019	Subtotal Rm	Baobab Rm	Sagewood Rm	Other Rm	Total Rm
Recognised amounts of identifiable assets acquired and liabilities assumed					
Property, plant and equipment	188	71	74	166	499
Biological assets				12	12
Investment in preference shares of/loans granted to associates	1			3	4
Intangible assets	192	9		33	234
Unit-linked investments	1				1
Trade and other receivables	74			51	125
Cash and cash equivalents	53	9	1	36	99
Deferred income tax liabilities	(73)	(17)	(20)	(28)	(138)
Inventory	1	1		50	52
Borrowings				(100)	(100)
Employee benefit liabilities	(1)				(1)
Trade and other payables	(154)	(8)	(1)	(54)	(217)
Current income tax assets/(liabilities)	6			(3)	3
Total identifiable net assets	288	65	54	166	573
Non-controlling interests	(17)			(8)	(25)
Derecognition of existing investment in associate				(7)	(7)
Goodwill	414	19	29	99	561
Bargain purchase gain (note 32)				(25)	(25)
Total consideration	685	84	83	225	1,077
Cash consideration paid	563	84	83	178	908
Ordinary shares (equity instruments) issued by a subsidiary	51			13	64
Deferred consideration	49				49
Contingent consideration	22			34	56
Total consideration	685	84	83	225	1,077
Cash consideration paid	(563)	(84)	(83)	(178)	(908)
Cash and cash equivalents acquired	53	9	1	36	99
Bank overdraft acquired				(43)	(43)
	(510)	(75)	(82)	(185)	(852)

42. NOTES TO THE STATEMENTS OF CASH FLOWS (continued)

42.3 Businesses/subsidiaries acquired (continued)

2019 acquisitions (continued)

Transaction costs relating to aforementioned business combinations were insignificant and expensed in the income statement.

The aforementioned business combinations' accounting have been finalised and do not contain any contingent consideration or indemnification asset arrangements, unless otherwise stated. Non-controlling interests were measured with reference to their proportionate share of the identifiable net assets acquired.

Had the aforementioned business combinations been accounted for with effect from 1 March 2018 instead of their respective acquisition dates, the consolidated income statement would have reflected additional revenue and after-tax profit for the year of approximately R561m and R41m, respectively.

Net receivables are included in the identifiable net assets acquired, which are all considered to be recoverable. The fair value of these receivables consequently approximates its carrying value.

42.4 First-time consolidation of mutual fund and deconsolidation of mutual funds

42.4.1 First-time consolidation of mutual fund

2020

No mutual fund was consolidated for the first time during the year.

2019

During the prior year, the group commenced consolidation of the PSG Wealth Global Preserver Feeder Fund as a result of PSG Asset Management (a division of PSG Konsult) managing same and following an increase in policyholder funds (i.e. financial assets linked to investment contracts) invested in this mutual fund. The consolidation of this mutual fund resulted in an additional R689m of financial assets (mainly unit-linked investments, but also including cash and cash equivalents of R10m) and R689m of third-party liabilities arising on consolidation of mutual funds being recognised in the statement of financial position.

42.4.2 Deconsolidation of mutual funds

2020

No mutual fund was deconsolidated during the year.

2019

During the prior year, the group deconsolidated the PSG Multi-Management Foreign Flexible Fund of Funds and the PSG Wealth Income Fund of Funds. The deconsolidation of these mutual funds resulted in the derecognition of financial assets (mainly unit-linked investments, but also including cash and cash equivalents of R33m) and third-party liabilities arising on consolidation of mutual funds of R2bn each, respectively.

42.5 Subsidiaries sold/deconsolidated

2020

Aggrigate Investments (Pty) Ltd ("Aggrigate")

During August 2019, the group, through Capespan, being a subsidiary of Zeder, disposed of the entire shareholding in Aggregate, a Northern Cape grape farming subsidiary, for proceeds of R36m.

Dormell Properties 485 (Pty) Ltd ("Dormell")

During September 2019, the group, through Capespan, being a subsidiary of Zeder, disposed of the entire shareholding in Dormell, a Northern Cape grape farming subsidiary, for proceeds of R17m.

The amounts of identifiable net assets of the subsidiaries sold can be summarised as follows:

GROUP - 2020	Aggrigate Rm	Dormell Rm	Other Rm	Total Rm
Recognised amounts of identifiable assets and liabilities derecognised				
Property, plant and equipment	(14)	(6)		(20)
Intangible assets			(2)	(2)
Equity securities	(1)			(1)
Biological assets	(18)	(11)		(29)
Loans and advances			(1)	(1)
Trade and other receivables	(1)		(2)	(3)
Inventory	(1)		(33)	(34)
Cash and cash equivalents			(1)	(1)
Deferred income tax liabilities/(assets)	1		(2)	(1)
Borrowings			93	93
Identifiable net assets derecognised	(34)	(17)	52	1
Non-controlling interests derecognised			2	2
Profit on disposal of subsidiaries	(2)		(56)	(58)
Cash consideration received	(36)	(17)	(2)	(55)
Cash consideration received	36	17	2	55
Cash and cash equivalents derecognised			(1)	(1)
Cash flow from businesses sold	36	17	1	54

2019

Provest Group (Pty) Ltd ("Provest")

During January 2019, the group, through PSG Alpha, had foregone control over Provest when an existing non-controlling shareholder subscribed for further shares in Provest, thereby diluting PSG Alpha's interest in Provest from 50.5% to 42.3%.

42. NOTES TO THE STATEMENTS OF CASH FLOWS (continued)

42.5 Subsidiaries sold/deconsolidated (continued)

2019 (continued)

The amounts of identifiable net assets of the businesses sold/deconsolidated, as well as non-controlling interest derecognised and the remaining interest in associate recognised, can be summarised as follows:

GROUP - 2019	Provest Rm	Other Rm	Total Rm
Recognised amounts of identifiable assets and liabilities derecognised			
Property, plant and equipment	(34)	(4)	(38)
Intangible assets	(143)		(143)
Investment in ordinary shares of associates	(4)		(4)
Unit-linked investments	(9)		(9)
Deferred income tax assets	(3)		(3)
Loans and advances	(11)		(11)
Trade and other receivables	(90)		(90)
Inventory	(18)		(18)
Cash and cash equivalents	(64)		(64)
Borrowings	63		63
Employee benefit liabilities	17		17
Trade and other payables	39		39
Current income tax liabilities	2		2
Identifiable net assets derecognised	(255)	(4)	(259)
Non-controlling interests derecognised	106		106
Recognition of remaining investment in associate	157		157
Profit on deconsolidation of subsidiary	(8)		(8)
Cash consideration received	-	(4)	(4)
Cash consideration received		4	4
Cash and cash equivalents derecognised	(63)		(63)
Cash flow from businesses sold	(63)	4	(59)

	GROUP 2020 Rm	GROUP 2019 Rm
42.6 Cash and equivalents at end of the year for purposes of the statement of cash flows		
Cash and cash equivalents (note 17)	**1,977**	1,832
Bank overdrafts (note 23)	**(1,382)**	(1,127)
	595	705

43. TRANSACTIONS WITH NON-CONTROLLING INTERESTS

The impact on equity attributable to owners of the parent resulting from transactions with non-controlling interests, as disclosed in the statement of changes in equity, related mainly to losses made following the issue of shares to participants of the various share incentive schemes set out in note 18, as well as Stadio increasing its interest in Southern Business School (Pty) Ltd from 74% to 100% during the past year.

44. EVENTS SUBSEQUENT TO THE REPORTING DATE

Except for i) the declaration of PSL's final dividend for the year ended 29 February 2020 (refer note 38), ii) the disposal of Zeder's interest in Pioneer Foods (refer note 26), iii) the potential Capitec unbundling (refer below) and iv) the COVID-19 pandemic (refer below), and v) the redemption of preference share borrowings (refer note 23), no material event has occurred between the reporting date and the date of approval of these annual financial statements.

Potential Capitec unbundling

During April 2020, PSG Group announced that its board of directors was in process of investigating the potential unbundling of some or all of its shareholding in Capitec, subject to certain conditions being fulfilled. On 27 May 2020, PSG Group announced that it intended to unbundle approximately 28.11% of its shareholding in Capitec at a ratio of 14 Capitec shares for every 100 PSG Group shares held, with such unbundling remaining subject to certain conditions precedent. The implementation date of such unbundling is anticipated to be on or about the end of August 2020.

COVID-19 pandemic

Subsequent to the group's financial year-end, the socio-economic landscape has shifted dramatically due to the global COVID-19 pandemic. To help contain the spread of the virus, SA was placed into an extended period of lockdown. In line with these regulations and for the wellbeing of our staff, PSG Group/PSL's head office employees have been working remotely since implementation.

The COVID-19 pandemic is having a devastating impact all around the world and across all industries. It is virtually impossible at this stage to quantify the impact of the aforementioned on our economy, businesses and our people – but it will likely be dire and correlated to the duration of the lockdown.

It is in times like these when increased liquidity and conservative gearing are of paramount importance to help keep businesses afloat when profitability and cashflow generation come under pressure. Being an investment holding company with a long-term focus, PSG Group/PSL has always had a conservative gearing policy. At year-end, it had R1bn in debt comprising redeemable prefs repayable over the next three years (with none of its investees' debt having recourse to PSG Group). In addition, PSL has JSE-listed perpetual (i.e. non-redeemable) prefs in issue with a market value of approximately R1.1bn at present. Following receipt of the Zeder special dividend (refer note 26), PSG Group/PSL is in a healthy liquidity position with approximately R2bn surplus cash (or R1bn net of the redeemable pref debt).

Although most of the group's investments are either i) essential services/foods businesses (Capitec – banking, PSG Konsult – financial services, Zeder – food & agri) that have been allowed to keep trading during the lockdown or ii) able to continue remotely with some of its operations (Curro – basic education continued through online platforms), the reality is that they are all dependent on the degree of economic activity as dictated by consumer liquidity. Considering the significant decline in trading activity with the consumer constrained, the profitability of the group's investees will likely be adversely impacted. However, our businesses are adequately capitalised with acceptable levels of gearing to weather the storm.

All of the group's investees have assessed the immediate impact of COVID-19 on their respective businesses and put contingency and remedial plans in place where possible.

In the meantime, PSG Group/PSL and its investees are doing its best to minimise the financial impact of COVID-19 on its clients and employees.

45. ADOPTION OF IFRS 16 *LEASES*

Background

IFRS 16 *Leases,* adopted by the group effective 1 March 2019, is a new standard which replaced IAS 17 *Leases*. The standard specifies how to recognise, measure and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise right-of-use assets and lease liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. Amounts payable in terms of leases where the lease term is 12 months or less or the underlying asset has a low value, are expensed monthly on a straight-line basis. Lessors continue to classify leases as either operating or finance leases, with IFRS 16's approach to lessor accounting substantially unchanged from IAS 17.

Impacts on the financial statements on transition

The group elected to adopt IFRS 16 using the simplified approach, whereby comparative figures were not restated but instead ordinary shareholders' equity and non-controlling interests as at 1 March 2019 were adjusted accordingly. IFRS 16 allows on a lease-by-lease basis for the right-of-use asset to be measured on adoption at either an amount i) equal to the lease liability adjusted by the amount of any prepaid or accrued lease payments relating to that lease as at 28 February 2019, or ii) as if IFRS 16 had always been applied but discounted using the incremental borrowing rate at 1 March 2019. As a result of adopting IFRS 16, the group recognised the following amounts in respect of leases previously classified as operating leases:

	Rm
Right-of-use assets (refer note 3.1)	**987**
Lease liabilities (refer note 3.2)	**(1,283)**
Deferred income tax assets/liabilities (refer note 9)	**58**
Other assets and liabilities	**2**
Charge to total equity	**(236)**
Ordinary shareholders’ equity	**(103)**
Non-controlling interests	**(133)**
The lease liabilities recognised upon transition can be reconciled as follow:	
Operating lease commitments reported as at 28 February 2019 (refer note 39)	**2,010**
<u>Add</u> : adjustments as a result of different treatment of extension and termination options *	**40,955**
Operating lease commitments as at 1 March 2019	**42,965**
<u>Less</u> : short-term lease commitments	**(18)**
<u>Less</u> : low-value lease commitments	**(38)**
	42,909
<u>Less</u> : discounting effect using the incremental borrowing rate **	**(41,626)**
Lease liabilities recognised as at 1 March 2019	**1,283**

* *Curro leases certain school premises. Rental agreements are typically concluded for an initial fixed period of 5 to 20 years with extension options. Future lease payments reported as at 28 February 2019 included only those payments which Curro are contractually obliged to make in terms of rental agreements. However, IFRS 16 requires, for purposes of determining both the lease term and lease payments, management to consider all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. In this regard, two of Curro's leased school premises contain extension options for various periods up to a maximum lease term of 93 years and management deemed it reasonably certain, given the impracticality of relocating a school, that these extension options would in due course be exercised. Accordingly, such lease payments (although Curro is not contractually obliged thereto at present) have been included in determining the lease payments for purposes of the adoption of IFRS 16. Such lease payments (including in-substance fixed rate annual escalations) contributes significantly to the lease payments set out above and accordingly also the material discounting impact.*

** *The group's weighted average incremental borrowing rate applied to lease liabilities as at 1 March 2019 ranged between 10.2% and 11.8%.*

As a result of the application of IFRS 16, the group's income statement reflected the recognition of depreciation of R222m (refer note 34), finance costs of R148m (refer note 35) and lease expenses of R97m (in respect of low-value items and short-term leases, refer note 34), as opposed to lease expenses of R367m (refer note 34) in the prior year.

Practical expedients applied on transition

The group applied the following practical expedients on transition which are permitted under IFRS 16:

- Applied the exemption not to recognise right-of-use assets and liabilities for leases with a remaining lease term of less than 12 months;
- Accounted for all low-value assets on a straight-line basis over the lease term;
- Relied on previous assessments on whether leases are onerous as an alternative to performing an impairment review;
- Used a single discount rate for a portfolio of leases with reasonably similar characteristics;
- Excluded initial direct costs for the measurement of the right-of-use asset at the date of initial application;
- Applied the practical expedient to apply IFRS 16 only to contracts that were previously identified as leases. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 March 2019; and
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

46. FINANCIAL RISK MANAGEMENT

Financial risk factors

The group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, cash flow and fair value interest rate risk and price risk), credit risk and liquidity risk. The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance.

Risk management is carried out as part of the day-to-day activities by each major entity within the group under policies approved by the respective boards of directors. Each major entity's board of directors provides principles for overall risk management, as well as policies covering specific areas such as the use of derivative financial instruments and investment of excess liquidity. Each entity identifies, evaluates and utilises hedging instruments and economic hedges, as appropriate, to hedge financial risks. The PSG Konsult Executive Committee, supported by various specialist and compliance committees, are responsible for risk management at its operational level. Furthermore, sections within PSG Konsult's business are regulated and therefore managed according to the relevant regulatory frameworks.

The largest portion of financial assets and liabilities emanate from the client-related balances set out on page 24.

Financial instruments are grouped into the following classes in order to facilitate effective financial risk management and disclosure in terms of IFRS 7 Financial Instruments: Disclosures. The sensitivity analyses presented below are based on reasonable possible changes in market variables for equity prices, interest rates and foreign exchange rates for the group.

	GROUP		COMPANY	
	2020	2019	**2020**	2019
	Rm	Rm	**Rm**	Rm
CLASSES OF FINANCIAL AND INSURANCE ASSETS				
Investment in preference shares of/loans granted to associates	**42**	178		
Loans granted to joint ventures	**35**	5		
Unlisted but quoted unit-linked investments - own balances	**656**	756		
Unlisted but quoted unit-linked investments - consolidated mutual funds	**25,542**	22,356		
Unlisted but quoted unit-linked investments - investments linked to investment contracts	**23,907**	22,928		
Total unlisted but quoted unit-linked investments	**50,105**	46,040		
Unquoted unit-linked investments - own balances	**26**	20		
Unquoted unit-linked investments - investments linked to investment contracts	**273**	435		
Total unquoted unit-linked investments	**299**	455		
Total unit-linked investments	**50,404**	46,495		
Listed equity securities - own balances	**2,994**	4,125	**2,595**	3,613
Listed equity securities - consolidated mutual funds	**112**	160		
Listed equity securities - investments linked to investment contracts	**2,088**	2,177		
Total listed equity securities	**5,194**	6,462	**2,595**	3,613
Unlisted but quoted equity securities - own balances	**2**	2		
Unquoted equity securities - own balances	**37**	172	**2**	1
Unquoted equity securities - investments linked to investment contracts	**9**			
Total unquoted equity securities	**46**	172	**2**	1
Total equity securities	**5,242**	6,636	**2,597**	3,614

	GROUP 2020 Rm	GROUP 2019 Rm	COMPANY 2020 Rm	COMPANY 2019 Rm
46. FINANCIAL RISK MANAGEMENT (continued)				
Financial risk factors (continued)				
CLASSES OF FINANCIAL AND INSURANCE ASSETS (continued)				
Listed debt securities - consolidated mutual funds	**867**	876		
Unlisted but quoted debt securities - own balances	**1,847**	1,864		
Unlisted but quoted debt securities - consolidated mutual funds	**3,127**	3,146		
Unlisted but quoted debt securities - investments linked to investment contracts	**371**	310		
Total unlisted but quoted debt securities	**5,345**	5,320		
Unquoted debt securities - own balances		9		
Unquoted debt securities - investments linked to investment contracts		58		
Total unquoted debt securities	**-**	67		
Total debt securities	**6,212**	6,263		
Investment in investment contracts	**16**	16		
Secured loans	**276**	325	**28**	65
Unsecured loans	**1,530**	509	**1,639**	1,153
Total loans and advances	**1,806**	834	**1,667**	1,218
Trade receivables	**3,564**	2,600		
Broker and clearing houses	**1,626**	1,278		
Contract assets from contracts with customers	**50**	32		
Sundry receivables	**307**	366	**45**	30
Total trade and other receivables	**5,547**	4,276	**45**	30
Derivative financial assets	**24**	33	**36**	29
Reinsurance assets	**134**	109		
Cash and cash equivalents	**1,977**	1,832		
Assets held for sale	**7**			
Total financial and insurance assets	**71,446**	66,677	**4,345**	4,891
CLASSES OF FINANCIAL AND INSURANCE LIABILITIES				
Insurance contracts	**554**	543		
Third-party liabilities arising on consolidation of mutual funds	**29,999**	26,715		
Investment contract liabilities	**26,694**	25,932		
Bank overdrafts	**1,382**	1,127		
Redeemable preference shares	**2,555**	2,519		
Unsecured loans	**7,473**	6,261	**9,473**	8,247
Secured loans	**4,793**	3,770		
Total borrowings	**16,203**	13,677	**9,473**	8,247
Lease liabilities	**1,453**			
Fixed-for-variable interest rate swaps	**63**	38	**36**	29
Exchange traded derivatives	**31**	15		
Written put options to non-controlling interests	**23**	25		
Total derivative financial liabilities	**117**	78	**36**	29
Trade payables and accruals	**4,558**	3,722	**75**	76
Margin accounts	**28**	21		
Subsidiary/associated company purchase consideration payable	**180**	176		
Total trade and other payables	**4,766**	3,919	**75**	76
Reinsurance liabilities	**7**	5		
Liabilities held for sale	**12**			
Total financial and insurance liabilities	**79,805**	70,869	**9,584**	8,352

46. FINANCIAL RISK MANAGEMENT (continued)

Financial risk factors (continued)

GROUP	Fair value through profit or loss Rm	Fair value through other comprehensive income Rm	Measured at amortised cost [1] Rm	Insurance assets Rm	Total Rm
FINANCIAL AND INSURANCE ASSETS BY CATEGORY					
29 February 2020					
Investment in preference shares of/loans granted to associates			**42**		**42**
Loans granted to joint ventures			**35**		**35**
Unit-linked investments	**50,404**				**50,404**
Equity securities	**2,620**	**2,622**			**5,242**
Debt securities	**6,212**				**6,212**
Investment in investment contracts	**16**				**16**
Loans and advances			**1,806**		**1,806**
Trade and other receivables			**5,435**	**112**	**5,547**
Derivative financial assets	**24**				**24**
Reinsurance assets				**134**	**134**
Cash and cash equivalents			**1,977**		**1,977**
Assets held for sale	**7**				**7**
	59,283	**2,622**	**9,295**	**246**	**71,446**
28 February 2019					
Investment in preference shares of/loans granted to associates			178		178
Loans granted to joint ventures			5		5
Unit-linked investments	46,495				46,495
Equity securities	2,996	3,640			6,636
Debt securities	6,196		67		6,263
Investment in investment contracts	16				16
Loans and advances			834		834
Trade and other receivables			4,165	111	4,276
Derivative financial assets	33				33
Reinsurance assets				109	109
Cash and cash equivalents			1,832		1,832
	55,736	3,640	7,081	220	66,677

[1] Carrying value approximates fair value.

GROUP	Fair value through profit or loss Rm	Measured at amortised cost [1] Rm	Insurance liabilities Rm	Total Rm
FINANCIAL AND INSURANCE LIABILITIES BY CATEGORY				
29 February 2020				
Insurance contracts			**554**	**554**
Third-party liabilities arising on consolidation of mutual funds	**29,999**			**29,999**
Investment contract liabilities	**26,694**			**26,694**
Borrowings		**16,203**		**16,203**
Derivative financial liabilities	**117**			**117**
Trade and other payables	**108**	**4,591**	**67**	**4,766**
Reinsurance liabilities			**7**	**7**
	56,918	**20,794**	**628**	**78,340**
28 February 2019				
Insurance contracts			543	543
Third-party liabilities arising on consolidation of mutual funds	26,715			26,715
Investment contract liabilities	25,874	58		25,932
Borrowings		13,677		13,677
Derivative financial liabilities	78			78
Trade and other payables	159	3,667	93	3,919
Reinsurance liabilities			5	5
	52,826	17,402	641	70,869

[1] Carrying value approximates fair value.

46. FINANCIAL RISK MANAGEMENT (continued)

Financial risk factors (continued)

COMPANY	Fair value through profit or loss Rm	Fair value through other compre-hensive income Rm	Measured at amortised cost [1] Rm	Total Rm
FINANCIAL ASSETS BY CATEGORY				
29 February 2020				
Equity securities		**2,597**		**2,597**
Loans and advances			**1,667**	**1,667**
Trade and other receivables			**45**	**45**
Derivative financial assets	**36**			**36**
	36	**2,597**	**1,712**	**4,345**
28 February 2019				
Equity securities		3,614		3,614
Loans and advances			1,218	1,218
Trade and other receivables			30	30
Derivative financial assets	29			29
	29	3,614	1,248	4,891

COMPANY	Fair value through profit or loss Rm	Measured at amortised cost [1] Rm	Total Rm
FINANCIAL LIABILITIES BY CATEGORY			
29 February 2020			
Borrowings		**9,473**	**9,473**
Derivative financial liabilities	**36**		**36**
Trade and other payables		**75**	**75**
	36	**9,548**	**9,584**
28 February 2019			
Borrowings		8,247	8,247
Derivative financial liabilities	29		29
Trade and other payables		76	76
	29	8,323	8,352

[1] Carrying value approximates fair value.

46. FINANCIAL RISK MANAGEMENT (continued)

Financial risk factors (continued)

Market risk

Market risk is the risk of adverse financial impact due to changes in fair values or future cash flows of financial instruments from fluctuations in interest rates, equity prices and foreign currency exchange rates.

Price risk

The group is exposed to price risk mainly due to changes in the market values of its unit-linked investments, equity securities and debt securities held by the group and classified in the statement of financial position as at fair value through profit or loss.

The price risk of the vast majority of these instruments is carried by the policyholders of the linked investment contracts and the third-party mutual fund investors, respectively.

Sector composition of unit-linked investments	Consolidated mutual funds 2020 Rm	Consolidated mutual funds 2019 Rm	Investments linked to investment contracts 2020 Rm	Investments linked to investment contracts 2019 Rm	Own balances 2020 Rm	Own balances 2019 Rm	Total 2020 Rm	Total 2019 Rm
Equity funds	9,977	8,109	6,146	5,189	9	7	16,132	13,305
Multi-asset funds	13,899	13,347	15,394	15,691	530	633	29,823	29,671
Interest-bearing investments	1,666	900	2,326	1,821	111	110	4,103	2,831
Other			314	662	32	26	346	688
	25,542	22,356	24,180	23,363	682	776	50,404	46,495

The table below summarises the sensitivity of the group's post-tax net profit for the year as a result of the potential movement in unit-linked investments' fair value. The analysis is based on the assumption that marked-to-market prices increase/decrease by 20% (2019: 20%) at the reporting date, with all other variables (e.g. effective tax rate) held constant.

GROUP	2020 20% increase Rm	2019 20% increase Rm	2020 20% decrease Rm	2019 20% decrease Rm
Impact on post-tax profit	27	30	(27)	(30)

Sector composition of equity securities	Consolidated mutual funds 2020 Rm	Consolidated mutual funds 2019 Rm	Investments linked to investment contracts 2020 Rm	Investments linked to investment contracts 2019 Rm	Own balances 2020 Rm	Own balances 2019 Rm	Total 2020 Rm	Total 2019 Rm
GROUP								
Banks, insurance and financial services	47	78	748	772	2,634	3,646	3,429	4,496
Healthcare			88	96	1	1	89	97
Industrial, retail, food & beverage and other sectors	44	50	479	568	386	648	909	1,266
Property and construction	14	20	343	259	6	1	363	280
Resources, chemicals and oil & gas	7	11	133	205	3	1	143	217
Technology, media and telecommunications		1	306	277	3	2	309	280
	112	160	2,097	2,177	3,033	4,299	5,242	6,636

Sector composition of equity securities	Total 2020 Rm	Total 2019 Rm
COMPANY		
Financial services and other sectors	2,597	3,614

The table below summarises the sensitivity of the group and company's post-tax net profit/other comprehensive income for the year as a result of the potential movement in equity securities' fair value. The analysis is based on the assumption that marked-to-market prices increase/decrease by 20% (2019: 20%) at the reporting date, with all other variables (e.g. effective tax rate) held constant.

GROUP	2020 20% increase Rm	2019 20% increase Rm	2020 20% decrease Rm	2019 20% decrease Rm
Impact on post-tax profit	471	668	(471)	(668)

COMPANY	2020 20% increase Rm	2019 20% increase Rm	2020 20% decrease Rm	2019 20% decrease Rm
Impact on post-tax other comprehensive income	403	561	(403)	(561)

Sector composition of debt securities	Consolidated mutual funds 2020 Rm	Consolidated mutual funds 2019 Rm	Investments linked to investment contracts 2020 Rm	Investments linked to investment contracts 2019 Rm	Own balances 2020 Rm	Own balances 2019 Rm	Total 2020 Rm	Total 2019 Rm
Banks	2,923	3,169	273	339	1,783	1,446	4,979	4,954
Government	924	760	6		28	400	958	1,160
Other	147	93	92	29	36	27	275	149
	3,994	4,022	371	368	1,847	1,873	6,212	6,263

46. FINANCIAL RISK MANAGEMENT (continued)

Financial risk factors (continued)

Market risk (continued)

Foreign currency risk

The group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Management monitors this exposure and cover is used where appropriate. The group's foreign exchange exposure relates mainly to i) PSG Konsult's access to global markets through foreign-domiciled funds (although mainly client-related balances and largely linked to policyholder and consolidated collective investment scheme investments), ii) CA Sales with operations in various countries in southern Africa and iii) Zaad with operations in various countries in southern Africa, Europe and the Middle East.

The group's foreign operations' financial assets and liabilities denominated in foreign currency are analysed in the following table:

GROUP	British pound sterling Rm	United States dollar Rm	Euro Rm	Subtotal Rm
At 29 February 2020				
Financial assets				
Unit-linked investments [1)]		8,812		8,812
Equity securities [1)]	35	647	98	780
Investment in investment contracts [1)]		3,636		3,636
Loans and advances	2	2		4
Trade and other receivables	13	434	64	511
Cash and cash equivalents	45	95	42	182
Financial liabilities				
Third-party liabilities arising on consolidation of mutual funds [1)]	(10)	(8,885)		(8,895)
Investment contract liabilities [1)]	(26)	(4,262)	(98)	(4,386)
Borrowings	(2)	(11)		(13)
Lease liabilities		(3)		(3)
Trade and other payables	(5)	(299)	(20)	(324)
	52	166	86	304

GROUP	Subtotal Rm	Botswana pula Rm	Mozambique new metical Rm	Other Rm	Total Rm
At 29 February 2020					
Financial assets					
Loans granted to joint ventures				12	12
Unit-linked investments [1)]	8,812				8,812
Equity securities [1)]	780			68	848
Investment in investment contracts [1)]	3,636				3,636
Loans and advances	4				4
Trade and other receivables	511	410	49	52	1,022
Reinsurance assets		16			16
Cash and cash equivalents	182	76	27	74	359
Financial liabilities					
Insurance contracts		(29)			(29)
Third-party liabilities arising on consolidation of mutual funds [1)]	(8,895)			(15)	(8,910)
Investment contract liabilities [1)]	(4,386)			(53)	(4,439)
Borrowings	(13)	(350)	(19)	(20)	(402)
Lease liabilities	(3)	(18)			(21)
Trade and other payables	(324)	(349)	(37)	(68)	(778)
	304	(244)	20	50	130

[1)] *Relates mainly to PSG Konsult's client-related balances (as explained above) and accordingly the group is not exposed to significant amounts of foreign currency risk.*

46. FINANCIAL RISK MANAGEMENT (continued)

Financial risk factors (continued)

Market risk (continued)

Foreign currency risk (continued)

GROUP	British pound sterling Rm	United States dollar Rm	Euro Rm	Subtotal Rm
At 28 February 2019				
Financial assets				
Unit-linked investments [1]		9,105		9,105
Equity securities [1]	30	583	84	697
Loans and advances	1			1
Trade and other receivables	61	230	144	435
Cash and cash equivalents	47	105	44	196
Financial liabilities				
Third-party liabilities arising on consolidation of mutual funds [1]	(11)	(6,098)		(6,109)
Investment contract liabilities [1]	(24)	(3,597)	(84)	(3,705)
Borrowings	(1)	(25)		(26)
Trade and other payables	(5)	(125)	(17)	(147)
	98	178	171	447

GROUP	Subtotal Rm	Botswana pula Rm	Mozambique new metical Rm	Other Rm	Total Rm
At 28 February 2019					
Financial assets					
Unit-linked investments [1]	9,105				9,105
Equity securities [1]	697			70	767
Loans and advances	1				1
Trade and other receivables	435	310	10	4	759
Reinsurance assets		8			8
Cash and cash equivalents	196	72	26	11	305
Financial liabilities					
Insurance contracts		(13)			(13)
Third-party liabilities arising on consolidation of mutual funds [1]	(6,109)			(25)	(6,134)
Investment contract liabilities [1]	(3,705)			(46)	(3,751)
Borrowings	(26)	(405)			(431)
Trade and other payables	(147)	(262)		(42)	(451)
	447	(290)	36	(28)	165

[1] Relates mainly to PSG Konsult's client-related balances (as explained above) and accordingly the group is not exposed to significant amounts of foreign currency risk.

46. FINANCIAL RISK MANAGEMENT (continued)

Financial risk factors (continued)

Market risk (continued)

Foreign currency risk (continued)

The table below shows the sensitivities to a 20% (2019: 20%) appreciation/depreciation in the South African rand exchange rate at year-end, with all other variables (e.g. effective tax rate) held constant.

GROUP	**2020 20% appreciation Rm**	2019 20% appreciation Rm	**2020 20% depreciation Rm**	2019 20% depreciation Rm
Translation of financial assets/liabilities from transaction to functional currency				
Impact on post-tax profit	**(19)**	(33)	**19**	33
United States dollar	**(4)**	(40)	**4**	40
Euro	**(4)**	1	**4**	(1)
Angolan kwanza	**(14)**		**14**	
Chinese yuan renminbi	**4**	5	**(4)**	(5)
Other	**(1)**	1	**1**	(1)
Translation from functional to presentation currency				
Impact on post-tax profit	**(77)**	(13)	**77**	13
British pound sterling	**(11)**	(11)	**11**	11
United States dollar	**(17)**	24	**17**	(24)
Euro	**(18)**	(9)	**18**	9
Botswana pula	**(29)**	(20)	**29**	20
Mozambique new metical	**6**	9	**(6)**	(9)
Other	**(8)**	(6)	**8**	6
Impact on post-tax other comprehensive income (i.e. translation of foreign operations)	**(208)**	(85)	**208**	85
British pound sterling	**9**	18	**(9)**	(18)
United States dollar	**(107)**	(37)	**107**	37
Euro	**(66)**	(28)	**66**	28
Botswana pula	**(64)**	(46)	**64**	46
Mozambique new metical	**18**	4	**(18)**	(4)
Zambian kwacha	**(1)**	(4)	**1**	4
Other	**3**	8	**(3)**	(8)

The company had no exposure to foreign currency risk.

The group has entered into forward currency exchange contracts, which relate to specific foreign commitments in respect of transactions. The details such outstanding contracts at the reporting date are as follows:

	2020			2019		
	Foreign amount m	**Average exchange rate**	**Rand value Rm**	Foreign amount m	Average exchange rate	Rand value Rm
Exports						
British pound sterling	**2**	**18.64**	**40**	1	18.29	11
United States dollar	**3**	**14.59**	**40**	2	14.37	34
Euro	**1**	**16.24**	**20**	1	16.44	10
			100			55
Imports						
United States dollar	**2**	**14.59**	**32**	2	14.34	23
Euro	**1**	**16.24**	**20**	1	16.33	11
			52			34

46. FINANCIAL RISK MANAGEMENT (continued)

Financial risk factors (continued)

Market risk (continued)

Cash flow and fair value interest rate risk (continued)

The group's interest rate risk arises from interest-bearing investments and receivables, long-term borrowings and variable rate preference shares issued to non-controlling interests. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the group to fair value interest rate risk.

The table below distinguishes between i) floating rate and ii) fixed rate and non-interest bearing financial assets and liabilities:

	GROUP		COMPANY	
	2020	2019	**2020**	2019
	Rm	Rm	**Rm**	Rm
Loans to and preference share investments in associates and joint ventures				
Floating rate	**11**	142		
Fixed rate and non-interest bearing	**66**	41		
	77	183		
Unit-linked investments				
Floating rate	**112**	100		
Fixed rate and non-interest bearing	**50,292**	46,395		
	50,404	46,495		
Debt securities				
Floating rate	**2,518**	1,759		
Fixed rate and non-interest bearing	**3,694**	4,504		
	6,212	6,263		
Loans and advances				
Floating rate	**217**	266	**584**	1,101
Fixed rate and non-interest bearing	**1,589**	568	**1,083**	117
	1,806	834	**1,667**	1,218
Trade and other receivables				
Floating rate	**326**	218		
Fixed rate and non-interest bearing	**5,221**	4,058	**45**	30
	5,547	4,276	**45**	30
Cash and cash equivalents				
Floating rate	**1,745**	1,499		
Fixed rate and non-interest bearing	**232**	333		
	1,977	1,832		
Third-party liabilities arising on consolidation of mutual funds				
Floating rate	**(804)**	(472)		
Fixed rate and non-interest bearing	**(29,195)**	(26,082)		
	(29,999)	(26,554)		
Investment contract liabilities				
Floating rate	**(31)**	(8)		
Fixed rate and non-interest bearing	**(26,663)**	(23,731)		
	(26,694)	(23,739)		
Borrowings				
Floating rate	**(5,156)**	(4,428)		
Fixed rate and non-interest bearing	**(11,047)**	(9,249)	**(9,473)**	(8,247)
	(16,203)	(13,677)	**(9,473)**	(8,247)
Trade and other payables				
Floating rate	**(52)**	(32)		
Fixed rate and non-interest bearing	**(4,714)**	(3,887)	**(75)**	(76)
	(4,766)	(3,919)	**(75)**	(76)
	(9,415)	(8,006)	**(7,836)**	(7,075)

46. FINANCIAL RISK MANAGEMENT (continued)

Financial risk factors (continued)

Market risk (continued)

Cash flow and fair value interest rate risk (continued)

	GROUP		COMPANY	
	2020	2019	**2020**	2019
	Rm	Rm	**Rm**	Rm
Floating rate	**(1,114)**	(956)	**584**	1,101
Own balances	**(1,206)**	(1,057)	**584**	1,101
Client-related balances	**92**	101		
Fixed rate and non-interest bearing	**(8,301)**	(7,050)	**(8,420)**	(8,176)
Own balances	**(8,226)**	(6,974)	**(8,420)**	(8,176)
Client-related balances	**(75)**	(76)		
	(9,415)	(8,006)	**(7,836)**	(7,075)

The group manages its cash flow interest rate risk by monitoring interest rates on a regular basis. Consideration is given to hedging options which will be utilised if viable. PSL's JSE-listed cumulative, non-redeemable, non-participating ("perpetual") preference shares are classified as non-controlling interests from an accounting perspective and therefore excluded from the table above and sensitivity analysis below. In order to mitigate the cash flow interest rate risk, management has deployed various hedging strategies, which include the following:

• It swapped the floating interest rate for a fixed interest rate on R1.2bn (2019: R1.2bn) out of the R1.7bn (2019: R1.7bn) nominal exposure under the perpetual preference shares in issue:
  - 75% (2019: 75%) of prime swapped for a fixed rate of 8.56% (2019: 8.56%) until 31 August 2020; and
  - 83.33% (2019: 83.33%) of prime swapped for a fixed rate of 9.81% (2019: 9.81%) until 31 August 2026.

• The group's redeemable preference share borrowings (note 23) carry fixed dividend rates. In addition, the group has significant preference share investments in and loans to group companies, as well as cash balances, as shown in the above table, with coupons linked to floating prime interest rates, thus creating a natural interest rate hedge.

Short-term insurance liabilities are not directly exposed to interest rate risk, as they are undiscounted and contractually non-interest-bearing.

The table below summarises the sensitivity of the group's post-tax net profit for the year to interest rate fluctuations. The analysis is based on the assumption that interest rates were 1% (2019: 1%) higher/lower for the full year, with all other variables (e.g. effective tax rate, interest carrying balances) held constant. The sensitivity analysis includes the effect of the interest rate hedge:

GROUP	**2020 1% increase Rm**	2019 1% increase Rm	**2020 1% decrease Rm**	2019 1% decrease Rm
Impact on post-tax profit				
Floating rate financial assets and liabilities	**(9)**	(4)	**9**	4

COMPANY	**2020 1% increase Rm**	2019 1% increase Rm	**2020 1% decrease Rm**	2019 1% decrease Rm
Impact on post-tax profit				
Floating rate financial assets and liabilities	**6**	11	**(6)**	(11)

At 28 February 2019, if interest rates were 1% (2019: 1%) higher/lower for the full year, with all other variables held constant, preference dividends paid and recognised in equity by the company would have been been R15m (2019: R15m) higher/lower.

46. FINANCIAL RISK MANAGEMENT (continued)

Financial risk factors (continued)

Credit risk

The table below reflects the group's maximum exposure to credit risk (being carrying value) by class of asset:

	2020		2019	
GROUP	**Carrying value Rm**	**Collateral fair value Rm**	Carrying value Rm	Collateral fair value Rm
Investment in preference shares of/loans granted to associates	**42**		178	
Loans granted to joint ventures	**35**		5	
Unit-linked investments	**50,404**		46,495	
Debt securities	**6,212**		6,263	
Investment in investment contracts	**16**		16	
Loans and advances	**1,806**	**593**	834	866
Trade and other receivables	**5,547**	**320**	4,276	182
Derivative financial assets	**24**		33	
Reinsurance assets	**134**		109	9
Cash and cash equivalents	**1,977**		1,832	
	66,197	**913**	60,041	1,057
Own balances	**10,077**		8,304	
Client balances	**56,120**		51,737	

Investment in preference shares of/loans granted to associates and joint ventures

These instruments are impaired by reference to the net asset value of the debtor and/or discounted cash flow calculations. Impairments during the current or prior year in respect of investments in preference shares of/loans granted to associates are detailed in note 5.1.

Unit-linked investments

Client-related balances comprises 98.6% (2019: 98.3%) of these instruments and thus the relevant credit risk is carried by the respective policyholders and third-party mutual fund investors.

Debt securities

Client-related balances comprises 70.3% (2019: 70.1%) of these instruments and thus the relevant credit risk is carried by the respective policyholders and third-party mutual fund investors.

Investment in investment contracts

Client-related balances comprises 100% (2019: 100%) of these instruments and thus the relevant credit risk is carried by the policyholders of the linked investment contracts.

Loans and advances

In the case of loans and advances, management demand collateral or other form of securitisation as they deem fit. Collateral include mainly cession and pledges over i) ordinary shares in PSG Group, PSG Konsult, Curro and PSG Alpha; ii) property and iii) income streams of financial advisors affiliated to PSG Konsult.

Trade and other receivables

Expected loss allowances are recognised on trade and other receivables as detailed in note 13.

Derivative financial assets

Derivative counterparties are limited to high-credit-quality financial institutions, such as FirstRand Bank Ltd, Absa Bank Ltd, Standard Bank of South Africa Ltd and Nedbank Ltd.

Reinsurance assets

Collateral relates to reinsurers' reserve deposits.

Reinsurance is used to manage short-term insurance risk. However, this does not discharge the group's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the group remains liable for the payment to the policyholder. The group has some exposure to concentration risk with individual reinsurers due to the nature of the reinsurance market and the restricted range of reinsurers that have acceptable credit ratings. The creditworthiness of reinsurers is considered annually by reviewing their financial strength prior to finalisation of any contract. The group's largest reinsurance counterparties are disclosed in the table below:

	2020		2019	
	Rm	**%**	Rm	%
African RE	**62**	**49%**	51	49%
Santam RE	**59**	**46%**	51	49%
Other	**6**	**5%**	2	2%
	127	**100%**	104	100%
Deferred acquisition costs	**7**		5	
Reinsurance assets	**134**		109	
Amounts due from reinsurers (included in trade and other receivables)				
African RE	**11**	**38%**	16	47%
Santam RE	**11**	**38%**	16	47%
Other	**7**	**24%**	2	6%
	29	**100%**	34	100%

46. FINANCIAL RISK MANAGEMENT (continued)

Financial risk factors (continued)

Credit risk (continued)

Cash and cash equivalents

Cash and cash equivalents' counterparties are limited to high-credit-quality financial institutions.

The credit quality of financial assets can be further assessed by reference to external credit ratings (Moody's ratings are used to the extent possible), historical information about counterparty default rates and forward-looking information, and are set out in the tables below:

GROUP	Investment in preference shares of/ loans to associated companies Rm	Loans granted to joint ventures Rm	Unit-linked investments Rm	Debt securities Rm	Investment in investment contracts Rm	Loans and advances Rm	Subtotal Rm
Government stock				958			958
Aaa				22			22
Aa				2			2
Ba				41			41
P1				4,979			4,979
Unit-linked			50,404				50,404
Other rated				136		1,476	1,612
Other non-rated	42	35		74	16	330	497
	42	35	50,404	6,212	16	1,806	58,515

GROUP	Subtotal Rm	Trade and other receivables Rm	Derivative financial assets Rm	Reinsurance assets Rm	Cash and cash equivalents Rm	Total 2020 Rm	Total 2019 Rm
Government stock	958					958	1,160
Aaa	22				64	86	23
Aa	2	119			7	128	86
A					3	3	94
Baa		37	1		658	696	637
Ba	41				46	87	72
B					1	1	38
Caa							30
P1	4,979				1,030	6,009	5,632
Unit-linked	50,404					50,404	46,495
Other rated	1,612	54		123	7	1,796	794
Other non-rated	497	5,337	23	11	161	6,029	4,980
	58,515	5,547	24	134	1,977	66,197	60,041

The credit risk associated with approximately 91.3% (2019: 91.4%) of unit-linked and other non-rated financial assets are assessed by reference to the investment mandates of linked policyholder investments and consolidated mutual funds, which specifies what type of underlying investments can be purchased. The holders of these contracts bear the credit risk (as well as all other financial risks) arising from these assets.

Other non-rated assets consists mainly of secured and unsecured loans to external parties (refer note 12 for details of the security provided), trade and other receivables and cash and cash equivalents. All trade and other receivables are generally payable within 30 to 90 days. The various group companies assess all counterparties for creditworthiness before transacting, and monitor creditworthiness on a regular basis.

Trade and other receivables relate mainly to PSG Online broker and clearing accounts and CA Sales and Zaad's trade receivables. The counterparty to the PSG Online broker and clearing accounts is the JSE, with a corresponding control account balance included in trade and other payables (refer note 25).

COMPANY

Credit risk relating to the company's intergroup loan balances are managed at a group level. Financial assets where the counterparty is not a group entity comprise a preference share investment of R28m (2019: R65m) (refer note 12), which is secured through JSE-listed ordinary shares with a market value of R245m (2019: R376m), and receivables (refer note 13) of R45m (2019: R30m) held with a South African bank which have been rated by Moody's as having a short-term credit rating of P-3 (2019: P-3) and long-term credit rating of Baa3 (2019: Baa3).

46. FINANCIAL RISK MANAGEMENT (continued)

Financial risk factors (continued)

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, each entity aims to maintain flexibility in funding by keeping committed credit lines available. The group's undrawn borrowing facilities available at the end of the financial year is disclosed in note 40.

The Exco usually meets every month, during which a rolling 12-month cash flow forecast is reviewed as part of the controls in place to ensure appropriate liquidity risk management. The various underlying subsidiaries are similarly committed to managing their cash flow requirements appropriately.

The table below analyses the group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

GROUP	Carrying value Rm	Less than 1 year Rm	Between 1 and 5 years Rm	Over 5 years Rm
At 29 February 2020				
Insurance contracts	**554**	**537**	**17**	
Third-party liabilities arising on consolidation of mutual funds *	**29,999**	**29,999**		
Investment contract liabilities **	**26,694**	**2,946**	**23,748**	
Borrowings	**16,203**	**10,453**	**6,480**	**888**
Lease liabilities	**1,453**	**384**	**1,283**	**37,865**
Derivative financial liabilities	**117**	**56**	**109**	**22**
Trade and other payables ***	**4,766**	**4,741**	**38**	
Reinsurance liabilities	**7**	**7**		
Liabilities held for sale	**12**	**5**	**9**	
	79,805	**49,128**	**31,684**	**38,775**
At 28 February 2019				
Insurance contracts	543	524	19	
Third-party liabilities arising on consolidation of mutual funds *	26,715	26,715		
Investment contract liabilities **	25,932	2,946	22,986	
Borrowings	13,677	7,605	6,528	591
Derivative financial liabilities	78	27	60	14
Trade and other payables ***	3,919	3,854	70	
Reinsurance liabilities	5	5		
	70,869	41,676	29,663	605

** Third-party liabilities arising on consolidation of mutual funds are supported by the respective mutual funds' underlying assets. These funds represent demand liabilities of collective investment scheme interests not held by the group arising as a result of consolidation. Maturity analysis is not possible as it is dependent on external unitholders' behaviour outside of the group's control.*

*** With regard to the linked investment policy business, the value of the investment contract liabilities is linked to the value of the underlying matching assets portfolio (refer note 22.2) and it is the group's policy to pay a policyholder only once the amount disinvested has been collected. Accordingly, the underlying assets' maturity profile should approximate that of the investment contracts. The investment contract liabilities listed in the table thus do not expose the group to liquidity risk. The investment policy and mandates take the expected liability cash flow into account. By limiting the cash flow mismatch the risk of premature realisation of assets or reinvestment of excess cash is mitigated. In addition, investment guidelines and limits are used to limit exposure to illiquid assets. With regard to the investment linked to guaranteed investment contracts, these products have very specific guaranteed repayment profiles. The expected liability outflow is matched by assets that provide the required cash flows as and when they become payable.*

**** Included in trade and other payables is the settlement accounts for trades done by clients in the last few days before year-end, with the settlement to the clients taking place within three days after the transaction date (refer note 25). The settlement control account is matched with current assets in the form of the broker and clearing accounts (refer note 13), which reduces the liquidity risk.*

46. FINANCIAL RISK MANAGEMENT (continued)

Financial risk factors (continued)

Liquidity risk (continued)

The table below analyses the company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying values as the impact of discounting is not significant.

COMPANY	Carrying value Rm	Less than 1 year Rm
At 29 February 2020		
Borrowings (intergroup loans)	**9,473**	**9,473**
Derivative financial liabilities	**36**	**36**
Trade and other payables	**75**	**75**
	9,584	**9,584**
At 28 February 2019		
Borrowings (intergroup loans)	8,247	8,247
Derivative financial liabilities	29	29
Trade and other payables	76	76
	8,352	8,352

Fair value estimation

Financial instruments that are measured in the statement of financial position at fair value are classified by level of the following fair value measurement hierarchy:

Level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in level 1 and comprise primarily JSE-listed equity securities classified as "fair value through profit or loss".

Level 2

Financial instruments that trade in markets that are not considered to be active but are valued (using valuation techniques) based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. These include over-the-counter traded derivatives. Since level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information. If all significant inputs in determining an instrument's fair value are observable, the instrument is included in level 2.

Unit-linked investments included in level 2 relate to units held in collective investment schemes that are priced monthly. The prices are obtained from the respective Collective Investment Scheme management company and are based on quoted prices that are publicly available. Investments in investment contracts included in level 2 relates to units held in investment contracts or market-linked insurance policies issued by a registered long-term insurer. These prices are obtained from the insurer of the particular investment contract. Debt securities included in level 2 relate to JSE-listed instruments that are benchmarked against South African government bonds. The value is determined using a valuation model that uses the observable input (i.e. yield of benchmark bond).

These unit-linked investments, investments in investment contracts and debt securities are mostly held to match investment contract liabilities, and as such any change in measurement would result in a similar adjustment to investment contract liabilities. The group's overall profit or loss is therefore not sensitive to the inputs of the models applied to derive fair value.

Valuation techniques used in determining the fair value of financial assets and liabilities classified as level 2 include:

Instrument	Valuation technique	Main unobservable inputs
Unit-linked investments	Quoted exit price provided by the fund manager	Not applicable - daily prices are publicly available
Equity securities	Valuation model that uses market inputs	Price-earnings multiples publicly available
Debt securities	Valuation model that uses market inputs	Bond interest rate curves, issuer credit ratings and liquidity spreads
Investment in investment contracts	Prices are obtained from the insurer of the particular investment contract	Not applicable - prices provided by registered long-term insurers
Derivative financial assets and liabilities	Exit price on recognised over-the-counter platforms	Not applicable
Third-party liabilities arising on consolidation of mutual funds	Quoted exit price provided by the fund manager	Not applicable - daily prices are publicly available
Investment contract liabilities	Current unit price of underlying unitised financial asset that is linked to the liability, multiplied by the number of units held	Not applicable

46. FINANCIAL RISK MANAGEMENT (continued)

Fair value estimation (continued)

Level 3

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. Investments classified within level 3 have significant unobservable inputs, as they trade infrequently.

Unit-linked investments represent the largest portion of the level 3 financial assets and relate to units held in hedge funds that are priced monthly. The prices are obtained from the asset managers of the particular hedge funds. These are held to match investment contract liabilities, and as such any change in measurement would result in a similar adjustment to investment contract liabilities, which in turn represent the largest portion of level 3 financial liabilities.

Equity securities included in level 3 relate to stock exchange rights and other rights owned. As these rights are unquoted, the valuation technique is based on the fact that the variability in the range of reasonable fair value estimates is not significant for this instrument and that the fair value of these rights is estimated to be equal to the guaranteed amount receivable for these rights, thus equalling the cost.

Other derivative liabilities included in level 3 relate to put options held by non-controlling interests against the group. These fair values are calculated by applying the contractually agreed price/earnings multiple to the relevant subsidiary's board-approved budgeted profits and discounting it at a market-related interest rate.

Trade and other payables (consisting of purchase consideration payable) classified in level 3 have significant unobservable inputs, as the valuation technique used to determine the fair values takes into account the probability, at the reporting date, that the acquiree will achieve the profit guarantee as stipulated in the respective sale of business agreement.

As explained above, the group's overall profit or loss would not be significantly affected by changes to the inputs used in determining the fair value of level 3 financial assets and liabilities.

The following financial instruments are measured at fair value:

GROUP	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
At 29 February 2020				
Assets				
Unit-linked investments		50,104	300	50,404
Equity securities	5,194	2	46	5,242
Debt securities	867	5,345		6,212
Investment in investment contracts		16		16
Derivative financial assets		24		24
Assets held for sale	7			7
	6,068	55,491	346	61,905
Own balances	3,001	2,258	64	5,323
Client-related balances	3,067	53,233	282	56,582
	6,068	55,491	346	61,905
Liabilities				
Third-party liabilities arising on consolidation of mutual funds		29,999		29,999
Investment contract liabilities		26,412	282	26,694
Derivative financial liabilities		94	23	117
Trade and other payables			108	108
	-	56,505	413	56,918
Own balances		64	131	195
Client-related balances		56,441	282	56,723
	-	56,505	413	56,918

46. FINANCIAL RISK MANAGEMENT (continued)

Fair value estimation (continued)

GROUP	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
At 28 February 2019				
Assets				
Unit-linked investments		46,040	455	46,495
Equity securities	6,462	143	31	6,636
Debt securities	876	5,320		6,196
Investment in investment contracts		16		16
Derivative financial assets		33		33
	7,338	51,552	486	59,376
Own balances	4,125	2,168	59	6,352
Client-related balances	3,213	49,384	427	53,024
	7,338	51,552	486	59,376
Liabilities				
Third-party liabilities arising on consolidation of mutual funds		26,715		26,715
Investment contract liabilities		25,439	435	25,874
Derivative financial liabilities		53	25	78
Trade and other payables			159	159
	-	52,207	619	52,826
Own balances		39	184	223
Client-related balances		52,168	435	52,603
	-	52,207	619	52,826

The following tables presents the changes in level 3 financial instruments during the reporting periods under review:

	Unit-linked investments Rm	**Equity securities Rm**	**Total Rm**
Assets			
Balance at 1 March 2018	719	679	1,398
Additions	228	2	230
Disposals	(523)	(1,177)	(1,700)
Fair value adjustments	31	473	504
Other movements		54	54
Balance at 28 February 2019	455	31	486
Additions	**121**	**7**	**128**
Disposals	**(306)**	**(6)**	**(312)**
Fair value adjustments	**29**	**16**	**45**
Other movements	**1**	**(2)**	**(1)**
Balance at 29 February 2020	**300**	**46**	**346**

	Investment contract liabilities Rm	**Derivative financial liabilities Rm**	**Trade and other payables Rm**	**Total Rm**
Liabilities				
Balance at 1 March 2018	698	39	45	782
Investment contract receipts and additions	229		83	312
Investment contract benefits paid and settlements	(524)	(15)	(88)	(627)
Losses recognised in profit or loss	31	1	3	35
Other movements			117	117
Balance at 28 February 2019	434	25	160	619
Investment contract receipts and additions	**115**	**3**	**39**	**157**
Investment contract benefits paid and settlements	**(306)**		**(71)**	**(377)**
Losses/(gains) recognised in profit or loss	**39**	**(5)**	**(19)**	**15**
Other movements			**(1)**	**(1)**
Balance at 29 February 2020	**282**	**23**	**108**	**413**

COMPANY

The fair value of equity securities traded in active markets and are based on quoted closing prices at the reporting date (i.e. level 1 according to the fair value measurement hierarchy). The company holds fixed-for-variable interest rate swap agreements (derivative financial instruments), for which the fair value was determined with reference to markets that are not considered to be active but are valued (using level 2 valuation techniques) based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs.

46. FINANCIAL RISK MANAGEMENT (continued)

GROUP

Insurance risk

The group's insurance risk emanates from PSG Life and Western Group Holdings Ltd ("Western"), both being PSG Konsult subsidiaries. PSG Life exposes the group to longevity risk (risk of loss should annuitants live longer than expected) on an annuity book with 55 (2019: 57) policies and a value of R17m (2019: R19m). This annuity book is in process of being run-off. Western issues contracts that transfer insurance risk to the group, with the risk under any one insurance contract being the possibility that the insured event occurs and the resulting claim exceeding the insurance liability. By the very nature of an insurance contract, the materialisation of risk is random and therefore unpredictable.

47. CAPITAL RISK MANAGEMENT

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide attractive returns to shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to manage the capital structure effectively, the group may adjust the amount of dividends paid to shareholders, issue new shares, buy back shares or increase/reduce borrowings.

The group's capital management is performed at a head office level, giving consideration to, inter alia, gearing levels calculated as a percentage of the group's equity and its sum-of-the-parts value, as well as to the group's interest cover ratio based on free cash flow. When funding is required management will consider the group's capacity for debt, and the various forms of paper available for issue taking into account current market conditions, anticipated trends in market indicators and the financial position of the group at the time. Management will accordingly consider issuing ordinary shares, perpetual preference shares, and short-, medium- or long-term borrowings with variable or fixed rates. Historically the group has fixed the majority of its interest-rate exposure. The directors have shareholder approval until the next annual general meeting to issue ordinary shares of up to 5% of the number of shares in issue (refer note 18).

The group's gearing ratio (calculated based on debt at a head-office level, including PSL's perpetual preference shares at its JSE-listed market value) equates to 13% (2019: 13.2%) of its equity. Interest cover based on free cash flow and calculated at head-office level amounts to 3.1 times (2019: 4.8 times).

Certain subsidiaries have regulatory capital adequacy requirements as a result of the respective industries in which they operate. Details regarding the compliance to same are set out below:

PSG Konsult

PSG Konsult remains strongly capitalised, with a capital cover ratio of 191% (2019: 182%) based on the latest insurance group return. PSG Konsult negotiated the early redemption of R100m notes issued under its Domestic Medium-Term Note Programme on 12 July 2019, using surplus cash. Following the aforementioned redemption, PSG Konsult had no remaining interest-bearing debt at year end. PSG Konsult subsidiaries with regulatory capital adequacy requirements include:

- *PSG Life*

PSG Life is required to hold a minimum amount of capital in order to reduce the policyholders' exposure to the company's liquidity risk. The Prudential Authority regularly reviews compliance with these minimum capital requirements as the regulatory authority. PSG Life must maintain funds that will be sufficient to meet obligations in the event of substantial deviations from the main assumptions affecting the company's business. Capital adequacy requirements were covered 1.9 times (2019: 2.0 times) at the reporting date. This ratio is determined in accordance with regulations and the guidelines issued by the Actuarial Society of South Africa.

- *Western*

Western is required to hold a minimum amount of capital in order to meet the requirements set by the various regulators of the jurisdictions in which they operate as short-term insurer, being South Africa, Namibia and Botswana. The entities within Western met their capital requirements as at the reporting dates.

ANNEXURE A - MATERIAL SUBSIDIARIES

for the year ended 29 February 2020

Set out below is an analysis of the group's most material subsidiaries as far as it relates to gaining an understanding of the non-controlling interests' carrying value reported in the statement of financial position:

					GROUP		**COMPANY**	
			Interest held [2]		**Carrying value of non-controlling interests**		**Carrying value of investments in subsidiaries**	
Subsidiary	**Country of incorporation** [1]	**Nature of business**	**2020 %**	2019 %	**2020 Rm**	2019 Rm	**2020 Rm**	2019 Rm
PSG Konsult	South Africa	Financial services	**60.5**	60.6	**1,309**	1,182	**651**	651
PSG Alpha	South Africa	Early-stage investing in select growth sectors	**98.1**	98.1	**61**	59	**2,950**	2,830
Zeder [3]	South Africa	Investment holding	**43.8**	43.8	**4,481**	4,540	**2,916**	2,916
Curro	South Africa	Private basic education	**55.4**	55.4	**2,444**	2,246	**2,173**	2,173
Other					**1,970**	2,167	**108**	108
Total					**10,265**	10,194	**8,798**	8,678

[1] Principle place of business is the country of incorporation, unless otherwise stated.

[2] Represents voting interest held, being equal to economic interest, apart from Zeder's economic interest held being 44.0% (2019: 44.0%).

[3] The group exercises control over Zeder through its shareholding, board representation and ongoing strategic input being provided by the Exco.

	2020				2019			
	Dividends paid				Dividends paid			
Subsidiary	**To non-controlling interests Rm**	**To the parent Rm**	**Total Rm**	**Profit/(loss) attributable to non-controlling interests Rm**	To non-controlling interests Rm	To the parent Rm	Total Rm	Profit/(loss) attributable to non-controlling interests Rm
PSG Konsult	**118**	**170**	**288**	**317**	110	156	266	275
PSG Alpha	**45**		**45**	**58**	118		118	168
Zeder	**123**	**82**	**205**	**357**	128	82	210	86
Curro	**20**	**29**	**49**	**64**			-	116
Other			**-**	**(46)**			-	(376)
	306			**750**	356			269

	Assets [1]					
Subsidiary	**Non-current 2020 Rm**	**Current 2020 Rm**	**Total 2020 Rm**	Non-current 2019 Rm	Current 2019 Rm	Total 2019 Rm
PSG Konsult	**53,177**	**10,723**	**63,900**	48,886	10,488	59,374
PSG Alpha	**5,603**	**2,193**	**7,796**	4,540	2,407	6,947
Zeder	**4,815**	**9,332**	**14,147**	9,492	3,300	12,792
Curro	**10,000**	**572**	**10,572**	8,982	356	9,338

	Liabilities [1]					
Subsidiary	**Non-current 2020 Rm**	**Current 2020 Rm**	**Total 2020 Rm**	Non-current 2019 Rm	Current 2019 Rm	Total 2019 Rm
PSG Konsult	**24,134**	**36,181**	**60,315**	23,191	32,969	56,160
PSG Alpha	**875**	**1,930**	**2,805**	499	1,370	1,869
Zeder	**1,580**	**4,249**	**5,829**	2,101	2,280	4,381
Curro	**4,458**	**623**	**5,081**	3,446	497	3,943

	Profitability (100%) [1]							
Subsidiary	**Profit for the year 2020 Rm**	**Other comprehensive profit/(loss) 2020 Rm**	**Total comprehensive income for the year 2020 Rm**	**Revenue 2020 Rm**	Profit for the year 2019 Rm	Other comprehensive profit/(loss) 2019 Rm	Total comprehensive income for the year 2019 Rm	Revenue 2019 Rm
PSG Konsult	**708**	**11**	**719**	**7,014**	643	12	655	6,172
PSG Alpha	**34**	**(9)**	**25**	**9,245**	343	19	362	7,958
Zeder	**599**	**(389)**	**210**	**7,543**	122	(90)	32	7,731
Curro	**161**	**(13)**	**148**	**2,980**	266	5	271	2,549

[1] The amounts set out in the tables above are the subsidiaries' consolidated amounts at their respective levels, after taking into account consolidation adjustments.

Restrictions

There are no significant statutory, contractual or regulatory restrictions on PSL's ability, apart from those disclosed in note 47 and subject to and with due consideration to the rights of non-controlling interests, to access or use the assets and settle the liabilities of the subsidiaries of the group, nor are there significant protective rights relating to non-controlling interests that can significantly restrict its ability to access or use the assets and settle the liabilities of the group.

ANNEXURE B - MATERIAL ASSOCIATES AND JOINT VENTURES

for the year ended 29 February 2020

Set out below is an analysis of the group's most material associates and to what extent they contribute to the investment in associates carrying value reported in the statement of financial position. None of the group's joint ventures are considered to be material to an understanding of the group's operations.

Associate	Country of incorporation [1]	Nature of business	Voting rights 2020 %	Voting rights 2019 %	Carrying value 2020 Rm	Carrying value 2019 Rm	Market value [2] 2020 Rm	Market value [2] 2019 Rm
Capitec	South Africa	Banking	**30.7**	30.7	**9,043**	7,841	**46,130**	46,351
Pioneer Foods [3]	South Africa	Food and beverage producer	**28.6**	27.1		4,689		4,689
Kaap Agri	South Africa	Retail and agriculture	**43.2**	43.0	**723**	782	**723**	959
Other					**906**	1,266		
Total					**10,672**	14,578		

[1] Principle place of business is the country of incorporation.

[2] Based on JSE-listed closing share price.

[3] During the year under review, Pepsico made an offer to the Pioneer Foods ordinary shareholders (including Zeder) to acquire all issued ordinary shares in Pioneer Foods for a cash consideration of R110 per share. As at 29 February 2020, Zeder reclassified its investment in Pioneer Foods, an associate with a carrying value of R5.1bn, in accordance with IFRS 5 to an asset held for sale (refer note 26).

Associate	Dividends received 2020 Rm	Dividends received 2019 Rm
Capitec	**665**	559
Pioneer Foods [1]	**189**	213
Kaap Agri [1]	**37**	35
Other	**78**	83
Total	**969**	890

Associate	Assets Non-current 2020 Rm	Assets Current 2020 Rm	Assets Total 2020 Rm	Assets Non-current 2019 Rm	Assets Current 2019 Rm	Assets Total 2019 Rm
Capitec	**50,396**	**84,172**	**134,568**	32,003	68,425	100,428
Pioneer Foods [1]	**8,113**	**6,551**	**14,664**	7,953	6,588	14,541
Kaap Agri [1]	**1,786**	**3,002**	**4,788**	1,305	2,622	3,927

Associate	Liabilities Non-current 2020 Rm	Liabilities Current 2020 Rm	Liabilities Total 2020 Rm	Liabilities Non-current 2019 Rm	Liabilities Current 2019 Rm	Liabilities Total 2019 Rm
Capitec	**19,262**	**89,726**	**108,988**	14,769	63,983	78,752
Pioneer Foods [1]	**2,355**	**3,353**	**5,708**	2,396	3,730	6,126
Kaap Agri [1]	**206**	**2,655**	**2,861**	76	2,102	2,178

Associate	Profitability (100%) Profit for the year 2020 Rm	Other comprehensive income for the year 2020 Rm	Total comprehensive income for the year 2020 Rm	Revenue 2020 Rm	Profit for the year 2019 Rm	Other comprehensive income for the year 2019 Rm	Total comprehensive income for the year 2019 Rm	Revenue 2019 Rm
Capitec	**6,251**	**9**	**6,260**	**29,710**	5,295	19	5,314	25,758
Pioneer Foods [1]	**916**	**8**	**924**	**22,273**	1,077	24	1,101	20,152
Kaap Agri [1]	**281**	**2**	**283**	**8,452**	249		249	6,549

Associate	Profitability (group's interest) Profit for the year 2020 Rm	Other comprehensive loss for the year [2] 2020 Rm	Total comprehensive income for the year 2020 Rm	Profit for the year 2019 Rm	Other comprehensive loss for the year [2] 2019 Rm	Total comprehensive income for the year 2019 Rm
Capitec	**1,917**	**(50)**	**1,867**	1,623		1,623
Pioneer Foods [1]	**272**	**(8)**	**264**	325	(7)	318
Kaap Agri [1]	**119**	**(5)**	**114**	108	(4)	104
Other	**186**	**(175)**	**11**	247	(25)	222
	2,494	**(238)**	**2,256**	2,303	(36)	2,267

[1] Amounts are most recently reported publicly available results as at end September of the prior year.

[2] Other comprehensive loss for the year include the group's share of associates' equity movements.

ANNEXURE B - MATERIAL ASSOCIATES AND JOINT VENTURES
for the year ended 29 February 2020

	Reconciliation of assets and liabilities reported above to the group's carrying values for associates					
	Capitec		**Pioneer Foods**		**Kaap Agri**	
	2020	2019	**2020**	2019	**2020**	2019
	Rm	Rm	**Rm**	Rm	**Rm**	Rm
Total assets reported above	**134,568**	100,428	**14,664**	14,541	**4,788**	3,927
Total liabilities reported above	**(108,988)**	(78,752)	**(5,708)**	(6,126)	**(2,861)**	(2,178)
Net assets reported above	**25,580**	21,676	**8,956**	8,415	**1,927**	1,749
Non-controlling interests	**(72)**	(82)			**(100)**	
Equity attributable to owners of the parent	**25,508**	21,594	**8,956**	8,415	**1,827**	1,749
Group's economic interest in the associate (%)	**30.7**	30.7	**30.3**	31.0	**43.2**	43.0
Group's interest in equity attributable to owners of the parent	**7,831**	6,629	**2,711**	2,609	**789**	752
Deemed goodwill and fair value adjustments included in associates' carrying value [1]	**1,212**	1,212	**2,340**	2,080	**(66)**	30
Transferred to assets held for sale			**(5,051)**			
Associates' carrying value	**9,043**	7,841	**-**	4,689	**723**	782

[1] *Also include timing differences emanating from lag period accounting adjustments in the case of Pioneer Foods and Kaap Agri.*

The group's classification into seven reportable segments, namely: Capitec, PSG Konsult, PSG Alpha, Zeder, Curro, Dipeo and PSG Corporate, remains unchanged and these segments represent the major investments of the group. The products and services offered by the respective segments are detailed in the glossary section to these annual financial statements. All segments operate predominantly in South Africa. However, the group has exposure to operations outside South Africa through, inter alia, PSG Alpha's investment in CA Sales, through Zeder's investments in TLG, Capespan, Zaad and Agrivision Africa, and through Curro.

PSL's recurring earnings is the sum of its effective interest in that of each of its underlying investments. The result is that investments in which PSL holds less than 20% and are generally not equity accountable in terms of accounting standards, are equity accounted for the purpose of calculating consolidated recurring earnings. Non-recurring earnings include, inter alia, once-off gains and losses and marked-to-market fluctuations, as well as the resulting taxation charge on these items.

SOTP is a key valuation tool used to measure the group's performance. In determining SOTP, listed assets and liabilities are valued using quoted market prices, whereas unlisted assets and liabilities are valued using appropriate internal valuation methods. These values will not necessarily correspond with the values per the consolidated statement of financial position since the latter are measured using the relevant accounting standards which include historical cost and the equity method of accounting.

The chief operating decision-maker (the PSG Executive Committee) does not review the group's SOTP from the perspective of PSL, but rather only from the perspective of PSG (with PSL's listed perpetual preference shares included as a liability therein) and accordingly the SOTP values set out below are consistent with those presented by PSG.

Approximately 98% of PSG's SOTP value is calculated using listed share prices (i.e. level 1, if it was to be classified by level of fair value hierarchy according to IFRS 13), while the remaining 2% unlisted assets and liabilities are valued using appropriate internal valuation methods including EBITDA-multiples (for say Energy Partners) and with reference to external property valuations (for say Evergreen), with cash, loans receivable and unlisted debt being included at their respective IFRS carrying values.

The chief operating decision-maker (the Exco) evaluates the following information to assess the segments' performance:

29 February 2020	**Revenue (own balances) Rm**	**Recurring earnings (segment profit) [1)] Rm**	**Non-recurring earnings [1)] Rm**	**Headline earnings [1)] Rm**	**SOTP value Rm**
Capitec		**1,927**		**1,927**	**46,130**
PSG Konsult	**4,954**	**389**		**389**	**6,399**
PSG Alpha	**9,245**	**270**	**(164)**	**106**	**3,618**
Zeder	**7,543**	**246**	**(65)**	**181**	**3,173**
Curro	**2,980**	**117**	**23**	**140**	**2,604**
Dipeo	**18**	**(36)**	**(1)**	**(37)**	
PSG Corporate	**93**	**(24)**		**(24)**	
Funding and other	**98**	**56**	**63**	**119**	**(1,604)**
Total	**24,931**	**2,945**	**(144)**	**2,801**	**60,320**
Revenue from contracts with customers					
Revenue from sale of goods	**13,502**				
Revenue earned from commission, school, net insurance and other fee income	**10,936**				
Investment income	**493**				
Non-headline items				**(121)**	
Earnings attributable to non-controlling interests				**750**	
Taxation				**525**	
Profit before taxation				**3,955**	
Profit before taxation from continuing operations				**3,160**	
Profit for the year from discontinued operation				**795**	

PSG FINANCIAL SERVICES LIMITED

ANNEXURE C - SEGMENT REPORT

for the year ended 29 February 2020

28 February 2019	Revenue (own balances) Rm	Recurring earnings (segment profit) [1] Rm	Non-recurring earnings [1] Rm	Headline earnings [1] Rm	SOTP value Rm
Capitec		1,625		1,625	46,351
PSG Konsult	4,480	361	8	369	8,700
PSG Alpha	7,958	216	(59)	157	4,712
Zeder	7,731	207	130	337	3,166
Curro	2,549	137		137	5,714
Dipeo	17	(29)	(246)	(275)	
PSG Corporate	71	(40)		(40)	
Funding and other	120	31	69	100	(685)
Total	22,926	2,508	(98)	2,410	67,958
Revenue from contracts with customers					
Revenue from sale of goods	13,041				
Revenue earned from commission, school, net insurance and other fee income	9,329				
Investment income	556				
Non-headline items				(268)	
Earnings attributable to non-controlling interests				269	
Taxation				476	
Profit before taxation				2,887	
Profit before taxation from continuing operations				3,172	
Loss for the year from discontinued operation				(285)	

[1] *Reported net of non-controlling interests.*

PSG FINANCIAL SERVICES LIMITED

ANNEXURE D - PREFERENCE SHARE ANALYSIS

as at 29 February 2020

	Shareholders		Shares held	
	Number	%	Number	%
SHARE ANALYSIS - PREFERENCE SHARES				
Range of shareholding				
1 - 2,000	**1,301**	**60.6**	**1,029,243**	**5.9**
2,001 - 5,000	**412**	**19.1**	**1,396,971**	**8.0**
5,001 - 10,000	**207**	**9.6**	**1,540,091**	**8.8**
10,001 - 100,000	**209**	**9.7**	**5,136,638**	**29.5**
100,001 - 500,000	**18**	**0.8**	**3,351,952**	**19.2**
Over 500,001	**5**	**0.2**	**4,960,875**	**28.6**
Public shareholding	**2,152**	**100.0**	**17,415,770**	**100.0**

Apart from the Nedgroup Investments Opportunity Fund and Coronation Fund Managers holding 1,580,000 (9.1%) and 904,009 (5.2%) of the company's issued preference shares, respectively, no other individual shareholder or fund held 5% or more of the issued preference shares as at 29 February 2020, nor were any shares held by non-public shareholders.