PSG GROUP LIMITED

ANNUAL FINANCIAL STATEMENTS

for the year ended 28 February 2021

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 8 June 2021 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 Group Ltd during office hours.

CHANGE IN INVESTMENT ENTITY STATUS

It is important to note that, with effect from 1 March 2020, PSG Group's status changed to that of an investment entity as defined in IFRS 10 *Consolidated Financial Statements* and detailed on page 21 of the accounting policies to these annual financial statements. Such change required PSG Group to cease consolidating its subsidiaries (other than those providing services related to PSG Group's investment activities) and to instead carry such subsidiary investments at fair value, with subsequent changes in fair value being recognised in profit or loss. IFRS do not allow for such changes to be applied retrospectively and accordingly PSG Group's annual financial statements for the financial year ended 28 February 2021 have been prepared on a materially different basis compared to those of previous years.

In light of the aforementioned change and year-on-year financial information thus not being comparable, the notes containing comparative financial information which are not expected to be repeated in future years have been separately disclosed in Annexures D to I as detailed below.

CONTENTS

GLOSSARY

- "Capitec"
  Capitec Bank Holdings Ltd, a JSE-listed bank, in which PSG Group held an associate interest of 30.7% as at 29 February 2020, with 26.4% of such interest having been unbundled during the year under review as detailed under Capitec Unbundling below. Capitec represents one of PSG Group's seven reportable segments.
- "Capitec Unbundling"
  With effect from 1 March 2020, PSG Group classified some 26.4% of its interest in Capitec as held for distribution, with such distribution ultimately being approved by PSG Group shareholders on 30 July 2020 and the distribution being effected during August 2020. The 4.3% remaining interest in Capitec was classified as an equity security with effect from 1 March 2020. During the year under review, PSG Group disposed of 2.9% in Capitec and accordingly its remaining interest in Capitec was 1.4% as at 28 February 2021.
- "CA&S" (previously "CA Sales")
  CA Sales Holdings Ltd, a Botswana Stock Exchange-listed fast-moving consumer goods distributor, in which PSG Alpha holds an interest of 48.8% (2020: 47.7%). 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 PSG Group holds a subsidiary interest of 60% (2020: 55.4%) and Dipeo a further interest of 3.6% (2020: 5.2%). Curro represents one of PSG Group's seven reportable segments.
- "Dipeo"
  Dipeo Capital (RF) (Pty) Ltd, an unlisted black economic empowerment investment holding company, in which PSG Group holds an interest of 49% (2020: 49%). PSG Group is deemed to control Dipeo in terms of IFRS 10, in light of, inter alia, its shareholding and the extent of preference funding provided. Dipeo represents one of PSG Group'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 57.2% (2020: 54.1%) and 16.6% (2020: 15.7%), respectively. PSG Alpha's interest in Energy Partners forms part of the PSG Alpha reportable segment, being its fourth 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.
- "Optimi"
  Optimi Holdings (Pty) Ltd, an unlisted provider of innovative and accessible education solutions to schools, tutors, parents and learners, in which PSG Alpha holds an interest of 92.3% (2020: 84.8%). Optimi forms part of the PSG Alpha reportable segment, being its fifth largest investment.
- "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 nine businesses, including CA&S, Evergreen, Stadio, Energy Partners and Optimi. PSG Group holds a subsidiary interest of 98.3% (2020: 98.1%) in PSG Alpha. PSG Alpha represents one of PSG Group's seven reportable segments.
- "PSG Corporate"
  Represents the segment comprising PSG Group's wholly-owned subsidiaries, which offer management, administrative, advisory, treasury and corporate services related to PSG Group's investment activities. PSG Corporate represents one of PSG Group's seven reportable segments.
- "PSG Financial Services"
  PSG Financial Services Ltd is a wholly-owned subsidiary of PSG Group and holds the direct interests in PSG Konsult, Curro, Capitec, Zeder, PSG Alpha, Dipeo and PSG Corporate. PSG Financial Services' cumulative, non-redeemable (i.e. perpetual), non-participating preference shares are listed on the JSE. Subsequent to year-end, the board of PSG Financial Services resolved to make an offer to repurchase and delist all the JSE-listed cumulative, non-redeemable, non-participating preference shares in issue by way of a scheme of arrangement for an aggregate cash consideration of R81 per share plus an amount equal to the preference dividend that would have been calculated on the preference share up to the scheme record date, equating to a total cash consideration of approximately R1.5bn. Subject to the required approvals being obtained, it is envisaged that the repurchase will be implemented during August 2021.
- "PSG Group" or "the group" or "the company" or "the issuer"
  PSG Group Ltd (registration number: 1970/008484/06), 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 PSG Group holds a subsidiary interest of 61.2% (2020: 60.5%). PSG Konsult represents one of PSG Group's seven reportable segments.
- "Stadio"
  Stadio Holdings Ltd, a JSE-listed private higher education provider, in which PSG Alpha and Dipeo hold interests of 43.2% (2020: 44%) and 3.3% (2020: 3.4%), respectively. 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 PSG Group holds an interest of 48.6% (2020: 43.8%). PSG Group is deemed to control Zeder in terms of IFRS 10, in light of, inter alia, its shareholding, board representation and ongoing strategic input being provided by the PSG Group Executive Committee. Zeder represents one of PSG Group's seven reportable segments.

  Zeder is invested in, inter alia, 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 subsidiary Kaap Agri Ltd ("Kaap Agri"), a retail and agriculture business; and unlisted subsidiary Agrivision Africa ("Agrivision Africa"), a Zambia-based farming and milling business. During the year under review, Zeder disposed of its interests in JSE-listed associate Pioneer Food Group Ltd ("Pioneer Foods"), a food and beverage producer and distributor, 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 28 February 2021

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 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 14, two, four and nine years, respectively. The Committee met three times during the past financial year on 21 April 2020, 13 October 2020 and 21 January 2021, as well as after financial year-end on 19 April 2021, 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 28 February 2021.

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

- Satisfied itself that the external auditor is independent of PSG Group, as set out in section 94(8) of the Companies Act of South Africa, and suitable for reappointment for the year under review 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 2021 financial year;
- Approved the nature and extent of non-audit services of the external auditor;
- Nominated for re-election at the 2020 annual general meeting, PricewaterhouseCoopers Inc. as the external audit firm for the 2021 financial year;
- 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 control 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 PSG Group be regarded as a going concern;
- Reviewed the formal policy and rationale for PSG Group’s ordinary dividend proposed at interim and recommended it to the board of directors for approval;
- Reviewed the accounting policies, including the changes thereto pursuant to the change in PSG Group’s status to that of an investment entity, and financial statements for the year ended

28 February 2021 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;

- 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, have the appropriate expertise and experience; and
- Undertook a tender process pursuant to the early-adoption of mandatory audit firm rotation, the result of which was the nomination of Deloitte & Touche as the external audit firm for the 2022 financial year for election at the upcoming annual general meeting.

PE Burton
PSG Group Audit and Risk Committee Chairman

Stellenbosch
28 May 2021

PSG GROUP LIMITED

APPROVAL OF ANNUAL FINANCIAL STATEMENTS

for the year ended 28 February 2021

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 audit and risk committee of the company 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 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 16 to 113, were approved by the board of directors of PSG Group and are signed on its behalf by:

PJ Mouton
PSG Group CEO

WL Greeff
PSG Group CFO

Stellenbosch
28 May 2021

PSG GROUP LIMITED

CEO/CFO SIGN-OFF ON INTERNAL FINANCIAL CONTROL

for the year ended 28 February 2021

The directors, whose names are stated below, hereby confirm that –

(a) the annual financial statements set out on pages 5 to 8 and 16 to 113, fairly present in all material respects the financial position, financial performance and cash flows of the issuer in terms of IFRS;

(b) no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;

(c) internal financial controls have been put in place to ensure that material information relating to the issuer and its consolidated subsidiaries have been provided to effectively prepare the financial statements of the issuer; and

(d) the internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function within the combined assurance model pursuant to principle 15 of the King Code. Where we are not satisfied, we have disclosed to the audit committee and the auditors the deficiencies in design and operational effectiveness of the internal financial controls and any fraud that involves directors, and have taken the necessary remedial action.

PJ Mouton
PSG Group CEO

WL Greeff
PSG Group CFO

Stellenbosch
28 May 2021

PSG GROUP LIMITED

DECLARATION BY THE COMPANY SECRETARY

for the year ended 28 February 2021

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 Group Company Secretary

Stellenbosch
28 May 2021

NATURE OF BUSINESS

PSG Group, being an investment holding company, offers a broad range of goods and services through its various investees. These goods and services mainly comprise financial services (wealth management, stockbroking, asset management, insurance, investment services and banking), 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. The group's status changed to that of an investment entity with effect from 1 March 2020 as detailed on page 21 and accordingly the prior year comparatives are not comparable to the current year figures as detailed in the index to these annual financial statements. For the year under review, the group's headline earnings and earnings attributable to owners of the parent amounted to R1,038m (2020: R2,583m) and R29,994m (2020: R2,462m), respectively. The group's total profit (gross of non-controlling interests) for the year amounted to R30,101m (2020: R3,358m).

STATED CAPITAL

Details regarding authorised and issued share capital are set out in note 11 to these annual financial statements.

Movements in the number of ordinary shares in issue during the year under review were as follows:

	Number of shares	
	2021	2020
Shares in issue at beginning of the year, gross of treasury shares	**232 163 254**	232 108 050
Less : Treasury shares		
Held by a subsidiary (PSG Financial Services)	**(13 908 770)**	(13 908 770)
Held by a subsidiary (PSG Group Ltd Supplementary Share Incentive Trust)	**(45 000)**	
Held by related parties of management and acquired by way of loan funding advanced	**(100 000)**	(100 000)
Shares in issue at beginning of the year, net of treasury shares	**218 109 484**	**218 099 280**
Movement in treasury shares		
Shares issued in terms of the PSG Group Ltd Supplementary Share Incentive Trust to participants		55 204
Shares acquired by the PSG Group Ltd Supplementary Share Incentive Trust		(45 000)
Shares released following full settlement of loan funding previously advanced to related parties of management	**100 000**	
Shares repurchased using cash at an average price of R54.73 per share (including costs)	**(8 385 147)**	
Shares in issue at end of the year, net of treasury shares	**209 824 337**	**218 109 484**

DIVIDENDS

Details of dividends appear in note 24 to these annual financial statements.

DIRECTORS

Details of the company's directors at the date of this report are set out below:

Executive

PJ Mouton (44) [1) 2)]
BCom (Mathematics)
PSG Group CEO
Appointed 16 February 2009

WL Greeff (51) [1)]
BCompt (Hons), CA(SA)
PSG Group CFO
Appointed 13 October 2008

JA Holtzhausen (50) [1)]
BIuris, LLB, HDip Tax
PSG Capital CEO
Appointed 13 May 2010

Non-executive

FJ Gouws (56)
BAcc, CA(SA)
PSG Konsult CEO
Appointed 25 February 2013

JJ Mouton (46)
BAcc (Hons), CA(SA), MPhil (Cantab)
Investment professional
Appointed 18 April 2005

Independent non-executive

PE Burton (68) [2) 3) 4) 5) 6)]
BCom (Hons), PG Dip Tax
Director of companies
Appointed 19 March 2001

ZL Combi (69) [2) 4) 5)]
Diploma in Public Relations
Director of companies and PSG Group Chairman
Appointed 14 July 2008

AM Hlobo (45) [3)]
BCompt (Hons), CA(SA), MCom (Finance)
Senior lecturer and director of companies
Appointed 11 April 2019

B Mathews (51) [3)]
BCom (Hons), CA(SA), HDip Tax
Consultant and director of companies
Appointed 3 May 2016

CA Otto (71) [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 8 June 2021 at *www.psggroup.co.za.*

Executive directors

The table below provides information on the total remuneration of PSG Group'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	Total remuneration
For the year ended 28 Feb 2021								
WL Greeff	10 695	(3 209)	3 414	**10 900**		**10 900**	**518**	**11 418**
JA Holtzhausen	10 695	(3 209)	3 414	**10 900**		**10 900**	**532**	**11 432**
PJ Mouton	12 383	(3 715)	3 952	**12 620**		**12 620**	**674**	**13 294**
	33 773	(10 133)	10 780	**34 420**	-	**34 420**	**1 724**	**36 144**
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**

[1] *The 30% 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 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's stated objective of long-term value creation for shareholders. PSG Capital's CEO, also serving as an executive director of PSG Group, remains eligible for a discretionary performance-based bonus in terms of PSG Capital's revenue-sharing arrangement.*

Non-executive directors

The table below provides information on the total remuneration paid to PSG Group's non-executive directors, including fees paid by subsidiaries of PSG Group 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	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 28 Feb 2021							
PE Burton	**564**	702				**702**	**1 266**
ZL Combi	**725**	899				**899**	**1 624**
FJ Gouws [1) 2)]			5 537	23 211	3 202	**31 950**	**31 950**
AM Hlobo	**426**					**-**	**426**
B Mathews	**426**					**-**	**426**
JJ Mouton	**266**					**-**	**266**
CA Otto	**479**	747				**747**	**1 226**
	2 886	2 348	5 537	23 211	3 202	**34 298**	**37 184**
For the year ended 29 Feb 2020							
PE Burton	**564**	695				**695**	**1 259**
ZL Combi	**725**	1 000				**1 000**	**1 725**
FJ Gouws [1) 2)]			5 507	21 093	20 412	**47 012**	**47 012**
AM Hlobo	**426**					**-**	**426**
B Mathews	**426**					**-**	**426**
JJ Mouton	**266**					**-**	**266**
CA Otto	**479**	1 024				**1 024**	**1 503**
	2 886	2 719	5 507	21 093	20 412	**49 731**	**52 617**

[1] *Mr FJ Gouws is the CEO of PSG Konsult, a subsidiary. The total performance-based bonus earned on a PSG Konsult level was R24m (2020: R21.2m), of which the payment of 70% (2021: R16.8m; 2020: R14.9m) is unconditional, while the payment of 15% each (2021: R3.6m; 2020: R3.2m) is subject to malus/clawback provisions and conditional on the director remaining in service for one and two years, respectively.*

[2] *R266,250 (2020: R266,250) was paid to PSG Management Services (Pty) Ltd, a wholly-owned subsidiary of PSG Konsult, for Mr FJ Gouws's services as PSG Group non-executive director.*

DIRECTORS' EMOLUMENTS (continued)

The table below provides information on PSG Group'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 29 Feb 2020	Number of share options during the year: Awarded	Number of share options during the year: Vested [1)]	Market price per share on vesting date R	Strike price per share option [2)]: Before Capitec Unbundling R	Strike price per share option [2)]: After Capitec Unbundling R	Date granted	**Number of share options as at 28 Feb 2021**	**Gains from exercise of share options during the year R'000**	**Value of unvested share options as at 28 Feb 2021 [3)] R'000**
WL Greeff	14 350		(14 350)	172.91	136.84		28/02/2015	**-**	**518**	
	27 435		(13 718)	172.91	178.29	21.39	29/02/2016	**13 717**		**627**
	72 292		(18 073)	172.91	236.13	19.50 - 39.11	28/02/2018	**54 219**		**2 067**
	185 877				250.56	14.73 - 42.91	28/02/2019	**185 877**		**7 234**
	131 082				213.71	(2.51) - 22.27	28/02/2020	**131 082**		**7 521**
		209 756				67.12	26/02/2021	**209 756**		
	431 036	209 756	(46 141)					**594 651**	**518**	
JA Holtzhausen	14 745		(14 745)	172.91	136.84		28/02/2015	**-**	**532**	
	26 440		(13 220)	172.91	178.29	21.39	29/02/2016	**13 220**		**605**
	72 889		(18 222)	172.91	236.13	19.50 - 39.11	28/02/2018	**54 667**		**2 084**
	185 807				250.56	14.73 - 42.91	28/02/2019	**185 807**		**7 232**
	131 084				213.71	(2.51) - 22.27	28/02/2020	**131 084**		**7 521**
		208 896				67.12	26/02/2021	**208 896**		
	430 965	208 896	(46 187)					**593 674**	**532**	
PJ Mouton	18 674		(18 674)	172.91	136.84		28/02/2015	**-**	**674**	
	41 997		(20 998)	172.91	178.29	21.39	29/02/2016	**20 999**		**960**
	63 152		(21 051)	172.91	237.31	28.68 - 39.47	28/02/2017	**42 101**		**1 391**
	113 018		(28 255)	172.91	236.13	19.50 - 39.11	28/02/2018	**84 763**		**3 232**
	227 700				250.56	14.73 - 42.91	28/02/2019	**227 700**		**8 862**
	183 503				213.71	(2.51) - 22.27	28/02/2020	**183 503**		**10 529**
		349 875				67.12	26/02/2021	**349 875**		
	648 044	349 875	(88 978)					**908 941**	**674**	
	1 510 045	768 527	(181 306)					**2 097 266**	**1 724**	

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 28 February 2021. Such right will be exercised within the 180-day exercise window.

2) Share options exercised during the period under review were exercised prior to the Capitec Unbundling taking effect. Pursuant to the Capitec Unbundling, shares options' strike prices were adjusted as detailed in note 11.

3) Based on the 30-day volume weighted average PSG Group share price of R67.12 as at 28 February 2021.

Mr FJ Gouws, being the chief executive officer of PSG Konsult and also a non-executive director of PSG Group, 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 29 Feb 2020	Number of share options during the year: Awarded [1)]	Number of share options during the year: Vested	Market price per share on vesting date R	Strike price per share option R	Date granted	**Number of share options as at 28 Feb 2021**	**Gains from exercise of share options during the year R'000**	**Value of unvested share options as at 28 Feb 2021 [2)] R'000**
FJ Gouws	223 795		(223 795)	7.90	7.27	01/04/2015	**-**	**141**	
	5 167 789		(2 583 895)	7.90	6.81	01/04/2016	**2 583 894**	**2 816**	**5 995**
	2 367 419		(789 140)	7.90	7.59	01/04/2017	**1 578 279**	**245**	**2 431**
	3 750 000		(937 500)	7.90	8.74	01/04/2018	**2 812 500**		**1 097**
	4 000 000				10.15	01/04/2019	**4 000 000**		**(4 080)**
		4 800 000			7.13	01/04/2020	**4 800 000**		**9 600**
	15 509 003	4 800 000	(4 534 330)				**15 774 673**	**3 202**	

1) On 28 April 2021, Mr FJ Gouws accepted a further 8.5m PSG Konsult share options at a strike price of R9.08 per share, being the 30-day volume weighted average PSG Konsult share price as at 31 March 2021.

2) Based on the 30-day volume weighted average PSG Konsult share price of R9.13 as at 28 February 2021.

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 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 8 June 2021 at *www.psggroup.co.za.*

SHAREHOLDING OF DIRECTORS

The shareholding of directors in the issued share capital of PSG Group as at 28 February 2021 was as follows:

	Beneficial		Non-beneficial	**Total shareholding 2021** [5]		Total shareholding 2020	
Audited	Direct	Indirect	Indirect	**Number**	**%**	Number	%
PE Burton		300 000		**300 000**	**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		1 500		**1 500**	**-**	300	-
JA Holtzhausen [2]	611 226	500 000	3 804	**1 115 030**	**0.5**	1 111 226	0.5
JJ Mouton [2) 3]	200 000	1 583 667	498 600	**2 282 267**	**1.1**	1 989 850	0.9
PJ Mouton [2) 3]	54 148	5 378 831	519 470	**5 952 449**	**2.8**	5 937 612	2.7
CA Otto [4]	200			**200**	**-**	3 324 667	1.5
Total	1 227 698	8 811 495	1 021 874	**11 061 067**	**5.2**	14 070 776	6.4

1) *At the previous reporting date, Mr ZL Combi's shareholding included 276,000 shares which were subject to a European scrip-settled collar as hedging instrument due to expire on 31 August 2020. On 10 July 2020, such hedging instrument was increased to 354,000 shares due to expire in equal portions on 5 July 2022 and 12 July 2022.*

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

3) *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 20.1% of PSG Group's issued share capital (net of treasury shares).*

4) *During the year under review, Mr CA Otto resigned as trustee and/or director of all entities holding the non-beneficial indirect shareholding previously reported. Accordingly, such entities' shareholding is no longer disclosed.*

5) *The shareholding of directors did not change between year-end and the date of approval of these annual financial statements, apart from Messrs JJ Mouton and PJ Mouton having acquired a further non-beneficial indirect interest in 9,600 and 11,605 shares, respectively. Furthermore, Messrs JJ Mouton and PJ Mouton have also acquired a further beneficial indirect interest in 4,000 and 38,717 shares, respectively, subsequent to year-end.*

The aforementioned beneficial shareholding of directors served as security for debt facilities as detailed in the table below:

Director	**Type of debt facility**	**Redemption date**	**Amount of debt facility Rm** [1]	**Amount owed against debt facility Rm** [1]	**Number of PSG Group shares pledged as security**	**Value of PSG Group shares pledged as security** [2] **Rm**
As at 28 February 2021						
WL Greeff	Third-party term loan	< 1 year	20	-	400 000	27
JA Holtzhausen	Third-party term loan	< 1 year	30	8	281 700	19
PJ Mouton	Third-party term loan (1)	< 1 year	125	-	4 458 164	297
	Third-party term loan (2) [3]	< 1 year	20	7	833 560	55
As at 29 February 2020						
WL Greeff	Third-party term loan	Dec-21	20	-	400 000	75
	PSG Group SIT loan	Feb-22	n/a	4	500 000	93
JA Holtzhausen	Third-party term loan	< 1 year	20	20	221 700	41
	PSG Group SIT loan	Feb-23	n/a	13	429 526	80
PJ Mouton	Third-party term loan (1)	< 1 year	125	94	3 200 000	597
	Third-party term loan (2) [3]	< 1 year	20	6	833 560	156

1) *Amounts are approximate and may vary slightly.*

2) *Excluding the value of other security pledged, such as the Capitec shares unbundled by PSG Group during the year under review.*

3) *Mr PJ Mouton has a 50% interest in the entity with this debt facility and shareholding pledged as security.*

COMPANY SECRETARY

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

First Floor	PO Box 7403
Ou Kollege building	Stellenbosch
35 Kerk Street	7599
Stellenbosch	South Africa
7600	
South Africa	

AUDITOR

PricewaterhouseCoopers continues to serve as the external auditor of PSG Group until the upcoming annual general meeting scheduled for 9 July 2021. Subject to shareholder approval being obtained at such meeting and in light of the early adoption of mandatory audit firm rotation, Deloitte & Touche will be appointed as external auditor of PSG Group.

EVENTS SUBSEQUENT TO THE REPORTING DATE

Events subsequent to the reporting date are detailed in note 28 to the annual financial statements.

Independent auditor's report

To the Shareholders of PSG Group 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 Group Limited (the Company) and its subsidiaries (together the Group) as at 28 February 2021, 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 ("IFRS") and the requirements of the Companies Act of South Africa.

What we have audited

PSG Group Limited's consolidated and separate financial statements set out on pagees 16 to 113 comprise:

- the consolidated and separate statements of financial position as at 28 February 2021;
- 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; and
- the notes to the financial statements, which include a summary of significant accounting policies,excluding the section marked as "unaudited" in Annexure C.

Certain required disclosures have been presented elsewhere in the *"PSG Group Limited Annual Financial Statements for the year ended 28 February 2021"*, 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.

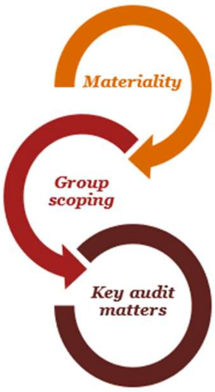
Independence

We are independent of the Group in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*.

PricewaterhouseCoopers Inc., Capital Place, 15-21 Neutron Avenue, Techno Park, Stellenbosch, 7600
P O Box 57, Stellenbosch, 7599
T: +27 (0) 21 815 3000, F: +27 (0) 21 815 3100, www.pwc.co.za

Our audit approach

Overview



Overall group materiality

R214 million**, which represents **1% of total consolidated assets.

Group audit scope

Full scope audits were performed on three components which were considered to be financially significant or of which an identified financial statement line item or items were considered to be significant or an area of higher risk. The remainder of the components were considered to be non-significant, individually and in aggregate. We performed analytical procedures on these remaining non-significant components.

Key audit matters

- *Accounting for the transition to investment entity classification in terms of IFRS; and*
- *Valuation of unlisted investments*

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	***R214 million.***
How we determined it	*1% of total consolidated assets.*
Rationale for the materiality benchmark applied	*We chose total consolidated assets as the benchmark because, in our view, it is the benchmark against which the performance of the Group is measured. The use of an asset-based benchmark was used in light of the volatility arising in profitability, which is largely an effect of revaluation movements on underlying investments that are measured at fair value through profit or loss. We chose 1% which is within the range of quantitative materiality thresholds that we consider to be appropriate.*

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.

For purposes of our group audit scope, the Group comprises the Company, six wholly-owned subsidiaries that provide investment related services to the Company and a share incentive trust (each considered a component).

Our scoping included two components, which were considered to be either a financially significant component (based on the component's contribution to total consolidated assets), a component of which an identified financial statement line item or items were considered to be significant or an area of higher risk, or components which were financially significant in aggregate with other components. Full scope audits were performed on three components which were considered to be financially significant or of which an identified financial statement line item or items were considered to be significant or an area of higher risk. The remainder of the components were considered to be non-significant, individually and in aggregate. We performed analytical procedures on these remaining non-significant components.

The above, together with additional procedures performed at the group level, including substantive procedures over the consolidation process, provided us with sufficient and appropriate audit evidence to form an 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.

Key audit matter	***How our audit addressed the key audit matter***
Accounting for the transition to investment entity classification in terms of IFRS *This key audit matter applies to both the consolidated and separate financial statements.* *Refer to the following sections of the consolidated and separate financial statements for disclosures as it relates to this key audit matter:* • *Notes 2 of the Accounting Policies,* • *Note 1 to the consolidated and separate financial statements, and* • *Annexure A.* With effect from 1 March 2020, the Company transitioned to an investment entity in terms of IFRS 10: *Consolidated financial statements* ("IFRS 10"). From this date, the Company ceased to consolidate its subsidiaries (other than those subsidiaries that are not, themselves, investment entities that provide services related to the Company's investment activities) and to instead carry such investments at fair value, with subsequent changes in fair value being recognised in profit and loss. An investment entity is typically an entity that i) obtains funds from one or more investors for the purpose of providing such investor(s) with investment management services;	Making use of our accounting expertise, we assessed whether the Company meets the criteria of an investment entity, in terms of IFRS 10, by performing the following procedures: • We obtained management's assessment and agreed their fact pattern to the criteria as included in IFRS 10, noting no material exceptions; • We inspected the Company's share register, to evaluate the number and identity of the Company's shareholders and whether they are related; • We inspected market communication for evidence that the Company identifies itself as an investment entity that monitors performance of the underlying investments on a fair value basis; and • We inspected the Board of Directors' minutes for the tabling and discussion of the fair value of the investments at each Board of Directors' meeting. We obtained the journals for the transition to investment entity, effective 1 March 2020 and performed the following: • Agreed the 1 March 2020 opening balances of the underlying investments to the audited balances as at 29 February 2020; • Inspected the journals to deconsolidate the underlying investments and assessed whether all related balances were completely and accurately deconsolidated;

ii) commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and

iii) measures and evaluates the performance of substantially all of its investments on a fair value basis.

During the year, the Company undertook disposals of its entire investment in Pioneer Food Group Limited and 2.9% of its investment in Capitec Bank Holdings Limited (“Capitec’), as well as unbundled 26.4% of its shares in Capitec. This necessitated the Group to reassess its investment entity status. The performance of the Group’s investment portfolio is measured with reference to the fair value of such investment (i.e. sum-of-the-parts ("SOTP") value), rather than the consolidated profitability of the Group (i.e. recurring earnings) with effect from 1 March 2020 in the Group’s strive to meet its objective of value creation through capital appreciation, investment income or both.

IFRS 10 requires a parent that becomes an investment entity to account for the change in its status prospectively from the date at which the change in status occurred. On such date the Group’s existing subsidiaries (other than subsidiaries that are not, themselves investment entities that provide services related to the Company’s investment activities)) were deemed to be disposed of and re-acquired at fair value, with the resultant R3.9bn gain being recognised as a non-headline item in the consolidated and separate income statements. These investments were subsequently measured at fair value through profit and loss for the entire year under review.

The transition to investment entity classification in terms of IFRS is deemed to be a matter of most significance to our year end audit due to the following:

- Complexity involved in the determination of the classification as an investment entity; and
- The significance of the impact of the transition on the financial statements of the Company and the Group.

- Agreed the fair value of each investment as at 1 March 2020 to the audited SOTP as at 29 February 2020;
- Inspected the Group structure and assessed based on our understanding of the nature of the entities to determine which entities should be carried at fair value and which entities should be consolidated. We noted no material inconsistencies; and
- We recalculated the net gain upon deemed disposal and reacquisition of investments on 1 March 2020. We noted no material differences to management’s calculations.

Valuation of unlisted investments

This key audit matter applies to the consolidated financial statements only.

Refer to the following sections of the consolidated and separate financial statements for disclosures as it relates to this key audit matter:

- *Note 11.2 of the Accounting Policies,*
- *Note 1 to the consolidated financial statements, and*
- *Annexure A.*

The Group holds a number of unlisted investments, which are measured at fair value through profit or loss in accordance with IFRS 9: Financial Instruments. This is as directed by the requirements of an investment entity, in terms of IFRS 10. The fair value of these unlisted investments as at 28 February 2021 is R1 851 million.

The fair values of the unlisted investments, as determined by management and approved by the Board of Directors, are determined by applying valuation methodologies, as required by IFRS 13: *Fair value*, which encompass the net asset value of the investment or price-to-earnings and EBITDA multiples, as indicated in Annexure A to the consolidated financial statements.

We considered the fair value of the underlying unlisted investments to be a matter of most significance to the current year audit due to:

- the magnitude of the unlisted investments in relation to the consolidated financial statements; and
- the degree of judgement and estimation applied in determining the fair value of the underlying unlisted investments.

In our assessment of the Group's determination of the fair value of unlisted investments, we assessed the reasonableness of the assumptions and inputs used in the respective valuations. Our audit procedures included, amongst others, the following:

- We evaluated the design and implementation of key controls over the Group's investment valuation process;
- We assessed whether the final valuations of unlisted portfolio companies, and related inputs used in their determination were appropriately approved by the Board of Directors, through our attendance of the Group Audit and Risk Committee meetings and the PSG Alpha Investments Proprietary Limited Finance and Risk Committee meetings. The valuations were appropriately approved;
- Making use of our valuation expertise we obtained an understanding of the methodologies applied by management, as indicated in Annexure A to the consolidated financial statements and compared it to appropriate industry guidance. We noted no inconsistencies in this regard;
- We assessed the reasonableness of the key inputs into the valuation by performing a sensitivity analysis which took into account the extent that the inputs would need to change for it to have a material impact on the fair value of unlisted investments. Based on the results of our assessment we accepted managements inputs;
- We tested the mathematical accuracy of the underlying valuation calculations and noted no material exceptions;
- Making use of our valuation expertise, we performed an independent assessment of the inputs used in the EBITDA multiple determined for the Energy Partners Proprietary Limited (Energy Partners) valuation, which includes comparative peer EBITDA multiples derived from independent third-party sources. We focused on this area since the outputs of these valuation models are sensitive to changes in inputs, which are inherently judgmental in nature. Based on our work performed, we accepted the inputs used.
- We obtained the audited annualised EBITDA results of Energy Partners in order to evaluate the values used. No material differences were noted.
- For the fair value of Evergreen Retirement Holdings Proprietary Limited , which is determined through the use of the net asset value, we obtained the audited financial statements of the underlying company and agreed the fair value of the investment to the audited net asset value of the company. We noted no material differences.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled *"PSG Group Limited Annual Financial Statements for the year ended 28 February 2021"* and the document titled *"PSG Group Limited Annual Report 2021"*, 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 IFRS 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, actions taken to eliminate threats or safeguards applied.

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 Group Limited for 25 years.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: B Deegan
Registered Auditor
Cape Town, South Africa
28 May 2021

PSG GROUP LIMITED

STATEMENT OF FINANCIAL POSITION
as at 28 February 2021

	Notes	GROUP 2021 Rm	GROUP 2020 Rm
ASSETS			
Investments at FVTPL	1	**18 885**	
Property, plant and equipment	2	**55**	12 117
Intangible assets	F1		4 483
Right-of-use assets	3	**1**	1 107
Investment in ordinary shares of associates	F2.1		10 672
Investment in preference shares of/loans granted to associates	F2.1		42
Investment in ordinary shares of joint ventures	F2.2		986
Loans granted to joint ventures	F2.2		35
Employee benefit assets	15		42
Unit-linked investments	F3		50 404
Equity securities	F4		2 620
Debt securities	5	**715**	6 212
Deferred income tax assets	6	**12**	469
Biological assets	F5		585
Investment in investment contracts	F6		16
Loans and advances	7.1	**54**	330
Trade and other receivables	8	**70**	6 001
Derivative financial assets	9		24
Inventory	F7		2 038
Current income tax assets			39
Reinsurance assets	F8		134
Cash and cash equivalents	10	**1 646**	1 977
Assets held for sale	F11		5 520
Total assets		**21 438**	105 853
EQUITY			
Equity attributable to owners of the parent			
Stated capital	11	**6 689**	7 148
Treasury shares		**(115)**	(122)
Other reserves	12	**67**	(212)
Retained earnings		**12 613**	12 269
		19 254	19 083
Non-controlling interests	13	**1 556**	11 843
Total equity		**20 810**	30 926
LIABILITIES			
Insurance contracts	F9		554
Third-party liabilities arising on consolidation of mutual funds	F10.1		29 999
Investment contract liabilities	F10.2		26 694
Deferred income tax liabilities	6	**488**	975
Borrowings	14		9 094
Lease liabilities	4	**1**	1 453
Derivative financial liabilities	9	**42**	117
Employee benefit liabilities	15	**25**	598
Trade and other payables	16	**36**	5 285
Loans payable	7.2	**36**	
Reinsurance liabilities	F8		7
Current income tax liabilities			135
Liabilities held for sale	F11		16
Total liabilities		**628**	74 927
Total equity and liabilities		**21 438**	105 853

PSG GROUP LIMITED

INCOME STATEMENT

for the year ended 28 February 2021

	Notes	GROUP 2021 Rm	2020 [1)] Rm
CONTINUING OPERATIONS			
Fair value losses on investments at FVTPL	1	**(962)**	
Interest income	18	**72**	1 720
Interest income calculated using the effective interest rate		**72**	273
Interest income on FVTPL financial instruments			1 447
Dividend income	1 & 18	**1 982**	671
Investment income		**2 054**	2 391
Revenue from sale of goods	F12		13 502
Cost of goods sold	F13		(11 339)
Gross profit from sale of goods		**-**	2 163
Revenue earned from commission, school, net insurance and other fee income	17	**80**	10 861
Other income			
Gain upon deemed disposal and reacquisition of subsidiaries at fair value	1	**3 945**	
Changes in fair value of biological assets	F5		225
Fair value gains and losses	19	**(6)**	(362)
Fair value adjustment to third-party liabilities arising on consolidation of mutual funds	F10.1		(1 030)
Fair value adjustment to investment contract liabilities	F10.2		(507)
Other operating income	F14		314
		3 939	(1 360)
Expenses			
Insurance claims and loss adjustments, net of recoveries	F15		(663)
Reversal of previously recognised impairment loss on debt securities	5	**126**	
Impairment loss on loans and advances	7.1	**(33)**	
Marketing, administration, impairment losses and other expenses	20	**(128)**	(11 529)
		(35)	(12 192)
Net income from associates and joint ventures			
Share of profits of associates and joint ventures	F2.1 & F2.2		648
Loss on impairment of associates	F2.1		(323)
Profit on sale/dilution of interest in associates	F11	**5 158**	130
		5 158	455
Profit before finance costs and taxation		**10 234**	2 318
Finance costs	21	**(138)**	(889)
Profit before taxation		**10 096**	1 429
Taxation	22	**(1 083)**	(525)
Profit for the year from continuing operations		**9 013**	904
DISCONTINUED OPERATIONS			
Profit for the year from discontinued operations		**21 088**	2 454
Gain upon unbundling of Capitec interest at fair value	F11	**21 099**	
Capitec Unbundling transaction costs	F11	**(11)**	
Share of profit of associate	F2.1		1 923
Reversal of impairment of associate	F2.1		617
Loss on dilution of interest in associate	F2.1		(86)
Profit for the year		**30 101**	3 358
Attributable to:			
Owners of the parent		**29 994**	2 462
Continuing operations		**8 906**	453
Discontinued operations		**21 088**	2 009
Non-controlling interests		**107**	896
		30 101	3 358
Earnings per share (R)	23		
Basic		**139.08**	11.29
Diluted		**138.26**	11.26

[1)] *Re-presented for the discontinued operation detailed in note F11, as well as the reclassification detailed in note 29.*

PSG GROUP LIMITED

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 28 February 2021

	GROUP	
	2021	2020 [1)]
	Rm	Rm
Profit for the year	**30 101**	3 358
Other comprehensive loss for the year, net of taxation	**-**	(432)
Items that may be subsequently reclassified to profit or loss		
Currency translation adjustments		(181)
Cash flow hedges		(13)
Share of other comprehensive losses and equity movements of associates		(238)
Total comprehensive income for the year	**30 101**	2 926
Attributable to:		
Owners of the parent	**29 994**	2 263
Continuing operations	**8 906**	752
Discontinued operations	**21 088**	1 511
Non-controlling interests	**107**	663
	30 101	2 926

[1)] *Re-presented for the discontinued operation detailed in note F11.*

PSG GROUP LIMITED

STATEMENT OF CHANGES IN EQUITY

for the year ended 28 February 2021

GROUP	Stated capital Rm	Treasury shares Rm	Other reserves Rm	Retained earnings Rm	Non-controlling interests Rm	Total Rm
Balance at 1 March 2019	7 133	(111)	7	11 086	11 776	29 891
Adjustment due to initial application of IFRS 16 (note F17)				(103)	(133)	(236)
Total comprehensive (loss)/income	-	-	(199)	2 462	663	2 926
Profit for the year				2 462	896	3 358
Other comprehensive loss			(199)		(233)	(432)
Transactions with owners	15	(11)	(20)	(1 176)	(463)	(1 655)
Issue of shares	15				20	35
Share-based payment costs - employees			80		48	128
Treasury shares acquired		(11)				(11)
Subsidiary acquired (note F19.1)					66	66
Subsidiary sold (note F19.2)					(2)	(2)
Transactions with non-controlling interests and transfers between reserves (note F18)			(100)	(155)	(142)	(397)
Dividends paid				(1 021)	(453)	(1 474)
Balance at 29 February 2020	7 148	(122)	(212)	12 269	11 843	30 926
Total comprehensive income						
Profit for the year				**29 994**	**107**	**30 101**
Transactions with owners	**(459)**	**7**	**279**	**(29 650)**	**(10 394)**	**(40 217)**
Shares buy-back [1)]	**(459)**					**(459)**
Share-based payment costs - employees			**33**			**33**
Treasury shares released		**7**				**7**
Subsidiaries deconsolidated upon change in status to that of an investment entity, transactions with non-controlling interests and transfers between reserves			**246**	**(250)**	**(10 265)**	**(10 269)**
Capitec Unbundling				**(28 884)**		**(28 884)**
Dividends paid				**(516)**	**(129)**	**(645)**
Balance at 28 February 2021	**6 689**	**(115)**	**67**	**12 613**	**1 556**	**20 810**

[1)] *During the year under review, PSG Group repurchased 8,385,147 shares at an average price of R54.73 per share (including costs).*

PSG GROUP LIMITED

STATEMENT OF CASH FLOWS

for the year ended 28 February 2021

	Notes	GROUP 2021 Rm	2020 [1] Rm
Cash flows from operating activities			
Cash generated from operations	27.1	**12**	262
Interest received		**59**	1 712
Dividends received		**1 959**	1 628
Continuing operations	1 & 5	**1 959**	866
Discontinued operations	F11		762
Finance costs paid		**(157)**	(840)
Taxation paid	27.2	**(609)**	(490)
Net cash flow from operating activities		**1 264**	2 272
Cash flows from investing activities			
Cash and cash equivalents deconsolidated upon change in status to that of an investment entity		**(409)**	
Additions to investments at FVTPL	1	**(1 139)**	
Disposals of investments at FVTPL	1	**3 502**	
Businesses/subsidiaries acquired	F19.1		(235)
Subsidiaries sold	F19.2		54
Acquisition of associates and joint ventures			(515)
Proceeds from sale of associates			796
Net advance of loans and preference share funding to associates and joint ventures			(39)
Purchases of intangible assets (including books of business)			(261)
Proceeds from sale of intangible assets (including books of business)			11
Purchases of property, plant and equipment		**(1)**	(1 672)
Proceeds from sale of property, plant and equipment			45
Movement in other financial assets		**(85)**	355
Net cash flow from investing activities		**1 868**	(1 461)
Cash flows from financing activities			
Dividends paid to PSG Group shareholders		**(516)**	(1 021)
Dividends paid to PSG Financial Services perpetual preference shareholders (2020: PSG Financial Services perpetual preference shareholders and other non-controlling interests)		**(129)**	(453)
Capital contributions by non-controlling interests			32
Acquired from non-controlling interests			(358)
Acquired by non-controlling interests			93
Borrowings drawn	14		3 165
Borrowings repaid	14	**(1 000)**	(2 157)
Lease liabilities paid - principal portion	4	**(1)**	(190)
Proceeds from delivery of treasury shares/(treasury shares acquired)		**11**	(11)
Shares repurchased and cancelled		**(446)**	
Net cash flow from financing activities		**(2 081)**	(900)
Net increase/(decrease) in cash and cash equivalents		**1 051**	(89)
Exchange losses on cash and cash equivalents			(21)
Cash and cash equivalents at beginning of the year		**595**	705
Cash and cash equivalents at end of the year	27.3	**1 646**	595

[1] *Re-presented for the discontinued operation detailed in note F11.*

The principal accounting policies applied in the preparation of these standalone and consolidated financial statements are set out below.

1. BASIS OF PREPARATION

The standalone and consolidated financial statements of PSG Group 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 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 accounting policies applied in the preparation of the standalone and consolidated financial statements of PSG Group are in terms of IFRS; however, the accounting policies applied are materially different from those previously applied as detailed below.

2. APPLICATION OF THE INVESTMENT ENTITY EXCEPTION IN TERMS OF IFRS 10 CONSOLIDATED FINANCIAL STATEMENTS

2.1 Change in investment entity status

An investment entity is typically an entity that i) obtains funds from one or more investors for the purpose of providing such investor(s) with investment management services, ii) commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both, and iii) measures and evaluates the performance of substantially all of its investments on a fair value basis.

IFRS 10 lists typical characteristics of an investment entity as i) it has more than one investment, ii) it has more than one investor, iii) it has investors that are not related parties of the entity, and iv) it has ownership interests in the form of equity or similar interests. PSG Group strongly exhibits all of these characteristics.

During the year under review, PSG Group undertook the following major corporate actions, which significantly impacted the group's composition and focus areas:

- PSG Group, through Zeder, a subsidiary in terms of IFRS 10, disposed of its entire investment in Pioneer Foods, being the second largest associate of the group, for R6.4bn cash ("Pioneer Foods Disposal");
- PSG Group disposed of 3.3m shares (or 2.9%) in Capitec, its largest associate and asset, for R3.5bn cash; and
- PSG Group unbundled 30.5m shares (or 26.4%) in Capitec ("Capitec Unbundling"). Such unbundling unlocked significant value for PSG Group ordinary shareholders.

PSG Group's investment in Capitec represented more than 65% of its total asset portfolio prior to aforementioned unbundling, whereas the investments in Pioneer Foods and Capitec contributed approximately 75% to PSG Group's consolidated *recurring earnings* for the year ended 29 February 2020. Whilst PSG Group's focus on value creation for its shareholders has not changed, the aforementioned disposals and unbundling have necessitated PSG Group to reassess its investment entity status in terms of IFRS 10. The performance of its remaining investment portfolio is accordingly measured with reference to the fair value of such investment (i.e. *sum-of-the-parts ("SOTP") value*) rather than the consolidated profitability of PSG Group (i.e. *recurring earnings*) with effect from 1 March 2020 in PSG Group's strive to meet its objective of value creation through capital appreciation, investment income or both. Fair value (i.e. *SOTP value*) is ultimately dependent on a range of factors such as the investee's market rating, growth prospects, operational performance, profitability and marketability.

CRITICAL ACCOUNTING JUDGEMENT - PSG Group's classification as an investment entity
Management concluded that, with effect from 1 March 2020, PSG Group meets the criteria to be classified as an investment entity.

2.2 Accounting treatment for an investment entity

IFRS 10 contains special accounting requirements for an investment entity. Where an entity meets the definition of an Investment Entity, it does not consolidate its subsidiaries, but rather measure subsidiaries at fair value through profit or loss ("FVTPL"). However, an investment entity is still required to consolidate subsidiaries that provide services related to the investment entity's investment activities (i.e. those wholly-owned subsidiaries comprising PSG Group's head office operations).

IFRS 10 requires a parent that becomes an investment entity to account for the change in its status prospectively from the date at which the change in status occurred. Having considered various factors, including the timelines and decision-making processes leading up to aforementioned disposals and unbundling, PSG Group's application of the investment entity exception is effective from 1 March 2020. Accordingly, on such date the group's existing subsidiaries (other than aforementioned wholly-owned head office subsidiaries providing investment activities to PSG Group) were deemed to be disposed of and re-acquired at fair value, with the resultant R3.9bn gain being recognised as a *non-headline* item in the income statement. Such investments were subsequently measured at FVTPL for the entire year under review.

3. DISCONTINUED OPERATIONS

3.1 Pioneer Foods Disposal

As at 29 February 2020, PSG Group, through Zeder, a subsidiary in terms of IFRS 10, classified its investment in Pioneer Foods, an associate, as a non-current asset held for sale and discontinued operation in its consolidated financial statements (refer note F11). Accordingly, PSG Group's consolidated income statement for the year ended 29 February 2020 previously presented the contribution from the investment in Pioneer Foods as a discontinued operation.

3. DISCONTINUED OPERATIONS (continued)

3.2 Capitec Unbundling

With effect from 1 March 2020, PSG Group classified the portion of its associate interest in Capitec being subject to unbundling as a non-current asset held for sale and discontinued operation. PSG Group simultaneously transferred its retained equity security interest in Capitec that would not be unbundled to investments at FVTPL and continued to measure it at FVTPL throughout the year under review. Profit or losses resulting from PSG Group's shareholding in Capitec forming part of the Capitec Unbundling were disclosed as a discontinued operation in PSG Group's consolidated income statement for both years presented, irrespective of such investment being equity accounted during the comparative year.

4. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS THAT ARE EFFECTIVE FOR THE FIRST TIME IN 2021

4.1 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:

- 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)

4.2 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 3 Business Combinations - Definition of a Business (effective 1 January 2020)
- Amendments to IAS 39 and IFRS 7 and 9 - Interest Rate Benchmark Reform (effective 1 January 2020)

5. 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 2021 or later periods and have not been early adopted by the group:

- Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework (effective 1 January 2022)
- Amendments to IFRS 16 Leases - Covid-19-Related Rent Concessions (effective 1 June 2020)
- IFRS 17 Insurance Contracts (effective 1 January 2023)
- Amendments to IAS 1 Presentation of Financial Statements - Classification of Liabilities as Current or Non-current (effective 1 January 2023)
- Amendments to IAS 1 Presentation of Financial Statements - Disclosure of Accounting Policies (effective 1 January 2023)
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates (effective 1 January 2023)
- Amendments to IAS 12 Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective 1 January 2023)
- Amendments to IAS 16 Property, Plant and Equipment - Proceeds before Intended Use (effective 1 January 2022)
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts - Cost of Fulfilling a Contract (effective 1 January 2022)
- Amendments to IAS 39 and IFRS 4, 7, 9 and 16 - Interest Rate Benchmark Reform Phase 2 (effective 1 January 2021)
- Annual improvements to IFRSs 2018 - 2020 review cycle

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

6. CONSOLIDATION

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 that provide services related to PSG Group's investment activities are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

Subsidiaries other than those rendering services related to PSG Group's investment activities are measured at FVTPL (similar to financial assets) as detailed in accounting policy note 11 below.

Inter-company transactions, balances and unrealised gains/losses on transactions between PSG Group and subsidiaries that provide services related to PSG Group's investment activities are eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the group's accounting policies.

CRITICAL ACCOUNTING JUDGEMENT - PSG Group's classification of Zeder and Dipeo as subsidiaries

Management concluded that the group controls both Zeder and Dipeo, entities in which it holds interests of less than 50% (refer pages 1 and 106). Judgement is required in the assessment of whether the group has control over such entities in terms of the variability of returns from the group's involvement with such entities, the ability to use power to affect those returns and the significance of the group's investment in such entities.

6. CONSOLIDATION (continued)

CRITICAL ACCOUNTING JUDGEMENT - PSG Group's classification of Zeder and Dipeo as subsidiaries (continued)

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

PSG Group is deemed to control Dipeo in terms of IFRS 10, in light of, inter alia, its shareholding and the extent of preference funding provided.

7. SEGMENT REPORTING

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

8. 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.

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	50 - 57 years
Office equipment	5 - 10 years
Computer equipment	3 years

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.

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 does not exceed five years.

10. 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.

11. FINANCIAL ASSETS

The group's financial assets consist of investments at FVTPL, debt securities, loans and advances, trade and other receivables, and cash and cash equivalents, as well as standalone loans to subsidiaries.

11.1 Classification

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 FVTPL

Financial assets not measured at amortised cost as described above are mandatorily measured at FVTPL.

11.2 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 FVTPL are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition. Financial assets carried at FVTPL are initially recognised at fair value and transaction costs are expensed in the income statement.

Financial assets at FVTPL 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 FVTPL 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 as detailed in Annexure A. 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.

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.

11.3 Impairment of financial assets

The group assesses on a forward looking basis the expected credit losses associated with its financial assets 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 asset has increased significantly by comparing this risk of default occurring on the financial asset as at the reporting date with the risk of default occurring on the financial asset 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 asset'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 asset 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 asset, 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.

11.4 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.

12. 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.

13. 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.

Where a consolidated subsidiary or PSG Group purchases its shares (i.e. treasury shares), the consideration paid, including any directly attributable incremental costs, is deducted from equity attributable to owners of the parent until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold, reissued or otherwise disposed of, any consideration received is included in equity attributable to owners of the parent, net of any directly attributable incremental transaction costs.

PSG Financial Services' perpetual preference shares

Cumulative, non-redeemable, non-participating subsidiary preference shares, where the dividend declaration is subject to the discretion of the subsidiary's board, are classified as non-controlling interests.

14. 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 lease liabilities, derivative financial liabilities, trade and other payables, loans payable, 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 FVTPL (such as derivative financial liabilities) 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 at amortised cost (such as trade and other payables and loans payable) 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.

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.

15. EMPLOYEE BENEFITS

15.1 Short-term benefits

Revenue-sharing arrangements and discretionary bonuses

The group recognises a liability and an expense 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.

15.2 Share-based compensation

PSG Group's share-based compensation scheme is detailed in note 11. 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.

16. CONTINGENT ASSETS AND LIABILITIES

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.

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.

17. 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.

18. REVENUE RECOGNITION

18.1 Commission and other fee income (mainly corporate finance advisory services)

Revenue is recognised as services are rendered with 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.

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.

18.2 Investment income

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

19. TAXATION

19.1 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 not provided on temporary differences arising on investments in subsidiaries 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.

19. TAXATION (continued)

19.1 Current and deferred income tax (continued)

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.

CRITICAL ACCOUNTING JUDGEMENT - Recognition of deferred tax on subsidiary investments at FVTPL

Any potential capital gains tax on the disposal of subsidiary investments at FVTPL is ultimately dependent on the method of realisation (e.g. unbundling, outright sale) and to what extent such capital gains may be offset against available capital losses, with management expecting any capital gains tax payable upon realisation of the investment portfolio to be limited at present. Furthermore, PSG Group controls the timing of the reversal of the temporary differences pertaining to its subsidiary investments at FVTPL and it is not foreseen that the timing differences will reverse within the next 12 months.

19.2 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 trust (not being exempt from dividend withholding tax) may incur a dividend withholding tax expense on treasury shares held.

20. EARNINGS PER SHARE

20.1 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.

20.2 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 a holding company or investee level would have on earnings and WANOS.

20.3 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 1/2021.

1. INVESTMENTS AT FVTPL

	Carrying value 29 Feb 2020 Rm	Gain/(loss) upon deemed disposal and reacquisition of subsidiaries at fair value on 1 Mar 2020 Rm	Fair value [1] 1 Mar 2020 Rm
PSG Konsult	1 964	4 435	**6 399**
Curro	3 034	(430)	**2 604**
Zeder	3 517	(344)	**3 173**
PSG Alpha	3 111	507	**3 618**
Other	223	(223)	-
Total	11 849	3 945	**15 794**

	Fair value [1] 1 Mar 2020 Rm	Transfer from investment in associate (note F11) Rm	Fair value gains/(losses) Rm	Additions/ (disposals) [2] Rm	Fair value [1] 28 Feb 2021 Rm	Dividend income [3] (note 18) Rm
PSG Konsult	**6 399**		883		**7 282**	**186**
Curro	**2 604**		(69)	1 053	**3 588**	**23**
Capitec		6 416	(724)	(3 502)	**2 190**	
Zeder	**3 173**		(1 190)		**1 983**	**1 721**
PSG Alpha	**3 618**		138	86	**3 842**	
Total	**15 794**	6 416	(962)	(2 363)	**18 885**	**1 930**

[1] The investments in Capitec, PSG Konsult, Curro and Zeder are valued with reference to their JSE-listed closing share prices, while PSG Alpha's fair value is derived from the valuation of its underlying portfolio of listed and unlisted investments as detailed in Annexure A.

[2] The disposal of approximately 3.3m Capitec shares during the year raised R3,502m in cash, while a further R1,053m and R86m cash was invested in Curro and PSG Alpha, respectively.

[3] The dividends received from PSG Konsult and Curro were paid in the normal course of business, while the dividend received from Zeder was a special dividend paid pursuant to the disposal of its interest in Pioneer Foods.

FINANCIAL RISK DISCLOSURE - Market (price) risk

PSG Group is exposed to market (price) risk in light of fluctuations in equity prices. At 28 February 2021, if the equity prices of the respective investments detailed above had been 20% higher/(lower) with all other variables held constant, post-tax profit for the year would have been higher/(lower) as set out below:

	20% increase	20% decrease
PSG Konsult	1 456	(1 456)
Curro	718	(718)
Capitec	340	(340)
Zeder	397	(397)
PSG Alpha	768	(768)
CA&S	221	(221)
Evergreen	171	(171)
Stadio	170	(170)
Energy Partners	60	(60)
Optimi	58	(58)
Other	88	(88)
	3 679	(3 679)

2. PROPERTY, PLANT AND EQUIPMENT

	Land Rm	Buildings Rm	Vehicles, plant and machinery Rm	Office equipment Rm	Computer equipment Rm	Total Rm
As at 28 February 2021						
Cost		**61**		**13**	**3**	**77**
Accumulated depreciation and impairment losses		**(15)**		**(5)**	**(2)**	**(22)**
Balance at end of the year	**-**	**46**	**-**	**8**	**1**	**55**
Reconciliation						
Balance at beginning of the year	**1 699**	**8 706**	**1 286**	**145**	**281**	**12 117**
Change in investment entity status	**(1 699)**	**(8 659)**	**(1 286)**	**(137)**	**(280)**	**(12 061)**
Additions					**1**	**1**
Depreciation		**(1)**			**(1)**	**(2)**
Balance at end of the year	**-**	**46**	**-**	**8**	**1**	**55**
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	1 149	107	230	11 096
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

The prior year additions included borrowing costs of R66m capitalised at a rate of 9.1%. Depreciation was accounted for on land held under leasehold rights.

The prior year impairments related 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.

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, served as security for borrowings (note 14).

		Land and buildings Rm	Vehicles, plant and machinery Rm	Office equipment Rm	Total Rm
3.	**RIGHT-OF-USE ASSETS**				
	As at 28 February 2021				
	Cost	**3**			**3**
	Accumulated depreciation and impairment losses	**(2)**			**(2)**
	Balance at end of the year	**1**	**-**	**-**	**1**
	Reconciliation				
	Balance at beginning of the year	**1 010**	**92**	**5**	**1 107**
	Change in investment entity status	**(1 008)**	**(92)**	**(5)**	**(1 105)**
	Depreciation	**(1)**			**(1)**
	Balance at end of the year	**1**	**-**	**-**	**1**
	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				
	Balance at beginning of the year	956	80	4	1 040
	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

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' 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). All these balances were derecognised effective 1 March 2020 pursuant to the change in investment entity status.

		2021	2020
		Rm	Rm
4.	**LEASE LIABILITIES**		
	Balance at beginning of the year	**1 453**	1 325
	Change in investment entity status	**(1 451)**	
	New leases entered into		294
	Payments - principal portion	**(1)**	(190)
	Payments - finance cost		(138)
	Finance cost (note 21)		148
	Other movements		3
	Subsidiaries acquired		11
	Balance at end of the year	**1**	1 453
	Current	**1**	231
	Non-current		1 222

As at 29 February 2020, the carrying value of lease liabilities comprised mainly aforementioned leases (refer note 3) of TLG (R435m), PSG Konsult (R305m), Curro (R195m), Stadio (R169m), Capespan (R139m) and CA Sales (R99m). Refer to note 3 for the nature of the group's leasing activities. All these balances were derecognised effective 1 March 2020 pursuant to the change in investment entity status.

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 was prime less 1.5% (2020: 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).

The group's future lease payments as at end February 2021, all due within the next year, amounts to R1m.

		2021	2020
		Rm	Rm
5.	**DEBT SECURITIES**		
	Own balances	**715**	1 847
	Unlisted but quoted		1 847
	Unquoted	**715**	
	Consolidated mutual funds (note F10.1)	**-**	3 994
	Listed		867
	Unlisted but quoted		3 127
	Investments linked to investment contracts - unlisted but quoted (note F10.2)		371
		715	6 212

5. DEBT SECURITIES (continued)

	FVTPL Rm	Measured at amortised cost Rm	Total Rm
Reconciliation			
Balance at 1 March 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
Change in investment entity status	**(6 212)**	**567**	**(5 645)**
Redemptions (i.e. preference share dividends collected in cash)		**(29)**	**(29)**
Finance income		**51**	**51**
Reversal of previously recognised impairment loss		**126**	**126**
Balance at 28 February 2021	**-**	**715**	**715**

	2021 Rm	2020 Rm
Current		4 666
Non-current	**715**	1 546
	715	6 212

2021

Debt securities relate to PSG Group's investment in Dipeo cumulative, redeemable preference shares. Previously, such investment was eliminated upon consolidation of Dipeo (a subsidiary in terms of IFRS 10), with PSG Group accordingly sharing in the underlying assets of Dipeo. However, following the aforementioned change in status to that of an investment entity, Dipeo is no longer consolidated (but rather carried at fair value) and PSG Group had to accordingly reinstate such debt securities and account therefore at amortised cost.

Preference share dividends are accounted for at the contractual rate of Prime plus 2% on the balance net of impairment losses (i.e. stage 2 under-performing financial asset). The carrying value of the debt securities is supported by Dipeo's investment in JSE-listed Curro (3.6%), Stadio (3.3%) and Kaap Agri (20%), as well as in unlisted Energy Partners (16.6%), and accordingly the remaining carrying value is deemed fully recoverable.

FINANCIAL RISK DISCLOSURE - Market (price and interest rate) risk

PSG Group's investment in Dipeo redeemable preference shares has been impaired to the extent deemed recoverable with regard to the value of Dipeo's underlying investments (as detailed above). It should be noted that Dipeo does not have any debt apart from its redeemable preference shares. In light of such impairment, a change in interest rates would not have affected PSG Group's post-tax profit for the year ended 28 February 2021; however, a change in the value of Dipeo's underlying investments would have necessitated either a further impairment or a reversal of previously recognised impairments (i.e. it would have impacted PSG Group's post-tax profit for the year then ended). Accordingly, at 28 February 2021, if the equity prices of Dipeo's underlying investments detailed above had been 20% higher/(lower) with all other variables held constant, post-tax profit for the year would have been R111m higher/(lower).

2020

Debt securities at the prior reporting date related 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 were classified as at FVTPL.

	2021 Rm	2020 Rm
6. DEFERRED INCOME TAX		
Deferred income tax assets	**12**	469
To be recovered within 12 months	**12**	147
To be recovered after 12 months		322
Deferred income tax liabilities	**(488)**	(975)
To be settled within 12 months	**(488)**	(24)
To be settled after 12 months		(951)
Net deferred income tax liability	**(476)**	(506)

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

	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 2019	144	333	(141)	(996)	(660)
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			(3)	1
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	(90)	(1 038)	(589)
Change in investment entity status	**(179)**	**(360)**	**90**	**1 038**	**589**
Charged to profit or loss			**(476)**		**(476)**
Balance at 28 February 2021	**-**	**-**	**(476)**	**-**	**(476)**

	Sub-total Rm	Lease liabilities Rm	Right-of-use assets Rm	Total Rm
Balance at 1 March 2019	(660)			(660)
Adoption of IFRS 16	(6)	162	(98)	58
Credited/(charged) to profit or loss	151	96	(83)	164
Credited to other comprehensive income/loss	1			1
Other movements	(40)	8	(4)	(36)
Subsidiaries acquired	(34)	3	(1)	(32)
Subsidiaries sold	(1)			(1)
Balance at 29 February 2020	(589)	269	(186)	(506)
Change in investment entity status	**589**	**(269)**	**186**	**506**
Charged to profit or loss	**(476)**			**(476)**
Balance at 28 February 2021	**(476)**	**-**	**-**	**(476)**

The deferred income tax assets and liabilities were calculated on all temporary differences (except for subsidiary investments as detailed in accounting policy note 19.1), under the liability method using a South African normal tax rate of 28% (2020: 28%) and a South African capital gains tax inclusion rate of 80% (2020: 80%). Where temporary differences arose in jurisdictions other than South Africa, the tax rates relevant to those jurisdictions were applied.

The deferred tax liability of R488m related mainly to capital gains tax provided in respect of PSG Group's retained equity security interest in Capitec, an investment at FVTPL.

Deferred tax credited/charged to other comprehensive income/loss in the prior year related mainly to foreign currency translation adjustments.

The recoverability of prior year 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.

		2021 Rm	2020 Rm
7.	**LOANS AND ADVANCES AND LOANS PAYABLE**		
7.1	**LOANS AND ADVANCES**		
	Secured loans	**49**	276
	Unsecured loans	**5**	54
		54	330
	Current	**5**	125
	Non-current	**49**	205

2021

Loans and advances relate mainly to subsidiaries and head office-administrated Black-Economic Empowerment Trusts not consolidated. The loans and advances carry interest at various rates ranging between 5% and 11%, with R23m of the secured loans (reflected net of an impairment loss of R33m accounted for during the year under review) being classified as stage 2 under-performing, while the remainder has been classified as stage 1 fully performing.

FINANCIAL RISK DISCLOSURE - Market (interest rate) and credit risk

The loans and advances do not expose the group to any significant amount of interest rate or credit risk.

2020

All loans and advances related to own balances (refer page 73).

At the prior reporting date, secured loans comprised mainly loans to PSG Konsult financial advisors, the related-party preference share investment detailed in note 26, as well as share incentive scheme loans across the broader group. Secured loans and advances were 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). At the prior reporting date, unsecured loans comprised mainly loans to PSG Konsult financial advisors.

Loans carried interest at various rates of up to a maximum of 16% and were repayable over various periods not exceeding seven years. Further financial risk management disclosures are set out in note F20.

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 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.

Loans and advances and the related loss allowances can be analysed as follows applying the aforementioned categories:

	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	329	3	94	426
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	328	1	1	330

7.2 LOANS PAYABLE

These balances comprise loans payable to subsidiaries and head office-administered Black-Economic Empowerment Trusts not consolidated. Such loans are repayable on demand and carry interest at a rate equal to that of the PSG Money Market Fund.

	2021 Rm	2020 Rm
8. TRADE AND OTHER RECEIVABLES		
Trade receivables [1)]	**10**	3 564
Broker- and clearing accounts [2)]		1 626
Contract assets from contracts with customers [3)]		50
Prepayments and sundry receivables	**60**	761
	70	6 001
Own balances	**70**	4 261
Client balances		1 669
Consolidated mutual funds (note F10.1)		71
	70	6 001
Current	**70**	5 997
Non-current		4

[1)] Included in the prior year were insurance receivables due from contract holders and agents, brokers, reinsurers and intermediaries of Rnil (2020: R112m), which were accounted for according to IFRS 4.

[2)] PSG Securities Ltd's ("PSG Online"), a subsidiary of PSG Konsult, broker- and clearing accounts of Rnil (2020: R1.6bn) 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 16), with the settlement to the clients taking place within three days after the transaction date. All such balances have subsequently been settled accordingly.

[3)] Related 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 R2m (2020: R454m).

2021

FINANCIAL RISK DISCLOSURE - Credit risk

The trade and other receivables do not expose the group to any significant amount of credit risk.

2020

For trade and other receivables, the group applied the simplified approach to provide for expected credit losses, which required lifetime expected credit losses to be provided for. To measure the expected credit losses, trade receivables had been grouped based on shared credit risk characteristics and the days past due. The expected loss rates were based on historical default rates over the expected life. The historical loss rates were 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 had been assessed generally using a 12 to 24-month period. Forward-looking estimates included 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 were 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 were 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 Rm	0 - 30 days Rm	31 - 60 days Rm	61 - 90 days Rm	> 90 days Rm	Total 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
		$\underbrace{\hspace{6em}}_{1\ 026}$				
Expected loss rate	0.8%	4.9%	11.0%	17.8%	27.4%	6.3%

8. TRADE AND OTHER RECEIVABLES (continued)

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

The historical loss rates of CA Sales had been assessed using a 24-month period. Historical loss rates were 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 increased the risk of defaults on customer accounts. CA Sales generally considered trade receivables to be in default when payment terms had been exceeded by more than 60 days without reason or arrangements made to extend the payment terms and considered trade receivables to be credit impaired when payment terms had been exceeded by more than 180 days with no communication received from the debtor. Credit-impaired trade receivables were written off. Trade receivables outstanding for 90 days were not seen as credit impaired as it was normal practice to extend credit to certain customers at those terms.

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

Curro determined historical loss rates based on the payment profiles of sales over the past 12 months and the corresponding historical credit losses experienced within such period. Considering the nature of the business, Curro had identified GDP and inflation to be the most relevant factors affecting the ability of the customers to settle the receivables and accordingly adjusted 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 had rebutted the presumption that there was a significant increase in credit risk when payment terms had been exceeded by more than 30 days. Based on historic information, there was a significant increase in credit risk when collections deteriorate, the period of indebtedness lengthened and the debtor was no longer an active client of the business. Trade receivables were written off when there was no reasonable expectation of recovery. Indicators that there was no reasonable expectation of recovery include failure to make payments for a period of greater than 24 months.

	2021 Rm	2020 Rm
9. DERIVATIVE FINANCIAL INSTRUMENTS		
Derivative financial assets		
Current		24
Derivative financial liabilities	**(42)**	(117)
Current	**(42)**	(73)
Non-current		(44)
Net derivative financial liability	**(42)**	(93)
Analysis of net derivative financial liability		
Fixed-for-variable interest rate swaps	**(42)**	(63)
Written put options extended to non-controlling interests		(23)
Other		(7)
	(42)	(93)
Own balances	**(42)**	(86)
Assets		1
Liabilities	**(42)**	(87)
Client-related balances	-	(7)
Assets		23
Liabilities		(30)
	(42)	(93)

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.

9. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

The fair value adjustments on derivative financial instruments included in net fair value losses/gains on financial assets and financial liabilities at FVTPL (note 19) amounted to a loss of R6m (2020: R13m).

FINANCIAL RISK DISCLOSURE - Market (interest rate) risk

The derivative financial liability as at 28 February 2021 relates to an interest rate swap arrangement whereby the group had swapped until 31 August 2026 the floating interest rate (83.33% of prime) for a fixed interest rate (9.81% nacs) on R440m out of the R1.7bn nominal exposure under the perpetual preference shares in issue.

At 28 February 2021, if interest rates had been 100 basis points higher/lower with all other variables held constant, post-tax profit for the year under review would have been R3m higher/lower.

	2021 Rm	2020 Rm
10. CASH AND CASH EQUIVALENTS		
Cash at bank	**57**	1 424
Short-term liquid investments	**1 589**	553
	1 646	1 977
Own balances	**1 646**	1 723
Client-related balances		254
	1 646	1 977

2021

FINANCIAL RISK DISCLOSURE - Market (interest rate) risk

The cash at bank carries interest at rates linked to the prime rate, while the short-term liquid investments comprise fixed-term bank deposits not exceeding 7 days. While these fixed-term bank deposits carry fixed interest rates, as a result of the very short maturity periods, these rates are essentially variable when viewed over a longer term such as the full financial year.

At 28 February 2021, if interest rates had been 100 basis points higher/lower with all other variables held constant, post-tax profit for the year under review would have been R12m higher/lower.

FINANCIAL RISK DISCLOSURE - Credit risk

Cash and cash equivalents relate to deposits held with FirstRand Bank Ltd (52%) and Absa Bank Ltd (48%). These balances 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.

FirstRand Bank Ltd and ABSA Bank Ltd have been rated by Moody's as having a short-term deposit rating of NP (2020: P-3) and long-term deposit rating of Ba2 (2020: Baa3).

2020

The average interest rate on cash and cash equivalents (using the average of the opening and closing balances) was 9%.

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.

	2021 Rm	2020 Rm
11. STATED CAPITAL		
Authorised		
400,000,000 (2020: 400,000,000) ordinary shares with no par value		
Issued		
Balance at beginning of the year	**7 148**	7 133
Share (buy-back)/issue	**(459)**	15
Balance at end of the year	**6 689**	7 148
Number of shares in issue ('000)		
In issue (gross of treasury shares)	**223 778**	232 163
Shares held by subsidiaries or consolidated in terms of non-recourse loan funding advanced	**(13 909)**	(14 009)
Shares held by share incentive trust	**(45)**	(45)
In issue (net of treasury shares)	**209 824**	218 109

Unissued shares, limited to 5% of the company's number of shares in issue as at 17 July 2020, have been 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 Listings Requirements.

Share option schemes

PSG Group operates an equity-settled share incentive scheme by means of the PSG Group Ltd Supplementary Share Incentive Trust ("SIT"). In terms of the scheme, share options are granted to executive directors and other employees ("participants").

In terms of the aforementioned share option scheme, share options in respect of PSG Group 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 R33m (2020: R128m). This charge, net of the related tax effect, was debited to the income statement and credited to other reserves (note 12) (2020: credited to other reserves (note 12) and non-controlling interests (refer statement of changes in equity), respectively).

The SIT deed (“Trust Deed”), as previously approved by PSG Group shareholders and the JSE, entitles the PSG Group Remuneration Committee ("Remcom") to instruct the SIT’s trustees to effect such adjustments to the strike prices of awarded but unexercised share options as the Remcom “shall consider fair and reasonable in the circumstances” to take account of, inter alia, special dividends (such as the Capitec Unbundling).

As a result, and in accordance with the JSE Listings Requirements, the Remcom appointed PricewaterhouseCoopers Corporate Finance (Pty) Ltd (“PwC”), the corporate advisory arm of PSG Group’s external auditor, as independent expert to calculate the strike price adjustments that may be considered fair and reasonable in order to account for the Capitec Unbundling. Such strike price adjustments were calculated by applying option pricing models to each individual share option award tranche immediately before the Capitec Unbundling and then calculating immediately after the Capitec Unbundling the adjusted strike price necessary so as to ensure that the participant’s share options have the same fair value before and after the Capitec Unbundling (i.e. the participant should be in the same position irrespective of the Capitec Unbundling having taken place). It is important to note that the SIT participants did not receive any Capitec shares pursuant to the Capitec Unbundling in respect of their unvested share options – hence the need to adjust the strike prices of such share options following the Capitec Unbundling.

The Remcom has reviewed PwC’s recommendations and approved the strike price adjustments proposed by them. The Remcom also submitted a copy of PwC’s report to the JSE during January 2021, as required by the Trust Deed and JSE Listings Requirements. The strike price adjustments pursuant to the Capitec Unbundling are detailed in the table below:

Grant date	Vesting date	Before (R)	After (R)
28 February 2016	28 February 2021	178.29	21.39
28 February 2017	28 February 2021	237.31	39.47
28 February 2017	28 February 2022	237.31	28.68
28 February 2018	28 February 2021	236.13	39.11
28 February 2018	28 February 2022	236.13	28.37
28 February 2018	28 February 2023	236.13	19.50
28 February 2019	28 February 2021	250.56	42.91
28 February 2019	28 February 2022	250.56	32.11
28 February 2019	28 February 2023	250.56	23.05
28 February 2019	28 February 2024	250.56	14.73
28 February 2020	28 February 2022	213.71	22.27
28 February 2020	28 February 2023	213.71	13.65
28 February 2020	28 February 2024	213.71	5.56
28 February 2020	28 February 2025	213.71	(2.51)

11. STATED CAPITAL (continued)

The SIT currently holds 45,000 (2020: 45,000) PSG Group ordinary shares, with 2,704,643 (2020: 2,072,537) share options having been allocated that are unvested and/or unexercised with a total strike consideration of R108m after having been adjusted to account for the Capitec Unbundling (2020: R469m).

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, 6,876,231 (2020: 6,876,231) shares have been exercised by way of the scheme and accordingly a further 10,410,868 (2020: 10,410,868) shares may be exercised in future by way of the scheme. To date, a maximum of 1,394,946 (2020: 1,394,946) shares have been exercised by a single participant of the scheme, with the maximum number of shares that may be exercised by such participant in future accordingly being 2,062,474 shares (2020: 2,062,474).

	Number	
PSG Group shares	**2021**	2020
Number of share options allocated at beginning of the year	**2 072 537**	2 256 402
Number of share options cancelled during the year	**(135 872)**	(13 038)
Number of share options vested during the year	**(302 602)**	(775 359)
Number of share options allocated during the year	**1 070 580**	604 532
Number of share options allocated at end of the year	**2 704 643**	2 072 537

Outstanding PSG Group share options per tranche allocated:	**Number of shares**	Volatility %	Dividend yield %	Average risk-free rate %	Average fair value R
28 February 2016	63 759	40.3	2.0	8.2	60.90
28 February 2017	82 091	27.7	1.6	7.4	64.23
28 February 2018	256 847	33.8	2.0	7.1	68.62
28 February 2019	671 124	25.4	2.0	7.3	62.20
28 February 2020	560 242	23.7	2.3	6.5	46.93
26 February 2021	1 070 580	35.0	-	5.1	21.73
	2 704 643				

The fair value of share options was calculated using a Black-Scholes valuation model. Volatility was calculated with reference to the one-year historic volatility; however, for the 26 February 2021 tranche a volatility of 35% was used, considered being more representative of the current and expected trading environment. Such 35% volatility was independently verified by PwC Corporate Finance (Pty) Ltd as independent expert, which they also used to calculate the necessary strike price adjustments to account for the Capitec Unbundling.

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

	2021		2020	
Analysis of outstanding PSG Group share options by financial year of maturity:	**Weighted average strike price (R)**	**Number**	Weighted average strike price (R)	Number
28 February 2021			215.13	695 436
28 February 2022	**32.35**	**792 899**	234.50	470 069
28 February 2023	**38.45**	**660 906**	234.21	426 633
29 February 2024	**36.86**	**575 486**	233.65	329 266
28 February 2025	**43.20**	**407 707**	213.71	151 133
28 February 2026	**67.12**	**267 645**		
		2 704 643		2 072 537

12. OTHER RESERVES

	Foreign currency translation Rm	Share-based payment Rm	Other [1] Rm	Total Rm
Balance as at 1 March 2019	(145)	278	(126)	7
Currency translation adjustments	(59)			(59)
Cash flow hedges			(7)	(7)
Share of other comprehensive losses and equity movements of associates			(133)	(133)
Share-based payment costs - employees		80		80
Transactions with non-controlling interests and transfers between reserves	4	(67)	(37)	(100)
Balance as at 29 February 2020	(200)	291	(303)	(212)
Change in investment entity status and transfers between reserves	**200**	**(257)**	**303**	**246**
Share-based payment costs - employees		**33**		**33**
Balance as at 29 February 2020	**-**	**67**	**-**	**67**

[1] *Related mainly to the group's share of other comprehensive losses suffered by associates.*

	2021 Rm	2020 Rm
13. NON-CONTROLLING INTERESTS		
Cumulative, non-redeemable, non-participating preference shares of PSG Financial Services	**1 556**	1 578
Other		10 265
	1 556	11 843

The authorised and issued PSG Financial Services preference share capital are as follows:

Authorised

30,000,000 (2020: 30,000,000) cumulative, non-redeemable, non-participating preference shares with no par value.

Issued

17,415,770 (2020: 17,415,770) cumulative, non-redeemable, non-participating preference shares with no par value.

The discretionary preference dividend is calculated on a daily basis at 83.33% (2020: 83.33%) of prime on the nominal value of R100 per share and is payable in two semi-annual instalments. Arrear preference dividends accrue interest at prime. All preference dividends have been paid up to date.

Please refer to note 28 for details of the planned repurchase of PSG Financial Services' cumulative, non-redeemable, non-participating preference shares.

14. BORROWINGS

	2021 Rm	2020 Rm
Non-current	-	5 753
Redeemable preference share capital		1 036
Unsecured loans		277
Secured loans		4 440
Current	-	3 341
Bank overdrafts		1 382
Redeemable preference share capital and accumulated dividends		1 519
Unsecured loans		87
Secured loans		353
Total borrowings	-	9 094
Own balances		9 094
Client-related balances		
	-	9 094

14. BORROWINGS (continued)

At a PSG Group head office level

The only borrowings at a PSG Group head office level related to redeemable preference shares issued by a wholly-owned subsidiary of PSG Group to third-party funders. As at the prior reporting date, preference share capital and accumulated preference share dividends payable amounted to R1bn and R19m, respectively. These redeemable preference shares carried a fixed dividend rate of 7.8% 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, a PSG Group wholly-owned subsidiary 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). During the year under review, the aforementioned redeemable preference share borrowings were settled in full, and the aforementioned security released from such cession and pledge.

PSG Group 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 PSG Group.

At an investee level

At the prior reporting date, other redeemable preference shares related mainly those issued by a wholly-owned subsidiary of Zeder (R1.5bn) which carried fixed dividend rates ranging between 7.7% and 8.1% nominal annual compounded monthly. The redeemable preference shares were secured through the pledge of JSE-listed shares held by a wholly-owned subsidiary of Zeder to the value of R7bn.

Secured loans at the prior reporting date related mainly to the following:

- Curro's rand-denominated borrowings of R3.7bn;
- Agrivision Africa, Capespan, TLG and Zaad's rand-denominated borrowings of R0.2bn and United States dollar-denominated borrowings of R0.4bn; and
- PSG Alpha subsidiaries' mainly rand-denominated borrowings of R0.5bn.

The most significant security pledged towards the secured loans included the majority of Curro's land and buildings, with a total carrying value at group level at the prior reporting date of R9bn.

Bank overdrafts at the prior reporting date related mainly to Agrivision Africa, Capespan and Zaad's rand-denominated overdrafts of R0.9bn, United States dollar-denominated overdrafts of R0.1bn and Euro-denominated overdrafts of R0.2bn.

The aforementioned borrowings were repayable to various counterparties carrying effective interest rates of up to 16.8%.

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

	2021				
		Financing cash flows per statement of cash flows			
Reconciliation of liabilities arising from financing activities	**Opening carrying value Rm**	**Increase in borrowings Rm**	**Borrowings repaid Rm**	**Change in investment entity status Rm**	**Closing carrying value Rm**
Redeemable preference shares	**2 555**		**(1 000)**	**(1 555)**	**-**
Unsecured loans	**364**			**(364)**	**-**
Secured loans	**4 793**			**(4 793)**	**-**
	7 712	**-**	**(1 000)**	**(6 712)**	**-**
Bank overdrafts	**1 382**			**(1 382)**	**-**
Total borrowings	**9 094**			**(8 094)**	**-**

	2020					
		Financing cash flows per statement of cash flows				
Reconciliation of liabilities arising from financing activities	Opening carrying value Rm	Increase in borrowings Rm	Borrowings repaid Rm	Subsidiaries acquired Rm	Other movements [1)] Rm	Closing carrying value Rm
Redeemable preference shares	2 519	30			6	2 555
Unsecured loans	361	348	(425)	90	(10)	364
Secured loans	3 770	2 787	(1 732)	9	(41)	4 793
	6 650	3 165	(2 157)	99	(45)	7 712
Bank overdrafts	1 127					1 382
Total borrowings	7 777					9 094

[1)] The prior year movements comprised mainly finance leases transferred to right-of-use assets, foreign currency exchange movements and accrued and unpaid finance costs.

15. EMPLOYEE BENEFIT ASSETS/(LIABILITIES)

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

	2021	2020		
	Liabilities Rm	Assets Rm	Liabilities Rm	Net Rm
Short-term benefits	**(25)**		(499)	(499)
Post-employment benefits		42	(99)	(57)
	(25)	42	(598)	(556)

Short-term benefits

These benefits comprise mainly bonus and leave pay accruals.

Post-employment benefits

Medical benefits

At the prior reporting date, the group, through Capespan and TLG, provided 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

At the prior reporting date, the group, through Capespan, operated 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.

		2021			2020	
	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
Present value of funded obligations			-	(19)	(80)	(99)
	-	-	-	(19)	(38)	(57)
Balance at beginning of the year	**(19)**	**(38)**	**(57)**	(24)	(36)	(60)
Change in investment entity status	**19**	**38**	**57**			-
Interest expense			-	(2)	(9)	(11)
Return on plan assets			-		9	9
Gains/(losses) from changes in financial and demographic assumptions			-	5	(9)	(4)
Employer contributions			-	2	1	3
Past service costs			-		4	4
Exchange differences			-		2	2
Balance at end of the year	-	-	-	(19)	(38)	(57)

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

Principal actuarial assumptions used include:

	2020 Medical benefits %	2020 Retirement benefits %
Discount rates	8.5 - 8.6	0.5 - 1.9
Future medical costs increases	4.8 - 10.0	-
Future salary increases	-	-
Inflation rates	-	2.0 - 2.5

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

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

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

At the prior reporting date, provision had been made for early disability retirements. No account was taken of surpluses which may arise in the fund as the group did not consider itself entitled to the benefits.

16. TRADE AND OTHER PAYABLES

	2021 Rm	2020 Rm
Trade payables [1) 2)]	**36**	3 150
Broker- and clearing accounts (note 8)		1 526
Margin accounts		28
Contract liabilities from contracts with customers		401
Subsidiary/associate purchase consideration payable		180
	36	5 285
Own balances	**36**	3 679
Client balances		1 577
Consolidated mutual funds		29
	36	5 285
Current	**36**	5 230
Non-current		55

[1)] *Includes non-financial liabilities of R2m (2020: R188m).*

[2)] *Trade payables in the prior year related mainly to the business operations of CA Sales (R1bn), Zaad (R0.8bn), PSG Konsult (R0.5bn), Curro (R0.2bn) and Capespan (R0.2bn).*

	2021	2020
	Rm	Rm
16. TRADE AND OTHER PAYABLES (continued)		
Reconciliation of contract liabilities from contracts with customers:		
Balance at beginning of the year	**401**	391
Change in investment entity status	**(401)**	
Cash received in advance during the year		493
Revenue recognised in respect of performance obligations satisfied during the year		(487)
Other movements		4
Balance at end of the year	**-**	401

At the prior reporting date, contract liabilities from contracts with customers related 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 related to tuition fees, registration and enrolment fees for educational services provided by Curro and Stadio. Revenue was recognised in the income statement in the accounting period in which the related services were rendered.

	2021 Rm	2020 Rm
17. REVENUE EARNED FROM COMMISSION, SCHOOL, NET INSURANCE AND OTHER FEE INCOME		
Commission and advisory fees		4 668
Financial services - PSG Konsult [1)]		2 412
Merchandising services - CA&S		1 081
Logistical services - TLG		937
Other	**80**	238
Management and performance fees		
Financial services - PSG Konsult		1 135
School, tuition and other education-related fees		3 961
Private basic education services - Curro		2 944
Private higher education services - Stadio		808
Other		209
Net insurance premiums		1 097
Gross premiums - PSG Konsult		1 553
Reinsurance written premiums paid - PSG Konsult		(456)
	80	10 861
Revenue recognised at a point in time [2)]		1 256
Revenue recognised over time	**80**	9 605

[1)] *Financial services commission and advisory fees include dealing, structuring and brokerage fee income of Rnil (2020: R385m).*

[2)] *Revenue recognised at a point in time related mainly to logistical and other services.*

Please refer to accounting policy notes 18 and D22 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.

	2021 Rm	2020 Rm
18. INVESTMENT INCOME		
Interest income		
Loans and advances	**11**	91
Trade and other receivables		32
Debt securities		535
Unit-linked investments		893
Cash and cash equivalents	**61**	169
	72	1 720
Dividend income		
Investments at FVTPL (note 1)	**1 930**	
Equity securities at FVTPL		74
Debt securities (preference shares)	**52**	6
Unit-linked investments at FVTPL		591
	1 982	671
	2 054	2 391
19. FAIR VALUE GAINS AND LOSSES		
Foreign exchange gains		107
Foreign exchange losses		(106)
Net fair value losses on financial instruments at FVTPL	**(6)**	(441)
Fair value adjustment on step-up from associate and joint venture to subsidiary		4
Fair value loss on assets held for sale		(52)
Gain from accounting for hyperinflationary foreign operations		126
	(6)	(362)

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

	2021 Rm	2020 Rm
20. MARKETING, ADMINISTRATION, IMPAIRMENT LOSSES AND OTHER EXPENSES		
Expenses by nature		
Depreciation	**3**	664
Property, plant and equipment (note 2)	**2**	423
Right-of-use assets (note 3)	**1**	222
Biological assets - bearer plants (note F5)		19
Amortisation of intangible assets (note F1)		172
Lease expenses	**-**	97
Lease expense in respect of low-value items		21
Lease expense in respect of short-term leases		76
Auditors' remuneration	**-**	57
Audit services		
Current year		48
Prior year		3
Tax services		2
Other services		4
Employee benefit expenses	**106**	5 348
Salaries, wages and allowances	**73**	5 220
Equity-settled share-based payment costs	**33**	128
Impairment of intangible assets (note F1)		294
Loss allowances on financial assets		322
Impairment of property, plant and equipment (note 2)		219
Loss on sale of property, plant and equipment		4
Impairment of biological assets (note F5)		2
Other expenses	**19**	2 785
Management and administration fees		75
Marketing	**1**	162
Professional fees	**4**	142
Other operating costs	**14**	2 406
Commissions paid		1 565
	128	11 529

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

	2021 Rm	2020 Rm
21. FINANCE COSTS		
Bank overdrafts		111
Redeemable preference shares	**106**	206
Secured loans		345
Unsecured loans	**5**	56
Derivative financial instruments	**27**	23
Lease liabilities (note 4)		148
	138	889

	2021 Rm	2020 Rm
22. TAXATION		
South African current taxation		539
Current year	**607**	527
Prior year		12
South African deferred taxation	**476**	(147)
Foreign current taxation - current year		146
Foreign deferred taxation		(17)
Dividend withholding taxation - current year		4
Total taxation	**1 083**	525
Reconciliation of effective rate of taxation (%)		
South African normal taxation rate	**28.0**	28.0
Adjusted for:		
Non-taxable and exempt income	**(29.0)**	(9.2)
Capital gains tax rate differential and deferred tax assets recognised on prior period capital losses	**0.1**	(1.1)
Non-deductible charges and deferred tax assets not recognised in respect of assessed losses	**4.4**	14.4
Share of profits of associates and joint ventures		(17.8)
Foreign tax rate differential		(1.1)
Prior year adjustments		0.2
Dividend withholding taxation - current year		0.1
Effective rate of taxation	**3.5**	13.5

2021

Non-taxable and exempt income relate mainly to the following items per the income statement: gain upon unbundling of Capitec interest at fair value, profit on sale/dilution of interest in associates, gain upon deemed disposal and reacquisition of subsidiaries at fair value and dividend income.

2020

Non-taxable income related mainly to dividend income and a reversal of impairment of associate (note F2.1), while non-deductible charges related mainly to impairment charges, share-based payment costs and preference share funding costs (i.e. preference dividends). The foreign tax rate differential related mainly to earnings generated by subsidiaries of Zeder across various tax jurisdictions.

	2021 Rm	2020 Rm
23. EARNINGS AND NET ASSET VALUE PER SHARE		
The calculations of earnings per share are based on the following:		
Profit attributable to owners of the parent	**29 994**	2 462
Continuing operations	**8 906**	453
Discontinued operations	**21 088**	2 009
Non-headline earnings (net of non-controlling interests and related tax effect):		
Continuing operations		
Gain upon deemed disposal and reacquisition of subsidiaries at fair value	**(3 945)**	-
Gross amount	**(3 945)**	
Tax effect		
Net profit on sale/dilution of interest in associates	**(3 923)**	(49)
Gross amount	**(5 158)**	(130)
Tax effect	**1 235**	81
Profit on sale of subsidiaries	**-**	(25)
Gross amount		(58)
Non-controlling interests		33
Loss on impairment of associates	**-**	142
Gross amount		323
Non-controlling interests		(181)
Net loss on sale/impairment of intangible assets (including goodwill)	**-**	227
Gross amount		294
Non-controlling interests		(65)
Tax effect		(2)
Net loss on sale/impairment of property, plant and equipment	**-**	77
Gross amount		209
Non-controlling interests		(102)
Tax effect		(30)
Loss on impairment of biological assets	**-**	1
Gross amount		2
Non-controlling interests		(1)
Non-headline items of associates and joint ventures	**-**	(78)
Gross amount		(84)
Non-controlling interests		6
Fair value gain on step-up from associate and joint venture to subsidiary	**-**	(2)
Gross amount		(4)
Non-controlling interests		2
Impairment of assets held for sale	**-**	45
Gross amount		46
Non-controlling interests		(1)
Subtotal carried forward	**22 126**	2 800

	2021 Rm	2020 Rm
23. EARNINGS AND NET ASSET VALUE PER SHARE (continued)		
Subtotal carried over	**22 126**	2 800
Discontinued operations		
Gain upon unbundling of Capitec interest at fair value	**(21 099)**	
Capitec Unbundling transaction costs	**11**	
(Reversal of)/loss on impairment of associate	**-**	(272)
Gross amount		(617)
Non-controlling interests		345
Loss on dilution of interest in associate	**-**	38
Gross amount		86
Non-controlling interests		(48)
Non-headline items of associate	**-**	17
Gross amount		28
Non-controlling interests		(11)
Headline earnings	**1 038**	2 583
Continuing operations	**1 038**	791
Discontinued operations		1 792

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

	2021 '000	2020 '000
The weighted average number of shares and diluted weighted average number of shares were calculated as follows:		
Number of shares at beginning of the year	**218 109**	218 099
Weighted number of shares repurchased and cancelled during the year	**(2 535)**	
Weighted number of shares issued during the year		46
Weighted movement in treasury shares	**85**	(14)
Weighted number of shares at end of the year	**215 659**	218 131
Number of bonus element shares to be issued in terms of share-based payment arrangements	**915**	111
Diluted weighted number of shares at end of the year	**216 574**	218 242
Basic earnings per share		
Earnings attributable to ordinary shareholders (Rm)	**29 994**	2 462
Continuing operations	**8 906**	453
Discontinued operations	**21 088**	2 009
Headline earnings (Rm)	**1 038**	2 583
Continuing operations	**1 038**	791
Discontinued operations		1 792
Weighted average number of ordinary shares in issue	**215 659**	218 131
Attributable earnings per share (R)	**139.08**	11.29
Continuing operations	**41.30**	2.13
Discontinued operations	**97.78**	9.16
Headline earnings per share (R)	**4.81**	11.84
Continuing operations	**4.81**	3.66
Discontinued operations		8.18

Diluted earnings per share

Diluted earnings and diluted headline earnings per share are calculated using earnings and headline earnings adjusted for the effect of all dilutive potential ordinary shares throughout the group, as well as by adjusting the weighted average number of ordinary shares in issue to assume conversion of all dilutive potential ordinary shares at a group level (arising from the share-based payment arrangements set out in note 11). A calculation is performed to determine the number of shares that could have been transacted at fair value (determined using the annual volume weighted average JSE-listed share price of the company's shares) based on the monetary value of the share options granted to participants.

	2021 Rm	2020 Rm
23. EARNINGS AND NET ASSET VALUE PER SHARE (continued)		
Diluted earnings per share (continued)		
Diluted earnings attributable to ordinary shareholders	**29 944**	2 458
Continuing operations	**8 856**	461
Discontinued operations	**21 088**	1 997
Diluted headline earnings	**988**	2 578
Continuing operations	**988**	798
Discontinued operations		1 780
Diluted weighted average number of ordinary shares in issue ('000)	**216 574**	218 242
Diluted attributable earnings per share (R)	**138.26**	11.26
Continuing operations	**40.89**	2.11
Discontinued operations	**97.37**	9.15
Diluted headline earnings per share (R)	**4.56**	11.81
Continuing operations	**4.56**	3.65
Discontinued operations		8.16
Net asset value per share ("NAVPS") (R)	**91.76**	87.49
PSG Group adopted NAVPS as the applicable criteria for trading statement purposes.		
Net tangible asset value per share (R)	**91.76**	66.94
24. DIVIDEND PER SHARE		
Normal dividends	**516**	1 021

Interim: R1.64 (2020: R1.64) per share

Final: Rnil (2020: R0.75) per share

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

25. BORROWING POWERS

In terms of the company's memorandum of incorporation, borrowing powers are unlimited. Details of actual borrowings are disclosed in note 14.

The group's short and long-term undrawn borrowing facilities at the reporting date amounted to approximately Rnil (2020: R0.8bn) and approximately Rnil (2020: R1.5bn), respectively.

26. RELATED-PARTY TRANSACTIONS AND BALANCES

PSG Group 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 PSG Group and subsidiaries (including transactions between subsidiaries), to the extent necessary, have been eliminated on consolidation. Below is a summary of the most significant related-party transactions and balances.

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. The directors' report contains details of their shareholding and remuneration.

	2021 Rm	2020 Rm
Outstanding loans advanced in terms of the PSG Group Ltd Supplementary Share Incentive Trust (note 11) to directors in order to exercise share options *	**-**	17
WL Greeff		4
JA Holtzhausen		13
Investment in preference shares of a party related to a director of PSG Group **	**1**	28
	1	45

** These loans carried interest at SARS' official interest rate and were early-settled in full during the year under review.*

26. 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 R1m (2020: R28m) included under loans and advances per the consolidated statement of financial position. The preference share funding carries a fixed dividend rate of 8.44% (2020: 8.44%) and PSG Konsult ordinary shares with a market value of R247m (2020: R245m) as at 28 February 2021 served 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 R246m (2020: R217m), which also represented a security cover ratio in excess of 200 times (2020: a security cover ratio of 8.8 times). Accordingly, the market value of the PSG Konsult ordinary shares serving as security would have to decline by approximately 100% (2020: 89%) 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 prior year from April 2020 to April 2023. During the past year, a further R27m 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. This preference share investment was collected in full subsequent to year-end.*

Investment in debt securities of an associate

Mutual funds consolidated by the group at the prior reporting date were invested in Capitec debt securities of approximately R105m.

		2021 Rm	2020 Rm
27.	**NOTES TO THE STATEMENTS OF CASH FLOWS**		
27.1	**Cash generated from operations**		
	Profit before taxation [1]	**10 096**	1 429
	Adjusted for:		
	Share of profits of associates and joint ventures [1]		(648)
	Depreciation and amortisation	**3**	836
	Changes in fair value of biological assets		(225)
	Net profit on sale/dilution of interest in associates	**(5 158)**	(130)
	Interest income	**(72)**	(1 720)
	Dividend income	**(1 982)**	(671)
	Finance costs	**138**	889
	Fair value gains and losses	**968**	1 973
	Share-based payment costs	**33**	128
	Gain upon deemed disposal and reacquisition of investments at fair value	**(3 945)**	
	Other non-cash items (related mainly to (reversal of impairment charges)/impairment charges as detailed in the income statement)	**(99)**	983
		(18)	2 844
	Change in working capital	**30**	(198)
	Change in insurance contracts		12
	Change in other financial instruments		(2 181)
	Additions to biological assets		(215)
		12	262

[1] *Re-presented for the discontinued operation detailed in note F11.*

		2021 Rm	2020 Rm
27.2	**Taxation paid**		
	Charged to profit or loss	**(1 083)**	(525)
	Movement in deferred taxation	**476**	(164)
	Movement in net taxation asset	**(2)**	199
		(609)	(490)
27.3	**Cash and equivalents at end of the year for purposes of the statement of cash flows**		
	Cash and cash equivalents (note 10)	**1 646**	1 977
	Bank overdrafts (note 14)		(1 382)
		1 646	595

28. EVENTS SUBSEQUENT TO THE REPORTING DATE

No material event has occurred between the reporting date and the date of approval of these consolidated financial statements, except for the following:

- The group disposed of all of its remaining Capitec shares for R1,942m cash proceeds (net of costs and capital gains tax payable in due course).

- The board of PSG Financial Services resolved to make an offer to repurchase and delist all the JSE-listed cumulative, non-redeemable, non-participating preference shares in issue by way of a scheme of arrangement for an aggregate cash consideration of R81 per share plus an amount equal to the preference dividend that would have been calculated on the preference share up to the scheme record date, equating to a total cash consideration of approximately R1.5bn. Subject to the required approvals being obtained, it is envisaged that the repurchase will be implemented during August 2021.

29. RECLASSIFICATION OF PRIOR YEAR REPORTED AMOUNTS

PSG Konsult reported a reclassification of prior year amounts owing to client-related balances to correct an error in terms of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors.* Such correction had no impact on previously reported profitability, cash flows, assets, liabilities or equity; however, it had the following impact on the consolidated income statement for the year ended 29 February 2020:

	Own balances Rm	Client-related balances Rm	Total Rm
Previously reported			
Fair value (losses)/gains	3	(125)	(122)
Fair value adjustment to third-party liabilities arising on consolidation of mutual funds		(1 270)	(1 270)
	3	(1 395)	(1 392)
Now reported			
Fair value (losses)/gains	3	(365)	(362)
Fair value adjustment to third-party liabilities arising on consolidation of mutual funds		(1 030)	(1 030)
	3	(1 395)	(1 392)
Change			
Fair value (losses)/gains		(240)	(240)
Fair value adjustment to third-party liabilities arising on consolidation of mutual funds		240	240
	-	-	-

PSG GROUP LIMITED

ANNEXURE A - SOTP VALUE

as at 28 February 2021

Investment	2021 Shareholding	2021 Nr of shares held m	Industry	Listed/ unlisted	Classification at 28 Feb 2021	*SOTP value* 29 Feb 2020 Rm	*SOTP value* Movement Rm	*SOTP value* 28 Feb 2021 Rm	Portion	Valuation method	IFRS 13 fair value Categorisation	IFRS 13 fair value R/share
PSG Konsult	61.2%	810.1	Financial services	JSE-listed [1]	Subsidiary	6 399	**883**	**7 282**	35%	Closing JSE-listed share price	Level 1	8.99
Curro	60.0%	358.8	Private education	JSE-listed	Subsidiary	2 604	984	**3 588**	17%	Closing JSE-listed share price	Level 1	10.00
Additions (note 1)							(1 053)					
Fair value loss							**(69)**					
Capitec	1.4%	1.6	Banking	JSE-listed	Equity securities	46 130	(43 940)	**2 190**	10%	Closing JSE-listed share price	Level 1	1 338.75
Unbundled interest at fair value on 1 Mar 2020							39 714					
Disposals (note 1)							3 502					
Fair value loss on retained interest							**(724)**					
Zeder	48.6%	748.4	Investment holding (food and related business)	JSE-listed	Subsidiary	3 173	**(1 190)**	**1 983**	9%	Closing JSE-listed share price	Level 1	2.65
PSG Alpha	98.3%		Investment holding (early-stage investments)	Unlisted	Subsidiary	3 618		**3 842**	18%			
CA&S	48.8%		Route-to-market services for fast-moving consumer goods in Sub-Saharan Africa	Botswana Stock Exchange ("BSE")-listed [2]		1 130	(4)	**1 126**	6%	Closing BSE-listed share price converted from Botswana pula to South African rand at the spot exchange rate	Level 1	5.10
Evergreen	50.0%		Retirement lifestyle villages	Unlisted		975	(106)	**869**	4%	Net asset value, underpinned by investment property subjected to external valuation annually	Level 3	
Stadio	43.2%		Private higher education	JSE-listed		662	203	**865**	4%	Closing JSE-listed share price	Level 1	2.38
Energy Partners	57.2%		Private energy utility	Unlisted		118	187	**305**	1%	6x and 10x multiples applied to annualised recurring EBITDA for the operations and investment businesses, respectively, plus cash and work-in-progress, less all debt	Level 3	
Optimi	92.3%		Innovative and accessible education solutions to schools, tutors, parents and learners	Unlisted		305	(9)	**296**	1%	13.7x price-earnings multiple	Level 3	
Other			Various	Unlisted		499	(53)	**446**	2%	Various	Level 3	
Sub-total						3 689		**3 907**				
Less : minority shareholding held by PSG Alpha management [3]						(71)	6	**(65)**				
Additions (note 1)							(86)					
Fair value gain							**138**					
Dipeo	49.0%											
Sub-total						61 924		**18 885**				
Other net assets						879		**2 020**	11%			
Cash and cash equivalents						187		**1 646**				
Preference share investments and net loans receivable						542		**733**				
Other [4]						150		**(359)**				
Total assets						**62 803**		**20 905**	**100%**			
Funding						(2 483)		**(1 132)**				
PSG Financial Services perpetual preference shares		17.4				(1 463)		**(1 132)**		Closing JSE-listed share price	Level 1	65.00
Redeemable preference shares [5]						(1 020)						
Total SOTP value						**60 320**		**19 773**				
SOTP value per share (R)						**276.43**		**94.24**				
Fair value losses on investments at FVTPL (note 1)							**(962)**					
Fair value loss from derivative financial instruments							(6)					
Net fair value losses reported in the income statement							**(968)**					

[1] Secondary listings on the Namibian Stock Exchange ("NSE") and Mauritian Stock Exchange ("MSE").

[2] Secondary listing on the 4AX Exchange.

[3] PSG Alpha management holds ±1.7% (2020: ±1.9%) in PSG Alpha.

[4] The 28 Feb 2021 balance includes a capital gains tax provision (i.e. deferred income tax liability) in respect of the retained Capitec interest.

[5] Redeemed in full during the year under review.

PSG GROUP LIMITED

ANNEXURE B - SEGMENT REPORT

for the year ended 28 February 2021

The group has seven reportable segments, namely PSG Konsult, Curro, Capitec, Zeder, PSG Alpha, Dipeo and PSG Corporate. Apart from PSG Corporate, 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 of South Africa through, inter alia, Curro, PSG Alpha's investment in CA&S and through Zeder's investments in The Logistics Group, Capespan, Zaad and Agrivision Africa.

SOTP value remains a key tool used to measure PSG Group’s performance pursuant to its objective of shareholder value creation through, inter alia, capital appreciation. In determining *SOTP value,* listed assets and liabilities are valued using quoted market prices, whereas unlisted assets and liabilities are valued internally using appropriate valuation methods. These values in the prior year (Annexure I) will not necessarily correspond with the values per the consolidated statement of financial position since the latter were measured using the relevant accounting standards which included historical cost and the equity method of accounting.

Previously, to provide context to its consolidated income statement, the group presented consolidated *recurring earnings* which was calculated on a proportional basis, and included the proportional earnings of underlying investments, excluding marked-to-market adjustments and once-off items. The result was that investments in which PSG Group held less than 20% and which were generally not equity accountable in terms of accounting standards, were equity accounted for the purpose of calculating the consolidated *recurring earnings. Non-recurring earnings* included, inter alia, once-off gains and losses and marked-to-market fluctuations, as well as the resulting taxation charge on these items. However, following PSG Group's change in status to that of an Investment Entity, consolidated *recurring earnings* is no longer presented to or evaluated by the chief operating decision-maker (the PSG Group Executive Committee) and therefore it is no longer presented as part of PSG Group's segment report.

The segments’ performance can be analysed as set out below and also in Annexure A:

For the year ended 28 February 2021	**Fair value gains/ (losses) on investments at FVTPL Rm**	**Investment (dividend) income Rm**	**Other income and expenses [1] Rm**	**Headline earnings [2] Rm**	**SOTP value Rm**
PSG Konsult	**883**	**186**		**1 069**	**7 282**
Curro	**(69)**	**23**		**(46)**	**3 588**
Capitec	**(724)**		**162**	**(562)**	**2 190**
Zeder	**(1 190)**	**1 721**		**531**	**1 983**
PSG Alpha	**138**			**138**	**3 842**
Dipeo				**-**	
PSG Corporate			**(48)**	**(48)**	
Funding and other			**(44)**	**(44)**	**888**
Cash and cash equivalents					**1 646**
Preference share investments and net loans receivable					**733**
Other [3]					**(359)**
PSG Financial Services perpetual preference shares					**(1 132)**
Total	**(962)**	**1 930**	**70**	**1 038**	**19 773**
Non-headline items				**28 956**	
Earnings attributable to non-controlling interests				**107**	
Taxation				**1 083**	
Profit before taxation				**31 184**	
Profit before taxation from continuing operations				**10 096**	
Profit for the year from discontinued operations				**21 088**	
SOTP value per share (R)					**94.24**

[1] Comprises all other line items in the consolidated income statement, including fee income, expenses, impairment losses, finance costs and taxation.

[2] As detailed in the glossary section to these annual financial statements, pursuant to the change in status to that of an Investment Entity with effect from 1 March 2020, the accounting policies applied in the preparation of the consolidated financial statements are materially different from those previously applied. Accordingly, PSG Group's headline earnings for the year ended 28 February 2021 reflects its subsidiaries (other than those providing services related to PSG Group’s investment activities) being accounted for at FVTPL, while in the prior year such subsidiaries were consolidated.

[3] Includes a capital gains tax provision on the retained Capitec interest.

PSG GROUP LIMITED

ANNEXURE C - SHARE ANALYSIS OF PSG GROUP ORDINARY SHARES
as at 28 February 2021

	Shareholders		Shares held	
Unaudited	**Number**	**%**	**Number**	**%**
Range of shareholding				
1 - 500	**15 450**	**67.9**	**2 395 444**	**1.1**
501 - 1,000	**2 736**	**12.0**	**2 066 928**	**1.0**
1,001 - 5,000	**3 130**	**13.8**	**7 011 017**	**3.3**
5,001 - 10,000	**519**	**2.3**	**3 769 708**	**1.8**
10,001 - 50,000	**624**	**2.7**	**13 377 584**	**6.4**
50,001 - 100,000	**113**	**0.5**	**7 848 503**	**3.7**
100,001 - 500,000	**131**	**0.6**	**28 494 909**	**13.6**
500,001 - 1,000,000	**27**	**0.1**	**18 090 820**	**8.6**
Over 1,000,000	**29**	**0.1**	**126 769 424**	**60.5**
	22 759	**100.0**	**209 824 337**	**100.0**
Treasury shares				
Shares held by employee share scheme	**1**		**45 000**	
Shares held by PSG Financial Services (a wholly-owned subsidiary)	**1**		**13 908 770**	
	22 761		**223 778 107**	
Non-public and public shareholding				
Non-public (directors) [1)]	**8**		**11 061 067**	**5.2**
Public	**22 751**	**100.0**	**198 763 270**	**94.8**
	22 759	**100.0**	**209 824 337**	**100.0**
Individual shareholders (excluding directors) holding 5% or more of shares in issue (net of treasury shares) as at 28 February 2021				
JF Mouton Familietrust and its subsidiaries (including effective interest held through a joint venture)			**42 269 481**	**20.1**
Public Investment Corporation (including Government Employees Pension Fund)			**25 032 667**	**11.9**
			67 302 148	**32.0**

[1)] *Refer to the directors' report for further details of directors' holdings.*

The principal accounting policies applied in the preparation of the standalone and consolidated financial statements in the prior year are set out below.

D1. BASIS OF PREPARATION

The standalone and consolidated financial statements of PSG Group 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 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.

D2. CONSOLIDATION

D2.1 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 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 106). 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.

PSG 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. Critical to management's assessment that PSG Group controls Zeder was the fact that at recent Zeder shareholder meetings, PSG Group exercised in excess of 50% of the votes cast.

D2.2 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.

D2. CONSOLIDATION (continued)

D2.3 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.

D2.4 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.

D2.5 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. PSG Group 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.

D3. SEGMENT REPORTING

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

D4. FOREIGN CURRENCY TRANSLATION

D4.1 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.

D4.2 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.

D4.3 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.

D4. FOREIGN CURRENCY TRANSLATION (continued)

D4.3 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	
Currency	Average rand per foreign currency unit	Closing rand per foreign currency unit
Botswana pula	1.34	1.40
British pound sterling	18.62	20.04
Chinese yuan renminbi	2.10	2.24
Euro	16.21	17.19
Japanese yen	0.13	0.14
Mozambique new metical	0.23	0.24
United States dollar	14.57	15.59
Zambian kwacha	1.10	1.04

Exchanges rates used are based on interbank bid rates.

D4.4 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 prior reporting period was 564. An adjustment factor for the prior 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 prior year, which was treated as a *non-recurring* item.

D5. 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.

D5. 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	Office equipment	3 - 10 years
Vehicles	4 - 5 years	Computer equipment	3 - 10 years
Plant and machinery	5 - 15 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.

D6. INTANGIBLE ASSETS

D6.1 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.

D6.2 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 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.

D6.3 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, 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.

D6.4 Other internally generated intangible assets

Costs associated with maintaining 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.

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.

D7. 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.

D8. 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 F1. 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 F2.1.

D9. 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.

D10. 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.

D10.1 Classification

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 FVTPL:

- 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 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 FVTPL:

- 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 FVTPL

Financial assets not measured at amortised cost or fair value through other comprehensive income as described above are mandatorily measured at FVTPL. 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 FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

D10.2 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 FVTPL are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition. Financial assets carried at FVTPL are initially recognised at fair value and transaction costs are expensed in the income statement.

Financial assets at FVTPL 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 FVTPL 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.

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.

D10. FINANCIAL ASSETS (continued)

D10.2 Recognition and measurement of financial assets (continued)

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.

D10.3 Impairment of financial assets

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.

D10.4 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.

D11. 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.

D12. BIOLOGICAL ASSETS

D12.1 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 F5 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.

D12.2 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

D12. BIOLOGICAL ASSETS (continued)

D12.2 Bearer plants (continued)

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.

D13. 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.

D14. 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 value is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying value and fair value less costs to sell.

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.

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 F11). Furthermore, as a result of Pioneer Foods being a material associate and the group's second largest associate investment (refer Annexure H), 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 prior 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. During March 2020, 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.

D15. 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.

Where a subsidiary purchases the holding company's shares (i.e. treasury shares), the consideration paid, including any directly attributable incremental costs, net of income taxes, is deducted from equity attributable to owners of the parent until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold, reissued or otherwise disposed of, any consideration received is included in equity attributable to owners of the parent, net of any directly attributable incremental transaction costs and the related income tax effects.

PSG Financial Services' perpetual preference shares

Cumulative, non-redeemable, non-participating subsidiary preference shares, where the dividend declaration is subject to the discretion of the subsidiary's board, are classified as non-controlling interests.

D16. 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).

D17. 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.

D17.1 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.

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.

D17. INSURANCE CONTRACTS (continued)

D17.1 Short-term insurance (continued)

Recognition and measurement (continued)

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.

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.

D17. INSURANCE CONTRACTS (continued)

D17.1 Short-term insurance (continued)

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.

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.

D17. INSURANCE CONTRACTS (continued)

D17.1 Short-term insurance (continued)

Short-term insurance liabilities (continued)

iv) Claims incurred but not reported (continued)

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.

D17.2 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.

D18. 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.

D18.1 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.

D18.2 Investment contract liabilities

All investment contract liabilities are designated on initial recognition at FVTPL. 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.

D18.3 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.

D18.4 Derivative financial liabilities

Derivative financial liabilities are classified as financial liabilities at FVTPL.

D18.5 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.

D19. EMPLOYEE BENEFITS

D19.1 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.

D19. EMPLOYEE BENEFITS (continued)

D19.2 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.

D19.3 Share-based compensation

Share-based compensation schemes are detailed in note 11. 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.

D20. 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.

D21. 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.

D22. 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.

D22. REVENUE RECOGNITION (continued)

D22.1 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.

D22. REVENUE RECOGNITION (continued)

D22.1 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.

D22.2 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.

D23. TAXATION

D23.1 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.

D23.2 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.

D24. EARNINGS PER SHARE

D24.1 Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the parent by the WANOS during the year, with the WANOS comparative adjusted for bonus elements as provided for in IAS 33 Earnings per Share.

D24. EARNINGS PER SHARE (continued)

D24.2 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.

D24.3 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.

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

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

- PSG Life Ltd (an existing subsidiary of PSG Konsult) having issued linked investment contracts to clients in terms of which the value of policy benefits payable (included under "investment contract liabilities") were directly linked to the fair value of the supporting assets. The group was thus not exposed to the financial risks associated with these assets and liabilities.
- The group consolidated mutual funds deemed to have been 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 were recognised as a payable and included under "third-party liabilities arising on consolidation of mutual funds" and the group was 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) as at the prior reporting date and for the year then ended. PSG Group shareholders were therefore effectively exposed only to the amounts set out in the shaded columns below:

	Own balances			Client-related balances (financial instruments)	
ANALYSIS OF THE GROUP STATEMENT OF FINANCIAL POSITION	Financial and insurance instruments Rm	Non-financial instruments Rm	Subtotal Rm	Rm	Total 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	411		411	2 209	2 620
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	330		330		330
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	9 019	38 505	47 524	58 329	105 853
Equity					
Equity attributable to owners of the parent		19 083	19 083		19 083
Non-controlling interests		11 843	11 843		11 843
Total equity	-	30 926	30 926	-	30 926
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		975	975		975
Borrowings	9 094		9 094		9 094
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	3 095	584	3 679	1 606	5 285
Reinsurance liabilities	7		7		7
Current income tax liabilities		135	135		135
Liabilities held for sale	12	4	16		16
Total liabilities	14 302	2 296	16 598	58 329	74 927
Total equity and liabilities	14 302	33 222	47 524	58 329	105 853

ANNEXURE E - EXPLANATORY NOTE ON IMPACT OF CLIENT-RELATED BALANCES
for the year ended 28 February 2021

		2020*	
ANALYSIS OF THE GROUP INCOME STATEMENT	Own balances Rm	Client-related balances Rm	Total Rm
CONTINUING OPERATIONS			
Investment income	427	1 964	2 391
Revenue from sale of goods	13 502		13 502
Cost of goods sold	(11 339)		(11 339)
Gross profit from sale of goods	2 163	-	2 163
Revenue earned from commission, school, net insurance and other fee income	10 936	(75)	10 861
Fair value adjustments and other income			
Changes in fair value of biological assets	225		225
Fair value gains and losses	3	(365)	(362)
Fair value adjustment to third-party liabilities arising on consolidation of mutual funds		(1 030)	(1 030)
Fair value adjustment to investment contract liabilities		(507)	(507)
Other operating income	314		314
	542	(1 902)	(1 360)
Expenses			
Insurance claims and loss adjustments, net of recoveries	(663)		(663)
Marketing, administration, impairment losses and other expenses	(11 576)	47	(11 529)
	(12 239)	47	(12 192)
Net income from associates and joint ventures			
Share of profits of associates and joint ventures	648		648
Loss on impairment of associates	(323)		(323)
Net profit on sale/dilution of interest in associates	130		130
	455	-	455
Profit before finance costs and taxation	2 284	34	2 318
Finance costs	(889)		(889)
Profit before taxation	1 395	34	1 429
Taxation	(491)	(34)	(525)
Profit for the year from continuing operations	904	-	904
DISCONTINUED OPERATIONS			
Profit for the year from discontinued operations	2 454	-	2 454
Share of profit of associate	1 923		1 923
Reversal of impairment of associate	617		617
Loss on dilution of interest in associate	(86)		(86)
Profit for the year	3 358	-	3 358

** Re-presented for the discontinued operation detailed in note F11, as well as the reclassification detailed in note 29.*

ANNEXURE E - EXPLANATORY NOTE ON IMPACT OF CLIENT-RELATED BALANCES

for the year ended 28 February 2021

	2020		
ANALYSIS OF THE GROUP STATEMENT OF CASH FLOWS	Own balances Rm	Client-related balances Rm	Total Rm
Cash generated from/(utilised by) operations	2 184	(1 922)	262
Interest received	352	1 360	1 712
Dividends received	985	643	1 628
Finance costs paid	(840)		(840)
Taxation paid	(483)	(7)	(490)
Net cash flow from operating activities	2 198	74	2 272
Net cash flow from investing activities	(1 461)		(1 461)
Net cash flow from financing activities	(800)	(100)	(900)
Net decrease in cash and cash equivalents	(63)	(26)	(89)
Exchange losses on cash and cash equivalents	(21)		(21)
Cash and cash equivalents at beginning of the year	425	280	705
Cash and cash equivalents at end of the year	341	254	595

It is important to note that the treasury functions of PSG Group and each of its subsidiaries operate on a decentralised basis and thus independent from one another. All available cash held at a PSG Group-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 PSG Group-level and invested in the PSG Money Market Fund amounted to R186m at 29 February 2020.

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 PSG Group- and subsidiary-level.

	2020		
	Own balances Rm	Client-related balances Rm	Total Rm
Cash and cash equivalents (per the consolidated statement of financial position)	1 723	254	1 977
Bank overdrafts (included in "borrowings" per the consolidated statement of financial position)	(1 382)		(1 382)
Cash and cash equivalents (per the consolidated statement of cash flows - note 27.3)	341	254	595
Debt securities (per the consolidated statement of financial position)	1 847	4 365	6 212
Liquid cash resources	2 188	4 619	6 807
PSG Group-level (invested in the PSG Money Market Fund)	186		
Subsidiary-level cash and cash equivalents	3 384		
Subsidiary-level bank overdrafts	(1 382)		

	Customer lists Rm	Trademarks and other Rm	Goodwill Rm	Total Rm
F1. INTANGIBLE ASSETS				
Reconciliation - 2021				
Balance at beginning of the year	**772**	**1 059**	**2 652**	**4 483**
Change in investment entity status	**(772)**	**(1 059)**	**(2 652)**	**(4 483)**
Balance at end of the year	-	-	-	-
Reconciliation - 2020				
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
Cost	1 345	1 535	2 652	5 532
Accumulated amortisation and impairment losses	(573)	(476)		(1 049)

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

Included in other intangible assets in the prior year were internally-generated intangible assets with a carrying value of approximately R753m, which comprised 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 in aggregate in the prior year 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 had existed for.

Customer lists

Individual customer lists with a carrying value in excess of R7m each, originating from various acquisitions, had the following carrying values and remaining amortisation periods:

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

F1. INTANGIBLE ASSETS (continued)

Trademarks and other

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

Segment and intangible asset item - 2020	Remaining amortisation period	Rm
Curro		
Northern Academy trademark	Indefinite	12
Woodhill College trademark	Indefinite	14
Waterstone College trademark	Indefinite	13
Cooper College trademark	Indefinite	15
PSG Alpha		
Stadio		
Embury trademark	1 year and 11 months	16
AFDA trademark	Indefinite	20
SBS trademark	Indefinite	18
Milpark trademark	Indefinite	38
Optimi		
Media Works trademark	Indefinite	11
Zeder		
Zaad capitalised product development costs in respect of plant and seed breeding rights	3 - 20 years	500
		657

Goodwill allocation

Goodwill relates to the following reportable segments:

Curro	565
PSG Konsult	380
PSG Alpha	1 426
Zeder	281
	2 652

Goodwill impairment testing

Curro

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

	2020 %
Taxation rate	28.0
Growth rate	8.0
Terminal growth rate	8.0
Discount rate	13.3

Value-in-use calculations were 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 were 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 were determined with reference to similar listed companies, adjusted for entity specific considerations. The price/earnings ratios used at the prior reporting date varied between 5 and 7.5 times. Value-in-use calculations were 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 were as follows:

F1. INTANGIBLE ASSETS (continued)

Goodwill impairment testing (continued)

PSG Konsult (continued)

	2020 %
Taxation rate	28.0
Growth rate	3.0
Terminal growth rate	3.0
Discount rate	18.2

PSG Konsult had considered and assessed reasonably possible changes in key assumptions and had 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 related mainly (some 88%) to Stadio's private higher education businesses (R749m) and CA Sales' businesses distributing fast-moving consumer goods throughout southern Africa (R499m). Key assumptions used for the value-in-use calculations, determined by management to be reasonable given the various entity-specific considerations, were as follows:

	Stadio 2020 %	CA Sales 2020 %
Taxation rate	28.0	22.0 - 32.0
Growth rate		
Tuition fees/revenue	3.0 - 7.0	5.2 - 13.5
Student numbers	6.0 - 18.0	
Operating expenses	7.0 - 19.0	5.1 - 12.7
Terminal growth rate	6.0	5.0 - 6.0
Discount rate	15.9	18.1 - 24.2

Value-in-use calculations were 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.

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 were determined with reference to similar listed companies, adjusted for entity specific considerations. The price/earnings ratios applied ranged between 8 and 14 times, while the respective agricultural land was valued at between R104,454 and R118,485 per irrigated hectare. Key assumptions used for the value-in-use calculations were as follows:

	2020 %
Taxation rate	28.0
Growth rate	4.0 - 5.0
Terminal growth rate	1.0
Discount rate	15.4 - 17.5

Value-in-use calculations were 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 had 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.

	2020 Rm
F2.1 INVESTMENT IN ASSOCIATES	
Carrying value of ordinary share investments	10 672
Listed	9 954
Unlisted	718
Carrying value of loans	42
JWM Asia	30
The unsecured loan was interest free and repayable on demand.	
Other associates	12
Various unsecured loans carried interest at various rates of up to 9.8% and being repayable on various dates.	
	10 714

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

	2021 Rm	2020 * Rm
Loans and preference shares		
Current		41
Non-current		1
		42
Reconciliation of ordinary share investments		
Balance at beginning of the year	**10 672**	14 578
Change in investment entity status	**(1 629)**	
Share of profits of associates		
Continuing operations		571
Discontinued operation (note F11)		1 923
(Impairment)/reversal of impairment of associates		
Continuing operations		(323)
Discontinued operation (note F11)		617
Dividends received		
Continuing operations		(780)
Discontinued operation (note F11)		(189)
Additions		433
Disposals		(669)
Net loss on dilution		
Continuing operations		(1)
Discontinued operation (note F11)		(86)
Subsidiaries acquired (note F19.1)		4
Transfer to subsidiaries at fair value (note F19.1)		(105)
Transfer from equity securities (refer "additions" below)		168
Transfer to equity securities (note F11)	**(1 258)**	
Transfer to assets held for sale (note F11)	**(7 785)**	(5 217)
Other movements		(252)
Balance at end of the year	-	10 672

** Re-presented for the discontinued operation detailed in note F11.*

Refer Annexure H for further information regarding material associates.

F2.1 INVESTMENT IN ASSOCIATES (continued)

(Impairment)/reversal of impairment

During the prior 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 F11) 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.

Additions

Significant additions during the prior 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.

Disposals

Disposals during the prior year 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.

Other movements

Other movements during the prior year comprised mainly the group's share of associates' other comprehensive losses and equity movements.

	2021 Rm	2020 Rm
F2.2 INVESTMENT IN JOINT VENTURES		
Balance at beginning of the year	**986**	855
Change in investment entity status	**(986)**	
Share of profits of joint ventures		77
Additions		82
Transfer to subsidiaries at fair value (note 19.1)		(35)
Other movements		7
Balance at end of the year	-	986
Loans (current)		35
	-	1 021

The additions during the prior year related mainly to PSG Alpha's maintaining its 50% interest in Evergreen.

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

F3. UNIT-LINKED INVESTMENTS

	2021 Rm	2020 Rm
Own balances		682
Unlisted but quoted		656
Unquoted		26
Consolidated mutual funds (note F10.1)		
Unlisted but quoted		25 542
Investments linked to investment contracts (note F10.2)		24 180
Unlisted but quoted		23 907
Unquoted		273
		50 404

F3. UNIT-LINKED INVESTMENTS (continued)

Reconciliation

	FVTPL Rm
Balance at 1 March 2019	46 495
Additions	17 525
Disposals	(14 810)
Fair value net gains and reinvestments	1 185
Exchange differences	9
Balance at 29 February 2020	50 404
Current	2 325
Non-current	48 079
Change in investment entity status	**(50 404)**
Balance at 28 February 2021	-

Fair value of the unit-linked investments (i.e. collective investment schemes invested in) was 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.

F4. EQUITY SECURITIES

	2020 Rm
Own balances	411
Listed	372
Unlisted but quoted	2
Unquoted	37
Consolidated mutual funds (note F10.1)	
Listed	112
Investments linked to investment contracts (note F10.2)	2 097
Listed	2 088
Unquoted	9
	2 620

Reconciliation

	FVTPL Rm
Balance at 1 March 2019	2 996
Additions	428
Disposals	(468)
Fair value net losses	(172)
Transfer to associates (note F2.1)	(168)
Subsidiaries sold	(1)
Other movements	5
Balance at 29 February 2020	2 620
Current	259
Non-current	2 361
Change in investment entity status	**(2 620)**
Balance at 28 February 2021	-

	2021			2020		
	Current (agricultural produce) Rm	**Non-current (bearer plants) Rm**	**Total Rm**	Current (agricultural produce) Rm	Non-current (bearer plants) Rm	Total Rm
F5. BIOLOGICAL ASSETS						
Balance at beginning of the year	**172**	**413**	**585**	167	426	593
Change in investment entity status	**(172)**	**(413)**	**(585)**			-
Additions			**-**	175	40	215
Disposals			**-**		(7)	(7)
Changes in fair value of biological assets			**-**	225		225
Transfer of harvested produce to inventory			**-**	(389)		(389)
Depreciation			**-**		(19)	(19)
Impairments			**-**		(2)	(2)
Exchange differences			**-**	(2)		(2)
Subsidiaries sold			**-**	(4)	(25)	(29)
Balance at end of the year	**-**	**-**	**-**	172	413	585
Biological assets consisted of the following:						
Maize crops *				26		26
Soya crops *				33		33
Orchards **				53		53
Vineyards **				43		43
Other *				17		17
Orchards ***					246	246
Vineyards ***					167	167
				172	413	585

** These biological assets were valued at cost since an insignificant level of biological transformation has taken place since planting.*
*** These biological assets were 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.*
**** Consisted of citrus orchards, pome (apple and pear) orchards and grape vineyards, being carried at cost less accumulated depreciation and impairment losses.*

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

Biological assets comprised mainly plantings of apples and pears (563ha), grapes (287ha), citrus (278ha), soya (5,037ha) and maize (1,750ha).

	2020 Rm
F6. INVESTMENT IN INVESTMENT CONTRACTS	
FVTPL (current)	16

Fair value of the investment in investment contracts was determined by reference to the underlying assets' quoted prices. All of these investments were linked to investment contract liabilities (note F10.2).

F7. INVENTORY

Raw materials	155
Work-in-progress	104
Finished goods	1 779
	2 038

The cost of inventory recognised as an expense in the prior year and included in cost of goods sold (note F13) in the income statement amounted to R10.9bn.

		2021 Rm	2020 Rm
F8.	**REINSURANCE ASSETS AND LIABILITIES**		
	Reinsurance assets (current)		
	Reinsurers' share of insurance liabilities	-	127
	Balance at beginning of the year	**127**	103
	Change in investment entity status	**(127)**	
	Movement for the year		24
	Deferred acquisition costs	-	7
	Balance at beginning of the year	**7**	6
	Change in investment entity status	**(7)**	
	Movement for the year		1
		-	134

Amounts due at the prior reporting date from reinsurers in respect of claims already paid by the group on reinsured contracts, were included in trade receivables (refer note 8). All reinsurance assets were considered recoverable at the reporting dates.

		2021 Rm	2020 Rm
	Reinsurance liabilities (current)		
	Deferred reinsurance acquisition revenue	-	7
	Balance at beginning of the year	**7**	5
	Change in investment entity status	**(7)**	
	Movement for the year		2
F9.	**INSURANCE CONTRACTS**		
	Long-term insurance (non-current)	-	19
	Balance at beginning of the year	**19**	21
	Change in investment entity status	**(19)**	
	Liabilities released for payments on death, surrender and other terminations		(3)
	Transfer to policyholder funds		1
	Short-term insurance (current)	-	535
	Balance at beginning of the year	**535**	522
	Change in investment entity status	**(535)**	
	Claims reported		
	In respect of current year		1 077
	In respect of prior year		(155)
	Claims paid		(892)
	Movement for the year		(17)
		-	554
F10.1	**THIRD-PARTY LIABILITIES ARISING ON CONSOLIDATION OF MUTUAL FUNDS**		
	Balance at beginning of the year	**29 999**	26 715
	Change in investment entity status	**(29 999)**	
	Net capital contributions received from third parties		2 254
	Fair value adjustment to third-party liabilities		1 030
	Balance at end of the year (current)	-	29 999

Third-party liabilities arising on consolidation of mutual funds are represented by the following underlying investments:

	2020 Rm
Unit-linked investments	25 542
Equity securities	112
Debt securities	3 994
Trade and other receivables	71
Cash and cash equivalents	309
Trade and other payables	(29)
	29 999

		2021 Rm	2020 Rm
F10.1	**THIRD-PARTY LIABILITIES ARISING ON CONSOLIDATION OF MUTUAL FUNDS (continued)**		
	The group consolidated various mutual funds due to the group's investment therein and PSG Konsult's management of same (refer page 73). Third parties' funds invested in the consolidated mutual funds were included as a liability under "third-party liabilities arising on consolidation of mutual funds".		
F10.2	**INVESTMENT CONTRACT LIABILITIES**		
	Carried at fair value		
	Balance at beginning of the year	**26 694**	25 932
	Change in investment entity status	**(26 694)**	
	Investment contract receipts		3 454
	Investment contract benefits paid		(2 909)
	Commission and administration expenses		(290)
	Fair value adjustments to investment contract liabilities		507
	Balance at end of the year	**-**	26 694
	Current		2 946
	Non-current		23 748
	Investment contracts are represented by the following underlying investments:		
	Unit-linked investments		24 180
	Equity securities		2 097
	Debt securities		371
	Investment in investment contracts		16
	Cash and cash equivalents		30
			26 694

Investment contract liabilities relate to PSG Life Ltd clients' assets held under investment contracts, which are linked to a corresponding liability (refer page 73).

F11. ASSETS/LIABILITIES HELD FOR SALE AND DISCONTINUED OPERATIONS

2021

With effect from 1 March 2020, PSG Group classified the portion of its associate interest (refer note F2.1) in Capitec being subject to unbundling as an asset held for sale and discontinued operation. PSG Group simultaneously transferred its retained equity security interest in Capitec that would not be unbundled to investments at FVTPL and continued to measure it at FVTPL throughout the year under review. Profit or losses resulting from PSG Group's shareholding in Capitec forming part of the Capitec Unbundling were disclosed as a discontinued operation in PSG Group's consolidated income statement for both years presented, irrespective of such investment being equity accounted during the prior year.

Below table provides a reconciliation of the Capitec associate interest during the year under review:

	Carrying value 29-Feb-20 (note F2.1) Rm	Gain upon remeasuring retained Capitec interest to fair value [1)] Rm	Gain upon unbundling of Capitec interest at fair value Rm	Transfer to investments at FVTPL [1)] (note 1) Rm	Capitec unbundling at fair value [2)] Rm	Carrying value 28-Feb-21 Rm
Investment in associate (Capitec)						
Retained Capitec interest (continuing operations)	**1 258**	5 158		(6 416)		-
Unbundled Capitec interest (discontinued operations)	**7 785**		21 099		(28 884)	-
Total	**9 043**	5 158	21 099	(6 416)	(28 884)	-

[1)] *This portion of the investment in associate representing the retained 4.9m Capitec shares not forming part of the Capitec Unbundling, and over which significant influence was lost, was transferred to investments at FVTPL at the ruling market price on 1 March 2020, being the date on which the unbundled Capitec interest was reclassified as an asset held for sale.*

[2)] *Representing 30.5m Capitec shares worth R28,884m at the ruling share price as at 30 July 2020, being the date on which PSG Group shareholder approval for the Capitec Unbundling was obtained, with the required approval of the Prudential Authority having been obtained prior to such date. Transaction costs of R11m were incurred in respect of the Capitec Unbundling.*

2020

Asset held for sale and discontinued operation

During the prior year, 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. PSG Group consequently received a special dividend from Zeder of R1.7bn on 28 April 2020.

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 were in the process of being sold.

	2020 Rm
F12. REVENUE FROM SALE OF GOODS	
Agricultural produce/seed	6 547
Fast-moving consumer goods	6 051
Mining, construction and utility goods	501
Other goods	403
	13 502

Revenue from sale of agricultural produce/seed emanated from Zeder (i.e. Capespan, Zaad and Agrivision), while revenue from the sale of i) fast-moving consumer goods (i.e. CA&S) and ii) mining, construction and utility goods (mainly Energy Partners) emanated from PSG Alpha.

	2020 Rm
F13. COST OF GOODS SOLD	
Changes in finished goods	10 446
Raw material and consumables used	411
Other expenses	482
	11 339

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

	2020 Rm
F14. OTHER OPERATING INCOME	
Profit on sale/deconsolidation of subsidiaries (note F19.2)	58
Profit on sale of property, plant and equipment	14
Other	242
	314

	2020 Rm
F15. INSURANCE CLAIMS AND LOSS ADJUSTMENTS, NET OF RECOVERIES	
Short-term insurance contracts	659
Long-term individual life insurance contracts - death, maturity, surrender and sick leave benefits and transfers to policyholder liabilities	4
	663

2020	Gross Rm	Reinsurance Rm	Net Rm
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

	2020 Rm
F16. FUTURE LEASE PAYMENTS AND CAPITAL COMMITMENTS AND OTHER CONTINGENT LIABILITIES	
Lease payments	
Lease payments - land and buildings	
Due within one year	365
Due within one to five years	1 234
Due after more than five years	37 864
	39 463
Lease payments - vehicles, office equipment and other	
Due within one year	45
Due within one to five years	63
Due after more than five years	2
	110
Total	39 573
Capital commitments	
Authorised but not yet contracted	
Property, plant and equipment	1 086
Intangible assets	101
Biological assets	43
	1 230
Contracted	
Property, plant and equipment	459
Intangible assets	16
	475

Other contingent liabilities

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

F17. ADOPTION OF IFRS 16 *LEASES*

Background

IFRS 16 *Leases,* adopted by the group effective 1 March 2019, was 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	987
Lease liabilities	(1 283)
Deferred income tax assets/liabilities	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	2 010
Add : adjustments as a result of different treatment of extension and termination options [1)]	40 955
Operating lease commitments as at 1 March 2019	42 965
Less : short-term lease commitments	(18)
Less : low-value lease commitments	(38)
	42 909
Less : discounting effect using the incremental borrowing rate [2)]	(41 626)
Lease liabilities recognised as at 1 March 2019	1 283

1) *Curro leases certain school premises. Rental agreements are typically concluded for an initial fixed period of 5 to 20 years with extension options. 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 contained 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 was not contractually obliged thereto at the time) had 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.*

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

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.

F18. TRANSACTIONS WITH NON-CONTROLLING INTERESTS

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

F19. NOTES TO THE STATEMENTS OF CASH FLOWS

F19.1 Businesses/subsidiaries acquired

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 included, 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 would 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 prior year, can be summarised as follows:

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
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 ended 29 February 2020 of approximately R698m and Rnil, respectively.

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

F19. NOTES TO THE STATEMENTS OF CASH FLOWS (continued)

F19.2 Subsidiaries sold

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:

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

F20. 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 73.

At the prior reporting date, financial instruments were 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 were based on reasonable possible changes in market variables for equity prices, interest rates and foreign exchange rates for the group.

	2020 Rm
CLASSES OF FINANCIAL AND INSURANCE ASSETS	
Investment in preference shares of/loans granted to associates	42
Loans granted to joint ventures	35
Unlisted but quoted unit-linked investments - own balances	656
Unlisted but quoted unit-linked investments - consolidated mutual funds	25 542
Unlisted but quoted unit-linked investments - investments linked to investment contracts	23 907
Total unlisted but quoted unit-linked investments	50 105
Unquoted unit-linked investments - own balances	26
Unquoted unit-linked investments - investments linked to investment contracts	273
Total unquoted unit-linked investments	299
Total unit-linked investments	50 404
Listed equity securities - own balances	372
Listed equity securities - consolidated mutual funds	112
Listed equity securities - investments linked to investment contracts	2 088
Total listed equity securities	2 572
Unlisted but quoted equity securities - own balances	2
Unquoted equity securities - own balances	37
Unquoted equity securities - investments linked to investment contracts	9
Total unquoted equity securities	46
Total equity securities	2 620

F20. FINANCIAL RISK MANAGEMENT (continued)

Financial risk factors (continued)

CLASSES OF FINANCIAL AND INSURANCE ASSETS (continued)

	2020 Rm
Listed debt securities - consolidated mutual funds	867
Unlisted but quoted debt securities - own balances	1 847
Unlisted but quoted debt securities - consolidated mutual funds	3 127
Unlisted but quoted debt securities - investments linked to investment contracts	371
Total unlisted but quoted debt securities	5 345
Total debt securities	6 212
Investment in investment contracts	16
Secured loans	276
Unsecured loans	54
Total loans and advances	330
Trade receivables	3 564
Broker and clearing houses	1 626
Contract assets from contracts with customers	50
Sundry receivables	307
Total trade and other receivables	5 547
Derivative financial assets	24
Reinsurance assets	134
Cash and cash equivalents	1 977
Assets held for sale	7
Total financial and insurance assets	67 348
CLASSES OF FINANCIAL AND INSURANCE LIABILITIES	
Insurance contracts	554
Third-party liabilities arising on consolidation of mutual funds	29 999
Investment contract liabilities	26 694
Bank overdrafts	1 382
Redeemable preference shares	2 555
Unsecured loans	364
Secured loans	4 793
Total borrowings	9 094
Lease liabilities	1 453
Loan from subsidiary	
Fixed-for-variable interest rate swaps	63
Exchange traded derivatives	31
Written put options to non-controlling interests	23
Total derivative financial liabilities	117
Trade payables and accruals	4 493
Margin accounts	28
Subsidiary/associated company purchase consideration payable	180
Total trade and other payables	4 701
Reinsurance liabilities	7
Liabilities held for sale	12
Total financial and insurance liabilities	72 631

F20. FINANCIAL RISK MANAGEMENT (continued)

Financial risk factors (continued)

	FVTPL 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			2 620
Debt securities	6 212			6 212
Investment in investment contracts	16			16
Loans and advances		330		330
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	7 819	246	67 348
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		9 094		9 094
Derivative financial liabilities	117			117
Trade and other payables	108	4 526	67	4 701
Reinsurance liabilities			7	7
	56 918	13 620	628	71 166

[1] *Carrying value approximated fair value.*

F20. FINANCIAL RISK MANAGEMENT (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

At the prior reporting date, the group was 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 FVTPL.

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

Sector composition of unit-linked investments - 2020	Consolidated mutual funds Rm	Investments linked to investment contracts Rm	Own balances Rm	Total Rm
Equity funds	9 977	6 146	9	16 132
Multi-asset funds	13 899	15 394	530	29 823
Interest-bearing investments	1 666	2 326	111	4 103
Other		314	32	346
	25 542	24 180	682	50 404

The table below summarises the sensitivity of the group's post-tax net profit for the prior 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% at the prior reporting date, with all other variables (e.g. effective tax rate) held constant.

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

Sector composition of equity securities - 2020	Consolidated mutual funds Rm	Investments linked to investment contracts Rm	Own balances Rm	Total Rm
Banks, insurance and financial services	47	748	12	807
Healthcare		88	1	89
Industrial, retail, food & beverage and other sectors	44	479	386	909
Property and construction	14	343	6	363
Resources, chemicals and oil & gas	7	133	3	143
Technology, media and telecommunications		306	3	309
	112	2 097	411	2 620

The table below summarises the sensitivity of the group's post-tax net profit for the prior 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% at the prior reporting date, with all other variables (e.g. effective tax rate) held constant.

2020	20% decrease Rm	20% decrease Rm
Impact on post-tax profit	64	(64)

Sector composition of debt securities - 2020	Consolidated mutual funds Rm	Investments linked to investment contracts Rm	Own balances Rm	Total Rm
Banks	2 923	273	1 783	4 979
Government	924	6	28	958
Other	147	92	36	275
	3 994	371	1 847	6 212

F20. FINANCIAL RISK MANAGEMENT (continued)

Financial risk factors (continued)

Market risk (continued)

Foreign currency risk

At the prior reporting date, the group had certain investments in foreign operations, whose net assets were exposed to foreign currency translation risk. Management monitored this exposure and cover was used where appropriate. The group's foreign exchange exposure related 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&S 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 at the prior reporting date are analysed in the following table:

	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

	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)] *Related 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.*

F20. FINANCIAL RISK MANAGEMENT (continued)

Financial risk factors (continued)

Market risk (continued)

Foreign currency risk (continued)

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

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

The company had no exposure to foreign currency risk.

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

2020	Foreign amount m	Average exchange rate	Rand value Rm
Exports			
British pound sterling	2	18.64	40
United States dollar	3	14.59	40
Euro	1	16.24	20
			100
Imports			
United States dollar	2	14.59	32
Euro	1	16.24	20
			52

F20. FINANCIAL RISK MANAGEMENT (continued)

Financial risk factors (continued)

Market risk (continued)

Cash flow and fair value interest rate risk (continued)

At the prior reporting date, the group's interest rate risk arose from interest-bearing investments and receivables, long-term borrowings and variable rate preference shares issued to non-controlling interests. Borrowings issued at variable rates exposed the group to cash flow interest rate risk. Borrowings issued at fixed rates exposed 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:

	2020 Rm
Loans to and preference share investments in associates and joint ventures	
Floating rate	11
Fixed rate and non-interest bearing	66
	77
Unit-linked investments	
Floating rate	112
Fixed rate and non-interest bearing	50 292
	50 404
Debt securities	
Floating rate	2 518
Fixed rate and non-interest bearing	3 694
	6 212
Loans and advances	
Floating rate	217
Fixed rate and non-interest bearing	113
	330
Trade and other receivables	
Floating rate	326
Fixed rate and non-interest bearing	5 221
	5 547
Cash and cash equivalents	
Floating rate	1 745
Fixed rate and non-interest bearing	232
	1 977
Third-party liabilities arising on consolidation of mutual funds	
Floating rate	(804)
Fixed rate and non-interest bearing	(29 195)
	(29 999)
Investment contract liabilities	
Floating rate	(31)
Fixed rate and non-interest bearing	(26 663)
	(26 694)
Borrowings	
Floating rate	(5 156)
Fixed rate and non-interest bearing	(3 938)
	(9 094)
Trade and other payables	
Floating rate	(52)
Fixed rate and non-interest bearing	(4 649)
	(4 701)
	(3 717)

F20. FINANCIAL RISK MANAGEMENT (continued)

Financial risk factors (continued)

Market risk (continued)

Cash flow and fair value interest rate risk (continued)

	2020 Rm
Floating rate	(1 114)
Own balances	(1 206)
Client-related balances	92
Fixed rate and non-interest bearing	(2 603)
Own balances	(2 528)
Client-related balances	(75)
	(3 717)

The group managed its cash flow interest rate risk by monitoring interest rates on a regular basis. Consideration was given to hedging options which would be utilised if viable. PSG Financial Services' JSE-listed cumulative, non-redeemable, non-participating ("perpetual") preference shares were 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 had deployed various hedging strategies, which included the following:

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

• The group's redeemable preference share borrowings (note 14) carried fixed dividend rates. In addition, the group had 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 were not directly exposed to interest rate risk, as they were undiscounted and contractually non-interest-bearing.

The table below summarises the sensitivity of the group's post-tax net profit for the prior year to interest rate fluctuations. The analysis is based on the assumption that interest rates were 1% higher/lower for the full prior 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:

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

F20. 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 at the prior reporting date:

2020	Carrying value Rm	Collateral fair value Rm
Investment in preference shares of/loans granted to associates	42	
Loans granted to joint ventures	35	
Unit-linked investments	50 404	
Debt securities	6 212	
Investment in investment contracts	16	
Loans and advances	330	593
Trade and other receivables	5 547	320
Derivative financial assets	24	
Reinsurance assets	134	
Cash and cash equivalents	1 977	
	64 721	913
Own balances	8 601	
Client balances	56 120	

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

These instruments were impaired by reference to the net asset value of the debtor and/or discounted cash flow calculations. Impairments during the prior year in respect of investments in preference shares of/loans granted to associates are detailed in note F2.1.

Unit-linked investments

Client-related balances comprised 98.6% of these instruments and thus the relevant credit risk was carried by the respective policyholders and third-party mutual fund investors.

Debt securities

Client-related balances comprised 70.3% of these instruments and thus the relevant credit risk was carried by the respective policyholders and third-party mutual fund investors.

Investment in investment contracts

Client-related balances comprised 100% of these instruments and thus the relevant credit risk was carried by the policyholders of the linked investment contracts.

Loans and advances

In the case of loans and advances, management demanded collateral or other form of securitisation as they deemed fit. Collateral included 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 were recognised on trade and other receivables as detailed in note 8.

Derivative financial assets

Derivative counterparties were 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 related to reinsurers' reserve deposits.

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

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

F20. FINANCIAL RISK MANAGEMENT (continued)

Financial risk factors (continued)

Credit risk (continued)

Cash and cash equivalents

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

The credit quality of financial assets at the prior reporting date 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:

2020	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			136
Other non-rated	42	35		74	16	330	497
	42	35	50 404	6 212	16	330	57 039

2020	Subtotal Rm	Trade and other receivables Rm	Derivative financial assets Rm	Reinsurance assets Rm	Cash and cash equivalents Rm	Total Rm
Government stock	958					958
Aaa	22				64	86
Aa	2	119			7	128
A					3	3
Baa		37	1		658	696
Ba	41				46	87
B					1	1
P1	4 979				1 030	6 009
Unit-linked	50 404					50 404
Other rated	136	54		123	7	320
Other non-rated	497	5 337	23	11	161	6 029
	57 039	5 547	24	134	1 977	64 721

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

Other non-rated assets consisted mainly of secured and unsecured loans to external parties (refer note 7.1 for details of the security provided), trade and other receivables and cash and cash equivalents. All trade and other receivables were generally payable within 30 to 90 days. The various group companies assessed all counterparties for creditworthiness before transacting, and monitored creditworthiness on a regular basis.

Trade and other receivables related mainly to PSG Online broker and clearing accounts and CA&S and Zaad's trade receivables. The counterparty to the PSG Online broker and clearing accounts was the JSE, with a corresponding control account balance included in trade and other payables (note 16).

F20. 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 prior financial year are disclosed in note 25.

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 at the prior reporting date into relevant maturity groupings based on the remaining period at the prior reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

2020	Carrying value Rm	Less than 1 year Rm	Between 1 and 5 years Rm	Over 5 years Rm
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	9 094	3 344	6 480	888
Lease liabilities	1 453	384	1 283	37 865
Derivative financial liabilities	117	56	109	22
Trade and other payables ***	4 701	4 676	38	
Reinsurance liabilities	7	7		
Liabilities held for sale	12	5	9	
	72 631	41 954	31 684	38 775

** Third-party liabilities arising on consolidation of mutual funds were supported by the respective mutual funds' underlying assets. These funds represented demand liabilities of collective investment scheme interests not held by the group arising as a result of consolidation. Maturity analysis was not possible as it remains 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 was linked to the value of the underlying matching assets portfolio (note F10.2) and it was the group's policy to pay a policyholder only once the amount disinvested had been collected. Accordingly, the underlying assets' maturity profile should approximate that of the investment contracts. The investment contract liabilities listed in the table thus did not expose the group to liquidity risk. The investment policy and mandates took 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 was mitigated. In addition, investment guidelines and limits were used to limit exposure to illiquid assets. With regard to the investment linked to guaranteed investment contracts, these products had very specific guaranteed repayment profiles. The expected liability outflows were matched by assets that provided the required cash flows as and when they become payable.*

**** Included in trade and other payables was the settlement accounts for trades undertaken 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 (note 16). The settlement control account was matched with current assets in the form of broker and clearing accounts receivable (note 8), which reduced the liquidity risk.*

F20. FINANCIAL RISK MANAGEMENT (continued)

Fair value estimation

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

Level 1

The fair value of financial instruments traded in active markets was based on quoted market prices at the prior reporting date. A market was regarded as active if quoted prices were 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. These instruments were included in level 1 and comprise primarily JSE-listed equity securities classified as at FVTPL.

Level 2

Financial instruments that traded in markets that were not considered to be active but were valued (using valuation techniques) based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs were 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 related to units held in collective investment schemes that were priced monthly. The prices were obtained from the respective Collective Investment Scheme management company and were based on quoted prices that were publicly available. Investments in investment contracts included in level 2 related to units held in investment contracts or market-linked insurance policies issued by a registered long-term insurer. These prices were obtained from the insurer of the particular investment contract. Debt securities included in level 2 related to JSE-listed instruments that were benchmarked against South African government bonds. The value was determined using a valuation model that used the observable input (i.e. yield of benchmark bond).

These unit-linked investments, investments in investment contracts and debt securities were mostly held to match investment contract liabilities, and as such any change in measurement would have resulted in a similar adjustment to investment contract liabilities. The group's overall profit or loss was 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 included:

Instrument	Valuation technique	Main unobservable inputs
Unit-linked investments	Quoted exit price provided by the fund manager	Not applicable - daily prices publicly available
Equity securities	Valuation model that used market inputs	Price-earnings multiples publicly available
Debt securities	Valuation model that used market inputs	Bond interest rate curves, issuer credit ratings and liquidity spreads
Investment in investment contracts	Prices were 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 publicly available
Investment contract liabilities	Current unit price of underlying unitised financial asset that was linked to the liability, multiplied by the number of units held	Not applicable

F20. FINANCIAL RISK MANAGEMENT (continued)

Fair value estimation (continued)

Level 3

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

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

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

Other derivative liabilities included in level 3 related to put options held by non-controlling interests against the group. These fair values were 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 (consisted of purchase consideration payable) classified in level 3 had significant unobservable inputs, as the valuation technique used to determine the fair values took into account the probability, at the prior reporting date, that the acquiree would 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 were measured at fair value:

2020	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
Assets				
Unit-linked investments		50 104	300	50 404
Equity securities	2 572	2	46	2 620
Debt securities	867	5 345		6 212
Investment in investment contracts		16		16
Derivative financial assets		24		24
Assets held for sale	7			7
	3 446	55 491	346	59 283
Own balances	379	2 258	64	2 701
Client-related balances	3 067	53 233	282	56 582
	3 446	55 491	346	59 283
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

F20. FINANCIAL RISK MANAGEMENT (continued)

Fair value estimation (continued)

The following tables present the changes in level 3 financial instruments during the prior reporting period:

	Unit-linked investments Rm	Equity securities Rm	Total Rm
Assets			
Balance at 1 March 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 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

Insurance risk

The group's insurance risk emanated from PSG Life Ltd ("PSG Life") and Western Group Holdings Ltd ("Western"), both PSG Konsult subsidiaries. PSG Life exposed the group to longevity risk (risk of loss should annuitants live longer than expected) on an annuity book with 55 policies and a value of R17m. This annuity book was in process of being run-off. Western issued contracts that transferred 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.

F21. 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.

PSG 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 *SOTP value* , as well as to the group's interest (including the PSG Financial Services perpetual preference dividend) cover ratio based on free cash flow. When funding is required management will consider PSG 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 (note 11).

2021

PSG Group repaid all of its term (redeemable preference share) debt during the year under review (note 14). Subsequent to year-end, PSG Group announced its intention to repurchase all of its perpetual preference shares in issue (note 28) and, if successfully concluded, PSG Group will have no further funding obligations.

2020

PSG Group's gearing ratio (calculated based on debt at a head-office level, including PSG Financial Services' perpetual preference shares at its JSE-listed market value) equated to 13% of its equity. Interest cover based on free cash flow and calculated at a PSG Group head-office level amounted to 3.1 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 had a capital cover ratio of 191% based on the then latest insurance group return. During the prior year, 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 the prior reporting date. PSG Konsult subsidiaries with regulatory capital adequacy requirements included:

- *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 at the prior 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 prior reporting date.

Set out below is an analysis of the group's most material subsidiaries as at the prior reporting date, insofar as it relates to gaining an understanding of the non-controlling interests' carrying value reported in the statement of financial position as at 29 February 2020:

Subsidiary - 2020	Country of incorporation [1]	Nature of business	Interest held [2] %	Carrying value of non-controlling interests Rm
PSG Financial Services [3]	South Africa	Investment holding	100.0	1 578
PSG Konsult	South Africa	Financial services	60.5	1 309
PSG Alpha	South Africa	Early-stage investing in select growth sectors	98.1	61
Zeder [4]	South Africa	Investment holding	43.8	4 481
Curro	South Africa	Private basic education	55.4	2 444
Other				1 970
Total				11 843

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

[2] *Representing voting interest held, being equal to economic interest held, apart from Zeder's economic interest held being 44.0% as at 29 February 2020.*

[3] *Non-controlling interest related to PSG Financial Services' JSE-listed cumulative, non-redeemable, non-participating preference shares (note 13).*

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

Subsidiary - 2020	Dividends paid: To non-controlling interests Rm	Dividends paid: To the parent Rm	Dividends paid: Total Rm	Profit/(loss) attributable to non-controlling interests Rm
PSG Financial Services	147		147	146
PSG Konsult	118	170	288	317
PSG Alpha	45		45	58
Zeder	123	82	205	357
Curro	20	29	49	64
Other			-	(46)
	453			896

Subsidiary - 2020	Assets [1] Non-current Rm	Assets [1] Current Rm	Assets [1] Total Rm	Liabilities [1] Non-current Rm	Liabilities [1] Current Rm	Liabilities [1] Total Rm
PSG Konsult	53 177	10 723	63 900	24 134	36 181	60 315
PSG Alpha	5 603	2 193	7 796	875	1 930	2 805
Zeder	4 815	9 332	14 147	1 580	4 249	5 829
Curro	10 000	572	10 572	4 458	623	5 081

Subsidiary - 2020	Profitability (100%) [1] Profit for the year Rm	Other compre-hensive profit/(loss) Rm	Total compre-hensive income for the year Rm	Revenue Rm
PSG Konsult	708	11	719	7 014
PSG Alpha	34	(9)	25	9 245
Zeder	599	(389)	210	7 543
Curro	161	(13)	148	2 980

[1] *The amounts set out in the tables above were the subsidiaries' consolidated amounts at their respective levels, after taking into account consolidation adjustments.*

Restrictions

There were no significant statutory, contractual or regulatory restrictions on PSG Group's ability, apart from those disclosed in note F17 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 were there significant protective rights relating to non-controlling interests that could significantly restrict its ability to access or use the assets and settle the liabilities of the group.

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 as at the prior reporting date. 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 Carrying value Rm	2020 Market value [2] Rm
Capitec	South Africa	Banking	30.7	9 043	46 130
Pioneer Foods [3]	South Africa	Food and beverage producer	28.6		
Kaap Agri	South Africa	Retail and agriculture	43.2	723	723
Other				906	
Total				10 672	

[1] *Principle place of business is the country of incorporation.*

[2] *Based on JSE-listed closing share price.*

[3] *During the prior year, 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 (note F11).*

	Assets			Liabilities		
Associate - 2020	Non-current Rm	Current Rm	Total Rm	Non-current Rm	Current Rm	Total Rm
Capitec	50 396	84 172	134 568	19 262	89 726	108 988
Pioneer Foods [1]	8 113	6 551	14 664	2 355	3 353	5 708
Kaap Agri [1]	1 786	3 002	4 788	206	2 655	2 861

	Profitability (100%)			
Associate - 2020	Profit for the year Rm	Other comprehensive income for the year Rm	Total comprehensive income for the year Rm	Revenue Rm
Capitec	6 251	9	6 260	29 710
Pioneer Foods [1]	916	8	924	22 273
Kaap Agri [1]	281	2	283	8 452

	Profitability (group's interest)			
Associate - 2020	Profit for the year Rm	Other comprehensive loss for the year [2] Rm	Total comprehensive income for the year Rm	Dividends received Rm
Capitec	1 917	(50)	1 867	665
Pioneer Foods [1]	272	(8)	264	189
Kaap Agri [1]	119	(5)	114	37
Other	186	(175)	11	78
	2 494	(238)	2 256	969

[1] *Amounts were the most recently reported publicly available results as at end September 2019.*

[2] *Other comprehensive loss for the year include the group's share of associates' equity movements.*

ANNEXURE H - MATERIAL ASSOCIATES AND JOINT VENTURES

for the year ended 28 February 2021

2020	Reconciliation of assets and liabilities reported above to the group's carrying values for associates		
	Capitec Rm	Pioneer Foods Rm	Kaap Agri Rm
Total assets reported above	134 568	14 664	4 788
Total liabilities reported above	(108 988)	(5 708)	(2 861)
Net assets reported above	25 580	8 956	1 927
Non-controlling interests	(72)		(100)
Equity attributable to owners of the parent	25 508	8 956	1 827
Group's economic interest in the associate (%)	30.7	30.3	43.2
Group's interest in equity attributable to owners of the parent	7 831	2 711	789
Deemed goodwill and fair value adjustments included in associates' carrying value [1)]	1 212	2 340	(66)
Transferred to assets held for sale		(5 051)	
Associates' carrying value	9 043	-	723

[1)] *Also include timing differences which emanated from lag period accounting adjustments in the case of Pioneer Foods and Kaap Agri.*

At the prior reporting date, the group's classification into seven reportable segments, namely: Capitec, PSG Konsult, PSG Alpha, Zeder, Curro, Dipeo and PSG Corporate, remained unchanged and these segments represented 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 had exposure to operations outside South Africa through, inter alia, PSG Alpha's investment in CA&S, through Zeder's investments in TLG, Capespan, Zaad and Agrivision Africa, and through Curro.

PSG Group's *recurring earnings* was the sum of its effective interest in that of each of its underlying investments. The result was that investments in which PSG Group held less than 20% and were generally not equity accountable in terms of accounting standards, were equity accounted for the purpose of calculating consolidated *recurring earnings*. *Non-recurring earnings* included, inter alia, once-off gains and losses and marked-to-market fluctuations, as well as the resulting taxation charge on these items.

SOTP value is a key valuation tool used to measure PSG Group's performance. In determining *SOTP value*, listed assets and liabilities were valued using quoted market prices, whereas unlisted assets and liabilities were valued using appropriate internal valuation methods. These values would not necessarily correspond with the values per the consolidated statement of financial position since the latter were measured using the relevant accounting standards which included historical cost and the equity method of accounting.

Approximately 98% of PSG Group's *SOTP value* was 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 were 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) evaluated the following information to assess the segments' performance:

For the year ended 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	(29)		(29)	
Funding and other	32	(90)	(4)	(94)	(1 604)
Total	24 865	2 794	(211)	2 583	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	427				
Non-headline items				(121)	
Earnings attributable to non-controlling interests				896	
Taxation				525	
Profit before taxation				3 883	
Profit before taxation from continuing operations [2]				1 429	
Profit for the year from discontinued operations [2]				2 454	
Recurring earnings per share (R)		12.81			
SOTP value per share (R)					276.43

[1] *Reported net of non-controlling interests.*

[2] *Re-presented for the discontinued operations as detailed in note F11.*

PSG GROUP LIMITED

ANNEXURE J - SEPARATE STATEMENT OF FINANCIAL POSITION
as at 28 February 2021

	Notes	2021 Rm	2020 Rm
ASSETS			
Investment in subsidiary	1	21 350	2 498
Loans to subsidiaries	2	876	7 109
Trade and other receivables		1	1
Total assets		22 227	9 608
EQUITY			
Stated capital	3	6 636	7 095
Retained earnings		13 137	1 031
Total equity		19 773	8 126
LIABILITIES			
Loan from subsidiary	2	2 435	1 476
Trade and other payables		19	6
Total liabilities		2 454	1 482
Total equity and liabilities		22 227	9 608

PSG GROUP LIMITED

ANNEXURE J - SEPARATE STATEMENT OF COMPREHENSIVE INCOME
for the year ended 28 February 2021

	Notes	2021 Rm	2020 Rm
Investment income	4	20 475	1 201
Fair value adjustment to subsidiary	1	18 852	
Gain upon unbundling of Capitec interest at fair value (discontinued operation)	5	4 079	
Capitec Unbundling transaction costs (discontinued operation)	5	(11)	
Administration costs		(7)	(5)
Profit before taxation		43 388	1 196
Taxation	6		
Profit and total comprehensive income for the year		43 388	1 196

PSG GROUP LIMITED

ANNEXURE J - SEPARATE STATEMENT OF CHANGES IN EQUITY
for the year ended 28 February 2021

	Stated capital Rm	Retained earnings Rm	Total Rm
Balance at 1 March 2019	7 080	922	8 002
Profit and total comprehensive income for the year		1 196	1 196
Shares issued	15		15
Dividends paid		(1 087)	(1 087)
Balance at 29 February 2020	7 095	1 031	8 126
Profit and total comprehensive income for the year		**43 388**	**43 388**
Shares repurchased	**(459)**		**(459)**
Capitec Unbundling		**(30 731)**	**(30 731)**
Dividends paid		**(551)**	**(551)**
Balance at 28 February 2021	**6 636**	**13 137**	**19 773***

* *Refer Annexure A.*

PSG GROUP LIMITED

ANNEXURE J - SEPARATE STATEMENT OF CASH FLOWS
for the year ended 28 February 2021

	Notes	2021 Rm	2020 Rm
Cash flows from operating activities		**(7)**	1 196
Cash utilised by operations	**7**	**(7)**	(5)
Interest received	**4**		1
Dividends received	**4**		1 200
Cash flows from investing activities		**1 004**	(124)
Capitec Unbundling transaction costs (discontinued operation)	**5**	**(11)**	
Movement in loans with direct and indirect wholly-owned subsidiaries		**1 015**	(124)
Cash flows from financing activities		**(997)**	(1 072)
Dividends paid		**(551)**	(1 087)
Shares (repurchased)/issued		**(446)**	15
Net increase in cash and cash equivalents		**-**	-
Cash and cash equivalents at beginning of the year			
Cash and cash equivalents at end of the year		**-**	-

PSG GROUP LIMITED

ANNEXURE J - NOTES TO THE SEPARATE ANNUAL FINANCIAL STATEMENTS
for the year ended 28 February 2021

	2021 Rm	2020 Rm
1. INVESTMENT IN SUBSIDIARY		
Non-current		
PSG Financial Services	**21 350**	2 498
Opening balance	**2 498**	
Fair value adjustment	**18 852**	

As detailed in the company's consolidated financial statements, the company's status changed to that of an investment entity with effect from 1 March 2020 and it commenced accounting for its investee subsidiaries (i.e. all subsidiaries other than those rendering services related to the company's investment activities) at fair value. IAS27.11A requires an investment entity to similarly account for such investee subsidiaries at fair value in its separate financial statements and accordingly, with effect from 1 March 2020, the company commenced fair valuing its interest in its sole wholly-owned subsidiary, PSG Financial Services. PSG Financial Services' fair value is determined with reference to the SOTP value detailed in Annexure A and as reconciled therewith below:

	2021 Rm	2020 Rm
SOTP value per Annexure A	**19 773**	
Less : loans to subsidiaries reflected in PSG Group's separate annual financial statements but eliminated as intergroup for purposes of the SOTP value per Annexure A	**(876)**	
Less : trade and other receivables at a PSG Group level included in the SOTP value per Annexure A and therefore excluded from the fair value of the investment in PSG Financial Services	**(1)**	
Add : loan from subsidiary reflected in PSG Group's separate annual financial statements but eliminated as intergroup for purposes of the SOTP value per Annexure A	**2 435**	
Add : trade and other payables at a PSG Group level included in the SOTP value per Annexure A and therefore excluded from the fair value of the investment in PSG Financial Services	**19**	
Fair value of investment in PSG Financial Services	**21 350**	
2. LOANS TO/(FROM) SUBSIDIARIES		
Current		
Loan to a wholly-owned subsidiary of PSG Financial Services (2020: loans to PSG Financial Services and a wholly-owned subsidiary of PSG Financial Services)	**876**	7 109
Loan from a wholly-owned subsidiary of PSG Financial Services	**(2 435)**	(1 476)
These loans are unsecured, interest-free and have no terms of repayment		
3. STATED CAPITAL		
Authorised		
400,000,000 (2020: 400,000,000) ordinary shares with no par value		
Issued		
223,778,107 (2020: 232,163,254) ordinary shares with no par value	**6 636**	7 095
4. INVESTMENT INCOME		
Interest income		1
Dividend income from PSG Financial Services	**20 475**	1 200
	20 475	1 201

5. CAPITEC UNBUNDLING

During July 2020 in anticipation of the Capitec Unbundling, the company acquired 32.5m Capitec shares from PSG Financial Services on loan account for R26,652m in terms of the intergroup rollover relief provisions contained in the Income Tax Act. Subsequently on 30 July 2020, the Capitec Unbundling was approved by PSG Group shareholders, with the required approval of the Prudential Authority having been obtained prior to such date, and accordingly the unbundling was accounted for at the then ruling market value of R30,731m, with the difference of R4,079m being credited to the income statement. The company incurred transactions costs of R11m in respect of the Capitec Unbundling.

6. TAXATION

The company accounted for current income tax on its only taxable income being interest income; however, such tax accounted for and paid was less than R1m.

	2021 Rm	2020 Rm
7. CASH UTILISED BY OPERATIONS		
Profit before taxation	**43 388**	1 196
Investment income	**(20 475)**	(1 201)
Fair value adjustment to subsidiary	**(18 852)**	
Gain upon unbundling of Capitec interest at fair value (discontinued operation)	**(4 079)**	
Capitec Unbundling transaction costs (discontinued operation)	**11**	
	(7)	(5)

8. RELATED-PARTY TRANSACTIONS AND BALANCES

Related-party transactions and balances have been disclosed in notes 1, 2, 4 and 5.

Emoluments and/or fees paid to the company's directors in their capacity as directors of the company have been disclosed in the directors' report.

9. FINANCIAL RISK MANAGEMENT

FINANCIAL RISK FACTORS

The company's activities expose it to financial risks. The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance.

Risk management is carried out by the company under policies approved by the directors.

The sensitivity analysis presented below is based on reasonable possible changes in market variables.

The investment in subsidiary is classified as a financial asset carried at FVTPL, while loans to subsidiaries and trade and other receivables are classified as financial assets carried at amortised cost. The loan from a subsidiary and trade and other payables are classified as financial liabilities carried at amortised cost. The carrying amounts of financial instruments carried at amortised cost approximate their fair values.

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 equity prices, interest rates and foreign currency exchange rates. The company is not exposed to interest rate risk or foreign exchange risk.

Price risk

The company is exposed to price risk on its subsidiary measured at fair value as at the most recent reporting date.

At 28 February 2021, if the fair value of the company's sole subsidiary had been 20% higher/lower with all other variables held constant, post-tax profit for the year would have been R4,270m (2020: Rnil) higher/lower.

Credit risk

Credit risk relating to the company's intergroup loan balances is managed at a group level.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient marketable securities, the availability of funding through an adequate amount of committed credit facilities (e.g. intergroup loans receivable from wholly-owned subsidiaries with available cash resources) and the ability to close out market positions. All trade and other receivable/payable balances are current.

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.

FAIR VALUE ESTIMATION

The fair value of the company's sole wholly-owned subsidiary is derived mainly from quoted closing prices at the reporting date (i.e. level 1 according to the fair value measurement hierarchy) as detailed in Annexure A.

CAPITAL MANAGEMENT

The capital management of the company is determined by its board of directors as further detailed on page 105.