PSG GROUP LIMITED

ANNUAL FINANCIAL STATEMENTS

for the year ended 28 February 2019

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 is available 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.

CONTENTS

GLOSSARY

- "Capitec"
  Capitec Bank Holdings Ltd, a JSE-listed retail bank, in which PSG Group holds an associate interest of 30.7%. Capitec represents one of PSG Group's seven reportable segments.
- "CA Sales"
  CA Sales Holdings Ltd, a Botswana Stock Exchange-listed fast-moving consumer goods distributor, in which PSG Alpha holds an interest of 47.7%. PSG Group consolidates CA Sales in terms of IFRS 10, in light of, inter alia, its shareholding, board representation and additional voting rights. CA Sales forms part of the PSG Alpha reportable segment, being its second largest investment.
- "Curro"
  Curro Holdings Ltd, a JSE-listed private basic education provider, in which PSG Group holds a subsidiary interest of 55.4%. 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 a subsidiary interest of 49%. PSG Group consolidates Dipeo in terms of IFRS 10, in light of, inter alia, its shareholding, board representation and the extent of preference share funding provided. Dipeo represents one of 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, refrigeration, water and fuel), in which PSG Alpha holds a subsidiary interest of 54.1%.
- "Evergreen"
  Evergreen Retirement Holdings (Pty) Ltd, an unlisted developer and operators of retirement lifestyle villages, in which PSG Alpha holds a joint venture interest of 50%.
- "JSE"
  JSE Ltd, a registered stock exchange in South Africa.
- "PSG Alpha"
  PSG Alpha Investments (Pty) Ltd, an unlisted investment holding company focused on early-stage investments in select growth sectors, thus serving as incubator to find the businesses of tomorrow. PSG Alpha is invested in 13 businesses, including CA Sales, Energy Partners, Evergreen and Stadio. PSG Group holds a subsidiary interest of 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. 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 interests in Capitec, Curro, Dipeo, PSG Alpha, PSG Corporate, PSG Konsult and Zeder. PSG Financial Services' cumulative, non-redeemable, non-participating (i.e. perpetual) preference shares are listed on the JSE.
- "PSG Group" or "the group" or "the company"
  PSG Group Ltd, a JSE-listed investment holding company, and its subsidiaries, as the context may require.
- "PSG Konsult"
  PSG Konsult Ltd, a JSE-listed financial services company, in which PSG Group holds a subsidiary interest of 60.6%. 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 44.0% and 3.4%, respectively. PSG Group consolidates Stadio in terms of IFRS 10, in light of, inter alia, its shareholding, board representation and management involvement. PSG Alpha's interest in Stadio forms part of the PSG Alpha reportable segment, being its 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 43.8%. 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. Zeder represents one of PSG Group's seven reportable segments.

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

REPORT OF THE AUDIT AND RISK COMMITTEE

For the year ended 28 February 2019

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. Mr PE Burton, Ms B Mathews and Mr CA Otto have served as members of the audit and risk committee for 12, two and seven years, respectively. Ms AM Hlobo is a new appointee and has attended one meeting. The committee met twice during the past financial year on 23 April 2018 and 15 October 2018, as well as after financial year-end on 23 April 2019, 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 2019.

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 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 engagement letter terms, audit plan and budgeted audit fees for the 2019 financial year;
- Approved the nature and extent of non-audit services of the external auditor;
- Nominated for re-election at the annual general meeting, PricewaterhouseCoopers Inc. as the external audit firm;
- Satisfied itself, based on the information and explanations supplied by management and obtained through discussions with the external auditor, that the system of internal financial controls is effective and forms a basis for the preparation of reliable financial statements;
- Satisfied itself, based on the information and explanations supplied by management and obtained through discussions with the external auditor, that PSG Group be regarded as a going concern;
- Reviewed the formal policy for and calculation of PSG Group's ordinary dividend proposed at interim and year-end, and recommended it to the board of directors for approval;

- Reviewed the accounting policies and financial statements for the year ended 28 February 2019 and, based on the information provided to the Committee, considers that the company and group comply, in all material respects, with the JSE Listings Requirements; International Financial Reporting Standards ("IFRS"); the IFRIC interpretations; the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee; the Financial Reporting Pronouncements, as issued by the Financial Reporting Standards Council; and the manner required by the Companies Act of South Africa; and
- Satisfied itself in terms of paragraph 3.84(g)(i) of the JSE Listings Requirements that the group chief financial officer, as well as the group finance function, has the appropriate expertise and experience.

PricewaterhouseCoopers Inc. has served as external auditor of PSG Group for the past 23 years, while the designated external audit partner has served in such capacity for the past four years. The Committee remains satisfied with the quality of the external audit performed by PricewaterhouseCoopers Inc. The adoption of mandatory audit firm rotation, as set out in the rules of the Independent Regulatory Board of Auditors, is receiving the Committee's attention.

PE Burton
PSG Group Audit and Risk Committee Chairman

Stellenbosch
5 June 2019

PSG GROUP LIMITED

APPROVAL OF ANNUAL FINANCIAL STATEMENTS

for the year ended 28 February 2019

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 103, 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
5 June 2019

DECLARATION BY THE COMPANY SECRETARY

for the year ended 28 February 2019

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
5 June 2019

NATURE OF BUSINESS

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

OPERATING RESULTS

The operating results and state of affairs of the company and group are set out in the attached income statements and statements of financial position, comprehensive income, changes in equity and cash flows, as well as the notes thereto. For the year under review, the group's recurring earnings amounted to R2,357m (2018: R2,142m), headline earnings amounted to R2,194m (2018: R1,956m) and earnings attributable to owners of the parent amounted to R1,926m (2018: R1,914m). The group's total profit (gross of non-controlling interests) for the year amounted to R2,341m (2018: R2,427m).

STATED CAPITAL

Details regarding authorised and issued share capital are set out in note 18 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	
	2019	2018
Shares in issue at beginning of the year, gross of treasury shares	**231 449 404**	231 449 404
Less : Treasury shares		
Held by a subsidiary (PSG Financial Services)	**(13 908 770)**	(13 908 770)
Held by related parties of management by way of loan funding advanced	**(1 600 000)**	(2 100 000)
Held by the PSG Group Ltd Supplementary Share Incentive Trust		(9 890)
Shares in issue at beginning of the year, net of treasury shares	**215 940 634**	**215 430 744**
Movement in treasury shares		
Shares released to participants by the PSG Group Ltd Supplementary Share Incentive Trust		9 890
Shares issued in terms of the PSG Group Ltd Supplementary Share Incentive Trust to participants	**658 646**	
Shares released following full settlement of loan funding previously advanced to related parties of management	**1 500 000**	500 000
Shares in issue at end of the year, net of treasury shares	**218 099 280**	**215 940 634**

DIVIDENDS

Details of dividends appear in note 38 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 (42) [1) 2)]
BCom (Mathematics)
PSG Group CEO
Appointed 16 February 2009

WL Greeff (49) [1)]
BCompt (Hons), CA(SA)
PSG Group CFO
Appointed 13 October 2008

JA Holtzhausen (48) [1)]
BIuris, LLB, HDip Tax
PSG Capital CEO
Appointed 13 May 2010

Non-executive

FJ Gouws (54)
BAcc, CA(SA)
PSG Konsult CEO
Appointed 25 February 2013

JJ Mouton (44)
BAcc (Hons), CA(SA), MPhil (Cantab)
Investment professional
Appointed 18 April 2005

Independent non-executive

PE Burton (66) [2) 3) 4) 5) 6)]
BCom (Hons), PG Dip Tax
Director of companies
Appointed 19 March 2001

ZL Combi (67) [2) 4) 5)]
Diploma in Public Relations
Director of companies and PSG Group Chairman
Appointed 14 July 2008

AM Hlobo (43) [3)]
BCompt (Hons), CA(SA), MCom (Finance)
Senior lecturer and director of companies
Appointed 11 April 2019

B Mathews (49) [3)]
BCom (Hons), CA(SA), HDip Tax
Consultant and director of companies
Appointed 3 May 2016

CA Otto (69) [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 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 bonuses [3]	**Total short-term remuneration**	**Long-term remuneration: Non-cash gains from exercise of share options [4]**	**Total remuneration**
For the year ended 28 Feb 2019								
WL Greeff	10 042	(3 013)	3 068	**10 097**		**10 097**	**29 116**	**39 213**
JA Holtzhausen	10 042	(3 013)	3 068	**10 097**	4 000	**14 097**	**29 130**	**43 227**
PJ Mouton	11 627	(3 488)	3 553	**11 692**		**11 692**	**33 260**	**44 952**
	31 711	(9 514)	9 689	**31 886**	4 000	**35 886**	**91 506**	**127 392**
For the year ended 28 Feb 2018								
WL Greeff	9 500	(2 850)		**6 650**		**6 650**		**6 650**
JA Holtzhausen	9 500	(2 850)		**6 650**	6 000	**12 650**		**12 650**
PJ Mouton	11 000	(3 300)		**7 700**		**7 700**		**7 700**
	30 000	(9 000)	-	**21 000**	6 000	**27 000**	**-**	**27 000**

[1] *The deferred portion of base salaries is increased by the South African Revenue Services' official interest rate to compensate for time value of money, and paid out 12 months later on a monthly basis during the ensuing year, subject to malus/clawback provisions and the executive director remaining in PSG Group's service.*

[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 sustainable long-term value creation for shareholders. PSG Capital's CEO, also serving as an executive director of PSG Group, continues to qualify for a discretionary performance-based bonus in terms of PSG Capital's bonus pool arrangement.*

[4] *The executive directors' share options that became exercisable on 28 February 2018 were only exercised in the ensuing financial year on 31 July 2018 in accordance with the 180-day exercise window. Also, share options that became exercisable on 28 February 2017 were exercised on that date. Consequently, there were no gains made with the exercise of share options in the financial year ended 28 February 2018.*

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 in either an executive or non-executive capacity:

Audited R'000 (excluding value added tax, to the extent applicable)	**Paid for services rendered to PSG Group:** Fees	Base salary	**Total**	**Paid for services rendered to subsidiaries:** Fees	Base salary	Discretionary performance-based bonuses	Non-cash gains from exercise of share options	**Total**	**Total remuneration**
For the year ended 28 Feb 2019									
PE Burton	497		**497**	606				**606**	**1 103**
ZL Combi	387		**387**	740				**740**	**1 127**
FJ Gouws [1]			**-**		5 210	20 600	37 673	**63 483**	**63 483**
B Mathews	400		**400**					**-**	**400**
JF Mouton	360	721	**1 081**					**-**	**1 081**
JJ Mouton	250		**250**					**-**	**250**
CA Otto	450		**450**	500				**500**	**950**
	2 344	721	**3 065**	1 846	5 210	20 600	37 673	**65 329**	**68 394**
For the year ended 28 Feb 2018									
PE Burton	265		**265**	538				**538**	**803**
ZL Combi	155		**155**	677				**677**	**832**
FJ Gouws [1]			**-**		4 872	18 800	38 531	**62 203**	**62 203**
MJ Jooste/TLR de Klerk [2]	142		**142**					**-**	**142**
B Mathews	240		**240**					**-**	**240**
JF Mouton	310	3 490	**3 800**					**-**	**3 800**
JJ Mouton	155		**155**					**-**	**155**
CA Otto	250		**250**	260				**260**	**510**
	1 517	3 490	**5 007**	1 475	4 872	18 800	38 531	**63 678**	**68 685**

[1] *Mr FJ Gouws is the CEO of PSG Konsult, a subsidiary. The total performance-based bonus earned on a PSG Konsult level was R21.5m (2018: R20m), of which the payment of 70% (2019: R15.1m; 2018: R14m) is unconditional, while the payment of 15% each (2019: R3.2m; 2018: R3m) is subject to malus/clawback provisions and conditional on the director remaining in service for one and two years, respectively.*

[2] *Paid to Steinhoff International Holdings Ltd for the period during which it had a PSG Group board representative.*

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 28 Feb 2018	Number of share options during the year Awarded	Vested [1]	Market price per share on vesting date R	Strike price per share R	Date granted	**Number of share options as at 28 Feb 2019**	**Non-cash gains from exercise of share options during the year R'000**	**Value of unvested share options as at 28 Feb 2019 [2] R'000**
WL Greeff	26 044		(26 044)	233.00	61.50	28/02/2013	**-**	**4 467**	
	300 714		(150 357)	233.00	83.23	28/02/2014	**150 357**	**22 519**	**25 159**
	43 054		(14 352)	233.00	136.84	28/02/2015	**28 702**	**1 380**	**3 264**
	54 871		(13 718)	233.00	178.29	29/02/2016	**41 153**	**750**	**2 974**
	72 292				236.13	28/02/2018	**72 292**		**1 043**
		185 877			250.56	28/02/2019	**185 877**		
	496 975	185 877	(204 471)				**478 381**	**29 116**	**32 440**
JA Holtzhausen	25 883		(25 883)	233.00	61.50	28/02/2013	**-**	**4 439**	
	301 122		(150 561)	233.00	83.23	28/02/2014	**150 561**	**22 550**	**25 193**
	44 239		(14 747)	233.00	136.84	28/02/2015	**29 492**	**1 418**	**3 354**
	52 880		(13 220)	233.00	178.29	29/02/2016	**39 660**	**723**	**2 866**
	72 889				236.13	28/02/2018	**72 889**		**1 052**
		185 807			250.56	28/02/2019	**185 807**		
	497 013	185 807	(204 411)				**478 409**	**29 130**	**32 465**
PJ Mouton	32 263		(32 263)	233.00	61.50	28/02/2013	**-**	**5 533**	
	330 942		(165 471)	233.00	83.23	28/02/2014	**165 471**	**24 783**	**27 688**
	56 020		(18 673)	233.00	136.84	28/02/2015	**37 347**	**1 796**	**4 247**
	83 993		(20 998)	233.00	178.29	29/02/2016	**62 995**	**1 148**	**4 553**
	84 203				237.31	28/02/2017	**84 203**		**1 116**
	113 018				236.13	28/02/2018	**113 018**		**1 631**
		227 700			250.56	28/02/2019	**227 700**		
	700 439	227 700	(237 405)				**690 734**	**33 260**	**39 235**
	1 694 427	599 384	(646 287)				**1 647 524**	**91 506**	**104 140**

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 2019. Such right was exercised within the 180-day exercise window on 30 April 2019.*

2) *Based on the 30-day volume weighted average PSG Group share price as at 28 February 2019.*

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 28 Feb 2018	Number of share options during the year Awarded [1]	Vested	Market price per share on vesting date R	Strike price per share R	Date granted	**Number of share options as at 28 Feb 2019**	**Non-cash gains from exercise of share options during the year R'000**	**Value of unvested share options as at 28 Feb 2019 [2] R'000**
FJ Gouws	3 125 000		(3 125 000)	9.81	2.83	01/03/2013	**-**	**21 813**	
	3 175 000		(1 587 500)	9.81	5.06	01/03/2014	**1 587 500**	**7 541**	**9 001**
	671 389		(223 797)	9.81	7.27	01/04/2015	**447 592**	**568**	**1 549**
	10 335 579		(2 583 895)	9.81	6.81	01/04/2016	**7 751 684**	**7 751**	**30 387**
	3 156 559				7.59	01/04/2017	**3 156 559**		**9 912**
		3 750 000			8.74	01/04/2018	**3 750 000**		**7 463**
	20 463 527	3 750 000	(7 520 192)				**16 693 335**	**37 673**	**58 312**

1) *On 23 April 2019, Mr FJ Gouws accepted a further 4m PSG Konsult share options at a strike price of R10.15 per share, being the 30-day volume weighted average PSG Konsult share price as at 1 April 2019.*

2) *Based on the 30-day volume weighted average PSG Group share price as at 28 February 2019.*

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 corporate governance section of the annual report available at *www.psggroup.co.za.*

SHAREHOLDING OF DIRECTORS

The shareholding of directors in the issued share capital of PSG Group as at 28 February 2019 was as follows:

	Beneficial		Non-beneficial	**Total shareholding 2019**		Total shareholding 2018	
Audited	Direct	Indirect	Indirect	**Number**	**%**	Number	%
PE Burton		197 500	100 000	**297 500**	**0.1**	294 000	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**	1 178 768	0.6
JA Holtzhausen	611 226	500 000		**1 111 226**	**0.5**	1 234 340	0.6
JJ Mouton [2) 3)]	120 000	1 414 000		**1 534 000**	**0.7**	1 530 675	0.7
PJ Mouton [3)]	54 148	5 349 664		**5 403 812**	**2.5**	5 321 976	2.4
CA Otto	108		3 324 559	**3 324 667**	**1.5**	3 574 667	1.6
Total	1 147 606	8 508 661	3 424 559	**13 080 826**	**6.0**	13 488 426	6.2

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

[2)] *Subsequent to year-end, Mr JJ Mouton acquired a further 1,000 PSG Group ordinary shares in the open market.*

[3)] *Messrs JJ Mouton and PJ Mouton are also trustees and discretionary beneficiaries of the JF Mouton Familietrust with an effective holding of 42,104,981 PSG Group ordinary shares, representing approximately 19.3% of PSG Group's issued share capital (net of treasury shares).*

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	South Africa
Stellenbosch	7599
South Africa	
7600	

AUDITOR

PricewaterhouseCoopers Inc. continues to serve as the external auditor of PSG Group and their re-appointment will be presented to PSG Group ordinary shareholders for voting thereon at the upcoming annual general meeting scheduled for 26 July 2019.

EVENTS SUBSEQUENT TO THE REPORTING DATE

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

Independent auditor's report

To the shareholders of PSG 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 2019, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

What we have audited

PSG Group Limited's consolidated and separate financial statements set out on pages 16 to 102 comprise:

- the consolidated and separate statements of financial position as at 28 February 2019;
- the consolidated and separate income statements for the year then ended;
- the consolidated and separate statements of comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended;
- the accounting policies;
- the notes to the financial statements;
- the explanatory note of impact of client-related balances; and
- annexure A - material subsidiaries, annexure B - material associates and joint ventures and annexure C - segment report.

Certain required disclosures have been presented elsewhere in the *PSG Group Limited Annual Financial Statements for the year ended 28 February 2019*, 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 International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B).

pwc

Our audit approach

Overview

Overall group materiality

- *R140.85 million, which represents 5% of consolidated profit before taxation.*

Group audit scope

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

Key audit matters

- *Impairment assessment of intangible assets including goodwill*
- *Equity accounted earnings of Capitec Bank Holdings Limited (Capitec)*

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	*R140.85 million*
How we determined it	*5% of consolidated profit before taxation.*
Rationale for the materiality benchmark applied	*We chose consolidated profit before taxation as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users of the financial statements, and is a generally accepted benchmark. We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.*

How we tailored our group audit scope

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

The Group has underlying investments that operate across a diverse range of industries, which include banking, education, financial services and food and related business, as well as early-stage investments in growth sectors. The Group's seven main business units are Capitec Bank Holdings Limited ("Capitec"), Curro Holdings Limited ("Curro"), PSG Konsult Limited ("PSG Konsult"), Zeder Investments Limited ("Zeder"), PSG Alpha Investments Proprietary Limited ("Alpha"), Dipeo Capital (RF) Proprietary Limited ("Dipeo") and PSG Corporate.

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

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

Key audit matters

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

Consolidated financial statements

Key audit matter	*How our audit addressed the key audit matter*
Impairment assessment of intangible assets including goodwill	
Refer to accounting policies 8 and 9, and note 2 of the financial statements The goodwill and intangible assets (R4.5 billion) represent a substantial portion of the Group's total assets, when excluding client-related balances. The goodwill and intangible assets are tested annually, or when impairment indicators exist, for impairment by management (using price/earnings ("P/E") multiples and discounted cash flow ("DCF") valuations) and concluded on by the audit committee. In the current year, an impairment loss of R118 million was recorded.	• We evaluated the controls over the approval of the impairment calculations and assumptions by inspecting minutes of the audit, risk and executive committee meetings. • We tested the mathematical accuracy of the impairment calculations and considered whether the models used are consistent with the prior year and acceptable for the industry. • We evaluated the cash flows in the impairment calculations by agreeing them to approved budgets and third-party information where appropriate.
The audit committee and management utilise two different valuation techniques in assessing for impairment:	We tested the reasonableness of the key assumptions for the two different techniques used, as detailed below:

pwc

P/E multiples

The key judgements and estimates in determining the inputs are:

- Forecast recurring earnings per share; and
- P/E-multiple ranges and the reasonability thereof compared to similar entities operating in similar industries, as well as previous transactions.

DCF valuations

The key judgements and estimates in determining the inputs are:

- Growth rate;
- Terminal growth rate; and
- Discount rate.

The impairment assessment of goodwill and intangible assets was considered to be a matter of most significance to our current year audit as the audit committee and management apply significant judgement in determining the inputs to the valuations.

P/E multiples

- We assessed and considered the P/E multiples applied by management and compared them to multiples of similar entities. We found that the P/E multiples used are comparable with third-party and independently established multiples.
- We agreed the forecast recurring earnings used to the financial results of the respective investees.
- In order to test the robustness of management's forecasts, we compared the latest actual results to the forecast information used in the prior year's impairment testing performed. The actual results were within an acceptable range to the forecast information, after allowing for changes in economic assumptions and other relevant variables.

DCF valuations

- We assessed the projected future cash flows, including the growth rate and the terminal growth rate, used in the DCF valuations by understanding the process followed by management to determine these forecasts and agreeing the forecast information to management approved budgets and business plans.
- In order to test the robustness of management's forecasts, we compared the latest actual results to the forecast information used in the prior year's impairment testing performed. The actual results were within an acceptable range to the forecast information, after allowing for changes in economic assumptions and other relevant variables.
- We compared the discount rate used by management in their calculations to our internally developed benchmarks using our valuation expertise. Our internal benchmarks were determined using our view of various economic indicators. We found that the discount rates applied by management were comparable with our internally developed benchmarks.

Equity accounted earnings of Capitec Bank Holdings Limited (Capitec)

Refer to accounting policy 4.4, note 4.1 to the financial statements and Annexure B in the Group financial statements on pages 99 to 100.

The Group's largest investment is a 30.7% interest in Capitec. This investment is equity accounted in the consolidated financial statements under the equity method per International Accounting Standard 28 - Investments in Associates and Joint Ventures (IAS 28). The Group's share of the after-tax profits of Capitec for the year ended 28 February 2019 was R1.62 billion and the Group's share of Capitec's net assets was R6.63 billion as at 28 February 2019.

The equity accounting of Capitec's earnings was considered to be a matter of most significance to our current year audit due to its significance to the consolidated financial statements.

We issued audit instructions to the Capitec audit team, which outlined the areas of audit focus necessary for the Group audit, as well as the information required to be reported back to the Group audit team.

We obtained the audited financial results of Capitec, evaluated the consistency of its accounting policies with those of the Group and compared the results to the equity accounted results and movements recorded in the consolidated financial statements. We found no exceptions.

We maintained continual interaction with the Capitec audit team, and involvement in their work. We evaluated the audit approach applied throughout all phases of the audit process by assessing whether the identified audit risks were addressed, examining working papers and performing review procedures. Based on the work executed by the component team in accordance with our instructions and the procedures noted above, we have determined that the audit work performed and audit evidence obtained were sufficient for our purposes.

We obtained an understanding of the significant judgement areas within Capitec and the impact it had on the Group's consolidated financial statements. In the current year Capitec adopted International Financial Reporting Standard 9 - Financial Instruments (IFRS 9) which had a significant impact on the equity accounted earnings of Capitec. As a result we evaluated the work performed on judgements relating to Capitec's assessment of expected credit losses (ECLs) in terms of IFRS 9 by inspecting the testing performed by the Capitec audit team. This included audit procedures on the relevant controls, application of IFRS 9, inputs, assumptions and judgements around recognition and measurement of the ECLs. We found the impact of these judgements and the work performed on them to be sufficient for our purpose of testing the equity accounted earnings of Capitec.

Separate financial statements

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the *PSG Group Limited Annual Financial Statements for the year ended 28 February 2019*, 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 and the *PSG Group Limited Annual Report 2019*. Other information does not include the consolidated and 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 on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated and separate financial statements

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

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

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

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

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

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

pwc

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

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

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

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

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of PSG Group Limited for 23 years.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: D de Jager
Registered Auditor
Stellenbosch
5 June 2019

PSG GROUP LIMITED

STATEMENTS OF FINANCIAL POSITION

as at 28 February 2019

		GROUP		COMPANY	
		2019	2018	**2019**	2018
	Notes	**Rm**	Rm	**Rm**	Rm
ASSETS					
Property, plant and equipment	1	**11 149**	9 310		
Intangible assets	2	**4 541**	3 825		
Investment in subsidiary	3.1			**2 498**	2 498
Loans to subsidiaries	3.2			**5 900**	5 150
Investment in ordinary shares of associates	4.1	**14 578**	13 886		
Investment in preference shares of/loans granted to associates	4.1	**178**	141		
Investment in ordinary shares of joint ventures	4.2	**855**	432		
Loans granted to joint ventures	4.2	**5**	8		
Employee benefit assets	25	**43**	39		
Unit-linked investments	5	**46 495**	42 200		
Equity securities	6	**2 996**	4 321		
Debt securities	7	**6 263**	6 144		
Deferred income tax assets	8	**303**	245		
Biological assets	9	**593**	558		
Investment in investment contracts	10	**16**	15		
Loans and advances	11	**443**	577		
Trade and other receivables	12	**4 589**	4 492		
Derivative financial assets	13	**33**	43		
Inventories	14	**1 696**	1 723		
Current income tax assets		**102**	90		
Reinsurance assets	15	**109**	86		
Cash and cash equivalents	16	**1 832**	2 279		
Non-current assets held for sale	17		7		
Total assets		**96 819**	90 421	**8 398**	7 648
EQUITY					
Equity attributable to owners of the parent					
Stated capital	18	**7 133**	6 976	**7 080**	6 923
Treasury shares		**(111)**	(222)		
Other reserves	19	**7**	(22)		
Retained earnings		**11 086**	10 411	**922**	721
		18 115	17 143	**8 002**	7 644
Non-controlling interests	20	**11 776**	11 729		
Total equity		**29 891**	28 872	**8 002**	7 644
LIABILITIES					
Insurance contracts	21	**543**	543		
Third-party liabilities arising on consolidation of mutual funds	22	**26 715**	23 600		
Investment contract liabilities	23	**25 932**	24 279		
Deferred income tax liabilities	8	**963**	997		
Borrowings	24	**7 777**	7 332		
Loan from subsidiary	3.2			**391**	
Derivative financial liabilities	13	**78**	109		
Employee benefit liabilities	25	**528**	541		
Trade and other payables	26	**4 348**	4 090	**5**	4
Reinsurance liabilities	15	**5**	3		
Current income tax liabilities		**39**	55		
Total liabilities		**66 928**	61 549	**396**	4
Total equity and liabilities		**96 819**	90 421	**8 398**	7 648

PSG GROUP LIMITED

INCOME STATEMENTS

for the year ended 28 February 2019

	Notes	GROUP 2019 Rm	GROUP 2018 Rm	COMPANY 2019 Rm	COMPANY 2018 Rm
Gross profit from sale of goods					
Revenue from sale of goods	27	**13 041**	13 956		
Cost of goods sold	28	**(11 460)**	(11 934)		
		1 581	2 022		
Income					
Changes in fair value of biological assets	9	**194**	195		
Investment income	29	**2 302**	2 059	**1 201**	1 001
Interest earned calculated using the effective interest rate		**533**	611	**1**	1
Interest income on fair value through profit or loss financial instruments		**1 257**	1 006		
Dividend income		**512**	442	**1 200**	1 000
Fair value gains and losses	30	**376**	1 758		
Fair value adjustment to third-party liabilities arising on consolidation of mutual funds	22	**(1 336)**	(1 873)		
Fair value adjustment to investment contract liabilities	23	**(1 073)**	(1 670)		
Commission, school, net insurance premiums and other fee income	31	**9 239**	6 799		
Other operating income	32	**216**	277		
		9 918	7 545	**1 201**	1 001
Expenses					
Insurance claims and loss adjustments, net of recoveries	33	**(582)**	(629)		
Marketing, administration and other expenses	34	**(9 128)**	(7 283)	**(6)**	(4)
		(9 710)	(7 912)	**(6)**	(4)
Net income from associates and joint ventures					
Share of profits of associates and joint ventures	4	**2 360**	1 926		
Loss on impairment of associates	4	**(676)**	(8)		
Net profit/(loss) on sale/dilution of interest in associates	4	**20**	(14)		
		1 704	1 904		
Profit before finance costs and taxation		**3 493**	3 559	**1 195**	997
Finance costs	35	**(676)**	(516)		
Profit before taxation		**2 817**	3 043	**1 195**	997
Taxation	36	**(476)**	(616)		
Profit for the year		**2 341**	2 427	**1 195**	997
Profit attributable to:					
Owners of the parent		**1 926**	1 914	**1 195**	997
Non-controlling interests		**415**	513		
		2 341	2 427	**1 195**	997
Earnings per share (R)	37				
Basic		**8.88**	8.88		
Diluted		**8.76**	8.70		

PSG GROUP LIMITED

STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 28 February 2019

	GROUP		COMPANY	
	2019	2018	**2019**	2018
	Rm	Rm	**Rm**	Rm
Profit for the year	**2 341**	2 427	**1 195**	997
Other comprehensive loss for the year, net of taxation	**(50)**	(92)	**-**	-
Items that may be subsequently reclassified to profit or loss				
Currency translation adjustments	**(19)**	(106)		
Cash flow hedges	**7**	(13)		
Share of other comprehensive (losses)/income and equity movements of associates	**(36)**	7		
Items that may not be subsequently reclassified to profit or loss				
(Losses)/gains from changes in financial and demographic assumptions of post-employment benefit obligations	**(2)**	20		
Total comprehensive income for the year	**2 291**	2 335	**1 195**	997
Attributable to:				
Owners of the parent	**1 912**	1 847	**1 195**	997
Non-controlling interests	**379**	488		
	2 291	2 335	**1 195**	997

PSG GROUP LIMITED

STATEMENTS OF CHANGES IN EQUITY

for the year ended 28 February 2019

GROUP	Stated capital Rm	Treasury shares Rm	Other reserves Rm	Retained earnings Rm	Non-controlling interests Rm	Total Rm
Balance at 1 March 2017	6 975	(252)	(7)	9 184	10 900	26 800
Total comprehensive (loss)/income	-	-	(75)	1 922	488	2 335
Profit for the year				1 914	513	2 427
Other comprehensive (loss)/income			(75)	8	(25)	(92)
Transactions with owners	1	30	60	(695)	341	(263)
Issue of shares	1				1 399	1 400
Share-based payment costs - employees			66		31	97
Treasury shares released		30				30
Subsidiaries/businesses acquired (42.3)					47	47
Transactions with non-controlling interests and transfers between reserves (note 43)			(6)	141	(722)	(587)
Dividends paid				(836)	(414)	(1 250)
Balance at 28 February 2018	6 976	(222)	(22)	10 411	11 729	28 872
Adjustment due to initial application of IFRS 9 and IFRS 15 (refer note 45)				**(231)**	**(32)**	**(263)**
Total comprehensive (loss)/income	**-**	**-**	**(13)**	**1 925**	**379**	**2 291**
Profit for the year				**1 926**	**415**	**2 341**
Other comprehensive loss			**(13)**	**(1)**	**(36)**	**(50)**
Transactions with owners	**157**	**111**	**42**	**(1 019)**	**(300)**	**(1 009)**
Issue of shares	**157**				**433**	**590**
Share-based payment costs - employees			**73**		**39**	**112**
Treasury shares released		**111**				**111**
Subsidiaries/businesses acquired (42.3)					**25**	**25**
Subsidiary deconsolidated (note 42.5)					**(106)**	**(106)**
Transactions with non-controlling interests and transfers between reserves (note 43)			**(31)**	**(90)**	**(191)**	**(312)**
Dividends paid				**(929)**	**(500)**	**(1 429)**
Balance at 28 February 2019	**7 133**	**(111)**	**7**	**11 086**	**11 776**	**29 891**

COMPANY	Stated capital Rm	Retained earnings Rm	Total Rm
Balance at 1 March 2017	6 923	622	7 545
Total comprehensive income			
Profit for the year		997	997
Transactions with owners			
Dividends paid		(898)	(898)
Balance at 28 February 2018	6 923	721	7 644
Total comprehensive income			
Profit for the year		**1 195**	**1 195**
Transactions with owners	**157**	**(994)**	**(837)**
Issue of shares	**157**		**157**
Dividends paid		**(994)**	**(994)**
Balance at 28 February 2019	**7 080**	**922**	**8 002**

STATEMENTS OF CASH FLOWS
for the year ended 28 February 2019

	Notes	GROUP 2019 Rm	GROUP 2018 Rm	COMPANY 2019 Rm	COMPANY 2018 Rm
Cash flows from operating activities					
Cash (utilised by)/generated from operations	42.1	**(137)**	259	**(6)**	(4)
Interest income		**1 774**	1 615	**1**	1
Dividend income		**1 398**	1 202	**1 200**	1 000
Finance costs		**(668)**	(463)		
Taxation paid	42.2	**(693)**	(532)		
Net cash flow from operating activities		**1 674**	2 081	**1 195**	997
Cash flows from investing activities					
Businesses/subsidiaries acquired	42.3	**(852)**	(428)		
First-time consolidation of mutual fund	42.4.1	**10**			
Subsidiaries deconsolidated/sold	42.5	**(59)**	27		
Deconsolidation of mutual funds	42.4.2	**(33)**			
Acquisition of associates and joint ventures		**(402)**	(598)		
Proceeds from sale of associates and joint ventures		**12**			
Net advance of loans and preference share funding to associates and joint ventures		**(48)**	(4)		
Purchases of intangible assets (including books of business)		**(294)**	(238)		
Proceeds from sale of intangible assets (including books of business)		**9**	1		
Purchases of property, plant and equipment		**(1 451)**	(1 641)		
Proceeds from sale of property, plant and equipment		**37**	62		
Movement in other financial assets [1)]		**2 085**	(118)		
Increase in loans to/from subsidiaries				**(358)**	(99)
Net cash flow from investing activities		**(986)**	(2 937)	**(358)**	(99)
Cash flows from financing activities					
Dividends paid to group shareholders		**(929)**	(836)	**(994)**	(898)
Dividends paid to non-controlling interests		**(500)**	(414)		
Capital contributions by non-controlling interests		**198**	804		
Acquired from non-controlling interests		**(323)**	(449)		
Acquired by non-controlling interests		**199**	20		
Increase in borrowings	24	**1 508**	3 406		
Borrowings repaid	24	**(1 274)**	(1 787)		
Proceeds from delivery of holding company's treasury shares		**119**	39		
Shares issued		**19**	1	**157**	
Net cash flow from financing activities		**(983)**	784	**(837)**	(898)
Net decrease in cash and cash equivalents		**(295)**	(72)	**-**	-
Exchange gains on cash and cash equivalents		**7**	9		
Cash and cash equivalents at beginning of the year		**993**	1 056		
Cash and cash equivalents at end of the year [2)]	42.6	**705**	993	**-**	-

[1)] Cash flow from other investing activities during the year comprised mainly proceeds of R1.2bn from Zeder's, through Capespan, disposal of its equity security investment in Joy Wing Mau, a fruit distributor in China, as well as withdrawals of R0.7bn from the PSG Money Market Fund (i.e. disposal of debt securities) at a PSG Group-level, as further detailed on page 24.
[2)] Please refer to page 24 for a detailed discussion on the group's statement of cash flows and the impact of client-related balances thereon.

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

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

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

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

	Own balances			Client-related balances (financial instruments)	Total
ANALYSIS OF THE GROUP STATEMENT OF FINANCIAL POSITION	**Financial and insurance instruments Rm**	**Non-financial instruments Rm**	**Subtotal Rm**	**Rm**	**Rm**
28 February 2019					
Assets					
Property, plant and equipment		11 149	11 149		11 149
Intangible assets		4 541	4 541		4 541
Investment in ordinary shares of associates		14 578	14 578		14 578
Investment in preference shares of/loans granted to associates	178		178		178
Investment in ordinary shares of joint ventures		855	855		855
Loans granted to joint ventures	5		5		5
Employee benefit assets		43	43		43
Unit-linked investments	776		776	45 719	46 495
Equity securities	659		659	2 337	2 996
Debt securities	1 873		1 873	4 390	6 263
Deferred income tax assets		303	303		303
Biological assets		593	593		593
Investment in investment contracts			-	16	16
Loans and advances	443		443		443
Trade and other receivables	2 955	313	3 268	1 321	4 589
Derivative financial assets	22		22	11	33
Inventories		1 696	1 696		1 696
Current income tax assets		102	102		102
Reinsurance assets	109		109		109
Cash and cash equivalents	1 552		1 552	280	1 832
Total assets	8 572	34 173	42 745	54 074	96 819
Equity					
Equity attributable to owners of the parent		18 115	18 115		18 115
Non-controlling interests		11 776	11 776		11 776
Total equity	-	29 891	29 891	-	29 891
Liabilities					
Insurance contracts	543		543		543
Third-party liabilities arising on consolidation of mutual funds			-	26 715	26 715
Investment contract liabilities			-	25 932	25 932
Deferred income tax liabilities		963	963		963
Borrowings	7 666		7 666	111	7 777
Derivative financial liabilities	64		64	14	78
Employee benefit liabilities		528	528		528
Trade and other payables	2 546	500	3 046	1 302	4 348
Reinsurance liabilities	5		5		5
Current income tax liabilities		39	39		39
Total liabilities	11 082	1 772	12 854	54 074	66 928
Total equity and liabilities	11 082	31 663	42 745	54 074	96 819

EXPLANATORY NOTE OF IMPACT OF CLIENT-RELATED BALANCES
for the year ended 28 February 2019

	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**
28 February 2018					
Assets					
Property, plant and equipment		9 310	9 310		9 310
Intangible assets		3 825	3 825		3 825
Investment in ordinary shares of associates		13 886	13 886		13 886
Investment in preference shares of/loans granted to associates	141		141		141
Investment in ordinary shares of joint ventures		432	432		432
Investment in preference shares of/loans granted to joint ventures	8		8		8
Employee benefit assets		39	39		39
Unit-linked investments	635		635	41 565	42 200
Equity securities	2 017		2 017	2 304	4 321
Debt securities	2 597		2 597	3 547	6 144
Deferred income tax assets		245	245		245
Biological assets		558	558		558
Investment in investment contracts			-	15	15
Loans and advances	577		577		577
Trade and other receivables	2 550	348	2 898	1 594	4 492
Derivative financial assets	34		34	9	43
Inventories		1 723	1 723		1 723
Current income tax assets		90	90		90
Reinsurance assets	86		86		86
Cash and cash equivalents	1 924		1 924	355	2 279
Non-current assets held for sale		7	7		7
Total assets	10 569	30 463	41 032	49 389	90 421
Equity					
Equity attributable to owners of the parent		17 143	17 143		17 143
Non-controlling interests		11 729	11 729		11 729
Total equity	-	28 872	28 872	-	28 872
Liabilities					
Insurance contracts	543		543		543
Third-party liabilities arising on consolidation of mutual funds			-	23 600	23 600
Investment contract liabilities			-	24 279	24 279
Deferred income tax liabilities		997	997		997
Borrowings	7 231		7 231	101	7 332
Derivative financial liabilities	92		92	17	109
Employee benefit liabilities		541	541		541
Trade and other payables	2 397	301	2 698	1 392	4 090
Reinsurance liabilities	3		3		3
Current income tax liabilities		55	55		55
Total liabilities	10 385	1 775	12 160	49 389	61 549
Total equity and liabilities	10 385	30 647	41 032	49 389	90 421

EXPLANATORY NOTE OF IMPACT OF CLIENT-RELATED BALANCES
for the year ended 28 February 2019

ANALYSIS OF THE GROUP INCOME STATEMENT	2019 Own balances Rm	2019 Client-related balances Rm	2019 Total Rm	2018 Own balances Rm	2018 Client-related balances Rm	2018 Total Rm
Gross profit from sale of goods						
Revenue from sale of goods	**13 041**		**13 041**	13 956		13 956
Cost of goods sold	**(11 460)**		**(11 460)**	(11 934)		(11 934)
	1 581	-	**1 581**	2 022	-	2 022
Income						
Changes in fair value of biological assets	**194**		**194**	195		195
Investment income *	**492**	**1 810**	**2 302**	474	1 585	2 059
Fair value gains and losses	**(268)**	**644**	**376**	(279)	2 037	1 758
Fair value adjustment to third-party liabilities arising on consolidation of mutual funds		**(1 336)**	**(1 336)**		(1 873)	(1 873)
Fair value adjustment to investment contract liabilities		**(1 073)**	**(1 073)**		(1 670)	(1 670)
Commission, school, net insurance premiums and other fee income	**9 329**	**(90)**	**9 239**	6 983	(184)	6 799
Other operating income	**216**		**216**	185	92	277
	9 963	**(45)**	**9 918**	7 558	(13)	7 545
Expenses						
Insurance claims and loss adjustments, net of recoveries	**(582)**		**(582)**	(629)		(629)
Marketing, administration and other expenses	**(9 185)**	**57**	**(9 128)**	(7 312)	29	(7 283)
	(9 767)	**57**	**(9 710)**	(7 941)	29	(7 912)
Net income from associates and joint ventures						
Share of profits of associates and joint ventures	**2 360**		**2 360**	1 926		1 926
Loss on impairment of associates	**(676)**		**(676)**	(8)		(8)
Net profit/(loss) on sale/dilution of interest in associates	**20**		**20**	(14)		(14)
	1 704	-	**1 704**	1 904	-	1 904
Profit before finance costs and taxation	**3 481**	**12**	**3 493**	3 543	16	3 559
Finance costs *	**(676)**		**(676)**	(516)		(516)
Profit before taxation	**2 805**	**12**	**2 817**	3 027	16	3 043
Taxation	**(464)**	**(12)**	**(476)**	(600)	(16)	(616)
Profit for the year	**2 341**	-	**2 341**	2 427	-	2 427

** Reclassification of R16m made between investment income and finance cost in the prior year.*

PSG GROUP LIMITED

EXPLANATORY NOTE OF IMPACT OF CLIENT-RELATED BALANCES

for the year ended 28 February 2019

ANALYSIS OF THE GROUP STATEMENT OF CASH FLOWS	**2019** Own balances Rm	Client-related balances Rm	Total Rm	**2018** Own balances Rm	Client-related balances Rm	Total Rm
Cash generated from/(utilised by) operations	**1 726**	**(1 863)**	**(137)**	1 512	(1 253)	259
Interest income	**439**	**1 335**	**1 774**	602	1 013	1 615
Dividend income	**922**	**476**	**1 398**	781	421	1 202
Finance costs	**(668)**		**(668)**	(463)		(463)
Taxation paid	**(693)**		**(693)**	(503)	(29)	(532)
Net cash flow from operating activities	**1 726**	**(52)**	**1 674**	1 929	152	2 081
Net cash flow from investing activities	**(963)**	**(23)**	**(986)**	(2 937)		(2 937)
Net cash flow from financing activities	**(983)**		**(983)**	684	100	784
Net (decrease)/increase in cash and cash equivalents	**(220)**	**(75)**	**(295)**	(324)	252	(72)
Exchange gains on cash and cash equivalents	**7**		**7**	9		9
Cash and cash equivalents at beginning of the year	**638**	**355**	**993**	953	103	1 056
Cash and cash equivalents at end of the year	**425**	**280**	**705**	638	355	993

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 is invested in the PSG Money Market Fund, while some of the available cash held at a subsidiary-level is 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 R0.3bn (2018: R1bn) at the reporting date.

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

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

	2019 Own balances Rm	Client-related balances Rm	Total Rm	**2018** Own balances Rm	Client-related balances Rm	Total Rm
Cash and cash equivalents (per the consolidated statement of financial position)	**1 552**	**280**	**1 832**	1 924	355	2 279
Bank overdrafts (included in "borrowings" per the consolidated statement of financial position)	**(1 127)**		**(1 127)**	(1 286)		(1 286)
Cash and cash equivalents (per the consolidated statement of cash flows - refer note 42.6)	**425**	**280**	**705**	638	355	993
Debt securities (per the consolidated statement of financial position)	**1 873**	**4 390**	**6 263**	2 597	3 547	6 144
Liquid cash resources	**2 298**	**4 670**	**6 968**	3 235	3 902	7 137
PSG Group-level (invested in the PSG Money Market Fund)	**323**			1 000		
Subsidiary-level	**1 975**			2 235		

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

1. BASIS OF PREPARATION

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 framework concepts and the recognition and measurement requirements of IFRS; the IFRIC interpretations; the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee; the Financial Reporting Pronouncements, as issued by the Financial Reporting Standards Council, and the manner required by the Companies Act of South Africa.

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

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

2. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS THAT ARE EFFECTIVE FOR THE FIRST TIME IN 2019

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

The following new standards, interpretations and amendments, which are relevant to the group's operations, were adopted during the year:

- Amendments to IFRS 4 Insurance Contracts – Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (effective 1 January 2018)

  Amendments provide temporary measures to address concerns about issues arising from implementing IFRS 9 Financial Instruments before the new insurance contracts standard.

- IFRS 9 Financial Instruments (effective 1 January 2018)

  New standard which replaced IAS 39 Financial Instruments: Recognition and Measurement. The standard, inter alia, replaced the multiple classification and measurement models in IAS 39 with a single model that has only two categories: amortised cost and fair value. The impact of adopting IFRS 9 is detailed in note 45.

- IFRS 15 Revenue from Contracts with Customers (effective 1 January 2018)

  New standard that specifies how and when an entity will recognise revenue, as well as requiring more informative and relevant disclosures. The standard provides a single, five-step principles-based model to be applied to all contracts with customers. The impact of adopting IFRS 15 is detailed in note 45.

- IFRIC 22 Foreign Currency Transactions and Advance Consideration (effective 1 January 2018)

  Interpretation addresses the exchange rate to use in transactions that involve advance purchase consideration paid or received in a foreign currency.

- Annual improvements to IFRSs 2014 - 2016 review cycle

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

The following amendments had no impact on the measurement of amounts or disclosures in the current or prior year:

- Amendments to IAS 40 Investment Property – Transfers of Investment Property (effective 1 January 2018)

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

The following new standards, interpretations and amendments have been published and are mandatory for the group's accounting periods beginning on or after 1 March 2019 or later periods and have not been early adopted by the group:

- Amendments to IFRS 3 Business Combinations – Definition of a Business (effective 1 January 2020) *
- Amendments to IFRS 9 Financial Instruments – Prepayment Features with Negative Compensation (effective 1 January 2019) *
- IFRS 16 Leases (effective 1 January 2019)

  New standard to replace IAS 17 Leases. The standard specifies how to recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and 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, will be expensed monthly. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from IAS 17.

  Various of the group's investees are expected to be significantly impacted by the adoption of IFRS 16, specifically in respect of leases pertaining to premises (e.g. Capitec branches, PSG Konsult advisor offices, Capespan logistic facilities, and Curro and Stadio leased properties).

  The group will elect to adopt IFRS 16 using the simplified approach whereby prior year numbers are not restated but instead opening retained earnings at 1 March 2019 is adjusted accordingly. As a result of adopting IFRS 16, the group's subsidiaries expect to recognise right-of-use assets and lease liabilities of approximately R0.6bn and R1.1bn, respectively. Furthermore, Capitec (an associate and the group's largest investment) expects to recognise right-of-use assets and lease liabilities of approximately R2.5bn and R2.6bn, respectively.

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

- IFRS 17 Insurance Contracts (effective 1 January 2022, subject to due process)

  New standard to replace IFRS 4 Insurance Contracts. IFRS 17 defines clear and consistent rules that will significantly increase the comparability of financial statements of insurers. Under IFRS 17, the general model requires entities to measure an insurance contract at initial recognition at the total of the fulfilment cash flows (comprising the estimated future cash flows, an adjustment to reflect the time value of money and an explicit risk adjustment for non-financial risk) and the contractual service margin. The fulfilment cash flows are remeasured on a current basis in each reporting period. The unearned profit (contractual service margin) is recognised over the coverage period. Aside from this general model, the standard provides, as a simplification, the premium allocation approach. This simplified approach is applicable for certain types of contract, including those with a coverage period of one year or less. For insurance contracts with direct participation features, the variable fee approach applies. The variable fee approach is a variation on the general model. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the contractual service margin. As a consequence, the fair value changes are not recognised in profit or loss in the period in which they occur, but over the remaining life of the contract.

  Management is in the process of assessing the impact of IFRS 17 on Capitec and PSG Konsult's insurance businesses and therefore the group.
- IAS 1 Presentation of Financial Statements - Disclosure Initiative (effective 1 January 2020) *
- IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective 1 January 2020) *
- Amendments to IAS 19 Employee Benefits - Plan Amendment, Curtailment or Settlement (effective 1 January 2019) *
- Amendments to IAS 28 Investments in Associates and Joint Ventures - Long-term Interest in Associates and Joint Ventures (effective 1 January 2019) *
- IFRIC 23 Uncertainty over Income Tax Treatments (effective 1 January 2019) *
- Annual improvements to IFRSs 2015 - 2017 review cycle *

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

4. CONSOLIDATION

4.1 Subsidiaries (including consolidated mutual funds)

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

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

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

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

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

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

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

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

4. CONSOLIDATION (continued)

4.1 Subsidiaries (including consolidated mutual funds) (continued)

CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

Classification as subsidiaries

Management concluded that the group controls and therefor consolidates certain entities in which it holds an interest of less than 50%, most notably Zeder (refer pages 1 and 98) and certain mutual funds managed by PSG Konsult (refer page 21). 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.

Unconsolidated structured entities

The group, in respect of client-related balances (refer page 21), is invested in mutual funds which are regulated by government agencies, marketed to and open for public investment therein. These mutual funds provide investors with access to returns on underlying assets in terms of predefined mandates and pricing information is publicly available.

Management do not consider these vehicles to be unconsolidated structured entities as defined by IFRS 12 Disclosure of Interests in Other Entities.

4.2 Changes in ownership interests in subsidiaries without change of control

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

4.3 Disposal of subsidiaries

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

4.4 Associates

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

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

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

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

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

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

4.5 Joint arrangements

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. 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.

5. SEGMENT REPORTING

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

6. FOREIGN CURRENCY TRANSLATION

6.1 Functional and presentation currency

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

6.2 Transactions and balances

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

6.3 Group companies

The results and financial position of all group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency 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.

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:

	2019		2018	
Currency	**Average rand per foreign currency unit**	**Closing rand per foreign currency unit**	**Average rand per foreign currency unit**	**Closing rand per foreign currency unit**
Botswana pula	1.30	1.33	1.28	1.23
British pound sterling	17.82	18.67	17.14	16.22
Chinese yuan renminbi	2.02	2.10	1.96	1.86
Euro	15.75	16.00	15.09	14.37
Japanese yen	0.12	0.13	0.12	0.11
Mozambique new metical	0.22	0.22	0.21	0.19
United States dollar	13.52	14.08	13.06	11.78
Zambian kwacha	1.26	1.17	1.37	1.21

Exchanges rates used are based on interbank bid rates.

7. PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

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

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.

8. INTANGIBLE ASSETS

8.1 Goodwill

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

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

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

8.2 Trademarks, patents and licences

Acquired trademarks, patents and licences are shown at cost less accumulated amortisation and impairment losses. Amortisation is generally calculated using the straight-line method over their estimated useful lives, which vary from three to 20 years (2018: three to 20 years) and are reassessed annually. The carrying value of each cash-generating unit is reviewed for impairment when an impairment indicator is identified.

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

8.3 Customer lists

Acquired customer lists are shown at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method over their estimated useful lives ranging between one and 20 years (2018: one and 20 years), which reflect the expected life of the customer lists acquired. The carrying value of each cash-generating unit is reviewed for impairment when an impairment indicator is identified.

8.4 Computer software and other internally generated intangible assets

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

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

Directly attributable costs that are capitalised as part of such items include development employee costs and an appropriate portion of relevant overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. These intangible assets are amortised using the straight-line method over their estimated useful lives, which range between two and 12 years (2018: two and 12 years).

CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

Recognition of intangible assets

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

9. 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 whether goodwill has suffered any impairment. The recoverable amounts of cash-generating units have been determined based on either fair value less cost to sell or value-in-use calculations, as set out in note 2.

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 4.1.

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

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

11.1 Classification

IFRS 9

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

Financial assets at amortised cost

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

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

Financial assets at fair value through other comprehensive income

Upon adoption of IFRS 9, the company and group had no equity instruments that have been elected to be measured at fair value through other comprehensive income.

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

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

Financial assets at fair value through profit or loss

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

11. FINANCIAL ASSETS (continued)

11.1 Classification (continued)

IAS 39

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

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

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

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

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

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

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

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

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

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

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

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

IFRS 9

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

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

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

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

11. FINANCIAL ASSETS (continued)

11.3 Impairment of financial assets

IFRS 9 (continued)

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

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

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

IAS 39

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

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

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

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

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.

11.5 Hedging activities

The group, through Curro (hedge interest rate risk on borrowings) and Zeder (hedge foreign currency exchange risk on imports/exports), elected to continue with hedge accounting as permitted by IFRS 9. Designated and effective hedging instruments are excluded from the definition of financial instruments at fair value through profit or loss and accounted for as cash flow hedges (i.e. hedge of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction).

The group document at the inception of the transaction the relationship between hedging instruments and hedged items, as well as their risk management objectives and strategy for undertaking the hedging transactions. The group also document their assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within fair value gains and losses.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of the hedge is recognised in the income statement. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (e.g. inventory), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in cost of goods sold in the case of inventory.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement as part of fair value gains and losses.

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. 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.

13. BIOLOGICAL ASSETS

13.1 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 9 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.

13.2 Bearer plants

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

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

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

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

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

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

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

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

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

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

14. INVENTORY

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average principle, and includes expenditure incurred in acquiring the inventories, 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.

15. 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.

16. 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.

17. 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 underlying 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 underlying assets).

18. 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.

18.1 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. 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 includes premiums received in terms of inward 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 premiums

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.

iv) Provision for unexpired risk

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

v) Provision for claims

Provision is made on a prudent basis for the estimated final cost of all claims that have not been settled on the reporting date, less amounts already paid. Claims and loss adjustment expenses are charged to income as incurred, based on the estimated liability for compensation owed to the beneficiaries (contract holders or third parties damaged by the contract holders) of the insurance contracts. The group's own assessors or external assessors individually assess claims. The claims provision includes an estimated portion of the direct expenses of the claims and assessment charges. Claims provisions are not discounted.

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 accounting period, but which had not been reported to the group by that date.

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.

18. INSURANCE CONTRACTS (continued)

18.1 Short-term insurance (continued)

viii) Reinsurance contracts held (continued)

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) as well as longer-term receivables (classified as reinsurance assets) that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Receivables are classified as short-term if the group is aware of claims which will be submitted within the next 12 months.

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 due.

The reinsurer's share of unearned premiums represents the portion of the current year's 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, 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 the income statement. The group gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortised cost. The impairment loss is also calculated following the same method used for these financial assets.

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 the income statement. The group gathers objective evidence that an insurance receivable is impaired using the same process adopted for loans and receivables. The impairment loss is also calculated according to the same method used for these financial assets.

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.

18.2 Long-term insurance

These contracts are valued in terms of the financial soundness valuation basis contained in PGN 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.

18. INSURANCE CONTRACTS (continued)

18.2 Long-term insurance (continued)

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.

19. 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, 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.

19.1 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.

19.2 Investment contract liabilities

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

19.3 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.

19.4 Derivative financial liabilities

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

19.5 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.

20. EMPLOYEE BENEFITS

20.1 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.

20. EMPLOYEE BENEFITS (continued)

20.1 Short-term benefits (continued)

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.

20.2 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.

20.3 Share-based compensation

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

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

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

21. 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.

22. 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.

23. 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.

On 1 March 2018, the company and group adopted IFRS 15 retrospectively without restating comparative figures or disclosures. The company and group's comparative information is therefore presented in accordance with the requirements of IAS 18, whereas the current year has been accounted for in accordance with IFRS 15.

23. REVENUE RECOGNITION (continued)

23.1 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 premiums and other fee income		
• Commission and advisory	Revenue from advisory and portfolio management activities (including commission, management fees, performance fees 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. 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. Prior to 1 March 2018, performance fees were recognised when performance exceeded targets and the group was unconditionally entitled to the income. Administration fees are recognised when the services are rendered, in accordance with the substance of the relevant agreements.
• School and tuition 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.
• Dealing and structuring	Revenue arising from stockbroking activities (including brokerage, custodian fees, settlement fees, income from dealing in listed securities)	Revenue relating to 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.

23. REVENUE RECOGNITION (continued)

23.1 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.

23.2 Revenue recognised in accordance with IAS 18

The group recognises revenue when the amount of revenue could be reliably measured, it was probable that future economic benefits would flow to the entity and when specific criteria had been met for each of the group's activities as described below. The group based its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

If circumstances arose that may change the original estimates of revenues, costs or the extent of progress toward completion of services, then estimates were revised. These revisions resulted in increases or decreases in estimated revenues or costs and were reflected in income in the period in which the circumstances that gave rise to the revision became known by management.

Revenue from sale of goods

Sales of goods (comprising agricultural produce, fast-moving consumer goods, mining and construction goods, and utilities) were recognised when the significant risks and rewards of ownership had been transferred to the customer, recovery of the consideration was probable, the associated costs and possible return of goods could be estimated reliably, there was no continuing management involvement with the goods, and the amount of revenue could be measured reliably.

Rendering of services

Fee income was recognised when the relevant company was unconditionally entitled thereto. No profit was recognised when the outcome of a transaction couldn't be estimated reliably. Fee income from the rendering of services could be summarised as follows:

Commission, education and other fee income

Revenue arising from advisory, stockbroking, portfolio management, education (comprising tuition fees, enrolment, registration and re-registration fees), agricultural and logistical services was recognised over the period in which the services were rendered with reference to completion of the specific transaction.

Enrolment, registration and re-registration fees were recognised on initial registration (or re-registration, as applicable) of the student in the period to which it relates, rather than over a period of time.

Investment management and initial fees

Charges for asset management services were paid by customers using the following two different approaches:

- Front-end fees were charged to the client on inception. This approach was used particularly for single premium-contracts. The consideration received was deferred as a liability and recognised over the life of the contract on a straight-line basis.
- Regular fees were charged to the customer by making a deduction from invested funds. Regular charges billed in advance were recognised on a straight-line basis over the billing period; fees charged at the end of the period were accrued as a receivable that was offset against the financial liability in respect of customer investments when charged to the customer.

23.3 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.

24. LEASES

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

25. TAXATION

25.1 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.

25.2 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.

26. EARNINGS PER SHARE

26.1 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.

26.2 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.

26.3 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 4/2018.

GROUP	Land Rm	Buildings Rm	Vehicles, plant and machinery Rm	Office equipment Rm	Computer equipment Rm	Total Rm
1. PROPERTY, PLANT AND EQUIPMENT						
As at 28 February 2019						
Cost	**1 692**	**8 274**	**2 266**	**237**	**606**	**13 075**
Accumulated depreciation and impairment losses	**(36)**	**(320)**	**(1 066)**	**(128)**	**(376)**	**(1 926)**
Balance at end of the year	**1 656**	**7 954**	**1 200**	**109**	**230**	**11 149**
Reconciliation						
Balance at beginning of the year	**1 179**	**6 705**	**1 112**	**104**	**210**	**9 310**
Additions	**347**	**978**	**332**	**30**	**100**	**1 787**
Disposals	**(4)**	**(18)**	**(15)**	**(2)**	**(1)**	**(40)**
Depreciation	**(5)**	**(55)**	**(228)**	**(31)**	**(87)**	**(406)**
Impairments		**(13)**				**(13)**
Exchange differences	**33**	**4**	**12**		**1**	**50**
Subsidiaries acquired	**110**	**359**	**14**	**8**	**8**	**499**
Subsidiaries sold	**(4)**	**(6)**	**(27)**		**(1)**	**(38)**
Balance at end of the year	**1 656**	**7 954**	**1 200**	**109**	**230**	**11 149**
As at 28 February 2018						
Cost	1 210	6 986	2 062	220	525	11 003
Accumulated depreciation and impairment losses	(31)	(281)	(950)	(116)	(315)	(1 693)
Balance at end of the year	1 179	6 705	1 112	104	210	9 310
Reconciliation						
Balance at beginning of the year	1 006	5 669	1 006	70	167	7 918
Additions	171	973	362	34	107	1 647
Disposals		(23)	(34)		(1)	(58)
Depreciation	(5)	(47)	(208)	(22)	(67)	(349)
Impairments	(2)	(2)	(15)			(19)
Exchange differences	(16)	(5)	(10)	(1)		(32)
Subsidiaries acquired	25	142	15	24	4	210
Subsidiaries sold		(2)	(4)	(1)		(7)
Balance at end of the year	1 179	6 705	1 112	104	210	9 310

Additions include borrowing costs of R55m (2018: R67m) capitalised at a rate of 9.2% (2018: 10.0%). Depreciation is accounted for on land held under leasehold rights.

The current year impairments relate mainly to Capespan's grape farm operations, while the prior year impairments related mainly to Capespan's United Kingdom-based operations, having experienced challenging trading conditions.

Details of land and buildings are available at the registered offices of the relevant property-owning companies within the group. Some items of property, plant and equipment, most notably certain of Curro's land and buildings, serve as security for borrowings (refer note 24).

GROUP	Customer lists Rm	Trademarks, computer software and other Rm	Goodwill Rm	Total Rm
2. INTANGIBLE ASSETS				
As at 28 February 2019				
Cost	**1 328**	**1 336**	**2 758**	**5 422**
Accumulated amortisation and impairment losses	**(511)**	**(370)**		**(881)**
Balance at end of the year	**817**	**966**	**2 758**	**4 541**

GROUP	Customer lists Rm	Trademarks, computer software and other Rm	Goodwill Rm	Total Rm
2. INTANGIBLE ASSETS (continued)				
As at 28 February 2019 (continued)				
Reconciliation				
Balance at beginning of the year	**709**	**710**	**2 406**	**3 825**
Additions	**89**	**217**		**306**
Disposals	**(10)**			**(10)**
Amortisation	**(78)**	**(77)**		**(155)**
Impairments	**(1)**	**(9)**	**(108)**	**(118)**
Exchange differences	**1**	**9**	**31**	**41**
Subsidiaries acquired	**115**	**119**	**561**	**795**
Subsidiaries sold	**(8)**	**(3)**	**(132)**	**(143)**
Balance at end of the year	**817**	**966**	**2 758**	**4 541**
As at 28 February 2018				
Cost	1 177	1 011	2 406	4 594
Accumulated amortisation and impairment losses	(468)	(301)		(769)
Balance at end of the year	709	710	2 406	3 825
Reconciliation				
Balance at beginning of the year	644	536	1 952	3 132
Additions	77	183		260
Disposals	(1)			(1)
Amortisation	(79)	(55)		(134)
Impairments		(14)	(139)	(153)
Exchange differences		5	(9)	(4)
Subsidiaries acquired	69	65	602	736
Subsidiaries sold	(1)	(10)		(11)
Balance at end of the year	709	710	2 406	3 825

The current year impairments relate mainly to i) Zeder's remaining goodwill in respect of Agrivision (R49m), ii) a portion of Energy Partners' goodwill on its refrigeration division (R15m) and other product development costs (R8m), and iii) a portion of CA Sales' goodwill on two of its Namibian-focused operating subsidiaries (R27m). The prior year impairments related mainly to Agrivision's milling operations in Zambia. All of the aforementioned entities experienced challenging trading conditions.

Included in intangible assets other than goodwill are internally-generated intangible assets with a carrying value of approximately R647m (2018: R463m), comprising mainly plant and seed breeding rights and other product development costs.

Apart from goodwill, education-related trademarks held by Curro and Stadio amounting to R177m (2018: R112m) in aggregate have been assessed as having an indefinite useful life. In reaching this conclusion, the respective entities' management gave specific consideration to the extensive period that comparable education facilities have been in existence.

Customer lists

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

2. INTANGIBLE ASSETS (continued)

Customer lists (continued)

Segment and customer list	Remaining amortisation period 2019	Remaining amortisation period 2018	2019 Rm	2018 Rm
Curro - Woodhill College	**7 years**	8 years	**11**	13
PSG Konsult				
Wealth advisor office	**12 years**	13 years	**73**	79
ABSA commercial and industrial insurance business	**19 years and 3 months**		**57**	
Wealth advisor office	**15 years**	16 years	**41**	44
ABSA personal lines insurance business	**19 years and 9 months**		**35**	
Wealth advisor office	**15 years**	16 years	**30**	32
Multinet Makelaars	**7 years and 1 month**	8 years and 1 month	**28**	32
Wealth advisor office		19 years and 10 months		15
Wealth advisor office	**14 years**		**14**	
Diagonal Street Financial Services	**11 years and 6 months**	12 years and 6 months	**14**	15
Wealth advisor office	**17 years and 3 months**	18 years and 3 months	**14**	15
Tlotlisa Securities	**10 years and 2 months**	11 years and 2 months	**12**	13
Wealth advisor office	**19 years**		**11**	
Short-Term Administration	**7 years and 2 months**	8 years and 2 months	**10**	11
Multifund	**11 years**	12 years	**10**	11
Insurance Solutions	**11 years**	12 years	**10**	11
PSG Alpha				
Provest Group (Pty) Ltd (Platchro)		2 years and 2 months		23
			370	314

Trademarks, computer software and other

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

Segment and intangible asset item	2019 Rm	2018 Rm
Curro		
Northern Academy trademark	**12**	12
Woodhill College trademark	**14**	14
Waterstone College trademark	**13**	13
PSG Alpha		
Stadio		
Embury trademark	**17**	17
AFDA trademark	**20**	20
SBS trademark	**18**	18
Milpark trademark	**38**	
Educational curriculae	**19**	11
Capitalised product development costs in respect of energy management solutions	**8**	17
Zeder		
Capitalised product development costs in respect of plant and seed breeding rights	**416**	304
Software development costs	**32**	38
	607	464

Goodwill allocation

Goodwill relates to the following reportable segments:

Curro	**570**	419
PSG Konsult	**384**	350
PSG Alpha	**1 600**	1 394
Zeder	**204**	243
	2 758	2 406

2. INTANGIBLE ASSETS (continued)

Goodwill impairment testing

Curro

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

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

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

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

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

PSG Konsult

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

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

PSG Alpha

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

	2019	2018
	%	%
Taxation rate	**22.0 - 32.0**	22.0 - 28.0
Growth rate	**6.0 - 15.0**	7.0 - 17.5
Terminal growth rate	**5.0 - 7.0**	5.0 - 6.5
Discount rate	**14.4 - 26.5**	15.9 - 26.1

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

If the discount rate used in Stadio and CA Sales' most notable value-in-use calculations for CGUs had been 1% and 0.4% higher than the respective estimates, the group would not have recognised additional goodwill impairment.

If the terminal growth rate used in Stadio and CA Sales' most notable value-in-use calculations for CGUs had been 1% and 0.7% lower than the respective estimates, 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 are determined with reference to similar listed companies, adjusted for entity specific considerations. The price/earnings ratios applied ranged between 12 and 14 times (2018: 12 times), while the respective agricultural land was valued at between US$6,178 and US$6,500 (2018: between US$6,178 and US$6,500) per irrigated hectare. Key assumptions used for the value-in-use calculations are as follows:

2. INTANGIBLE ASSETS (continued)

Goodwill impairment testing (continued)

Zeder (continued)

	2019	2018
	%	%
Taxation rate	**26.5 - 35.0**	26.5 - 35.0
Growth rate	**2.0**	2.0
Terminal growth rate	**2.0 - 9.0**	2.0 - 7.2
Discount rate	**13.4 - 17.9**	13.8 - 19.1

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

	COMPANY	
	2019	2018
	Rm	Rm
3.1 INVESTMENT IN SUBSIDIARY		
Unlisted shares in PSG Financial Services carried at cost	**2 498**	2 498
Refer Annexure A for further information regarding material subsidiaries.		
3.2 LOANS TO/(FROM) SUBSIDIARIES		
Amounts receivable from PSG Financial Services and its wholly-owned subsidiaries	**5 900**	5 150
Amount payable to a wholly-owned subsidiary of PSG Financial Services	**(391)**	

The loans to/from PSG Financial Services and its wholly-owned subsidiaries are unsecured, interest-free and have no fixed terms of repayment. The loans to subsidiaries 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. Intergroup loan balances are managed at a group level, with PSG Financial Services having been rated by Global Credit Rating Company as having a short-term credit rating of A1 (2018: A1) and long-term credit rating of A+ (2018: A+).

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

Investment in preference shares of/loans granted to associates, being measured at amortised cost, are almost entirely fully performing, with only an insignificant amount of expected credit losses being provided for.

	GROUP	
	2019	2018
	Rm	Rm
4. INVESTMENT IN ASSOCIATES AND JOINT VENTURES (continued)		
4.1 INVESTMENT IN ASSOCIATES (continued)		
Loans and preference shares		
Current	**106**	114
Non-current	**72**	27
	178	141
Reconciliation		
Balance at beginning of the year	**13 886**	13 202
Share of profits of associates	**2 303**	1 905
Impairment of associates	**(676)**	(8)
Dividends received	**(890)**	(767)
Additions	**40**	243
Disposals	**(12)**	
Net profit/(loss) on sale/dilution	**20**	(14)
Transfer to subsidiaries at fair value (refer note 42.3)	**(7)**	(41)
Transfer from subsidiary at fair value (refer note 42.5)	**157**	26
Transfer to equity securities		(700)
Other movements	**(243)**	40
Balance at end of the year	**14 578**	13 886

Refer Annexure B for further information regarding material associates.

Additions

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

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

Disposals (including transfers to equity securities)

No significant associates were disposed of during the current or prior year, apart from Capespan's aforementioned loss of significant influence over JWM.

Impairments

Impairment charges related mainly to Zeder's interest in Pioneer Foods and Quantum Foods being written down to their respective JSE-listed fair values (2018: related mainly to investments forming part of the PSG Alpha segment).

Other movements

Other movements comprise mainly the group's share of associates' other comprehensive income, as well as the impact of Capitec's adoption of IFRS 9 in the current year (refer note 45).

		GROUP	
		2019	2018
		Rm	Rm
4.2	**INVESTMENT IN JOINT VENTURES**		
	Balance at beginning of the year	**432**	10
	Share of profits of joint ventures	**57**	21
	Additions	**375**	401
	Other movements	**(9)**	
	Balance at end of the year	**855**	432
	Loans (current)	**5**	8
		860	440

The additions during the current and prior year related to PSG Alpha obtaining and subsequently maintaining a 50% interest in Evergreen.

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

		GROUP	
		2019	2018
		Rm	Rm
5.	**UNIT-LINKED INVESTMENTS**		
	Own balances	**776**	635
	Unlisted but quoted	**756**	613
	Unquoted	**20**	22
	Consolidated mutual funds (refer note 22)		
	Unlisted but quoted	**22 356**	19 979
	Investments linked to investment contracts (refer note 23)	**23 363**	21 586
	Unlisted but quoted	**22 928**	20 889
	Unquoted	**435**	697
		46 495	42 200

GROUP	**Fair value through profit or loss Rm**
Reconciliation	
Balance at 1 March 2017	37 656
Additions	9 063
Disposals	(7 620)
Fair value net gains and reinvestments	3 106
Exchange differences	(7)
Subsidiaries acquired	2
Balance at 28 February 2018	42 200
Additions	**10 885**
Disposals	**(7 048)**
Fair value net gains and reinvestments	**1 933**
Exchange differences	**60**
Subsidiaries acquired and first-time consolidation of mutual funds	**252**
Subsidiaries sold and mutual funds deconsolidated	**(1 787)**
Balance at 28 February 2019	**46 495**

	GROUP	
	2019	2018
	Rm	Rm
Current	**2 914**	3 805
Non-current	**43 581**	38 395
	46 495	42 200

Fair value of the unit-linked investments are determined by reference to the underlying assets, taking into account any relevant credit risk associated with the unit-linked investments.

		GROUP	
		2019	2018
		Rm	Rm
6.	**EQUITY SECURITIES**		
	Own balances	**659**	2 017
	Listed	**485**	27
	Unlisted but quoted	**2**	
	Unquoted	**172**	1 990
	Consolidated mutual funds (refer note 22)		
	Listed	**160**	111
	Investments linked to investment contracts (refer note 23)		
	Listed	**2 177**	2 193
		2 996	4 321

GROUP	**Available-for-sale Rm**	**Fair value through profit or loss Rm**	**Total Rm**
Reconciliation			
Balance at 1 March 2017	7	3 905	3 912
Additions		704	704
Disposals	(2)	(752)	(754)
Fair value net losses and reinvestments		(174)	(174)
Transfer from associates		700	700
Other movements	(5)	(62)	(67)
Balance at 28 February 2018	-	4 321	4 321
Additions		**847**	**847**
Disposals		**(2 046)**	**(2 046)**
Fair value net losses and reinvestments		**(181)**	**(181)**
Other movements		**55**	**55**
Balance at 28 February 2019		**2 996**	**2 996**

	GROUP	
	2019	2018
	Rm	Rm
Current	**257**	1 679
Non-current	**2 739**	2 642
	2 996	4 321

During the year, the group, through Zeder and Capespan, disposed of its equity security investment in Joy Wing Mau (previously an associate, refer note 4.1), a fruit distributor in China, for proceeds of R1.2bn.

	GROUP 2019 Rm	GROUP 2018 Rm
7. DEBT SECURITIES		
Own balances	**1 873**	2 597
Unlisted but quoted	**1 864**	2 573
Unquoted	**9**	24
Consolidated mutual funds (refer note 22)	**4 022**	3 063
Listed	**876**	922
Unlisted but quoted	**3 146**	2 141
Investments linked to investment contracts (refer note 23)	**368**	484
Unlisted but quoted	**310**	324
Unquoted	**58**	160
	6 263	6 144

GROUP	Fair value through profit or loss Rm	Measured at amortised cost (2018: held-to-maturity) Rm	Total Rm
Reconciliation			
Balance at 1 March 2017	2 692	4 169	6 861
Additions	4 229		4 229
Maturity/disposals	(4 767)	(784)	(5 551)
Fair value net gains and reinvestments	269		269
Finance income		336	336
Balance at 28 February 2018	2 423	3 721	6 144
Adjustment due to initial application of IFRS 9 (refer note 45)	**3 536**	**(3 561)**	**(25)**
Additions	**2 693**		**2 693**
Maturity/disposals	**(2 711)**	**(105)**	**(2 816)**
Fair value net gains and reinvestments	**255**		**255**
Finance income		**12**	**12**
Balance at 28 February 2019	**6 196**	**67**	**6 263**

	GROUP 2019 Rm	GROUP 2018 Rm
Current	**4 471**	4 667
Non-current	**1 792**	1 477
	6 263	6 144

Certain debt securities (mainly those held by the PSG Money Market Fund) were reclassified from held-to-maturity to being designated as at fair value through profit or loss with the adoption of IFRS 9. Previously, the group consolidated the PSG Money Market Fund in terms of IFRS 10 at a PSG Group-level; however, following significant divestment therefrom at a PSG Group-level (refer page 24) and increased investment therein at a PSG Konsult-level, the PSG Money Market Fund is now consolidated at a PSG Konsult-level and no longer at a PSG Group-level (refer page 21 for the treatment of consolidated mutual funds). Accordingly, the PSG Money Market Fund debt securities are now consolidated within a business model whose objective is more 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) - consequently the "fair value through profit or loss" classification. Given the short-term maturity of the debt securities held by the PSG Money Market Fund, the carrying value of the debt securities remained materially unchanged following such reclassification.

The debt securities measured at amortised cost are fully performing, with no expected credit losses being provided for.

	GROUP 2019 Rm	GROUP 2018 Rm
8. DEFERRED INCOME TAX		
Deferred income tax assets	**303**	245
Deferred income tax liabilities	**(963)**	(997)
Net deferred income tax liability	**(660)**	(752)
Deferred income tax assets		
To be recovered within 12 months	**133**	141
To be recovered after 12 months	**170**	104
	303	245
Deferred income tax liabilities		
To be recovered within 12 months	**(23)**	(151)
To be recovered after 12 months	**(940)**	(846)
	(963)	(997)

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

GROUP	Provisions Rm	Tax losses Rm	Unrealised profits Rm	Intangible assets and other differences Rm	Total Rm
Balance at 1 March 2017	119	229	(378)	(633)	(663)
(Charged)/credited to profit or loss	(2)	109	(83)	(137)	(113)
Credited to other comprehensive loss			4		4
Other movements		2	19		21
Subsidiaries acquired	1	17		(15)	3
Subsidiaries sold		(4)			(4)
Balance at 28 February 2018	118	353	(438)	(785)	(752)
Credited/(charged) to profit or loss	**16**	**(28)**	**310**	**(75)**	**223**
Charged to other comprehensive loss			**(1)**	**(3)**	**(4)**
Other movements	**12**	**(2)**	**(12)**	**16**	**14**
Subsidiaries acquired	**5**	**10**		**(153)**	**(138)**
Subsidiary deconsolidated	**(7)**			**4**	**(3)**
Balance at 28 February 2019	**144**	**333**	**(141)**	**(996)**	**(660)**

The deferred income tax assets and liabilities were calculated on all temporary differences under the liability method using a South African normal tax rate of 28% (2018: 28%) and a South African capital gains tax inclusion rate of 80% (2018: 80%).

Where temporary differences arose in jurisdictions other than South Africa, the tax rates relevant to those jurisdictions were applied.

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

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

GROUP	2019 Current (agricultural produce) Rm	2019 Non-current (bearer plants) Rm	2019 Total Rm	2018 Current (agricultural produce) Rm	2018 Non-current (bearer plants) Rm	2018 Total Rm
9. BIOLOGICAL ASSETS						
Balance at beginning of the year	**152**	**406**	**558**	122	364	486
Additions	**126**	**43**	**169**	117	62	179
Disposals		**(11)**	**(11)**			
Changes in fair value of biological assets	**194**		**194**	195		195
Transfer of harvested produce to inventory	**(311)**		**(311)**	(280)		(280)
Depreciation		**(21)**	**(21)**		(20)	(20)
Impairments		**(1)**	**(1)**			
Exchange differences	**4**		**4**	(2)		(2)
Subsidiaries acquired	**2**	**10**	**12**			-
Balance at end of the year	**167**	**426**	**593**	152	406	558
Biological assets consist of the following:						
Maize crops *	**5**		**5**	8		8
Soya crops *	**43**		**43**	28		28
Orchards **	**45**		**45**	54		54
Vineyards **	**54**		**54**	51		51
Sorghum *	**5**		**5**			-
Timber *	**15**		**15**	11		11
Orchards ***		**239**	**239**		215	215
Vineyards ***		**187**	**187**		191	191
	167	**426**	**593**	152	406	558

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

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

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

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

Biological assets comprised plantings of apples and pears (2019: 568ha; 2018: 563ha), grapes (2019: 952ha; 2018: 948ha), citrus (2019: 287ha; 2018: 306ha), timber (2019: 887ha; 2018: 720ha), soya (2019: 6,283ha; 2018: 5,806ha), maize (2019: 420ha; 2018: 729ha) and wheat (2019: 15ha; 2018: nil).

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

Fair value of the investment in investment contracts is determined by reference to the underlying assets' quoted prices. All of these investments are linked to investment contract liabilities (refer note 23).

	GROUP 2019 Rm	GROUP 2018 Rm
11. LOANS AND ADVANCES		
Secured loans	**325**	465
Unsecured loans	**118**	112
	443	577
Current	**177**	308
Non-current	**266**	269

All loans and advances related to own balances, refer page 21.

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

Loans carry interest at various rates up to a maximum of 30% and are repayable over various periods not exceeding seven years. Further financial risk management disclosures are set out in note 46.

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 advisor's books of business are not performing as expected; or • the counterparty has missed payments.
Stage 3	These are loans which have been assessed to be credit impaired as a result of instances such as: • the PSG Konsult financial advisor 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:

	2019 Stage 1 (fully performing) Rm	2019 Stage 2 (under-performing) Rm	2019 Stage 3 (non-performing) Rm	2019 Total Rm
Gross carrying value	**417**	**22**	**19**	**458**
Loss allowances	**(1)**	**(1)**	**(13)**	**(15)**
Opening balance	**(4)**		**(20)**	**(24)**
Credited/(charged) to profit or loss	**3**	**(1)**	**7**	**9**
Net carrying value	**416**	**21**	**6**	**443**

	GROUP 2019 Rm	GROUP 2018 Rm
12. TRADE AND OTHER RECEIVABLES		
Trade receivables [1]	**2 600**	2 449
Broker- and clearing accounts [2]	**1 278**	1 373
Contract assets from contracts with customers [3]	**32**	26
Prepayments and sundry receivables	**679**	644
	4 589	4 492
Own balances	**3 268**	2 898
Client balances	**1 298**	1 395
Consolidated mutual funds (refer note 22)	**23**	199
	4 589	4 492
Current	**4 578**	4 451
Non-current	**11**	41

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

[2] *PSG Securities Ltd's ("PSG Online"), a subsidiary of PSG Konsult, broker- and clearing accounts of R1.3bn (2018: R1.4bn) representing amounts owing by the JSE for trades in the last few days before year-end. These balances fluctuate on a daily basis depending on the activity in the markets. The control account for the settlement of these transactions is included under trade and other payables (refer note 26), with the settlement to the clients taking place within three days after the transaction date. All such balances have subsequently been settled accordingly.*

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

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

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

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

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

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

	GROUP	
	2019	2018
	Rm	Rm
13. DERIVATIVE FINANCIAL INSTRUMENTS		
Derivative financial assets	**33**	43
Current	**33**	9
Non-current		34
Derivative financial liabilities	**(78)**	(109)
Current	**(44)**	(68)
Non-current	**(34)**	(41)
Net derivative financial liability	**(45)**	(66)
Analysis of net derivative financial liability		
Fixed-for-variable interest rate swaps	**(38)**	(53)
Written put options extended to non-controlling interests	**(25)**	(39)
Other (mainly preference share equity-kicker in respect of JSE-listed shares' market value)	**18**	26
	(45)	(66)
Own balances	**(42)**	(58)
Assets	**22**	34
Liabilities	**(64)**	(92)
Client balances	**(3)**	(8)
Assets	**11**	9
Liabilities	**(14)**	(17)
	(45)	(66)

Derivatives are classified as financial assets and liabilities at fair value through profit or loss. The fair value of interest rate swaps were 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 values of the written put options extended to non-controlling interests were calculated as the contractual put exercise price, discounted at a market-related interest rate. The fair value of the preference share equity-kicker was calculated with reference to the relevant JSE-listed shares' market value.

The fair value adjustments on derivative financial instruments included in "net fair value gains on financial assets and financial liabilities at fair value through profit or loss" (refer note 30) amounted to a loss of R24m (2018: R40m).

		GROUP	
		2019	2018
		Rm	Rm
14.	**INVENTORIES**		
	Raw materials	**123**	118
	Work-in-progress	**14**	44
	Finished goods	**1 559**	1 561
		1 696	1 723

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

		GROUP	
		2019	2018
		Rm	Rm
15.	**REINSURANCE ASSETS AND LIABILITIES**		
	Reinsurance assets (current)		
	Reinsurers' share of insurance liabilities	**103**	81
	Balance at beginning of the year	**81**	72
	Movement for the year	**22**	9
	Deferred acquisition costs	**6**	5
	Balance at beginning of the year	**5**	4
	Movement for the year	**1**	1
		109	86

Amounts due from reinsurers in respect of claims already paid by the group on reinsured contracts, are included in trade receivables (refer note 12). All reinsurance assets were considered recoverable at the reporting dates.

		GROUP	
		2019	2018
		Rm	Rm
	Reinsurance liabilities (current)		
	Deferred reinsurance acquisition revenue	**5**	3
	Balance at beginning of the year	**3**	4
	Movement for the year	**2**	(1)
16.	**CASH AND CASH EQUIVALENTS**		
	Cash at bank	**1 387**	1 391
	Short-term liquid investments	**445**	888
		1 832	2 279
	Own balances	**1 552**	1 924
	Client balances	**99**	86
	Consolidated mutual funds	**173**	268
	Investments linked to investment contracts	**8**	1
		1 832	2 279

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

Cash and cash equivalents relate mainly to deposits held with the four traditional South African banks and/or their money market funds. 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.

17. NON-CURRENT ASSETS HELD FOR SALE

The non-current assets held for sale at the prior reporting date comprised assets of Capespan's United Kingdom-based operations, which were disposed of during the year.

	GROUP 2019 Rm	GROUP 2018 Rm	COMPANY 2019 Rm	COMPANY 2018 Rm
18. STATED CAPITAL				
Authorised				
400,000,000 (2018: 400,000,000) ordinary shares with no par value				
Issued				
Balance at beginning of the year	**6 976**	6 975	**6 923**	6 923
Issue of shares	**157**	1	**157**	
Balance at end of the year	**7 133**	6 976	**7 080**	6 923
Number of shares in issue ('000)				
In issue (gross of treasury shares)	**232 108**	231 449	**232 108**	231 449
Shares held by subsidiaries or in terms of non-recourse loans advanced	**(14 009)**	(15 508)		
In issue (net of treasury shares)	**218 099**	215 941	**232 108**	231 449

Unissued shares, limited to 5% of the company's number of shares in issue as at 17 May 2018, 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. In terms of the scheme, share options are granted to executive directors and other employees ("participants"). Furthermore, three material subsidiaries (namely PSG Konsult, Curro and Zeder) also operate share option schemes on similar terms. Other share option schemes operated by subsidiaries include, inter alia, that of Stadio, Capespan, Agrivision Africa, Energy Partners and CA Sales.

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

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

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

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

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

The maximum number of PSG Group shares which may be utilised for purposes of the scheme is 17,287,099 shares, while the maximum number of shares that may be offered to any single participant is 3,457,420 shares. To date, 7,465,146 (2018: 6,129,643) shares have been exercised by way of the scheme and accordingly a further 9,821,953 (2018: 11,157,456) shares may be exercised in future by way of the scheme. To date, a maximum of 1,827,453 (2018: 1,391,548) shares have been exercised by any single participant and accordingly a maximum of 1,629,967 (2018: 2,065,872) shares may be exercised in future by any single participant of the scheme.

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

18. STATED CAPITAL (continued)

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

Outstanding PSG Group share options per tranche allocated:	**Number of shares**	Price R	Volatility %	Dividend yield %	Risk-free rate %	Fair value R
28 February 2014	**558 191**	83.23	24.5	1.8	7.6	21.03
1 May 2014	**9 891**	101.11	26.0	1.5	7.0	26.24
28 February 2015	**175 798**	136.84	21.7	2.2	6.8	29.43
29 February 2016	**225 197**	178.29	40.3	2.0	8.2	60.90
28 February 2017	**177 229**	237.31	27.7	1.6	7.4	64.23
28 February 2018	**393 042**	236.13	33.8	2.0	7.1	68.62
28 February 2019	**717 054**	250.56	25.4	2.0	7.3	62.20
	2 256 402					

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

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

	2019		2018	
Analysis of outstanding PSG Group share options by financial year of maturity:	**Weighted average strike price (R)**	**Number**	Weighted average strike price (R)	Number
28 February 2019			91.52	1 890 540
29 February 2020	**127.06**	**1 013 816**	186.95	339 731
28 February 2021	**227.55**	**449 199**	189.52	329 841
28 February 2022	**244.02**	**336 602**	216.47	218 205
28 February 2023	**245.45**	**277 523**	236.16	98 821
29 February 2024	**250.56**	**179 262**		
		2 256 402		2 877 138

Material subsidiaries' share option schemes

PSG Konsult

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

Outstanding PSG Konsult share options per tranche allocated:	**Number of shares**	Price R	Volatility %	Dividend yield %	Risk-free rate %	Fair value R
1 March 2014	**4 925 000**	5.06	29.3	2.2	8.1	0.91
1 April 2015	**5 458 872**	7.27	24.7	2.0	7.1	1.73
1 April 2016	**19 342 225**	6.81	34.7	2.2	8.4	2.11
1 August 2016	**37 500**	6.83	34.1	2.3	7.8	1.98
1 April 2017	**21 059 656**	7.59	26.8	2.4	7.6	1.87
1 April 2018	**19 775 000**	8.74	22.1	2.5	7.8	2.08
	70 598 253					

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

18. STATED CAPITAL (continued)

Material subsidiaries' share option schemes (continued)

PSG Konsult (continued)

Analysis of outstanding PSG Konsult share options by financial year of maturity:	**2019** Weighted average strike price (R)	**2019** Number	2018 Weighted average strike price (R)	2018 Number
28 February 2019			4.99	23 041 226
29 February 2020	**6.64**	**19 379 258**	6.66	20 030 759
28 February 2021	**7.58**	**19 398 008**	7.19	15 080 759
28 February 2022	**7.63**	**16 668 573**	7.17	12 282 977
28 February 2023	**8.15**	**10 208 664**	7.59	5 677 034
29 February 2024	**8.74**	**4 943 750**		
		70 598 253		76 112 755

Curro

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

Outstanding Curro share options per tranche allocated:	**Number of shares**	Price R	Volatility %	Dividend yield %	Risk-free rate %	Fair value R
29 September 2014	**437 175**	25.58	29.4	-	7.3	8.19
29 September 2015	**710 000**	35.42	25.3	-	6.8	10.25
29 September 2016	**1 060 950**	42.01	34.4	-	8.0	15.05
29 September 2017	**2 491 800**	37.53	22.9	-	8.4	11.40
29 September 2018	**2 369 700**	30.54	35.3	-	7.9	8.08
	7 069 625					

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

Analysis of outstanding Curro share options by financial year of maturity:	**2019** Weighted average strike price (R)	**2019** Number	2018 Weighted average strike price (R)	2018 Number
28 February 2019			23.21	1 678 466
29 February 2020	**30.79**	**1 768 775**	30.63	1 944 900
28 February 2021	**33.56**	**1 924 025**	34.92	1 444 400
28 February 2022	**34.59**	**1 569 025**	37.05	1 061 575
28 February 2023	**34.12**	**1 215 375**	37.53	674 353
29 February 2024	**30.54**	**592 425**		
		7 069 625		6 803 694

Zeder

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

Outstanding Zeder share options per tranche allocated:	**Number of shares**	Price R	Volatility %	Dividend yield %	Risk-free rate %	Fair value R
28 February 2014	**1 553 352**	4.10	32.7	1.1	7.6	1.29
28 February 2015	**446 172**	7.71	28.6	0.5	6.8	2.27
29 February 2016	**919 863**	4.97	35.6	2.8	8.2	1.48
28 February 2017	**3 671 619**	7.29	27.4	1.5	7.5	1.99
28 February 2018	**6 615 492**	6.41	29.9	1.7	7.0	2.61
28 February 2019	**10 932 528**	4.36	30.2	2.5	7.3	1.80
	24 139 026					

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

18. STATED CAPITAL (continued)

Material subsidiaries' share option schemes (continued)

Zeder (continued)

Analysis of outstanding Zeder share options by financial year of maturity:	2019 Weighted average strike price (R)	2019 Number	2018 Weighted average strike price (R)	2018 Number
28 February 2019			5.04	5 023 708
29 February 2020	**6.04**	**6 102 448**	6.62	3 101 483
28 February 2021	**5.48**	**5 611 534**	6.54	2 878 402
28 February 2022	**5.51**	**5 304 910**	6.72	2 571 778
28 February 2023	**5.13**	**4 387 002**	6.41	1 653 870
29 February 2024	**4.36**	**2 733 132**		
		24 139 026		15 229 241

19. OTHER RESERVES

GROUP	Foreign currency translation Rm	Share-based payment Rm	Other [1] Rm	Total Rm
Balance as at 1 March 2017	(104)	202	(105)	(7)
Currency translation adjustments	(39)			(39)
Cash flow hedges			(7)	(7)
Share of other comprehensive losses and equity movements of associates			(29)	(29)
Share-based payment costs - employees		66		66
Transactions with non-controlling interests and transfers between reserves		(26)	20	(6)
Balance as at 28 February 2018	(143)	242	(121)	(22)
Currency translation adjustments	**(2)**			**(2)**
Cash flow hedges			**4**	**4**
Share of other comprehensive losses and equity movements of associates			**(15)**	**(15)**
Share-based payment costs - employees		**73**		**73**
Transactions with non-controlling interests and transfers between reserves		**(37)**	**6**	**(31)**
Balance as at 28 February 2019	**(145)**	**278**	**(126)**	**7**

[1] *Relates mainly to the group's share of other comprehensive losses (e.g. currency translation adjustments) suffered by associates.*

	GROUP 2019 Rm	GROUP 2018 Rm
20. NON-CONTROLLING INTERESTS		
Cumulative, non-redeemable, non-participating preference shares of PSG Financial Services	**1 579**	1 580
Other	**10 197**	10 149
	11 776	11 729

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

Authorised

30,000,000 (2018: 30,000,000) cumulative, non-redeemable, non-participating preference shares with no par value.

Issued

17,415,770 (2018: 17,415,770) cumulative, non-redeemable, non-participating preference shares with no par value.

		GROUP	
		2019	2018
		Rm	Rm
20.	**NON-CONTROLLING INTERESTS (continued)**		
	The discretionary preference dividend is calculated on a daily basis at 83.33%% (2018: 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.		
21.	**INSURANCE CONTRACTS**		
	Long-term insurance (non-current)	**21**	22
	Balance at beginning of the year	**22**	24
	Liabilities released for payments on death, surrender and other terminations	**(3)**	(3)
	Transfer to policyholder funds	**2**	1
	Short-term insurance (current)	**522**	521
	Balance at beginning of the year	**521**	520
	Claims reported		
	In respect of current year	**918**	901
	In respect of prior year	**(121)**	(115)
	Claims paid	**(762)**	(781)
	Movement for the year	**(34)**	(4)
		543	543
22.	**THIRD-PARTY LIABILITIES ARISING ON CONSOLIDATION OF MUTUAL FUNDS**		
	Balance at beginning of the year	**23 600**	21 394
	Net capital contributions received from third parties	**3 090**	333
	Fair value adjustment to third-party liabilities	**1 336**	1 873
	First-time consolidation of mutual fund (refer note 42.4.1)	**689**	
	Deconsolidation of mutual funds (refer note 42.4.2)	**(2 000)**	
	Balance at end of the year (current)	**26 715**	23 600
	Third-party liabilities arising on consolidation of mutual funds are represented by the following underlying investments:		
	Unit-linked investments	**22 356**	19 979
	Equity securities	**160**	111
	Debt securities	**4 022**	3 063
	Trade and other receivables	**23**	199
	Cash and cash equivalents	**173**	268
	Trade and other payables	**(19)**	(20)
		26 715	23 600
	The group consolidates various mutual funds due to the group's investment therein and PSG Konsult's management of same (refer page 21). Third parties' funds invested in the consolidated mutual funds are included as a liability under "third-party liabilities arising on consolidation of mutual funds".		
23.	**INVESTMENT CONTRACT LIABILITIES**		
	Balance at beginning of the year	**24 279**	22 561
	Investment contract receipts	**3 708**	4 077
	Investment contract benefits paid	**(2 872)**	(3 814)
	Commission and administration expenses	**(256)**	(215)
	Fair value adjustments to investment contract liabilities	**1 073**	1 670
	Balance at end of the year	**25 932**	24 279
	Current	**2 946**	4 329
	Non-current	**22 986**	19 950

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

Investment contract liabilities relate to PSG Life Ltd clients' assets held under investment contracts, which are linked to a corresponding liability (refer page 21).

	GROUP 2019 Rm	2018 Rm
24. BORROWINGS		
Non-current	**6 192**	5 473
Bank overdrafts		62
Redeemable preference shares	**2 500**	1 930
Unsecured loans	**299**	570
Secured loans	**3 393**	2 911
Current	**1 585**	1 859
Bank overdrafts	**1 127**	1 224
Redeemable preference share accumulated dividends	**19**	19
Unsecured loans	**62**	163
Secured loans	**377**	453
Total borrowings	**7 777**	7 332
Own balances	**7 666**	7 231
Client balances	**111**	101
	7 777	7 332

Redeemable preference shares issued by wholly-owned subsidiaries of PSG Group (2019: R1bn; 2018: R930m) and Zeder (2019: R1.5bn; 2018: R1bn) carry fixed dividend rates ranging between 7.7% and 8.1% (2018: 8.1% and 8.3%) nominal annual compounded monthly, and are repayable between April 2021 and April 2023. The redeemable preference shares are secured through the pledge of JSE-listed shares to the value of R16.5bn (2018: R14.8bn). In terms of the respective surety agreements, the number of shares provided as security may be increased or reduced should there be a significant change in the market value of same.

24. BORROWINGS (continued)

Secured loans relate mainly to the following:

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

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

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

The aforementioned borrowings are repayable to various counterparties, with the effective interest rates ranging between 1.8% and 22.5% (2018: 2.2% and 35.5%).

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

	2019					
		Financing cash flows per statement of cash flows				
GROUP Reconciliation of liabilities arising from financing activities	**Opening carrying value Rm**	**Increase in borrowings Rm**	**Borrowings repaid Rm**	**Businesses/ subsidiaries acquired/de-consolidated/ sold Rm**	**Other changes * Rm**	**Closing carrying value Rm**
Redeemable preference shares	**1 949**	**570**				**2 519**
Unsecured loans	**733**	**12**	**(449)**	**20**	**45**	**361**
Secured loans	**3 364**	**926**	**(825)**	**(26)**	**331**	**3 770**
	6 046	**1 508**	**(1 274)**	**(6)**	**376**	**6 650**
Bank overdrafts	**1 286**					**1 127**
Total borrowings	**7 332**					**7 777**

	2018					
		Financing cash flows per statement of cash flows				
GROUP Reconciliation of liabilities arising from financing activities	Opening carrying value Rm	Increase in borrowings Rm	Borrowings repaid Rm	Businesses/ subsidiaries acquired/sold Rm	Other changes * Rm	Closing carrying value Rm
Redeemable preference shares	1 255	1 000	(349)		43	1 949
Unsecured loans	524	490	(347)	22	44	733
Secured loans	2 639	1 916	(1 091)	45	(145)	3 364
	4 418	3 406	(1 787)	67	(58)	6 046
Bank overdrafts	993					1 286
Total borrowings	5 411					7 332

** Mainly non-cash flow acquisitions of property, plant and equipment, as well as accrued and unpaid finance costs, foreign currency exchange movements.*

25. EMPLOYEE BENEFIT ASSETS/(LIABILITIES)

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

	2019			2018		
GROUP	**Assets Rm**	**Liabilities Rm**	**Net Rm**	Assets Rm	Liabilities Rm	Net Rm
Short-term benefits		**(425)**	**(425)**		(450)	(450)
Post-employment benefits	**43**	**(103)**	**(60)**	39	(91)	(52)
	43	**(528)**	**(485)**	39	(541)	(502)

Short-term benefits

These benefits comprise mainly bonus and leave pay accruals.

Post-employment benefits

Medical benefits

The group, through Capespan, provides for defined-benefit medical aid benefits in respect of certain retired employees. This liability is for a relatively small group of staff and their dependants who were already retired from International Harbour Services (Pty) Ltd, Outspan International Ltd and Unifruco Ltd prior to the merger between these two entities in 1999. To qualify for the scheme they had to be permanently employed, be a member of the company's designated scheme at retirement and remain resident in South Africa until their retirement. The obligation was quantified by an independent actuary.

Retirement benefits

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

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

	2019			2018		
	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		**43**	**43**		39	39
Present value of funded obligations	**(24)**	**(79)**	**(103)**	(25)	(66)	(91)
	(24)	**(36)**	**(60)**	(25)	(27)	(52)
Balance at beginning of the year	**(25)**	**(27)**	**(52)**	(25)	(55)	(80)
Interest expense	**(2)**	**(8)**	**(10)**	(2)	(10)	(12)
Return on plan assets		**8**	**8**		8	8
Gains/(losses) from changes in financial and demographic assumptions	**1**	**(4)**	**(3)**		24	24
Employer contributions	**2**		**2**	2		2
Settlements			**-**		5	5
Exchange differences		**(5)**	**(5)**		1	1
Balance at end of the year	**(24)**	**(36)**	**(60)**	(25)	(27)	(52)

	2019		2018	
	Medical benefits	**Retirement benefits**	Medical benefits	Retirement benefits
	%	**%**	%	%
25. EMPLOYEE BENEFIT ASSETS/(LIABILITIES) (continued)				
Principal actuarial assumptions used include:				
Discount rates	**9.3**	**1.0 - 2.8**	8.5	1.3 - 2.4
Future salary increases	**-**	**3.0**	-	3.0
Inflation rates	**10.0**	**1.7 - 2.4**	9.0	2.0 - 2.3

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

	Medical benefits					
	2019			2018		
		Impact of			Impact of	
		Increase	**Decrease**		Increase	Decrease
	Change	**Rm**	**Rm**	Change	Rm	Rm
Discount rates	**0.5%**	**1**	**(1)**	0.1%	1	(1)
Inflation rates	**1.0%**	**(1)**	**2**	1.0%	(2)	2
Mortality rates	**1 year**	**(1)**	**1**	1 year	(1)	1

	Retirement benefits					
	2019			2018		
		Impact of			Impact of	
		Increase	**Decrease**		Increase	Decrease
	Change	**Rm**	**Rm**	Change	Rm	Rm
Discount rates	**0.5%**	**26**	**(26)**	0.5%	27	(26)
Inflation rates	**1.0%**	**(7)**	**12**	1.0%	(10)	14
Mortality rates	**1 year**	**(23)**	**23**	1 year	(22)	22

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

	GROUP		**COMPANY**	
	2019	2018	**2019**	2018
	Rm	Rm	**Rm**	Rm
26. TRADE AND OTHER PAYABLES				
Trade payables [1) 2)]	**2 482**	2 241	**5**	4
Broker- and clearing accounts (refer note 12)	**1 278**	1 373		
Margin accounts	**21**	23		
Contract liabilities from contracts with customers	**391**	214		
Subsidiary/associate purchase consideration payable	**176**	239		
	4 348	4 090	**5**	4
Own balances	**3 046**	2 698	**5**	4
Client balances	**1 283**	1 372		
Consolidated mutual funds	**19**	20		
	4 348	4 090	**5**	4
Current	**4 253**	4 078	**5**	4
Non-current	**95**	12		

[1)] *Includes non-financial liabilities of R109m (2018: R87m).*

[2)] *Trade payables relate mainly to the business operations of CA Sales (R0.7bn), Capespan (R0.5bn), PSG Konsult (R0.5bn) and Zaad (R0.4bn).*

		GROUP 2019 Rm
26.	**TRADE AND OTHER PAYABLES (continued)**	
	Reconciliation of contract liabilities from contracts with customers:	
	Balance at beginning of the year	**214**
	Cash received in advance during the year	**354**
	Revenue recognised in respect of performance obligations satisfied in current year	**(312)**
	Other movements (including adjustments due to initial application of IFRS 15)	**135**
	Balance at end of the year	**391**

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

	GROUP		COMPANY	
	2019	2018	**2019**	2018
	Rm	Rm	**Rm**	Rm
27. REVENUE FROM SALE OF GOODS				
Agricultural produce/seed	**6 800**	7 879		
Fast-moving consumer goods	**4 746**	4 716		
Mining, construction and utility goods	**1 307**	1 209		
Other goods	**188**	152		
	13 041	13 956		

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

	GROUP 2019 Rm	GROUP 2018 Rm	COMPANY 2019 Rm	COMPANY 2018 Rm
28. COST OF GOODS SOLD				
Changes in finished goods	**10 042**	10 626		
Raw material and consumables used	**476**	524		
Other expenses	**942**	784		
	11 460	11 934		

Cost of goods sold relate to agricultural produce, fast-moving consumer goods, mining and construction goods and utility-related goods.

	GROUP 2019 Rm	GROUP 2018 Rm	COMPANY 2019 Rm	COMPANY 2018 Rm
29. INVESTMENT INCOME				
Interest income				
Loans and advances	**98**	110		
Debt securities	**501**	559		
Unit-linked investments	**965**	748		
Cash and cash equivalents	**226**	200	**1**	1
	1 790	1 617	**1**	1
Dividend income				
Equity securities at fair value through profit or loss	**37**	41		
Debt securities (preference shares)	**9**	16		
Unit-linked investments at fair value through profit or loss	**466**	385		
Dividend income from subsidiary			**1 200**	1 000
	512	442	**1 200**	1 000
	2 302	2 059	**1 201**	1 001

	GROUP 2019 Rm	GROUP 2018 Rm
30. FAIR VALUE GAINS AND LOSSES		
Foreign exchange gains	**138**	24
Foreign exchange losses	**(102)**	(50)
Net fair value gains on financial assets and financial liabilities at fair value through profit or loss	**338**	1 772
Fair value adjustment on step-up from associate to subsidiary	**2**	11
Fair value gains on non-current assets held for sale		1
	376	1 758
31. COMMISSION, SCHOOL, NET INSURANCE PREMIUMS AND OTHER FEE INCOME		
Commission and advisory	**4 732**	3 281
School and tuition fees	**3 242**	2 241
Insurance premiums	**937**	909
Gross premiums	**1 289**	1 210
Reinsurance written premiums	**(352)**	(301)
Dealing and structuring	**328**	368
	9 239	6 799

Commission, advisory, insurance premium and dealing and structuring revenue emanate mainly from PSG Konsult, while school and tuition fees emanate mainly from Curro and Stadio.

	GROUP 2019 Rm	GROUP 2018 Rm
32. OTHER OPERATING INCOME		
Other operating income	**163**	154
Profit on deconsolidation/sale of subsidiaries	**8**	85
Profit on sale of property, plant and equipment	**20**	20
Bargain purchase gain	**25**	18
	216	277
33. INSURANCE CLAIMS AND LOSS ADJUSTMENTS, NET OF RECOVERIES		
Short-term insurance contracts	**578**	626
Long-term individual life insurance contracts - death, maturity, surrender and sick leave benefits and transfers to policyholder liabilities	**4**	3
	582	629

GROUP	**Gross Rm**	**Reinsurance Rm**	**Net Rm**
2019			
Short-term insurance contracts	**800**	**(222)**	**578**
Claims paid	**801**	**(213)**	**588**
Movement in expected cost of outstanding claims	**36**	**(23)**	**13**
Salvages	**(37)**	**14**	**(23)**
Long-term individual life insurance contracts	**4**		**4**
	804	**(222)**	**582**
2018			
Short-term insurance contracts	814	(188)	626
Claims paid	835	(185)	650
Movement in expected cost of outstanding claims	30	(13)	17
Salvages	(51)	10	(41)
Long-term individual life insurance contracts	3		3
	817	(188)	629

	GROUP		COMPANY	
	2019	2018	**2019**	2018
	Rm	Rm	**Rm**	Rm
34. MARKETING, ADMINISTRATION AND OTHER EXPENSES				
Expenses by nature				
Depreciation	**427**	369		
Land	**5**	5		
Buildings	**55**	47		
Vehicles and plant	**228**	208		
Office equipment	**31**	22		
Computer equipment	**87**	67		
Biological assets (bearer plants)	**21**	20		
Amortisation of intangible assets	**155**	134		
Operating lease rentals	**367**	317		
Properties	**313**	267		
Other	**54**	50		
Auditors' remuneration	**50**	44		
Audit services				
Current year	**42**	34		
Prior year	**4**	2		
Tax services	**1**	3		
Other services	**3**	5		
Employee benefit expenses	**4 441**	3 255		
Salaries, wages and allowances	**4 195**	3 048		
Equity-settled share-based payment costs	**112**	97		
Medical and pension costs	**134**	110		
Impairment of intangible assets	**118**	153		
Loss on sale of intangible assets	**2**			
Loss allowances on financial assets	**25**	11		
Impairment of property, plant and equipment	**13**	19		
Loss on sale of property, plant and equipment	**6**	2		
Other expenses	**2 130**	1 756	**6**	4
Management and administration fees	**52**	67		
Marketing	**154**	113		
Professional fees	**106**	81		
Other administration costs	**1 818**	1 495		
Commissions paid	**1 394**	1 223		
	9 128	7 283	**6**	4

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

	GROUP		COMPANY	
	2019	2018	**2019**	2018
	Rm	Rm	**%**	%
35. FINANCE COSTS				
Bank overdrafts	**112**	87		
Redeemable preference shares	**193**	135		
Secured loans	**263**	197		
Unsecured loans (including deferred purchase consideration payable)	**89**	77		
Derivative financial instruments	**19**	20		
	676	516		
36. TAXATION				
South African current taxation	**514**	434		
Current year	**511**	444		
Prior year	**3**	(10)		
South African deferred taxation	**(99)**	(40)		
Foreign current taxation	**183**	67		
Current year	**194**	67		
Prior year	**(11)**			
Foreign deferred taxation	**(124)**	153		
Dividend withholding taxation - current year	**2**	2		
Total taxation	**476**	616		
Reconciliation of effective rate of taxation (%)				
South African normal taxation rate	**28.0**	28.0	**28.0**	28.0
Adjusted for:				
Non-taxable income	**(3.0)**	(3.0)	**(28.0)**	(28.0)
Capital gains tax rate differential	**(0.5)**	0.7		
Deferred tax recognised upon an associate investment being transferred to equity securities (refer note 4.1)		4.9		
Non-deductible charges	**18.0**	6.6		
Share of profits of associates and joint ventures	**(19.4)**	(17.6)		
Foreign tax rate differential	**(6.4)**	0.4		
Prior year adjustments	**0.1**	0.1		
Dividend withholding taxation - current year	**0.1**	0.1		
Effective rate of taxation	**16.9**	20.2	**-**	-

Non-taxable income relates mainly to dividend income, while non-deductible charges relate mainly to deferred tax assets not recognised in respect of assessed losses, impairment charges, share-based payment costs and preference share funding costs (i.e. preference dividends).

	GROUP 2019 Rm	GROUP 2018 Rm
37. EARNINGS PER SHARE		
The calculations of earnings per share are based on the following:		
Profit attributable to owners of the parent	**1 926**	1 914
Non-headline earnings (net of non-controlling interests and related tax effect):		
Net (profit)/loss on sale/dilution of interest in associates	**(21)**	70
Gross amount	**(20)**	14
Non-controlling interests	**(1)**	(96)
Tax effect		152
Profit on deconsolidation/sale of subsidiaries	**(8)**	(35)
Gross amount	**(8)**	(85)
Non-controlling interests		50
Loss on impairment of associates	**328**	4
Gross amount	**676**	8
Non-controlling interests	**(348)**	(4)
Net loss on sale/impairment of intangible assets (including goodwill)	**57**	61
Gross amount	**120**	153
Non-controlling interests	**(60)**	(90)
Tax effect	**(3)**	(2)
Net profit on sale/impairment of property, plant and equipment	**-**	(1)
Gross amount	**(1)**	1
Non-controlling interests	**(1)**	(3)
Tax effect	**2**	1
Non-headline items of associates and joint ventures	**(72)**	(33)
Gross amount	**(81)**	(31)
Non-controlling interests	**9**	(2)
Fair value gain on step-up from associate to subsidiary	**(2)**	(11)
Gross amount	**(2)**	(11)
Non-controlling interests		
Bargain purchase gain	**(14)**	(10)
Gross amount	**(25)**	(18)
Non-controlling interests	**11**	8
Reversal of impairment on non-current assets held for sale	**-**	(3)
Gross amount		(1)
Tax effect		(2)
Headline earnings	**2 194**	1 956

The "net (profit)/loss on sale/dilution of interest in associates" related mainly to Pioneer Foods' issue of shares in terms of its share incentive scheme (2018: related mainly to the deferred tax recognised upon JWM being reclassified from associates to equity securities - refer note 4.1).

The non-headline items of associates and joint ventures relate mainly to fair value gains recognised upon investment property (2018: related mainly to profits made on the disposal of associates).

	GROUP 2019 '000	GROUP 2018 '000
37. EARNINGS PER SHARE (continued)		
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	**215 941**	215 431
Weighted number of shares issued during the year	**308**	
Net movement in treasury shares	**779**	37
Weighted number of shares at end of the year	**217 028**	215 468
Number of bonus element shares to be issued in terms of share-based payment arrangements	**656**	2 416
Diluted weighted number of shares at end of the year	**217 684**	217 884
Basic		
Earnings attributable to ordinary shareholders (Rm)	**1 926**	1 914
Headline earnings (Rm)	**2 194**	1 956
Weighted average number of ordinary shares in issue	**217 028**	215 468
Attributable earnings per share (R)	**8.88**	8.88
Headline earnings per share (R)	**10.11**	9.08

Diluted

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 notes 18 and 41). 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.

	GROUP		COMPANY	
	2019 Rm	2018 Rm	**2019 Rm**	2018 Rm
Diluted earnings attributable to ordinary shareholders	**1 907**	1 896		
Diluted headline earnings	**2 175**	1 940		
Diluted weighted average number of ordinary shares in issue ('000)	**217 684**	217 884		
Diluted attributable earnings per share (R)	**8.76**	8.70		
Diluted headline earnings per share (R)	**9.99**	8.90		
38. DIVIDEND PER SHARE				
Normal dividends	**929**	836	**994**	898

Interim - R1.52 (2018: R1.38) per share

Final - R3.04 (2018: R2.77) per share

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

	GROUP 2019 Rm	GROUP 2018 Rm
39. OPERATING LEASE AND CAPITAL COMMITMENTS AND OTHER CONTINGENT LIABILITIES		
Operating lease commitments		
Operating leases - premises		
Due within one year	**260**	244
Due within one to five years	**1 076**	688
Due after more than five years	**595**	660
	1 931	1 592
Operating leases - office and computer equipment		
Due within one year	**10**	25
Due within one to five years	**26**	21
Due after more than five years	**1**	
	37	46

	GROUP	
	2019	2018
	Rm	Rm
39. OPERATING LEASE AND CAPITAL COMMITMENTS AND OTHER CONTINGENT LIABILITIES (continued)		
Operating lease commitments (continued)		
Operating leases - vehicles and plant		
Due within one year	**20**	20
Due within one to five years	**22**	36
	42	56
Capital commitments		
Authorised but not yet contracted		
Property, plant and equipment	**2 153**	2 459
Intangible assets	**82**	60
Biological assets	**22**	
	2 257	2 519
Contracted		
Property, plant and equipment	**810**	562
Intangible assets	**22**	
Investment in ordinary shares of joint ventures (Evergreen)		275
	832	837

Other contingent liabilities

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

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

40. BORROWING POWERS

In terms of the company's memorandum of incorporation, borrowing powers are unlimited. Details of actual borrowings are disclosed in note 24.

The group's short and long-term undrawn borrowing facilities at the reporting date amounted to approximately R1.5bn (2018: R1.3bn) and approximately R1.6bn (2018: R0.7bn), respectively.

41. RELATED-PARTY TRANSACTIONS AND BALANCES

Group

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) have been eliminated on consolidation. Below is a summary of the most significant related-party transactions and balances. For further information regarding related-party transactions between PSG Konsult and mutual funds managed by itself, please refer to note 31 of PSG Konsult's 2019 annual financial statements available at *www.psg.co.za* .

Directors and prescribed officers

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

	GROUP	
	2019	2018
	Rm	Rm
41. RELATED-PARTY TRANSACTIONS AND BALANCES (continued)		
Directors and prescribed officers (continued)		
Outstanding loans advanced in terms of PSG Group Ltd Supplementary Share Incentive Trust (refer note 18) to directors in order to exercise share options *	**16**	49
WL Greeff	**4**	15
JA Holtzhausen	**12**	14
PJ Mouton		20
Investment in preference shares of a party related to a director of PSG Group **	**65**	66
	81	115

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

*** 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 preference share funding is repayable during April 2020, carries a fixed dividend rate of 8.44% and PSG Konsult ordinary shares with a market value of R376m (2018: R305m) serve as security. Upon redemption of the preference share funding, should the market value of the security be less than the redemption amount, the counterparty has an option to put aforementioned security to the group at an amount equal to the redemption value.*

During the 2013 financial year, loans totalling R118m were advanced to related parties of four directors of PSG Group, being Messrs WL Greeff, JA Holtzhausen, PJ Mouton and JF Mouton, in order to each acquire 500,000 JSE-listed PSG Group ordinary shares ("the PSG Group Shares"). The PSG Group Shares serve as security for the loans receivable, which carry interest at prime less 1% and are repayable during the financial year ending 29 February 2020. During the prior year, the related party of Mr JF Mouton repaid its loan in full earlier than required. During the year under review, the related parties of Messrs WL Greeff, JA Holtzhausen and PJ Mouton repaid their loans in full earlier than required. In terms of accounting standards, the loans receivable were eliminated on consolidation and the PSG Group Shares accounted for as treasury shares (refer note 18). The arrangement was accounted for in terms of IFRS 2 Share-based Payments, with the resultant charge to the group's profit or loss for the year amounting to R1m (2018: R3m). The charge was calculated using a Black-Scholes valuation model with inputs similar to those disclosed in note 18 for the tranche of share options issued on 28 February 2013.

Investment in debt securities of an associate

Mutual funds being consolidated by the group is invested in Capitec debt securities of approximately R144m (2018: R235m).

Company

Related-party transactions consist of dividends received from the company's sole subsidiary (refer note 29), while related-party balances consist of loans to/from its direct and indirect wholly-owned subsidiaries (refer note 3).

		GROUP 2019 Rm	GROUP 2018 Rm	COMPANY 2019 Rm	COMPANY 2018 Rm
42.	**NOTES TO THE STATEMENTS OF CASH FLOWS**				
42.1	**Cash (utilised by)/generated from operations**				
	Profit before taxation	**2 817**	3 043	**1 195**	997
	Adjusted for:				
	Share of profits of associates and joint ventures	**(2 360)**	(1 926)		
	Depreciation and amortisation	**582**	503		
	Changes in fair value of biological assets	**(194)**	(195)		
	Net (profit)/loss on sale/dilution of interest in associates	**(20)**	14		
	Interest income	**(1 790)**	(1 617)	**(1)**	(1)
	Dividend income	**(512)**	(442)	**(1 200)**	(1 000)
	Finance costs	**676**	516		
	Fair value gains and losses	**1 923**	1 753		
	Share-based payment costs	**112**	97		
	Other non-cash items (mainly impairment charges - refer note 4.1)	**771**	113		
		2 005	1 859	**(6)**	(4)
	Change in working capital	**(116)**	(432)		
	Change in insurance contracts	**(1)**	(2)		
	Change in other financial instruments	**(1 856)**	(987)		
	Additions to biological assets	**(169)**	(179)		
		(137)	259	**(6)**	(4)
42.2	**Taxation paid**				
	Charged to profit or loss	**(476)**	(616)		
	Movement in deferred taxation	**(223)**	113		
	Movement in net taxation asset	**6**	(29)		
		(693)	(532)		

42.3 Businesses/subsidiaries acquired

2019 acquisitions

Businesses/subsidiaries acquired by the group during the year under review included:

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

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

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

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

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

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

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

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

Baobab Primary School operations and properties (“Baobab”)

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

Sagewood School operations and properties ("Sagewood")

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

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

42.3 Businesses/subsidiaries acquired (continued)

2019 acquisitions (continued)

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

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

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

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

42.3 Businesses/subsidiaries acquired (continued)

2019 acquisitions (continued)

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

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

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

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

2018 acquisitions

Expo Africa (Pty) Ltd and related entities ("Expo Africa")

During April 2017, the group, through CA Sales, acquired 90% of the issued share capital of Expo Africa for a cash consideration of R20m and contingent consideration of R4m. Expo Africa is involved in sales and merchandising throughout Southern Africa, being complementary to CA Sales' existing operations. Goodwill of R20m arose in respect of, inter alia, the workforce, expected synergies and the business's growth potential.

Platchro Holdings (Pty) Ltd ("Platchro")

During May 2017, the group, through Provest Group (Pty) Ltd ("Provest"), a subsidiary of PSG Alpha, acquired 100% of the issued share capital of Platchro for a cash consideration of R125m. Platchro is involved in the mining services industry, offering complementary services to Provest's existing operations. Goodwill of R74m arose in respect of, inter alia, the workforce, expected synergies, economies of scale and the business's growth potential.

CAMI Education business operations ("CAMI")

During November 2017, the group, through FutureLearn Holdings (Pty) Ltd ("FutureLearn"), a subsidiary of PSG Alpha, acquired the business operations of CAMI for a cash consideration of R18m. CAMI is involved in the creation and distribution of education software to school and home learners, offering complementary services to FutureLearn's existing operations. Goodwill of R14m arose in respect of, inter alia, the workforce, expected synergies, economies of scale and the business's growth

Multistage business operations ("Multistage")

During March 2017, the group, through Energy Partners, acquired the business operations of Multistage for a cash consideration of R20m. Multistage is involved in industrial refrigeration, offering complementary services to Energy Partners' existing operations.

The South African School of Motion Picture Medium and Live Performance (Pty) Ltd and associated property-owning companies ("AFDA")

During September 2017, the group, through Stadio, acquired 100% of the issued share capital of AFDA for a cash consideration of R179m, the issue of Stadio shares worth R120m and contingent consideration of R89m. AFDA is involved in the private higher education sector in South Africa, offering complementary services to Stadio's existing operations. Goodwill of R226m arose in respect of, inter alia, the workforce, expected synergies, economies of scale and the business's growth potential.

Southern Business School (Pty) Ltd ("SBS")

During November 2017, the group, through Stadio, acquired 74% of the issued share capital of SBS for a cash consideration of R100m and the issue of Stadio shares worth R100m. SBS is involved in the private higher education sector in South Africa and Namibia, offering complementary services to Stadio's existing operations. Goodwill of R144m arose in respect of, inter alia, the workforce, expected synergies, economies of scale and the business's growth potential.

LISOF (Pty) Ltd and associated property-owning companies ("LISOF")

During January 2018, the group, through Stadio, acquired the entire issued share capital of LISOF for a cash consideration of R63m, the issue of Stadio shares worth R50m and contingent consideration of R14m. LISOF is involved in the private higher education sector in South Africa, offering complementary services to Stadio's existing operations. Goodwill of R70m arose in respect of, inter alia, the workforce, expected synergies, economies of scale and the business's growth potential.

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

GROUP - 2018	**Expo Africa Rm**	**Platchro Rm**	**Subtotal Rm**
Recognised amounts of identifiable assets acquired and liabilities assumed			
Property, plant and equipment	3	5	8
Intangible assets	3	38	41
Trade and other receivables		25	25
Cash and cash equivalents		27	27
Deferred income tax liabilities	(1)	(1)	(2)
Borrowings	(1)	(14)	(15)
Trade and other payables		(29)	(29)
Total identifiable net assets	4	51	55
Goodwill	20	74	94
Total consideration	24	125	149
Cash consideration paid	20	125	145
Deferred/contingent consideration	4		4
Total consideration	24	125	149
Cash consideration paid	(20)	(125)	(145)
Cash and cash equivalents acquired		27	27
	(20)	(98)	(118)

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

42.3 Businesses/subsidiaries acquired (continued)

2018 acquisitions (continued)

GROUP - 2018	Subtotal Rm	CAMI Rm	Multistage Rm	AFDA Rm	SBS Rm	LISOF Rm	Other Rm	Total Rm
Recognised amounts of identifiable assets acquired and liabilities								
Property, plant and equipment	8		6	104	10	70	12	210
Intangible assets	41	4		34	34	17	4	134
Unit-linked investments					2			2
Trade and other receivables	25	1	3	14	25	3	84	155
Loans and advances							9	9
Cash and cash equivalents	27	1	3	79	41	13	(21)	143
Deferred income tax (liabilities)/assets	(2)	(1)		8	(3)	(1)	2	3
Inventory			14				33	47
Borrowings	(15)				(4)	(17)	(31)	(67)
Employee benefit liabilities							(2)	(2)
Trade and other payables	(29)	(1)	(2)	(61)	(8)	(28)	(33)	(162)
Current income tax (liabilities)/assets				(16)	(7)		3	(20)
Total identifiable net assets	55	4	24	162	90	57	60	452
Non-controlling interests					(34)		(13)	(47)
Derecognition of investment in associates at fair value							(41)	(41)
Goodwill	94	14		226	144	70	54	602
Gain on bargain purchase			(4)				(14)	(18)
Total consideration	149	18	20	388	200	127	46	948
Cash consideration paid	145	18	20	179	100	63	46	571
Equity instruments issued				120	100	50		270
Deferred/contingent consideration	4			89		14		107
Total consideration	149	18	20	388	200	127	46	948
Cash consideration paid	(145)	(18)	(20)	(179)	(100)	(63)	(46)	(571)
Cash and cash equivalents acquired	27	1	3	79	41	13	(21)	143
	(118)	(17)	(17)	(100)	(59)	(50)	(67)	(428)

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

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

Had the aforementioned business combinations been accounted for with effect from 1 March 2017 instead of their respective acquisition dates, the consolidated income statement would have reflected additional revenue of R1.2bn and profit for the year of R105m.

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

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

42.4.1 First-time consolidation of mutual fund

2019

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

2018

No mutual funds were consolidated for the first time.

42.4.2 Deconsolidation of mutual funds

2019

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

2018

No mutual funds were deconsolidated.

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

42.5 Subsidiaries deconsolidated/sold

2019

Provest Group (Pty) Ltd ("Provest")

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

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

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

2018

During July 2017, Capespan merged the fruit distribution businesses of two wholly-owned subsidiaries, Capespan Japan Ltd ("Capespan Japan") and Metspan Hong Kong Ltd ("Metspan"), with that of Joy Wing Mau Asia ("JWM Asia") in exchange for a 30% equity interest in JWM Asia, a loan receivable and cash consideration of R59m.

The amounts of identifiable net assets/liabilities of the businesses sold, as well as the remaining interest in associate recognised, can be summarised as follows:

GROUP - 2018	Capespan Japan Rm	Metspan Rm	Other Rm	Total Rm
Recognised amounts of identifiable assets and liabilities derecognised				
Property, plant and equipment	(2)	(1)	(4)	(7)
Intangible assets		(11)		(11)
Trade and other receivables	(74)	(81)	(11)	(166)
Loans and advances	(1)	(1)		(2)
Cash and cash equivalents	(18)	(14)		(32)
Deferred income tax liabilities			(4)	(4)
Inventory	(16)	(6)	(20)	(42)
Borrowings			36	36
Trade and other payables	35	63	8	106
Identifiable net (assets)/liabilities derecognised	(76)	(51)	5	(122)
Recognition of remaining investment in associate		26		26
Recognition of loans granted to associate	73	49		122
Profit on sale of businesses		(80)	(5)	(85)
Cash consideration received	(3)	(56)	-	(59)
Cash consideration received	3	56		59
Cash and cash equivalents derecognised	(18)	(14)		(32)
Cash flow from businesses sold	(15)	42	-	27

	GROUP 2019 Rm	GROUP 2018 Rm
42.6 Cash and equivalents at end of the year for purposes of the statement of cash flows		
Cash and cash equivalents (note 16)	**1 832**	2 279
Bank overdrafts (note 24)	**(1 127)**	(1 286)
	705	993

43. TRANSACTIONS WITH NON-CONTROLLING INTERESTS

2019

The impact on equity attributable to owners of the parent resulting from transactions with non-controlling interests, as disclosed in the statement of changes in equity, relates mainly to losses made following the issue of shares to participants of the PSG Group share incentive scheme set out in note 18.

2018

The impact on equity attributable to owners of the parent resulting from transactions with non-controlling interests, as disclosed in the statement of changes in equity, related mainly to dilution gains made as a result of the issue of shares by Stadio to undertake the business combinations set out in note 42.3.

44. EVENTS SUBSEQUENT TO THE REPORTING DATE

No material event, except for the declaration of PSG Group's final dividend for the year ended 28 February 2019 (refer note 38), has occurred between the reporting date and the date of approval of these annual financial statements.

45. IMPACT OF ADOPTING IFRS 9 and IFRS 15

The group and company applied IFRS 9 and IFRS 15 retrospectively without restating comparative figures. The resultant impact was an adjustment against the group's ordinary shareholders' equity and non-controlling interests of R231m and R32m, respectively. Especially insofar as it relates to IFRS 9, comparability will not be achieved by the fact that the comparative financial information has been prepared in terms of IAS 39.

IFRS 9

The group was most significantly impacted by Capitec's (an associate) adoption of IFRS 9 regarding the application of the expected credit loss impairment model to its up-to-date book. Previously, under IAS 39, Capitec applied an incurred but not reported ("IBNR") emergence period of three months. Under IFRS 9, Capitec applies a 12 month expected credit loss view on the up-to-date loan book. Capitec's rescheduled loan book provision previously considered a 12-month forward-looking period and were now extended to lifetime expected credit losses under IFRS 9. The net charge (i.e. debit against retained earnings) to Capitec's equity was R648m, with the resultant impact on PSG Group's investment in ordinary shares of associates and equity being R199m in respect of its 30.7% investment in Capitec.

IFRS 15

The group was most significantly impacted by Curro's (a subsidiary) adoption of IFRS 15 regarding the application of the registration fees that are paid by learners to grant them access to or to provide them with a right to use a school. Registration fees paid by learners (i.e. customers) are non-refundable. The existence of a non-refundable registration fee indicates that the arrangement includes a renewal option for future services (i.e. access to school facilities) at a reduced price (i.e. customer renews the agreement without the payment of an additional registration fee). By not requiring the customer to pay the enrolment fee again at renewal, Curro is effectively providing a discounted renewal rate to the customer. Curro determined that the renewal option is a material right because it provides a renewal option at a lower price than the range of prices typically charged, and therefore it is a separate performance obligation (i.e. revenue recognised over time as services are rendered, rather than at a point in time).

The adoption of IFRS 9 and IFRS 15 did not result in significant reclassification between the statement of financial position line items; however, it did result in some remeasurements. The table below summarises the impact on the group's statement of financial position from adopting IFRS 9 and IFRS 15 as at the date of initial application (i.e. 1 March 2018):

	As at	Adjustments			As at
	28-Feb-18	IFRS 9	IFRS 15	Total	1-Mar-18
	Rm	Rm	Rm	Rm	Rm
Assets					
Property, plant and equipment	9 310				9 310
Intangible assets	3 825				3 825
Investment in ordinary shares of associates	13 886	(204)		(204)	13 682
Investment in preference shares of/loans granted to associates	141	(1)		(1)	140
Investment in ordinary shares of joint ventures	432				432
Loans granted to joint ventures	8				8
Employee benefit assets	39				39
Unit-linked investments	42 200				42 200
Equity securities	4 321				4 321
Debt securities	6 144	(25)		(25)	6 119
Deferred income tax assets	245	8	10	18	263
Biological assets	558				558
Investment in investment contracts	15				15
Loans and advances	577				577
Trade and other receivables	4 492	(39)		(39)	4 453
Derivative financial assets	43	25		25	68
Inventory	1 723				1 723
Current income tax assets	90				90
Reinsurance assets	86				86
Cash and cash equivalents	2 279				2 279
Non-current assets held for sale	7				7
Total assets	**90 421**	**(236)**	**10**	**(226)**	**90 195**
Equity					
Ordinary shareholders' equity	17 143	(216)	(15)	(231)	16 912
Non-controlling interests	11 729	(20)	(12)	(32)	11 697
Total equity	**28 872**	**(236)**	**(27)**	**(263)**	**28 609**
Liabilities					
Insurance contracts	543				543
Third-party liabilities arising on consolidation of mutual funds	23 600				23 600
Investment contract liabilities	24 279				24 279
Deferred income tax liabilities	997				997
Borrowings	7 332				7 332
Derivative financial liabilities	109				109
Employee benefit liabilities	541				541
Trade and other payables	4 090		37	37	4 127
Reinsurance liabilities	3				3
Current income tax liabilities	55				55
Total equity	**61 549**	**-**	**37**	**37**	**61 586**
Total equity and liabilities	**90 421**	**(236)**	**10**	**(226)**	**90 195**

45. IMPACT OF ADOPTING IFRS 9 and IFRS 15 (continued)

The table below summarises financial assets and the classification thereof immediately before and after adoption of IFRS 9 and IFRS 15 on 1 March 2018:

28 February 2018	Held-to-maturity Rm	Loans and receivables Rm	Fair value through profit or loss Rm	Insurance assets Rm	Total Rm
Investment in preference shares of/loans granted to associates		141			141
Loans granted to joint ventures		8			8
Unit-linked investments			42 200		42 200
Equity securities			4 321		4 321
Debt securities	3 721		2 423		6 144
Investment in investment contracts			15		15
Loans and advances		577			577
Trade and other receivables		4 057		87	4 144
Derivative financial assets			43		43
Reinsurance assets				86	86
Cash and cash equivalents		2 279			2 279
	3 721	7 062	49 002	173	59 958

1 March 2018	Measured at amortised cost Rm	Fair value through profit or loss Rm	Insurance assets Rm	Total Rm
Investment in preference shares of/loans granted to associates	141			141
Loans granted to joint ventures	7			7
Unit-linked investments		42 200		42 200
Equity securities		4 321		4 321
Debt securities	160	5 959		6 119
Investment in investment contracts		15		15
Loans and advances	577			577
Trade and other receivables	4 018		87	4 105
Derivative financial assets		68		68
Reinsurance assets			86	86
Cash and cash equivalents	2 279			2 279
	7 182	52 563	173	59 918

No financial liabilities were reclassified or remeasured as a result of the adoption of IFRS 9, while further information on transfers of financial assets between different classification categories are included in the respective notes.

46. FINANCIAL RISK MANAGEMENT

Financial risk factors

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

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

The largest portion of financial assets and liabilities emanate from the client-related balances set out on page 21.

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

	GROUP		COMPANY	
	2019	2018	**2019**	2018
	Rm	Rm	**Rm**	Rm
CLASSES OF FINANCIAL AND INSURANCE ASSETS				
Loans to subsidiaries			**5 900**	5 150
Investment in preference shares of/loans granted to associates	**178**	141		
Loans granted to joint ventures	**5**	8		
Unlisted but quoted unit-linked investments - own balances	**756**	613		
Unlisted but quoted unit-linked investments - consolidated mutual funds	**22 356**	19 979		
Unlisted but quoted unit-linked investments - investments linked to investment contracts	**22 928**	20 889		
Total unlisted but quoted unit-linked investments	**46 040**	41 481		
Unquoted unit-linked investments - own balances	**20**	22		
Unquoted unit-linked investments - investments linked to investment contracts	**435**	697		
Total unquoted unit-linked investments	**455**	719		
Total unit-linked investments	**46 495**	42 200		
Listed equity securities - own balances	**485**	27		
Listed equity securities - consolidated mutual funds	**160**	111		
Listed equity securities - investments linked to investment contracts	**2 177**	2 193		
Total listed equity securities	**2 822**	2 331		
Unlisted but quoted equity securities - own balances	**2**			
Unquoted equity securities - own balances	**172**	1 990		
Total equity securities	**2 996**	4 321		

46. FINANCIAL RISK MANAGEMENT (continued)

Financial risk factors (continued)

	GROUP 2019 Rm	GROUP 2018 Rm	COMPANY 2019 Rm	COMPANY 2018 Rm
CLASSES OF FINANCIAL AND INSURANCE ASSETS (continued)				
Listed debt securities - consolidated mutual funds	**876**	922		
Unlisted but quoted debt securities - own balances	**1 864**	2 573		
Unlisted but quoted debt securities - consolidated mutual funds	**3 146**	2 141		
Unlisted but quoted debt securities - investments linked to investment contracts	**310**	324		
Total unlisted but quoted debt securities	**5 320**	5 038		
Unquoted debt securities - own balances	**9**	24		
Unquoted debt securities - investments linked to investment contracts	**58**	160		
Total unquoted debt securities	**67**	184		
Total debt securities	**6 263**	6 144		
Investment in investment contracts	**16**	15		
Secured loans	**325**	465		
Unsecured loans	**118**	112		
Total loans and advances	**443**	577		
Trade receivables	**2 600**	2 449		
Broker and clearing houses	**1 278**	1 373		
Contract assets from contracts with customers	**32**	26		
Sundry receivables	**366**	296		
Total trade and other receivables	**4 276**	4 144		
Derivative financial assets	**33**	43		
Reinsurance assets	**109**	86		
Cash and cash equivalents	**1 832**	2 279		
Total financial and insurance assets	**62 646**	59 958	**5 900**	5 150

	GROUP 2019 Rm	GROUP 2018 Rm	COMPANY 2019 Rm	COMPANY 2018 Rm
CLASSES OF FINANCIAL AND INSURANCE LIABILITIES				
Insurance contracts	**543**	543		
Third-party liabilities arising on consolidation of mutual funds	**26 715**	23 600		
Investment contract liabilities	**25 932**	24 279		
Bank overdrafts	**1 127**	1 286		
Redeemable preference shares	**2 519**	1 949		
Unsecured loans	**361**	733		
Secured loans	**3 770**	3 364		
Total borrowings	**7 777**	7 332		
Loan from subsidiary			**391**	
Fixed-for-variable interest rate swap	**38**	53		
Exchange traded derivatives	**15**	17		
Written put option to non-controlling interest	**25**	39		
Total derivative financial liabilities	**78**	109		
Trade payables and accruals	**3 651**	3 527	**5**	4
Margin accounts	**21**	23		
Subsidiary/associated company purchase consideration payable	**176**	239		
Total trade and other payables	**3 848**	3 789	**5**	4
Reinsurance liabilities	**5**	3		
Total financial and insurance liabilities	**64 898**	59 655	**396**	4

46. FINANCIAL RISK MANAGEMENT (continued)

Financial risk factors (continued)

GROUP	Fair value through profit or loss Rm	Measured at amortised cost [1] Rm	Insurance assets Rm	Total Rm
FINANCIAL AND INSURANCE ASSETS BY CATEGORY				
28 February 2019				
Investment in preference shares of/loans granted to associates		**178**		**178**
Loans granted to joint ventures		**5**		**5**
Unit-linked investments	**46 495**			**46 495**
Equity securities	**2 996**			**2 996**
Debt securities	**6 196**	**67**		**6 263**
Investment in investment contracts	**16**			**16**
Loans and advances		**443**		**443**
Trade and other receivables		**4 165**	**111**	**4 276**
Derivative financial assets	**33**			**33**
Reinsurance assets			**109**	**109**
Cash and cash equivalents		**1 832**		**1 832**
	55 736	**6 690**	**220**	**62 646**

	Held-to-maturity [1] Rm	Loans and receivables [1] Rm	Fair value through profit or loss Rm	Insurance assets Rm	Total Rm
28 February 2018					
Investment in preference shares of/loans granted to associates		141			141
Loans granted to joint ventures		8			8
Unit-linked investments			42 200		42 200
Equity securities			4 321		4 321
Debt securities	3 721		2 423		6 144
Investment in investment contracts			15		15
Loans and advances		577			577
Trade and other receivables		4 057		87	4 144
Derivative financial assets			43		43
Reinsurance assets				86	86
Cash and cash equivalents		2 279			2 279
	3 721	7 062	49 002	173	59 958

[1] Carrying value approximates fair value.

GROUP	Fair value through profit or loss Rm	Measured at amortised cost [1] Rm	Insurance liabilities Rm	Total Rm
FINANCIAL AND INSURANCE LIABILITIES BY CATEGORY				
28 February 2019				
Insurance contracts			**543**	**543**
Third-party liabilities arising on consolidation of mutual funds	**26 715**			**26 715**
Investment contract liabilities	**25 874**	**58**		**25 932**
Borrowings		**7 777**		**7 777**
Derivative financial liabilities	**78**			**78**
Trade and other payables	**159**	**3 596**	**93**	**3 848**
Reinsurance liabilities			**5**	**5**
	52 826	**11 431**	**641**	**64 898**
28 February 2018				
Insurance contracts			543	543
Third-party liabilities arising on consolidation of mutual funds	23 600			23 600
Investment contract liabilities	24 119	160		24 279
Borrowings		7 332		7 332
Derivative financial liabilities	109			109
Trade and other payables	45	3 684	60	3 789
Reinsurance liabilities			3	3
	47 873	11 176	606	59 655

[1] Carrying value approximates fair value.

46. FINANCIAL RISK MANAGEMENT (continued)

Financial risk factors (continued)

FINANCIAL AND INSURANCE LIABILITIES BY CATEGORY (continued)

COMPANY	2019 Rm	2018 Rm
FINANCIAL ASSETS BY CATEGORY		
Assets measured at amortised cost		
Loans to subsidiaries	**5 900**	**5 150**
FINANCIAL LIABILITIES BY CATEGORY		
Liabilities measured at amortised cost		
Loan from subsidiary	**391**	
Trade and other payables	**5**	4
	396	4

Market risk

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

Price risk

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

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

	Consolidated mutual funds		Investments linked to investment contracts		Own balances		Total	
Sector composition of unit-linked investments	**2019 Rm**	2018 Rm	**2019 Rm**	2018 Rm	**2019 Rm**	2018 Rm	**2019 Rm**	2018 Rm
Equity funds	**8 109**	6 275	**5 189**	4 234	**7**	4	**13 305**	10 513
Multi-asset funds	**13 347**	12 767	**15 691**	14 702	**633**	511	**29 671**	27 980
Interest-bearing investments	**900**	937	**1 821**	1 676	**110**	96	**2 831**	2 709
Other			**662**	974	**26**	24	**688**	998
	22 356	19 979	**23 363**	21 586	**776**	635	**46 495**	42 200

The table below summarises the sensitivity of the group's post-tax net profit for the year as a result of the potential movement in unit-linked investments' fair value. The analysis is based on the assumption that marked-to-market prices increase/decrease by 20% (2018: 20%) at the reporting date, with all other variables (e.g. effective tax rate) held constant.

GROUP	**2019 20% increase Rm**	2018 20% increase Rm	**2019 20% decrease Rm**	2018 20% decrease Rm
Impact on post-tax profit	**30**	21	**(30)**	(21)

	Consolidated mutual funds		Investments linked to investment contracts		Own balances		Total	
Sector composition of equity securities	**2019 Rm**	2018 Rm	**2019 Rm**	2018 Rm	**2019 Rm**	2018 Rm	**2019 Rm**	2018 Rm
Banks, insurance and financial services	**78**	53	**772**	814	**6**	17	**856**	884
Healthcare			**96**	85	**1**	1	**97**	86
Industrial, retail, food & beverage and other sectors	**50**	41	**568**	562	**648**	1 994	**1 266**	2 597
Property and construction	**20**		**259**	257	**1**	1	**280**	258
Resources, chemicals and oil & gas	**11**	6	**205**	210	**1**	1	**217**	217
Technology, media and telecommunications	**1**	11	**277**	265	**2**	3	**280**	279
	160	111	**2 177**	2 193	**659**	2 017	**2 996**	4 321

The table below summarises the sensitivity of the group's post-tax net profit for the year as a result of the potential movement in equity securities' fair value. The analysis is based on the assumption that marked-to-market prices increase/decrease by 20% (2018: 20%) at the reporting date, with all other variables (e.g. effective tax rate) held constant.

GROUP	**2019 20% increase Rm**	2018 20% increase Rm	**2019 20% decrease Rm**	2018 20% decrease Rm
Impact on post-tax profit	**103**	315	**(103)**	(315)

	Consolidated mutual funds		Investments linked to investment contracts		Own balances		Total	
Sector composition of debt securities	**2019 Rm**	2018 Rm	**2019 Rm**	2018 Rm	**2019 Rm**	2018 Rm	**2019 Rm**	2018 Rm
Banks	**3 169**	2 319	**339**	346	**1 446**	1 916	**4 954**	4 581
Government	**760**	666		51	**400**	612	**1 160**	1 329
Other	**93**	78	**29**	87	**27**	69	**149**	234
	4 022	3 063	**368**	484	**1 873**	2 597	**6 263**	6 144

46. FINANCIAL RISK MANAGEMENT (continued)

Financial risk factors (continued)

Market risk (continued)

Foreign currency risk

The group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Management monitors this exposure and cover is used where appropriate.

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

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

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

46. FINANCIAL RISK MANAGEMENT (continued)

Financial risk factors (continued)

Market risk (continued)

Foreign currency risk (continued)

GROUP	British pound sterling Rm	United States dollar Rm	Euro Rm	Subtotal Rm
At 28 February 2018				
Financial assets				
Unit-linked investments [1)]		7 017		7 017
Equity securities [1)]	30	502	56	588
Loans and advances	1	32	2	35
Trade and other receivables	6	427	73	506
Cash and cash equivalents	13	124	3	140
Financial liabilities				
Investment contract liabilities [1)]	(25)	(2 815)	(55)	(2 895)
Third-party liabilities arising on consolidation of mutual funds [1)]	(10)	(4 941)		(4 951)
Borrowings	(1)	(158)	(212)	(371)
Trade and other payables	(1)	(150)	(32)	(183)
	13	38	(165)	(114)

GROUP	Subtotal Rm	Botswana pula Rm	Mozambique new metical Rm	Other Rm	Total Rm
At 28 February 2018					
Financial assets					
Unit-linked investments [1)]	7 017				7 017
Equity securities [1)]	588			47	635
Loans and advances	35				35
Trade and other receivables	506	254	37	21	818
Cash and cash equivalents	140	156	206	7	509
Financial liabilities					
Investment contract liabilities [1)]	(2 895)			(32)	(2 927)
Third-party liabilities arising on consolidation of mutual funds [1)]	(4 951)			(18)	(4 969)
Borrowings	(371)	(225)	(1)	(3)	(600)
Trade and other payables	(183)	(344)	(1)	(15)	(543)
	(114)	(159)	241	7	(25)

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

46. FINANCIAL RISK MANAGEMENT (continued)

Financial risk factors (continued)

Market risk (continued)

Foreign currency risk (continued)

The table below shows the sensitivities to a 20% (2018: 20%) appreciation/depreciation in the South African rand exchange rate at year-end, with all other variables (e.g. effective tax rate) held constant.

GROUP	**2019 20% appreciation Rm**	2018 20% appreciation Rm	**2019 20% depreciation Rm**	2018 20% depreciation Rm
Translation of financial assets/liabilities from transaction to functional currency				
Impact on post-tax profit	**(33)**	(4)	**33**	4
United States dollar	**(40)**	1	**40**	(1)
Euro	**1**	(2)	**(1)**	2
Botswana pula		(3)		3
Chinese yuan renminbi	**5**	1	**(5)**	(1)
Other	**1**	(1)	**(1)**	1
Translation from functional to presentation currency				
Impact on post-tax profit	**(13)**	(29)	**13**	29
British pound sterling	**(11)**	(9)	**11**	9
United States dollar	**24**	(2)	**(24)**	2
Euro	**(9)**		**9**	
Botswana pula	**(20)**	(11)	**20**	11
Mozambique new metical	**9**	9	**(9)**	(9)
Chinese yuan renminbi		(13)		13
Japanese yen		(3)		3
Other	**(6)**		**6**	
Impact on post-tax other comprehensive income (i.e. translation of foreign operations)	**(85)**	(57)	**85**	57
British pound sterling	**18**	17	**(18)**	(17)
United States dollar	**(37)**	(38)	**37**	38
Euro	**(28)**	(5)	**28**	5
Botswana pula	**(46)**	(32)	**46**	32
Mozambique new metical	**4**	8	**(4)**	(8)
Zambian kwacha	**(4)**	(7)	**4**	7
Other	**8**		**(8)**	

The company had no exposure to foreign currency risk.

The group has entered into forward currency exchange contracts (some being designated as hedging instruments), which relate to specific foreign commitments in respect of the aforementioned transactions (hedged items). The carrying value of forward currency exchange contracts are set out in note 13 and the details of such outstanding contracts at the reporting date are as follows:

	2019 Foreign amount m	**2019 Average exchange rate**	**2019 Rand value Rm**	2018 Foreign amount m	2018 Average exchange rate	2018 Rand value Rm
Exports						
British pound sterling	**1**	**18.29**	**11**	1	16.72	16
United States dollar	**2**	**14.37**	**34**	2	12.36	27
Euro	**1**	**16.44**	**10**	1	14.85	14
			55			57
Imports						
United States dollar	**2**	**14.34**	**23**	1	12.56	6
Euro	**1**	**16.33**	**11**	1	15.13	8
			34			14

46. FINANCIAL RISK MANAGEMENT (continued)

Financial risk factors (continued)

Market risk (continued)

Cash flow and fair value interest rate risk (continued)

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

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

	GROUP	
	2019	2018
	Rm	Rm
Loans to and preference share investments in associates and joint ventures		
Floating rate	**142**	132
Fixed rate and non-interest bearing	**41**	17
	183	149
Unit-linked investments		
Floating rate	**100**	104
Fixed rate and non-interest bearing	**46 395**	42 096
	46 495	42 200
Debt securities [1)]		
Floating rate	**1 759**	1 072
Fixed rate and non-interest bearing	**4 504**	5 072
	6 263	6 144
Loans and advances		
Floating rate	**266**	320
Fixed rate and non-interest bearing	**177**	257
	443	577
Trade and other receivables		
Floating rate	**218**	226
Fixed rate and non-interest bearing	**4 058**	3 918
	4 276	4 144
Cash and cash equivalents [2)]		
Floating rate	**1 499**	1 298
Fixed rate and non-interest bearing	**333**	981
	1 832	2 279
Third-party liabilities arising on consolidation of mutual funds		
Floating rate	**(472)**	(1 051)
Fixed rate and non-interest bearing	**(26 082)**	(22 438)
	(26 554)	(23 489)
Investment contract liabilities		
Floating rate	**(8)**	(1)
Fixed rate and non-interest bearing	**(23 731)**	(22 071)
	(23 739)	(22 072)
Borrowings		
Floating rate	**(4 428)**	(4 541)
Fixed rate and non-interest bearing	**(3 349)**	(2 791)
	(7 777)	(7 332)
Trade and other payables		
Floating rate	**(32)**	(23)
Fixed rate and non-interest bearing	**(3 816)**	(3 766)
	(3 848)	(3 789)
	(2 426)	(1 189)

46. FINANCIAL RISK MANAGEMENT (continued)

Financial risk factors (continued)

Market risk (continued)

Cash flow and fair value interest rate risk (continued)

	GROUP	
	2019	2018
	Rm	Rm
Floating rate	**(956)**	(2 464)
Own balances	**(1 057)**	(2 563)
Client balances	**101**	99
Fixed rate and non-interest bearing	**(1 470)**	1 275
Own balances	**(1 394)**	1 343
Client balances	**(76)**	(68)
	(2 426)	(1 189)

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

• It swapped the floating interest rate for a fixed interest rate on R1.2bn (2018: R1.2bn) out of the R1.7bn (2018: R1.7bn) nominal exposure under the perpetual preference shares in issue:
- 75% (2018: 75%) of prime swapped for a fixed rate of 8.56% (2018: 8.56%) until 31 August 2020; and
- 83.33% (2018: 83.33%) of prime swapped for a fixed rate of 9.81% (2018: 9.81%) until 31 August 2026.

• The group’s redeemable preference share borrowings (note 26) carry fixed dividend rates. In addition, the group has significant preference share investments in and loans to group companies, as well as cash balances, as shown in the above table, with coupons linked to floating prime interest rates, thus creating a natural interest rate hedge.

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

The table below summarises the sensitivity of the group's post-tax net profit for the year to interest rate fluctuations. The analysis is based on the assumption that interest rates were 1% (2018: 1%) higher/lower for the full year, with all other variables (e.g. effective tax rate, interest carrying balances) held constant. The sensitivity analysis includes the effect of the interest rate hedge:

GROUP	**2019 1% increase Rm**	2018 1% increase Rm	**2019 1% decrease Rm**	2018 1% decrease Rm
Impact on post-tax profit				
Floating rate financial assets and liabilities	**(4)**	(1)	**4**	1
Fixed rate and non-interest bearing financial assets and liabilities	**(12)**	(8)	**12**	8

The company had no exposure to interest rate risk.

46. FINANCIAL RISK MANAGEMENT (continued)

Financial risk factors (continued)

Credit risk

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

	2019		2018	
GROUP	**Carrying value Rm**	**Collateral fair value Rm**	Carrying value Rm	Collateral fair value Rm
Investment in preference shares of/loans granted to associates	**178**		141	
Loans granted to joint ventures	**5**		8	
Unit-linked investments	**46 495**		42 200	
Debt securities	**6 263**		6 144	
Investment in investment contracts	**16**		15	
Loans and advances	**443**	**866**	577	1 058
Trade and other receivables	**4 276**	**182**	4 144	362
Derivative financial assets	**33**		43	
Reinsurance assets	**109**	**9**	86	4
Cash and cash equivalents	**1 832**		2 279	1
	59 650	**1 057**	55 637	1 425
Own balances	**7 913**		8 552	
Client balances	**51 737**		47 085	

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

These instruments are impaired by reference to the net asset value of the debtor and/or discounted cash flow calculations. There were no material impairments during the current or prior year in respect of investments in preference shares of/loans granted to associates and joint ventures.

Unit-linked investments

Client-related balances comprises 98.3% (2018: 98.5%) of these instruments and thus the relevant credit risk is carried by the respective policyholders and third-party mutual fund investors.

Debt securities

Client-related balances comprises 70.1% (2018: 57.7%) of these instruments and thus the relevant credit risk is carried by the respective policyholders and third-party mutual fund investors.

Investment in investment contracts

Client-related balances comprises 100% (2018: 100%) of these instruments and thus the relevant credit risk is carried by the policyholders of the linked investment contracts.

Loans and advances

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

Trade and other receivables

Expected loss allowances are recognised on trade and other receivables as detailed in note 12.

Derivative financial assets

Derivative counterparties are limited to high-credit-quality financial institutions, such as the four traditional South African banks.

Reinsurance assets

Collateral relates to reinsurers' reserve deposits.

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

	2019		2018	
	Rm	**%**	Rm	%
African RE	**51**	**49%**	39	48%
Santam RE	**51**	**49%**	39	48%
Namib RE	**2**	**2%**	3	4%
Other		**<1%**		<1%
	104	**100%**	81	100%
Deferred acquisition costs	**5**		5	
Reinsurance assets	**109**		86	
Amounts due from reinsurers (included in trade and other receivables)				
African RE	**16**	**47%**	9	45%
Santam RE	**16**	**47%**	9	45%
Namib RE	**1**	**3%**	1	5%
Other	**1**	**3%**	1	5%
	34	**100%**	20	100%

46. FINANCIAL RISK MANAGEMENT (continued)

Financial risk factors (continued)

Credit risk (continued)

Cash and cash equivalents

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

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

GROUP	Investment in preference shares of/ loans to associated companies Rm	Loans granted to joint ventures Rm	Unit-linked investments Rm	Debt securities Rm	Investment in investment contracts Rm	Loans and advances Rm	Subtotal Rm
Government stock				1 160			1 160
Aaa				21			21
Aa				19			19
Baa				6			6
Ba				48			48
P1				4 756			4 756
Unit-linked			46 495				46 495
Other rated				225			225
Other non-rated	178	5		28	16	443	670
	178	5	46 495	6 263	16	443	53 400

GROUP	Subtotal Rm	Trade and other receivables Rm	Derivative financial assets Rm	Reinsurance assets Rm	Cash and cash equivalents Rm	Total 2019 Rm	Total 2018 Rm
Government stock	1 160					1 160	1 329
Aaa	21	2				23	47
Aa	19	67				86	36
A					94	94	131
Baa	6	35			596	637	3 100
Ba	48				24	72	11
B		2			36	38	89
Caa					30	30	
P1	4 756				876	5 632	2 649
Unit-linked	46 495					46 495	42 201
Other rated	225	36		101	41	403	588
Other non-rated	670	4 134	33	8	135	4 980	5 119
Past due but not impaired						-	337
	53 400	4 276	33	109	1 832	59 650	55 637

The credit risk associated with approximately 45% (2018: 45%) of unit-linked, other rated and other non-rated financial assets are assessed by reference to the investment mandates of linked policyholder investments and consolidated mutual funds, which specifies what type of underlying investments can be purchased. The holders of these contracts bear the credit risk (as well as all other financial risks) arising from these assets.

Other non-rated assets consists mainly of secured and unsecured loans to external parties (refer note 11 for details of the security provided), trade and other receivables and cash and cash equivalents. All trade and other receivables are generally payable on demand. The various group companies assess all counterparties for creditworthiness before transacting, and monitor creditworthiness on a regular basis.

Trade and other receivables relate mainly to PSG Online broker and clearing accounts and Capespan's trade receivables. The counterparty to the PSG Online broker and clearing accounts is the JSE, with a corresponding control account balance included in trade and other payables (refer note 26). Capespan performs ongoing credit evaluations regarding the financial condition of its trade receivables, and where appropriate, purchases credit guarantee insurance.

46. FINANCIAL RISK MANAGEMENT (continued)

Financial risk factors (continued)

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, each entity aims to maintain flexibility in funding by keeping committed credit lines available.

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

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

GROUP	Carrying value Rm	Less than 1 year Rm	Between 1 and 5 years Rm	Over 5 years Rm
At 28 February 2019				
Insurance contracts	**543**	**524**	**19**	
Third-party liabilities arising on consolidation of mutual funds *	**26 715**	**26 715**		
Investment contract liabilities **	**25 932**	**2 946**	**22 986**	
Borrowings	**7 777**	**1 705**	**6 528**	**591**
Derivative financial liabilities	**78**	**27**	**60**	**14**
Trade and other payables	**3 848**	**3 783**	**70**	
Reinsurance liabilities	**5**	**5**		
	64 898	**35 705**	**29 663**	**605**
At 28 February 2018				
Insurance contracts	543	521	22	
Third-party liabilities arising on consolidation of mutual funds *	23 600	23 600		
Investment contract liabilities **	24 279	4 329	19 950	
Borrowings	7 332	1 897	4 560	1 291
Derivative financial liabilities	109	42	68	16
Trade and other payables	3 789	3 811	11	
Reinsurance liabilities	3	4		
	59 655	34 204	24 611	1 307

** Third-party liabilities arising on consolidation of mutual funds are supported by the respective mutual funds' underlying assets with a similar maturity profile and accordingly the group is not exposed to liquidity risk in this regard.*

*** With regard to the linked investment policy business it is the group's policy to pay a policyholder only once the amount disinvested has been collected. The investment contract liabilities listed in the table thus do not expose the group to liquidity risk. The investment policy and mandates take the expected liability cash flow into account. By limiting the cash flow mismatch the risk of premature realisation of assets or reinvestment of excess cash is mitigated. In addition, investment guidelines and limits are used to limit exposure to illiquid assets.*

46. FINANCIAL RISK MANAGEMENT (continued)

Financial risk factors (continued)

Liquidity risk (continued)

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

COMPANY	Carrying value Rm	Less than 1 year Rm
At 28 February 2019		
Loan from subsidiary	**391**	**391**
Trade and other payables	**5**	**5**
	396	**396**
At 28 February 2018		
Trade and other payables	4	4

Fair value estimation

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

Level 1

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

Level 2

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

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

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

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

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

46. FINANCIAL RISK MANAGEMENT (continued)

Fair value estimation (continued)

Level 3

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

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

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

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

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

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

The following financial instruments are measured at fair value:

GROUP	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
At 28 February 2019				
Assets				
Unit-linked investments		**46 040**	**455**	**46 495**
Equity securities	**2 822**	**143**	**31**	**2 996**
Debt securities	**876**	**5 320**		**6 196**
Investment in investment contracts		**16**		**16**
Derivative financial assets		**33**		**33**
	3 698	**51 552**	**486**	**55 736**
Own balances	**485**	**2 179**	**59**	**2 723**
Consolidated mutual funds	**1 036**	**26 111**		**27 147**
Investments linked to investment contracts	**2 177**	**23 262**	**427**	**25 866**
	3 698	**51 552**	**486**	**55 736**
Liabilities				
Third-party liabilities arising on consolidation of mutual funds		**26 715**		**26 715**
Investment contract liabilities		**25 439**	**435**	**25 874**
Derivative financial liabilities		**53**	**25**	**78**
Trade and other payables			**159**	**159**
	-	**52 207**	**619**	**52 826**
Own balances		**53**	**184**	**237**
Consolidated mutual funds		**26 715**		**26 715**
Investments linked to investment contracts		**25 439**	**435**	**25 874**
	-	**52 207**	**619**	**52 826**

46. FINANCIAL RISK MANAGEMENT (continued)

Fair value estimation (continued)

GROUP	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
At 28 February 2018				
Assets				
Unit-linked investments		41 481	719	42 200
Equity securities	2 330	1 312	679	4 321
Debt securities	922	1 501		2 423
Investment in investment contracts		15		15
Derivative financial assets		43		43
	3 252	44 352	1 398	49 002
Own balances	25	2 020	700	2 745
Consolidated mutual funds	1 034	21 105		22 139
Investments linked to investment contracts	2 193	21 227	698	24 118
	3 252	44 352	1 398	49 002
Liabilities				
Third-party liabilities arising on consolidation of mutual funds		23 600		23 600
Investment contract liabilities		23 421	698	24 119
Derivative financial liabilities		70	39	109
Trade and other payables			45	45
	-	47 091	782	47 873
Own balances		1 085	84	1 169
Consolidated mutual funds		22 585		22 585
Investments linked to investment contracts		23 421	698	24 119
	-	47 091	782	47 873

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

	Unit-linked investments Rm	**Equity securities Rm**	**Total Rm**
Assets			
Balance at 1 March 2017	1 111	50	1 161
Additions	488	700	1 188
Disposals	(903)	(12)	(915)
Fair value adjustments	23	8	31
Other movements		(67)	(67)
Balance at 28 February 2018	719	679	1 398
Additions	**228**	**2**	**230**
Disposals	**(523)**	**(1 177)**	**(1 700)**
Fair value adjustments	**31**	**473**	**504**
Other movements		**54**	**54**
Balance at 28 February 2019	**455**	**31**	**486**

	Investment contract liabilities Rm	**Derivative financial liabilities Rm**	**Trade and other payables Rm**	**Total Rm**
Liabilities				
Balance at 1 March 2017	1 099	114	38	1 251
Investment contract receipts and additions	476		66	542
Investment contract benefits paid and settlements	(903)	(67)	(59)	(1 029)
Losses/(gains) recognised in profit or loss	26	(8)		18
Balance at 28 February 2018	698	39	45	782
Investment contract receipts and additions	**229**		**83**	**312**
Investment contract benefits paid and settlements	**(524)**	**(15)**	**(88)**	**(627)**
Losses recognised in profit or loss	**31**	**1**	**3**	**35**
Other movements			**117**	**117**
Balance at 28 February 2019	**434**	**25**	**160**	**619**

Insurance risk

The group's insurance risk emanates from PSG Life and Western Group Holdings Ltd ("Western"), both being PSG Konsult subsidiaries. PSG Life exposes the group to longevity risk (risk of loss should annuitants live longer than expected) on an annuity book with 57 (2018: 58) policies and a value of R19m (2018: R22m). This annuity book is in process of being run-off. Western issues contracts that transfer insurance risk to the group, with the risk under any one insurance contract being the possibility that the insured event occurs and the resulting claim exceeding the insurance liability. By the very nature of an insurance contract, the materialisation of risk is random and therefore unpredictable.

47. CAPITAL RISK MANAGEMENT

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

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 sum-of-the-parts value, as well as to the group's interest cover 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 up to 5% of the number of shares in issue (refer note 18).

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) equates to 13.2% (2018: 13%) of its equity. Interest cover based on free cash flow and calculated at a PSG Group head-office level amounts to 4.8 times (2018: 4.7 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 is strongly capitalised and complies with the capital requirements of Solvency Assessment and Management ("SAM"). They have minimal interest-bearing debt and a Solvency Capital Requirement ("SCR") ratio of 1.82 based on their latest insurance group return. PSG Konsult subsidiaries with regulatory capital adequacy requirements include:

- *PSG Life*

PSG Life is required to hold a minimum amount of capital in order to reduce the policyholders' exposure to the company's liquidity risk. The Prudential Authority regularly reviews compliance with these minimum capital requirements as the regulatory authority. PSG Life must maintain funds that will be sufficient to meet obligations in the event of substantial deviations from the main assumptions affecting the company's business. Capital adequacy requirements were covered 2.0 times at 28 February 2019 (28 February 2018: 1.7 times). 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 28 February 2019.

ANNEXURE A - MATERIAL SUBSIDIARIES

for the year ended 28 February 2019

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

Subsidiary	Country of incorporation [1]	Nature of business	Interest held [2] 2019 %	2018 %	Carrying value of non-controlling interests 2019 Rm	2018 Rm
PSG Financial Services [3]	South Africa	Investment holding	**100.0**	100.0	**1 579**	1 580
Curro	South Africa	Private basic education	**55.4**	55.4	**2 246**	2 273
PSG Konsult	South Africa	Financial services	**60.6**	61.5	**1 182**	960
PSG Alpha	South Africa	Early-stage investing in select growth sectors	**98.1**	98.0	**59**	50
Zeder [4]	South Africa	Investment holding	**43.8**	43.7	**4 540**	4 648
Other					**2 170**	2 218
Total					**11 776**	11 729

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

[2] Represents voting interest held, being equal to economic interest, apart from Zeder's economic interest held being 44.0% (2018: 43.8%).

[3] Non-controlling interest relates to PSG Financial Services' JSE-listed cumulative, non-redeemable, non-participating preference shares (refer note 20).

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

	2019				2018			
	Dividends paid			**Profit/(loss) attributable to non-controlling interests**	Dividends paid			Profit/(loss) attributable to non-controlling interests
Subsidiary	**To non-controlling interests Rm**	**To the parent Rm**	**Total Rm**	**Rm**	To non-controlling interests Rm	To the parent Rm	Total Rm	Rm
PSG Financial Services	**147**		**147**	**146**	152		152	150
Curro			**-**	**116**			-	81
PSG Konsult	**107**	**156**	**263**	**275**	88	129	217	264
PSG Alpha	**118**		**118**	**168**	44		44	118
Zeder	**128**	**82**	**210**	**86**	130	80	210	101
Other			**-**	**(376)**			-	(201)
	500			**415**	414			513

	Assets [1]					
Subsidiary	**Non-current 2019 Rm**	**Current 2019 Rm**	**Total 2019 Rm**	Non-current 2018 Rm	Current 2018 Rm	Total 2018 Rm
Curro	**8 982**	**356**	**9 338**	7 388	810	8 198
PSG Konsult	**48 886**	**10 488**	**59 374**	43 090	9 323	52 413
PSG Alpha	**4 540**	**2 407**	**6 947**	3 268	2 662	5 930
Zeder	**9 492**	**3 300**	**12 792**	10 298	3 103	13 401

	Liabilities [1]					
Subsidiary	**Non-current 2019 Rm**	**Current 2019 Rm**	**Total 2019 Rm**	Non-current 2018 Rm	Current 2018 Rm	Total 2018 Rm
Curro	**3 446**	**497**	**3 943**	2 730	371	3 101
PSG Konsult	**23 191**	**32 969**	**56 160**	20 150	29 523	49 673
PSG Alpha	**499**	**1 370**	**1 869**	355	1 320	1 675
Zeder	**2 101**	**2 280**	**4 381**	2 276	2 536	4 812

	Profitability (100%) [1]							
Subsidiary	**Profit from continuing operations 2019 Rm**	**Other compre-hensive profit/(loss) 2019 Rm**	**Total compre-hensive income for the year 2019 Rm**	**Revenue 2019 Rm**	Profit from continuing operations 2018 Rm	Other compre-hensive loss 2018 Rm	Total compre-hensive income for the year 2018 Rm	Revenue 2018 Rm
Curro	**266**	**5**	**271**	**2 549**	201	(13)	188	2 139
PSG Konsult	**643**	**12**	**655**	**6 172**	613	(2)	611	5 417
PSG Alpha	**343**	**19**	**362**	**7 958**	292	(26)	266	6 277
Zeder	**122**	**(90)**	**32**	**7 731**	208	(16)	192	8 562

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

Restrictions

There are no significant statutory, contractual or regulatory restrictions on PSG Group's ability, apart from those disclosed in note 47, to access or use the assets and settle the liabilities of the subsidiaries of the group, nor are there significant protective rights relating to non-controlling interests that can significantly restrict its ability to access or use the assets and settle the liabilities of the group.

ANNEXURE B - MATERIAL ASSOCIATES AND JOINT VENTURES

for the year ended 28 February 2019

Set out below is an analysis of the group's most material associates and to what extent they contribute to the investment in associates carrying value reported in the statement of financial position. None of the group's joint ventures are considered to be material to an understanding of the group's operations.

Associate	Country of incorporation [1]	Nature of business	Voting rights 2019 %	Voting rights 2018 %	Carrying value 2019 Rm	Carrying value 2018 Rm	Market value [2] 2019 Rm	Market value [2] 2018 Rm
Capitec	South Africa	Retail banking	**30.7**	30.7	**7 841**	6 977	**46 351**	29 540
Pioneer Foods	South Africa	Food and beverage producer	**27.1**	27.0	**4 689**	5 198	**4 689**	7 660
Kaap Agri	South Africa	Retail and agriculture	**43.0**	43.1	**782**	714	**959**	1 376
Other					**1 266**	997		
Total					**14 578**	13 886		

Associate	Dividends received 2019 Rm	Dividends received 2018 Rm
Capitec	**559**	470
Pioneer Foods [3]	**213**	213
Kaap Agri [3]	**35**	34
Other	**83**	50
Total	**890**	767

Associate	Assets Non-current 2019 Rm	Current 2019 Rm	Total 2019 Rm	Non-current 2018 Rm	Current 2018 Rm	Total 2018 Rm
Capitec	**32 003**	**68 425**	**100 428**	34 143	50 815	84 958
Pioneer Foods [3]	**7 953**	**6 588**	**14 541**	7 448	5 505	12 953
Kaap Agri [3]	**1 305**	**2 622**	**3 927**	1 077	2 333	3 410

Associate	Liabilities Non-current 2019 Rm	Current 2019 Rm	Total 2019 Rm	Non-current 2018 Rm	Current 2018 Rm	Total 2018 Rm
Capitec	**14 769**	**63 983**	**78 752**	14 949	51 116	66 065
Pioneer Foods [3]	**2 396**	**3 730**	**6 126**	1 645	3 275	4 920
Kaap Agri [3]	**76**	**2 102**	**2 178**	53	1 775	1 828

Profitability (100%)

Associate	Profit for the year 2019 Rm	Other comprehensive income 2019 Rm	Total comprehensive income for the year 2019 Rm	Revenue 2019 Rm	Profit for the year 2018 Rm	Other comprehensive (loss)/income 2018 Rm	Total comprehensive income for the year 2018 Rm	Revenue 2018 Rm
Capitec	**5 295**	**19**	**5 314**	**25 758**	4 471	(12)	4 459	24 192
Pioneer Foods [3]	**1 077**	**24**	**1 101**	**20 152**	726	145	871	19 575
Kaap Agri [3]	**249**		**249**	**6 549**	241	1	242	6 416

Profitability (group's interest)

Associate	Profit for the year 2019 Rm	Other comprehensive loss for the year 2019 Rm	Total comprehensive income for the year 2019 Rm	Profit for the year 2018 Rm	Other comprehensive (loss)/income for the year 2018 Rm	Total comprehensive income for the year 2018 Rm
Capitec	**1 623**		**1 623**	1 369	(4)	1 365
Pioneer Foods [3]	**325**	**(7)**	**318**	234	(10)	224
Kaap Agri [3]	**108**	**(4)**	**104**	98	(5)	93
Other	**247**	**(25)**	**222**	204	26	230
	2 303	**(36)**	**2 267**	1 905	7	1 912

ANNEXURE B - MATERIAL ASSOCIATES AND JOINT VENTURES

for the year ended 28 February 2019

	Reconciliation of assets and liabilities reported above to group's carrying values of associates					
	Capitec		Pioneer Foods		Kaap Agri	
	2019	2018	**2019**	2018	**2019**	2018
	Rm	Rm	**Rm**	Rm	**Rm**	Rm
Total assets reported above	**100 428**	84 958	**14 541**	12 953	**3 927**	3 410
Total liabilities reported above	**(78 752)**	(66 065)	**(6 126)**	(4 920)	**(2 178)**	(1 828)
Net assets reported above	**21 676**	18 893	**8 415**	8 033	**1 749**	1 582
Non-controlling interests	**(82)**	(113)				
Equity attributable to owners of the parent	**21 594**	18 780	**8 415**	8 033	**1 749**	1 582
Group's economic interest in the associate (%)	**30.7**	30.7	**31.0**	31.2	**43.0**	43.1
Group's interest in equity attributable to owners of the parent	**6 629**	5 765	**2 609**	2 507	**752**	682
Deemed goodwill and fair value adjustments included in associates' carrying value [4]	**1 212**	1 212	**2 080**	2 691	**30**	32
Associates' carrying value	**7 841**	6 977	**4 689**	5 198	**782**	714

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

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

[3] *Amounts are most recently reported publicly available results as at end September of the prior year.*

[4] *Also include timing differences emanating from lag period accounting adjustments in the case of Pioneer Foods and Kaap Agri.*

The group's classification into seven reportable segments, namely Capitec, PSG Konsult, Curro, PSG Alpha, Zeder, Dipeo and PSG Corporate, remains unchanged. These segments represent the major investments of the group and the goods and services mainly comprise financial services (wealth management, stockbroking, fund management, insurance, financing, banking, investment and advisory services), logistical services, food and related goods and services, and private education services. All segments operate predominantly in the Republic of South Africa. However, the group has exposure to operations outside the Republic of South Africa through, inter alia, Curro, PSG Alpha's investments in Stadio and CA Sales, and Zeder's investments in Capespan, Zaad and Agrivision Africa.

Recurring earnings are calculated on a proportional basis, and include the proportional earnings of underlying investments, excluding marked-to-market adjustments and once-off items. The result is that investments in which the group holds less than 20% and which are generally not equity accountable in terms of accounting standards, are equity accounted for the purpose of calculating the consolidated recurring earnings. Non-recurring earnings include, inter alia, once-off gains and losses and marked-to-market fluctuations, as well as the resulting taxation charge on these items.

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

The chief operating decision-maker (the PSG Group Executive Committee) evaluates the following information to assess the segments' performance:

28 February 2019	**Revenue (own balances) Rm**	**Recurring earnings (segment profit) Rm**	**Non-recurring earnings Rm**	**Headline earnings Rm**	**SOTP value Rm**
Capitec		**1 625**		**1 625**	**46 351**
PSG Konsult	**4 480**	**361**	**8**	**369**	**8 700**
Curro	**2 549**	**137**		**137**	**5 714**
PSG Alpha	**7 958**	**216**	**(59)**	**157**	**4 712**
Zeder	**7 731**	**207**	**130**	**337**	**3 166**
Dipeo [1)]	**17**	**(29)**	**(246)**	**(275)**	
PSG Corporate	**71**	**(45)**		**(45)**	
Funding	**56**	**(199)**	**4**	**(195)**	**(2 387)**
Other		**84**		**84**	**1 702**
Total	**22 862**	**2 357**	**(163)**	**2 194**	**67 958**
Revenue from contracts with customers					
Revenue from sale of goods	**13 041**				
Commission, school, net insurance and other fee income	**9 329**				
Investment income	**492**				
Non-headline items				**(268)**	
Earnings attributable to non-controlling interests				**415**	
Taxation				**476**	
Profit before taxation				**2 817**	
Recurring earnings per share (R)		**10.86**			

1) *During the year under review, Dipeo's SOTP value turned negative (i.e. liabilities exceeded assets) following a continued decline in mainly Pioneer Foods' share price, with a resultant negative impact on PSG Group's SOTP value through reducing its investment in Dipeo to zero.*

PSG GROUP LIMITED

ANNEXURE C - SEGMENT REPORT

for the year ended 28 February 2019

28 February 2018	**Revenue (own balances) Rm**	**Recurring earnings (segment profit) Rm**	**Non-recurring earnings Rm**	**Headline earnings Rm**	**SOTP value Rm**
Capitec		1 369		1 369	29 540
PSG Konsult	4 166	348		348	7 048
Curro	2 139	110	(1)	109	7 987
PSG Alpha	6 270	172	(22)	150	5 201
Zeder	8 562	205	(21)	184	4 823
Dipeo	2	(56)	(131)	(187)	535
PSG Corporate	165	(7)		(7)	
Funding	109	(135)	(11)	(146)	(2 227)
Other		136		136	2 603
Total	21 413	2 142	(186)	1 956	55 510
Revenue from contracts with customers					
Revenue from sale of goods	13 956				
Commission, school, net insurance and other fee income	6 983				
Investment income	474				
Non-headline items				(42)	
Earnings attributable to non-controlling interests				513	
Taxation				616	
Profit before taxation				3 043	
Recurring earnings per share (R)		9.94			

ANNEXURE D - SHARE ANALYSIS OF PSG GROUP ORDINARY SHARES
for the year ended 28 February 2019

	Shareholders		Shares held	
Unaudited	**Number**	**%**	**Number**	**%**
Range of shareholding				
1 - 500	**19 148**	**65.7**	**3 629 535**	**1.7**
501 - 1,000	**4 047**	**13.9**	**3 024 594**	**1.4**
1,001 - 5,000	**4 282**	**14.7**	**9 335 371**	**4.3**
5,001 - 10,000	**651**	**2.2**	**4 713 915**	**2.2**
10,001 - 50,000	**710**	**2.4**	**15 291 819**	**7.0**
50,001 - 100,000	**113**	**0.4**	**7 786 947**	**3.6**
100,001 - 500,000	**145**	**0.5**	**33 244 160**	**15.2**
500,001 - 1,000,000	**24**	**0.1**	**17 459 921**	**8.0**
Over 1,000,000	**33**	**0.1**	**123 713 018**	**56.6**
	29 153	**100.0**	**218 199 280**	**100.0**
Treasury shares held by PSG Financial Services (a wholly-owned subsidiary)	**1**		**13 908 770**	
	29 154		**232 108 050**	
Non-public and public shareholding				
Non-public (directors) [1)]	**7**		**13 080 826**	**6.0**
Public	**29 146**	**100.0**	**205 118 454**	**94.0**
	29 153	**100.0**	**218 199 280**	**100.0**
Individual shareholders (excluding directors) holding 5% or more of shares in issue (net of treasury shares) as at 28 February 2019				
JF Mouton Familietrust and its subsidiaries			**42 104 981**	**19.3**
Public Investment Corporation (including Government Employees Pension Fund)			**23 045 030**	**10.6**
			65 150 011	**29.9**

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

APPROVAL OF ANNUAL FINANCIAL STATEMENTS

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, while the external auditor is responsible for independently auditing and reporting on the fair presentation of these 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 company's assets are safeguarded, that transactions are executed in accordance with management's authorisations and that the financial records are reliable. The annual financial statements are prepared in accordance with the JSE Listings Requirements; IFRS; the IFRIC interpretations; the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee; the Financial Reporting Pronouncements, as issued by the Financial Reporting Standards Council; and the manner required by the Companies Act of South Africa.

The company has not appointed an audit committee since the functions in terms of section 94 of the Companies Act of South Africa are performed on its behalf by the audit committee of its holding company, PSG Group. The audit committee of PSG Group has confirmed to the directors of the company that these functions have been performed without any exceptions noted in relation to the annual financial statements and that they are satisfied that the auditor was independent of the company.

The audit and risk committee of PSG Group, the company's holding 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 PSG Group Audit and Risk Committee.

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

The annual financial statements set out on page 105 and pages 109 to 120 were approved by the board of directors and are signed on its behalf by:

PJ Mouton
PSG Financial Services CEO

WL Greeff
PSG Financial Services CFO

Stellenbosch
5 June 2019

DECLARATION BY THE COMPANY SECRETARY

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

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

Stellenbosch
5 June 2019

DIRECTORS' REPORT

for the year ended 28 February 2019

NATURE OF BUSINESS

PSG Financial Services, being an investment holding company, offers a broad range of goods and services through its various subsidiaries, joint ventures and associates. These goods and services mainly comprise financial services (wealth management, stockbroking, fund management, insurance, financing, banking, investment and advisory services), logistical services, food and related goods and services and private education services. Seeing that all of PSG Group's operations are conducted through PSG Financial Services (its only significant asset), please refer to Annexures A and B of PSG Group's annual financial statements for details regarding subsidiaries, associates and joint ventures.

OPERATING RESULTS

The operating results and state of affairs of the company are fully set out in the attached statements of financial position, comprehensive income, changes in equity and notes thereto. The company's profit for the year amounted to R760m (2018: R1,233m).

STATED CAPITAL

Details of the authorised and issued share capital appear in note 8 to these annual financial statements.

DIVIDENDS

Ordinary

Dividends declared and paid during the current and prior year are set out in the statement of changes in equity.

Preference

The directors have declared the following dividends in respect of the cumulative, non-redeemable, non-participating preference shares:

Cents per share	**2019**	2018
Interim	**421.7**	438.7
Final	**418.8**	423.6
Total	**840.5**	862.3

DIRECTORS

The directors of the company are exactly the same as PSG Group Ltd's (which appear on page 5).

HOLDING COMPANY

The company is a wholly-owned subsidiary of PSG Group, except for the 17,415,770 (2018: 17,415,770) preference shares which are listed on the JSE Ltd.

SHAREHOLDING OF DIRECTORS

The directors held no interest in the preference share capital of the company during the years under review, nor at any time up to the date of this report.

COMPANY SECRETARY

The company secretary is PSG Corporate Services (Pty) Ltd, with the following business and postal addresses:

1st Floor, Ou Kollege building
35 Kerk Street
Stellenbosch
South Africa
7600

PO Box 7403
Stellenbosch
South Africa
7599

Independent auditor's report

To the Shareholders of PSG Financial Services Limited

Report on the audit of the financial statements

Our opinion

In our opinion, financial statements present fairly, in all material respects, the financial position of PSG Financial Services (the Company) as at 28 February 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

What we have audited

PSG Financial Service's financial statements set out on pages 109 to 119 comprise:

- the statement of financial position as at 28 February 2019;
- the statement of income for the year then ended;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the accounting policies; and
- the notes to the financial statements.

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 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 International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B).

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. We have determined that there are no key audit matters to communicate in our report.

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the *PSG Group Annual Financial Statements for the year ended 28 February 2019*, which includes the Directors' Report and Declaration by the Company Secretary as required by the Companies Act of South Africa and *PSG Group Limited Annual Report 2019* which we obtained prior to the date of this auditor's report. Other information does not include the financial statements and our auditor's report thereon.

Our opinion on the 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 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 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 financial statements

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

In preparing the financial statements, the directors are responsible for assessing 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 Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 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 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 Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of PSG Financial Services for 21 years.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: D de Jager
Registered Auditor
Stellenbosch
5 June 2019

PSG FINANCIAL SERVICES LIMITED

STATEMENT OF FINANCIAL POSITION

as at 28 February 2019

	Notes	2019 Rm	2018 Rm
ASSETS			
Investment in subsidiaries	1	**8 678**	8 251
Investment in associate	2	**3 219**	3 219
Equity securities	3	**3 614**	3 025
Deferred income tax assets	6	**8**	10
Loans and advances	4	**1 218**	1 402
Derivative financial instruments	5	**29**	36
Receivables	7	**30**	35
Total assets		**16 796**	15 978
EQUITY			
Stated capital			
Ordinary shares	8	**1 827**	1 827
Preference shares	8	**1 506**	1 506
Other reserves	9	**2 720**	2 264
Retained earnings		**1 597**	2 183
Total equity		**7 650**	7 780
LIABILITIES			
Borrowings	10	**8 247**	7 424
Derivative financial instruments	5	**29**	36
Deferred income tax liabilities	6	**794**	664
Trade and other payables	11	**76**	74
Total liabilities		**9 146**	8 198
Total equity and liabilities		**16 796**	15 978

PSG FINANCIAL SERVICES LIMITED

INCOME STATEMENT
for the year ended 28 February 2019

	Notes	**2019 Rm**	2018 Rm
Income			
Investment income	12	**1 112**	891
Gain on disposal of subsidiary (refer Annexure A)			369
Expenses			
Marketing, administration and other expenses		**(3)**	(1)
Impairment of investment in preference shares	4	**(335)**	
Impairment of investment in wholly-owned subsidiary			(15)
Profit before finance cost and taxation		**774**	1 244
Finance cost		**(14)**	(11)
Profit before taxation		**760**	1 233
Taxation	13		
Profit for the year		**760**	1 233

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 28 February 2019

	Notes	**2019 Rm**	2018 Rm
Profit for the year		**760**	1 233
Other comprehensive income/(loss) for the year			
Fair value gains/(losses) on equity securities	3	**588**	(472)
Taxation effect of fair value (gains)/losses	13	**(132)**	106
Total comprehensive income for the year		**1 216**	867

PSG FINANCIAL SERVICES LIMITED

STATEMENT OF CHANGES IN EQUITY

for the year ended 28 February 2019

	Stated capital				
	Ordinary shares Rm	Preference shares Rm	Other reserves Rm	Retained earnings Rm	Total Rm
Balance at 1 March 2017	1 827	1 506	2 630	2 100	8 063
Profit for the year				1 233	1 233
Other comprehensive loss					
Fair value losses on equity securities			(366)		(366)
Transactions with owners	-	-	-	(1 150)	(1 150)
Dividend - ordinary shares				(1 000)	(1 000)
Dividend - preference shares				(150)	(150)
Balance at 28 February 2018	1 827	1 506	2 264	2 183	7 780
Profit for the year				**760**	**760**
Other comprehensive income					
Fair value gains on equity securities			**456**		**456**
Transactions with owners	**-**	**-**	**-**	**(1 346)**	**(1 346)**
Dividend - ordinary shares				**(1 200)**	**(1 200)**
Dividend - preference shares				**(146)**	**(146)**
Balance at 28 February 2019	**1 827**	**1 506**	**2 720**	**1 597**	**7 650**

PSG Financial Services has only presented standalone financial statements herein, as PSG Financial Services is the only significant asset of PSG Group. The consolidated annual financial statements of PSG Financial Services are therefore very similar to those of PSG Group, having been included on pages 5 to 8 and 16 to 103.

The principal accounting policies applied in the preparation of these standalone annual financial statements are similar to those of PSG Group set out on page 25, as well as the following additional accounting policies:

Associates

Investments in associates are accounted for at cost less impairment in the standalone financial statements.

Equity securities measured at fair value through other comprehensive income (2018: available-for-sale)

Equity securitiesare not held for trading and the company has irrevocably elected at initial recognition to recognise same in this category. These are strategic investments and the company considers this classification to be more relevant.

For these investments, changes in fair value are accumulated within the other reserve within equity. The accumulated changes in fair value are transferred to profit or loss when the investment is derecognised or impaired.

		2019 Rm	2018 Rm
1.	**INVESTMENT IN SUBSIDIARIES**		
	Shares at cost less provision for impairment	**8 678**	8 251
	Refer Annexure A for further details regarding subsidiaries.		
2.	**INVESTMENT IN ASSOCIATE**		
	Listed shares at cost	**3 219**	3 219
	Refer Annexure A for further details regarding the associate.		
3.	**EQUITY SECURITIES**		
	Listed shares at fair value	**3 613**	3 025
	Carrying value at beginning of the year	**3 025**	3 497
	Fair value gains/(losses)	**588**	(472)
	Unlisted shares at fair value	**1**	
		3 614	3 025
	The listed shares represent 13,908,770 (2018: 13,908,770) ordinary shares in PSG Group (holding company).		
4.	**LOANS AND ADVANCES**		
	Unsecured loans to wholly-owned subsidiaries [1)]		
	Ou Kollege Beleggings Ltd	**52**	53
	PSG Corporate Trading (Pty) Ltd		4
	Preference share investments		
	Dipeo Capital (RF) (Pty) Ltd ("Dipeo") (subsidiary) [2)]	**1 101**	1 279
	Other [3)]	**65**	66
		1 218	1 402
	Current	**52**	57
	Non-current	**1 166**	1 345

[1)] *These loans are interest-free with no fixed terms of repayment.*

[2)] *These preference shares are unsecured and carry a dividend rate of prime plus 2%. Accrued preference share dividends are to be declared and paid, and thereafter capital redeemed and repaid, on the earlier of i) 31 March 2020 or ii) upon Dipeo's receipt of dividends from its underlying investments and/or the disposal thereof. Following a significant decline in the value of Dipeo's underlying investments, the company had to impair its preference share investment in Dipeo by R335m during the year under review.*

[3)] *These preference shares are secured, carry a fixed dividend rate of 8.44% and are redeemable during May 2020. The counterparty to same is controlled by a director of the company (refer note 14).*

	2019 Rm	2018 Rm
5. DERIVATIVE FINANCIAL INSTRUMENTS		
Fixed-for-variable interest rate swaps (current)		
Derivative financial assets	**29**	36
Derivative financial liabilities	**(29)**	(36)
	-	-
6. DEFERRED INCOME TAX ASSETS/(LIABILITIES)		
Unrealised marked-to-market gains and losses		
Deferred income tax assets (realising in less than one year)	**8**	10
Deferred income tax liabilities (realising in less than one year)	**(8)**	(10)
Deferred income tax liabilities (realising in more than one year)	**(786)**	(654)
	(786)	(654)
Carrying value at beginning of the year	**(654)**	(760)
(Charged)/credited to other comprehensive income	**(132)**	106

Deferred income tax is calculated on all temporary differences according to the liability method, using an income tax rate of 28% (2018: 28%) and a capital gains tax inclusion rate of 80% (2018: 80%).

	2019 Rm	2018 Rm
7. RECEIVABLES		
Current		
Restricted cash	**30**	35

Restricted cash relates to margin accounts held in respect of the derivative financial instruments (refer note 5).

8. STATED CAPITAL

Ordinary share capital

Authorised

1,000,000,000 (2018: 1,000,000,000) shares with no par value

Issued

	2019 Rm	2018 Rm
599,256,535 (2018: 599,256,535) shares with no par value	**1 827**	1 827

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

Preference share capital

Authorised

30,000,000 (2018: 30,000,000) shares with no par value

Issued

	2019 Rm	2018 Rm
17,415,770 (2018: 17,415,770) shares with no par value	**1 506**	1 506

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

		Measured at fair value through other comprehensive income (2018: available-for-sale) Rm	Total Rm
9.	**OTHER RESERVES**		
	Balance at 1 March 2017	2 630	2 630
	Fair value losses on equity securities	(366)	(366)
	Balance at 28 February 2018	2 264	2 264
	Fair value gains on equity securities	**456**	**456**
	Balance at 28 February 2019	**2 720**	**2 720**

		2019 Rm	2018 Rm
10.	**BORROWINGS**		
	Current		
	Unsecured loan from holding company	**4 979**	3 779
	Unsecured loans from wholly-owned subsidiaries		
	PSG Corporate Services (Pty) Ltd	**3 228**	3 126
	PSG Fundco (Pty) Ltd	**40**	519
		8 247	7 424
	These loans are all interest-free with no fixed terms of repayment.		
11.	**TRADE AND OTHER PAYABLES**		
	Current		
	Trade payables	**3**	
	Shareholders for dividends - preference shares	**73**	74
		76	74

		2019 Rm	2018 Rm
12.	**INVESTMENT INCOME**		
	Interest income		
	Loans and advances	**15**	13
	Related parties	**14**	12
	Non-related parties	**1**	1
	Dividend income		
	Preference share dividend income	**161**	145
	Equity securities	**60**	54
	Dividends from subsidiaries	**317**	209
	Dividends from associate	**559**	470
		1 112	891

13. TAXATION

Current and deferred taxation recognised in profit or loss during the current and prior year amounted to less than R1m. Components of other comprehensive income carried a taxation debit of R132m (2018: credit of R106m).

	2019 %	2018 %
Reconciliation of effective tax rate		
South African normal taxation rate	**28.0**	28.0
Adjusted for:		
Exempt dividend income	**(40.4)**	(28.3)
Non-deductible expenses	**12.4**	0.3
Effective tax rate	**-**	-

14. RELATED-PARTY TRANSACTIONS AND BALANCES

The company is a wholly-owned subsidiary of PSG Group. Related-party transactions exist with companies within the broader group (i.e. PSG Group, its subsidiaries, joint ventures and associates). Transactions with related parties comprise intergroup loan accounts and investments in preference shares (refer notes 4 and 10) as well as an investment in the ordinary shares of PSG Group (refer note 3). Details of interest and dividends received from these investments are set out in note 12.

As disclosed in note 4, the company holds preference shares in a company related to Mr FJ Gouws, a director of the company. The investment is secured through 35m ordinary shares in PSG Konsult (subsidiary). Upon redemption of the preference shares, should the market value of the security be less than the redemption amount, the counterparty has an option to put the security to the company at an amount equal to the redemption amount.

	2019 Rm	2018 Rm
15. NON-CASH TRANSACTIONS		
The company does not have any cash and cash equivalents, and transactions are effected through the intergroup loan accounts. Accordingly, no statement of cash flows has been presented. Significant movements in assets and liabilities relating to investment and financing activities, and effected in the aforementioned manner, have been summarised below:		
Investing activities		
Additional investment in subsidiaries	**(427)**	(1 363)
Additional investment in equity securities	**(1)**	
Preference share investments redeemed/(made)	**5**	(97)
Decrease in loans to wholly-owned subsidiaries	**5**	62
	(418)	(1 398)
Financing activities		
Increase in borrowings	**823**	1 477
Dividend paid to ordinary shareholder	**(1 200)**	(1 000)
Dividends paid to preference shareholders	**(147)**	(152)
	(524)	325

16. FINANCIAL RISK MANAGEMENT

The company's activities expose it to market risk (including cash flow interest rate risk and price risk), credit risk and liquidity risk. 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 board of directors.

Equity securities are classified as at fair value through other comprehensive income (2018: available-for-sale), derivative financial assets are classified as at fair value through profit or loss and loans and advances and receivables are classified as financial assets measured at amortised cost (2018: loans and receivables). Borrowings and trade and other payables are classified as financial liabilities measured at amortised cost, while derivative financial liabilities are classified as at fair value through profit or loss.

Market risk

Cash flow interest rate risk

The company's financial assets and liabilities are mostly either interest free or carry fixed interest rates. Accordingly, the company is only exposed to interest rate risk in respect of its subsidiary preference share investment (refer note 4) and its issued preference share capital (refer note 8).

At 28 February 2019, 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 R11m (2018: R13m) higher/lower, while preference dividends paid and recognised in equity would have been been R15m (2018: R15m) higher/lower.

Price risk

The company's equity securities (being mostly listed on the JSE) expose it to price risk.

At 28 February 2019, if the JSE-listed share price of the equity securities had been 20% (2018: 20%) higher/lower with all other variables held constant, post-tax other comprehensive income for the year under review would have been R561m (2018: R469m) higher/lower.

Credit risk

Credit risk relating to the company's intergroup loan balances are managed at a group level. Financial assets where the counterparty is not a group entity comprise a preference share investment of R65m (2018: R66m) (refer note 4), which is secured through JSE-listed ordinary shares with a market value of R376m (2018: R305m), and receivables (refer note 7) of R30m (2018: R35m) held with a South African bank which have been rated by Moody's as having a short-term credit rating of P-3 (2018: P-3) and long-term credit rating of Baa3 (2018: Baa3).

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

The company's liquidity risk with regards to its intergroup balances are managed at a group level, while its derivative financial liabilities (the counterparty not being a group entity) do not expose it to significant liquidity risk.

FAIR VALUE ESTIMATION

The company have no financial instruments (other than equity securities and derivative financial instruments) carried at fair value. The carrying value of such financial instruments approximates their fair value.

CAPITAL MANAGEMENT

The capital management of the company is determined by its ultimate holding company, PSG Group.

PSG FINANCIAL SERVICES LIMITED

ANNEXURE A - INVESTMENTS

for the year ended 28 February 2019

INVESTMENT IN SUBSIDIARIES

	Interest held directly		Carrying value	
	2019	2018	**2019**	2018
Company	**%**	%	**Rm**	Rm
Curro Holdings Ltd [1]	**55.4**	55.4	**2 173**	2 173
Dipeo Capital (RF) (Pty) Ltd	**49.0**	49.0		
Grayston Elliot (Pty) Ltd	**100.0**	100.0	**4**	
Ou Kollege Beleggings Ltd	**100.0**	100.0	**48**	48
PSG Alpha Investments (Pty) Ltd	**98.1**	98.0	**2 830**	2 410
PSG Capital (Pty) Ltd	**100.0**	100.0	**4**	4
PSG Corporate Services (Pty) Ltd	**100.0**	100.0	**52**	52
PSG Konsult Ltd	**60.6**	61.5	**651**	651
Zeder Investments Ltd [2]	**43.8**	43.7	**2 916**	2 913
			8 678	8 251

1 *During the prior year, Curro Holdings Ltd unbundled its tertiary education business, Stadio Holdings Ltd, having a carrying value of R373m. The company subsequently disposed of its investment in Stadio Holdings Ltd at its market value of R739m to PSG Alpha Investments (Pty) Ltd in terms of an asset-for-share transaction, thereby realising a gain of R366m. Furthermore, the company underwrote Stadio Holdings Ltd's rights issue concluded during the prior year and as a result thereof obtained shares for R2m. These shares were subsequently disposed of to PSG Alpha Investments (Pty) Ltd at its market value of R5m in terms of an asset-for-share transaction, thereby realising an additional gain of R3m.*

2 *Zeder Investments Ltd is accounted for as a subsidiary of the company through its shareholding, board representation and an agreement in terms of which PSG Corporate Services (Pty) Ltd ("PSGCS") (being a wholly-owned subsidiary of the company) provides strategic inputs to a subsidiary of Zeder Investments Ltd.*

INVESTMENT IN ASSOCIATE

		Interest held directly		Carrying value	
		2019	2018	**2019**	2018
Company	Nature of business	**%**	%	**Rm**	Rm
Listed					
Capitec Bank Holdings Ltd	Retail banking	**30.7**	30.7	**3 219**	3 219

All of the above subsidiaries and the associate are incorporated in the Republic of South Africa. Details of the nature of activities of significant subsidiaries and associates are disclosed in PSG Group's annual report. Further details of investments are available at the registered offices of the relevant group companies.

PSG FINANCIAL SERVICES LIMITED

ANNEXURE B - SHARE ANALYSIS OF PSG FINANCIAL SERVICES PREFERENCE SHARES

for the year ended 28 February 2019

	Shareholders		Shares held	
Unaudited	**Number**	**%**	**Number**	**%**
SHARE ANALYSIS - PREFERENCE SHARES				
Range of shareholding				
1 - 2,000	**1 511**	**61.7**	**1 205 475**	**6.9**
2,001 - 5,000	**473**	**19.3**	**1 580 366**	**9.1**
5,001 - 10,000	**223**	**9.1**	**1 655 297**	**9.5**
10,001 - 100,000	**223**	**9.1**	**5 900 721**	**33.9**
100,001 - 500,000	**15**	**0.6**	**3 239 029**	**18.6**
Over 500,001	**4**	**0.2**	**3 834 882**	**22.0**
Public shareholding	**2 449**	**100.0**	**17 415 770**	**100.0**

Apart from the Nedgroup Investments Opportunity Fund and the Allan Gray Stable Fund holding 1,674,966 (9.6%) and 885,761 (5.1%) of the company's issued preference shares, respectively, no other individual shareholder or fund held 5% or more of the issued preference shares as at 28 February 2019, nor were any shares held by non-public shareholders.