ANNUAL REPORT

2018

PSG GROUP LIMITED

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Chairman's letter

Dear Stakeholder

It is a great pleasure and privilege for me to reflect on the 2018 financial year, and to provide you with insight into PSG Group Ltd ("PSG Group" or "the Company") and our thoughts on the future.

With the recent failures of corporate governance in South Africa and the attacks on one of our own brands still fresh in everyone's minds, we are acutely aware of the challenges facing South Africa and in particular corporate South Africa. The actions of a few have unfortunately led to many being painted with the same tainted brush, and the reputational damage to corporate South Africa will take some time to repair. As Warren Buffet has said: "*It takes 20 years to build a reputation and five minutes to ruin it.*" Throughout all of this we chose to stand by our belief that, to be successful, we should focus on being experts in finding and pursuing opportunities, not experts in finding fault and pointing out negativity.

Since PSG Group's establishment in November 1995, our aim has been to create value – not only for our shareholders but for all the people of South Africa. We believe in conducting sustainable businesses that make a positive contribution to society. Our investments continue to provide solutions to some of the greatest challenges faced by our country, such as quality education, sustainable energy and low-cost banking. Such solutions improve people's lives, reduce the burden on government, and benefit the country as a whole.

WHO WE ARE

PSG Group is an investment holding company consisting of underlying investments that operate across a diverse range of industries including banking, education, financial services and food and related business, as well as early-stage investments in selected growth sectors. Our market capitalisation (net of treasury shares) is approximately R47bn, while we have influence over companies with a combined market capitalisation of approximately R170bn.

There are seven main business units on which we report, namely:

- Capitec Bank Holdings Ltd ("Capitec") (retail banking);
- Curro Holdings Ltd ("Curro") (private basic education);
- PSG Konsult Ltd ("PSG Konsult") (wealth management, asset management and insurance);
- Zeder Investments Ltd ("Zeder") (investments in food and related business);
- PSG Alpha Investments (Pty) Ltd ("PSG Alpha") (early-stage investments in selected growth sectors);
- Dipeo Capital (RF) (Pty) Ltd ("Dipeo") (BEE investment holding company); and
- PSG Corporate (investment management and treasury services), including PSG Capital (corporate finance).

OUR OBJECTIVE

Our long-term economic goal remains to continuously create wealth for our shareholders through a combination of share price appreciation and the payment of dividends. To achieve this, we have invested in a well-diversified portfolio of businesses with high-growth potential that consistently yield above-market returns, while contributing positively to society.

OUR INVESTMENT PHILOSOPHY

The investment universe is complex with a myriad of variables. Astute investors base their decisions on sound fundamentals and proven investment principles. PSG Group aims to be a disciplined investor, remaining committed to its core philosophy of simple, good and ethical business.

- We invest in:
  - Enterprises with uncomplicated business models, operating in large markets;
  - Industries that exhibit either a fragmented market dynamic or one with large inefficient incumbents; and
  - Honest, focused, talented, hard-working and passionate management that we believe are the best in their respective fields.

- We are long-term investors with no predetermined exit strategy.
- Sound corporate governance is non-negotiable – we believe in accurate, transparent and succinct information.
- A key tenet of success is trust – without trust, companies lose clients and leaders lose their teams. We advocate trust through our philosophy of ultimate empowerment. We employ smart, competent individuals, and empower them through trust.
- We believe in co-investing with management. Management as co-owners are generally more focused and dedicated to growing their businesses. This also applies to PSG Group – the board of directors owns 25,2% of the Company.
- We provide our high-growth investments with the necessary capital to enable management to focus relentlessly on growing their business rather than on meeting debt funding requirements. As such businesses mature, they will be able to leverage their balance sheets when needed.

OUR STRATEGY

PSG Group has always excelled at early-stage investing by building businesses alongside entrepreneurs from the development stage. Both Capitec and PSG Konsult were started from within PSG Group's offices, and the investment in Curro was made when they only had three schools:

- We acquire large influential stakes in businesses we believe in and offer investees our strategic input, helping them to establish and drive ambitious plans.
- We provide access to capital that helps expedite future growth, both organically and through acquisitions.
- We participate actively at board level, and often also at an executive committee ("Exco") level.
- We either serve on or attend audit and risk committee meetings as a measure of ensuring good corporate governance.

PSG Group historically employed various strategies in response to ever-changing circumstances:

- PSG Group grew substantially during its early years from 1995 to 1998, essentially striving to build a financial services business.
- Following the Asian crisis in 1999, and the South African A2-banking crisis and dot-com bubble of the early 2000s, PSG Group employed a strategy called *Project Unlock Value* whereby surplus capital was used to repurchase approximately 38m PSG Group shares representing a then 27% interest, and to pay special dividends.
- By 2004, we had suitably positioned PSG Group and embarked on *Project Growth*. This strategy comprised various arbitrage investments, e.g. acquiring and subsequently disposing of 15% of the JSE Rights in issue (effectively representing a 15% interest in what is today the JSE Ltd ("JSE")), and the establishment of Zeder and PSG Alpha.
- Since the global financial crisis in 2008/9, we have operated in accordance with *Project Internal Focus*, a strategy whereby our focus has been primarily directed at the optimisation, refinement and growth of PSG Group's existing investment portfolio.
- While *Project Internal Focus* remains effective, we are continuously focused on identifying and investing in new growth sectors.

Looking back, all these strategies have ultimately been focused on the continued creation of wealth for shareholders. How has this paid off?

Albert Einstein said: *"Compound interest is the eighth wonder of the world."* PSG Group has historically achieved superior returns, with a *total return index ("TRI")* of 46% since establishment. The *TRI* is the *compound annual growth rate ("CAGR")* of an investment and is calculated by taking cognisance of share price appreciation, dividends and other distributions. Given our current size, it will be difficult to achieve similar returns in future. However, rest assured we have ambitious growth plans to help provide our shareholders with satisfactory returns going forward.

Our core investments are all among the best in their respective industries with quality management, strong corporate governance and attractive growth prospects. Given among other their relatively low market shares, I am confident that these investments should provide us with strong "base" growth going forward, even in a low GDP growth environment. We are confident of expanding our market share:

- *Capitec* currently has a 2,4% share of the total South African consumer credit book, while its recently launched credit card offering has approximately a 1% market share.
- *PSG Konsult* has less than 5% of the wealth management, less than 2% of the asset management, and less than 3% of the short-term insurance markets.
- The *Curro* opportunity remains significant. Despite being the leading provider of private school education in South Africa with an 8,1% market share, Curro has a mere 0,4% share of the total school-going learner market.

In addition, the PSG Group Exco and our management team will continue to help build smaller investments in the PSG Alpha and Zeder portfolios into sizeable businesses, thereby adding further growth to the "base". Shareholders should, however, bear in mind that it is often a slow and steady climb that yields the greatest returns – PSG Konsult and Curro took 17 years each before making its first R100m annual profit.

EVALUATING OUR PERFORMANCE

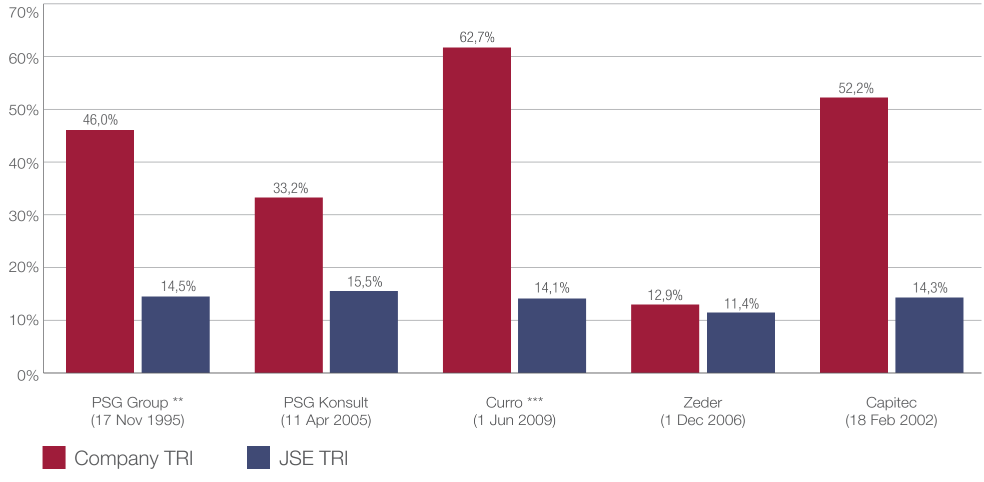
We believe that performance should be measured in terms of the return that an investor receives over time, with a focus on *per share* wealth creation.

When evaluating PSG Group's performance over the *long term*, one should focus on the *TRI* as a measurement tool. This is a sound measure of wealth creation and a reliable means of benchmarking different companies.

PSG Group's *TRI* as at 28 February 2018 was 46% over the approximately 22-year period since establishment. Had you purchased R100 000 worth of PSG Group shares in November 1995 and reinvested all your dividends, your investment would be worth around R460m today. The same investment in the JSE All Share Index ("JSE ALSI") over this period would only be worth R2m. We are proud of the wealth we have created for our shareholders.

The graph below illustrates that all our core investments have also outperformed the JSE ALSI over their respective measurement periods:

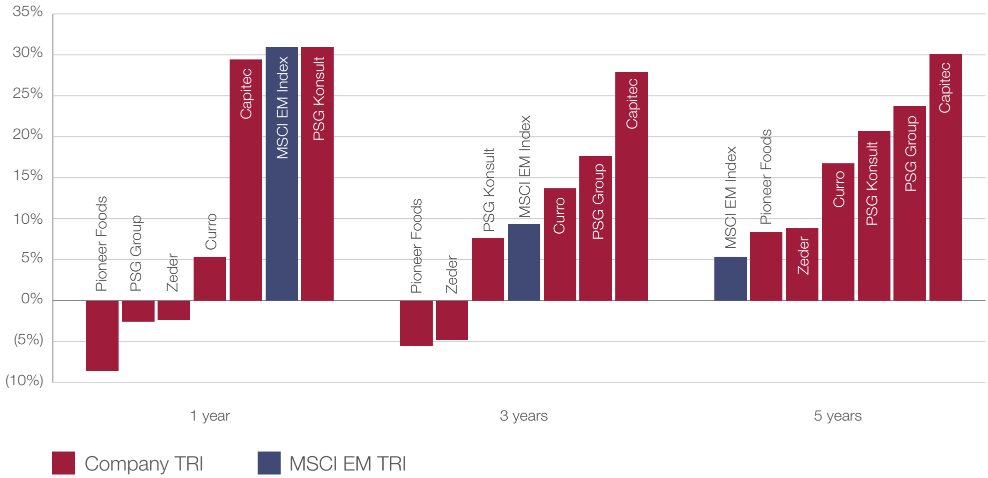
PSG Group companies' TRI vs JSE ALSI TRI *



* *Measured since the respective dates set out above until 28 February 2018.*
** *Capitec unbundling in November 2003 treated as a dividend.*
*** *Stadio unbundling in October 2017 treated as if the investor retained the share.*

Following the Steinhoff debacle late last year, the majority of its 25,5% interest in PSG Group was placed by means of an accelerated book build. The PSG Group shares on offer were 3,9 times oversubscribed, being a good indication of investor appetite for PSG Group exposure. Steinhoff no longer holds any PSG Group shares. As a result, PSG Group's overall foreign ownership increased to 18%, with its share trading liquidity for the year ended February 2018 being 68%. Given the increase in PSG Group's foreign shareholding, it is appropriate to benchmark the *TRI* of PSG Group and its core investments (expressed in US dollar terms) against the MSCI Emerging Markets Index ("MSCI EM Index") over one, three and five years, respectively.

PSG Group TRI vs MSCI EM Index TRI *



* *Measured until 28 February 2018.*

It is evident from the graph above that the group also performed well in US dollar terms, with most of our companies outperforming the MSCI EM Index over the medium to long term. The approximate 10% appreciation of the rand against the US dollar during the past year should be considered when evaluating our companies' performance in US dollar terms over one year.

WHERE WE FIND OURSELVES

For the most part, South Africa's macroeconomic fundamentals have not changed significantly in the past year. Although the recent political changes have lifted overall investor confidence, the uncertainty surrounding the expropriation of land without compensation has dampened optimism somewhat. Over the near term, until the various structural issues have been addressed, the outlook for South Africa remains one of low GDP growth and high unemployment. Furthermore, the corporate governance failing at Steinhoff has resulted in large swathes of corporate South Africa being treated with suspicion. Add in the recent attacks on Capitec and it is understandable why investors are nervous.

This is not to say that there have not been any positives. The political shift and the renewed focus on fiscal consolidation has provided Moody's with enough comfort to maintain South Africa's sovereign debt rating at investment grade, the only rating agency to do so. The immediate changes at state-owned enterprises ("SOEs"), foreign investor interaction and "state capture" crackdown have also instilled a sense of optimism among business leaders and consumers alike.

No one knows how long the current weak economic circumstances will prevail or how long the political changes will take to become effective. During tough conditions, it is easy to be consumed by the negatives. Unfortunately, this type of mindset can lead to one missing the boat by waiting for improvement before acting. Another great Einstein quote comes to mind: *"In the middle of difficulty lies opportunity."* – I firmly agree and consider South Africa to present many opportunities!

PSG Group has been built on positivity and relentless focus on opportunities, irrespective of the economic or political conditions. As turbulent as the past year has been, the group completed two sizeable transactions:

- October 2017 saw the unbundling of *Stadio* from Curro. Stadio started out as a division within Curro focusing on private higher education. However, the differences in business models and the desire to keep management focused on their respective businesses, led to the decision to list Stadio separately.
- The group made its single largest initial investment to date by acquiring a 50% interest in *Evergreen*, a company that owns and operates retirement lifestyle villages, for R675m at the end of 2017. Catering for a growing and ageing population of retirees, with a unique business model, this business presents a compelling investment opportunity.

CAPITEC IS OUR LARGEST INVESTMENT

We often get asked whether we are concerned that Capitec forms such a large part of our investment portfolio. The answer is a resounding "no"!

Capitec remains PSG Group's largest investment comprising 51% of the *sum-of-the-parts ("SOTP") value's* total assets as at 28 February 2018. While this is significant exposure to a single company, we remain confident that Capitec will continue to grow and deliver impressive results. One of the advantages of being an investment holding company is that we are not bound by prudential limits and can therefore have unlimited exposure to a single company, unlike the asset management industry. This has produced significant returns for us as we have been able to hold on to our winners, such as Capitec.

OUR THOUGHTS ON INTERNATIONAL EXPANSION

I did communicate our views on international expansion in last year's *chairman's letter*; however, it remains a heavily debated subject given the current economic, political and corporate climate in South Africa, and I therefore again share our thoughts on the matter.

PSG Group has significant competitive advantages here in South Africa:

- We are born and bred South Africans and understand the fundamentals of the country from a political, economic and cultural perspective;
- We have well-established professional relationships with key role players, including financial institutions, regulators, and the like;
- PSG Group is a large player in a South African context, but relatively small in international terms; and
- PSG Group has a good reputation in South Africa and is well respected.

In addition, the PSG Group executive team may not necessarily have in-depth knowledge of all sectors, but fundamentally understands banking, education, financial services, and the like. Therefore, as generalists, it is imperative that we operate in an environment that we understand and are familiar with.

There are always exceptions. Many investment companies have, however, expressed how difficult they find investments abroad – not being country/sector experts, and not having reliable contacts in those countries. They are also not able to effectively assist management in those countries should the need arise since they are simply too far removed from the action.

That said, we do encourage our underlying companies who are specialists in their respective industries to continue investigating sensible overseas expansion opportunities that will enhance their business. They are able to mitigate sector-specific risk by integrating such acquired overseas businesses into their existing operations.

According to the international asset management community, at least part of our higher market rating can be explained by the "pure" South African focus of our investments. They do not approve of "ignorant" diversification strategies. A deal should always be value enhancing rather than to simply earn hard currency, which often results in diverting management's focus. Asset managers rightly argue they can do the diversification themselves at a fund level, if so desired.

OUR CONTRIBUTION TO SOCIETY

PSG Group subscribes to the notion that a great company can never be a burden on society. We contribute to the development and upliftment of South Africans by creating jobs and contributing financially by way of paying our taxes, donations and sponsorships. The group's contribution to society through the payment of salaries, taxes and dividends amounted to approximately R17bn during the past financial year.

We also embrace the opportunity and privilege to contribute beyond this as a company. The *corporate social investment ("CSI")* section of this annual report deals with the group's various CSI initiatives. It is by no means a comprehensive list but illustrates our dedication to making South Africa a better place.

BEE remains integral to the continued success of our country. To date, we have created significant value of approximately R20bn for thousands of broad-based BEE shareholders through various BEE transactions undertaken by us (e.g. Arch Equity, Thembeka Capital and Dipeo) and our underlying companies (e.g. Pioneer Foods and Capitec).

The success of these BEE transactions can be ascribed to one thing only – the phenomenal success of our underlying investee companies.

BOARD OF DIRECTORS AND PSG GROUP EXCO

The PSG Group board comprises three executive and seven non-executive directors. I have served as non-executive chairman since 2010. As you may well know from my recent public letter, I have been diagnosed with an early form of dementia. The implication of this is that my short-term memory does not always function as it should, the result being that I sometimes forget people's names, repeat myself, or may appear somewhat disorientated. This does not happen every day, but I cannot ignore it.

After consultation with my senior colleagues, we feel that I still have a contribution to make as PSG Group's non-executive chairman, given that PSG Group's executive management team is very strong with the necessary depth, experience and knowledge. Furthermore, our board always acts with the best interest of all stakeholders at heart.

PSG Group's day-to-day operations are managed by the senior executives, namely Piet Mouton (41) (CEO), Wynand Greeff (48) (CFO) and Johan Holtzhausen (47) (CEO: PSG Capital). They have respectively worked in the group for 14, 16 and 20 years, and have built the Company with us. They fundamentally understand the business and the direction it requires to ensure PSG Group keeps delivering on its objective of shareholder wealth creation.

The PSG Group Exco is a subcommittee of the board and the chief operating decision-maker. It comprises the three senior executives and myself, with Piet acting as chairman. Our non-executive directors and Chemus Taljaard, our in-house tax advisor, are permanent invitees. The PSG Group Exco:

- Is responsible for determining and implementing strategy, as approved by the PSG Group board of directors;
- Acts as the PSG Group investment committee;
- Provides strategic input as members of the Zeder Exco;
- Manages PSG Alpha;
- Acts as PSG Group treasurer by monitoring and managing the capital requirements, gearing and liquidity of PSG Group, and it allocates and invests PSG Group's resources;
- Monitors the group's performance and provides strategic input and direction to the underlying companies;
- Is the custodian of good corporate governance; and
- Assumes overall responsibility for the growth and performance of PSG Group.

OUR FUTURE

These are exciting times for PSG Group – we have a diversified and well-established core investment portfolio together with early-stage investments in selected growth sectors, all with promising growth prospects. As always, we will continue to look for "the next big thing".

Regardless of the economic and political environment, we as PSG Group are proudly South African, we are positive about the future of this great country and will continue to play our part in its development.

A WORD OF THANKS

The success of any business is always owing to the hard-working individuals throughout such an organisation. I would therefore like to thank all the people within the broader group for their efforts and dedication – without you, we would not have enjoyed the success we have.

To my fellow directors and members of the PSG Group Exco – thank you for your continued commitment in building this group.

To all our clients, shareholders, family members and other stakeholders – thank you for your loyal support and belief that we are creating something really exceptional.

I cannot say it better than Napoleon Hill: *"Your big opportunity may be right where you are now."* I invite you to join PSG Group in celebrating South Africa as a land of opportunity!

Jannie Mouton

17 May 2018
Stellenbosch

Corporate social investment

As a good corporate citizen with the best interest of our country and its people at heart, PSG Group contributes significantly to society. Enclosed is some of the corporate social investment ("CSI") initiatives undertaken by PSG Group and its underlying investments. Although this is not a comprehensive list, it illustrates our dedication to making South Africa a better place.

PSG GROUP

"Education is the most powerful weapon which you can use to change the world." **– Nelson Mandela**

A significant theme throughout the group is our contribution to all levels of education – from early childhood development all the way through to higher and adult education. We firmly believe in the multiplier effect that education brings, not only to the individual, but to society as a whole.

- *The PSG Group Bursary Loan Scheme at the University of Stellenbosch*
  - We started this initiative in 2007 when PSG Group and Jannie Mouton each donated 100 000 PSG Group shares, currently worth approximately R45m, to provide financial support to gifted, but needy students. To date, 110 students have received financial support through this scheme with over R5m granted in bursaries and loans. Their fields of study include medicine, law, actuarial science, accounting and investment management.
- *Akkerdoppies*
  - PSG Group has supported this pre-primary school financially since its establishment in 2008. Akkerdoppies is part of the Sibusisiwe charity and is committed to early childhood development by providing essential education and skills to children from the disadvantaged communities of Stellenbosch. The school has 160 children and employs 26 people. We are committed to a long-term relationship with this initiative and anticipate a significant positive contribution to the community.
- *Dipeo BEE Education Trust*
  - We established and initially funded the Dipeo BEE Education Trust with R102m, which was subsequently repaid in full. The trust owns 51% in Dipeo, which in turn owns interests in various investments associated with PSG Group. The net worth of the Dipeo BEE Education Trust is approximately R646m. We look forward to seeing this trust support historically disadvantaged learners in obtaining a quality education. The trust has identified the Ruta Sechaba Foundation as its key partner in education to assist in achieving this objective.
- *PSG Group BEE Education Trust*
  - This trust owns 2,5m PSG Group shares valued at over R540m. Future PSG Group dividends from these shares will be used to grant bursaries to historically disadvantaged learners. As with the Dipeo BEE Education Trust, the Ruta Sechaba Foundation is its key partner in education.
- *Ruta Sechaba Foundation*
  - Established in 2016, this foundation provides academic and sport-related scholarships, bursaries and awards to qualifying learners at Curro and Curro-managed schools. The Dipeo BEE Education Trust and PSG Group BEE Education Trust were the initial donors to the foundation. They collectively committed R6,6m to the foundation for the 2018 academic year, which has been used to award approximately 210 bursaries. The foundation hopes to reach over 500 bursaries per annum in three to four years' time.
  - The group is proud of the academic achievements of the 2017 beneficiaries who achieved 24 subject distinctions and a 100% pass rate.
  - Curro carries all the costs and administration burden associated with managing the foundation, thereby ensuring that all donations are entirely used for education purposes.

- – PSG Group, together with Curro and the Multiply Titans cricket team, also established a bursary scheme for talented historically disadvantaged cricketers in South Africa through the foundation. Our objective is to improve transformation and representation within South African cricket. Three bursaries were awarded in 2017, with another 15 awarded in 2018.
- – The foundation is open to all corporates/individuals wishing to contribute to education in South Africa on a structured basis.

GROUP COMPANIES

It is evident from the aforementioned that PSG Group makes a significant direct contribution to society. However, as an investment holding company, with our underlying investments also having various CSI initiatives, we also make a substantial indirect contribution to society. Below, in no particular order and by no means exhaustive, are some of the CSI projects undertaken by investee companies:

- *Curro*
  - – PSG Group has invested R2,4bn cash in Curro, which plays an important part in educating the South African youth. Its business model is centred on assisting government by carrying part of the significant capital burden of building new schools. To date, Curro has saved government more than R14bn in capital investment and plans to invest a further R2,3bn in 2018. Its running costs to educate approximately 52 000 learners save the country over R1bn annually. Given government's current budget constraints, we believe this is a major benefit for them.
  - – Curro has also spent R51m on CSI, including bursaries, during the past financial year.

- *FutureLearn*
  - – The FutureLearn group is the largest provider of distance education solutions at school level in South Africa. The group provides a unique "Guided Learning Ecosystem" that, through education, empowers learners to realise their full potential. It focuses on education innovation that ultimately ensures quality and affordable learning. FutureLearn currently serves approximately 15 000 home learners, more than 1 500 schools, and a further 1 500 tutors. The group owns the brands Impaq (home education curriculum and service provider), Teach360 (school and teacher materials and support), CAMI (practice software for mathematics, reading, literacy, science, and perceptual skills), and Arrow Academy (innovative independent school in Centurion), as well as an investment in Tuta-me (platform that links learners to qualified tutors on demand). With this investment, we look to further contribute to education in South Africa, while also creating business opportunities for entrepreneurs and educators who can embrace their passion for education while building a profitable business.

- *Capitec*
  - – Capitec's primary CSI focus is on improving financial literacy and education through the Capitec Foundation, an independent non-profit organisation.
  - – The foundation operates a bursary fund that targets public school learners in grades 10 to 12, with mathematics as a subject. The bursaries cover tuition fees for one year. 298 learners from 54 schools in the Western Cape were recipients during the past year.
  - – The foundation also granted 27 bursaries to school principals, studying for a Management Development Programme certificate through the UCT Graduate School of Business this past year.

- A major project sponsored by the foundation is the IkamvaYouth initiative. IkamvaYouth provides after-school support for learners in grade 8 to 12. Its model uses peer-based support, group tuition, grade 12 mentoring and facilitated access to computers and edtech products. Capitec's sponsorship entails funding, capacity-building, and improving mathematics and science performance of learners in the programme. During 2018, it will be supporting 2 400 learners across 16 branches.
- The eduCate Revision Programme for grade 12 learners provides learners from historically disadvantaged backgrounds revision tutoring in mathematics and science in the run-up to exams. During 2017, 6 022 learners participated in the programme.
- The foundation held financial life skills workshops and presentations as part of its educational programmes in the past year. A total of 1 083 participants were reached through face-to-face workshops and presentations were conducted to 2 303 people on various topics.
- Through Capitec's extensive training programmes, 3 766 employees attended various courses and 41 780 distance learning initiatives were completed in the past year.

- *PSG Konsult*
  - PSG Konsult invests in educational and social programmes that create future employment and economic empowerment prospects. Below are a few of their CSI projects:
    - Adopt-a-School Project – a programme that supports and enhances the learning and teaching environment in disadvantaged schools, with the aim of addressing inequalities and inadequacies in rural areas. To date, PSG Konsult has adopted four such schools that have, in total, more than 2 400 learners. These schools are in close proximity to the hubs, ensuring employees can provide hands-on support.
    - Childcare and children's homes are provided with monthly food parcels and funding.
    - PSG Konsult has invested R22m in the ASISA Enterprise Development Fund since February 2015. This initiative invests in the sustainability of small and medium-sized enterprises ("SMEs") in South Africa. It also supports government's drive for job creation and economic growth.
    - Graduate and bursary programme that has 37 graduates enrolled in the programme and 13 students supported through bursaries.
    - PSG Konsult funds 100 students for iCollege programmes, which provide them with career guidance and skills-based affordable training in national Skills Education Training Authority ("SETA") and internationally accredited courses.

- *Kaap Agri*
  - Kaap Agri's CSI projects focus on training and skills development in the agriculture sector. Through the Kaap Agri Academy, the company runs a farmer development programme that trains approximately 25 students per year who are emerging farmers in the Western and Northern Cape. Since its establishment, the academy has already catered for more than 235 students and produced three AgriSETA award winners for Best Performing Learner of a Skills Programme. The merit award winner in 2016 is now a partner at a table grape farm co-op, where she manages three production units with a workforce of 170 permanent and 300 seasonal workers. The academy also trains farmworkers in various practical skills including welding, chemical handling, equipment maintenance and productivity management. To date, over 4 700 farmworkers have received training at the academy.
  - Kaap Agri's Care & Grow initiative is aimed at making a difference in the communities within which it conducts its business. This outreach by its various business outlets and employees is shared with stakeholders in a company newsletter called "Care & Grow".

  - The Kaap Agri Employee and Farmworker Trust makes funds available to qualifying employees of the designated group through a revolving housing loan fund. Since 2016, there have been 96 employees who have qualified for interest-free housing loans. The trust also supported another eight projects in rural areas catering mainly for women and children of farmworkers. To date, the trust has benefited 3 839 external beneficiaries.

- *Capespan*
  - Capespan follows an integrated approach in developing its CSI initiatives, aimed at improving the quality of life of farmworkers in the fruit production industry as well as those communities that the company operates in. CSI initiatives are developed in partnership with local communities, local government and industry stakeholders. Furthermore, initiatives are based on the socio-economic, health and educational requirements of communities in need. CSI projects include support to:
    - Place of Mercy Pre-school Centre, Eastern Cape Province;
    - Thembalethu HIV/Aids Trust, Eastern Cape Province (providing community preventative health and educational programmes to high school learners);
    - Capespan Blue Hand Health Programme in partnership with local export fruit producers and local government (occupational and community primary health care services delivered at clinics on eight farms);
    - Partners for Possibility (an education leadership development programme in partnership with Symphonia for South Africa);
    - Early language and literacy development of children from historically disadvantaged communities in South Africa, in partnership with Wordworks and SmartStart;
    - Financial support to schools located in key fruit production and needy rural areas;
    - Northern Cape Province Occupational and Primary Health Care programme, in partnership with the local government department;
    - School Aid UK and RSA, in partnership with Capespan (UK) and Maersk Shipping Line; and
    - Various community life-skills, sport and socio-economic development projects in rural fruit production areas and/or needy communities.
  - Employees volunteering are supported with funding allocations based on welfare/NGO projects nominated or sufficiently motivated for, but not covered by the company's CSI mandate. This expands the reach of Capespan beyond what can be done at a corporate level.
  - In 2017, approximately 5 000 people benefited from projects developed and supported as part of Capespan's CSI initiatives.

- *Pioneer Foods*
  - Pioneer Foods is involved in various community projects in education, environment and food security. These projects focus on vulnerable groups, such as women and youth in township and rural communities. Pioneer Foods also invests in feeding schemes. Approximately R9,6m was distributed to beneficiaries during the past year. The Pioneer Foods' Education and Community Trust ("PFECT") also contributed a further R8,3m to various initiatives. Below are a few of the CSI projects:
    - Mbekweni Youth Centre (financial assistance of R2,4m for the construction of the Mbekweni Youth Centre).
    - PFECT Bursary Programme (the bursaries support historically disadvantaged students in high school and tertiary institutions. In 2017, approximately 41 students were bursary recipients in this programme).
    - School Breakfast Nutrition Programme (breakfast cereals are provided to 25 788 learners in six provinces daily).
    - Responsible Me Programme (this intervention provides HIV/Aids training to high school learners, educators and parents in KwaZulu-Natal, where there is high prevalence of teenage pregnancy and HIV/Aids).
- *ProVest*
  - ProVest's initiatives are focused on, but not limited to, education support, infrastructure development, skills development and job creation in the communities they operate in. Similar to many of the group's investees, ProVest believes in education as being the key to addressing some of these challenges, with the majority of the CSI budget directed towards education initiatives. Some of these CSI initiatives include:
    - Financial assistance towards new shoes, socks, stationary packs, gift bags and sport equipment provided to schools in Rustenburg and the Limpopo province.
    - Skills development initiatives included the enrolment of 30 historically disadvantaged learners in business administration and IT end-user development NQF-aligned learnerships, the majority of whom were disabled.
    - ProVest also assisted the Luka community in Rustenburg by providing a container that was repurposed into an office. This was to provide community members with an establishment where they can submit their CVs and leaders with a space to conduct their meetings.
- *Energy Partners*
  - Over the past three years, Energy Partners has supported the Pearl Project Community Development initiative in the Helderberg area. The initiative focuses on early childhood development and has established three crèches that serve the local community.
  - Energy Partners has also funded the AmazingBrainz programme used at the crèches. Besides a curriculum that is focused on childhood development, the programme also provides coaching and mentorship to employees to ensure they are equipped and qualified to implement the curriculum.
  - Furthermore, employees have also volunteered their time to assist in the maintenance and renovation of the school premises. The goal is to create a haven for children where effective preparation for primary school can take place. In total, approximately 75 kids attend the crèches.

- *ITSI*
  - ITSI is invested in education and believes in improving the educational system in South Africa.
  - In January 2018, ITSI joined forces with iSchoolAfrica (an education initiative that reaches under-resourced schools across South Africa in rural and urban settings) and Jacaranda FM to empower teachers and learners at Ntsha-Peu Primary School in Soshanguve, Gauteng. Jacaranda listeners were encouraged to donate their previously loved iPads. 20 iPads and a further 40 tablets were donated to the school, all containing educational apps, resources and e-books. ITSI donated R150 000 to assist in the training and support that the initiative provides to the teachers and learners at the school. The strength of this project lies in the ongoing training and support provided by iSchoolAfrica and ITSI to the teachers at Ntsha-Peu.
  - Furthermore, ITSI is continuing their efforts and support by joining a task team steered by BMW to provide a basic infrastructure and an IT lab at Ntsha-Peu.

PSG GROUP LIMITED

Invitation

Annual general meetings (AGMs) and investor presentations

You are invited to our PSG Group Investor Day during which the various AGMs will be held for and presentations made by group companies on Friday, 22 June 2018, at Spier Wine Estate, Baden Powell Drive, Stellenbosch.

The timetable is as follows:

08:30	Zeder Investments Ltd
09:30	PSG Konsult Ltd
10:30	Tea
11:00	PSG Group Ltd

Lunch will be served after the PSG Group Ltd presentation.

Kindly confirm your attendance with Heike Mentoor at:
E-mail: heikem@psggroup.co.za
Telephone: +27 21 887 9602

Board of directors

The boards of directors of PSG Group Ltd and PSG Financial Services Ltd are identical.

EXECUTIVE

WL (Wynand) Greeff (48) [1]
BCompt (Hons), CA(SA)
Chief financial officer
Appointed 13 October 2008

JA (Johan) Holtzhausen (47) [1]
Bluris, LLB, HDip Tax
Chief executive officer – PSG Capital
Appointed 13 May 2010

PJ (Piet) Mouton (41) [1, 2]
BCom (Mathematics)
Chief executive officer
Appointed 16 February 2009

NON-EXECUTIVE

JF (Jannie) Mouton (71) [1, 5]
BCom (Hons), CA(SA), AEP, DCom (hc)
Non-executive chairman
Appointed 25 November 1995

FJ (Francois) Gouws (53)
BAcc, CA(SA)
Chief executive officer – PSG Konsult
Appointed 25 February 2013

JJ (Jan) Mouton (43)
BAcc (Hons), CA(SA), MPhil (Cantab)
Investment professional
Appointed 18 April 2005

INDEPENDENT NON-EXECUTIVE

PE (Patrick) Burton (65) [2, 3, 4, 5, 6]
BCom (Hons), PG Dip Tax
Director of companies
Appointed 19 March 2001

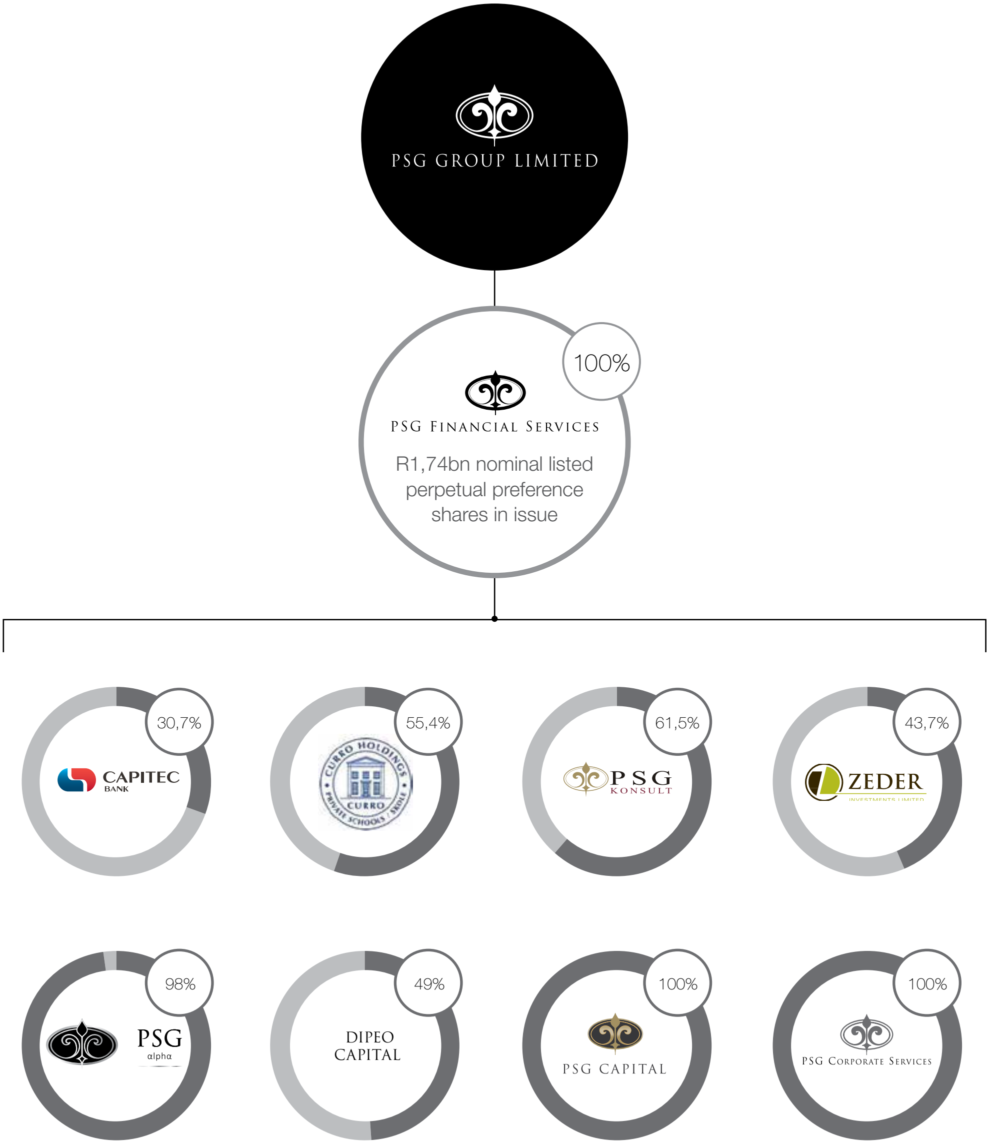
ZL (KK) Combi (66) [2, 4, 5]
Diploma in Public Relations
Director of companies
Appointed 14 July 2008

B (Bridgitte) Mathews (48) [3]
BCom (Hons), CA(SA), HDip Tax
Consultant and director of companies
Appointed 3 May 2016

CA (Chris) Otto (68) [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*

Group structure


PSG GROUP LIMITED
100%
PSG FINANCIAL SERVICES
R1,74bn nominal listed perpetual preference shares in issue
30,7%
CAPITEC BANK
55,4%
CURRO HOLDINGS
CURRO
PRIVATE SCHOOLS / SKOLE
61,5%
PSG KONSULT
43,7%
ZEDER
98%
PSG alpha
49%
DIPEO CAPITAL
100%
PSG CAPITAL
100%
PSG CORPORATE SERVICES

CEO and CFO report

Dear Stakeholders

The two key benchmarks used by PSG Group to measure performance are *sum-of-the-parts ("SOTP") value* and *recurring earnings* per share, as long-term growth in PSG Group's *SOTP value* and share price should depend on, inter alia, sustained growth in the *recurring earnings* per share of our underlying investments.

SOTP VALUE

The calculation of PSG Group's *SOTP value* is simple and requires limited subjectivity as more than 90% of the value is calculated using JSE-listed share prices, while other investments are included at market-related valuations. At 28 February 2018, the *SOTP value* per PSG Group share was R255,17 (2017: R240,87), representing a 6% increase. The five-year compound annual growth rate ("CAGR") of both PSG Group's *SOTP value* and share price was 29% at 28 February 2018.

Asset/(liability)	**29 Feb 2016 Rm**	**28 Feb 2017 Rm**	**28 Feb 2018 Rm**	*Share of total*	*Five-year CAGR* #
Capitec *	16 820	25 727	**29 540**	*51%*	*35%*
Curro* *(incl. Stadio until unbundling in Oct 2017)*	9 773	11 180	**7 987**	*14%*	*13%*
PSG Konsult *	5 441	6 084	**7 048**	*12%*	*25%*
Zeder *	2 815	5 398	**4 823**	*8%*	*14%*
PSG Alpha	1 367	1 909	**5 201**	*9%*	*29%*
Stadio * *(since unbundling from Curro in Oct 2017)*			**2 379**		
Other investments +	1 367	1 909	**2 822**		
Dipeo +	557	812	**535**	*1%*	
Other assets	5 868	3 586	**2 603**	*5%*	
Cash ^	2 895	1 513	**1 000**		
Pref investments and loans receivable ^	1 335	2 002	**1 558**		
PSG Corporate ++	1 510				
Other ^	128	71	**45**		
Total assets	42 641	54 696	**57 737**	*100%*	
Perpetual pref funding *	(1 309)	(1 350)	**(1 278)**		
Other debt ^	(949)	(949)	**(949)**		
Total SOTP value	40 383	52 397	**55 510**		
Shares in issue *(net of treasury shares)* (m)	216,3	217,5	**217,5**		
SOTP value per share (R)	186,67	240,87	**255,17**		*29%*
Share price (R)	173,69	251,43	**217,50**		*29%*

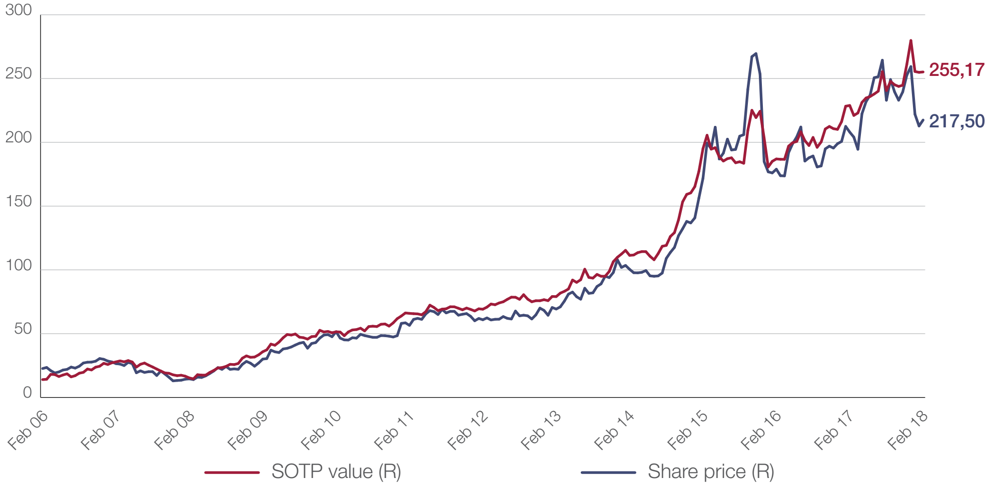
* *Listed on the JSE* + *SOTP value* ++ *Valuation* ^ *Carrying value*

\# *Based on share price/SOTP value per share*

Note: PSG Group's live SOTP is available at www.psggroup.co.za.

It is evident from the graph below that the discount at which PSG Group's share price is trading to its *SOTP value* has increased towards the end of the financial year under review. The current discount is around 15% compared to the five-year average of 5%. Whether this has anything to do with the Steinhoff debacle late last year which saw them selling their 25,5% shareholding in PSG Group, and the recent attacks on Capitec – who knows. We as management, however, remain focused on growing the underlying businesses together with the respective management teams. If successful, the PSG Group share price will continue to grow.

PSG Group share price vs SOTP value per share (28 February 2018)



RECURRING EARNINGS

During the year under review, PSG Group changed its *recurring headline earnings* key benchmark to that of *recurring earnings*, following the first-time inclusion of PSG Alpha's investment in Evergreen, a company that owns and operates retirement lifestyle villages. Evergreen's financial performance is predominantly measured with reference to the fair value adjustments recognised on its investment property, being excluded from *headline earnings* in terms of accounting conventions. Being a sizeable investment, it has necessitated PSG Group to include such fair value adjustments on investment property to provide management with a realistic measure to evaluate the group's earnings performance. *Recurring earnings* is therefore simply *recurring headline earnings* as previously calculated, plus the after-tax fair value adjustments recognised on Evergreen's investment property portfolio.

PSG Group's *recurring earnings* per share increased by 7% following resilient performance from the majority of PSG Group's core investments during the year under review. This was offset by Zeder's weaker performance, being largely invested in the food and related sectors that were negatively affected by particularly tough conditions.

	29 Feb 2016 Rm	28 Feb 2017 Rm	Change %	28 Feb 2018 Rm
Capitec	989	1 164		**1 369**
Curro *(incl. Stadio until unbundling in Oct 2017)*	58	96		**110**
PSG Konsult	254	300		**348**
Zeder	212	275		**205**
PSG Alpha *(incl. Stadio since unbundling in Oct 2017)*	113	133		**172**
Dipeo	(28)	(20)		**(56)**
PSG Corporate	69	29		**(7)**
Other *(mainly pref div income)*	101	112		**136**
Recurring earnings before funding	1 768	2 089	*9*	**2 277**
Funding *(net of interest income)*	(148)	(104)		**(135)**
Recurring earnings	1 620	1 985	*8*	**2 142**
Non-recurring items	(250)	160		**(186)**
Headline earnings	1 370	2 145	*(9)*	**1 956**
Non-headline items	113	17		**(42)**
Attributable earnings	1 483	2 162	*(11)*	**1 914**
Weighted average number of shares in issue *(net of treasury shares)* (m)	205,7	214,2	*1*	**215,5**
Earnings per share (R)				
– Recurring	7,88	9,27	*7*	**9,94**
– Headline	6,66	10,01	*(9)*	**9,08**
– Attributable	7,21	10,09	*(12)*	**8,88**
Dividend per share (R)	3,00	3,75	*11*	**4,15**

PSG Group's *headline* and *attributable earnings* per share decreased by 9% and 12%, respectively, mainly as a result of unrealised fair value losses incurred on Dipeo's investment portfolio, as opposed to unrealised fair value gains achieved in the prior year.

OUR STRATEGY

PSG Group's largest successes have come from early-stage investing whereby we have built businesses alongside entrepreneurs from the development stage. Our investments in Capitec, Curro and PSG Konsult attest hereto. Our focus remains on finding the "next big thing", and to help build it into a sizeable and highly profitable business.

PSG Group's strategy is comprehensively set out in the *chairman's letter* on page 2 of this annual report.

SIGNIFICANT TRANSACTIONS DURING THE YEAR

PSG Alpha obtained a 50% interest in Evergreen, one of South Africa's leading providers of retirement lifestyle living, for a total investment of R675m, of which R400m has been paid. This investment marks a significant new focus area for PSG Group and one of its biggest initial cash investments to date.

Following its listing and unbundling from Curro, Stadio, the private higher education provider, undertook a fully-underwritten rights offer of R640m to fund growth. PSG Alpha followed its rights, investing R328m at R2,50 per share.

GEARING AND LIQUIDITY MANAGEMENT AT PSG GROUP HEAD OFFICE

PSG Group has a prudent approach to gearing. Simply put, we do not borrow money unless certain that we will be able to repay it.

The simple philosophy of "cash is king" rings true in any business. Accordingly, PSG Group's 12-month rolling cash flow forecast is closely monitored by both the chief financial officer ("CFO") and the PSG Group Executive Committee on an ongoing basis. Being an investment holding company, and although we do not manage the underlying investee companies' cash flows, it is imperative to have visibility thereof for the integrity of such cash flow forecast. This way we are able to plan well ahead, which includes the refinancing of redeemable debt if necessary.

Furthermore, the PSG Group board has previously imposed internal debt covenants, being more stringent than those imposed by third-party funders:

- Gearing, inclusive of PSG Financial Services' (being a wholly-owned subsidiary of PSG Group) JSE-listed perpetual preference shares, not to exceed 40% of PSG Group's consolidated balance sheet equity; and
- PSG Group's interest cover, calculated using free cash flow, to exceed 2x at all times.

For the avoidance of doubt, PSG Group's gearing includes that of the Company and head office-managed subsidiaries (all being wholly-owned apart from PSG Alpha in which PSG Group owns 98%). Compliance with all debt covenants, whether internally or externally imposed, are regularly monitored by the CFO and group finance team and reported on to the PSG Group Audit and Risk Committee, as well as to the relevant third-party funders.

As at the reporting date, PSG Group's gearing comprised:

1. PSG Financial Services' JSE-listed perpetual preference shares, with a market value of R1,3bn; and
2. Five-year redeemable preference shares of R949m (R930m capital and R19m accrued preference share dividend).

PSG Group also maintains a strict policy not to provide any guarantee or surety in respect of investee companies' borrowings, unless wholly-owned and managed at a head office level.

The table below sets out PSG Group's gearing position as at the latest reporting date. The gearing ratio is calculated both including and excluding PSG Financial Services Ltd's JSE-listed perpetual preference shares. Seeing that such funding is non-redeemable, this instrument could arguably be excluded when assessing gearing due to its quasi-equity nature. It is evident that PSG Group's gearing and interest cover ratios are well within the board-imposed covenants.

	Perpetual preference shares			
	2017		2018	
PSG Group gearing and interest cover calculation	Including	Excluding	Including	Excluding
Gearing as % of consolidated equity	14,5%	6,0%	**13,0%**	**5,5%**
Interest cover calculated using free cash flow	4,4x		**4,7x**	

Since year-end, the aforementioned five-year redeemable preference share funding has been refinanced on more favourable terms and extended for a further five years, well in advance of its scheduled redemption date. Accordingly, the facility has been increased from R930m to R2bn, with the increased amount available for drawdown during the next two years, if needed. Including excess cash of R1bn as at year-end, PSG Group has R2bn available for further investments.

Investee companies are similarly committed to managing their cash flows and gearing prudently. PSG Group's core investee companies are well capitalised with conservative levels of debt –

- Capitec: capital adequacy ratio of 36%, with cash and liquid assets of R39bn
- Curro: debt-to-equity ratio of 48%, underpinned by land and buildings
- PSG Konsult: debt-to-equity ratio of 4%

OUR INVESTMENT PORTFOLIO

Capitec (30,7%)

- *Simple and focused business model*
  - lending and transactional banking
- *High barriers to entry*
  - regulatory requirements and funding
- *High growth potential*
  - increase in transactional banking clients and growth in credit book (incl. credit card)
  - significant growth potential given its current market share:
    - approximately 1% of credit card market
    - approximately 2,4% of the total South African consumer credit book

Capitec is a South African retail bank focused on delivering simplified banking that is both affordable and easy to access through personal service. This resonates with most South Africans, especially in the current tough economic climate, giving them a sense of value and control over their money. Capitec received recognition for this when in 2017, for the second year running, it was named "the best bank in the world" by The Lafferty Group.

Capitec continued to deliver strong financial results with an 18% increase in *headline earnings* per share and 27% return on equity for the year ended 28 February 2018. Capitec's number of active clients increased by 15% to 9,9m and primary banking clients (those clients who make regular deposits, mainly salaries) by 16% to 4,5m. Capitec's net transaction fee income consequently increased by 31% in the year under review.

The past financial year also saw the first full 12-month period for Capitec's credit card offering. By 28 February 2018, 289 000 credit cards were in issue, with credit of R2bn. It comprises 4,2% of Capitec's credit book. One of the rationales for launching the credit card offering was to assist Capitec to attract higher-income earners and ultimately help increase market share. This strategy is starting to pay off with higher-income earners driving the 51% increase in the longer-term (61 to 84-month) loan sales during the year. Capitec's credit granting criteria and provisioning policies remain conservative.

Capitec is now also offering insurance solutions as part of its diversification strategy to deliver value to its clients and disrupt the insurance market in a similar way than it did with banking. Capitec is run by an exceptional management team and is a phenomenal success story with significant growth potential. We remain proud shareholders as Capitec pursues its strategy to be the best.

Financial results – year ended February	**2016**	**2017**	**2018**
Headline earnings (Rm)	3 222	3 793	**4 461**
HEPS (R)	27,87	32,81	**38,58**
Growth in HEPS (%)	26	18	**18**
Dividend per share (R)	10,55	12,50	**14,70**
Dividend cover ratio	2,6x	2,6x	**2,6x**
Return on equity (%)	27	27	**27**
Gross loans and advances (Rm)	40 891	45 135	**47 642**
Value of total loans advanced (Rm)	24 228	27 226	**28 292**
Repayments (Rm)	29 388	33 236	**35 974**
Arrears – past due (not up-to-date with contractual obligations) (Rm)	2 297	2 855	**2 700**
Arrears to gross loans and advances (%)	5,6	6,3	**5,7**
Provisions for doubtful debts (Rm)	5 131	5 930	**5 828**
Provision for doubtful debts to arrears coverage (%)	223	208	**216**
Provision for doubtful debts to arrears and all rescheduled loans (not rehabilitated) coverage (%)	91	107	**115**
Net transaction fee income (Rm)	3 020	3 923	**5 127**
Net transaction fee income to operating expenses (%)	66	72	**81**
Number of active clients ('000)	7 269	8 569	**9 868**
Number of primary clients ('000)	3 343	3 909	**4 539**
Number of branches	720	796	**826**
Number of employees	11 440	13 069	**13 333**

Capitec is listed on the JSE and its comprehensive results are available at *www.capitecbank.co.za*.

Curro (55,4%)

- *Simple and focused business model*
  - private school education
- *High barriers to entry*
  - capital intensive
- *High growth potential*
  - Curro has 8,1% of the private school market and 0,4% of the total school market in South Africa
  - global trends for developing countries indicate private schools representing approximately 20% of total schools
  - with private school learners representing only 4 to 5% of the total school-going population in South Africa at present, the local private school market should grow substantially in the next 10 years

Curro has established itself as the leading national brand in private schooling, now operating 59 campuses with 138 schools and 52 233 learners across the country and in Namibia.

It unbundled its higher education interest, Stadio, during the past year to keep these two education businesses focused on their respective private education segments.

Curro reported satisfactory results for its financial year ended 31 December 2017 with a 17% increase in *headline earnings* per share for the schools-only business.

Curro continues with its aggressive expansion drive and plans to invest a further R2,3bn in new and existing facilities during 2018. We remain excited about its growth prospects.

Financial results – year ended December	**2015**	**2016**	**2017**	**2018 ***
Headline earnings (Rm)	100	169	197	
HEPS (cents)	28,3	43,9	48,1	
Growth in HEPS (%)	64	55	10	
Number of campuses	41	48	51	**59**
Number of schools	100	114	124	**138**
Number of learners	35 130	42 343	45 870	**52 233**
Number of educators	2 290	2 546	2 778	
Learner/educator ratio	15	17	17	
Building size (m^2)	447 221	540 799	598 194	

* *As at 31 January 2018.*

Curro is listed on the JSE and its comprehensive results are available at *www.curro.co.za*.

PSG Konsult (61,5%)

- *Simple and focused business model*
  - the provision of wealth management, asset management and insurance solutions
- *High barriers to entry*
  - regulatory requirements
- *Key competitive advantage*
  - extensive distribution platform across the country
  - trusted brand
- *High growth potential*
  - relatively low market share:
    - less than 5% of wealth management
    - less than 2% of asset management
    - less than 3% of short-term insurance

PSG Konsult is a financial services company, focused on providing wealth management, asset management and insurance solutions to clients.

PSG Konsult supports advisors through its well-established systems and its risk and regulatory compliance platform, allowing the advisors to focus on their clients. With the legal and regulatory environment within the industry becoming increasingly onerous, PSG Konsult saw a 5% increase in the number of financial advisors during the year under review.

PSG Konsult reported strong results with a 16% increase in *recurring headline earnings* per share for the financial year ended 28 February 2018. This was achieved amid challenging trading conditions and considering PSG Konsult's equity market dependence. PSG Konsult continues to attract client assets with total assets under management having increased by 17% to R205bn, underpinned by top-quartile performance from all its core managed funds.

PSG Konsult recently announced that it had concluded agreements to acquire both Absa's Commercial and Industrial and Personal Lines insurance brokerage businesses, whereby approximately 168 advisors and 63 000 clients will be added to the PSG Konsult platform.

We are excited about PSG Konsult's future growth prospects.

Financial results – year ended February	2016	2017	2018
Recurring headline earnings (Rm)	409	486	**566**
Recurring HEPS (cents)	32,1	37,2	**43,0**
Growth in recurring HEPS (%)	19	16	**16**
Total assets under management (Rbn)	154	175	**205**
Gross written premium (Rbn)	2,5	2,9	**3,3**
Number of advisors – PSG Wealth	480	515	**539**
Number of advisors – PSG Insure	231	229	**245**

PSG Konsult is listed on the JSE and the Namibian Stock Exchange, and its comprehensive results are available at *www.psg.co.za*.

Zeder (43,7%)

- *Simple and focused business model*
  - investment in food and related business
- *Focused management throughout the underlying investments*

Zeder is an investor in the broad agribusiness industry. Its largest investment is a 27% interest in Pioneer Foods, comprising 53% of Zeder's total *SOTP* assets.

The tough trading environment continued into the 2018 financial year with severe drought and heat conditions persisting. This resulted in weaker earnings performance from the majority of Zeder's investments, with a consequent 35% decrease in Zeder's consolidated *recurring headline earnings* per share.

Zeder will continue to drive platform growth. Complementary investment opportunities are reviewed on an ongoing basis as Zeder aims to expand its portfolio. Management remains cautiously optimistic about a recovery in the food and related sector, which should bode well for the performance of Zeder's investee companies.

Financial results – year ended February	2016	2017	2018
Recurring headline earnings (Rm)	632	691	**474**
Recurring HEPS (cents)	42,4	42,6	**27,6**
Growth in recurring HEPS (%)	20	0,5	**(35)**
SOTP value per share (R)	6,93	8,53	**7,85**
Growth in SOTP value per share (%)	(13)	23	**(8)**
Dividend per share (cents)	9,0	11,0	**11,0**

Both Zeder and Pioneer Foods are listed on the JSE and their respective comprehensive results are available at *www.zeder.co.za* and *www.pioneerfoods.co.za*.

PSG Alpha (98%)

- *High growth potential*
  - early-stage investments in selected high-growth sectors

PSG Alpha serves as incubator to identify and help build the businesses of tomorrow. Given its nature, this portfolio is likely to yield volatile earnings, while providing optionality. Its investment portfolio valued at R5,2bn currently comprises 13 companies spanning across various industries and in different stages of maturity.

Noteworthy transactions during the past year included the listing of CA Sales on the Botswana Stock Exchange and investments in Evergreen and Stadio detailed above.

PSG Alpha reported a 4% increase in *recurring earnings* per share for the year under review, with most of the investments performing to expectation.

PSG Alpha's portfolio companies are well capitalised and have good management in place. Energy (Energy Partners), education (Stadio, FutureLearn and ITSI) and retirement lifestyle villages (Evergreen) are currently considered priority industries as we believe these offer significant growth prospects.

Investment	Description	Interest (%) 2017	Interest (%) 2018
African Unity	Life and related insurance	47,5	**Sold**
Alaris	Antenna-related products	19,3	**26,5**
CA Sales	FMCG distributor	51,8	**48,1**
CSG	Outsourced solutions	12,2	**12,6**
Energy Partners	Utilities	58,4	**52,5**
Evergreen	Retirement lifestyle villages		**50,0**
FutureLearn	Correspondence learning	83,3	**93,3**
ITSI	Education solutions	61,8	**72,7**
ProVest	Mine safety and support services	55,8	**50,5**
Spirit Capital	Leveraged buy-outs	47,9	**49,3**
Stadio	Private higher education		**45,4**
Venture capital investments	Technology		

Dipeo (49%)
Dipeo, a BEE investment holding company, is 51% owned by the Dipeo BEE Education Trust of which all beneficiaries are black individuals. Dipeo's most significant investments include shareholdings in Curro (5,2%), Stadio (3,5%), Pioneer Foods (4,3%), Quantum Foods (4,2%), Kaap Agri (20%) and Energy Partners (15,7%) – the latter investment having been acquired for R150m during the year under review. The investments in Pioneer Foods, Quantum Foods and Energy Partners remain subject to BEE lock-in periods.

Dipeo's *SOTP value* was R1,09bn (2017: R1,66bn) as at 28 February 2018.

The Dipeo BEE Education Trust will use its share of the value created in Dipeo to fund black students' education.

PSG Capital (100%)
PSG Capital provides a complete suite of corporate finance and advisory services to a broad spectrum of clients. Its fields of expertise include mergers and acquisitions, valuations and fairness opinions, capital raisings and listings, JSE and regulatory advice, private equity, BEE, corporate restructurings and debt origination.

PSG Capital is the sponsor, designated advisor and debt sponsor to 42 JSE-listed companies and has numerous unlisted clients. It has advised on publicly announced transactions in excess of R400bn over the last number of years.

PSG Capital consistently ranks among the top performers from a *DealMakers* perspective across most categories.

More detail is available at *www.psgcapital.com*.

PSG Corporate (100%)
PSG Corporate acts as PSG Group's treasurer by monitoring and managing PSG Group's capital requirements, gearing and liquidity. It also allocates and invests PSG Group's resources.

PROSPECTS

We believe PSG Group's investment portfolio is well positioned to continue yielding above-average returns.

Piet Mouton
Chief executive officer

Wynand Greeff
Chief financial officer

17 May 2018
Stellenbosch

STOCK EXCHANGE PERFORMANCE

Year ended February	2018	2017	2016	2015	2014	2013	2012	2011	2010
Market price on the JSE (R)									
High for the year	**297,03**	252,12	284,91	146,75	91,50	73,32	53,65	44,00	27,49
Low for the year	**194,89**	172,00	134,19	88,00	58,80	44,70	37,99	22,15	13,02
Closing	**217,50**	251,43	173,69	136,81	89,02	61,26	47,00	43,20	22,05
Volume-weighted average	**241,11**	200,79	202,95	109,87	71,31	60,76	46,19	32,74	21,00
Closing price per share/HEPS (times)	**24,0**	25,1	26,1	16,7	16,1	12,8	14,4	14,1	8,8
Closing price per share/recurring EPS (times)	**21,9**	27,1	22,0	23,0	19,8	15,6	15,2	17,9	10,6
Volume of shares traded ('000)	**148 287**	64 300	102 855	32 198	17 963	24 272	13 210	20 127	21 326
Value of shares traded (Rm)	**35 753**	12 911	20 875	3 538	1 281	1 475	610	659	448
Volume-traded/weighted average shares (%)	**68,8**	30,0	50,0	16,7	9,8	13,3	7,6	12,0	12,3

TRACK RECORD

Year ended February	2018	2017	2016	2015	2014	2013	2012	2011	2010
Headline earnings (Rm)	**1 956**	2 145	1 370	1 574	1 012	875	567	512	431
HEPS (R)	**9,08**	10,01	6,66	8,19	5,53	4,80	3,26	3,07	2,49
Recurring earnings (Rm)	**2 142**	1 985	1 620	1 142	821	715	536	404	359
Recurring EPS (R)	**9,94**	9,27	7,88	5,94	4,49	3,92	3,09	2,42	2,07
Distribution per share (cents)									
Normal	**415,0**	375,0	300,0	200,0	133,0	111,0	82,0	67,0	42,0
Special									
Ordinary shareholders' equity (Rm)	**17 143**	15 900	13 634	9 999	6 862	5 990	4 760	3 585	2 947
Net asset value per share (R)	**79,39**	73,81	63,64	49,39	37,51	32,62	26,50	21,56	17,65
Total assets (Rm)	**90 421**	82 061	71 748	45 607	33 700	25 857	20 961	17 410	14 686
Sum-of-the-parts value (Rm)	**55 510**	52 397	40 383	33 395	18 040	13 844	10 315	8 018	4 572
Sum-of-the-parts value per share (R)	**255,17**	240,87	186,67	163,28	95,01	72,67	55,92	46,81	26,60
Market capitalisation (Rm)									
Gross of treasury shares	**50 340**	58 193	40 084	30 157	18 480	12 747	9 528	8 219	4 211
Net of treasury shares	**46 967**	54 166	37 211	27 694	16 284	11 250	8 442	7 182	3 682
Number of shares ('000)									
Issued	**231 449**	231 449	230 779	220 432	207 589	208 082	202 724	190 262	190 953
Treasury shares	**(15 508)**	(16 018)	(16 543)	(18 004)	(24 666)	(24 440)	(23 111)	(24 001)	(23 959)
Net	**215 941**	215 431	214 236	202 428	182 923	183 642	179 613	166 261	166 994
Weighted average ('000)	**215 468**	214 247	205 669	192 328	182 994	182 224	173 872	167 055	173 113
Return on equity (based on headline earnings) (%)	**11,8**	14,5	11,6	18,7	15,8	16,3	13,6	15,7	15,1
Return on equity (based on recurring earnings) (%)	**13,0**	13,4	13,7	13,5	12,8	13,3	12,9	12,4	12,6

2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
21,00	30,50	29,25	23,00	7,05	5,20	6,50	8,85	9,86	15,85	19,00	15,50	5,10	3,00
12,15	19,00	15,70	6,20	2,53	2,55	3,75	4,40	5,27	8,00	4,95	4,45	2,10	0,20
14,56	20,85	27,20	22,66	7,00	3,85	5,20	4,76	6,60	10,00	11,70	15,30	4,70	2,25
16,92	27,14	22,57	10,60	4,28	4,60	5,12	6,75	6,85	11,14	11,72	9,66	4,01	0,78
22,3	7,1	5,2	6,4	7,8	5,0	7,4	3,4	4,4	8,3	13,6	32,3	17,9	16,4
8,4	16,1												
18 290	43 409	37 787	13 933	48 528	56 204	42 636	47 775	49 009	45 265	30 219	23 443	14 120	22 210
309	1 178	853	148	208	258	218	322	336	504	354	227	57	17
10,9	26,5	30,1	13,7	45,1	50,3	35,5	38,5	36,8	33,1	31,7	32,2	35,7	101,8

2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
110	483	651	358	97	85	85	175	200	165	82	35	10	3
0,65	2,95	5,19	3,52	0,90	0,76	0,71	1,41	1,50	1,21	0,86	0,47	0,26	0,14
293	212												
1,74	1,30												
57,0	112,5	90,0	67,5	45,0	30,0	20,0	50,0	45,0	36,0	25,0			
200,0					70,0	200,0							
2 755	3 295	2 373	719	362	336	993	1 218	1 141	1 085	638	535	78	7
16,40	19,48	15,85	7,04	3,56	3,20	8,28	10,15	8,99	7,78	6,69	6,17	1,47	0,34
14 127	14 206	5 501	1 833	2 794	2 384	2 594	4 477	3 416	3 474	2 543	1 258	233	25
2 610	4 447												
15,31	25,99												
2 760	3 953	4 621	2 701	834	443	624	571	838	1 395	1 117	1 325	249	49
2 446	3 528	4 073	2 315	711	404	624	571	838	1 395	1 117	1 325	249	49
189 579	189 579	169 885	119 195	119 195	115 000	120 000	120 000	126 900	139 500	95 445	86 611	52 930	21 818
(21 559)	(20 386)	(20 133)	(17 015)	(17 619)	(10 000)								
168 020	169 193	149 752	102 180	101 576	105 000	120 000	120 000	126 900	139 500	95 445	86 611	52 930	21 818
168 352	163 505	125 446	101 888	107 519	111 700	120 000	124 204	133 200	136 613	95 445	72 869	39 588	21 818
3,6	17,0	42,1	66,3	27,7	12,8	7,7	14,9	18,0	19,1	14,0	11,3	23,8	88,6
9,7	7,5												

Corporate governance

1. Background

PSG Group is invested in various subsidiaries, joint ventures and associates (collectively herein referred to as "investees") 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 selected growth sectors.

PSG Group is committed to exercising ethical and effective leadership to achieve the four governance outcomes: ethical culture, good performance, effective control and legitimacy, as advocated in the King IV Report on Corporate Governance™ for South Africa, 2016 ("King IV™").

More than 90% of PSG Group's total assets are investees separately listed on the JSE and independently managed. These companies are similarly committed to exercising ethical and effective leadership, and to report thereon to stakeholders in terms of King IV™. Whether listed or not, PSG Group expects all its underlying investees to uphold good corporate governance and our representatives on the respective companies' boards have been tasked to ensure same.

A detailed analysis of PSG Group's compliance with King IV™ is available at *www.psggroup.co.za*.

2. Leadership, ethics and corporate citizenship

2.1 The PSG Group board of directors ("Board")

The Board comprises 10 directors of which three directors serve in an executive capacity. Four of the remaining seven non-executive directors are independent. Details of PSG Group's directors are provided on page 19 of this annual report. The Board is satisfied that its composition contains the appropriate mix of knowledge, skills, experience and independence.

The Board operates in terms of a board-approved charter, the provisions of which have been complied with during the year under review.

There is a clear division of responsibilities at board level to ensure a balance of power and authority, such that no one individual has unfettered powers of decision-making. The Board is satisfied that its current composition ensures such a balance of power and authority.

2.2 Key roles and responsibilities of the Board

The Board's key roles and responsibilities include, inter alia, the following:

- Promoting the interests of all stakeholders;
- Formulation and approval of strategy;
- Retaining effective control; and
- Ultimate accountability and responsibility for the performance and affairs of the Company.

The Board is ultimately the custodian of shareholder funds, with a responsibility to invest it wisely to deliver on PSG Group's stated objective of sustainable long-term value creation for shareholders.

2.3 Chairman

Mr JF Mouton fulfils the role of non-executive chairman. Since he is not classified as independent given his significant indirect shareholding in PSG Group, Mr PE Burton serves as lead independent director.

2.4 Chief executive officer ("CEO")

Mr PJ Mouton continues to serve as CEO and has been employed within the broader group for the past 14 years. His employment agreement is customary for agreements of this nature, and his resignation notice period is three calendar months.

The Board continuously considers succession planning for the CEO role. In addition, the Company is in a fortunate position to retain the services of Messrs WL Greeff (chief financial officer ("CFO")) and JA Holtzhausen (CEO: PSG Capital) as executive directors alongside Mr PJ Mouton, whom have respectively served within the broader group for the past 16 and 20 years. Similarly, Messrs WL Greeff and JA Holtzhausen are supported by a dynamic team of long-serving employees within their respective roles.

Mr PJ Mouton serves as representative on the boards of the majority of PSG Group's core investees, including Capitec, Curro, PSG Konsult and Zeder. He has no professional commitments other than his role as PSG Group CEO.

2.5 *Board meetings and attendance*

The Board met four times during the past year. The attendance at such meetings is detailed in the table below:

Director	19 Apr 2017	20 Jul 2017	11 Oct 2017	20 Feb 2018
PE Burton	√	√	√	√
ZL Combi	√	√	√	√
FJ Gouws	√	√	√	√
WL Greeff	√	√	√	√
JA Holtzhausen	√	√	√	√
MJ Jooste (or his alternate) ^	√	√	√	n/a
B Mathews	√	√	√	√
JF Mouton (chairman)	√	√	√	√
JJ Mouton	√	√	√	√
PJ Mouton	√	√	√	√
CA Otto	√	√	√	√

√ *Present*

^ *On 6 December 2017, Mr MJ Jooste resigned as director and was replaced by Mr TLR de Klerk. On 9 February 2018, Mr TLR de Klerk resigned as director.*

2.6 *Board performance and independence evaluations*

Both the effectiveness and ethical leadership of the Board are continuously considered and any areas of concern are addressed as and when they arise. The board is assessed annually through a formal internal process that deals with individual directors, including the chairman, the board as a whole, as well as its various subcommittees. The Board is satisfied that it functions effectively.

The independence of non-executive directors and factors that could potentially impair it are evaluated on an ongoing basis. The Board is satisfied with the independence of non-executive directors classified as such, including Messrs ZL Combi, PE Burton and CA Otto, all of whom have served on the Board for more than nine years. These individuals have a thorough understanding and valuable knowledge of PSG Group's business, and at all times act in the best interest of all stakeholders.

2.7 *Race and gender diversity policies adopted by the Board*

PSG Group believes that race and gender diversity at board level help achieve its business goals through an improved understanding of the diverse environments in which the group operates. A truly diverse board will include, and make good use of differences in age, gender, race, skills, industry experience and other distinctions.

The PSG Group Nomination Committee will consider and annually agree on measurable targets for achieving race and gender diversity at Board level. In identifying suitable candidates for appointment to the Board, the nomination committee will consider individuals on merit against objective criteria and with due regard for the potential benefits of race and gender diversity.

The Company's level of compliance against its targets for the past year is summarised in the table below:

Percentage of directors	Actual	Target
Black people	**30%**	**≥30%**
Female	**10%**	**≥10%**

The Board has recently resolved to appoint another black person, preferably a black female, once a suitable candidate has been identified. This decision is being treated as a priority. Once another black female director has been appointed, the Board will be 36% black and 18% female representative, respectively.

2.8 *Board subcommittees*

The Board has appointed the following committees to assist it in the performance of its duties:

- Executive committee;
- Remuneration committee;
- Nomination committee;
- Audit and risk committee; and
- Social and ethics committee.

2.8.1 *Executive committee ("Exco")*

The Exco is chaired by Mr PJ Mouton (CEO) and further comprises Messrs JF Mouton (non-executive chairman), WL Greeff (CFO) and JA Holtzhausen (executive director). Mr JC Taljaard (tax advisor) attends the Exco meetings as a permanent invitee, while non-executive directors are always welcome to attend.

The Exco meets every month, or more frequently if required, and:

- Is responsible for determining and implementing strategy, as approved by the Board;
- Acts as the PSG Group investment committee;
- Provides strategic input as members of the Zeder Executive Committee;
- Manages PSG Alpha;
- Acts as PSG Group treasurer by monitoring and managing the capital requirements, gearing and liquidity of PSG Group, and it allocates and invests its resources;
- Monitors the group's performance and provides strategic input and direction to the underlying companies;
- Is the custodian of good corporate governance; and
- Assumes overall responsibility for the growth and performance of PSG Group.

The Board is satisfied that the authority associated with the day-to-day running of PSG Group is adequately delegated to the executive directors and their teams, so as to ensure the effective management of PSG Group.

2.8.2 Remuneration committee

The remuneration committee's composition, duties, responsibilities and focus areas are comprehensively addressed in the remuneration report on page 44 of this annual report.

Messrs JF Mouton and PJ Mouton are regular invitees to remuneration committee meetings. However, they do not form part of the remuneration committee's formal decision-making process and recuse themselves when necessary.

The remuneration committee is satisfied that it operated in accordance with its board-approved charter. Its focus areas for the ensuing year will include the ongoing evaluation and refinement of PSG Group's remuneration practices, if necessary, to help achieve the Company's stated business objectives.

2.8.3 Nomination committee

The nomination committee comprises Messrs JF Mouton, PE Burton, ZL Combi and CA Otto, all being non-executive directors, with the majority being independent. The nomination committee meets as and when required and is responsible for assisting the Board with the appointment of new directors by making appropriate recommendations, with due regard for, inter alia, race and gender diversity.

2.8.4 Audit and risk committee

The audit and risk committee comprises three independent non-executive directors, namely Mr PE Burton (chairman), Ms B Mathews and Mr CA Otto. They have served as members of the audit and risk committee for 11, one, and six years, respectively. The committee met twice during the past financial year on 18 April 2017 and 10 October 2017, as well as after year-end on 23 April 2018, with all members being present.

Messrs JF Mouton, PJ Mouton, WL Greeff, select group finance employees and the external auditor are permanent invitees to the audit and risk committee meetings. However, they do not form part of the audit and risk committee's formal decision-making process.

The members of the audit and risk committee are invited to attend an annual training course regarding any new legal, regulatory and/or financial developments which may affect their roles and responsibilities as members of such committee.

The audit and risk committee is satisfied that it operated in terms of its board-approved charter. A report by the audit and risk committee containing details of how the committee discharged its duties and responsibilities in the past year has been provided on page 72 of this annual report.

The audit and risk committee's areas of focus for the ensuing year will include the adoption of new accounting standards, in particular IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers*.

2.8.5 Social and ethics committee

PSG Group believes in conducting its business in a responsible manner, with due regard for the potential impact thereof on the environment in which it operates and society at large. All its investees are similarly committed.

Education is imperative for economic growth and the upliftment of society in general. We thoroughly believe that an educated community will sustainably improve the long-term well-being of society and South Africa. PSG Group as an investment holding company has therefore directed its corporate social investment efforts at supporting education on various levels. PSG Group also subscribes to and support social upliftment through BEE, having invested in various BEE initiatives. PSG Group is a growing company that employs approximately 56 000 people across the broader group, pays all its taxes regularly and encourages government to spend its revenue responsibly.

During the year under review, the social and ethics committee was reconstituted to comprise Messrs ZL Combi (chairman), PE Burton and PJ Mouton. Previously this committee comprised Mr CA Otto (chairman) and the members of the Exco, whom met monthly during the past year.

The social and ethics committee is responsible for monitoring the Company's activities, with due regard for any relevant legislation, legal requirements and prevailing codes of best practice relating to matters, which include:

- Social and economic development;
- Good corporate citizenship;
- The environment, health and public safety;
- Client relationships; and
- Labour and employment.

The social and ethics committee is satisfied that it operated in terms of its board-approved charter. The committee is furthermore satisfied with the social and ethical aspects pertaining to PSG Group, with details of its corporate social investment initiatives set out on page 10 of this annual report.

2.9 Appointments to the Board

Executive directors are appointed by the Board with the assistance of the nomination committee for periods as the Board deems fit and on such further terms as are set out in their letters of appointment. Where appropriate, the CEOs and other executive directors of investees have entered into service contracts with those investees.

Newly appointed board members are formally inducted through a programme comprising, inter alia, the reading of Company-related material and one-on-one information sessions. All Board members have an open invitation to attend further training courses as and when required.

PSG Group's memorandum of incorporation requires a minimum of one third of the non-executive directors of the Company, as well as non-executive directors having served three consecutive years without rotating, to retire by rotation and to offer themselves for re-election by shareholders at the annual general meeting of the Company. In addition, the appointment of any new director should be confirmed by shareholders at the first annual general meeting following such appointment. In accordance with the Company's memorandum of incorporation, Ms B Mathews and Messrs JJ Mouton and CA Otto will retire by rotation and offer themselves for re-election by shareholders at PSG Group's annual general meeting to be held on 22 June 2018.

2.10 Company secretary

PSG Corporate Services (Pty) Ltd ("PSGCS") is the appointed company secretary to PSG Group. It acts as conduit between the Board and the Company. The company secretary is responsible for board administration, and liaison with the Companies and Intellectual Property Commission and the JSE. Board members also have access to legal and other expertise when required and at the cost of the Company through the company secretary. The Board is satisfied with the availability of legal and other expertise on offer.

The company secretary maintains a professional relationship with board members, giving direction on matters such as good corporate governance, if required. The audit and risk committee has reviewed, through discussion and assessment, the qualifications, experience and competence of the individuals employed by the company secretary, and concluded that it had performed all formalities and duties timeously and in an appropriate manner. The Board is satisfied that an arm's-length relationship exists with the company secretary.

The certificate that the company secretary, herein represented by Mr A Rossouw, is required to issue in terms of section 88(2)(e) of the Companies Act of South Africa, is included on page 73 of this annual report.

2.11 Transformation

PSG Group is committed to creating and maintaining an environment that provides equal opportunities to all its employees, with special consideration for historically disadvantaged groups. The Company recognises that there are disparities in employment, occupation, income and opportunities within the labour market, with black people, women, and people with disabilities historically being the most disadvantaged groups.

The employees responsible for the day-to-day management of PSG Group, its wholly-owned subsidiaries and PSG Alpha, are employed by PSGCS, a wholly-owned subsidiary. In order to promote transformation at head office level, PSGCS has established a transformation committee consisting of Messrs ZL Combi, PE Burton and WL Greeff, all being directors of PSG Group, with the majority being independent non-executive. The committee met once during the past year and all members were present. At such meeting, the committee approved an employment equity plan for PSGCS to improve equity in the workplace containing, inter alia, five-year employment equity targets.

3. Strategy, performance and reporting to stakeholders

PSG Group sets out its strategy, as well as feedback on its performance against it, in both the *chairman's letter* and the *CEO and CFO report* contained on pages 2 and 22 of this annual report, respectively.

PSG Group fully subscribes to the notion of honesty and transparency, which includes timely, clear, succinct and accurate reporting to all stakeholders. Such reporting includes PSG Group's bi-annual financial results and any other information considered appropriate and for the benefit of all stakeholders, be it voluntarily or as required by the JSE Listings Requirements.

4. Governance matters

4.1 Risk management and internal control

The Board acknowledges that it is accountable for PSG Group's process of risk management and systems of internal control. Each investee has its own board of directors responsible for the risk management and systems of internal control of that company and its business.

Certain of the group's investees operate in highly regulated environments and accordingly risk management in such entities are performed by dedicated risk and compliance teams, as well as internal audit functions where appropriate.

The following risk management measures have been implemented at PSG Group and its investees:

- Detailed risk assessments, containing the identified risk(s) together with control(s) implemented to mitigate such risk(s) to the extent possible; and
- Risk control logs, containing details of the occurrence of risk events, together with management's response thereto and the additional control(s) implemented to help prevent such event from re-occurring.

On the recommendation of the audit and risk committee, the Board has decided not to establish an internal audit function at PSG Group level given the nature and extent of its day-to-day activities, and considering that its investees have, where necessary, either established or outsourced their own internal audit functions.

The Board, on recommendation by the audit and risk committee, concluded that the system of internal control and the risk management process were effective for the financial year under review. The Board is satisfied that there was no material breakdown in controls at either PSG Group or its investees during the past year.

4.2 Technology and information governance

PSG Group's head office employs a dedicated information technology ("IT") manager responsible for IT governance, and who reports to the CFO. IT is essential to all PSG Group's investees, with IT governance continuously treated as a priority.

As IT does not play a significant role in the continuity of our business at a PSG Group head office level due to its nature and size, the risk associated therewith is somewhat limited. However, continued data security remains a key focus area for the IT manager.

4.3 Compliance function

PSG Group has not appointed a dedicated compliance officer as it has continuous access to the in-house corporate finance and tax advisory expertise of PSG Capital and Grayston Elliot, respectively. If required, PSG Group can obtain further independent advice from reputable third parties.

As certain of the group's investees operate in highly regulated environments, such entities have appointed dedicated compliance officers and supporting structures.

4.4 Remuneration governance

Remuneration governance is comprehensively addressed in the remuneration report on page 44 of this annual report.

4.5 Assurance

PSG Group, being an investment holding company, does not require assurance in respect of any reports other than its financial statements. Such assurance is provided by PSG Group's external auditor, whose report is included on page 77 of this annual report.

5. Stakeholder relationships

PSG Group subscribes to the principles of objective, honest, accurate, transparent, timeous, balanced, relevant and understandable communication of financial and non-financial information to stakeholders at all times. PSG Group has a team responsible for dealing with stakeholder queries.

PSG Group acknowledges the important role and responsibility of regulators, and our relationships with them are maintained in a professional manner – frank and open, but respectful.

Remuneration report

PART 1: REPORT FROM THE REMUNERATION COMMITTEE

A. REMUNERATION WITHIN AN INVESTMENT HOLDING COMPANY

PSG Group is an investment holding company with more than 90% of its total assets represented by independently managed JSE-listed investments, each with its own remuneration committee and policy designed specifically for its business and the industry in which it operates. An investment holding company is distinctly different from an operational company. It has limited day-to-day operations and its primary focus is to make and help grow investments that will procure long-term value creation for shareholders. The remuneration policy for such an investment holding company therefore needs to be conducive to driving long-term decision-making in order to achieve the company's objectives.

Accordingly, the primary responsibilities of the PSG Group Remuneration Committee ("Remcom" or "Committee") are to:

- Oversee the remuneration and incentives of PSG Group's executive directors and other employees at head office to ensure it is fair and responsible toward such individuals as well as the company (i.e. shareholders and other stakeholders);
- Review PSG Group's non-executive director fees and make appropriate recommendations to shareholders for approval thereof; and
- Provide guidance to the remuneration committees of unlisted companies forming part of the broader PSG group of investments.

The Remcom comprises myself as chairman, Patrick Burton and Chris Otto. We are all independent non-executive directors of PSG Group. After comprehensive prior consultation with management, the Committee held one formal meeting during the past year on 20 February 2018, and all members were present.

B. PSG GROUP'S REMUNERATION PHILOSOPHY

PSG Group aims to align remuneration practices with its business strategies to deliver on its stated objective of sustainable long-term value creation for shareholders through a combination of share price appreciation and the payment of dividends.

Remuneration practices should always be fair and responsible to both the employee and the company (i.e. shareholders and other stakeholders), while continuously reporting thereon in a transparent manner.

PSG Group has provided its shareholders with superior returns over the past 22 years since establishment. Sustainable value creation will always depend on, among other, PSG Group attracting and retaining the services of talented executives and employees. To achieve this, PSG Group's remuneration practices need to be appropriate and competitive.

PSG Group's three executive directors have each served in their respective current roles for at least eight years. Over this period, PSG Group's market capitalisation has increased from approximately R3,7bn to R47bn, and its share price from R22,05 at 28 February 2010 to R217,50 as at 28 February 2018. Assuming that dividends were reinvested in PSG Group shares, this represented an investment return of 35% per annum over the period. Shareholders have accordingly benefited significantly from the value created, while executive directors have been rewarded commensurately as a direct consequence of their interests being aligned with those of shareholders.

C. PSG GROUP'S REMUNERATION POLICY AND CHANGES MADE THERETO

The Remcom has previously introduced an appropriate remuneration policy for PSG Group's head office employees (including PSG Group's executive directors) to help drive long-term decision-making in order to ultimately deliver on PSG Group's stated objective of sustainable long-term value creation for shareholders. PSG Group's most significant successes to date have been early-stage investments, the likes of Capitec, PSG Konsult and Curro. As with any start-up business, it may take years to determine its success, and it will be imperative for management to maintain a long-term focus to help achieve this. It would therefore be irrational to remunerate executives based on meeting short-term operational targets or when making new investments. The policy has consequently been designed to suitably align the interests of employees with those of shareholders – if PSG Group shareholders do well, the employees will do well, and (importantly so) vice versa.

The key features of PSG Group's remuneration policy are set out in the table below, together with a brief description and remuneration mechanisms introduced to help achieve same:

Key features	Description	Way in which achieved
• Aligning remuneration with shareholder returns • Creating a long-term focus • Paying market-related base salaries	As an investment holding company with a long-term value creation objective, it would be irrational to remunerate executives based on meeting short-term operational targets or when making new investments, since the success of new investments are most often only determinable years later. PSG Group has been successful at early-stage investing in particular, which requires time and patience to determine the outcome. Management's remuneration should therefore ideally be highly correlated to sustainable long-term value creation for shareholders, thereby ensuring a long-term focus, while paying market-related base salaries in the short term.	• Executives no longer qualify for discretionary bonuses, thereby aligning their interests more closely to those of shareholders. • Participants of the share incentive scheme will only benefit if there is share price appreciation over an extended period of time. • Annual remuneration benchmarking is performed with reference to companies comparable in size, industry, business complexity and the level of responsibility that the individual assumes to ensure it is market related.

Voting at the previous annual general meeting ("AGM")

PSG Group presented its remuneration policy to shareholders for a non-binding advisory vote thereon at its previous AGM held on 23 June 2017. Shareholders representing 78,5% of the votes exercisable attended the meeting in person or by way of proxy, of which 83,5% voted in favour of the resolution tabled.

The main concerns raised by shareholders that voted against the remuneration policy tabled related to the share incentive scheme lacking adequate performance measures (e.g. the outperformance of a predetermined benchmark).

Changes introduced since previous AGM

It should be noted that share options are always awarded at a strike price equal to PSG Group's 30-day volume weighted average traded share price immediately preceding such award date (i.e. awarded at the ruling market value), thereby creating an embedded performance hurdle whereby participants will only benefit from the share incentive scheme if there is long-term share price appreciation and thus value creation for PSG Group shareholders.

Having taken note of aforementioned shareholder concerns, the Remcom has introduced the following changes to PSG Group's remuneration policy during the year under review:

- *Long-term remuneration ("LTI") – share incentive scheme*
  - Additional performance measures
  - Minimum shareholding requirement
  - Limitation on loan funding
- *Short-term remuneration ("STI") – base salary*
  - Payment of 30% deferred portion of an executive's annual base salary is now also subject to malus/clawback provisions

1. Additional performance measures and minimum shareholding requirement (LTI)

The Remcom has introduced *additional financial and non-financial performance measures* as award and vesting conditions for share options awarded on or after 28 February 2018. Furthermore, the Remcom has introduced a *minimum shareholding requirement* for executive directors in respect of the award and vesting of share options, thereby ensuring continued alignment of their interests with those of shareholders.

Vesting conditions
Share options will continue to vest in 25%-tranches on each of the 2nd, 3rd, 4th and 5th anniversary of the award date, but subject to the following conditions:

a) Existing vesting conditions to remain in force

- *Continued employment:*
  Share options from the share incentive scheme will generally vest on condition that the participant is in service of PSG Group on vesting date (non-financial indicator).

b) New vesting conditions (in addition to existing vesting conditions)

- *Meeting key performance objectives:*
  The award and vesting of all share options will be subject to the participant meeting his/her personal key performance objectives (non-financial indicator); and
- *Return on equity ("ROE"):*
  The vesting of 50% of share options awarded is contingent upon the outperformance of an ROE performance hurdle, as further detailed in paragraph 2.4.2.2 (financial indicator); and
- *Recurring earnings per share ("REPS") growth:*
  The vesting of 50% of share options awarded is contingent upon the outperformance of a REPS growth hurdle, as further detailed in paragraph 2.4.2.2 (financial indicator); and

- *Minimum shareholding requirement:*
  Executive directors will only qualify for new share option awards and be able to exercise such if they comply with the minimum shareholding requirements detailed in paragraph 2.4.3 (non-financial indicator).

Albeit that the new award and vesting conditions will only apply to share options awards on or after 28 February 2018, the table below illustrates that, had such new vesting conditions already been applicable in the past five years, all share options would have vested seeing that all performance measures (both financial and non-financial) would have been met, including the individual personal key performance measures, as well as the minimum shareholding requirement for the three executive directors:

	ROE		REPS growth	
Share options vesting date	**Actual performance %**	**Performance hurdle %**	**Actual performance %**	**Performance hurdle %**
28 February 2014	**13,7**	9,9	**20,9**	10,3
27 February 2015	**14,1**	10,3	**23,5**	10,6
26 February 2016	**14,4**	11,9	**26,6**	11,0
28 February 2017	**14,5**	12,7	**24,6**	10,4
28 February 2018	**14,4**	12,9	**20,5**	9,9

2. Loan funding (related to LTI)

The Remcom has also reviewed the extent of loan funding granted to executives and other share incentive scheme participants in terms of the provisions of the PSG Group Ltd Supplementary Share Incentive Trust ("PSG Group SIT") to assist them in exercising their share options and to remain invested in PSG Group.

Given market circumstances and to protect the interests of both the company (i.e. shareholders) and employees, the Remcom has decided that the PSG Group SIT will prudently no longer provide such loan funding to participants. Instead, should the participant not be able to exercise his/her share options on a cash basis (i.e. full settlement of the strike value plus any section 8C tax payable), the share options will be settled on a "net-equity basis" (i.e. the participant's after-tax upside will be settled through the issue of fully paid-up PSG Group shares to the participant, and PSG Group will pay over the related section 8C tax payable in cash on the participant's behalf). As an alternative to issuing shares to settle its obligation to participants, PSG Group will in its sole discretion have the alternative to settle such obligation in cash.

3. Payment of deferred base salary (STI)

The payment of 30% of the executive's annual base salary is deferred for a period of 12 months, with such payment subject to the executive being in PSG Group's service 12 months later.

However, going forward the payment of the deferred portion will also be subject to malus/clawback provisions (both financial and non-financial indicators) in the event of material misstatement of financial results or fraudulent activity for a further 12 months after payment of the 30% deferred portion to the executive. If triggered, such malus/clawback provisions would require repayment by the executive to PSG Group of the total deferred salary amount received by the executive during the preceding 12 months.

Voting at upcoming AGM

Both PSG Group's remuneration policy and its implementation report will be presented to shareholders for separate non-binding advisory votes thereon at PSG Group's upcoming AGM to be held on 22 June 2018. In the event that 25% or more of shareholders vote against either the remuneration policy or the implementation report at the meeting, PSG Group will engage with shareholders through dialogue, requesting written submissions or otherwise, in order to address shareholder concerns, always with due regard to meeting PSG Group's stated business objectives while being fair and responsible toward both the employee and shareholders.

D. CEO VERSUS EMPLOYEE PAY

Given the nature of an investment holding company's operations, the vast majority of PSG Group head office employees are highly skilled and trained individuals, which include engineers, lawyers and chartered accountants. These individuals are remunerated accordingly. So, the difference in the average pay of an employee and that of PSG Group's CEO is relatively low when compared to operational companies in particular. The table below sets out the calculation hereof:

Guaranteed annual pay (STI)	2018 R'000
CEO	**11 000**
Average pay for employees (excluding the CEO)	**1 384**
Times	**7,9**
CEO	**11 000**
Average pay for employees (excluding all executive directors)	**920**
Times	**12,0**

E. DEVELOPMENT AND RETENTION OF TALENT

The development and retention of talent is of the utmost importance to PSG Group, especially considering the small number of employees employed at a head office level and the importance of employee continuity considering PSG Group's long-term value creation objective.

ZL Combi
Chairman: PSG Group Remcom

17 May 2018

PART 2: REMUNERATION POLICY

1. PROVIDING CONTEXT TO PSG GROUP'S OPERATIONS AT HEAD OFFICE LEVEL

1.1 As at 28 February 2018, the total number of employees at head office level, including the three PSG Group executive directors, comprised 40 individuals. 24 of these individuals worked in the PSG Capital corporate finance and Grayston Elliot tax advisory divisions, with only the remaining 16 employees being dedicated full-time to the day-to-day running of PSG Group and the sourcing of new investment opportunities. These 16 individuals comprise the chief executive officer ("CEO"), chief financial officer ("CFO"), four senior executives and 10 support staff providing finance, information technology and general administrative support services.

1.2 The PSG Capital corporate finance and Grayston Elliot tax advisory divisions provide professional services to PSG Group, its investees, and to third parties. Considering the extensive services rendered to third parties, these divisions each operate according to a bonus pool (i.e. short-term remuneration ("STI")) arrangement whereby the respective division is entitled to a percentage of fee income generated, while being solely responsible for all its operating and employment costs. The remaining balance constitutes a bonus pool available for distribution to such division's employees.

Johan Holtzhausen, an executive director of PSG Group, is employed as CEO of the PSG Capital corporate finance division. His total remuneration and incentives are determined by the Remcom, similarly to that of PSG Group's CEO and CFO. PSG Group carries 25% of his base salary (i.e. STI) per annum for services rendered to PSG Group (including but not limited to his contribution as member of the PSG Group Executive Committee and the PSG Group board), while the remainder of his employment costs (both STI and long-term remuneration ("LTI")) are borne by the PSG Capital division, including any discretionary bonus as determined in accordance with their bonus pool arrangement.

1.3 Accordingly, the PSG Group head office's operating and employment costs are limited to that of the aforementioned 16 employees and 25% of Johan Holtzhausen's base salary. For the year ended 28 February 2018, PSG Group's total operating and employment costs (STI and LTI) amounted to approximately 0,13% (2017: 0,13%) of PSG Group's *sum-of-the-parts value* as at the reporting date, being significantly lower than the management fees generally charged in the local asset management industry from a comparative point of view.

2. EXECUTIVES AND EMPLOYEES

2.1 The remuneration of PSG Group's executive directors and senior executives (collectively "the executives") are reviewed annually by the Remcom, which seeks to ensure that balance is maintained between the fixed (base salary – STI) and variable (share options – LTI) elements of remuneration, as well as between short-term (base salary – STI) and long-term (share options – LTI) financial performance objectives. The Remcom takes cognisance of both local and international best remuneration practices to ensure that remuneration is fair and responsible to both the company (i.e. shareholders and other stakeholders) and the executive.

2.2 The table below provides an overview of the various groups pertaining to the 16 PSG Group employees and their respective remuneration components:

Group	Focus	Strategic view	Remuneration	Longest period of remuneration deferral
CEO and CFO	Formulate, drive and oversee implementation of strategy	Longest term	Base salary (STI), share options (LTI)	Five years
Executives (excl. CEO and CFO)	Strategy implementation	Long term	Base salary (STI), share options (LTI)	Five years
Other staff (group no 1)	Operational	Short to long term	Base salary (STI), discretionary bonus (STI) and share options (LTI)	Five years
Other staff (group no 2)	Support (administration)	Short term	Base salary (STI), discretionary bonus (STI)	One year

2.3 Total remuneration incorporates the following components:

2.3.1 Base salary (STI)

Base salary is guaranteed annual pay on a cost-to-company basis. It is subject to annual review and adjustments are effective 1 March of each year, coinciding with the commencement of PSG Group's financial year. Benchmarking is performed with reference to companies comparable in size, industry, business complexity and the level of responsibility that the individual assumes to ensure that remuneration is market related.

The payment of 30% of the executive's annual base salary is deferred for a period of 12 months, with such payment subject to:

- The executive being in PSG Group's service 12 months later (non-financial indicator), thereby serving as retention mechanism in addition to the share incentive scheme detailed below.
- Malus/clawback provisions (both financial and non-financial indicators) in the event of material misstatement of financial results or fraudulent activity for a further 12 months after payment of the 30% deferred portion to the executive. If triggered, such malus/clawback provisions would require repayment by the executive to PSG Group of the total deferred salary amount received by the executive during the preceding 12 months.

Benefits, forming part of total cost to company, are limited to:

- Group life cover (providing death, disability and dread disease benefits);
- Membership to a retirement fund; and
- Membership to a medical aid scheme.

2.3.2 Discretionary bonuses (STI)

PSG Group's most significant successes to date have been early-stage investments, the likes of Capitec, PSG Konsult and Curro. As with any start-up business, it may take years to determine its success, and it will be imperative for management to maintain a long-term focus to help achieve this. Consequently, to help drive a long-term focus and decision-making with the ultimate objective of shareholder wealth creation, thereby better aligning the interests of management with those of shareholders and other stakeholders, the executives no longer qualify for discretionary bonuses. However, Johan Holtzhausen, an executive director of PSG Group, continues to be considered for a discretionary bonus in terms of PSG Capital's aforementioned bonus pool arrangement as its CEO.

PSG Group support staff remain eligible for discretionary bonuses, subject to meeting company and personal key performance measures.

2.3.3 Share options (LTI)

PSG Group shareholders adopted a share incentive scheme at PSG Group's AGM held on 19 June 2009. In terms of the scheme, PSG Group share options are awarded to executives and other qualifying employees with the primary objectives of retaining their services and aligning their interests with those of shareholders, being sustainable value creation through a combination of share price appreciation and the payment of dividends over the long term.

A key feature of PSG Group's share incentive scheme is that participants will only benefit if there is long-term share price appreciation, which should ultimately depend on sustained *recurring earnings* per share growth from PSG Group's underlying investee companies, and management's ability to continuously invest in and build new businesses with attractive long-term growth prospects. Participants in the share incentive scheme will consequently share in the results of any good or bad business decisions.

The share incentive scheme also ensures a rolling long-term focus for participants, considering the annual vesting of share options in 25%-tranches on each of the 2nd, 3rd, 4th and 5th anniversary of the award date (subject to meeting the required vesting conditions), and consequent award top-ups as detailed below.

2.4 Mechanics of the share incentive scheme (LTI)

2.4.1 Award

Share options are awarded annually at the discretion of the Remcom, and subject to:

- The participant achieving personal key performance measures (non-financial indicator); and
- *Executive directors* meeting the minimum shareholding requirement as set out under *2.4.3 New requirement – minimum shareholding*, which requirement is only applicable to PSG Group's *executive directors* (non-financial indicator).

The non-financial personal key performance measures differ for the various participants and depend on the role in which such participant is employed, and the level of responsibility assumed.

The non-financial personal key performance measures for the CEO and CFO include the following:

- Determining strategy and providing strategic guidance and direction throughout the group, including problem solving when needed (primarily CEO);
- Identifying suitable investment opportunities with high growth prospects (primarily CEO);
- Implementation of investment/disinvestment decisions taken by the PSG Group Executive Committee/Board (primarily CFO);

- Ensuring good corporate governance is entrenched throughout the group (primarily CFO);
- Acting as custodian of shareholders' assets and safeguarding thereof (primarily CFO);
- Financial reporting and shareholder communication in a transparent, accurate, concise and timely manner (primarily CFO); and
- Managing PSG Group's capital structure and resources in a responsible and effective manner, while enhancing shareholder returns (primarily CFO).

Although the CEO and CFO have specific primary responsibilities as detailed above, their responsibilities do overlap. The aforementioned non-financial personal key performance measures are jointly and severally equally important for the continued success of PSG Group, and are accordingly considered as such when the performance of the CEO and CFO are evaluated.

The number of share options to be awarded is calculated using a mathematical formula based on the respective participant's base salary and a multiple of between 1x and 10x applied thereto, depending on the participant's seniority and accordingly the level of responsibility assumed within the organisation, subject to his/her performance as assessed by the Remcom. In calculating the annual share option awards, the strike value of unvested share options and where applicable funded investments are taken into account.

All share options are awarded at a strike price equal to PSG Group's 30-day volume weighted average traded share price immediately preceding such award date (i.e. awarded at the ruling market value), thereby creating an embedded performance hurdle whereby participants will only benefit from the share incentive scheme if there is long-term share price appreciation and thus value creation for PSG Group shareholders.

2.4.2 Vesting

The Remcom has introduced additional performance measures as vesting conditions for share options awarded on or after 28 February 2018. The result being that share options will continue to vest in 25%-tranches on each of the 2nd, 3rd, 4th and 5th anniversary of the award date, but subject to the following conditions:

2.4.2.1 Share options awarded prior to 28 February 2018:

- Continued employment:
  Share options from the share incentive scheme will generally vest on condition that the participant is in service of PSG Group on vesting date (non-financial indicator).

2.4.2.2 Share options awarded on or after 28 February 2018:

- Vesting of 50% of such share options will depend on:
  - The participant being in service of PSG Group upon vesting (non-financial indicator); and
  - The participant meeting personal key performance objectives (non-financial indicator); and
  - PSG Group's *recurring earnings* per share ("REPS") growth outperforming a predefined "real growth"-benchmark, being calculated as South Africa's consumer price index ("CPI") inflation rate plus South Africa's gross domestic product ("GDP") growth rate plus an additional 3%, as measured over the five years immediately preceding such vesting date (financial indicator); and

- In the case of the *executive directors,* they also need to meet the minimum shareholding requirement as set out under *2.4.3 New requirement – minimum shareholding* below (non-financial indicator).

- Vesting of 50% of such share options will depend on:
  - The participant being in service of PSG Group upon vesting (non-financial indicator); and
  - The participant meeting personal key performance objectives (non-financial indicator); and
  - PSG Group's average return on equity ("ROE"), as measured over the five years immediately preceding such vesting date, exceeding PSG Group's average weighted average cost of capital ("WACC") over such period (financial indicator); and
  - In the case of the *executive directors,* they also need to meet the minimum shareholding requirement as set out under *2.4.3 New requirement – minimum shareholding* below (non-financial indicator).

For the avoidance of doubt, the award and/or vesting of share options awarded on or after 28 February 2018 will be subject to both the participant (non-financial indicators) and PSG Group (financial indicators) meeting aforementioned performance measures. Should the participant for example be under formal performance review having not met his/her *non-financial* key personal performance measures, such participant will not qualify for new share option awards and will forfeit any share options vesting during that period. Similarly, the vesting of share options will be subject to the Company achieving aforementioned *financial* performance measures. If not, participants will forfeit the vesting of share options, regardless of whether they have met their *non-financial* key personal performance measures.

2.4.2.3 Basis for using rolling five-year benchmark:

Long-term benchmarks (i.e. five years) for REPS growth and ROE performance are used because of PSG Group's stated objective of sustainable long-term value creation for shareholders through a combination of share price appreciation and the payment of dividends, and because the share options vest in 25% tranches over a rolling five-year period on each of the 2nd, 3rd, 4th and 5th anniversary of the award date.

2.4.3 New requirement – minimum shareholding (non-financial indicator)

The Remcom encourages management to hold shares in PSG Group to better align their interests with those of shareholders and as a tangible demonstration of their commitment to PSG Group.

Accordingly, the Remcom has determined that both the award and future vesting of share options awarded to executive directors on or after 28 February 2018 will be subject to a minimum shareholding requirement – the qualifying executive director must hold PSG Group shares on such award/vesting date to the value of at least 50% of his/her base salary multiplied by his/her share option award multiple (ranging between 8x and 10x, as explained before). Consequently, PSG Group's three executive directors' minimum shareholding requirement (calculated as a percentage of their base salary) is set out in the table below:

	Minimum shareholding
CEO	**500%**
CFO	**400%**
Executive director	**400%**

The executive directors are required to meet the aforementioned minimum shareholding requirement by no later than 29 February 2020 (i.e. within two years from the introduction of this requirement), whereas any new executive director will have five years from being awarded share options for the first time to meet such minimum shareholding requirement, unless otherwise determined by the Remcom considering market conditions, etc.

2.4.4 *Summary of share option award/vesting conditions for executive directors*

	Options awarded prior to 28 Feb 2018	Options awarded on/after 28 Feb 2018
Award:		
• Director to meet personal key performance measures; <u>and</u>		✓
• Director to comply with minimum shareholding requirement.		✓
Vesting of 50% of share options:		
• Director must be in service of PSG Group on vesting date; <u>and</u>	✓	✓
• Director to meet personal key performance measures; <u>and</u>		✓
• PSG Group's REPS to outperform a "real growth" benchmark, as defined, measured over five years preceding such vesting date; <u>and</u>		✓
• Director to comply with minimum shareholding requirement.		✓
Vesting of 50% of share options:		
• Director must be in service of PSG Group on vesting date; <u>and</u>	✓	✓
• Director to meet personal key performance measures; <u>and</u>		✓
• PSG Group's average ROE as measured over five years preceding such vesting date to exceed its average WACC over such period; <u>and</u>		✓
• Director to comply with minimum shareholding requirement.		✓

2.4.5 Termination of service

In the case of resignation, dismissal or early retirement (before attaining the age of 60 years) of a participant (i.e. bad leaver), unvested share options are generally forfeited.

In the case of the death, permanent disability, compulsory retirement (attaining the age of 65 years) or retrenchment of a participant (i.e. good leaver), any share options capable of being exercised within a period of 12 months thereafter, will generally continue to be exercisable provided it is exercised during such 12 months.

In the case of the termination of employment for any reason other than dismissal, the Remcom may in its absolute discretion permit the exercise of any unvested share options upon such additional terms and conditions as it may determine (e.g. as part of non-compete provisions in the case of early retirement of an executive).

2.4.6 Loan funding (related to LTI)

Before 28 February 2018:

Loan funding has been made available to participants of the share incentive scheme to assist them in exercising their share options and to remain invested in PSG Group, on the following terms:

- Maximum loan funding of 90% of the strike value and section 8C income tax payable in respect of the vesting of share options (i.e. a minimum cash deposit of 10% is required from the participant);
- The PSG Group shares acquired through such exercise of share options are pledged and ceded in security and need to cover the related outstanding loans by at least 130% at all times. Should this cover be breached, the participant will be required to either pledge and cede additional PSG Group shares as security or partially settle the outstanding loan to restore the minimum 130% cover ratio;
- Interest accrues on the outstanding loans at the South African Revenue Service fringe benefit rate; and
- Loans are repayable in full after seven years (senior executives) and three years (other participants), respectively.

As from 28 February 2018:

The PSG Group SIT will no longer provide loan funding to participants for the exercise of share options:

- Should the participant not be able to exercise his/her share options on a cash basis (i.e. full settlement of the strike value plus any section 8C income tax payable), the share options will be settled on a "net-equity basis" (i.e. the participant's after-tax upside will be settled through the issue of fully paid-up PSG Group shares to the participant, and PSG Group will pay over the related section 8C income tax payable in cash on the participant's behalf).
- As an alternative to issuing shares to settle its obligation to participants, PSG Group will in its sole discretion have the alternative to settle such obligation in cash.
- The current 130% minimum security cover for outstanding share incentive scheme loans granted prior to 28 February 2018 will be increased to 250% by 28 February 2019 and to 300% by 29 February 2020.

2.5 Termination of employment benefits

PSG Group employees (including the executives) are not entitled to any payments upon termination of their service, except for those provided for in law (e.g. accrued annual leave and retrenchment payments).

2.6 Gender pay parity

PSG Group fully subscribes to the *equal pay for work of equal value* philosophy, and consequently there is no pay differentiation on the basis of gender.

3. Non-executive directors

The remuneration of non-executive directors is reviewed annually by the PSG Group Executive Committee and thereafter referred to the Remcom, which seeks to ensure that fees are market related considering the nature of PSG Group's operations, for approval by shareholders. Changes to the fee structure are generally effective 1 March, subject to approval by shareholders at PSG Group's AGM held in June of each year. The annual fees payable to non-executive directors are, as in the past, fixed and not subject to the attendance of meetings. In the event of non-attendance on a regular basis, this may be reviewed.

A thorough review of and comparison between PSG Group's non-executive director fees and those of comparable listed companies, has necessitated an upward adjustment to the proposed fee structure for PSG Group's financial year ending 28 February 2019, as set out in the table below:

	Annual fee 2018 R'000	Annual fee 2019 R'000	*Change* %
PSG Group Board			
Chairman	310	500	*61,3*
Member	155	250	*61,3*
PSG Group Audit and Risk Committee			
Chairman	100	175	*75,0*
Member	85	150	*76,5*
PSG Group Remuneration Committee			
Chairman	15	75	*400,0*
Member	10	50	*400,0*
PSG Group Social and Ethics Committee			
Chairman	–	30	*N/a*
Member	–	20	*N/a*

PSG Group also pays all reasonable travelling and accommodation expenses incurred by non-executive directors to attend board and committee meetings.

Apart from Mr FJ Gouws as CEO of PSG Konsult, PSG Group's non-executive directors do not have any employment contracts, nor receive any benefits associated with permanent employment and do not participate in PSG Group's share incentive scheme. Although Mr JF Mouton no longer qualifies for the award of share options, his unvested share options, the last of which were awarded to him on 28 February 2015, will continue to vest in terms of the *Mechanics of the share incentive scheme* detailed above.

Mr JF Mouton continues to serve as chairman of the Zeder board of directors and remains a member of both the PSG Group and Zeder executive committees, and will accordingly be paid a fixed fee of R1m (2017: R3,49m) in addition to his director fee as PSG Group chairman for such services to be rendered in respect of the financial year ending 28 February 2019. Such cost is largely recovered through the annual strategic input fee of approximately R5,4m that Zeder pays to PSG Group in lieu of director and other services rendered to Zeder by Mr JF Mouton and select PSG Group executives.

PART 3: IMPLEMENTATION REPORT

PSG Group complied with its remuneration policy in all respects for the year ended 28 February 2018.

All components of remuneration paid to PSG Group's executive and non-executive directors in accordance with PSG Group's remuneration policy are comprehensively disclosed and reported on herein.

1. Executive director remuneration

The non-financial personal key performance measures for the CEO and CFO are detailed in paragraph 2.4.1 of PSG Group's remuneration policy. The Remcom concluded that each of them had met their predetermined personal key performance measures, having adequately discharged themselves of their specific duties and responsibilities during the year under review.

1.1 Total (single-figure) remuneration

The table below provides information on the total (single-figure) remuneration, both long-term ("LTI") and short-term ("STI"), of PSG Group's executive directors:

	STI					LTI	
	Base salary						
R'000	Approved	Deferred for 12 months [1]	Paid during the year [2]	Discretionary performance-based bonuses [3]	Total short-term remuneration	Non-cash gains from exercise of share options [4]	Total remuneration
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**
For the year ended 28 Feb 2017							
WL Greeff	3 531		3 531	5 297	8 828	36 509	45 337
JA Holtzhausen	3 531		3 531	6 667	10 198	37 021	47 219
PJ Mouton	4 024		4 024	6 091	10 115	41 855	51 970
	11 086	–	11 086	18 055	29 141	115 385	144 526

[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] *With effect from 1 March 2017, the PSG Group CEO and CFO no longer 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 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 2018. Such right will be exercised within the 180-day exercise window.*

1.2 STI

To help drive long-term focus and decision-making with the ultimate objective of shareholder wealth creation, thereby better aligning the interests of management with those of shareholders and other stakeholders, PSG Group's executives, including its CEO and CFO, no longer qualify for the payment of discretionary bonuses. Their STI therefore comprises only a fixed base salary, payable in cash, which is comparable to the remuneration practices of certain other JSE-listed investment holding companies in the financial services sector.

However, Johan Holtzhausen, an executive director of PSG Group, continues to be considered for a discretionary performance-based bonus in terms of PSG Capital's aforementioned bonus pool arrangement as its CEO.

PSG Group's STI consequently comprises the following:

Executives (excluding PSG Capital CEO):

- Fixed STI – base salary

Other employees:

- Fixed STI – base salary
- Variable STI – discretionary performance-based bonus

Fixed STI

Base salary is guaranteed annual pay on a cost-to-company basis. It is subject to annual review and adjustments are effective 1 March of each year, coinciding with the commencement of PSG Group's financial year.

With effect from 1 March 2017, the payment of 30% of the executive's annual base salary is deferred for a period of 12 months, with such payment subject to:

- The executive being in PSG Group's service 12 months later, thereby serving as a retention mechanism in addition to the share incentive scheme detailed below (non-financial indicator).
- Malus/clawback provisions (both financial and non-financial indicators) in the event of material misstatement of financial results or fraudulent activity for a further 12 months after payment of the 30% deferred portion to the executive. If triggered, such malus/clawback provisions would require repayment by the executive to PSG Group of the total deferred salary amount received by the executive during the preceding 12 months.

Base salary increases are determined with reference to the South African inflation rate and other generally accepted benchmarks, always with due regard for market-comparable remuneration. The average base salary increases (as approved by the Remcom) for PSG Group employees for the financial year commencing 1 March 2018 are set out in the table below:

	Increase %
Executive directors	**5,7**
Senior executives	**9,6**
Support staff	**6,3**

Variable STI

Discretionary bonus

PSG Group's support staff remain eligible for discretionary bonuses, subject to meeting company (financial indicator) and personal key performance objectives (non-financial indicator). Such discretionary bonuses amounted to approximately R0,5m (2017: R0,4m) in total for the year ended 28 February 2018.

Benchmarking STI

Benchmarking is performed with reference to companies comparable in size, industry, business complexity and the level of responsibility that the individual assumes to ensure that remuneration is market related.

For this purpose, PwC's most recent *Executive directors: Practices and remuneration trends report* (published in July 2017) containing comprehensive independent market research on the remuneration of executive directors was, among other, consulted.

The table below benchmarks the PSG Group CEO and CFO's STI (i.e. base salary, with no discretionary bonus) for the year ended 28 February 2018 against the total of:

- The median total guaranteed pay of the CEOs and CFOs of JSE-listed large cap financial services companies (being the category which PSG Group forms part of); and
- The average short-term incentives of JSE-listed large cap companies (no median or industry-specific data published)

as per PwC's *Executive directors: Practices and remuneration trends report* (published in July 2017):

R'000	PSG Group *	Benchmark
CEO	**11 000**	**22 331**
CFO	**9 500**	**12 483**

* *Of which 30% is deferred for a period of 12 months, the payment of which is subject to malus/clawback provisions (both financial and non-financial indicators) and the executive director remaining in PSG Group's service (non-financial indicator).*

The table below sets out the total of the PSG Group CEO and CFO's STI for each of the past five financial years compared to PSG Group's *recurring earnings* and market capitalisation (net of treasury shares) as at year-end:

				STI as percentage of	
Reporting date	**STI * Rm**	**Recurring earnings Rm**	**Market capitali-sation as at year-end Rm**	**Recurring earnings %**	**Market capitali-sation as at year-end %**
28 February 2014	**10**	**821**	**16 284**	**1,27**	**0,06**
28 February 2015	**16**	**1 142**	**27 694**	**1,38**	**0,06**
29 February 2016	**17**	**1 620**	**37 211**	**1,04**	**0,05**
28 February 2017	**19**	**1 985**	**54 166**	**0,95**	**0,03**
28 February 2018	**21 ****	**2 142**	**46 967**	**0,96**	**0,04**

* *Includes base salary and discretionary bonuses earned during prior years (i.e. prior to the implementation of PSG Group's current remuneration policy i.t.o. which the executives no longer qualify for discretionary bonuses).*

** *Of which 70% was paid, with the remaining 30% deferred for 12 months.*

1.3 LTI

Share incentive scheme

A key feature of PSG Group's share incentive scheme is that participants, including the executive directors, will only benefit if there is long-term share price appreciation and thus value creation for all PSG Group shareholders as share options are awarded at the ruling market price on award date (as detailed in the remuneration policy). If shareholders do well, employees will do well, and (importantly so) vice versa.

PSG Group's three executive directors have all served within the broader group and in their respective current capacities for extended periods of time, as set out in the table below:

	Number of years' service	
Executive director	**Within the broader group**	**Current capacity**
WL Greeff	**16 years**	**12 years**
JA Holtzhausen	**20 years**	**8 years**
PJ Mouton	**14 years**	**8 years**

Evaluating executive directors' LTI

The significant *non-cash gains from exercise of share options* included in the *total (single-figure) remuneration* table above should be considered in light of PSG Group's remuneration policy being specifically designed to align the interests of the executive directors with those of shareholders, together with their successful execution on PSG Group's stated objective of value creation for its shareholders.

It is evident from the statistics below that PSG Group has provided its shareholders with superior returns over the past five years, with the PSG Group executive directors having benefited accordingly from the share incentive scheme. This is in part owing to PSG Group attracting and retaining the services of talented executives and employees, which is only achievable if PSG Group's remuneration practices are appropriate and competitive.

Over this period, the compound annual growth rate ("CAGR") in PSG Group's share price (measured on a 30-day VWAP basis) was 30,9%, as depicted in the graph below, meaning all PSG Group shareholders benefited significantly over this period – including the executive directors as participants to PSG Group's share incentive scheme:

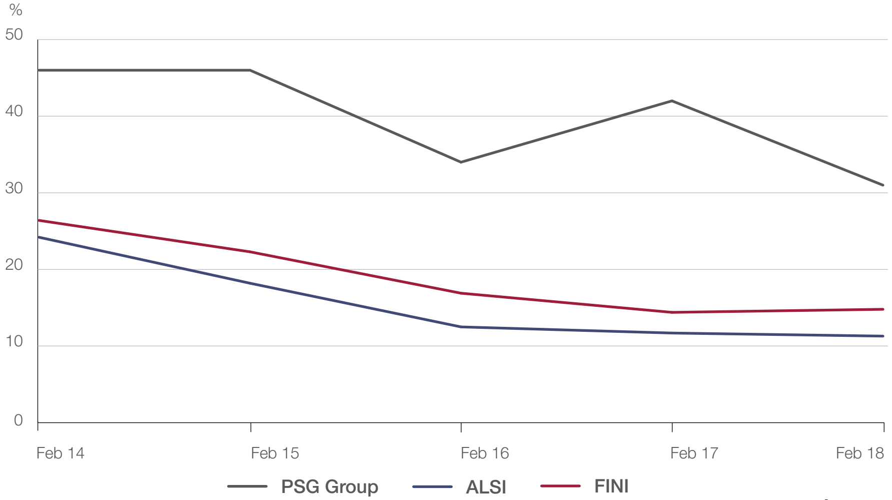
When evaluating PSG Group's performance over the long term, one should focus on the total return index ("TRI") as a measurement tool. The TRI is the CAGR of an investment and is calculated by taking cognisance of share price appreciation, dividends and other distributions. This is a sound measure of wealth creation and a reliable means of benchmarking different companies.

PSG Group's TRI as at 28 February 2018 was 30,5% per annum over the past five years. Had you thus purchased R100 000 worth of PSG Group shares on 28 February 2013 and reinvested all your dividends, your investment would be worth around R379 000 as at 28 February 2018. The same investment in either the JSE All Share Index ("ALSI") or JSE Financial Index ("FINI") over the same period would be worth R171 000 (54,9% lower) or R200 000 (47,2% lower), respectively.

Below table and graph compare PSG Group's TRI to those of the ALSI and FINI for the preceding five years, measured at each reporting date, illustrating that PSG Group significantly outperformed the market:

	Rolling five-year TRI		
Reporting date	**PSG Group %**	**ALSI %**	**FINI %**
28 February 2014	**46,4**	**24,2**	**26,4**
28 February 2015	**46,3**	**18,2**	**22,3**
29 February 2016	**34,0**	**12,5**	**16,9**
28 February 2017	**41,8**	**11,7**	**14,4**
28 February 2018	**30,5**	**11,3**	**14,8**

Rolling five-year TRI



1.4 Unvested share option awards (LTI)

The table below provides information on PSG Group's executive directors' unvested share options as at 28 February 2018:

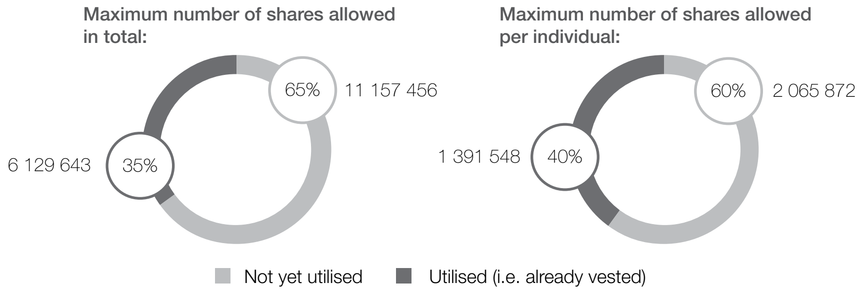
	Number of share options as at 28 Feb 2017	Number of share options during year Awarded	Vested *	Strike price per share R	Date granted	**Number of share options as at 28 Feb 2018**	**Value of unvested share options as at 28 Feb 2018 ** R'000**
WL Greeff	26 044			61,50	28/02/2013	**26 044**	**4 063**
	300 714			83,23	28/02/2014	**300 714**	**40 377**
	43 054			136,84	28/02/2015	**43 054**	**3 473**
	54 871			178,29	29/02/2016	**54 871**	**2 151**
		72 292		236,13	28/02/2018	**72 292**	
	424 683	72 292	–			**496 975**	**50 064**
JA Holtzhausen	25 883			61,50	28/02/2013	**25 883**	**4 038**
	301 122			83,23	28/02/2014	**301 122**	**40 432**
	44 239			136,84	28/02/2015	**44 239**	**3 568**
	52 880			178,29	29/02/2016	**52 880**	**2 073**
		72 889		236,13	28/02/2018	**72 889**	
	424 124	72 889	–			**497 013**	**50 111**
PJ Mouton	32 263			61,50	28/02/2013	**32 263**	**5 033**
	330 942			83,23	28/02/2014	**330 942**	**44 436**
	56 020			136,84	28/02/2015	**56 020**	**4 519**
	83 993			178,29	29/02/2016	**83 993**	**3 293**
	84 203			237,31	28/02/2017	**84 203**	
		113 018		236,13	28/02/2018	**113 018**	
	587 421	113 018	–			**700 439**	**57 281**
	1 436 228	258 199	–			**1 694 427**	**157 456**

* *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 2018. Such right will be exercised within the 180-day exercise window.*

** *Based on the closing PSG Group share price as at 28 February 2018.*

1.5 Extent of the share incentive scheme (LTI)

PSG Group shareholders approved the maximum number of PSG Group shares that may be utilised for purposes of the share incentive scheme (both in total and on a per individual basis) at the AGM held on 19 June 2009. The charts below depict the number of shares already utilised until 28 February 2018 as opposed to the maximum number of shares that may be utilised for purposes of all employees:



At 28 February 2018, the share incentive scheme had 32 participants, comprising the executives and other qualifying employees employed at head office (including employees forming part of the PSG Capital and Grayston Elliot divisions).

At 28 February 2018, the total number of share options that had already been awarded but remain unvested amounted to 2 877 138, representing 1,3% of PSG Group's total number of shares in issue (net of treasury shares). However, assuming that all share options are settled on a net-equity basis going forward in accordance with the recent changes introduced to PSG Group's remuneration policy by the Remcom, the dilution to PSG Group shareholders should be significantly less than aforementioned 1,3%.

1.6 Loan funding (related to LTI)

PSG Group's executive directors and their associated entities have loan funding payable to PSG Group and its subsidiaries in terms of i) the share incentive scheme, and ii) funded investments in terms of formal agreements.

It should be noted that the Remcom has prudently decided that no new loan funding be granted for the foreseeable future, while existing loan funding will be phased out in accordance with the existing loan repayment terms.

Share incentive scheme funding

The terms pertaining to such funding are set out in paragraph 2.4.6 of the remuneration policy.

Executive directors

The table below provides the outstanding loan balances and related security cover (i.e. value of PSG Group shares ceded and pledged as security for such loans expressed as a percentage of the loan balances outstanding) of the executive directors as at the reporting date:

	2018 R'000
WL Greeff	14 995
JA Holtzhausen	14 430
PJ Mouton	20 400
Total loans	**49 825**
Security cover:	
WL Greeff	786%
JA Holtzhausen	833%
PJ Mouton	778%

PSG Group employees (excluding the executive directors)

The table below provides the outstanding loan balances and related security cover in respect of all employees at a PSG Group head office level (excluding the executive directors):

	2018 R'000
Total loans	26 397
Security cover *	162%

* *The Remcom has requested that the minimum-security cover (currently 130%) be increased to 250% by 28 February 2019 and to 300% by 29 February 2020.*

Other loan funding

During April/May 2012 and January 2013, with prior Remcom approval, a wholly-owned subsidiary of PSG Group advanced loan funding of R29,5m for a period of seven years to a related party of each of the three executive directors of PSG Group (i.e. R88,5m in aggregate). Such loan funding was utilised by the related parties to each acquire 500 000 PSG Group shares ("Funded Shares") in the open market, thereby creating an additional mechanism whereby the interests of the executive directors were further aligned with those of shareholders. These loans carry interest at prime less 1%, are secured by the Funded Shares, and are repayable during 2019 and 2020. Any PSG Group dividends received by the related parties in respect of the Funded Shares are utilised toward settlement of the outstanding loans.

The table below provides the outstanding loan balances and related security cover as at the reporting date:

Related party of:	2018 R'000
WL Greeff	39 487
JA Holtzhausen	39 487
PJ Mouton	39 487
Total loans	**118 461**
Security cover:	
WL Greeff	275%
JA Holtzhausen	275%
PJ Mouton	275%

2. Non-executive directors' remuneration

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:

R'000 (excluding value-added tax, to the extent applicable)	Paid for services rendered to PSG Group			Paid for services rendered to subsidiaries					
	Fees	Base salary	Total	Fees	Basic salary	Performance based	Non-cash gains from exercise of share options	Total	Total remuneration
For the year ended 28 Feb 2018									
PE Burton	265		**265**	538				**538**	**803**
ZL Combi	155		**155**	677				**677**	**832**
FJ Gouws *			**–**		4 872	18 800	38 531	**62 203**	**62 203**
MJ Jooste/ TLR de Klerk ^	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**

R'000 (excluding value-added tax, to the extent applicable)	Paid for services rendered to PSG Group			Paid for services rendered to subsidiaries					
	Fees	Base salary	Total	Fees	Basic salary	Perfor-mance based	Non-cash gains from exercise of share options	Total	Total remune-ration
For the year ended 28 Feb 2017									
PE Burton	251		**251**	245				**245**	**496**
ZL Combi	142		**142**	472				**472**	**614**
FJ Gouws *			**–**		4 580	16 000	55 244	**75 824**	**75 824**
MJ Jooste ^	151		**151**					**–**	**151**
B Mathews	219		**219**					**–**	**219**
JF Mouton	283	3 256	**3 539**				48 329	**48 329**	**51 868**
JJ Mouton	142		**142**	168			467	**635**	**777**
CA Otto	235		**235**	279				**279**	**514**
	1 423	3 256	**4 679**	1 164	4 580	16 000	104 040	**125 784**	**130 463**

* *Mr FJ Gouws is the CEO of PSG Konsult, a subsidiary. The total performance-based bonus earned on a PSG Konsult level was R20m (2017: R17m), of which 70% (2018: R14m; 2017: R11,9m) is unconditional, while 15% each (2018: R3m; 2017: R2,6m) is subject to malus/clawback provisions and conditional on the director remaining in service for one and two years, respectively.*

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

Although Mr JF Mouton no longer qualifies for the award of share options, his unvested share options (as set out in the table below) will continue to vest in accordance with the provisions of the share incentive scheme:

	Number of share options as at 28 Feb 2017	Number of share options during year Awarded	Vested *	Strike price per share R	Date granted	Number of share options as at 28 Feb 2018	Value of unvested share options as at 28 Feb 2018 ** R'000
JF Mouton	42 791			61,50	28/02/2013	**42 791**	**6 675**
	321 912			83,23	28/02/2014	**321 912**	**43 223**
	71 202			136,84	28/02/2015	**71 202**	**5 743**
	435 905	–	–			**435 905**	**55 641**

* *The director have not yet elected to exercise his right in terms of the provisions of the share incentive scheme to exercise his share options that became exercisable on 28 February 2018. Such rights will be exercised within the 180-day exercise window.*

** *Based on the closing PSG Group share price as at 28 February 2018.*

Mr FJ Gouws, being the CEO 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 can be summarised as follows:

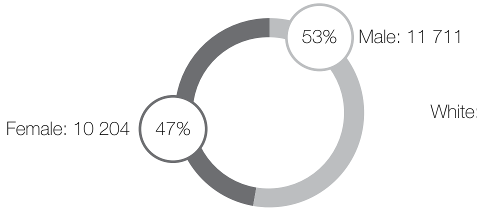
	Number of share options as at 28 Feb 2017	Number of share options during year Awarded	Vested	Market price per share on vesting date R	Strike price per share R	Date granted	Number of share options as at 28 Feb 2018	Value of unvested share options as at 28 Feb 2018 * R'000
FJ Gouws	2 500 000		(2 500 000)	8,65	1,83	01/07/2012	**–**	
	6 250 000		(3 125 000)	8,10	2,83	01/03/2013	**3 125 000**	**18 344**
	4 762 500		(1 587 500)	8,10	5,06	01/03/2014	**3 175 000**	**11 557**
	895 186		(223 797)	8,10	7,27	01/04/2015	**671 389**	**960**
	10 335 579				6,81	01/04/2016	**10 335 579**	**19 534**
		3 156 559			7,59	01/04/2017	**3 156 559**	**3 504**
	24 743 265	3 156 559	(7 436 297)				**20 463 527**	**53 899**

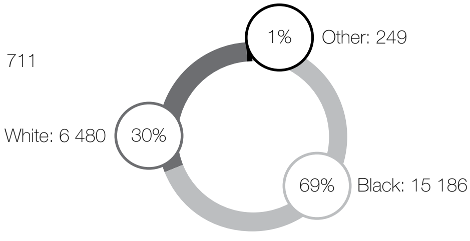
* *Based on the closing PSG Konsult share price as at 28 February 2018.*

On 20 April 2018, Mr FJ Gouws accepted a further 3 750 000 PSG Konsult share options at a strike price of R8,74 per share.

GENDER	Number	%
Male	11 711	53
Female	10 204	47
RACE		
Black (African, Coloured and Indian)	15 186	69
White	6 480	30
Other (mainly Mozambican)	249	1
EDUCATION		
Up to grade 11	5 022	23
Grade 12	9 910	45
Post-grade 12 (e.g. diploma/certificate)	2 719	12
University degree	2 627	12
Postgraduate university degree or professional qualification	1 637	8
HIERARCHY		
Executive directors	127	1
Senior management	577	3
Middle/junior management	2 364	11
Operational	13 942	64
Support	4 905	21
TOTAL NUMBER OF EMPLOYEES	**21 915**	

Statistics relate to permanent employees of subsidiaries as at 28 February 2018 *and exclude employees of associates and joint ventures.*





Summary consolidated financial statements

These summary consolidated financial statements comprise a summary of the audited consolidated annual financial statements of PSG Group Ltd for the year ended 28 February 2018.

The consolidated annual financial statements, including these summary consolidated financial statements, were compiled under the supervision of the group chief financial officer, Mr WL Greeff, CA(SA), and were audited by PSG Group Ltd's external auditor, PricewaterhouseCoopers Inc.

The consolidated annual financial statements, including the unmodified audit opinion, are 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.

REPORT OF THE AUDIT AND RISK COMMITTEE

for the year ended 28 February 2018

The PSG Group Ltd 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 Companies Act"). 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's composition and details of meetings held are detailed on page 40 of this annual report.

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 2018.

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

- Satisfied itself that the external auditor is independent of PSG Group Ltd, as set out in section 94(8) of the Companies Act, and suitable for reappointment by considering, inter alia, the information stated in paragraph 22.15(h) of the JSE Ltd Listings Requirements;
- Ensured that the appointment of the external auditor complied with the Companies Act;
- In consultation with management, agreed to the engagement letter, terms, audit plan and budgeted audit fees for the 2018 financial year;
- Approved the nature and extent of non-audit services that the external auditor may provide;
- 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 Ltd be regarded as a going concern;
- Reviewed the formal policy for and calculation of PSG Group Ltd's ordinary dividend proposed at interim and year-end, and recommended it to the board of directors for approval;
- Reviewed the accounting policies and consolidated financial statements (including the summary thereof contained in this annual report) for the year ended 28 February 2018 and, based on the information provided to the Committee, considers that the company and group complies, in all material respects, with the requirements of International Financial Reporting Standards; the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee; the Financial Reporting Pronouncements, as issued by the Financial Reporting Standards Council; the manner required by the Companies Act; and the JSE Ltd Listings Requirements; and
- Satisfied itself in terms of paragraph 3.84(g)(i) of the JSE Ltd 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 Ltd for the past 22 years, while the designated external audit partner has served in such capacity for the past three years. The Committee remains satisfied with the quality of the external audit performed by PricewaterhouseCoopers Inc.; however, the potential early adoption of mandatory audit firm rotation, as set out in the rules of the Independent Regulatory Board of Auditors, is currently receiving the Committee's attention.

PE Burton
Chairman

17 May 2018
Stellenbosch

DECLARATION BY THE COMPANY SECRETARY

for the year ended 28 February 2018

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
Company secretary

17 May 2018
Stellenbosch

APPROVAL OF ANNUAL FINANCIAL STATEMENTS

for the year ended 28 February 2018

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 International Financial Reporting Standards ("IFRS"); the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee; the Financial Reporting Pronouncements, as issued by the Financial Reporting Standards Council; the manner required by the Companies Act of South Africa; and the JSE Ltd Listings Requirements, and incorporate full and reasonable disclosure. Appropriate and recognised accounting policies are applied consistently.

These summary consolidated financial statements were derived from the consolidated annual financial statements and do not contain all the disclosures required by IFRS and the requirements of the Companies Act of South Africa. Reading these summary consolidated financial statements, therefore, is not a substitute for reading the consolidated annual financial statements of PSG Group Ltd.

The audit and risk committee of the group 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 group has adequate resources to continue for the foreseeable future.

The annual financial statements, including these summary consolidated financial statements set out on pages 75 to 99, were approved by the board of directors of PSG Group Ltd and are signed on its behalf by:

PJ Mouton
Chief executive officer

WL Greeff
Chief financial officer

17 May 2018
Stellenbosch

DIRECTORS' REPORT

for the year ended 28 February 2018

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, fund 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 group are set out in the attached summary consolidated income statement and summary consolidated 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 142m (2017: R1 985m), headline earnings amounted to R1 956m (2017: R2 145m) and earnings attributable to owners of the parent amounted to R1 914m (2017: R2 162m). The group's total profit (gross of non-controlling interest) for the year amounted to R2 427m (2017: R3 349m).

Stated capital

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

	Number of shares 2018	Number of shares 2017
Shares in issue at beginning of the year, gross of treasury shares	**231 449 404**	230 778 550
Less: Treasury shares		
Held by a subsidiary (PSG Financial Services Ltd)	**(13 908 770)**	(13 908 770)
Held by related parties of management by way of loan funding advanced	**(2 100 000)**	(2 100 000)
Held by the PSG Group Ltd Supplementary Share Incentive Trust	**(9 890)**	(534 067)
Shares in issue at beginning of the year, net of treasury shares	**215 430 744**	214 235 713
Movement in treasury shares		
Shares released to participants by the PSG Group Ltd Supplementary Share Incentive Trust	**9 890**	534 067
Shares issued to the PSG Group Ltd Supplementary Share Incentive Trust and subsequently released to participants		660 964
Shares issued to the PSG Group Ltd Supplementary Share Incentive Trust and not yet released to participants		9 890
Shares acquired by the PSG Group Ltd Supplementary Share Incentive Trust and not yet released to participants		(9 890)
Shares released following full settlement of loan funding previously advanced to related parties of management	**500 000**	
Shares in issue at end of the year, net of treasury shares	**215 940 634**	215 430 744

Dividends

Details of dividends appear in the summary consolidated statement of changes in equity.

Directors
Details of the company's directors at the date of this report appear on page 19.

Directors' emoluments
Details of directors' emoluments appear in the remuneration report on page 44.

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 Ltd directors: Messrs JF Mouton (non-executive chairman), PJ Mouton (chief executive officer), WL Greeff (chief financial officer) and JA Holtzhausen (executive). Their remuneration is detailed in the remuneration report on page 58. The duties and responsibilities of the Exco are set out in the chairman's letter (page 2) and corporate governance section (page 36) of this annual report.

Shareholding of directors
The shareholding of directors in the issued share capital of PSG Group Ltd as at 28 February 2018 was as follows:

Audited	Beneficial Direct	Beneficial Indirect [1]	Non-beneficial Indirect	Total shareholding 2018 Number	2018 %	Total shareholding 2017 Number	2017 %
PE Burton		194 000	100 000	**294 000**	**0,1**	293 150	0,1
ZL Combi [2]	354 000			**354 000**	**0,2**	410 000	0,2
WL Greeff		1 178 768		**1 178 768**	**0,6**	1 474 805	0,7
JA Holtzhausen	734 340	500 000		**1 234 340**	**0,6**	1 530 377	0,7
JF Mouton [3, 4]	44 750	41 272 805		**41 317 555**	**19,0**	51 326 050	23,6
JJ Mouton [4]	120 000	1 410 675		**1 530 675**	**0,7**	1 524 500	0,7
PJ Mouton [4]	54 148	5 267 828		**5 321 976**	**2,4**	5 657 584	2,6
CA Otto	108		3 574 559	**3 574 667**	**1,6**	3 434 729	1,6
Total	1 307 346	49 824 076	3 674 559	**54 805 981**	**25,2**	65 651 195	30,2

1 *Includes, inter alia, shares held by trusts of which the directors are discretionary beneficiaries.*

2 *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.*

3 *During the year under review, Mr JF Mouton distributed a portion of his shareholding in PSG Group Ltd to the Jannie Mouton Foundation, a charitable organisation. As at the reporting date, the Jannie Mouton Foundation and its subsidiaries held 10 654 731 shares (4,9%) in PSG Group Ltd.*

4 *Subsequent to year-end, related parties of Messrs JF Mouton, JJ Mouton and PJ Mouton acquired a further 404 695, 525 and 525 PSG Group Ltd ordinary shares in the open market, respectively.*

INDEPENDENT AUDITOR'S REPORT ON THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

to the shareholders of PSG Group Ltd

Opinion

The summary consolidated financial statements of PSG Group Ltd, set out on pages 78 to 98 of this annual report, which comprise the summary consolidated statement of financial position as at 28 February 2018, the summary consolidated income statement and the summary consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of PSG Group Ltd for the year ended 28 February 2018.

In our opinion, the accompanying summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements, in accordance with the JSE Ltd's ("JSE") requirements for summary financial statements, as set out in note 1 to the summary consolidated financial statements, and the requirements of the Companies Act of South Africa, as applicable to summary financial statements.

Summary consolidated financial statements

The summary consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards and the requirements of the Companies Act of South Africa, as applicable to annual consolidated financial statements. Reading the summary consolidated financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial statements and the auditor's report thereon.

The audited consolidated financial statements and our report thereon

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 17 May 2018. That report also includes communication of key audit matters. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the year.

Director's responsibility for the summary consolidated financial statements

The directors are responsible for the preparation of the summary consolidated financial statements in accordance with the JSE's requirements for summary financial statements, set out in note 1 to the summary consolidated financial statements, and the requirements of the Companies Act of South Africa, as applicable to summary financial statements.

Auditor's Responsibility

Our responsibility is to express an opinion on whether the summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing 810 (Revised) *Engagements to Report on Summary Financial Statements*.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: D de Jager
Registered Auditor

17 May 2018
Stellenbosch

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 28 February 2018

	Notes	2018 Rm	2017 Rm
Assets			
Property, plant and equipment *		**9 310**	7 918
Intangible assets *		**3 825**	3 132
Biological assets		**558**	486
Investment in ordinary shares of associates and joint ventures		**14 318**	13 212
Investment in preference shares of/loans granted to associates and joint ventures		**149**	144
Deferred income tax assets		**245**	194
Financial assets linked to investment contracts	6	**24 279**	22 561
Cash and cash equivalents		**1**	14
Other financial assets		**24 278**	22 547
Other financial assets *	6	**29 147**	26 796
Inventory		**1 723**	1 667
Trade and other receivables	7	**4 492**	3 838
Current income tax assets		**90**	64
Cash and cash equivalents		**2 278**	2 035
Non-current assets held for sale		**7**	14
Total assets		**90 421**	82 061
Equity			
Ordinary shareholders' equity		**17 143**	15 900
Non-controlling interests		**11 729**	10 900
Total equity		**28 872**	26 800
Liabilities			
Insurance contracts		**543**	544
Financial liabilities under investment contracts	6	**24 279**	22 561
Borrowings		**7 332**	5 411
Other financial liabilities		**113**	156
Third-party liabilities arising on consolidation of mutual funds	6	**23 600**	21 394
Deferred income tax liabilities		**997**	857
Trade and other payables and employee benefit liabilities	7	**4 630**	4 281
Current income tax liabilities		**55**	57
Total liabilities		**61 549**	55 261
Total equity and liabilities		**90 421**	82 061
Net asset value per share (R)		**79,39**	73,81
Net tangible asset value per share (R)		**61,67**	59,27

* *Reclassified as set out in note 11.*

SUMMARY CONSOLIDATED INCOME STATEMENT

for the year ended 28 February 2018

	Notes	2018 Rm	2017 Rm
Revenue from sale of goods		**13 956**	14 429
Cost of goods sold		**(11 934)**	(12 416)
Gross profit from sale of goods		**2 022**	2 013
Income			
Changes in fair value of biological assets		**195**	224
Investment income *	6	**2 059**	1 851
Fair value gains and losses	6	**1 758**	1 540
Fair value adjustment to investment contract liabilities	6	**(1 670)**	(976)
Fair value adjustment to third-party liabilities arising on consolidation of mutual funds	6	**(1 873)**	(1 239)
Commission, school, net insurance and other fee income *		**6 799**	5 763
Other operating income		**277**	158
		7 545	7 321
Expenses			
Insurance claims and loss adjustments, net of recoveries		**(629)**	(581)
Marketing, administration and other expenses		**(7 283)**	(6 224)
		(7 912)	(6 805)
Net income from associates and joint ventures			
Share of profits of associates and joint ventures		**1 926**	1 827
Loss on impairment of associates		**(8)**	(6)
Net (loss)/profit on sale/dilution of interest in associates		**(14)**	10
		1 904	1 831
Profit before finance costs and taxation		**3 559**	4 360
Finance costs		**(516)**	(474)
Profit before taxation		**3 043**	3 886
Taxation		**(616)**	(537)
Profit for the year		**2 427**	3 349
Attributable to:			
Owners of the parent		**1 914**	2 162
Non-controlling interests		**513**	1 187
		2 427	3 349

* *Reclassified as set out in note 11.*

SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 28 February 2018

	2018 Rm	2017 Rm
Profit for the year	**2 427**	3 349
Other comprehensive loss for the year, net of taxation	**(92)**	(519)
Items that may be subsequently reclassified to profit or loss		
Currency translation adjustments	**(106)**	(450)
Cash flow hedges	**(13)**	(21)
Share of other comprehensive income/(losses) and equity movements of associates	**7**	(44)
Items that may not be subsequently reclassified to profit or loss		
Gains/(losses) from changes in financial and demographic assumptions of post-employment benefit obligations	**20**	(4)
Total comprehensive income for the year	**2 335**	2 830
Attributable to:		
Owners of the parent	**1 847**	1 974
Non-controlling interests	**488**	856
	2 335	2 830

SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 28 February 2018

	Notes	2018 Rm	2017 Rm
Ordinary shareholders' equity at beginning of the year		**15 900**	13 634
Total comprehensive income		**1 847**	1 974
Issue of shares		**1**	75
Share-based payment costs – employees		**66**	60
Net movement in treasury shares		**30**	21
Transactions with non-controlling interests		**135**	832
Dividends paid		**(836)**	(696)
Ordinary shareholders' equity at end of the year		**17 143**	15 900
Non-controlling interests at beginning of the year		**10 900**	10 127
Total comprehensive income		**488**	856
Issue of shares		**1 399**	1 415
Share-based payment costs – employees		**32**	27
Subsidiaries acquired	5.1	**47**	14
Transactions with non-controlling interests		**(723)**	(1 188)
Dividends paid		**(414)**	(351)
Non-controlling interests at end of the year		**11 729**	10 900
Total equity		**28 872**	26 800
Dividend per share (R)			
Interim		**1,38**	1,25
Final		**2,77**	2,50
		4,15	3,75

SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 28 February 2018

	Notes	2018 Rm	2017 Rm
Net cash flow from operating activities			
Cash generated from operations * ^	4	**272**	302
Interest income * ^		**1 615**	1 431
Dividend income *		**1 202**	1 078
Finance costs		**(463)**	(433)
Taxation paid *		**(532)**	(553)
Net cash flow from operating activities before cash movement in policyholder funds		**2 094**	1 825
Cash movement in policyholder funds *		**(13)**	(101)
Net cash flow from operating activities		**2 081**	1 724
Net cash flow from investing activities		**(2 937)**	(1 674)
Cash flow from businesses/subsidiaries acquired	5.1	**(428)**	(491)
Cash flow from businesses sold	5.2	**27**	
Cash flow from first-time consolidation of mutual funds			32
Acquisition of ordinary shares in associates and joint ventures		**(598)**	(147)
Proceeds from disposal of ordinary shares in associates			13
Acquisition of property, plant and equipment ^		**(1 641)**	(1 870)
Other investing activities ^		**(297)**	789
Net cash flow from financing activities *		**784**	76
Dividends paid to group shareholders		**(836)**	(696)
Dividends paid to non-controlling interests		**(414)**	(351)
Capital contributions by non-controlling interests		**804**	1 183
Acquisition from non-controlling interests		**(429)**	(202)
Borrowings drawn		**3 406**	495
Borrowings repaid		**(1 787)**	(449)
Proceeds from delivery of holding company's treasury shares		**39**	21
Shares issued		**1**	75
Net (decrease)/increase in cash and cash equivalents		**(72)**	126
Exchange gains/(losses) on cash and cash equivalents		**9**	(71)
Cash and cash equivalents at beginning of the year		**1 056**	1 001
Cash and cash equivalents at end of the year **		**993**	1 056

SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS (*continued*)

for the year ended 28 February 2018

	2018 Rm	2017 Rm
Cash and cash equivalents consists of:		
Cash and cash equivalents per the statement of financial position	**2 278**	2 035
Cash and cash equivalents attributable to equity holders	**1 924**	1 946
Other clients' cash and cash equivalents	**354**	89
Cash and cash equivalents linked to investment contracts	**1**	14
Bank overdrafts attributable to equity holders (included in borrowings)	**(1 286)**	(993)
	993	1 056

* *These line items are impacted by linked investment contracts, consolidated mutual funds and other client-related balances as detailed in note 6.*

** *Available cash held at a PSG Group level is invested in the PSG Money Market Fund. 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 (included in "other financial assets" in the summary consolidated statement of financial position) are recognised. Third parties' cash invested in the PSG Money Market Fund are recognised as a payable and included under "third-party liabilities arising on consolidation of mutual funds". Available cash held at a PSG Group head office level and invested in the PSG Money Market Fund amounted to R1bn (2017: R1,5bn) at the reporting date.*

^ *Reclassified as set out in note 11.*

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 28 February 2018

1. Basis of presentation and accounting policies

These summary consolidated financial statements have been prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board, including IAS 34 *Interim Financial Reporting*; the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee; the Financial Reporting Pronouncements, as issued by the Financial Reporting Standards Council; the requirements of the Companies Act of South Africa; and the JSE Ltd ("JSE") Listings Requirements.

The accounting policies applied in the preparation of these summary consolidated financial statements are in terms of IFRS and consistent in all material respects with those used in the prior year's consolidated annual financial statements. The group also adopted the various revisions to IFRS which were effective for its financial year ended 28 February 2018. These revisions have not resulted in material changes to the group's reported results and disclosures in these summary consolidated financial statements.

2. PSG Financial Services Ltd

PSG Financial Services Ltd is a wholly-owned subsidiary of PSG Group Ltd, except for the 17 415 770 (2017: 17 415 770) perpetual preference shares which are listed on the JSE. These preference shares are included in non-controlling interests in the summary consolidated statement of financial position.

	2018 Rm	2017 Rm
3. Headline earnings		
Profit for the year attributable to owners of the parent	**1 914**	2 162
Non-headline items		
Gross amounts	**30**	(8)
Loss on impairment of associates	**8**	6
Net loss/(profit) on sale/dilution of interest in associates	**14**	(10)
Profit on sale of businesses (note 5.2)	**(85)**	
Fair value gain on step-up from associate to subsidiary	**(11)**	(39)
Net loss on sale/impairment of intangible assets (including goodwill)	**153**	5
Net loss on sale/impairment of property, plant and equipment	**1**	11
Non-headline items of associates	**(31)**	18
Bargain purchase gain	**(18)**	(15)
(Reversal of impairment)/impairment of non-current assets held for sale	**(1)**	16
Non-controlling interests	**(137)**	(10)
Taxation	**149**	1
Headline earnings	**1 956**	2 145

	2018 Rm	*Change %*	2017 Rm
3. Headline earnings *(continued)*			
Earnings per share (R)			
Recurring	**9,94**	*7*	9,27
Headline	**9,08**	*(9)*	10,01
Attributable	**8,88**	*(12)*	10,09
Diluted headline	**8,90**	*(9)*	9,79
Diluted attributable	**8,70**	*(12)*	9,86
Number of shares (m)			
In issue	**231,4**		231,4
In issue (net of treasury shares)	**215,9**		215,4
Weighted average	**215,5**		214,2
Diluted weighted average	**217,9**		216,7
4. Cash generated from operations			
Profit before taxation	**3 043**		3 886
Share of profits of associates and joint ventures	**(1 926)**		(1 827)
Depreciation and amortisation	**503**		433
Investment income	**(2 059)**		(1 851)
Finance costs	**516**		474
Working capital changes and other non-cash items	**195**		(813)
Cash generated from operations	**272**		302

5. Businesses/subsidiaries acquired/sold

5.1 Businesses/subsidiaries acquired

The group's businesses/subsidiaries acquired during the year under review included:

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

During April 2017, the group, through CA Sales Holdings Ltd ("CA Sales"), being a subsidiary of PSG Alpha Investments (Pty) Ltd ("PSG Alpha"), 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"), being 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"), being 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 schools 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 potential.

Multistage business operations ("Multistage")

During March 2017, the group, through Energy Partners Holdings (Pty) Ltd ("Energy Partners"), being a subsidiary of PSG Alpha, 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 Holdings Ltd ("Stadio"), being a subsidiary of PSG Alpha, 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, being a subsidiary of PSG Alpha, 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, being a subsidiary of PSG Alpha, 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.

5. Businesses/subsidiaries acquired/sold *(continued)*

5.1 Businesses/subsidiaries acquired *(continued)*

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

	Expo Africa Rm	Plat-chro Rm	CAMI Rm	Multi-stage Rm	Sub-total Rm
Identifiable net assets acquired	4	51	4	24	83
Goodwill recognised	20	74	14		108
Bargain purchase gain				(4)	(4)
Purchase consideration	24	125	18	20	187
Contingent consideration	(4)				(4)
Cash consideration paid	20	125	18	20	183
Cash consideration paid	(20)	(125)	(18)	(20)	(183)
Cash and cash equivalents acquired		27	1	3	31
Cash flow from businesses/subsidiaries acquired	(20)	(98)	(17)	(17)	(152)

	Sub-total Rm	AFDA Rm	SBS Rm	LISOF Rm	Other Rm	Total Rm
Identifiable net assets acquired	83	162	90	57	60	452
Goodwill recognised	108	226	144	70	54	602
Bargain purchase gain	(4)				(14)	(18)
Non-controlling interests recognised			(34)		(13)	(47)
Derecognition of investment in associates at fair value					(41)	(41)
Purchase consideration	187	388	200	127	46	948
Equity securities issued		(120)	(100)	(50)		(270)
Contingent consideration	(4)	(89)		(14)		(107)
Cash consideration paid	183	179	100	63	46	571
Cash consideration paid	(183)	(179)	(100)	(63)	(46)	(571)
Cash and cash equivalents acquired	31	79	41	13	(21)	143
Cash flow from businesses/subsidiaries acquired	(152)	(100)	(59)	(50)	(67)	(428)

5. Businesses/subsidiaries acquired/sold *(continued)*

5.1 Businesses/subsidiaries acquired *(continued)*

Transaction costs relating to the business combinations were immaterial and expensed in the summary consolidated 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 summary consolidated income statement would have reflected additional revenue of R1,2bn and profit for the year of R105m.

Receivables of R155m 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.

5.2 Businesses sold

During July 2017, the group, through Capespan Group Ltd ("Capespan"), being a subsidiary of Zeder Investments Ltd ("Zeder"), 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 during the year under review, can be summarised as follows:

	Capespan Japan Rm	Metspan Rm	Other Rm	Total Rm
Identifiable net (assets)/liabilities derecognised	(76)	(51)	5	(122)
Recognition of 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

6. Linked investment contracts, consolidated mutual funds and other client-related balances

Linked investment contracts are represented by PSG Life Ltd (an existing subsidiary of PSG Konsult Ltd) clients' assets held under investment contracts, which are linked to a corresponding liability. Accordingly, the value of policy benefits payable is directly linked to the fair value of the supporting assets and therefore the group is not exposed to the financial risks associated with these assets and liabilities.

As a result of the group's consolidation of mutual funds which it controls in accordance with IFRS 10, the group's investments in these mutual funds have been derecognised and all the funds' underlying assets have 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".

The summary consolidated income statement impact recognised from the assets and liabilities pertaining to the linked investment contracts, consolidated mutual funds and other client-related balances are split from the corresponding summary consolidated income statement line items attributable to the equity holders of the group below:

	2018			2017		
	Client-related balances Rm	Equity holders Rm	Total Rm	Client-related balances Rm	Equity holders Rm	Total Rm
Investment income	**1 601**	**458**	**2 059**	1 398	453	1 851
Fair value gains and losses	**2 037**	**(279)**	**1 758**	957	583	1 540
Fair value adjustment to investment contract liabilities	**(1 670)**		**(1 670)**	(976)		(976)
Fair value adjustment to third-party liabilities arising on consolidation of mutual funds	**(1 873)**		**(1 873)**	(1 239)		(1 239)
Various other line items	**(95)**		**(95)**	(140)		(140)
	–			–		

6. Linked investment contracts, consolidated mutual funds and other client-related balances *(continued)*

The summary consolidated statement of cash flows impact recognised from the assets and liabilities pertaining to the linked investment contracts, consolidated mutual funds and other client-related balances are split from the corresponding summary consolidated statement of cash flows line items attributable to the equity holders of the group below:

	2018			2017		
	Client-related balances Rm	Equity holders Rm	Total Rm	Client-related balances Rm	Equity holders Rm	Total Rm
Cash (utilised by)/generated from operations	**(1 240)**	**1 512**	**272**	(1 236)	1 538	302
Interest income	**1 013**	**602**	**1 615**	802	629	1 431
Dividend income	**421**	**781**	**1 202**	375	703	1 078
Finance costs		**(463)**	**(463)**		(433)	(433)
Taxation paid	**(29)**	**(503)**	**(532)**	(50)	(503)	(553)
Cash movement in policyholder funds	**(13)**		**(13)**	(101)		(101)
Net cash flow from operating activities	**152**	**1 929**	**2 081**	(210)	1 934	1 724
Net cash flow from investing activities		**(2 937)**	**(2 937)**	32	(1 706)	(1 674)
Net cash flow from financing activities	**100**	**684**	**784**		76	76
Net increase/(decrease) in cash and cash equivalents	**252**	**(324)**	**(72)**	(178)	304	126
Exchange gains/(losses) on cash and cash equivalents		**9**	**9**		(71)	(71)
Cash and cash equivalents at beginning of the year	**103**	**953**	**1 056**	281	720	1 001
Cash and cash equivalents at end of the year	**355**	**638**	**993**	103	953	1 056

7. Trade and other receivables and payables

Included under trade and other receivables are PSG Online broker and clearing accounts of which R1,4bn (2017: R1,2bn) represents amounts owing by the JSE for trades conducted during the last few days before the reporting date. These balances fluctuate on a daily basis depending on the activity in the market.

The control account for the settlement of these transactions is included under trade and other payables, with the settlement to clients taking place within three days after the transaction date. All such balances have subsequently been settled accordingly.

8. Corporate actions

Apart from the transactions set out in notes 5.1 and 5.2, the group's most significant corporate actions are detailed in the *CEO and CFO report* of this annual report.

9. Capital commitments, contingencies and suretyships

Curro continues with its expansion and development of new campuses. At the reporting date, authorised and contracted capital expenditure amounted to R516m (2017: R128m), while authorised but not yet contracted capital expenditure amounted to R1,8bn (2017: R1,9bn).

10. Financial instruments

10.1 Financial risk factors

The group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value risk, fair value interest rate risk and price risk), credit risk and liquidity risk.

These summary consolidated financial statements do not include all financial risk management information and disclosures set out in the consolidated annual financial statements, and therefore they should be read in conjunction with the group's consolidated annual financial statements for the year ended 28 February 2018. Risk management continues to be carried out by each entity within the group under policies approved by the respective boards of directors.

10.2 Fair value estimation

The group, through PSG Life Ltd, issues linked investment contracts where the value of the policy benefits (i.e. liability) is directly linked to the fair value of the supporting assets, and as such does not expose the group to the market risk relating to fair value movements in the supporting assets.

The information below analysis financial assets and liabilities, which are carried at fair value, by level of hierarchy as required by IFRS 13. The different levels in the hierarchy are defined below:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: input other than quoted prices included within level 1 that is observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
Level 3: input for the asset or liability that is not based on observable market data (that is, unobservable input).

10. Financial instruments *(continued)*

10.2 Fair value estimation *(continued)*

The carrying value of financial assets and liabilities carried at amortised cost approximates their fair value, while those measured at fair value can be summarised as follows:

	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
28 February 2018				
Assets				
Derivative financial assets		**43**		**43**
Equity securities	**2 330**	**1 312**	**679**	**4 321**
Debt securities	**922**	**1 501**		**2 423**
Unit-linked investments		**41 481**	**719**	**42 200**
Investment in investment contracts		**15**		**15**
Closing balance	**3 252**	**44 352**	**1 398**	**49 002**
Liabilities				
Derivative financial liabilities		**70**	**39**	**109**
Investment contracts		**23 421**	**698**	**24 119**
Trade and other payables			**45**	**45**
Third-party liabilities arising on consolidation of mutual funds		**23 600**		**23 600**
Closing balance	**–**	**47 091**	**782**	**47 873**
28 February 2017				
Assets				
Derivative financial assets		64		64
Equity securities	2 257	1 606	50	3 913
Debt securities	1 005	1 686		2 691
Unit-linked investments		36 545	1 111	37 656
Investment in investment contracts		16		16
Closing balance	3 262	39 917	1 161	44 340
Liabilities				
Derivative financial liabilities		38	114	152
Investment contracts		21 317	1 099	22 416
Trade and other payables			38	38
Third-party liabilities arising on consolidation of mutual funds		21 394		21 394
Closing balance	–	42 749	1 251	44 000

10. Financial instruments *(continued)*

10.2 Fair value estimation *(continued)*

The following table presents changes in level 3 financial instruments during the respective years:

	2018 Assets Rm	2018 Liabilities Rm	2017 Assets Rm	2017 Liabilities Rm
Opening balance	**1 161**	**1 251**	1 403	1 369
Additions	**1 188**	**542**	193	295
Disposals	**(915)**	**(1 029)**	(454)	(449)
Fair value adjustments	**31**	**18**	19	36
Other movements	**(67)**			
Closing balance	**1 398**	**782**	1 161	1 251

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.

Derivative financial assets, equity securities, debt securities, unit-linked investments and investments in investment contracts are all included in "other financial assets" in the summary consolidated statement of financial position, while "other financial liabilities" comprise mainly derivative financial liabilities.

10. Financial instruments *(continued)*

10.2 Fair value estimation *(continued)*

There have been no significant transfers between level 1, 2 or 3 during the years under review, nor were there any significant changes to the valuation techniques and inputs used to determine fair values. Valuation techniques and main inputs used to determine fair value for financial instruments classified as level 2 can be summarised as follows:

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

11. Reclassification of prior year figures

Leasehold improvements made by a subsidiary, Curro Holdings Ltd, have been reclassified from "other financial assets" to "property, plant and equipment", since these leasehold improvements are not recoverable from the landlord. Furthermore, computer software previously incorrectly classified as "property, plant and equipment" were reclassified to "intangible assets". These reclassifications had no impact on previously reported equity, liabilities or profitability; however, it had the following impact on the summary consolidated statement of financial position at 28 February 2017 and the summary consolidated statement of cash flows for the year then ended:

	Previously reported Rm	Now reported Rm	Change Rm
Statement of financial position			
Property, plant and equipment	7 703	7 918	215
Intangible assets	3 108	3 132	24
Other financial assets	27 035	26 796	(239)
			–
Statement of cash flows			
Net cash flow from investing activities			
Acquisition of property, plant and equipment	(1 631)	(1 870)	(239)
Other investing activities	550	789	239
			–

Fees earned by a subsidiary of PSG Konsult Ltd, a subsidiary, have been reclassified from "investment income" to "commission, school, net insurance and other fee income", in order to reflect the nature of the fees earned more accurately. This reclassification had no impact on previously reported assets, equity, liabilities or profitability; however, it had the following impact on the summary consolidated income statement and summary consolidated statement of cash flows for the year ended 28 February 2017:

	Previously reported Rm	Now reported Rm	Change Rm
Income statement			
Investment income	1 896	1 851	(45)
Commission, school, net insurance and other fee income	5 718	5 763	45
			–
Statement of cash flows			
Net cash flow from operating activities			
Cash generated from operations	257	302	45
Interest income	1 476	1 431	(45)
			–

12. Segment report

The group's classification into seven reportable segments, namely: Capitec, Curro, PSG Konsult, Zeder, PSG Alpha, Dipeo and PSG Corporate, remains unchanged. These segments represent the major investments of the group. The services offered by PSG Konsult consist of financial advice, stock broking, asset management and insurance, while Curro offers private education services. The other segments offer financing, banking, investing and advisory 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, Zeder's investments in Capespan, Zaad and Agrivision Africa, and PSG Alpha's investments in CA Sales and Stadio.

Intersegment income represents income derived from other segments within the group which is recorded at the fair value of the consideration received or receivable for services rendered in the ordinary course of the group's activities. Intersegment income mainly comprises intergroup management fees charged in terms of the respective management agreements, intergroup advisory fees and interest income.

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 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") is a key valuation tool used to measure PSG Group's performance. In determining SOTP, listed assets and liabilities are valued using quoted market prices, whereas unlisted assets and liabilities are valued using appropriate valuation methods. These values will not necessarily correspond with the values per the summary 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.

12. Segment report *(continued)*

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

28 February 2018	Income [2] Rm	Inter-segment income [2] Rm	Recurring earnings (segment profit) Rm	Non-recurring earnings Rm	Headline earnings Rm	SOTP value [4] Rm
Capitec [1]			1 369		1 369	29 540
Curro	2 145		110	(1)	109	7 987
PSG Konsult	4 188		348		348	7 048
Zeder	8 903		205	(21)	184	4 823
PSG Alpha	6 311		172	(22)	150	5 201
Dipeo	(304)		(56)	(131)	(187)	535
PSG Corporate	196	(47)	(7)		(7)	
Funding	155	(46)	(135)	(11)	(146)	(2 227)
Other			136		136	2 603
Total	**21 594**	**(93)**	**2 142**	**(186)**	**1 956**	**55 510**
Non-headline items					(42)	
Earnings attributable to non-controlling interests					513	
Taxation					616	
Profit before taxation					**3 043**	

28 February 2017	Income [2] Rm	Inter-segment income [2] Rm	Recurring earnings (segment profit) Rm	Non-recurring earnings Rm	Headline earnings Rm	SOTP value [4] Rm
Capitec [1]			1 164		1 164	25 727
Curro	1 834		96		96	11 180
PSG Konsult	3 799		300		300	6 084
Zeder	10 522		275	(4)	271	5 398
PSG Alpha	4 781		133	3	136	1 909
Dipeo	594		(20)	187	167	812
PSG Corporate	155	(102)	29	(7)	22	
Funding	193	(26)	(104)	(19)	(123)	(2 299)
Other			112		112	3 586
Total	21 878	(128)	1 985	160	2 145	52 397
Non-headline items					17	
Earnings attributable to non-controlling interests					1 187	
Taxation					537	
Profit before taxation					3 886	

12. Segment report *(continued)*

	2018 Rm	2017 Rm
Reconciliation of segment revenue to IFRS revenue:		
Segment revenue as stated above:		
Income	**21 594**	21 878
Intersegment income	**(93)**	(128)
Less:		
Changes in fair value of biological assets	**(195)**	(224)
Fair value gains and losses	**(1 758)**	(1 540)
Fair value adjustment to investment contract liabilities	**1 670**	976
Fair value adjustment to third-party liabilities arising on consolidation of mutual funds	**1 873**	1 239
Other operating income	**(277)**	(158)
IFRS revenue [3]	**22 814**	22 043
Non-recurring earnings comprised the following:		
Non-recurring items from investments	**(175)**	186
Other losses	**(11)**	(26)
	(186)	160

[1] *Equity method of accounting applied.*

[2] *The total of "income" and "intersegment income" comprises the total of "revenue from sale of goods" and "income" per the summary consolidated income statement.*

[3] *IFRS revenue comprises "revenue from sale of goods", "investment income" and "commission, school, net insurance and other fee income" as per the summary consolidated income statement.*

[4] *SOTP is a key valuation tool used to measure the group's performance, but does not necessarily correspond to net asset value.*

13. Events subsequent to the reporting date

During March 2018, the group, through Stadio, being a subsidiary of PSG Alpha, obtained an effective interest of 87,2% in the entities operating Milpark, a registered private higher education institution. Stadio's purchase consideration amounted to R258m, of which R207m was paid in cash and the remainder settled through the issue of Stadio shares.

During March 2018, the group, through CA Sales, being a subsidiary of PSG Alpha, concluded an agreement to acquire warehouse and office properties currently leased by CA Sales in Gaborone and Francistown, being in Botswana. The purchase consideration amounts to approximately P243m (approximately R314m) and will be financed by financial institutions in Botswana and South Africa.

During April 2018, the group, through Curro, concluded an agreement to acquire the entire issued share capital in Cooper College (Pty) Ltd and related entities, which operate a private primary school and crèche in Gauteng, South Africa.

Apart from the aforementioned, no material event has occurred between the reporting date and the date of approval of these summary consolidated financial statements.

14. Ordinary shareholder analysis

	Shareholders Number	%	Shares held Number	%
Range of shareholding				
1 – 500	18 716	64,4	3 604 190	1,7
501 – 1 000	4 105	14,1	3 079 495	1,4
1 001 – 5 000	4 489	15,4	9 865 517	4,5
5 001 – 10 000	714	2,5	5 185 354	2,4
10 001 – 50 000	719	2,5	15 265 775	7,0
50 001 – 100 000	102	0,4	7 214 190	3,3
100 001 – 500 000	139	0,5	31 481 169	14,5
500 001 – 1 000 000	31	0,1	22 042 731	10,1
Over 1 000 000	33	0,1	119 802 213	55,1
	29 048	100,0	217 540 634	100,0
Treasury shares				
Shares held by PSG Financial Services Ltd (a wholly-owned subsidiary)	1		13 908 770	
	29 049		231 449 404	
Non-public and public shareholding				
Non-public (directors) *	8		54 805 981	25,2
Public	29 040	100,0	162 734 653	74,8
	29 048	100,0	217 540 634	100,0
Individual shareholders (excluding directors) holding 5% or more of shares in issue (net of treasury shares) as at 28 February 2018				
Public Investment Corporation (including Government Employees Pension Fund)			19 533 733	9,0

* *Refer to the directors' report for further details of directors' holdings.*

Notice is hereby given of the annual general meeting of shareholders of PSG Group Ltd ("PSG Group" or "the Company") to be held at Spier Wine Estate, Baden Powell Drive, Stellenbosch, on Friday, 22 June 2018, at 11:00 ("the AGM").

Purpose
The purpose of the AGM is to transact the business set out in the agenda below.

Agenda

- Presentation of the audited annual financial statements of the Company, including the remuneration report and the reports of the directors and the audit and risk committee for the year ended 28 February 2018. The annual report, of which this notice forms part, contains the summary consolidated financial statements and the aforementioned reports. The annual financial statements, including the unmodified audit opinion, are available on PSG Group'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 during office hours.

- To consider and, if deemed fit, approve, with or without modification, the following ordinary resolutions:

  Note:
  For any of the ordinary resolutions numbers 1 to 9 (inclusive) to be adopted, more than 50% of the voting rights exercised on the applicable ordinary resolution must be exercised in favour thereof. For any of the ordinary resolutions numbers 10 to 11 (inclusive) to be adopted, at least 75% of the voting rights exercised on each such ordinary resolution must be exercised in favour thereof.

1. Retirement and re-election of directors

1.1 Ordinary resolution number 1
"Resolved that Ms B Mathews, who retires by rotation in terms of the memorandum of incorporation of the Company and, being eligible, offers herself for re-election, be and is hereby re-elected as director."

Summary curriculum vitae of Ms B (Bridgitte) Mathews
Bridgitte is a Chartered Accountant (SA) and currently serves on the boards of various companies as a non-executive director. She has been a member of the African Women Chartered Accountants since 2007 and a member of the Institute of Directors since 2011.

1.2 Ordinary resolution number 2
"Resolved that Mr JJ Mouton, who retires by rotation in terms of the memorandum of incorporation of the Company and, being eligible, offers himself for re-election, be and is hereby re-elected as director."

Summary curriculum vitae of Mr JJ (Jan) Mouton
Jan holds an MPhil Finance degree from the University of Cambridge, holds BAcc (cum laude) and BAcc (Hons) degrees from the University of Stellenbosch, and qualified as Chartered Accountant (SA). He managed the PSG Flexible Fund for 11 years and is currently an investment professional.

1.3 Ordinary resolution number 3
"Resolved that Mr CA Otto, who retires by rotation in terms of the memorandum of incorporation of the Company and, being eligible, offers himself for re-election, be and is hereby re-elected as director."

Summary curriculum vitae of Mr CA (Chris) Otto
Chris graduated BCom LLB from Stellenbosch University and is a founding director of PSG Group, Capitec Bank Holdings Ltd and Zeder Investments Ltd. He also serves on the boards of Kaap Agri Ltd and various other listed and unlisted companies. Since his appointment as PSG Group director in 1995, he has attended all board meetings without fail.

The reason for ordinary resolutions numbers 1 to 3 (inclusive) is that the memorandum of incorporation of the Company, the Listings Requirements of the JSE Ltd ("JSE") and, to the extent applicable, the Companies Act of South Africa ("the Companies Act"), require that a component of the non-executive directors rotate at every annual general meeting of the Company and, being eligible, may offer themselves for re-election as directors.

2. Re-appointment of the members of the audit and risk committee of the Company

Note:

For avoidance of doubt, all references to the audit and risk committee of the Company is a reference to the audit committee as contemplated in the Companies Act.

2.1 Ordinary resolution number 4

"Resolved that Mr PE Burton, being eligible, be and is hereby re-appointed as a member of the audit and risk committee of the Company, as recommended by the board of directors of the Company, until the next annual general meeting of the Company."

Summary curriculum vitae of Mr PE (Patrick) Burton

Patrick graduated with a BCom (Hons) Financial Management degree and postgraduate Diploma in Tax Law. He is a founding director of Siphumelele Investments Ltd, a black economic empowerment company, and currently serves on the boards of various companies as a non-executive director.

2.2 Ordinary resolution number 5

"Resolved that Ms B Mathews, subject to the approval of ordinary resolution number 1, being eligible, be and is hereby re-appointed as a member of the audit and risk committee of the Company, as recommended by the board of directors of the Company, until the next annual general meeting of the Company."

A summary of Bridgitte's curriculum vitae has been included in paragraph 1.1 above.

2.3 Ordinary resolution number 6

"Resolved that Mr CA Otto, subject to the approval of ordinary resolution number 3, being eligible, be and is hereby re-appointed as a member of the audit and risk committee of the Company, as recommended by the board of directors of the Company until the next annual general meeting of the Company."

A summary of Chris' curriculum vitae has been included in paragraph 1.3 above.

The reason for ordinary resolutions numbers 4 to 6 (inclusive) is that the Company, being a public listed company, must appoint an audit committee and the Companies Act requires that the members of such audit committee be appointed, or re-appointed, as the case may be, at each annual general meeting of a company.

3. Re-appointment of auditor

Ordinary resolution number 7

"Resolved that PricewaterhouseCoopers Inc. be and is hereby re-appointed as auditor of the Company for the ensuing year on the recommendation of the audit and risk committee of the Company."

The reason for ordinary resolution number 7 is that the Company, being a public listed company, must have its financial results audited and such auditor must be appointed or re-appointed, as the case may be, at each annual general meeting of the Company as required by the Companies Act.

4. Non-binding advisory vote on PSG Group's remuneration policy
Ordinary resolution number 8
"Resolved that the Company's remuneration policy, as set out on pages 50 to 57 of this annual report, be and is hereby endorsed by way of a non-binding advisory vote."

The reason for ordinary resolution number 8 is that the King IV Report on Corporate Governance™ for South Africa, 2016 ("King IV™") recommends, and the JSE Listings Requirements require, that the remuneration policy of a company be tabled for a non-binding advisory vote by shareholders at each annual general meeting of the company. This enables shareholders to express their views on the remuneration policy adopted. The effect of ordinary resolution number 8, if passed, will be to endorse the Company's remuneration policy. Ordinary resolution number 8 is of an advisory nature only and failure to pass this resolution will therefore not have any legal consequences relating to existing remuneration agreements. However, the board will take the outcome of the vote into consideration when considering amendments to the Company's remuneration policy.

5. Non-binding advisory vote on PSG Group's implementation report on the remuneration policy
Ordinary resolution number 9
"Resolved that the Company's implementation report with regard to its remuneration policy, as set out on pages 58 to 69 of this annual report, be and is hereby endorsed by way of a non-binding vote."

The reason for ordinary resolution number 9 is that King IV™ recommends that the implementation report on a company's remuneration policy be tabled for a non-binding advisory vote by shareholders at each annual general meeting of the company. This enables shareholders to express their views on the implementation of a company's remuneration policy. The effect of ordinary resolution number 9, if passed, will be to endorse the Company's implementation report in relation to its remuneration policy. Ordinary resolution number 9 is of an advisory nature only and failure to pass this resolution will therefore not have any legal consequences relating to existing remuneration agreements. However, the board will take the outcome of the vote into consideration when considering amendments to the Company's remuneration policy and its implementation.

6. Amendment of the PSG Group Ltd Supplementary Share Incentive Trust
Ordinary resolution number 10
"Resolved that the existing trust deed of the PSG Group Ltd Supplementary Share Incentive Trust ("PSG SIT Deed"), which contains the terms of and governs the Company's share incentive scheme, be amended and replaced by a new trust deed, the principal terms of which are summarised in Annexure A to this notice of AGM."

The reason for ordinary resolution number 10 is to obtain the approval of shareholders to amend and replace the PSG SIT Deed, such approval being required in terms of paragraph 14.2, read with paragraph 14.1, of schedule 14 of the JSE Listings Requirements. The amendments are proposed in response to requests and feedback from certain investors and shareholders in relation to the existing share incentive scheme, given market trends. The new trust deed will provide more flexibility and introduce performance measurement criteria for the awarding and/or vesting of share options to management, as well as to ensure their gearing is reduced. It also provides clarity on provisions where required or for the avoidance of doubt. The proposed amendments do not alter the fundamental mechanism under the existing PSG SIT Deed for the awarding or vesting of share options, the vesting period or the determination of the strike price, but allow for certain performance criteria to be considered in connection with the awarding and/or vesting of share options and provide for minimum shareholdings that executive directors would need to hold in the Company, in order to qualify for the awarding and vesting of share options. The share incentive scheme previously allowed for loan funding to be provided to scheme beneficiaries in respect of the strike price and tax payable of the share options exercised. Under the proposed amendments, loans will in future no longer be provided and the security requirements in respect of existing loans that were previously granted, will increase. The replacement trust deed will still provide for the net equity settlement of share options, which may, in the discretion of the board, occur through the delivery of shares or by way of a cash payment. Given that a number of changes will be incorporated throughout the trust deed for the share incentive scheme, it is the intention, for ease of reference and to assist shareholders, to conclude a new comprehensive replacement trust deed, instead of an addendum. The principal terms of the replacement trust deed are summarised in Annexure A to this notice of AGM, while a copy of the full replacement trust deed may be requested and obtained in person, at no charge, at the Company's registered address and, in Johannesburg, at the offices of the Company's JSE sponsor, PSG Capital (Pty) Ltd, at 2nd Floor, Building 3, 11 Alice Lane, Sandhurst, Sandton, 2196, during office hours from Tuesday, 22 May 2018, until the date of the AGM.

For this resolution to be adopted, at least 75% of the shareholders present in person or by proxy and entitled to vote on this resolution at the AGM must cast their vote in favour of this resolution. In determining whether the requisite number of votes have been achieved to adopt this resolution, the votes attaching to any shares held by the PSG Group Ltd Supplementary Share Incentive Trust and the votes attaching to shares acquired in terms of the share incentive scheme and owned or controlled by persons who are existing participants in the scheme, and which may be impacted by the resolution, will not be taken into account.

7. General authority to issue ordinary shares for cash

Ordinary resolution number 11

"Resolved that the directors of the Company be and are hereby authorised, by way of a general authority, to allot and issue any of the Company's unissued shares for cash as they in their discretion may deem fit, without restriction, subject to the provisions of the Company's memorandum of incorporation, the Companies Act and the Listings Requirements of the JSE ("Listings Requirements"), provided that:

- the approval shall be valid until the date of the next annual general meeting of the Company, provided it shall not extend beyond 15 months from the date of this resolution;
- the general issues of shares for cash under this authority may not exceed, in the aggregate, 5% of the Company's issued share capital (number of securities) of that class as at the date of this notice of AGM, it being recorded that ordinary shares issued pursuant to a rights offer to shareholders, shares issued to the PSG Group Ltd Supplementary Share Incentive Trust ("the trust") or options granted by the trust in accordance with the Listings Requirements shall not diminish the number of ordinary shares that comprise the 5% of the ordinary shares that can be issued in terms of this ordinary resolution. As at the date of this notice of AGM, 5% of the Company's issued ordinary share capital (net of treasury shares) amounts to 10 877 031 ordinary shares;
- in determining the price at which an issue of shares will be made in terms of this authority, the maximum discount permitted will be 10% of the weighted average traded price of such shares, as determined over the 30 business days prior to the date that the price of the issue is agreed between the Company and the party subscribing for the securities. The JSE will be consulted for a ruling if the securities have not traded in such 30-business-day period;
- any such issue will only be made to public shareholders as defined in paragraphs 4.25 to 4.27 of the Listings Requirements and not to related parties;
- any such issue will only be comprised of securities of a class already in issue or, if this is not the case, will be limited to such securities or rights that are convertible into a class already in issue; and
- in the event that the securities issued represent, on a cumulative basis, 5% or more of the number of securities in issue prior to that issue, an announcement containing the full details of such issue shall be published on the Stock Exchange News Service."

For listed entities wishing to issue shares for cash (other than issues by way of rights offers, in consideration for acquisitions and/or to duly approved share incentive schemes), it is necessary for the board of the company to obtain the prior authority of the shareholders in accordance with the Listings Requirements and the memorandum of incorporation of the company. Accordingly, the reason for ordinary resolution number 11 is to obtain a general authority from shareholders to issue shares for cash in compliance with the Listings Requirements and the memorandum of incorporation of the Company.

For this resolution to be adopted at least 75% of the shareholders present in person or by proxy and entitled to vote on this resolution at the AGM must cast their vote in favour of this resolution.

- To consider and, if deemed fit, pass, with or without modification, the following special resolutions:

  Note:
  For any of the special resolutions numbers 1 to 4 (inclusive) to be adopted, at least 75% of the voting rights exercised on each special resolution must be exercised in favour thereof.

8. Remuneration of non-executive directors

Special resolution number 1

"Resolved, in terms of section 66(9) of the Companies Act, that the Company be and is hereby authorised to remunerate its directors for their services as directors on the basis set out below, provided that this authority will be valid until the next annual general meeting of the Company:

	Annual fee Feb 2019 R'000
PSG Group Board	
Chairman	500
Member	250
PSG Group Audit and Risk Committee	
Chairman	175
Member	150
PSG Group Remuneration Committee	
Chairman	75
Member	50
PSG Group Social and Ethics Committee	
Chairman	30
Member	20

The reason for special resolution number 1 is for the Company to obtain the approval of shareholders by way of a special resolution for the payment of remuneration to its non-executive directors in accordance with the requirements of the Companies Act.

The effect of special resolution number 1, is that the Company will be able to pay its non-executive directors for the services they render to the Company as directors without requiring further shareholder approval until the next annual general meeting of the Company.

9. Intercompany financial assistance

9.1 Special resolution number 2: Intercompany financial assistance

"Resolved, in terms of section 45(3)(a)(ii) of the Companies Act, as a general approval, that the board of the Company be and is hereby authorised to approve that the Company provides any direct or indirect financial assistance ("financial assistance" will herein have the meaning attributed to it in section 45(1) of the Companies Act) that the board of the Company may deem fit to any company or corporation that is related or inter-related ("related" or "inter-related" will herein have the meaning attributed to it in section 2 of the Companies Act) to the Company, on the terms and conditions and for amounts that the board of the Company may determine, provided that the aforementioned approval shall be valid until the date of the next annual general meeting of the Company."

The reason for and effect of special resolution number 2 is to grant the directors of the Company the authority, until the next annual general meeting of the Company, to provide direct or indirect financial assistance to any company or corporation which is related or inter-related to the Company. This means that the Company is, inter alia, authorised to grant loans to its subsidiaries and to guarantee the debt of its subsidiaries.

9.2 Special resolution number 3: Financial assistance for the subscription and/or purchase of shares in the Company or a related or inter-related company

"Resolved, in terms of section 44(3)(a)(ii) of the Companies Act, as a general approval, that the board of the Company be and is hereby authorised to approve that the Company provides any direct or indirect financial assistance ("financial assistance" will herein have the meaning attributed to it in sections 44(1) and 44(2) of the Companies Act) that the board of the Company may deem fit to any company or corporation that is related or inter-related to the Company ("related" or "inter-related" will herein have the meaning attributed to it in section 2 of the Companies Act) and/or to any financier who provides funding by subscribing for preference shares or other securities in the Company or any company or corporation that is related or inter-related to the Company, on the terms and conditions and for amounts that the board of the Company may determine for the purpose of, or in connection with the subscription of any option, or any shares or other securities, issued or to be issued by the Company or a related or inter-related company or corporation, or for the purchase of any shares or securities of the Company or a related or inter-related company or corporation, provided that the aforementioned approval shall be valid until the date of the next annual general meeting of the Company."

The reason for and effect of special resolution number 3 is to grant the directors the authority, until the next annual general meeting of the Company, to provide financial assistance to any company or corporation which is related or inter-related to the Company and/or to any financier for the purpose of or in connection with the subscription or purchase of options, shares or other securities in the Company or any related or inter-related company or corporation. This means that the Company is authorised, inter alia, to grant loans to its subsidiaries and to guarantee and furnish security for the debt of its subsidiaries where any such financial assistance is directly or indirectly related to a party subscribing for options, shares or securities in the Company or its subsidiaries. A typical example of where the Company may rely on this authority is where a subsidiary raised funds by way of issuing preference shares and the third-party funder requires the Company to furnish security, by way of a guarantee or otherwise, for the obligations of its subsidiary to the third-party funder arising from the issue of the preference shares. The Company has no immediate plans to use this authority and is simply obtaining same in the interests of prudence and good corporate governance should the unforeseen need arise to use the authority.

In terms of and pursuant to the provisions of sections 44 and 45 of the Companies Act, the directors of the Company confirm that the board will satisfy itself, after considering all reasonably foreseeable financial circumstances of the Company, that immediately after providing any financial assistance as contemplated in special resolution numbers 2 and 3 above:

- the assets of the Company (fairly valued) will equal or exceed the liabilities of the Company (fairly valued) (taking into consideration the reasonably foreseeable contingent assets and liabilities of the Company);
- the Company will be able to pay its debts as they become due in the ordinary course of business for a period of 12 months;
- the terms under which any financial assistance is proposed to be provided, will be fair and reasonable to the Company; and
- all relevant conditions and restrictions (if any) relating to the granting of financial assistance by the Company as contained in the Company's memorandum of incorporation have been met.

10. Special resolution number 4: Share repurchases by PSG Group and its subsidiaries

"Resolved, as a special resolution, that the Company and the subsidiaries of the Company be and are hereby authorised, as a general approval, to repurchase any of the shares issued by the Company, upon such terms and conditions and in such amounts as the directors may from time to time determine, but subject to the provisions of sections 46 and 48 of the Companies Act, the memorandum of incorporation of the Company and the Listings Requirements, including, inter alia, that:

- the general repurchase of the shares may only be implemented through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the Company and the counterparty;
- this general authority shall only be valid until the next annual general meeting of the Company, provided that it shall not extend beyond 15 months from the date of this resolution;
- an announcement must be published as soon as the Company has acquired shares constituting, on a cumulative basis, 3% of the number of shares in issue on the date that this authority is granted, containing full details thereof, as well as for each 3% in aggregate of the initial number of shares acquired thereafter;
- the general authority to repurchase is limited to a maximum of 20% in the aggregate in any one financial year of the Company's issued share capital at the time the authority is granted;
- a resolution has been passed by the board of directors approving the repurchase, that the Company has satisfied the solvency and liquidity test as defined in the Companies Act and that, since the solvency and liquidity test was applied, there have been no material changes to the financial position of the Company and its subsidiaries;
- the general repurchase is authorised by the Company's memorandum of incorporation;
- repurchases must not be made at a price more than 10% above the weighted average of the market value of the shares for the five business days immediately preceding the date that the transaction is effected. The JSE will be consulted for a ruling if the Company's securities have not traded in such five-business-day period;
- the Company may at any point in time only appoint one agent to effect any repurchase(s) on the Company's behalf; and
- the Company may not effect a repurchase during any prohibited period as defined in terms of the Listings Requirements unless there is a repurchase programme in place, which programme has been submitted to the JSE in writing prior to the commencement of the prohibited period and executed by an independent third party, as contemplated in terms of paragraph 5.72(h) of the Listings Requirements."

The reason for and effect of special resolution number 4 is to grant the directors a general authority in terms of its memorandum of incorporation and the Listings Requirements for the acquisition by the Company or by a subsidiary of the Company of shares issued by the Company on the basis reflected in special resolution number 4. The Company has no immediate plans to use this authority and is simply obtaining same in the interests of prudence and good corporate governance should the unforeseen need arise to use the authority.

In terms of section 48(2)(b)(i) of the Companies Act, subsidiaries may not hold more than 10%, in aggregate, of the number of the issued shares of a company. For the avoidance of doubt, a pro rata repurchase by the Company from all its shareholders will not require shareholder approval, save to the extent as may be required by the Companies Act.

11. Other business

To transact such other business as may be transacted at an annual general meeting or raised by shareholders with or without advance notice to the Company.

Information relating to the special resolutions

1. The directors of the Company or its subsidiaries will only utilise the general authority to repurchase shares of the Company as set out in special resolution number 4 to the extent that the directors, after considering the maximum number of shares to be purchased, are of the opinion that the position of the group would not be compromised as to the following:

    - the group's ability in the ordinary course of business to pay its debts for a period of 12 months after the date of the AGM and for a period of 12 months after the repurchase;
    - the consolidated assets of the group will at the time of the AGM and at the time of making such determination be in excess of the consolidated liabilities of the group. The assets and liabilities should be recognised and measured in accordance with the accounting policies used in the latest audited annual financial statements of the group;
    - the ordinary capital and reserves of the group after the repurchase will remain adequate for the purpose of the business of the group for a period of 12 months after the AGM and after the date of the share repurchase; and
    - the working capital available to the group after the repurchase will be sufficient for the group's requirements for a period of 12 months after the date of the notice of the AGM.

    General information in respect of major shareholders, material changes and the share capital of the Company is contained in the annual report of which this notice forms part, as well as the full set of annual financial statements, being available on PSG Group's website at *www.psggroup.co.za* or which may be requested and obtained in person, at no charge, at the registered office of PSG Group during office hours.

2. The directors, whose names appear on page 19 of the annual report of which this notice forms part, collectively and individually accept full responsibility for the accuracy of the information given and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this notice of AGM contains all information required by the Listings Requirements.

3. Special resolutions numbers 2, 3 and 4 are renewals of resolutions taken at the previous annual general meeting held on 23 June 2017.

Voting

1. The date on which shareholders must be recorded as such in the share register maintained by the transfer secretary of the Company ("the Share Register") for purposes of being entitled to receive this notice is Friday, 11 May 2018.
2. The date on which shareholders must be recorded in the Share Register for purposes of being entitled to attend and vote at the AGM is Friday, 15 June 2018, with the last day to trade being Tuesday, 12 June 2018.
3. Meeting participants will be required to provide proof of identification to the reasonable satisfaction of the chairman of the AGM and must accordingly bring a copy of their identity document, passport or driver's licence to the AGM. If in doubt as to whether any document will be regarded as satisfactory proof of identification, meeting participants should contact the transfer secretary for guidance.
4. Shareholders entitled to attend and vote at the AGM may appoint one or more proxies to attend, speak and vote thereat in their stead. A proxy need not be a shareholder of the Company. A form of proxy, which sets out the relevant instructions for its completion, is enclosed for use by a certificated shareholder or own-name registered dematerialised shareholder who wishes to be represented at the AGM. Completion of a form of proxy will not preclude such shareholder from attending and voting (in preference to that shareholder's proxy) at the AGM.
5. The instrument appointing a proxy and the authority (if any) under which it is signed must reach the transfer secretary of the Company at the postal address provided on the inside back cover of this annual report by not later than 11:00 on Wednesday, 20 June 2018, provided that any form of proxy not delivered to the transfer secretary by this time may be handed to the chairman of the AGM at any time prior to the commencement of the AGM.
6. Dematerialised shareholders, other than own-name registered dematerialised shareholders, who wish to attend the AGM in person, will need to request their central securities depository participant ("CSDP") or broker to provide them with the necessary authority (i.e. letter of representation) in terms of the custody agreement entered into between such shareholders and the CSDP or broker.
7. Dematerialised shareholders, other than own-name registered dematerialised shareholders, who are unable to attend the AGM and who wish to be represented thereat, must provide their CSDP or broker with their voting instructions in terms of the custody agreement entered into between themselves and the CSDP or broker in the manner and time stipulated therein.
8. Shareholders present in person, by proxy or by authorised representative shall, on a show of hands, have one vote each and, on a poll, will have one vote in respect of each share held.

By order of the board

PSG Corporate Services (Pty) Ltd
Per A Rossouw
Company secretary

17 May 2018
Stellenbosch

ANNEXURE A

PSG GROUP LTD SUPPLEMENTARY SHARE INCENTIVE TRUST – SUMMARY OF PRINCIPAL TERMS

This annexure contains a summary of the principal terms of the replacement trust deed for the PSG Group Ltd Supplementary Share Incentive Trust, as referred to in ordinary resolution number 10 in the notice of AGM to which this annexure is attached. The reason for ordinary resolution number 10 is to obtain the approval of shareholders to amend and replace the PSG Group Ltd Supplementary Share Incentive Trust deed, such approval being required in terms of paragraph 14.2, read with paragraph 14.1, of Schedule 14 of the JSE Listings Requirements. The amendments are proposed in response to requests and feedback from certain investors and shareholders in relation to the existing share incentive scheme, given market trends. The new trust deed will provide more flexibility and introduce performance measurement criteria for the awarding and/or vesting of share options to management, as well as to ensure their gearing is reduced. It also provides clarity on provisions where required or for the avoidance of doubt. The proposed amendments do not alter the fundamental mechanism under the existing PSG Group Ltd Supplementary Share Incentive Trust deed for the awarding or vesting of share options, the vesting period or the determination of the strike price, but allow for certain performance criteria to be considered in connection with the awarding and/or vesting of share options and provide for minimum shareholdings that executive directors would need to hold in the Company, in order to qualify for the awarding and vesting of share options. The share incentive scheme previously allowed for loan funding to be provided to scheme beneficiaries in respect of the strike price and tax payable relating to the share options exercised. Under the proposed amendments, loans will in future no longer be provided and the security requirements in respect of existing loans that were previously granted, will increase. The replacement trust deed will still provide for the net equity settlement of share options, which may, in the discretion of the board, occur through the delivery of shares or by way of a cash payment. Given that a number of changes will be incorporated throughout the trust deed for the share incentive scheme, it is the intention, for ease of reference and to assist shareholders, to conclude a new comprehensive replacement trust deed, instead of an addendum.

The principal terms of the replacement trust deed are summarised below. For a full appreciation of the provisions of the PSG Group Ltd Supplementary Share Incentive Trust deed, shareholders are referred to the full text thereof, which is available for inspection by shareholders at the Company's registered office and, in Johannesburg, at the offices of the Company's JSE sponsor, PSG Capital (Pty) Ltd, at 2nd Floor, Building 3, 11 Alice Lane, Sandhurst, Sandton 2196. The full text will be available for inspection during normal business hours from Tuesday, 22 May 2018 until the date of the AGM.

1. INTERPRETATION

In this summary, unless a contrary intention clearly appears, words in the singular include the plural and vice versa, words signifying one gender include the other genders, a reference to a natural person includes a juristic person and vice versa, and the following terms shall have the meanings assigned to them hereunder –

1.1 "Auditors" means the auditors for the time being of the Company, but should such auditors be unwilling or refuse or be unable to act in any manner contemplated in terms of the Deed, then in all or any of such events the auditors in such circumstances shall be such other independent auditors as may be nominated by the Trustees, failing whom nominated by the Board, and failing whom nominated by the president for the time being of the South African Institute of Chartered Accountants (or its successors-in-title);

1.2 "Beneficiary" means a Participant who has accepted the grant of an Option in terms of the provisions of the Share Scheme;

1.3 "Beneficiary Taxation" means any obligation (including in terms of pay-as-you-earn), risk or liability, actual or contingent, incurred by the Company, a Group Company or the Trust, in respect of any form of taxation payable by a Beneficiary in terms of the Share Scheme, including any taxation payable in respect of his Scheme Shares as at the date of exercising thereof;

1.4 "Board" means the board of directors for the time being of the Company acting either itself or through any committee (including any remuneration committee appointed by the Board) constituted from time to time and appointed by the Board for the purpose of administering the Share Scheme;

1.5 "Company" or "PSG" means PSG Group Ltd (Registration number 1970/008484/06) or its successor-in-title;

1.6 "Director" means any director of the Company;

1.7 "Employee" means any employee or director of a Group Company, from time to time;

1.8 "Employee Allocation" means the award of Options to any Employee as may be determined by the Board from time to time;

1.9 "Exercise Period" means the 180-day period commencing on the applicable Vesting Date or any extension thereof pursuant to paragraph 2.18;

1.10 "Group" means, collectively, the Company, its subsidiaries and associates and any company managed by them under a written management agreement, from time to time, and "Group Company" means any entity forming part of the Group from time to time;

1.11 "JSE" means the JSE Ltd, a company duly registered under registration number 2005/022939/06 and licensed as an exchange under the Financial Markets Act, 19 of 2012;

1.12 "JSE Listings Requirements" means the listings requirements of the JSE;

1.13 "Market Price" means the price per Share at the closing of trade on the JSE on the relevant Option Exercise Date;

1.14 "Minimum Shareholding for Executive Directors" means such minimum number(s) of Shares, if any, required to be held by an executive Director, for such Director to qualify for (i) any award of Options occurring on or after 28 February 2018; and (ii) the vesting of any Options awarded on or after 28 February 2018, as may be determined by the Board in its sole discretion, from time to time;

1.15 "Option" or "Options" means an option of Shares awarded to an Employee under the Scheme, which when exercised in respect of the Shares to which the Option relates (or any part thereof), shall result in a delivery of those Shares to the Beneficiary subject to the provisions of the Deed. It is recorded, for the avoidance of any doubt, that each Option shall, when exercised, entitle a Beneficiary to acquire one Share;

1.16 "Option Date" means the effective date of the award of an Option from time to time as determined by the Board;

1.17 "Option Exercise Date" bears the meaning ascribed thereto in paragraph 2.17;

1.18 "Original Trust Deed" means the initial trust deed for the Trust, concluded on or about 30 July 2009 between the Company (as founder) and Chris Adriaan Otto and Jacob de Vos du Toit (as first trustees), as amended, which trust deed is to be replaced by the Trust Deed;

Note: For the avoidance of doubt, the Original Trust Deed was approved by Shareholders at the Company's annual general meeting held on 19 June 2009.

1.19 "Participant" means an Employee to whom Options have been granted in terms of the provisions of the Share Scheme; and, for the avoidance of doubt, references in the Deed to a Participant will, where applicable, include a Beneficiary;

1.20 "Performance Measures" means such performance measures, if any, as may be determined by the Board in its sole discretion, from time to time, and which need to be met for any Options awarded to a Participant on or after 28 February 2018 to vest and/or for further Options to be awarded, which performance measures may include, but will not be limited to, any one or more of the following: (i) the Participant in question meeting personal key performance objectives; (ii) the Company meeting a specified recurring earnings per Share growth hurdle; and/or (iii) the Company meeting a specified return on equity hurdle;

1.21 "Retirement" means retirement from employment by an Employee, occurring in terms of paragraph 1.22.1 or 1.22.2, as a result of which such Employee becomes, or is deemed to become, a Retired Employee;

1.22 "Retired Employee" means any Employee who is a Beneficiary at his retirement and has retired –

1.22.1 at or after the normal retirement age (as laid down in the applicable Group Company's pension fund or provident fund regulations or as determined by the Board from time to time); or

1.22.2 with the approval of the Board prior to the normal retirement age, including retirement for reasons of ill health, disability or incapacity (as laid down in the applicable Group Company's pension fund or provident fund regulations or as determined by the Board from time to time);

1.23 "Scheme Share" means any Share arising out of the exercise of an Option in terms of the Scheme;

1.24 "Shareholders" means ordinary shareholders of the Company;

1.25 "Shares" means ordinary shares in the issued share capital of the Company;

1.26 "Share Scheme" or "Scheme" means the share scheme implemented in terms of the Trust Deed in order to enable Participants to obtain and exercise Options and pursuant thereto to acquire Shares upon the exercise of such Options;

1.27 "Signature Date" means the date of signature of the Trust Deed by the party last signing;

1.28 "Strike Price" means an amount equal to the volume weighted average price ("VWAP") per Share determined over a period of 30 trading days on the JSE immediately preceding the Option Date or, should the Shares not have traded for more than five days during such period, then the VWAP per Share determined over a period of 60 trading days on the JSE immediately preceding the Option Date;

1.29 "Trust" means the PSG Group Ltd Supplementary Share Incentive Trust governed in terms of the Trust Deed;

1.30 "Trust Deed" or "Deed" means the trust deed in respect of the Trust;

1.31 "Trustees" means the trustees of the Trust from time to time, being as at the Signature Date, Mr Chris Adriaan Otto, identity number 491113 5097 08 1 and Mr Patrick Ernest Burton, identity number 521218 5143 08 4; and

1.32 "Vesting Date" means the date upon which a Beneficiary is entitled to exercise an Option, in terms of the Deed, which date shall mean and include any First Vesting Date, Second Vesting Date, Third Vesting Date and Fourth Vesting Date (as the case may be) as contemplated in terms of paragraph 2.16.

2. SUMMARY OF THE PRINCIPAL TERMS

2.1 The Trust is styled and known as the "PSG Group Ltd Supplementary Share Incentive Trust". The Trust was constituted under the Original Trust Deed by the Company and the Trustees as the PSG Group Ltd Supplementary Share Incentive Trust. The Trust Deed serves to amend and replace the Original Trust Deed in its entirety.

2.2 The main objective and purpose of the Share Scheme is the incentivisation and retention of Employees and to this extent the Scheme as contemplated in the Trust Deed will not be used for trading purposes. The Trust Deed facilitates and governs the implementation of the Share Scheme. Employees, as beneficiaries of the Share Scheme, shall be provided with an incentive to advance the interests and growth of the Group Companies and ultimately the Company by awarding to them in terms of the Share Scheme the opportunity to acquire and obtain the benefit of Shares in the Company.

2.3 It is recorded that Chris Adriaan Otto and Patrick Ernest Burton are the Trustees of the Trust. The number of Trustees shall at all times not be less than two nor more than five. A Trustee may not be or become a Beneficiary under the Trust while acting as a Trustee.

2.4 Executive Directors of the Company may not be appointed as Trustees of the Trust. Non-executive Directors, subject to any restriction contained in the Companies Act of South Africa, may be appointed as Trustees, provided they do not benefit from the Scheme.

2.5 The Trustees, in addition to any other duty imposed by the Trust Deed or by any law having jurisdiction over the Deed and the Share Scheme, shall award Options to Employees as directed by the Board.

2.6 The maximum aggregate number of Shares that may be utilised for the purpose of the Share Scheme, shall not exceed (i) 17 287 099 Shares, representing, as at the Signature Date, approximately 7,95% of the total Shares in issue, net of treasury shares; or (ii) such other number of Shares, as may be permitted in terms of the JSE Listings Requirements from time to time, as approved by the Board and, to the extent that such approval is required under the JSE Listings Requirements or other law, by Shareholders.

2.7 The maximum number of Shares that may be acquired by any one Beneficiary in terms of the Share Scheme, shall not exceed (i) 3 457 420 Shares, representing, as at the Signature Date, approximately 1,59% of the total Shares in issue, net of treasury shares; or (ii) such other number of Shares, as may be permitted in terms of the JSE Listings Requirements from time to time, as approved by the Board and, to the extent that such approval is required under the JSE Listings Requirements or other law, by Shareholders.

2.8 The limits contained in paragraphs 2.6 and 2.7 are subject to any adjustment in terms of paragraph 2.39 below. Save as expressly indicated otherwise in the Trust Deed, Scheme Shares shall in all respects rank *pari passu* with ordinary issued Shares, including as to voting, dividend, transfer and other rights and as to rights arising on liquidation of the Company.

Note: The limits contained in paragraphs 2.6 and 2.7 are identical to those limits contained in the Original Trust Deed that was approved by Shareholders on 19 June 2009, and have not changed.

Awarding of Options

2.9 The Board may, from time to time, determine and set (i) the Performance Measures which will apply to the awarding and/or vesting of Options awarded on or after 28 February 2018; and (ii) the Minimum Shareholding for Executive Directors which will apply to the awarding and vesting of Options to executive Directors, where such Options are awarded on or after 28 February 2018.

2.10 The Board may from time to time instruct and authorise the Trustees in writing to award Options to such Employees selected by it to participate in the Scheme ("the Resolution"). The Resolution shall specify the name of the Employee, the number of Options, the Option Date, the Strike Price, the Performance Measures and/or Minimum Shareholding for Executive Directors which will apply to the awarding and/or vesting of such Options (if applicable) and any other relevant terms and conditions as may be determined by the Board. Each such Option shall be offered for purchase at the Strike Price. The Trustees shall as soon as practicable award the Options to the Employee named in the Resolution on the terms set out in the Resolution.

2.11 The Board shall determine Employees selected to participate in the Scheme and the number of Options awarded to such Employees based on the main objective and purpose of the Trust and having regard to incentivising Employees based on recommendations (which will be made at least annually) by management and directors of the Company and/or any other Group Companies, to the extent applicable.

2.12 The Board may, in future, resolve that the award and/or exercise of Options occur in terms of a mechanism other than as specified in the Trust Deed, which could involve share appreciation rights, nil paid share options or another appropriate mechanism, provided that, to the extent that such change would necessitate an amendment to the Deed requiring Shareholder approval in terms of the JSE Listings Requirements, such amendment shall not be effected without the approval of Shareholders being obtained.

2.13 An Option –

2.13.1 shall be awarded on the basis that if the Option is exercised the purchase price payable by the Beneficiary concerned will be the Strike Price;

2.13.2 may be subject to the fulfilment and meeting of certain Performance Measures, as set out in the Resolution and written award referred to in paragraph 2.10, if applicable;

2.13.3 may, in respect of executive Directors, be subject to the retaining of a Minimum Shareholding for Executive Directors, as set out in the Resolution and written award referred to in paragraph 2.10, if applicable;

2.13.4 shall, save to any extent permitted in terms of the Trust Deed, be personal to and only capable of being accepted by the Employee to whom it is granted;

2.13.5 shall be exercised within the relevant period specified in terms of the Deed;

2.13.6 shall be exercised in writing and duly signed by the Beneficiary concerned or, if after his death it is capable of being exercised by the executors of his estate, by such executors;

2.13.7 shall, as to the number thereof awarded from time to time to any Participant, be determined by the Board, in its sole discretion;

2.13.8 may be awarded from time to time during the existence of the Scheme, subject always to paragraphs 2.6 and 2.7;

2.13.9 may, in the event of the settlement under paragraph 2.13.10.1, at the election of the Beneficiary, be settled on a net equity basis as set out in paragraphs 2.29 to 2.32;

2.13.10 shall, pursuant to the exercise of an Option, in the sole discretion of the Board, be settled upon a Beneficiary –

2.13.10.1 by way of the delivery of Shares, subject to paragraphs 2.14 and 2.29; or

2.13.10.2 on a net equity basis in accordance with paragraphs 2.29 to 2.32 by the Company making a cash payment to the Beneficiary, in lieu of Shares,

it being recorded that, for purposes of International Financial Reporting Standard 2, irrespective of the manner in which the Options are settled, the foregoing shall be an equity-settled share-based payment transaction; and

2.13.11 save as provided for in paragraphs 2.29 to 2.32, shall be awarded on the basis that the number of Scheme Shares to be delivered to a Beneficiary, and the discharge of the Strike Price in respect of such Shares, shall be on a delivery versus payment method in accordance with the provisions of the Trust Deed.

2.14 Ownership or any other vested rights in and to the Scheme Shares shall only pass to the Beneficiary on delivery and against payment in full of the Strike Price and the Beneficiary Taxation and fulfilment of any other obligations of the Beneficiary in terms of the Deed.

2.15 An Option shall immediately lapse –

2.15.1 to the extent that it is not exercised within the Exercise Period of such Option;

2.15.2 in relation to Options awarded on or after 28 February 2018, but subject to paragraphs 2.33 and 2.34, –

2.15.2.1 to the extent that the Performance Measures applicable to such Option (if any), have not been fulfilled, met or achieved, unless the Board resolves otherwise in its sole discretion;

2.15.2.2 to the extent that any executive Director ceases to hold the Minimum Shareholding for Executive Directors applicable to such Option (if any), unless the Board resolves otherwise in its sole discretion;

2.15.3 in relation to Options awarded on or after 28 February 2018, in the event and to the extent that the Board determines, in its sole discretion, that the Beneficiary is guilty of poor performance as measured against any personal key performance indicators or targets as set for the Beneficiary by the Board or relevant senior management members of the Company or Group Company, from time to time;

2.15.4 prior to the exercise of the Option, if (i) the Beneficiary to whom such Option has been granted, is dismissed from employment by a Group Company on grounds of misconduct, poor performance, dishonesty or fraudulent conduct; or (ii) the Beneficiary to whom such Option has been granted, ceases to be employed by any Group Company for any reason whatsoever, save to any extent expressly otherwise contemplated in terms of paragraphs 2.33 to 2.38 below; or

2.15.5 upon the Beneficiary making application for the voluntary surrender of his estate or his estate becoming subject to any provisional or final order for its sequestration or upon any attachment of any interest of a Beneficiary under the Scheme unless the Board in its discretion passes a resolution to the contrary within 60 days of such voluntary surrender, sequestration or attachment.

Option exercise

2.16 Options forming part of any Employee Allocation shall only be capable of being exercised in terms hereof (during the Exercise Period) on the basis of –

2.16.1 25% thereof vesting as at the 2nd anniversary of the Option Date ("First Vesting Date");

2.16.2 25% thereof vesting as at the 3rd anniversary of the Option Date ("Second Vesting Date");

2.16.3 25% thereof vesting as at the 4th anniversary of the Option Date ("Third Vesting Date"); and

2.16.4 25% thereof vesting as at the 5th anniversary of the Option Date ("Fourth Vesting Date").

2.17 An Option must be exercised during the applicable Exercise Period of such Option (the date on which the Participant exercises such Option being the "Option Exercise Date") and such exercise, and the Scheme Shares acquired pursuant to such exercise, shall be governed by the applicable provisions of the Trust Deed. The Exercise Period for Options falling due at the First Vesting Date, the Second Vesting Date, the Third Vesting Date and the Fourth Vesting Date (as the case may be) shall be within 180 days of each of such First Vesting Date, Second Vesting Date, Third Vesting Date and Fourth Vesting Date (as the case may be).

2.18 The Board, in its discretion, may instruct the Trustees to reach more favourable alternative arrangements with Participants or the relevant executor or legal representative in regard to the date or time limits of the lapsing of an Option or the exercising of an Option or the date of payment of the Strike Price or the manner for effecting payment thereof, provided that any such extension of dates or time limits shall not exceed one year.

2.19 Failure by a Beneficiary to exercise an Option timeously in accordance with the provisions above shall result in the lapsing of such Option.

2.20 Failure by a Beneficiary to comply faithfully and timeously with all his obligations in terms of the Trust Deed shall result in the immediate lapsing of his Options unless the Board instructs the Trustees to the contrary.

Delivery, forfeiture

2.21 Upon an Option Exercise Date, the number of Scheme Shares to which a Beneficiary is entitled to be allotted and issued, against payment of the Strike Price, shall be determined by the number of Options the Beneficiary elects to exercise on such Option Exercise Date.

2.22 No Beneficiary shall be entitled to payment of any dividend or any other rights attaching to any Scheme Shares until the date of registration of such Scheme Shares in the name of such Beneficiary, save to any extent expressly provided to the contrary in the Deed.

2.23 If the Beneficiary fails to comply timeously with his obligation to pay the Strike Price and the Beneficiary Taxation in respect of any Option exercised, then, unless the Board otherwise directs, such Beneficiary shall (without prejudice to any other rights of the Trust or the Company in law) forfeit forthwith any and all of his rights to the Option, which Option shall be deemed to have lapsed.

2.24 Pursuant to the exercise of an Option by a Beneficiary, upon the payment of the Strike Price and Beneficiary Taxation in full in accordance with such terms and conditions as may be imposed by the Trustees, the Trustees shall cause the Scheme Shares to be delivered to the Beneficiary and registered in the Beneficiary's (or such other party entitled thereto in terms of the Trust Deed) name. Where Scheme Shares that have been allocated to identified Participants are not subsequently issued to those Participants, whether as a result of forfeiture under paragraph 2.23 or for any other reason provided for under the Trust Deed, those Scheme Shares shall revert back to the Scheme.

<u>No new financial assistance</u>

2.25 It is recorded that, in respect of any Beneficiary (or the relevant executor or legal representative of a Beneficiary's deceased estate) ("Borrower") who has previously exercised all or part of his Options in such manner as is contemplated in terms of the Trust Deed, the Trustees ("Lender") were entitled, under the Original Trust Deed, to provide financial assistance to the Borrower for the purpose of assisting the Borrower in fulfilling the monetary obligations arising due to the exercise of all or part of his Options in terms of the Trust Deed and/or the Original Trust Deed, which obligations included, inter alia, the payment of the Strike Price in respect of such Options so exercised and any Beneficiary Taxation, net of a deposit paid by the Borrower, if applicable ("Existing Loans").

2.26 As from the Signature Date, however, the Trustees shall no longer be entitled to grant any financial assistance to a Beneficiary (or the relevant executor or legal representative of a Beneficiary's deceased estate) for the purpose of assisting such person in fulfilling the monetary obligations arising due to the exercise, following the Signature Date, of all or part of his Options in terms of the Trust Deed.

2.27 Notwithstanding the provisions of paragraph 2.26, the Existing Loans shall continue to remain in force and shall be subject, inter alia, to the following terms and conditions –

2.27.1 at the time such loan was advanced, the Borrower was required to provide the Lender with a deposit equal to at least 10% of the loan value in cash on the applicable Option Exercise Date;

2.27.2 the Borrower shall be required to pledge and cede in securitatem debiti such number of Shares as is equal to (or more than) 130% of the loan value, unless the Trustees on reasonable grounds decide otherwise, with the value of such security to be calculated with reference to the aggregate Market Price of the shares pledged and ceded, provided that the above-mentioned minimum security level of 130% for Existing Loans shall, with effect from 28 February 2019, increase to 250% and, with effect from 29 February 2020, increase to 300% ("Security"). Should the value of the Security as calculated by the Lender fall below aforementioned percentage for a period of at least five business days, the Lender shall be entitled forthwith to perfect all or part of the Security so as to reduce any outstanding balance in respect of the loan and in so doing restore the requisite percentage cover, to the extent adequate additional security Shares are not provided by the Borrower;

2.27.3 any outstanding balance in respect of the total amount borrowed by the Borrower from time to time shall attract interest at the South African Revenue Services fringe benefit rate, which shall accrue and be compounded annually in arrears;

2.27.4 the capital amount outstanding in respect of the loan, together with all interest accrued thereon, must be repaid in full within three years of such capital amount having been advanced to the Borrower by the Lender, save where the Borrower is an executive Director of the Company or executive of a Group Company, in which case, it must be paid in full within seven years of such capital amount having been advanced by the Lender to such Borrower;

2.27.5 subject to the provisions of paragraphs 2.29 to 2.32 and notwithstanding the above, if the Borrower ceases to be an Employee at any time while any amount (whether capital or interest) in respect of the loan is outstanding, the full amount of the loan plus all interest that accrued thereon shall become due and payable within seven days of written notice thereof by the Lender to the Borrower and interest at the prime rate of interest plus 3% shall thereafter be payable on any outstanding amount unless the Lender resolves otherwise. The Lender shall furthermore be entitled to forthwith perfect all or part of the Security so as to effect repayment of the full loan amount, including interest, that may be outstanding.

2.28 Notwithstanding the foregoing, the Board may instruct the Trustees to reach more favourable alternative arrangements with a Borrower, depending on the personal circumstances of such Borrower. Accordingly, the terms and conditions of any financial assistance as granted by the Lender, remain in the Lender's sole discretion.

<u>Net equity settlement</u>

2.29 Notwithstanding any of the other provisions of the Trust Deed, but subject to the Board's overriding discretion under paragraph 2.13.10, in the event that a Beneficiary wishes to exercise his Options in terms of the Trust Deed, but is unable to, or elects not to, pay the aggregate Strike Price due in respect of such Options being exercised and the Beneficiary Taxation due in relation to the exercise of such Options, the Beneficiary may elect (in writing, together with his written notice to the Company that he is exercising his Options) to have all (and not only a portion) of his Options so exercised, settled on a net equity basis as set out below.

2.30 Where a Beneficiary has, in accordance with the provisions of paragraph 2.29, elected to have his Options settled through the delivery of Shares on a net equity basis or should the Board, in its sole discretion, resolve, for purposes of paragraph 2.13.10, that a Beneficiary's Options be settled in cash on a net equity basis, the Company will settle –

2.30.1 the Beneficiary's After-Tax Gain (as defined in paragraph 2.31) through the issue or other transfer of fully paid Shares to the Beneficiary or by making a cash payment in lieu of Shares to the Beneficiary, as the case may be; and

2.30.2 the pay-as-you-earn liability due in respect of the Options being exercised in cash.

2.31 The "After-Tax Gain" of the Beneficiary will be determined as follows –

2.31.1 First, the "Taxable Gain" of the Beneficiary will be determined using the following formula –

Taxable Gain = Market Value less Strike Value

Where

Market Value = the number of Options exercised multiplied by the Market Price per Share on the Option Exercise Date

Strike Value = the number of Options exercised multiplied by the Strike Price per Share

2.31.2 Next, the "After-Tax Gain" will be determined using the following formula –

After-Tax Gain = Taxable Gain less Tax Payable

The "Tax Payable" will be calculated on the Taxable Gain based on the applicable income tax rate which applies to the Beneficiary as per the tax directive obtained.

2.32 The After-Tax Gain will then be settled by the Company, either by making a cash payment to the Beneficiary in lieu of Shares, or by the issue and allotment of such number of Shares by the Company, or by the transfer of such number of Shares by the Trust, within ten business days following the relevant Option Exercise Date, as determined using the formula set out below, as the case may be –

Number of Shares = After-Tax Gain divided by Market Price per Share on the Option Exercise Date

Rounded to the nearest full number, as no fractions of Shares will be issued.

<u>Termination of employment</u>

2.33 If a Beneficiary ceases to be an Employee by reason of death –

2.33.1 the executor or legal representative of the Beneficiary's estate shall be deemed to be a Beneficiary and the provisions of the Trust Deed will continue to apply *mutatis mutandis* save to any extent provided to the contrary in the Scheme;

2.33.2 any exercised Options of the Beneficiary shall be governed by the provisions of paragraph 2.33.1;

2.33.3 any Options which are capable of being exercised, as at the date of death of such Beneficiary or within a period of 12 months thereafter (referred to in this paragraph 2.33 as "Vesting Options"), shall be and remain capable of exercise, provided that such Vesting Options must be exercised in terms hereof within 12 months of the date of death of the Beneficiary failing which the Beneficiary (and his estate) shall be deemed to have immediately forfeited his rights (unless the Board determines to the contrary) in respect of any such Vesting Options;

2.33.4 the Board in its sole discretion may permit such Beneficiary to exercise any or all of his unexercised Options. If the Board determines that the Beneficiary may have the right to exercise any of such unexercised Options (referred to in this paragraph 2.33 as "Permissible Options"), then –

2.33.4.1 the provisions of the Scheme shall continue to apply *mutatis mutandis* to the Beneficiary in respect of such Permissible Options provided that the Board shall be entitled, in its discretion, to determine any additional terms and conditions that should apply to the Permissible Options;

2.33.4.2 the Beneficiary shall be deemed to have immediately forfeited his rights in respect of any unexercised Options of the Beneficiary not forming part of the Permissible Options.

2.34 If a Beneficiary ceases to be an Employee by reason of Retirement or retrenchment –

2.34.1 the provisions of the Trust Deed will continue to apply *mutatis mutandis* save to any extent provided to the contrary in the Scheme;

2.34.2 any exercised Options of the Beneficiary shall be governed by the provisions of paragraph 2.34.1;

2.34.3 any Options which are capable of being exercised, as at the date of Retirement or retrenchment of such Beneficiary or within a period of 12 months thereafter (referred to in this paragraph 2.34 as "Vesting Options"), shall be and remain capable of exercise, provided that such Vesting Options must be exercised in terms hereof within 12 months of the date of Retirement or retrenchment of the Beneficiary failing which the Beneficiary shall be deemed to have immediately forfeited his rights (unless the Board determines to the contrary) in respect of any such Vesting Options;

2.34.4 the Board in its sole discretion may permit such Beneficiary to exercise any or all of his unexercised Options. In the event of the Board determining that the Beneficiary may have the right to exercise any of such unexercised Options (referred to in this paragraph 2.34 as "Permissible Options") then –

2.34.4.1 the provisions of the Scheme shall continue to apply *mutatis mutandis* to the Beneficiary in respect of such Permissible Options provided that the Board shall be entitled, in its discretion, to determine any additional terms and conditions that should apply to the Permissible Options;

2.34.4.2 the Beneficiary shall be deemed to have immediately forfeited his rights in respect of any unexercised Options of the Beneficiary not forming part of the Permissible Options.

2.35 If a Beneficiary ceases to be an Employee by reason of the dismissal of such Employee on grounds of misconduct, poor performance or dishonest or fraudulent conduct (whether or not such cessation occurs as a result of notice given to or by him or otherwise or where he resigns to avoid dismissal on grounds of misconduct, poor performance or dishonest or fraudulent conduct), then, notwithstanding anything to the contrary in the Deed, such Beneficiary shall be deemed to have immediately forfeited his rights in respect of any unexercised Options.

2.36 If a Beneficiary ceases to be an Employee by reason of circumstances other than those set out in paragraphs 2.33 to 2.35 above (including as a result of resignation), then the provisions of paragraph 2.35 shall apply *mutatis mutandis* unless the Board, by written notice to the Trustees and the Beneficiary within 60 days of the date of termination of such employment, states that in its determination the circumstances surrounding the cessation of employment are such that the provisions of paragraph 2.35 should not apply *mutatis mutandis* in which event the Board in its sole discretion may permit such Beneficiary to exercise any or all of his unexercised Options (as determined by the Board) upon such terms and conditions as the Board may determine and otherwise in accordance with the provisions of the Share Scheme *mutatis mutandis*.

2.37 Save if expressly stated or provided in the Trust Deed to the contrary (including in paragraphs 2.33 to 2.36 above) or further save to the extent that the Board in its sole discretion otherwise resolves or determines, if any Beneficiary ceases to be an Employee of a Group Company for any reason whatsoever prior to the exercise of any Options, then in such event such Beneficiary shall be deemed to have immediately forfeited his rights to exercise any such unexercised Options (or any part thereof).

2.38 The Board may in its sole discretion instruct the Trustees to reach more favourable alternative arrangements with a Beneficiary in the case of cessation of employment.

Reorganisation of the Group

2.39 If the Company at any time before the exercise of any Options –

2.39.1 is put into liquidation for the purposes of reorganisation;

2.39.2 reduces its capital;

2.39.3 pays a special dividend;

2.39.4 splits, subdivides or consolidates its Shares;

2.39.5 is a party to a reorganisation;

2.39.6 undertakes a rights offer or capitalisation issue; or

2.39.7 otherwise changes its capital in any other manner not contemplated in terms of paragraphs 2.39.1 to 2.39.6 above,

the Board shall be entitled to instruct the Trustees to affect such adjustments to the Strike Price in respect of Scheme Shares for which an Option has been granted but not yet exercised and to the maximum number of shares set out in paragraph 2.6 and paragraph 2.7, as the Board shall consider fair and reasonable in the circumstances, subject thereto that such adjustment shall give a Participant an entitlement to the same proportion of the equity capital of the Company as that to which he was previously entitled. Any adjustment in terms of this paragraph shall be subject to the Auditors confirming to the JSE in writing that the adjustments are in accordance with the provisions of the Scheme. The Auditors shall act as experts and not as arbitrators and their decision shall be final and binding.

2.40 Any adjustments made pursuant to paragraph 2.39 above shall be reported on in the annual financial statements of the Company in the year during which the adjustments are made.

2.41 If the Company is placed in liquidation otherwise than in terms of paragraph 2.39, then any unexercised Options in the Company in liquidation shall *ipso facto* lapse from the date of liquidation.

2.42 If the Company is to become a subsidiary of any other company or majority owned by any other entity or person, whether as a result of a take-over, reconstruction, amalgamation, scheme of arrangement or otherwise (collectively, "Takeover"), then, save where this occurs as a result of a purely internal reorganisation, all Options awarded prior to that date and that have not already become exercisable, will immediately become exercisable, prior to implementation of such Takeover.

Amendments to the Trust Deed

2.43 Subject to –

2.43.1 the approval by Shareholders and/or the JSE, if, and to the extent that, such approval may be required in terms of any law and the JSE Listings Requirements (including schedule 14 of the JSE Listings Requirements); and

2.43.2 compliance with any applicable law and the JSE Listings Requirements (including the provisions contained in paragraph 14.1 of schedule 14 of the JSE Listings Requirements),

the Deed may be amended from time to time by written agreement between the Board and the Trustees. For the avoidance of doubt, to the extent that any such amendment relates specifically to matters listed in paragraph 14.1 of schedule 14 of the JSE Listings Requirements, such amendment shall require the approval by Shareholders of an ordinary resolution to this effect, which resolution shall be approved by not less than a 75% majority of the votes cast.

PSG GROUP LIMITED

(Incorporated in the Republic of South Africa)
(Registration number 1970/008484/06)
JSE share code: PSG ISIN code: ZAE000013017
("PSG Group" or "the Company")

FORM OF PROXY – FOR USE BY CERTIFICATED AND OWN-NAME DEMATERIALISED SHAREHOLDERS ONLY

For use at the annual general meeting of ordinary shareholders of the Company to be held at 11:00 at Spier Wine Estate, on Friday, 22 June 2018 ("the AGM").

I/We (full name in print) ______________________________

of (address) ______________________________

being the registered holder of ______________________________ ordinary shares hereby appoint:

1. ______________________________ or failing him/her,

2. ______________________________ or failing him/her,

3. the chairman of the AGM,

as my proxy to vote for me/us at the AGM for purposes of considering and, if deemed fit, passing, with or without modification, the ordinary resolutions and special resolutions to be proposed thereat and at each adjournment thereof and to vote for and/or against the resolutions and/or abstain from voting in respect of the shares registered in my/our name(s) in accordance with the following instructions (see notes):

		Number of shares		
		In favour of	Against	Abstain
1.1	Ordinary resolution number 1: To re-elect Ms B Mathews as director			
1.2	Ordinary resolution number 2: To re-elect Mr JJ Mouton as director			
1.3	Ordinary resolution number 3: To re-elect Mr CA Otto as director			
2.1	Ordinary resolution number 4: To re-appoint Mr PE Burton as a member of the audit and risk committee			
2.2	Ordinary resolution number 5: To re-appoint Ms B Mathews as a member of the audit and risk committee			
2.3	Ordinary resolution number 6: To re-appoint Mr CA Otto as a member of the audit and risk committee			
3.	Ordinary resolution number 7: To re-appoint PricewaterhouseCoopers Inc. as the auditor			
4.	Ordinary resolution number 8: Non-binding endorsement of PSG Group's remuneration policy			
5.	Ordinary resolution number 9: Non-binding endorsement of PSG Group's implementation report on the remuneration policy			
6.	Ordinary resolution number 10: Amendment of the PSG Group Ltd Supplementary Share Incentive Trust			
7.	Ordinary resolution number 11: General authority to issue ordinary shares for cash			
8.	Special resolution number 1: Remuneration of non-executive directors			
9.1	Special resolution number 2: Intercompany financial assistance			
9.2	Special resolution number 3: Financial assistance for acquisition of shares in a related or inter-related company			
10.	Special resolution number 4: Share buy-back by PSG Group and its subsidiaries			

Please indicate your voting instruction by way of inserting the number of shares or by a cross in the space provided should you wish to vote all of your shares.

Signed at ______________________ on this ______________ day of ________________ 2018.

Signature(s) ______________________________

Assisted by (where applicable) (state capacity and full name) ______________________________

Each PSG Group shareholder is entitled to appoint one or more proxy(ies) (who need not be a shareholder(s) of the Company) to attend, speak and vote in his/her stead at the AGM.

Notes

1. A PSG Group shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space(s) provided, with or without deleting "the chairman of the AGM". The person whose name appears first on the form of proxy and who is present at the AGM will be entitled to act as proxy to the exclusion of those whose names follow.
2. A PSG Group shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of shares to be voted on behalf of that shareholder in the appropriate box provided or by the insertion of a cross if all shares should be voted on behalf of that shareholder. Failure to comply with the above will be deemed to authorise the chairman of the AGM, if he/she is the authorised proxy, to vote in favour of the resolutions at the AGM, or any other proxy to vote or to abstain from voting at the AGM as he/she deems fit, in respect of all the shares concerned. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholder or his/her proxy, but the total of the votes cast and in respect whereof abstentions are recorded may not exceed the total of the votes exercisable by the shareholder or his/her proxy.
3. When there are joint registered holders of any shares, any one of such persons may vote at the AGM in respect of such shares as if he/she was solely entitled thereto, but, if more than one of such joint holders be present or represented at any AGM, that one of the said persons whose name stands first in the register in respect of such shares or his/her proxy, as the case may be, shall alone be entitled to vote in respect thereof. Several executors or administrators of a deceased shareholder, in whose name any shares stand, shall be deemed joint holders thereof.
4. Forms of proxy must be completed and returned to be received by the transfer secretary of the Company, Computershare Investor Services (Pty) Ltd (PO Box 61051, Marshalltown, 2107), by not later than 11:00 on Wednesday, 20 June 2018, provided that any form of proxy not delivered to the transfer secretary by this time may be handed to the chairman of the AGM at any time prior to the commencement of the AGM.
5. Any alteration or correction made to this form of proxy must be initialled by the signatory(ies).
6. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the Company's transfer secretary or waived by the chairman of the AGM.
7. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the AGM and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so.

Summary standalone financial statements

These summary standalone financial statements comprise a summary of the audited standalone annual financial statements of PSG Financial Services Ltd for the year ended 28 February 2018.

The standalone annual financial statements, including these summary standalone financial statements, were compiled under the supervision of the group chief financial officer, Mr WL Greeff, CA(SA), and were audited by PSG Financial Services Ltd's external auditor, PricewaterhouseCoopers Inc.

The standalone annual financial statements, including the unmodified audit opinion, are 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 Financial Services Ltd during office hours.

APPROVAL OF ANNUAL FINANCIAL STATEMENTS

for the year ended 28 February 2018

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. 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 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 International Financial Reporting Standards ("IFRS"); the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee; the Financial Reporting Pronouncements, as issued by the Financial Reporting Standards Council; the manner required by the Companies Act of South Africa; and the JSE Ltd Listings Requirements, and incorporate full and reasonable disclosure. Appropriate and recognised accounting policies are consistently applied.

These summary standalone financial statements were derived from the standalone annual financial statements and do not contain all the disclosures required by IFRS and the requirements of the Companies Act of South Africa. Reading these summary standalone financial statements, therefore, is not a substitute for reading the standalone annual financial statements of PSG Financial Services Ltd.

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 Ltd. The audit and risk committee of PSG Group Ltd 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 Ltd, 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 Ltd 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, including the summary standalone financial statements set out on pages 125 to 134, were approved by the board of directors of PSG Financial Services Ltd and are signed on its behalf by:

PJ Mouton
Chief executive officer

WL Greeff
Chief financial officer

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
Company secretary

17 May 2018
Stellenbosch

DIRECTORS' REPORT

for the year ended 28 February 2018

Nature of business

PSG Financial Services 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, fund 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 are set out in the attached summary income statement and summary statements of financial position, comprehensive income, changes in equity and notes thereto. The company's profit for the year amounted to R1 233m (2017: R744m).

Stated capital

No changes took place in the company's issued share capital during the current or prior year.

Dividends

Ordinary

Dividends declared and paid during the current and prior year are set out in the summary 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	2018	2017
31 August	**438,7**	440,1
28 February	**423,6**	433,9
Total	**862,3**	874,0

Directors

The directors of the company are exactly the same as PSG Group Ltd's (which appear on page 19 of this annual report).

Holding company

The company is a wholly-owned subsidiary of PSG Group Ltd, except for the 17 415 770 (2017: 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.

Secretary

The secretary of the company is PSG Corporate Services (Pty) Ltd. The business and postal addresses are set out on the inside back cover of this annual report.

INDEPENDENT AUDITOR'S REPORT ON THE SUMMARY STANDALONE FINANCIAL STATEMENTS

to the shareholders of PSG Financial Services Ltd

Opinion

The summary standalone financial statements of PSG Financial Services Ltd, set out on pages 127 to 133 of this annual report, which comprise the summary standalone statement of financial position as at 28 February 2018, the summary standalone income statement and the summary standalone statements of comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited standalone financial statements of PSG Financial Services Ltd for the year ended 28 February 2018.

In our opinion, the accompanying summary standalone financial statements are consistent, in all material respects, with the audited standalone financial statements, in accordance with the JSE Ltd's ("JSE") requirements for summary financial statements, as set out in note 1 to the summary standalone financial statements, and the requirements of the Companies Act of South Africa, as applicable to summary financial statements.

Summary standalone financial statements

The summary standalone financial statements do not contain all the disclosures required by International Financial Reporting Standards and the requirements of the Companies Act of South Africa, as applicable to annual standalone financial statements. Reading the summary standalone financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited standalone financial statements and the auditor's report thereon.

The audited standalone financial statements and our report thereon

We expressed an unmodified audit opinion on the audited standalone financial statements in our report dated 17 May 2018. That report also includes communication of key audit matters. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the standalone financial statements for the year.

Director's responsibility for the summary standalone financial statements

The directors are responsible for the preparation of the summary standalone financial statements in accordance with the JSE's requirements for summary financial statements, set out in note 1 to the summary standalone financial statements, and the requirements of the Companies Act of South Africa, as applicable to summary financial statements.

Auditor's responsibility

Our responsibility is to express an opinion on whether the summary standalone financial statements are consistent, in all material respects, with the audited standalone financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing 810 (Revised) *Engagements to Report on Summary Financial Statements*.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: D de Jager
Registered Auditor

17 May 2018
Stellenbosch

SUMMARY STANDALONE STATEMENT OF FINANCIAL POSITION

as at 28 February 2018

	Notes	2018 Rm	2017 Rm
Assets			
Investment in subsidiaries	2	**8 251**	6 887
Investment in associates	3	**3 219**	3 219
Equity securities	4	**3 025**	3 497
Deferred income tax		**10**	6
Loans and advances	5	**1 402**	1 222
Derivative financial instruments		**36**	20
Receivables		**35**	20
Total assets		**15 978**	14 871
Equity			
Stated capital			
Ordinary shares		**1 827**	1 827
Preference shares		**1 506**	1 506
Other reserves		**2 264**	2 630
Retained earnings		**2 183**	2 100
Total equity		**7 780**	8 063
Liabilities			
Borrowings	6	**7 424**	5 947
Derivative financial instruments		**36**	20
Deferred income tax		**664**	765
Trade and other payables		**74**	76
Total liabilities		**8 198**	6 808
Total equity and liabilities		**15 978**	14 871

SUMMARY STANDALONE INCOME STATEMENT

for the year ended 28 February 2018

	Notes	2018 Rm	2017 Rm
Income			
Investment income	7	**891**	754
Gain on disposal of subsidiary	2	**369**	
Expenses			
Marketing, administration and other expenses *		**(1)**	
Impairment of investment in wholly-owned subsidiary		**(15)**	
Profit before finance costs and taxation		**1 244**	754
Finance costs		**(11)**	(10)
Profit before taxation		**1 233**	744
Taxation	8		
Profit for the year		**1 233**	744

* *Prior year marketing, administration and other expenses were less than R1m.*

SUMMARY STANDALONE STATEMENT OF COMPREHENSIVE INCOME

for the year ended 28 February 2018

	Notes	2018 Rm	2017 Rm
Profit for the year		**1 233**	744
Other comprehensive income			
Fair value (losses)/gains on equity securities		**(472)**	1 081
Taxation on fair value losses/(gains)	8	**106**	(242)
Total comprehensive income for the year		**867**	1 583

SUMMARY STANDALONE STATEMENT OF CHANGES IN EQUITY

for the year ended 28 February 2018

	Stated capital				
	Ordinary shares Rm	**Preference shares Rm**	**Other reserves Rm**	**Retained earnings Rm**	**Total Rm**
Balance at 1 March 2016	1 827	1 506	1 791	2 308	7 432
Profit for the year				744	744
Other comprehensive income					
Fair value gains on equity securities			839		839
Transactions with owners	–	–	–	(952)	(952)
Dividend – ordinary shares				(800)	(800)
Dividend – preference shares				(152)	(152)
Balance at 28 February 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**

NOTES TO THE SUMMARY STANDALONE FINANCIAL STATEMENTS

for the year ended 28 February 2018

1. Basis of presentation and accounting policies

These summary standalone financial statements, which should be read in conjunction with PSG Group Ltd's ("PSG Group") consolidated annual financial statements, have been derived from the standalone annual financial statements of PSG Financial Services Ltd ("PSG Financial Services"), which have been prepared in accordance with International Financial Reporting Standards ("IFRS"); the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee; the Financial Reporting Pronouncements, as issued by the Financial Reporting Standards Council; the manner required by the Companies Act of South Africa and the JSE Ltd ("JSE") Listings Requirements. PSG Financial Services has only presented summary standalone financial statements in this annual report, 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, a summary version of which have been presented on pages 71 to 99.

The principal accounting policies applied in the preparation of these summary standalone financial statements are similar to those of PSG Group, as set out in note 1 to PSG Group's summary consolidated financial statements. These policies have been consistently applied to all the years presented.

2. Investment in subsidiaries

Company	Interest held directly 2018 %	Interest held directly 2017 %	Carrying value 2018 Rm	Carrying value 2017 Rm
Curro Holdings Ltd [1]	**55,4**	56,1	**2 173**	2 546
Dipeo Capital (RF) (Pty) Ltd	**49,0**	49,0		
Ou Kollege Beleggings Ltd	**100,0**	100,0	**48**	48
PSG Africa Holdings (Pty) Ltd [2]		98,0		317
PSG Capital (Pty) Ltd	**100,0**	100,0	**4**	4
PSG Corporate Services (Pty) Ltd	**100,0**	100,0	**52**	52
PSG Konsult Ltd [3]	**61,5**	61,7	**651**	651
PSG Alpha Investments (Pty) Ltd [4]	**98,0**	100,0	**2 410**	490
Zeder Investments Ltd [5]	**43,8**	42,1	**2 913**	2 779
			8 251	6 887

[1] *During the year, Curro Holdings Ltd unbundled its higher 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 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. The company's interest in Curro Holdings Ltd diluted during the year as a result of shares being issued for cash and in terms of its share incentive scheme.*

[2] *During the year, the company disposed of its investment in PSG Africa Holdings (Pty) Ltd to PSG Alpha Investments (Pty) Ltd in terms of an asset-for-share transaction at its sum-of-the-parts value.*

[3] *The company's interest in PSG Konsult Ltd diluted during the year as a result of shares being issued and in terms of its share incentive scheme.*

[4] *The company's carrying value of PSG Alpha Investments (Pty) Ltd increased as result of the asset-for-share transactions detailed in notes 1 and 2 above, as well as further cash investments in same. The company's interest in PSG Alpha Investments (Pty) Ltd decreased following an amalgamation transaction.*

[5] *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 (being a wholly-owned subsidiary of the company) provides strategic inputs to a subsidiary of Zeder Investments Ltd. During the year, the company's interest in Zeder Investments Ltd increased following further share purchases by the company of R134m and share buy-backs concluded by Zeder Investments Ltd. PSG Financial Services' economic interest in Zeder Investments Ltd is 43,8% (2017: 42,1%), while its voting interest is 43,7% (2017: 42,1%).*

Only significant subsidiaries are disclosed above, with all being incorporated in the Republic of South Africa. Details of the nature of activities of significant subsidiaries are disclosed in the front section of this annual report. Further details of subsidiaries are available at the registered offices of the relevant group companies.

3. Investment in associates

Company	Interest held directly 2018 %	Interest held directly 2017 %	Carrying value 2018 Rm	Carrying value 2017 Rm
Capitec Bank Holdings Ltd	**30,7**	30,7	**3 219**	3 219

Details of Capitec Bank Holdings Ltd's operations are disclosed in the front section of this annual report.

4. Equity securities

Equity securities consist mainly of 13 908 770 (2017: 13 908 770) ordinary shares in PSG Group Ltd, the company's JSE-listed holding company, and are classified as available for sale.

	2018 Rm	2017 Rm
5. Loans and advances		
Unsecured loans to wholly-owned subsidiaries [1]	**57**	119
Preference share investments		
Subsidiary – Dipeo Capital (RF) (Pty) Ltd [2]	**1 279**	994
Other [3]	**66**	109
	1 402	1 222
Current	**57**	161
Non-current	**1 345**	1 061

1 *These loans are interest free with no fixed terms of repayment.*

2 *These preference shares are unsecured, carry a dividend rate of prime plus 2% and are redeemable during March 2019.*

3 *Preference shares with a carrying value of R66m (2017: R66m) are secured, carry a fixed dividend rate of 8,44% and are redeemable during May 2020. The counterparty to same is related to Mr FJ Gouws, a director of the company. The remaining preference share balance at the prior reporting date was unsecured, carried a dividend rate of prime less 1% and was redeemed during the year.*

	2018 Rm	2017 Rm
6. Borrowings		
Current		
Unsecured loan from holding company	**3 779**	2 779
Unsecured loans from wholly-owned subsidiaries	**3 645**	3 168
	7 424	5 947

These loans are all interest free with no fixed terms of repayment.

	2018 Rm	2017 Rm
7. Investment income		
Interest income – loans and advances	**13**	11
Dividend income		
Preference share dividend income	**145**	126
Equity securities classified as available for sale	**54**	45
Dividends from subsidiaries	**209**	171
Dividends from associates	**470**	401
	891	754

8. 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 credit of R106m (2017: charge of R242m).

9. 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 investing and financing activities have been summarised below:

	2018 Rm	2017 Rm
Investing activities		
Additional investment in subsidiaries	**(1 363)**	(2 146)
Preference share investments (made)/redeemed	**(97)**	8
Decrease/(increase) in loans to wholly-owned subsidiaries	**62**	(8)
	(1 398)	(2 146)
Financing activities		
Increase in borrowings	**1 477**	2 463
Dividend paid to ordinary shareholder	**(1 000)**	(800)
Dividend paid to preference shareholders	**(152)**	(147)
	325	1 516

10. Preference share analysis

Range of shareholding	Shareholders Number	Shareholders %	Shares held Number	Shares held %
1 – 2 000	**1 559**	**61,8**	**1 301 194**	**7,5**
2 001 – 5 000	**502**	**19,9**	**1 665 044**	**9,6**
5 001 – 10 000	**220**	**8,7**	**1 644 919**	**9,4**
10 001 – 100 000	**223**	**8,8**	**5 923 446**	**34,0**
100 001 – 500 000	**18**	**0,7**	**4 388 349**	**25,2**
Over 500 001	**3**	**0,1**	**2 492 818**	**14,3**
Public shareholding	**2 525**	**100,0**	**17 415 770**	**100,0**

Apart from the Allan Gray Stable Fund holding 1 210 863 (7,0%) of the company's issued preference shares, no other individual shareholder or fund held 5% or more of the issued preference shares as at 28 February 2018, nor were any shares held by non-public shareholders.

Notice is hereby given of the general meeting of preference shareholders of PSG Financial Services Ltd ("PSG Financial Services" or "the Company") to be held in the boardroom, first floor, Ou Kollege building, 35 Kerk Street, Stellenbosch, on Thursday, 21 June 2018, at 09:00 ("the General Meeting").

Purpose

The purpose of the General Meeting is to transact the business set out in the agenda below.

Agenda

- To consider and, if deemed fit, approve, with or without modification, the following ordinary resolutions:

  Note:
  For the ordinary resolutions to be adopted, at least 75% of the voting rights exercised on each such ordinary resolution must be exercised in favour thereof, as required in terms of the memorandum of incorporation of the Company and by the Listings Requirements of the JSE Ltd ("JSE").

1. **Ordinary resolution number 1: Unissued cumulative, non-redeemable, non-participating preference shares placed under the control of the directors**
   "Resolved that the unissued, cumulative, non-redeemable, non-participating preference shares in the Company ("the preference shares") be and are hereby placed under the control of the directors, until the next annual general meeting of the ordinary shareholder of the Company or General Meeting of preference shareholders of the Company, whichever is latest, and that the directors be and are hereby authorised to issue any such preference shares as they may deem fit provided that any preference shares issued pursuant to this authority shall rank *pari passu* with the existing issued preference shares, and such authority shall be limited to issuing such number of preference shares which, when taken together, do not exceed a cumulative clean subscription price of R300 million (i.e. the cumulative subscription payable for the preference shares less accrued dividends on such preference shares), subject to the Companies Act of South Africa ("the Companies Act"), the memorandum of incorporation of the Company, and the provisions of the Listings Requirements of the JSE ("Listings Requirements"), save that the aforementioned R300 million limitation shall not apply to any preference shares issued in terms of a rights offer."

   The reason for ordinary resolution number 1 is that the board requires authority from the preference shareholders in terms of its memorandum of incorporation and in terms of the JSE Listings Requirements to issue further listed preference shares from its existing unissued preference share capital. This general authority, once granted, allows the board from time to time, when it is appropriate to do so, to issue listed preference shares as may be required, inter alia, in terms of capital raising exercises and to maintain a healthy capital adequacy ratio. This general authority is subject to the restriction that it is limited to issuing such number of preference shares which, when taken together, do not exceed a cumulative clean subscription price of R300 million, that preference shares issued in terms thereof shall rank *pari passu* in all respects with the listed preference shares already in issue and that it shall be valid until the next annual general meeting of the ordinary shareholder of the Company or General Meeting of the preference shareholders of the Company, whichever is the latest.

2. **Ordinary resolution number 2: General authority to issue preference shares for cash**

   "Resolved that, to the extent required by the JSE Listings Requirements, if applicable, the directors of the Company be and are hereby authorised, by way of a general authority, to allot and issue any of the preference shares in the Company, placed under their control, for cash as they in their discretion may deem fit, without restriction, subject to the provisions of the Company's memorandum of incorporation, the Companies Act and the JSE Listings Requirements, to the extent applicable, including that:

   - the approval shall be valid until the date of the next annual general meeting of the ordinary shareholder of the Company or General Meeting of preference shareholders of the Company, whichever is the latest, provided it shall not extend beyond 15 months from the date of this resolution;
   - the general issues of shares for cash, in the aggregate, under this authority, may not exceed 15% of the Company's issued share capital (number of securities) of that class as at the date of this notice of General Meeting, it being recorded that preference shares issued pursuant to a rights offer to preference shareholders shall not diminish the number of preference shares that comprise the 15% of the preference shares that can be issued in terms of this ordinary resolution. As at the date of this notice of General Meeting, 15% of the issued listed preference shares of the Company amounts to 2 612 365 preference shares;
   - in determining the price at which an issue of preference shares will be made in terms of this authority, the maximum discount permitted will be 10% of the weighted average traded price of such shares, as determined over the 30 business days prior to the date that the price of the issue is agreed between the issuer and the party subscribing for the securities. The JSE will be consulted for a ruling if the securities have not traded in such 30-business-day period;
   - any such issue will only be made to public shareholders as defined in paragraphs 4.25 to 4.27 of the Listings Requirements and not to related parties;
   - any such issue will only be comprised of securities of a class already in issue or, if this is not the case, will be limited to such securities or rights that are convertible into a class already in issue; and
   - in the event that the securities issued represent, on a cumulative basis, 5% or more of the number of securities in issue prior to that issue, an announcement containing the full details of such issue shall be published on the Stock Exchange News Service,

   and it being resolved, for the avoidance of doubt, that the Company shall not be required to comply with the provisions of the authority contained in this resolution should same not be required by the JSE Listings Requirements."

   For listed entities wishing to issue listed ordinary shares for cash, it is necessary for the board of the company to obtain the prior authority of ordinary shareholders in accordance with the Listings Requirements. It is not clear whether the JSE will apply this requirement to the issue of listed preference shares for cash. The reason for this resolution is that, in the interests of prudence and good corporate governance, the Company is obtaining, to the extent required, the approval of its preference shareholders for general issues of preference shares for cash in the event that such authority is deemed to be a requirement in terms of the Listings Requirements. Should it transpire that such authority is not required, the Company will naturally not be bound to adhere to the terms of the authority granted in terms of this resolution.

Voting

1. The date on which preference shareholders ("preference shareholders" or "shareholders") must be recorded as such in the preference share register maintained by the transfer secretary of the Company ("the Share Register") for purposes of being entitled to receive this notice is Friday, 11 May 2018.
2. The date on which shareholders must be recorded in the Share Register for purposes of being entitled to attend and vote at this meeting is Friday, 15 June 2018, with the last day to trade being Tuesday, 12 June 2018.
3. Meeting participants will be required to provide proof of identification to the reasonable satisfaction of the chairman of the General Meeting and must accordingly bring a copy of their identity document, passport or driver's licence to the General Meeting. If in doubt as to whether any document will be regarded as satisfactory proof of identification, meeting participants should contact the transfer secretary for guidance.
4. Shareholders entitled to attend and vote at the General Meeting may appoint one or more proxies to attend, speak and vote thereat in their stead. A proxy need not be a shareholder of the Company. A form of proxy, which sets out the relevant instructions for its completion, is enclosed for use by a certificated shareholder or own-name registered dematerialised shareholder who wishes to be represented at the General Meeting. Completion of a form of proxy will not preclude such shareholder from attending and voting (in preference to that shareholder's proxy) at the General Meeting.
5. The instrument appointing a proxy and the authority (if any) under which it is signed must reach the transfer secretary of the Company at the postal address provided on the inside back cover of this annual report by not later than 09:00 on Tuesday, 19 June 2018, provided that any form of proxy not delivered to the transfer secretary by this time may be handed to the chairman of the General Meeting at any time prior to the commencement of the General Meeting.
6. Dematerialised shareholders, other than own-name registered dematerialised shareholders, who wish to attend the General Meeting in person will need to request their central securities depository participant ("CSDP") or broker to provide them with the necessary authority (i.e. letter of representation) in terms of the custody agreement entered into between such shareholders and the CSDP or broker.
7. Dematerialised shareholders, other than own-name registered dematerialised shareholders, who are unable to attend the General Meeting and who wish to be represented thereat, must provide their CSDP or broker with their voting instructions in terms of the custody agreement entered into between themselves and the CSDP or broker in the manner and time stipulated therein.

Shareholders present in person, by proxy or by authorised representative shall, on a show of hands, have one vote each and, on a poll, will have one vote in respect of each share held.

By order of the board

PSG Corporate Services (Pty) Ltd
Per A Rossouw
Company secretary

17 May 2018
Stellenbosch

PSG Financial Services Limited

(Incorporated in the Republic of South Africa)
(Registration number 1919/000478/06)
(a wholly-owned subsidiary of PSG Group Ltd)
JSE share code: PGFP ISIN code: ZAE000096079
("PSG Financial Services" or "the Company")

FORM OF PROXY – FOR USE BY CERTIFICATED AND OWN-NAME DEMATERIALISED SHAREHOLDERS ONLY

For use at the General Meeting of preference shareholders of the Company to be held on Thursday, 21 June 2018, at 09:00 in the boardroom, first floor Ou Kollege building, 35 Kerk Street, Stellenbosch ("the General Meeting").

I/We (full name in print) ____

of (address) ____

being the registered holder of ______________________ preference shares hereby appoint:

1. ____ or failing him/her,

2. ____ or failing him/her,

3. the chairman of the General Meeting,

as my proxy to vote for me/us at the General Meeting for purposes of considering and, if deemed fit, passing, with or without modification, the ordinary resolutions to be proposed thereat and at each adjournment thereof and to vote for and/or against the resolutions and/or abstain from voting in respect of the preference shares registered in my/our name(s) in accordance with the following instructions (see notes):

		Number of preference shares		
		In favour of	Against	Abstain
1.	Ordinary resolution number 1: Unissued preference shares placed under the control of the directors			
2.	Ordinary resolution number 2: General authority to issue preference shares for cash			

Please indicate your voting instruction by way of inserting the number of preference shares or by a cross in the space provided should you wish to vote all of your shares.

Signed at ______________________ on this __________ day of ____________ 2018.

Signature(s) ____

Assisted by *(where applicable) (state capacity and full name)* ______________________

Each PSG Financial Services preference shareholder is entitled to appoint one or more proxy(ies) (who need not be a preference shareholder(s) of the Company) to attend, speak and vote in his/her stead at the General Meeting.

Notes

1. A PSG Financial Services preference shareholder ("Shareholder" or "PSG Financial Services Shareholder") may insert the name of a proxy or the names of two alternative proxies of the Shareholder's choice in the space(s) provided, with or without deleting "the chairman of the General Meeting". The person whose name appears first on the form of proxy and who is present at the General Meeting will be entitled to act as proxy to the exclusion of those whose names follow.
2. A PSG Financial Services Shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of preference shares to be voted on behalf of that Shareholder in the appropriate box provided or by the insertion of a cross if all shares should be voted on behalf of that Shareholder. Failure to comply with the above will be deemed to authorise the chairman of the General Meeting, if he/she is the authorised proxy, to vote in favour of the resolutions at the General Meeting, or any other proxy to vote or to abstain from voting at the General Meeting as he/she deems fit, in respect of all the shares concerned. A Shareholder or his/her proxy is not obliged to use all the votes exercisable by the Shareholder or his/her proxy, but the total of the votes cast and in respect whereof abstentions are recorded may not exceed the total of the votes exercisable by the Shareholder or his/her proxy.
3. When there are joint registered holders of any preference shares, any one of such persons may vote at the General Meeting in respect of such preference shares as if he/she was solely entitled thereto, but, if more than one of such joint holders be present or represented at any meeting, that one of the said persons whose name stands first in the register in respect of such preference shares or his/her proxy, as the case may be, shall alone be entitled to vote in respect thereof. Several executors or administrators of a deceased Shareholder, in whose name any preference shares stand, shall be deemed joint holders thereof.
4. Forms of proxy must be completed and returned to be received by the transfer secretary of the Company, Computershare Investor Services (Pty) Ltd (PO Box 61051, Marshalltown, 2107), by not later than 09:00 on Tuesday, 19 June 2018, provided that any form of proxy not delivered to the transfer secretary by this time may be handed to the chairman of the General Meeting at any time prior to the commencement of the General Meeting.
5. Any alteration or correction made to this form of proxy must be initialled by the signatory(ies).
6. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the Company's transfer secretary or waived by the chairman of the General Meeting.
7. The completion and lodging of this form of proxy will not preclude the relevant Shareholder from attending the General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such Shareholder wish to do so.

ADMINISTRATION

Details of PSG Group Ltd
Registration number: 1970/008484/06
Share code: PSG
ISIN code: ZAE000013017

Secretary and registered office
PSG Corporate Services (Pty) Ltd
Registration number: 1996/004840/07
First floor
Ou Kollege building
35 Kerk Street
Stellenbosch 7600
PO Box 7403
Stellenbosch 7599
Telephone +27 21 887 9602
Facsimile +27 21 887 9619

Transfer secretary
Computershare Investor Services (Pty) Ltd
Rosebank Towers
15 Biermann Avenue
Rosebank 2196
PO Box 61051
Marshalltown 2107

Details of PSG Financial Services Ltd
Registration number: 1919/000478/06
Share code: PGFP
ISIN code: ZAE000096079

Corporate advisor and sponsor
PSG Capital

Broker
PSG Online

Auditor
PricewaterhouseCoopers Inc.

Principal banker
FirstRand Bank Ltd

Website address
www.psggroup.co.za

SHAREHOLDERS' DIARY

	2018
Financial year-end	28 February
Profit announcement	24 April
Annual general meetings	
PSG Financial Services Ltd	21 June
PSG Group Ltd	22 June
General meeting of PSG Financial Services Ltd preference shareholders	21 June
Interim results reported for the six months ending 31 August 2018	16 October

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