PSG GROUP LIMITED

# UNAUDITED RESULTS

FOR THE SIX MONTHS ENDED 31 AUGUST 2019

## HIGHLIGHTS

- **Recurring earnings ⬆16% to R5,84 per share**
- **Sum-of-the-parts value of R299,57 per share as at 11 October 2019**
- **Interim dividend ⬆8% to R1,64 per share**

## OVERVIEW

PSG Group Ltd ("PSG Group" or "PSG" or "the company" or "the group") is an investment holding company consisting of underlying investments that operate across a diverse range of industries, which include banking, financial services, education and food and related business, as well as early-stage investments in select growth sectors. PSG's market capitalisation (net of treasury shares) is approximately R49bn.

## PERFORMANCE

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

## SOTP

The calculation of PSG'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 internal valuations. At 31 August 2019, the *SOTP value* per PSG share was R259,56 (28 February 2019: R311,45), whilst at 11 October 2019 it was R299,57 per share. The five-year compound annual growth rate ("CAGR") of PSG's *SOTP value* per share and *share price* at 31 August 2019 was 19% and 17%, respectively, whereas that of the *JSE All Share Index* was 2%.

| **Asset/(liability)** | 28 Feb 2018 Rm | 28 Feb 2019 Rm | **31 Aug 2019 Rm** | **11 Oct 2019 Rm** | *Share of total* | *Five-year CAGR^^* |
|---|---|---|---|---|---|---|
| Capitec* | 29 540 | 46 351 | **38 852** | **47 803** | *70%* | *39%* |
| PSG Konsult* | 7 048 | 8 700 | **6 553** | **6 885** | *10%* | *4%* |
| PSG Alpha | 5 201 | 4 712 | **4 427** | **4 305** | *6%* | *19%* |
| Stadio* | 2 379 | 1 253 | **917** | **811** | | |
| Other investments** | 2 822 | 3 459 | **3 510** | **3 494** | | |
| Curro* | 7 987 | 5 714 | **4 391** | **4 153** | *6%* | *(6%)* |
| Zeder* | 4 823 | 3 166 | **3 517** | **3 398** | *5%* | *(4%)* |
| Dipeo** | 535 | | | | | |
| Other assets | 2 603 | 1 702 | **1 880** | **1 795** | *3%* | |
| Cash^ | 1 000 | 323 | **266** | **189** | | |
| Pref investments and loans receivable^ | 1 558 | 1 297 | **1 521** | **1 516** | | |
| Other^ | 45 | 82 | **93** | **90** | | |
| **Total assets** | 57 737 | 70 345 | **59 620** | **68 339** | *100%* | |
| Perpetual pref funding* | (1 278) | (1 367) | **(1 437)** | **(1 411)** | | |
| Other debt^ | (949) | (1 020) | **(1 532)** | **(1 546)** | | |
| **Total SOTP value** | 55 510 | 67 958 | **56 651** | **65 382** | | |
| **Shares in issue *(net of treasury shares)* (m)** | 217,5 | 218,2 | **218,3** | **218,3** | | |
| **SOTP value per share (R)** | 255,17 | 311,45 | **259,56** | **299,57** | | *19%* |
| **Share price (R)** | 217,50 | 259,78 | **200,56** | **225,00** | | *17%* |

** Listed on the JSE ** SOTP value*
*^ Carrying value ^^ Based on share price/SOTP value per share as at 31 Aug 2019*
*Note: PSG's live SOTP containing further information is available at www.psggroup.co.za*

Capitec remains PSG's largest investment comprising 65% of its total SOTP assets as at 31 August 2019 (28 February 2019: 66%), and the major contributor to PSG's *recurring earnings*.

## RECURRING EARNINGS

PSG's *recurring earnings* per share increased by 16% to R5,84 (31 August 2018: R5,03) following commendable performance from Capitec, PSG Konsult, PSG Alpha and Curro, offset by Zeder.

| | Unaudited Six months ended 31 Aug 2018 Rm | *Change* % | 31 Aug 2019 Rm | Audited Year ended 28 Feb 2019 Rm |
|---|---|---|---|---|
| Capitec | 756 | | **904** | 1 625 |
| PSG Konsult | 174 | | **188** | 361 |
| PSG Alpha | 76 | | **152** | 216 |
| Curro | 77 | | **84** | 137 |
| Zeder | 73 | | **27** | 207 |
| Dipeo | (31) | | **(21)** | (29) |
| PSG Corporate | (25) | | **(27)** | (45) |
| Other *(mainly pref div income)* | 82 | | **70** | 84 |
| **Recurring earnings before funding** | 1 182 | *16* | **1 377** | 2 556 |
| Funding *(net of interest income)* | (96) | | **(103)** | (199) |
| **Recurring earnings** | 1 086 | *17* | **1 274** | 2 357 |
| Non-recurring items | 10 | | **(35)** | (163) |
| **Headline earnings** | 1 096 | *13* | **1 239** | 2 194 |
| Non-headline items | 19 | | **156** | (268) |
| **Attributable earnings** | 1 115 | *25* | **1 395** | 1 926 |
| **Non-recurring items comprise:** | | | | |
| – Unrealised fair value (losses)/gains on Dipeo's investment portfolio | (145) | | **27** | (246) |
| – Fair value gain on Zeder's investment in Joy Wing Mau prior to its disposal | 163 | | | 171 |
| – Other | (8) | | **(62)** | (88) |
| | 10 | | **(35)** | (163) |
| **Weighted average number of shares in issue *(net of treasury shares)* (m)** | 216,1 | | **218,1** | 217,0 |
| **Earnings per share (R)** | | | | |
| – Recurring | 5,03 | *16* | **5,84** | 10,86 |
| – Headline | 5,07 | *12* | **5,68** | 10,11 |
| – Attributable | 5,16 | *24* | **6,39** | 8,88 |
| **Dividend per share (R)** | 1,52 | 8 | **1,64** | 4,56 |

*Headline earnings* per share increased by a lower margin than *recurring earnings* per share mainly due to a fair value gain recognised in the prior corresponding period by Zeder on its investment in Joy Wing Mau, which was subsequently disposed of. *Attributable earnings* per share increased by a higher margin than *recurring earnings* and *headline earnings* per share mainly due to Zeder's *non-headline* reversal of an impairment loss recognised in respect of its investment in Pioneer Foods at 28 February 2019.

**CAPITEC (30,7%)**

Capitec is a South African retail bank focused on delivering simplified and affordable banking solutions.

It reported a 20% increase in *headline earnings* per share for the period under review.

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

**PSG KONSULT (60,5%)**

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

It reported an 8% increase in *recurring headline earnings* per share for the period under review.

PSG Konsult has its primary listing on the JSE, with secondary listings on the Namibian Stock Exchange and Mauritian Stock Exchange, and its comprehensive results are available at *www.psg.co.za*.

**PSG ALPHA (98,1%)**

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 major investments include shareholdings in Stadio (private higher education - 44%), CA Sales (FMCG distribution - 47,7%), Evergreen (developer and operator of retirement lifestyle villages - 50%) and Energy Partners (manufacturer, owner and operator of energy assets - 54,1%).

PSG Alpha reported an 88% increase in *recurring earnings* per share for the period under review, with most of its investments performing to expectation.

**CURRO (55,4%)**

Curro is the largest provider of private school education in Southern Africa.

It reported a 7% increase in *recurring headline earnings* per share for its six months ended 30 June 2019.

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

**ZEDER (43,8%)**

Zeder is an investor in the broad agribusiness industry. Its largest investment is a 28,6% interest in Pioneer Foods, comprising 51% of Zeder's total SOTP assets.

As detailed on the JSE's Stock Exchange News Service on 19 July 2019, Pioneer Foods received an all-cash offer from PepsiCo to acquire all Pioneer Foods ordinary shares in issue for a purchase consideration of R110 per share plus certain dividend(s). The intended disposal was approved by Zeder and Pioneer Foods shareholders at general meetings held on 30 September 2019 and 15 October 2019, respectively. The transaction remains subject to various conditions precedent.

Zeder reported a 63% decline in *recurring headline earnings* per share for the period under review.

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*.

**DIPEO (49%)**

Dipeo, a BEE investment holding company, is 51%-owned by the Dipeo BEE Education Trust of which all beneficiaries are black individuals. The trust will use its share of any value created in Dipeo to fund black students' education.

Dipeo's most significant investments include shareholdings in Curro (5,2%), Stadio (3,4%), Pioneer Foods (3,2%), Kaap Agri (20%) and Energy Partners (15,7%). The investment in Energy Partners remains subject to a BEE lock-in period.

During the prior year, Dipeo's *SOTP value* turned negative (i.e. liabilities exceeded assets) following a decline in the value of its listed investments, with a resultant negative impact on PSG Group's *SOTP value* through reducing its investment in Dipeo to zero and impairing PSG Group's pref investment in Dipeo to the extent required.

**PROSPECTS**

Despite obvious challenges, PSG remains cautiously optimistic about South Africa and the opportunities it presents. We believe PSG's investment portfolio is suitably positioned to capitalise on an improvement in trading conditions.

## DIVIDENDS

### *Ordinary shares*

PSG's policy remains to pay up to 100% of available free cash flow as an ordinary dividend, of which approximately one third is payable as an interim and the balance as a final dividend at year-end. The directors have resolved to declare an interim gross dividend of 164 cents (2018: 152 cents) per share from income reserves for the six months ended 31 August 2019. PSG's interim dividend increased by a lower percentage than its *recurring earnings* per share due to continuous investment in early-stage non-dividend paying investments.

The interim dividend amount, net of South African dividend tax of 20%, is 131,2 cents per share for those shareholders that are not exempt from dividend tax. The number of ordinary shares in issue at the declaration date is 232 163 254, and the income tax number of the company is 9950080714.

The salient dates for this dividend distribution are:

| | |
|---|---|
| Last day to trade cum dividend | Tuesday, 5 November 2019 |
| Trading ex-dividend commences | Wednesday, 6 November 2019 |
| Record date | Friday, 8 November 2019 |
| Payment date | Monday, 11 November 2019 |

Share certificates may not be dematerialised or rematerialised between Wednesday, 6 November 2019, and Friday, 8 November 2019, both days inclusive.

### *Preference shares*

The directors of PSG Financial Services Ltd ("PSG Financial Services") declared a gross dividend of 428,07 cents per share in respect of the cumulative, non-redeemable, non-participating preference shares for the six months ended 31 August 2019, which was paid on Monday, 23 September 2019. The related detailed announcement was disseminated on the JSE's Stock Exchange News Service.

On behalf of the board

**KK COMBI**
*Chairman*

**PIET MOUTON**
*Chief Executive Officer*

**WYNAND GREEFF**
*Chief Financial Officer*

Stellenbosch
15 October 2019

**PSG GROUP LTD:** Registration number: 1970/008484/06; JSE share code: PSG; ISIN code: ZAE000013017

**DIRECTORS:** ZL Combi (Chairman)^, PE Burton^^, FJ Gouws**, WL Greeff (CFO)*, AM Hlobo^, JA Holtzhausen*, B Mathews^, JJ Mouton**, PJ Mouton (CEO)*, CA Otto^
* *Executive* ** *Non-executive* ^ *Independent non-executive* ^^ *Lead independent*

**COMPANY SECRETARY AND REGISTERED OFFICE:** PSG Corporate Services (Pty) Ltd, 1st Floor Ou Kollege, 35 Kerk Street, Stellenbosch, 7600; PO Box 7403, Stellenbosch, 7599

**TRANSFER SECRETARY:** Computershare Investor Services (Pty) Ltd, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196; PO Box 61051, Marshalltown, 2107

**SPONSOR:** PSG Capital

**AUDITOR:** PricewaterhouseCoopers Inc

# INTRODUCTION TO THE SUMMARY INTERIM CONSOLIDATED FINANCIAL STATEMENTS

**Basis of presentation and accounting policies**

These summary interim consolidated financial statements are prepared in accordance with the requirements of the Companies Act of South Africa and the JSE Listings Requirements for interim reports. The JSE Listings Requirements require interim reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board, SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 *Interim Financial Reporting*.

The accounting policies applied in the preparation of these summary interim consolidated financial statements are in terms of IFRS and are consistent with those applied in the prior year's consolidated annual financial statements, as amended for the adoption of the various revisions to IFRS which are effective for the year ending 29 February 2020. Apart from the adoption of IFRS 16 *Leases*, these revisions have not resulted in material changes to the group's reported results and disclosures in these summary interim consolidated financial statements.

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

The group elected to adopt IFRS 16 using the simplified approach whereby comparative figures were not restated but instead ordinary shareholders' equity and non-controlling interests as at 1 March 2019 were adjusted accordingly. As a result of adopting IFRS 16, the group recognised the following amounts in respect of leases previously classified as operating leases:

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

In preparing these summary interim consolidated financial statements, the significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty were materially the same as those that applied to the group's annual financial statements for the year ended 28 February 2019.

**Preparation**

These summary interim consolidated financial statements were compiled under the supervision of the group chief financial officer, Mr WL Greeff, CA (SA), and were not reviewed or audited by PSG Group's auditor, PricewaterhouseCoopers Inc. Any reference to future financial performance included in this announcement, has also not been reviewed or reported on by the company's auditor.

**PSG Financial Services**

PSG Financial Services is a wholly-owned subsidiary of PSG Group, except for its 17 415 770 (31 August 2018: 17 415 770; 28 February 2019: 17 415 770) perpetual preference shares which are listed on the JSE. These preference shares are included in non-controlling interests in PSG Group's summary consolidated statement of financial position. No separate financial statements are presented for PSG Financial Services in this announcement as it is the only directly held asset of PSG Group.

# INTRODUCTION TO THE SUMMARY INTERIM CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

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

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

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

**Re-presentation of the summary interim consolidated financial statements**

The summary interim consolidated financial statements for the period ended 31 August 2018 differentiated in a note between assets, liabilities, income, expenses and cash flows attributable to i) own balances (i.e. those attributable to the ordinary shareholders of PSG Group and its subsidiaries) and ii) client-related balances. However, for the sake of transparency to assist users in gaining a better understanding of the impact of client-related balances on the reported amounts, the aforementioned split had been incorporated into the summary consolidated statement of financial position, summary consolidated income statement and summary consolidated statement of cash flows contained in this announcement, as well as in certain notes thereto. Although no previously reported results were restated as a result hereof, the layout was amended to give effect to the aforementioned improved disclosures.

# SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | **Unaudited** | | | | | | Audited | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Aug 19** | | | Aug 18* | | | Feb 19 | | |
| | **Own balances Rm** | **Client-related balances Rm** | **Total Rm** | Own balances Rm | Client-related balances Rm | Total Rm | Own balances Rm | Client-related balances Rm | Total Rm |
| **Assets** | | | | | | | | | |
| Property, plant and equipment | **11 367** | | **11 367** | 10 388 | | 10 388 | 11 149 | | 11 149 |
| Right-of-use assets | **1 113** | | **1 113** | | | – | | | – |
| Intangible assets | **4 550** | | **4 550** | 4 526 | | 4 526 | 4 541 | | 4 541 |
| Investment in ordinary shares of associates | **16 266** | | **16 266** | 14 334 | | 14 334 | 14 578 | | 14 578 |
| Investment in preference shares of/loans granted to associates | **186** | | **186** | 175 | | 175 | 178 | | 178 |
| Investment in ordinary shares of joint ventures | **918** | | **918** | 728 | | 728 | 855 | | 855 |
| Loans granted to joint ventures | **20** | | **20** | 8 | | 8 | 5 | | 5 |
| Employee benefit assets | **41** | | **41** | 42 | | 42 | 43 | | 43 |
| Unit-linked investments | **680** | **48 516** | **49 196** | 785 | 47 938 | 48 723 | 776 | 45 719 | 46 495 |
| Equity securities | **472** | **2 366** | **2 838** | 1 020 | 2 503 | 3 523 | 659 | 2 337 | 2 996 |
| Debt securities | **1 791** | **5 055** | **6 846** | 1 809 | 4 585 | 6 394 | 1 873 | 4 390 | 6 263 |
| Deferred income tax assets | **489** | | **489** | 340 | | 340 | 303 | | 303 |
| Biological assets | **506** | | **506** | 494 | | 494 | 593 | | 593 |
| Investment in investment contracts | | **17** | **17** | | 17 | 17 | | 16 | 16 |
| Loans and advances | **386** | | **386** | 562 | | 562 | 443 | | 443 |
| Trade and other receivables | **3 378** | **1 780** | **5 158** | 3 545 | 1 460 | 5 005 | 3 268 | 1 321 | 4 589 |
| Derivative financial assets | | **15** | **15** | 50 | 17 | 67 | 22 | 11 | 33 |
| Inventory | **1 720** | | **1 720** | 1 824 | | 1 824 | 1 696 | | 1 696 |
| Current income tax assets | **119** | | **119** | 77 | | 77 | 102 | | 102 |
| Reinsurance assets | **171** | | **171** | 76 | | 76 | 109 | | 109 |
| Cash and cash equivalents | **1 585** | **201** | **1 786** | 1 606 | 316 | 1 922 | 1 552 | 280 | 1 832 |
| Non-current assets held for sale | **28** | | **28** | 1 202 | | 1 202 | | | – |
| **Total assets** | **45 786** | **57 950** | **103 736** | 43 591 | 56 836 | 100 427 | 42 745 | 54 074 | 96 819 |
| **Equity** | | | | | | | | | |
| Ordinary shareholders' equity | **18 602** | | **18 602** | 17 587 | | 17 587 | 18 115 | | 18 115 |
| Non-controlling interests | **11 913** | | **11 913** | 12 050 | | 12 050 | 11 776 | | 11 776 |
| **Total equity** | **30 515** | **–** | **30 515** | 29 637 | – | 29 637 | 29 891 | – | 29 891 |
| **Liabilities** | | | | | | | | | |
| Insurance contracts | **601** | | **601** | 489 | | 489 | 543 | | 543 |
| Investment contract liabilities | | **26 574** | **26 574** | | 26 219 | 26 219 | | 25 932 | 25 932 |
| Third-party liabilities arising on consolidation of mutual funds | | **29 603** | **29 603** | | 29 056 | 29 056 | | 26 715 | 26 715 |
| Deferred income tax liabilities | **945** | | **945** | 1 200 | | 1 200 | 963 | | 963 |
| Borrowings | **8 803** | | **8 803** | 8 341 | 101 | 8 442 | 7 666 | 111 | 7 777 |
| Lease liabilities | **1 433** | | **1 433** | | | – | | | – |
| Derivative financial liabilities | **87** | **18** | **105** | 64 | 20 | 84 | 64 | 14 | 78 |
| Employee benefit liabilities | **489** | | **489** | 546 | | 546 | 528 | | 528 |
| Trade and other payables | **2 840** | **1 755** | **4 595** | 3 205 | 1 440 | 4 645 | 3 046 | 1 302 | 4 348 |
| Reinsurance liabilities | **6** | | **6** | 5 | | 5 | 5 | | 5 |
| Current income tax liabilities | **67** | | **67** | 97 | | 97 | 39 | | 39 |
| Non-current liabilities held for sale | | | **–** | 7 | | 7 | | | – |
| **Total liabilities** | **15 271** | **57 950** | **73 221** | 13 954 | 56 836 | 70 790 | 12 854 | 54 074 | 66 928 |
| **Total equity and liabilities** | **45 786** | **57 950** | **103 736** | 43 591 | 56 836 | 100 427 | 42 745 | 54 074 | 96 819 |
| Net asset value per share (R) | **85,27** | | | 81,05 | | | 83,06 | | |
| Net tangible asset value per share (R) | **64,41** | | | 60,19 | | | 62,24 | | |

* *Re-presented as detailed in the introduction to the summary interim consolidated financial statements and restated as detailed in note 10.*

# SUMMARY CONSOLIDATED INCOME STATEMENT

| | Unaudited 6 months Aug 19 Own balances Rm | Aug 19 Client-related balances Rm | Aug 19 Total Rm | Aug 18* Own balances Rm | Aug 18* Client-related balances Rm | Aug 18* Total Rm | Audited 12 months Feb 19 Own balances Rm | Feb 19 Client-related balances Rm | Feb 19 Total Rm |
|---|---|---|---|---|---|---|---|---|---|
| Revenue from sale of goods | **5 999** | | **5 999** | 6 656 | | 6 656 | 13 041 | | 13 041 |
| Cost of goods sold | **(4 973)** | | **(4 973)** | (5 354) | | (5 354) | (11 460) | | (11 460) |
| **Gross profit from sale of goods** | **1 026** | **–** | **1 026** | 1 302 | – | 1 302 | 1 581 | – | 1 581 |
| **Income** | | | | | | | | | |
| Changes in fair value of biological assets | **37** | | **37** | 31 | | 31 | 194 | | 194 |
| Investment income | **212** | **946** | **1 158** | 242 | 765 | 1 007 | 492 | 1 810 | 2 302 |
| Fair value (losses)/gains | **(40)** | **370** | **330** | 148 | 3 058 | 3 206 | (268) | 644 | 376 |
| Fair value adjustment to investment contract liabilities | | **(397)** | **(397)** | | (1 787) | (1 787) | | (1 073) | (1 073) |
| Fair value adjustment to third-party liabilities arising on consolidation of mutual funds | | **(890)** | **(890)** | | (2 010) | (2 010) | | (1 336) | (1 336) |
| Commission, school, net insurance and other fee income | **4 902** | **(39)** | **4 863** | 3 632 | (7) | 3 625 | 9 329 | (90) | 9 239 |
| Other operating income | **127** | | **127** | 131 | | 131 | 216 | | 216 |
| | **5 238** | **(10)** | **5 228** | 4 184 | 19 | 4 203 | 9 963 | (45) | 9 918 |
| **Expenses** | | | | | | | | | |
| Insurance claims and loss adjustments, net of recoveries | **(328)** | | **(328)** | (302) | | (302) | (582) | | (582) |
| Marketing, administration and other expenses | **(5 197)** | **23** | **(5 174)** | (4 195) | (12) | (4 207) | (9 185) | 57 | (9 128) |
| | **(5 525)** | **23** | **(5 502)** | (4 497) | (12) | (4 509) | (9 767) | 57 | (9 710) |
| **Net income from associates and joint ventures** | | | | | | | | | |
| Share of profits of associates and joint ventures | **1 263** | | **1 263** | 1 141 | | 1 141 | 2 360 | | 2 360 |
| Reversal of/(loss on) impairment of associates | **570** | | **570** | | | – | (676) | | (676) |
| Net (loss)/profit on sale/dilution of interest in associates | **(93)** | | **(93)** | (10) | | (10) | 20 | | 20 |
| | **1 740** | **–** | **1 740** | 1 131 | – | 1 131 | 1 704 | – | 1 704 |
| **Profit before finance costs and taxation** | **2 479** | **13** | **2 492** | 2 120 | 7 | 2 127 | 3 481 | 12 | 3 493 |
| Finance costs | **(416)** | | **(416)** | (335) | | (335) | (676) | | (676) |
| **Profit before taxation** | **2 063** | **13** | **2 076** | 1 785 | 7 | 1 792 | 2 805 | 12 | 2 817 |
| Taxation | **(91)** | **(13)** | **(104)** | (261) | (7) | (268) | (464) | (12) | (476) |
| **Profit for the period** | **1 972** | **–** | **1 972** | 1 524 | – | 1 524 | 2 341 | – | 2 341 |
| **Attributable to:** | | | | | | | | | |
| Owners of the parent | **1 395** | | | 1 115 | | | 1 926 | | |
| Non-controlling interests | **577** | | | 409 | | | 415 | | |
| | **1 972** | | | 1 524 | | | 2 341 | | |

* *Re-presented as detailed in the introduction to the summary interim consolidated financial statements.*

# EARNINGS/DIVIDEND PER SHARE AND NUMBER OF SHARES IN ISSUE

| | Change % | Unaudited 6 months Aug 19 | Aug 18 | Audited 12 months Feb 19 |
|---|---|---|---|---|
| **Earnings per share (R)** | | | | |
| – Recurring | *16* | **5,84** | 5,03 | 10,86 |
| – Headline (note 1) | *12* | **5,68** | 5,07 | 10,11 |
| – Attributable | *24* | **6,39** | 5,16 | 8,88 |
| – Diluted headline | *13* | **5,65** | 4,99 | 9,99 |
| – Diluted attributable | *26* | **6,37** | 5,07 | 8,76 |
| **Dividend per share (R)** | 8 | **1,64** | 1,52 | 4,56 |
| – Interim | | **1,64** | 1,52 | 1,52 |
| – Final | | | | 3,04 |
| **Number of shares (m)** | | | | |
| – In issue | | **232,2** | 232,0 | 232,1 |
| – In issue (net of treasury shares) | | **218,2** | 217,0 | 218,1 |
| – Weighted average | | **218,1** | 216,1 | 217,0 |
| – Diluted weighted average | | **218,2** | 217,6 | 217,7 |

# SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Unaudited 6 months Aug 19 Rm | Aug 18 Rm | Audited 12 months Feb 19 Rm |
|---|---|---|---|
| **Profit for the period** | **1 972** | 1 524 | 2 341 |
| **Other comprehensive (loss)/income for the period, net of taxation** | **(90)** | 88 | (50) |
| Items that may be subsequently reclassified to profit or loss | | | |
| Currency translation adjustments | **(122)** | 128 | (19) |
| Cash flow hedges | **(12)** | 5 | 7 |
| Share of other comprehensive income/(losses) and equity movements of associates | **49** | (41) | (36) |
| Items that may not be subsequently reclassified to profit or loss | | | |
| Losses from changes in financial and demographic assumptions of post-employment benefit obligations | **(5)** | (4) | (2) |
| **Total comprehensive income for the period** | **1 882** | 1 612 | 2 291 |
| **Attributable to:** | | | |
| Owners of the parent | **1 346** | 1 153 | 1 912 |
| Non-controlling interests | **536** | 459 | 379 |
| | **1 882** | 1 612 | 2 291 |

# SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Unaudited 6 months Aug 19 Rm | Aug 18* Rm | Audited 12 months Feb 19 Rm |
|---|---|---|---|
| Ordinary shareholders' equity at beginning of the period | **18 012** | 16 912 | 16 912 |
| Previously reported | **18 115** | | |
| Adjustment due to the initial application of IFRS 16 | **(103)** | | |
| Total comprehensive income | **1 346** | 1 153 | 1 912 |
| Issue of shares | **15** | 123 | 157 |
| Share-based payment costs – employees | **33** | 36 | 73 |
| Release of treasury shares | | 101 | 111 |
| Transactions with non-controlling interests | **(141)** | (140) | (121) |
| Dividends paid | **(663)** | (598) | (929) |
| **Ordinary shareholders' equity at end of the period** | **18 602** | 17 587 | 18 115 |
| Non-controlling interests at beginning of the period | **11 643** | 11 697 | 11 697 |
| Previously reported | **11 776** | | |
| Adjustment due to the initial application of IFRS 16 | **(133)** | | |
| Total comprehensive income | **536** | 459 | 379 |
| Issue of shares | **31** | 194 | 433 |
| Share-based payment costs – employees | **16** | 19 | 39 |
| Subsidiaries/businesses acquired | | 24 | 25 |
| Subsidiaries deconsolidated/sold | | | (106) |
| Transactions with non-controlling interests | **10** | (42) | (191) |
| Dividends paid | **(323)** | (301) | (500) |
| **Non-controlling interests at end of the period** | **11 913** | 12 050 | 11 776 |
| **Total equity** | **30 515** | 29 637 | 29 891 |

* *Restated as detailed in note 10.*

# SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS

| | Unaudited 6 months | | | | | | Audited 12 months | | |
|---|---|---|---|---|---|---|---|---|---|
| | Aug 19 | | | Aug 18* | | | Feb 19 | | |
| | Own balances Rm | Client-related balances Rm | Total Rm | Own balances Rm | Client-related balances Rm | Total Rm | Own balances Rm | Client-related balances Rm | Total Rm |
| **Net cash flow from operating activities** | | | | | | | | | |
| Cash generated from/(utilised by) operations (note 2) | **969** | **(948)** | **21** | 571 | (750) | (179) | 1 726 | (1 863) | (137) |
| Interest income | **179** | **662** | **841** | 287 | 593 | 880 | 439 | 1 335 | 1 774 |
| Dividend income | **519** | **307** | **826** | 433 | 106 | 539 | 922 | 476 | 1 398 |
| Finance costs | **(404)** | | **(404)** | (330) | | (330) | (668) | | (668) |
| Taxation paid | **(237)** | | **(237)** | (216) | 19 | (197) | (693) | | (693) |
| **Net cash flow from operating activities** | **1 026** | **21** | **1 047** | 745 | (32) | 713 | 1 726 | (52) | 1 674 |
| **Net cash flow from investing activities** | **(1 063)** | **–** | **(1 063)** | (882) | (7) | (889) | (963) | (23) | (986) |
| Cash flow from subsidiaries/businesses acquired (note 3.1) | **(34)** | | **(34)** | (619) | | (619) | (852) | | (852) |
| Cash flow from subsidiaries deconsolidated/sold (note 3.2) | | | **–** | 3 | | 3 | (59) | | (59) |
| Cash flow from first-time consolidation of mutual fund | | | **–** | | 10 | 10 | | 10 | 10 |
| Cash flow from deconsolidation of mutual funds | | | **–** | | (17) | (17) | | (33) | (33) |
| Acquisition of ordinary shares in associates and joint ventures | **(433)** | | **(433)** | (290) | | (290) | (402) | | (402) |
| Acquisition of property, plant and equipment | **(656)** | | **(656)** | (623) | | (623) | (1 451) | | (1 451) |
| Other investing activities | **60** | | **60** | 647 | | 647 | 1 801 | | 1 801 |
| **Net cash flow from financing activities** | **(256)** | **(100)** | **(356)** | (667) | – | (667) | (983) | – | (983) |
| Dividends paid to: | | | | | | | | | |
| PSG Group shareholders | **(663)** | | **(663)** | (598) | | (598) | (929) | | (929) |
| Non-controlling interests | **(323)** | | **(323)** | (301) | | (301) | (500) | | (500) |
| Borrowings drawn | **1 392** | | **1 392** | 598 | | 598 | 1 508 | | 1 508 |
| Borrowings repaid | **(553)** | **(100)** | **(653)** | (418) | | (418) | (1 274) | | (1 274) |
| Other financing activities | **(109)** | | **(109)** | 52 | | 52 | 212 | | 212 |
| **Net decrease in cash and cash equivalents** | **(293)** | **(79)** | **(372)** | (804) | (39) | (843) | (220) | (75) | (295) |
| Exchange gains on cash and cash equivalents | | | **–** | 21 | | 21 | 7 | | 7 |
| Cash and cash equivalents at beginning of the period | **425** | **280** | **705** | 638 | 355 | 993 | 638 | 355 | 993 |
| **Cash and cash equivalents at end of the period** | **132** | **201** | **333** | (145) | 316 | 171 | 425 | 280 | 705 |

* *Re-presented as detailed in the introduction to the summary interim consolidated financial statements.*

# SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

*It is important to note that the treasury functions of PSG Group and each of its subsidiaries operate on a decentralised basis and thus independent from one another. All available cash held at a PSG Group-level is invested in the PSG Money Market Fund, while some of the available cash held at a subsidiary-level is invested in the PSG Money Market Fund. Available cash held at a PSG Group-level and invested in the PSG Money Market Fund amounted to R0,3bn (31 August 2018: R0,5bn; 28 February 2019: R0,3bn) at the reporting date.*

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

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

| | **Unaudited 6 months** | | | | | | Audited 12 months | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Aug 19** | | | Aug 18* | | | Feb 19 | | |
| | **Own balances Rm** | **Client-related balances Rm** | **Total Rm** | Own balances Rm | Client-related balances Rm | Total Rm | Own balances Rm | Client-related balances Rm | Total Rm |
| Cash and cash equivalents (per the summary consolidated statement of financial position) | **1 585** | **201** | **1 786** | 1 606 | 316 | 1 922 | 1 552 | 280 | 1 832 |
| Cash and cash equivalents included in non-current assets held for sale (per the summary consolidated statement of financial position) | | | **–** | 3 | | 3 | | | – |
| Bank overdrafts (included in "borrowings" per the summary consolidated statement of financial position) | **(1 453)** | | **(1 453)** | (1 754) | | (1 754) | (1 127) | | (1 127) |
| Cash and cash equivalents (per the summary consolidated statement of cash flows) | **132** | **201** | **333** | (145) | 316 | 171 | 425 | 280 | 705 |
| Debt securities (per the summary consolidated statement of financial position) | **1 791** | **5 055** | **6 846** | 1 809 | 4 585 | 6 394 | 1 873 | 4 390 | 6 263 |
| Liquid cash resources | **1 923** | **5 256** | **7 179** | 1 664 | 4 901 | 6 565 | 2 298 | 4 670 | 6 968 |
| PSG Group-level (invested in the PSG Money Market Fund) | **267** | | | 528 | | | 323 | | |
| Subsidiary-level cash and cash equivalents | **3 109** | | | 2 890 | | | 3 102 | | |
| Subsidiary-level bank overdrafts | **(1 453)** | | | (1 754) | | | (1 127) | | |

* *Re-presented as detailed in the introduction to the summary interim consolidated financial statements.*

# NOTES TO THE SUMMARY INTERIM CONSOLIDATED FINANCIAL STATEMENTS

| | | Unaudited 6 months Aug 19 Rm | Aug 18 Rm | Audited 12 months Feb 19 Rm |
|---|---|---|---|---|
| 1. | **Headline earnings** | | | |
| | Profit for the period attributable to owners of the parent | **1 395** | 1 115 | 1 926 |
| | Non-headline items | **(156)** | (19) | 268 |
| | Gross amounts | **(332)** | 8 | 659 |
| | (Reversal of)/loss on impairment of associates | **(570)** | | 676 |
| | Net loss/(profit) on sale/dilution of interest in associates | **93** | 10 | (20) |
| | Profit from subsidiaries sold/deconsolidated (note 3.2) | **(11)** | | (8) |
| | Fair value gain on step-up from associate to subsidiary | | (2) | (2) |
| | Net loss on sale/impairment of intangible assets (including goodwill) | **78** | 52 | 120 |
| | Net loss/(profit) on sale/impairment of property, plant and equipment | **110** | (1) | (1) |
| | Loss on impairment of biological assets | **1** | | |
| | Non-headline items of associates | **(63)** | (51) | (81) |
| | Bargain purchase gain | | | (25) |
| | Impairment of non-current assets held for sale | **30** | | |
| | Non-controlling interests | **188** | (27) | (390) |
| | Taxation | **(12)** | | (1) |
| | **Headline earnings** | **1 239** | 1 096 | 2 194 |

| | | Unaudited 6 months Aug 19 Own balances Rm | Aug 19 Client-related balances Rm | Aug 19 Total Rm | Aug 18* Own balances Rm | Aug 18* Client-related balances Rm | Aug 18* Total Rm | Audited 12 months Feb 19 Own balances Rm | Feb 19 Client-related balances Rm | Feb 19 Total Rm |
|---|---|---|---|---|---|---|---|---|---|---|
| 2. | **Cash generated from/ (utilised by) operations** | | | | | | | | | |
| | Profit before taxation | **2 063** | **13** | **2 076** | 1 785 | 7 | 1 792 | 2 805 | 12 | 2 817 |
| | Share of profits of associates and joint ventures | **(1 263)** | | **(1 263)** | (1 141) | | (1 141) | (2 360) | | (2 360) |
| | Depreciation and amortisation | **394** | | **394** | 282 | | 282 | 582 | | 582 |
| | Investment income | **(212)** | **(946)** | **(1 158)** | (242) | (765) | (1 007) | (492) | (1 810) | (2 302) |
| | Finance costs | **416** | | **416** | 335 | | 335 | 676 | | 676 |
| | Working capital changes and other non-cash items | **(429)** | **(15)** | **(444)** | (448) | 8 | (440) | 515 | (65) | 450 |
| | Cash generated from/ (utilised by) operations | **969** | **(948)** | **21** | 571 | (750) | (179) | 1 726 | (1 863) | (137) |

* *Re-presented as detailed in the introduction to the summary interim consolidated financial statements.*

# NOTES TO THE SUMMARY INTERIM CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

## 3. Subsidiaries acquired/sold

### 3.1 Subsidiaries acquired

During the period under review, the group, through existing investees of PSG Alpha, acquired two subsidiaries engaged in providing water purification and distance-learning services, respectively.

The amounts of identifiable net assets acquired and goodwill recognised from business combinations during the period under review can be summarised as follows:

| Unaudited | Rm |
|---|---|
| Identifiable net assets acquired | 1 |
| Goodwill recognised | 38 |
| Total consideration | 39 |
| Contingent consideration | (4) |
| Cash consideration paid | 35 |
| Cash consideration paid | (35) |
| Cash and cash equivalents acquired | 1 |
| Cash flow from subsidiaries acquired | (34) |

Transaction costs relating to the business combinations were immaterial and expensed in the summary consolidated income statement.

The business combinations' accounting have been finalised and do not contain any indemnification asset arrangements.

Had the aforementioned business combinations been accounted for with effect from 1 March 2019 instead of their respective acquisition dates, the summary consolidated income statement would have reflected additional revenue and profit for the period of approximately R20m and Rnil, respectively.

Receivables of R5m 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.

### 3.2 Subsidiaries sold

During August 2019, the group, through Capespan, being a subsidiary of Zeder, disposed of two subsidiaries conducting farming operations in the Northern Cape, South Africa.

The amounts of identifiable net assets derecognised and the proceeds receivable from such disposals can be summarised as follows:

| Unaudited | Rm |
|---|---|
| Identifiable net assets derecognised | (42) |
| Profit from subsidiaries sold | (11) |
| Total consideration | (53) |
| Proceeds receivable | 53 |
| Cash flow from subsidiaries sold | – |

## 4. Corporate actions

Zeder and Dipeo hold a combined interest of 31.8% in Pioneer Foods, an associate. As detailed in the commentary section of this announcement, Pioneer Foods received an all-cash offer from PepsiCo to acquire all Pioneer Foods ordinary shares in issue, which remains subject to various conditions precedent.

## 5. Financial instruments

### 5.1 Financial risk factors

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

These summary interim 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 consolidated annual financial statements for the year ended 28 February 2019. Risk management continues to be carried out by each entity within the group under policies approved by the respective boards of directors.

# NOTES TO THE SUMMARY INTERIM CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

**5. Financial instruments** *(continued)*

**5.2 Fair value estimation**

The information below analyses 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.

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).

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 |
|---|---|---|---|---|
| **31 August 2019 (unaudited)** | | | | |
| **Assets** | | | | |
| Unit-linked investments | | 48 809 | 387 | 49 196 |
| Equity securities | 2 809 | 2 | 27 | 2 838 |
| Debt securities | 829 | 5 986 | | 6 815 |
| Investment in investment contracts | | 17 | | 17 |
| Derivative financial assets | | 15 | | 15 |
| Non-current assets held for sale | 28 | | | 28 |
| Closing balance | 3 666 | 54 829 | 414 | 58 909 |
| Own balances | 471 | 2 453 | 47 | 2 971 |
| Client-related balances | 3 195 | 52 376 | 367 | 55 938 |
| **Liabilities** | | | | |
| Investment contract liabilities | | 26 180 | 367 | 26 547 |
| Third-party liabilities arising on consolidation of mutual funds | | 29 603 | | 29 603 |
| Derivative financial liabilities | | 80 | 25 | 105 |
| Trade and other payables | | | 118 | 118 |
| Closing balance | – | 55 863 | 510 | 56 373 |
| Own balances | | 62 | 143 | 205 |
| Client-related balances | | 55 801 | 367 | 56 168 |

**5. Financial instruments** *(continued)*

**5.2 Fair value estimation** *(continued)*

| | Level 1 Rm | Level 2 Rm | Level 3 Rm | Total Rm |
|---|---|---|---|---|
| **31 August 2018 (unaudited)** | | | | |
| **Assets** | | | | |
| Unit-linked investments | 3 | 48 195 | 525 | 48 723 |
| Equity securities | 3 112 | 382 | 29 | 3 523 |
| Debt securities | 869 | 1 890 | | 2 759 |
| Investment in investment contracts | | 17 | | 17 |
| Derivative financial assets | | 67 | | 67 |
| Non-current assets held for sale | | | 1 182 | 1 182 |
| Closing balance | 3 984 | 50 551 | 1 736 | 56 271 |
| Own balances | 612 | 1 297 | 1 232 | 3 141 |
| Client-related balances | 3 372 | 49 254 | 504 | 53 130 |
| **Liabilities** | | | | |
| Investment contract liabilities | | 25 595 | 504 | 26 099 |
| Third-party liabilities arising on consolidation of mutual funds | | 29 056 | | 29 056 |
| Derivative financial liabilities | | 45 | 39 | 84 |
| Trade and other payables | | | 114 | 114 |
| Closing balance | – | 54 696 | 657 | 55 353 |
| Own balances | | 25 | 153 | 178 |
| Client-related balances | | 54 671 | 504 | 55 175 |
| **28 February 2019 (audited)** | | | | |
| **Assets** | | | | |
| Unit-linked investments | | 46 040 | 455 | 46 495 |
| Equity securities | 2 822 | 143 | 31 | 2 996 |
| Debt securities | 876 | 5 320 | | 6 196 |
| Investment in investment contracts | | 16 | | 16 |
| Derivative financial assets | | 33 | | 33 |
| Closing balance | 3 698 | 51 552 | 486 | 55 736 |
| Own balances | 485 | 2 719 | 59 | 3 263 |
| Client-related balances | 3 213 | 48 833 | 427 | 52 473 |
| **Liabilities** | | | | |
| Investment contract liabilities | | 25 439 | 435 | 25 874 |
| Third-party liabilities arising on consolidation of mutual funds | | 26 715 | | 26 715 |
| Derivative financial liabilities | | 53 | 25 | 78 |
| Trade and other payables | | | 159 | 159 |
| Closing balance | – | 52 207 | 619 | 52 826 |
| Own balances | | 39 | 184 | 223 |
| Client-related balances | | 52 168 | 435 | 52 603 |

# NOTES TO THE SUMMARY INTERIM CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

**5. Financial instruments** *(continued)*

**5.2 Fair value estimation** *(continued)*

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

| | Unaudited | | | | Audited | |
|---|---|---|---|---|---|---|
| | **Aug 19** | | Aug 18 | | Feb 19 | |
| | **Assets Rm** | **Liabilities Rm** | Assets Rm | Liabilities Rm | Assets Rm | Liabilities Rm |
| Opening balance | **486** | **619** | 1 398 | 782 | 1 398 | 782 |
| Additions | **46** | **55** | 125 | 292 | 230 | 312 |
| Disposals | **(139)** | **(173)** | (354) | (447) | (1 700) | (627) |
| Fair value adjustments | **21** | **9** | 520 | 30 | 504 | 35 |
| Other movements | | | 47 | | 54 | 117 |
| Closing balance | **414** | **510** | 1 736 | 657 | 486 | 619 |

There have been no significant transfers between level 1, 2 or 3 during the period 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 |
|---|---|---|
| Unit-linked investments | Quoted exit price provided by the fund manager | Not applicable – daily prices are publicly available |
| Equity securities | Valuation model that uses market inputs | Price-earnings multiples |
| Debt securities | Valuation model that uses market inputs | Bond interest rate curves, issuer credit ratings and liquidity spreads |
| Investment in investment contracts | Prices are obtained from the insurer of the particular investment contract | Not applicable – prices provided by registered long-term insurers |
| Derivative financial assets and liabilities | Exit price on recognised over-the-counter platforms | Not applicable |
| Investment contract liabilities | Current unit price of underlying unitised financial asset that is linked to the liability, multiplied by the number of units held | Not applicable |
| Third-party liabilities arising on consolidation of mutual funds | Quoted exit price provided by the fund manager | Not applicable – daily prices are publicly available |

**6. Segment report**

The group's classification into seven reportable segments, namely: Capitec, PSG Konsult, PSG Alpha, Curro, Zeder, Dipeo and PSG Corporate, remains unchanged and these segments represent the major investments of the group. The services offered by the respective segments are detailed in the commentary section to this announcement. All segments operate predominantly in South Africa. However, the group has exposure to operations outside South Africa through, inter alia, PSG Alpha's investments in Stadio and CA Sales, through Curro and through Zeder's investments in The Logistics Group, Capespan, Zaad and Agrivision Africa.

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

*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.

# NOTES TO THE SUMMARY INTERIM CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

**6. Segment report** *(continued)*

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

| **Six months ended 31 August 2019 (unaudited)** | **Revenue (own balances) Rm** | **Recurring earnings (segment profit)* Rm** | **Non-recurring earnings* Rm** | **Headline earnings* Rm** | **SOTP value Rm** |
|---|---|---|---|---|---|
| Capitec | | 904 | | 904 | 38 852 |
| PSG Konsult | 2 453 | 188 | | 188 | 6 553 |
| PSG Alpha | 3 931 | 152 | (75) | 77 | 4 427 |
| Curro | 1 495 | 84 | 29 | 113 | 4 391 |
| Zeder | 3 184 | 27 | (8) | 19 | 3 517 |
| Dipeo | 5 | (21) | 27 | 6 | |
| PSG Corporate | 27 | (27) | | (27) | |
| Funding and other | 18 | (33) | (8) | (41) | (1 089) |
| **Total** | **11 113** | **1 274** | **(35)** | **1 239** | **56 651** |
| Revenue from contracts with customers | | | | | |
| Revenue from sale of goods | 5 999 | | | | |
| Commission, school, net insurance and other fee income | 4 902 | | | | |
| Investment income | 212 | | | | |
| Non-headline items | | | | 156 | |
| Earnings attributable to non-controlling interests | | | | 577 | |
| Taxation | | | | 104 | |
| **Profit before taxation** | | | | **2 076** | |

| **Six months ended 31 August 2018 (unaudited)** | **Revenue (own balances) Rm** | **Recurring earnings (segment profit)* Rm** | **Non-recurring earnings* Rm** | **Headline earnings* Rm** | **SOTP value Rm** |
|---|---|---|---|---|---|
| Capitec | | 756 | | 756 | 35 582 |
| PSG Konsult | 2 152 | 174 | | 174 | 7 858 |
| PSG Alpha | 3 579 | 76 | (14) | 62 | 4 961 |
| Curro | 1 272 | 77 | | 77 | 7 303 |
| Zeder | 3 450 | 73 | 153 | 226 | 3 727 |
| Dipeo | 5 | (31) | (145) | (176) | 255 |
| PSG Corporate | 35 | (25) | | (25) | |
| Funding and other | 37 | (14) | 16 | 2 | (166) |
| **Total** | 10 530 | 1 086 | 10 | 1 096 | 59 520 |
| Revenue from contracts with customers | | | | | |
| Revenue from sale of goods | 6 656 | | | | |
| Commission, school, net insurance and other fee income | 3 632 | | | | |
| Investment income | 242 | | | | |
| Non-headline items | | | | 19 | |
| Earnings attributable to non-controlling interests | | | | 409 | |
| Taxation | | | | 268 | |
| **Profit before taxation** | | | | 1 792 | |

**6. Segment report** *(continued)*

| Year ended 28 February 2019 (audited) | Revenue (own balances) Rm | Recurring earnings (segment profit)* Rm | Non-recurring earnings* Rm | Headline earnings* Rm | SOTP value Rm |
|---|---|---|---|---|---|
| Capitec | | 1 625 | | 1 625 | 46 351 |
| PSG Konsult | 4 480 | 361 | 8 | 369 | 8 700 |
| PSG Alpha | 7 958 | 216 | (59) | 157 | 4 712 |
| Curro | 2 549 | 137 | | 137 | 5 714 |
| Zeder | 7 731 | 207 | 130 | 337 | 3 166 |
| Dipeo | 17 | (29) | (246) | (275) | |
| PSG Corporate | 71 | (45) | | (45) | |
| Funding and other | 56 | (115) | 4 | (111) | (685) |
| **Total** | 22 862 | 2 357 | (163) | 2 194 | 67 958 |
| Revenue from contracts with customers | | | | | |
| Revenue from sale of goods | 13 041 | | | | |
| Commission, school, net insurance and other fee income | 9 329 | | | | |
| Investment income | 492 | | | | |
| Non-headline items | | | | (268) | |
| Earnings attributable to non-controlling interests | | | | 415 | |
| Taxation | | | | 476 | |
| **Profit before taxation** | | | | 2 817 | |

* *Reported net of non-controlling interests.*

**7. Capital commitments and contingencies**

The group's most significant capital commitments relate to Curro's construction of four new campuses (five schools) to the value of R223m and the expansion of existing campuses to the value of approximately R1bn.

**8. Related-party transactions**

Related-party transactions similar to those disclosed in the group's annual financial statements for the year ended 28 February 2019 took place during the period under review.

**9. Events subsequent to the reporting date**

No material event has occurred between the reporting date and the date of approval of these summary interim consolidated financial statements.

**10. Restatement of prior period figures**

Curro's financial results for its six-month period ended 30 June 2018 contained no adjustments from the first-time adoption of IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers*. Subsequent to the publication thereof, Curro undertook additional assessments which resulted in the following changes to PSG Group's summary consolidated statement of financial position as at 31 August 2018:

| | Previously reported Rm | **Now reported Rm** | Change Rm |
|---|---|---|---|
| **Assets** | | | |
| Trade and other receivables | 4 997 | **5 005** | 8 |
| **Equity and liabilities** | | | |
| Ordinary shareholders' equity | 17 609 | **17 587** | (22) |
| Non-controlling interests | 12 067 | **12 050** | (17) |
| Deferred income tax liabilities | 1 196 | **1 200** | 4 |
| Trade and other payables | 4 602 | **4 645** | 43 |
| | | | 8 |

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