PSG Financial Services Limited

REVIEWED RESULTS FOR THE YEAR ENDED 29 FEBRUARY 2020

OVERVIEW
PSG Financial Services Ltd ("PSL" or "the company" or "the group") is a wholly-owned subsidiary and the only asset of PSG Group Ltd ("PSG Group" or "PSG"). PSL has 17 415 770 (2019: 17 415 770) cumulative, non-redeemable, non-participating preference shares ("preference shares") in issue which are listed on the JSE.

Since all of PSG's investment activities are conducted through PSL, being the sole direct asset of PSG, please refer to the commentary section of PSG's reviewed results for the financial year ended 29 February 2020 for more information regarding the group and its performance, as published on SENS on 23 April 2020.

The company wishes, for the sake of transparency, to refer preference shareholders to the cautionary announcement released today, 23 April 2020, by PSG Group on SENS.

PREFERENCE SHARE DIVIDEND
The company previously announced the declaration of its preference share dividend in respect of the six months ended 29 February 2020, which was paid on Monday, 23 March 2020.

On behalf of the board

KK Combi	**Piet Mouton**	**Wynand Greeff**
Chairman	*Chief Executive Officer*	*Chief Financial Officer*

Stellenbosch
22 April 2020

PSG FINANCIAL SERVICES LTD: Registration number: 1919/000478/06, JSE Ltd ("JSE") share code: PGFP, ISIN code: ZAE000096079, LEI code: 378900E99AFDC02B0F23

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.

DATE OF ANNOUNCEMENT: 23 April 2020

Basis of presentation and accounting policies

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

These summary consolidated financial statements are prepared in accordance with the requirements of the Companies Act of South Africa and the requirements of the JSE Listings Requirements for preliminary reports. The JSE Listings Requirements require preliminary 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 consolidated financial statements are in terms of IFRS and are consistent with those applied in the previous consolidated annual financial statements of PSG, as amended for the adoption of the various revisions to IFRS which are effective for the year ended 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 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 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 PSG's annual financial statements for the year ended 28 February 2019.

Preparation

These summary consolidated preliminary financial statements were compiled under the supervision of the group chief financial officer, Mr WL Greeff, CA (SA), and were reviewed by PSL's external auditor, PricewaterhouseCoopers Inc, with a copy of their unmodified review conclusion attached hereto. Any reference to future financial performance included in this announcement, has not been reviewed or reported on by the company's auditor.

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 PSL shareholders. These balances mainly stem from:

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

For transparency sake and to assist users in gaining a better understanding of the impact of client-related balances on the reported amounts, the summary consolidated statement of financial position, summary consolidated income statement and summary consolidated statement of cash flows continue to differentiate between assets, liabilities, income, expenses and cash flows attributable to i) own balances (i.e. those attributable to the ordinary shareholders of PSL and its subsidiaries) and ii) client-related balances.

Summary consolidated statement of financial position	Reviewed Feb-20 Own balances Rm	Client-related balances Rm	Total Rm	Feb-19 Own balances Rm	Client-related balances Rm	Total Rm
Assets						
Property, plant and equipment	**12 117**		**12 117**	11 149		11 149
Intangible assets	**4 483**		**4 483**	4 541		4 541
Right-of-use assets	**1 107**		**1 107**			-
Investment in ordinary shares of associates	**10 672**		**10 672**	14 578		14 578
Investment in preference shares of/loans granted to associates	**42**		**42**	178		178
Investment in ordinary shares of joint ventures	**986**		**986**	855		855
Loans granted to joint ventures	**35**		**35**	5		5
Employee benefit assets	**42**		**42**	43		43
Unit-linked investments	**682**	**49 722**	**50 404**	776	45 719	46 495
Equity securities	**3 033**	**2 209**	**5 242**	4 299	2 337	6 636
Debt securities	**1 847**	**4 365**	**6 212**	1 873	4 390	6 263
Deferred income tax assets	**469**		**469**	303		303
Biological assets	**585**		**585**	593		593
Investment in investment contracts		**16**	**16**		16	16
Loans and advances	**1 806**		**1 806**	834		834
Trade and other receivables	**4 261**	**1 740**	**6 001**	3 268	1 321	4 589
Derivative financial assets	**1**	**23**	**24**	22	11	33
Inventory	**2 038**		**2 038**	1 696		1 696
Current income tax assets	**39**		**39**	102		102
Reinsurance assets	**134**		**134**	109		109
Cash and cash equivalents	**1 723**	**254**	**1 977**	1 552	280	1 832
Assets held for sale (note 5)	**5 520**		**5 520**			-
Total assets	**51 622**	**58 329**	**109 951**	46 776	54 074	100 850
Equity						
Ordinary and preference shareholders' equity	**17 025**		**17 025**	16 967		16 967
Non-controlling interests	**10 265**		**10 265**	10 194		10 194
Total equity	**27 290**	**-**	**27 290**	27 161	-	27 161
Liabilities						
Insurance contracts	**554**		**554**	543		543
Investment contract liabilities		**26 694**	**26 694**		25 932	25 932
Third-party liabilities arising on consolidation of mutual funds		**29 999**	**29 999**		26 715	26 715
Deferred income tax liabilities	**1 535**		**1 535**	1 753		1 753
Borrowings	**16 203**		**16 203**	13 566	111	13 677
Lease liabilities	**1 453**		**1 453**			-
Derivative financial liabilities	**87**	**30**	**117**	64	14	78
Employee benefit liabilities	**598**		**598**	528		528
Trade and other payables	**3 744**	**1 606**	**5 350**	3 117	1 302	4 419
Reinsurance liabilities	**7**		**7**	5		5
Current income tax liabilities	**135**		**135**	39		39
Liabilities held for sale	**16**		**16**			-
Total liabilities	**24 332**	**58 329**	**82 661**	19 615	54 074	73 689
Total equity and liabilities	**51 622**	**58 329**	**109 951**	46 776	54 074	100 850

Summary consolidated statement of financial position	Feb-18 Own balances Rm	Client-related balances Rm	Total Rm
Assets			
Property, plant and equipment	9 310		9 310
Intangible assets	3 825		3 825
Investment in ordinary shares of associates	13 886		13 886
Investment in preference shares of/loans granted to associates	141		141
Investment in ordinary shares of joint ventures	432		432
Loans granted to joint ventures	8		8
Employee benefit assets	39		39
Unit-linked investments	635	41 565	42 200
Equity securities	5 390	2 304	7 694
Debt securities	2 597	3 547	6 144
Deferred income tax assets	245		245
Biological assets	558		558
Investment in investment contracts		15	15
Loans and advances	577		577
Trade and other receivables	2 898	1 594	4 492
Derivative financial assets	34	9	43
Inventory	1 723		1 723
Current income tax assets	90		90
Reinsurance assets	86		86
Cash and cash equivalents	1 924	355	2 279
Assets held for sale	7		7
Total assets	44 405	49 389	93 794
Equity			
Ordinary and preference shareholders' equity	16 170		16 170
Non-controlling interests	10 149		10 149
Total equity	26 319	-	26 319
Liabilities			
Insurance contracts	543		543
Investment contract liabilities		24 279	24 279
Third-party liabilities arising on consolidation of mutual funds		23 600	23 600
Deferred income tax liabilities	1 703		1 703
Borrowings	12 381	101	12 482
Derivative financial liabilities	92	17	109
Employee benefit liabilities	541		541
Trade and other payables	2 768	1 392	4 160
Reinsurance liabilities	3		3
Current income tax liabilities	55		55
Total liabilities	18 086	49 389	67 475
Total equity and liabilities	44 405	49 389	93 794

Summary consolidated income statement	Reviewed Feb-20 Own balances Rm	Feb-20 Client-related balances Rm	Feb-20 Total Rm	Feb-19* Own balances Rm	Feb-19* Client-related balances Rm	Feb-19* Total Rm
CONTINUING OPERATIONS						
Revenue from sale of goods	**13 502**		**13 502**	13 041		13 041
Cost of goods sold	**(11 339)**		**(11 339)**	(11 460)		(11 460)
Gross profit from sale of goods	**2 163**	-	**2 163**	1 581	-	1 581
Revenue earned from commission, school, net insurance and other fee income (note 6)	**10 936**	**(75)**	**10 861**	9 329	(90)	9 239
Fair value adjustments and other income						
Changes in fair value of biological assets	**225**		**225**	194		194
Investment income	**493**	**1 964**	**2 457**	556	1 810	2 366
Fair value gains/(losses)	**3**	**(125)**	**(122)**	(268)	644	376
Fair value adjustment to investment contract liabilities		**(507)**	**(507)**		(1 073)	(1 073)
Fair value adjustment to third-party liabilities arising on consolidation of mutual funds		**(1 270)**	**(1 270)**		(1 336)	(1 336)
Other operating income	**314**		**314**	216		216
	1 035	**62**	**1 097**	698	45	743
Expenses						
Insurance claims and loss adjustments, net of recoveries	**(663)**		**(663)**	(582)		(582)
Marketing, administration, impairment losses and other expenses	**(11 570)**	**47**	**(11 523)**	(9 179)	57	(9 122)
	(12 233)	**47**	**(12 186)**	(9 761)	57	(9 704)
Net income from associates and joint ventures						
Share of profits of associates and joint ventures	**2 307**		**2 307**	2 042		2 042
Loss on impairment of associates	**(323)**		**(323)**	(59)		(59)
Net profit on sale/dilution of interest in associates	**130**		**130**	6		6
	2 114	-	**2 114**	1 989	-	1 989
Profit before finance costs and taxation	**4 015**	**34**	**4 049**	3 836	12	3 848
Finance costs	**(889)**		**(889)**	(676)		(676)
Profit before taxation	**3 126**	**34**	**3 160**	3 160	12	3 172
Taxation	**(491)**	**(34)**	**(525)**	(464)	(12)	(476)
Profit for the year from continuing operations	**2 635**	-	**2 635**	2 696	-	2 696
DISCONTINUED OPERATIONS						
Profit/(loss) for the year from discontinued operations	**795**	-	**795**	(285)	-	(285)
Share of profit of associate	**264**		**264**	318		318
Reversal of/(loss on) impairment of associate	**617**		**617**	(617)		(617)
(Loss)/profit on dilution of interest in associate	**(86)**		**(86)**	14		14
Profit for the year	**3 430**	-	**3 430**	2 411	-	2 411
Attributable to:						
Owners of the parent	**2 680**			2 142		
Continuing operations	**2 330**			2 267		
Discontinued operations	**350**			(125)		
Non-controlling interests	**750**			269		
	3 430			2 411		

** Re-presented for the discontinued operation detailed in note 5.*

Number of shares in issue and dividend per preference share	*Change %*	**Reviewed Feb-20**	Feb-19
Number of shares in issue (m)			
Ordinary shares		**599.3**	599.3
Preference shares		**17.4**	17.4
Dividend per preference share (R)		**8.41**	8.41
Interim		**4.28**	4.22
Final		**4.13**	4.19

Summary consolidated statement of comprehensive income	**Reviewed Feb-20 Rm**	Feb-19 Rm
Profit for the year	**3 430**	2 411
Other comprehensive loss for the year, net of taxation	**(1 220)**	133
Items that may be subsequently reclassified to profit or loss		
Currency translation adjustments	**(181)**	(19)
Cash flow hedges	**(13)**	7
Share of other comprehensive losses and equity movements of associates	**(238)**	(36)
Fair value adjustment to equity securities	**(788)**	183
Items that may not be subsequently reclassified to profit or loss		
Losses from changes in financial and demographic assumptions of post-employment benefit obligations		(2)
Total comprehensive income for the year	**2 210**	2 544
Attributable to:		
Owners of the parent	**1 693**	2 311
Continuing operations	**1 798**	2 318
Discontinued operations	**(105)**	(7)
Non-controlling interests	**517**	233
	2 210	2 544

Summary consolidated statement of changes in equity	Reviewed Feb-20 Rm	Feb-19 Rm
Ordinary and preference shareholders' equity at beginning of the year	**16 864**	15 939
Previously reported	**16 967**	16 170
Adjustment due to the initial application of IFRS 16 (2019: IFRS 9)	**(103)**	(231)
Total comprehensive income	**1 693**	2 311
Share-based payment costs - employees	**80**	73
Transactions with non-controlling interests	**(265)**	(12)
Dividends paid	**(1 347)**	(1 344)
Ordinary and preference shareholders' equity at end of the year	**17 025**	16 967
Non-controlling interests at beginning of the year	**10 061**	10 117
Previously reported	**10 194**	10 149
Adjustment due to the initial application of IFRS 16 (2019: IFRS 9)	**(133)**	(32)
Total comprehensive income	**517**	233
Issue of shares	**20**	433
Share-based payment costs - employees	**48**	39
Subsidiaries acquired (note 3)	**66**	25
Subsidiaries deconsolidated/sold	**(2)**	(106)
Transactions with non-controlling interests	**(139)**	(191)
Dividends paid	**(306)**	(356)
Non-controlling interests at end of the year	**10 265**	10 194
Total equity	**27 290**	27 161

Summary consolidated statement of cash flows	**Reviewed Feb-20** Own balances Rm	Client-related balances Rm	Total Rm	Feb-19* Own balances Rm	Client-related balances Rm	Total Rm
Net cash flow from operating activities						
Cash generated from/(utilised by) operations (note 2)	**2 190**	**(1 922)**	**268**	1 732	(1 863)	(131)
Interest income	**351**	**1 360**	**1 711**	438	1 335	1 773
Dividend income	**1 052**	**643**	**1 695**	987	476	1 463
Continuing operations	**863**	**643**	**1 506**	774	476	1 250
Discontinued operations	**189**		**189**	213		213
Finance costs	**(840)**		**(840)**	(668)		(668)
Taxation paid	**(483)**	**(7)**	**(490)**	(693)		(693)
Net cash flow from operating activities	**2 270**	**74**	**2 344**	1 796	(52)	1 744
Net cash flow from investing activities	**(1 472)**	**-**	**(1 472)**	(845)	(23)	(868)
Cash flow from subsidiaries/businesses acquired (note 3)	**(235)**		**(235)**	(852)		(852)
Cash flow from subsidiaries deconsolidated/sold	**54**		**54**	(59)		(59)
Cash flow from first-time consolidation of mutual fund			**-**		10	10
Cash flow from deconsolidation of mutual funds			**-**		(33)	(33)
Acquisition of ordinary shares in associates and joint ventures	**(515)**		**(515)**	(402)		(402)
Acquisition of property, plant and equipment	**(1 672)**		**(1 672)**	(1 451)		(1 451)
Other investing activities	**896**		**896**	1 919		1 919
Net cash flow from financing activities	**(861)**	**(100)**	**(961)**	(1 171)	-	(1 171)
Dividends paid to:						
PSL shareholders	**(1 347)**		**(1 347)**	(1 344)		(1 344)
Non-controlling interests	**(306)**		**(306)**	(356)		(356)
Borrowings drawn	**3 165**		**3 165**	1 508		1 508
Borrowings repaid	**(2 057)**	**(100)**	**(2 157)**	(1 274)		(1 274)
Other financing activities	**(316)**		**(316)**	295		295
Net decrease in cash and cash equivalents	**(63)**	**(26)**	**(89)**	(220)	(75)	(295)
Exchange (losses)/gains on cash and cash equivalents	**(21)**		**(21)**	7		7
Cash and cash equivalents at beginning of the year	**425**	**280**	**705**	638	355	993
Cash and cash equivalents at end of the year	**341**	**254**	**595**	425	280	705

** Re-presented for the discontinued operation detailed in note 5.*

Summary consolidated statement of cash flows (continued)

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

As a result of the group's consolidation of the PSG Money Market Fund, the cash invested therein is derecognised and all of the fund's underlying highly-liquid debt securities are recognised on the 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 PSL- and subsidiary-level.

	Reviewed Feb-20			Feb-19		
	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)	**1 723**	**254**	**1 977**	1 552	280	1 832
Bank overdrafts (included in "borrowings" per the summary consolidated statement of financial position)	**(1 382)**		**(1 382)**	(1 127)		(1 127)
Cash and cash equivalents (per the summary consolidated statement of cash flows)	**341**	**254**	**595**	425	280	705
Debt securities (per the summary consolidated statement of financial position)	**1 847**	**4 365**	**6 212**	1 873	4 390	6 263
Liquid cash resources	**2 188**	**4 619**	**6 807**	2 298	4 670	6 968
PSL-level (invested in the PSG Money Market Fund)	**186**			323		
Subsidiary-level cash and cash equivalents	**3 384**			3 102		
Subsidiary-level bank overdrafts	**(1 382)**			(1 127)		

Notes to the summary consolidated financial statements	Reviewed Feb-20 Continuing operations Rm	Discontinued operations Rm	Total Rm	Feb-19 Continuing operations Rm	Discontinued operations Rm	Total Rm
1. Headline earnings						
Profit for the year attributable to owners of the parent	**2 330**	**350**	**2 680**	2 267	(125)	2 142
Non-headline items	**347**	**(226)**	**121**	11	257	268
Gross amounts	**607**	**(512)**	**95**	73	586	659
Loss on/(reversal of) impairment of associate	**323**	**(617)**	**(294)**	59	617	676
Net (profit)/loss on sale/dilution of interest in associates	**(130)**	**86**	**(44)**	(6)	(14)	(20)
Profit from subsidiaries sold/deconsolidated	**(58)**		**(58)**	(8)		(8)
Fair value gain on step-up from associate to subsidiary	**(4)**		**(4)**	(2)		(2)
Net loss on sale/impairment of intangible assets (including goodwill)	**294**		**294**	120		120
Net loss/(profit) on sale/impairment of property, plant and equipment	**209**		**209**	(1)		(1)
Loss on impairment of biological assets	**2**		**2**			-
Non-headline items of associates and joint ventures	**(75)**	**19**	**(56)**	(64)	(17)	(81)
Bargain purchase gain			**-**	(25)		(25)
Impairment of assets held for sale	**46**		**46**			-
Non-controlling interests	**(309)**	**286**	**(23)**	(61)	(329)	(390)
Taxation	**49**		**49**	(1)		(1)
Headline earnings	**2 677**	**124**	**2 801**	2 278	132	2 410

	Reviewed Feb-20 Own balances Rm	Reviewed Feb-20 Client-related balances Rm	Reviewed Feb-20 Total Rm	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	**3 126**	**34**	**3 160**	3 160	12	3 172
Share of profits of associates and joint ventures	**(2 307)**		**(2 307)**	(2 042)		(2 042)
Depreciation and amortisation	**836**		**836**	582		582
Investment income	**(493)**	**(1 964)**	**(2 457)**	(556)	(1 810)	(2 366)
Finance costs	**889**		**889**	676		676
Working capital changes and other non-cash items	**139**	**8**	**147**	(88)	(65)	(153)
Cash generated from/ (utilised by) operations	**2 190**	**(1 922)**	**268**	1 732	(1 863)	(131)

3. Subsidiaries acquired

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

GAP Chemicals (Pty) Ltd ("GAP")

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

Farm-Ag International ("Farm-Ag")

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

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

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

Reviewed	**GAP Rm**	**Farm-Ag Rm**	**Other Rm**	**Total Rm**
Identifiable net assets acquired	**122**	**121**	**22**	**265**
Goodwill recognised	**89**	**11**	**54**	**154**
Non-controlling interests recognised (indirect)		**(66)**		**(66)**
Derecognition of investment in associates	**(101)**	**(35)**	**(4)**	**(140)**
Total consideration	**110**	**31**	**72**	**213**
Deferred consideration	**(35)**	**(16)**	**(5)**	**(56)**
Contingent consideration			**(4)**	**(4)**
Cash consideration paid	**75**	**15**	**63**	**153**
Cash consideration paid	**(75)**	**(15)**	**(63)**	**(153)**
Cash and cash equivalents acquired	**(142)**	**55**	**5**	**(82)**
Cash flow from subsidiaries acquired	**(217)**	**40**	**(58)**	**(235)**

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 significant contingent consideration or indemnification asset arrangements. Non-controlling interests were measured with reference to their proportionate share of the identifiable net assets acquired.

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

Receivables of R563m 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.

4. Capital commitments

The group’s most significant capital commitments relate to Curro’s plans to invest approximately R1bn in growth and development projects during the 2020 calendar year.

5. Events subsequent to the reporting date and assets held for sale

Subsequent to PSL’s financial year-end, the socio-economic landscape has shifted dramatically due to the global COVID-19 pandemic. To help contain the spread of the virus, SA was placed into an extended period of lockdown. The COVID-19 pandemic is having a devastating impact all around the world and across all industries. It is virtually impossible at this stage to quantify the impact of the aforementioned on our economy, businesses and our people – but it will be dire and correlated to the duration of the lockdown. All of PSL’s investees have assessed the immediate impact of COVID-19 on their respective businesses and put contingency and remedial plans in place where possible.

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

With Pioneer Foods being a significant associate of the group, it was classified as a discontinued operation in accordance with IFRS 5 and its contribution to the summary consolidated financial statements was re-presented throughout as a discontinued operation. Comparative figures were re-presented accordingly.

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

	Reviewed Feb-20 Rm	Feb-19 Rm
6. Revenue earned from commission, school, net insurance and other fee income		
Commission, brokerage and advisory	**4 668**	3 917
Management and performance fees	**1 135**	1 143
School, tuition and other education-related fees	**3 961**	3 242
Net insurance premiums	**1 097**	937
	10 861	9 239

7. Financial instruments

7.1 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 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 PSG's consolidated annual financial statements for the year ended 28 February 2019, as well as PSL's for the year ended 29 February 2020 (to be published during May/June 2020). Risk management continues to be carried out by each entity within the group under policies approved by the respective boards of directors.

7.2 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
29 February 2020 (reviewed)				
Assets				
Unit-linked investments		**50 104**	**300**	**50 404**
Equity securities	**5 194**	**2**	**46**	**5 242**
Debt securities	**867**	**5 345**		**6 212**
Investment in investment contracts		**16**		**16**
Derivative financial assets		**24**		**24**
Assets held for sale	**7**			**7**
Closing balance	**6 068**	**55 491**	**346**	**61 905**
Own balances	**3 001**	**2 258**	**64**	**5 323**
Client-related balances	**3 067**	**53 233**	**282**	**56 582**
Liabilities				
Investment contract liabilities		**26 412**	**282**	**26 694**
Third-party liabilities arising on consolidation of mutual funds		**29 999**		**29 999**
Derivative financial liabilities		**94**	**23**	**117**
Trade and other payables			**108**	**108**
Closing balance	**-**	**56 505**	**413**	**56 918**
Own balances		**64**	**131**	**195**
Client-related balances		**56 441**	**282**	**56 723**
28 February 2019				
Assets				
Unit-linked investments		46 040	455	46 495
Equity securities	6 462	143	31	6 636
Debt securities	876	5 320		6 196
Investment in investment contracts		16		16
Derivative financial assets		33		33
Closing balance	7 338	51 552	486	59 376
Own balances	4 125	2 719	59	6 903
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

7.2 Fair value estimation (continued)

	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
28 February 2018				
Assets				
Unit-linked investments		41 481	719	42 200
Equity securities	5 703	1 312	679	7 694
Debt securities	922	1 501		2 423
Investment in investment contracts		15		15
Derivative financial assets		43		43
Closing balance	6 625	44 352	1 398	52 375
Own balances	3 398	2 020	700	6 118
Client-related balances	3 227	42 332	698	46 257
Liabilities				
Investment contract liabilities		23 421	698	24 119
Third-party liabilities arising on consolidation of mutual funds		23 600		23 600
Derivative financial liabilities		70	39	109
Trade and other payables			45	45
Closing balance	-	47 091	782	47 873
Own balances		56	84	140
Client-related balances		47 035	698	47 733

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

	Reviewed Feb-20		Feb-19		Feb-18	
	Assets Rm	**Liabilities Rm**	Assets Rm	Liabilities Rm	Assets Rm	Liabilities Rm
Opening balance	**486**	**619**	1 398	782	1 161	1 251
Additions	**128**	**157**	230	312	1 188	542
Disposals	**(312)**	**(377)**	(1 700)	(627)	(915)	(1 029)
Fair value adjustments	**45**	**15**	504	35	31	18
Other movements	**(1)**	**(1)**	54	117	(67)	
Closing balance	**346**	**413**	486	619	1 398	782

There have been no significant transfers between level 1, 2 or 3 during the year 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

8. Segment report

The group's classification into seven reportable segments, namely: Capitec, PSG Konsult, PSG Alpha, Zeder, Curro, Dipeo and PSG Corporate, remains unchanged and these segments represent the major investments of the group. The products and services offered by the respective segments are detailed in the 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 investment in CA Sales, through Zeder's investments in The Logistics Group, Capespan, Zaad and Agrivision Africa, and through Curro.

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

SOTP is a key valuation tool used to measure the group's performance. In determining *SOTP*, listed assets and liabilities are valued using quoted market prices, whereas unlisted assets and liabilities are valued using appropriate 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.

The chief operating decision-maker (the PSG Executive Committee) does not review the group's SOTP from the perspective of PSL, but rather only from the perspective of PSG (with PSL's listed perpetual preference shares included as a liability therein) and accordingly the SOTP values set out below are consistent with those presented by PSG.

Approximately 98% of PSG's SOTP value is calculated using listed share prices (i.e. level 1, if it was to be classified by level of fair value hierarchy according to IFRS 13), while the remaining 2% unlisted assets and liabilities are valued using appropriate valuation methods including EBITDA-multiples and with reference to external property valuations (for say Evergreen), with cash, loans receivable and unlisted debt being included at their respective IFRS carrying values.

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

29 February 2020 (reviewed)	Revenue (own balances) Rm	Recurring earnings (segment profit)* Rm	Non-recurring earnings* Rm	Headline earnings* Rm	SOTP value Rm
Capitec		1 927		1 927	46 130
PSG Konsult	4 954	389		389	6 399
PSG Alpha	9 245	270	(164)	106	3 618
Zeder	7 543	246	(65)	181	3 173
Curro	2 980	117	23	140	2 604
Dipeo	18	(36)	(1)	(37)	
PSG Corporate	93	(24)		(24)	
Funding and other	98	56	63	119	(1 604)
Total	**24 931**	**2 945**	**(144)**	**2 801**	**60 320**
Revenue from contracts with customers					
Revenue from sale of goods	13 502				
Revenue earned from commission, school, net insurance and other fee income	10 936				
Investment income	493				
Non-headline items				(121)	
Earnings attributable to non-controlling interests				750	
Taxation				525	
Profit before taxation				**3 955**	
Profit before taxation from continuing operations				3 160	
Profit for the year from discontinued operations				795	

8. Segment report (continued)

28 February 2019	Revenue (own balances) Rm	Recurring earnings (segment profit)* Rm	Non-recurring earnings* Rm	Headline earnings* Rm	SOTP value Rm
Capitec		1 625		1 625	46 351
PSG Konsult	4 480	361	8	369	8 700
PSG Alpha	7 958	216	(59)	157	4 712
Zeder	7 731	207	130	337	3 166
Curro	2 549	137		137	5 714
Dipeo	17	(29)	(246)	(275)	
PSG Corporate	71	(40)		(40)	
Funding and other	120	31	69	100	(685)
Total	22 926	2 508	(98)	2 410	67 958
Revenue from contracts with customers					
Revenue from sale of goods	13 041				
Revenue earned from commission, school, net insurance and other fee income	9 329				
Investment income	556				
Non-headline items				(268)	
Earnings attributable to non-controlling interests				269	
Taxation				476	
Profit before taxation				2 887	
Profit before taxation from continuing operations				3 172	
Loss for the year from discontinued operations				(285)	

** Reported net of non-controlling interests.*

INDEPENDENT AUDITOR'S REVIEW REPORT ON CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of PSG Financial Services Limited

We have reviewed the condensed consolidated financial statements of PSG Financial Services Limited, set out on pages 2 to 16 of the preliminary report, which comprise the condensed consolidated statement of financial position as at 29 February 2020 and the related condensed consolidated income statement and condensed consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and selected explanatory notes.

Directors' Responsibility for the Condensed Consolidated Financial Statements

The directors are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports, as set out in the Basis of presentation and accounting policies to the financial statements, and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on these financial statements. We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2410, which applies to a review of historical financial information performed by the independent auditor of the entity. ISRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the financial statements are not prepared in all material respects in accordance with the applicable financial reporting framework. This standard also requires us to comply with relevant ethical requirements.

A review of financial statements in accordance with ISRE 2410 is a limited assurance engagement. We perform procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluate the evidence obtained. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these financial statements.

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Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements of PSG Financial Services Limited for the year ended 29 February 2020 are not prepared, in all material respects, in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports, as set out in the Basis of presentation and accounting policies to the financial statements, and the requirements of the Companies Act of South Africa.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: D de Jager
Registered Auditor
Stellenbosch
22 April 2020