PSG Financial Services Limited

UNAUDITED RESULTS FOR THE SIX MONTHS ENDED 31 AUGUST 2020

OVERVIEW
PSG Financial Services Ltd (“PSGFS” or “the company” or “the group”) is a wholly-owned subsidiary and the only directly-held asset of PSG Group Ltd (“PSG Group” or “PSG”). PSGFS has 17 415 770 (29 February 2020: 17 415 770) cumulative, non-redeemable, non-participating preference shares (“preference shares”) in issue which are listed on the Johannesburg Stock Exchange.

Since all of PSG’s investment activities are conducted through PSGFS, being the sole directly-held asset of PSG, please refer to the commentary section of PSG’s unaudited results for the six months ended 31 August 2020 for more information regarding the group and its performance, as published on SENS on 15 October 2020.

PREFERENCE SHARE DIVIDEND
The company previously announced the declaration of its preference share dividend in respect of the six months ended 31 August 2020, which was paid on Monday, 21 September 2020.

On behalf of the board

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

Stellenbosch
14 October 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
[+] Resigned 12 June 2020 and reappointed 14 October 2020

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; Private Bag X9000, Saxonwold, 2132

SPONSOR: PSG Capital (Pty) Ltd

INDEPENDENT JOINT SPONSOR: UBS South Africa (Pty) Ltd

AUDITOR: PricewaterhouseCoopers Inc

DATE OF ANNOUNCEMENT: 15 October 2020

Introduction to the summary interim consolidated financial statements

Basis of presentation and accounting policies

These summary (i.e. condensed) 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; however, the accounting policies applied are materially different from those previously applied as detailed below.

In preparing these summary interim consolidated financial statements, the significant judgements made by management in applying the group's accounting policies related mainly to the fair value of unlisted investments as detailed in Annexure A.

Application of the Investment Entity exception in terms of IFRS 10 Consolidated Financial Statements

Change in Investment Entity status

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

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

During the period under review, PSGFS and its holding company, PSG Group, undertook the following major corporate actions, which significantly impacted the group's composition and focus areas:

- PSGFS, through Zeder, a subsidiary in terms of IFRS 10, disposed of its entire investment in Pioneer Foods, being the second largest associate of the group, for R6.4bn cash ("Pioneer Foods Disposal");
- PSGFS disposed of 1.7m shares (or 1.5%) in Capitec, its largest associate and asset, for R1.5bn cash; and
- PSG Group subsequently unbundled a further 30.5m shares (or 26.4%) in Capitec ("Capitec Unbundling"), with PSGFS retaining a 2.8% shareholding in Capitec for liquidity purposes. Such unbundling unlocked significant value for PSG Group ordinary shareholders.

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

Accounting treatment for an Investment Entity

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

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

Discontinued operations

Pioneer Foods Disposal

As at 29 February 2020, PSGFS, through its subsidiary Zeder, classified its investment in Pioneer Foods, an associate, as a non-current asset held for sale and discontinued operation in its consolidated financial statements. Accordingly, PSGFS' consolidated income statement for the six months ended 31 August 2019 have been re-presented to disclose the contribution from the investment in Pioneer Foods as a discontinued operation.

Capitec Unbundling

With effect from 1 March 2020, PSGFS classified the portion of its associate interest in Capitec being sold to PSG Group in anticipation of the Capitec Unbundling as a non-current asset held for sale and discontinued operation. PSGFS simultaneously transferred its retained equity security interest in Capitec that would not be sold to PSG Group, and over which it had lost significant influence, to investments at FVTPL and continued to measure it at FVTPL throughout the period under review. Profit or losses resulting from PSGFS' shareholding in Capitec forming part of the Capitec Unbundling were disclosed as a discontinued operation in PSGFS' consolidated income statement for all periods presented, irrespective of such investment being equity accounted during the comparative periods.

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 PSGFS' 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.

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

The differentiation between own and client-related balances is with effect from 1 March 2020 no longer relevant as a result of the aforementioned change in status to that of an Investment Entity, with PSG Konsult having been deconsolidated and PSGFS' interest therein being accounted for since at FVTPL.

Prior to applying the Investment Entity exception, client-related balances previously resulted in assets and liabilities of equal value being recognised in the consolidated statement of financial position, although not directly related to PSGFS shareholders. These balances mainly stemmed 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, with the group not being exposed to the financial risks associated with such assets and liabilities.
- The group consolidating mutual funds deemed to be controlled in terms of IFRS 10, with the group's own investments in such mutual funds having been derecognised and all the funds' underlying assets having been recognised. Third parties' funds invested in the respective mutual funds were recognised as a payable and included under "third-party liabilities arising on consolidation of mutual funds", with the group thus not being exposed to the financial risks associated with the assets and liabilities attributable to third parties.

Summary consolidated statement of financial position	**Unaudited**				Audited		
		Aug-19			Feb-20		
	Aug-20	Own balances	Client-related balances	Total	Own balances	Client-related balances	Total
	Rm	Rm	Rm	Rm	Rm	Rm	Rm
Assets							
Investments at FVTPL (note 1.1)	**15 635**			-			-
Property, plant and equipment	**56**	11 367		11 367	12 117		12 117
Intangible assets		4 550		4 550	4 483		4 483
Right-of-use assets	**1**	1 113		1 113	1 107		1 107
Investment in ordinary shares of associates		16 266		16 266	10 672		10 672
Investment in preference shares of/loans granted to associates		186		186	42		42
Investment in ordinary shares of joint ventures		918		918	986		986
Loans granted to joint ventures		20		20	35		35
Employee benefit assets		41		41	42		42
Unit-linked investments		680	48 516	49 196	682	49 722	50 404
Equity securities [1)]	**628**	3 282	2 366	5 648	3 033	2 209	5 242
Debt securities (note 1.3)	**478**	1 791	5 055	6 846	1 847	4 365	6 212
Deferred income tax assets	**15**	489		489	469		469
Biological assets		506		506	585		585
Investment in investment contracts			17	17		16	16
Loans and advances [2)]	**22 273**	1 482		1 482	1 806		1 806
Trade and other receivables	**86**	3 378	1 780	5 158	4 261	1 740	6 001
Derivative financial assets			15	15	1	23	24
Inventory		1 720		1 720	2 038		2 038
Current income tax assets		119		119	39		39
Reinsurance assets		171		171	134		134
Cash and cash equivalents	**1 915**	1 585	201	1 786	1 723	254	1 977
Assets held for sale		28		28	5 520		5 520
Total assets	**41 087**	49 692	57 950	107 642	51 622	58 329	109 951
Equity							
Ordinary and preference shareholders' equity	**39 140**	17 503		17 503	17 025		17 025
Non-controlling interests		10 332		10 332	10 265		10 265
Total equity	**39 140**	27 835	-	27 835	27 290	-	27 290
Liabilities							
Insurance contracts		601		601	554		554
Investment contract liabilities			26 574	26 574		26 694	26 694
Third-party liabilities arising on consolidation of mutual funds			29 603	29 603		29 999	29 999
Deferred income tax liabilities	**696**	1 550		1 550	1 535		1 535
Borrowings [3)]	**879**	14 715		14 715	16 203		16 203
Lease liabilities	**2**	1 433		1 433	1 453		1 453
Derivative financial liabilities	**53**	87	18	105	87	30	117
Employee benefit liabilities	**27**	489		489	598		598
Trade and other payables	**81**	2 909	1 755	4 664	3 744	1 606	5 350
Loans payable [4)]	**116**			-			-
Reinsurance liabilities		6		6	7		7
Current income tax liabilities	**93**	67		67	135		135
Liabilities held for sale				-	16		16
Total liabilities	**1 947**	21 857	57 950	79 807	24 332	58 329	82 661
Total equity and liabilities	**41 087**	49 692	57 950	107 642	51 622	58 329	109 951

1) Balance as at 31 August 2020 comprises solely the approximately 13.9m JSE-listed PSG Group (holding company) treasury shares held and which continue to be classified as at fair value through other comprehensive income ("FVTOCI").

2) Balance as at 31 August 2020 comprises mainly loans receivable from PSG Group (holding company). These loans are unsecured, interest-free and have no fixed terms of repayment.

3) Balance as at 31 August 2020 relates to a loan payable to PSG Group (holding company). The loan is unsecured, interest-free and has no fixed terms of repayment.

4) Balance as at 31 August 2020 includes loans payable to subsidiaries and head office-administered Black-Economic Empowerment Trusts not consolidated.

Summary consolidated income statement	Aug-20 Rm	Unaudited 6 months Aug-19 [1] Own balances Rm	Client-related balances Rm	Total Rm	Audited 12 months Feb-20 [1] Own balances Rm	Client-related balances Rm	Total Rm
CONTINUING OPERATIONS							
Fair value losses on investments at FVTPL (note 1.1)	**(4 493)**						
Revenue from sale of goods		5 999		5 999	13 502		13 502
Cost of goods sold		(4 973)		(4 973)	(11 339)		(11 339)
Gross profit from sale of goods	-	1 026	-	1 026	2 163	-	2 163
Revenue earned from commission, school, net insurance and other fee income [2] [3]	**35**	4 902	(39)	4 863	10 936	(75)	10 861
Fair value adjustments and other income							
Gain upon deemed disposal and reacquisition of subsidiaries at fair value (note 1.1)	**3 945**						
Investment income (note 1.1)	**3 781**	254	946	1 200	493	1 964	2 457
Changes in fair value of biological assets		37		37	225		225
Fair value (losses)/gains	**(18)**	(40)	370	330	3	(125)	(122)
Fair value adjustment to investment contract liabilities			(397)	(397)		(507)	(507)
Fair value adjustment to third-party liabilities arising on consolidation of mutual funds			(890)	(890)		(1 270)	(1 270)
Other operating income		127		127	314		314
	7 708	378	29	407	1 035	62	1 097
Expenses							
Insurance claims and loss adjustments, net of recoveries		(328)		(328)	(663)		(663)
Impairment loss on debt securities (note 1.3)	**(93)**			-			-
Marketing, administration, impairment losses and other expenses [2]	**(65)**	(5 193)	23	(5 170)	(11 570)	47	(11 523)
	(158)	(5 521)	23	(5 498)	(12 233)	47	(12 186)
Net income from associates and joint ventures							
Share of profits of associates and joint ventures		370		370	648		648
Loss on impairment of associates		(47)		(47)	(323)		(323)
Profit on sale/dilution of interest in associates (note 1.2)	**3 117**	(12)		(12)	130		130
	3 117	311	-	311	455	-	455
Profit before finance costs and taxation	**6 209**	1 096	13	1 109	2 356	34	2 390
Finance costs	**(128)**	(416)		(416)	(889)		(889)
Profit before taxation	**6 081**	680	13	693	1 467	34	1 501
Taxation [4]	**(730)**	(91)	(13)	(104)	(491)	(34)	(525)
Profit for the period from continuing operations	**5 351**	589	-	589	976	-	976
DISCONTINUED OPERATIONS							
Profit for the period from discontinued operations	**18 369**	1 429	-	1 429	2 454	-	2 454
Gain upon unbundling of Capitec interest at fair value (note 1.2)	**18 369**						
Share of profit of associate		893		893	1 923		1 923
Reversal of impairment of associate		617		617	617		617
Loss on dilution of interest in associate		(81)		(81)	(86)		(86)
Profit for the period	**23 720**	2 018	-	2 018	3 430	-	3 430
Attributable to:							
Owners of the parent	**23 720**	1 516			2 680		
Continuing operations	**5 351**	452			671		
Discontinued operations	**18 369**	1 064			2 009		
Non-controlling interests		502			750		
	23 720	2 018			3 430		

1) Re-presented for the discontinued operations as detailed in the introduction to these summary interim consolidated financial statements.

2) Fee income and operating costs pertaining to the wholly-owned head office subsidiaries providing investment services to PSG Group.

3) In respect of the period ended 31 August 2019, the line item wording has been amended and the amount reported has been re-presented higher up on the summary consolidated income statement being representative of the group's revenue-producing activities, with no change to the previously reported amount.

4) Comprises the capital gains tax in respect of i) the aforementioned 1.7m Capitec shares sold and ii) the remaining 2.8% Capitec shareholding retained.

Summary consolidated statement of comprehensive income	**Unaudited 6 months Aug-20 Rm**	Unaudited 6 months Aug-19 [1] Rm	Audited 12 months Feb-20 [1] Rm
Profit for the period	**23 720**	2 018	3 430
Other comprehensive loss for the period, net of taxation	**(1 560)**	(736)	(1 220)
Items that may be subsequently reclassified to profit or loss			
Currency translation adjustments		(122)	(181)
Cash flow hedges		(12)	(13)
Share of other comprehensive income/(losses) and equity movements of associates		49	(238)
Fair value adjustment to equity securities (PSG Group treasury shares held)	**(1 560)**	(646)	(788)
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)	
Total comprehensive income for the period	**22 160**	1 282	2 210
Attributable to:			
Owners of the parent	**22 160**	821	1 693
Continuing operations	**3 791**	820	1 841
Discontinued operations	**18 369**	1	(148)
Non-controlling interests		461	517
	22 160	1 282	2 210

[1] Re-presented for the discontinued operations as detailed in the introduction to these summary interim consolidated financial statements.

Summary consolidated statement of changes in equity	**Unaudited 6 months Aug-20 Rm**	Unaudited 6 months Aug-19 Rm	Audited 12 months Feb-20 Rm
Ordinary and preference shareholders' equity at beginning of the period	**17 025**	16 864	16 864
Total comprehensive income	**22 160**	821	1 693
Share-based payment costs - employees	**17**	33	80
Transactions with non-controlling interests	**(5)**	(140)	(265)
Dividends paid	**(57)**	(75)	(1 347)
Ordinary and preference shareholders' equity at end of the period	**39 140**	17 503	17 025
Non-controlling interests at beginning of the period	**10 265**	10 061	10 061
Total comprehensive income		461	517
Subsidiaries deconsolidated upon change in status to that of an Investment Entity	**(10 265)**		
Issue of shares		31	20
Share-based payment costs - employees		16	48
Subsidiaries acquired			66
Subsidiaries sold			(2)
Transactions with non-controlling interests		10	(139)
Dividends paid		(247)	(306)
Non-controlling interests at end of the period	**-**	10 332	10 265
Total equity	**39 140**	27 835	27 290

Summary consolidated statement of cash flows	**Unaudited 6 months** **Aug-20** **Rm**	Aug-19[1] Own balances Rm	Aug-19[1] Client-related balances Rm	Aug-19[1] Total Rm	Audited 12 months Feb-20[1] Own balances Rm	Feb-20[1] Client-related balances Rm	Feb-20[1] Total Rm
Net cash flow from operating activities	**1 706**	1 072	21	1 093	2 270	74	2 344
Cash generated from/(utilised by) operations (note 3)	**12**	973	(948)	25	2 190	(1 922)	268
Interest received	**38**	178	662	840	351	1 360	1 711
Dividends received (notes 1.1 and 1.3)							
Continuing operations	**1 897**	159	307	466	290	643	933
Discontinued operations		403		403	762		762
Finance costs paid	**(148)**	(404)		(404)	(840)		(840)
Taxation paid	**(93)**	(237)		(237)	(483)	(7)	(490)
Net cash flow from investing activities	**975**	(1 063)	-	(1 063)	(1 472)	-	(1 472)
Cash and cash equivalents deconsolidated upon change in status to that of an Investment Entity	**(409)**			-			-
Additions to investments at FVTPL (note 1.1)	**(76)**			-			-
Disposals of investments at FVTPL (note 1.1)	**1 460**			-			-
Cash flow from subsidiaries acquired		(34)		(34)	(235)		(235)
Cash flow from subsidiaries sold				-	54		54
Acquisition of ordinary shares in associates and joint ventures		(433)		(433)	(515)		(515)
Acquisition of property, plant and equipment		(656)		(656)	(1 672)		(1 672)
Other investing activities		60		60	896		896
Net cash flow from financing activities	**(1 361)**	(302)	(100)	(402)	(861)	(100)	(961)
Dividends paid to:							
PSGFS ordinary and preference shareholders	**(72)**	(73)		(73)	(1 347)		(1 347)
Non-controlling interests		(250)		(250)	(306)		(306)
Borrowings drawn		1 392		1 392	3 165		3 165
Borrowings repaid [2]	**(1 289)**	(1 246)	(100)	(1 346)	(2 057)	(100)	(2 157)
Other financing activities		(125)		(125)	(316)		(316)
Net increase/(decrease) in cash and cash equivalents	**1 320**	(293)	(79)	(372)	(63)	(26)	(89)
Exchange losses on cash and cash equivalents				-	(21)		(21)
Cash and cash equivalents at beginning of the period	**595**	425	280	705	425	280	705
Cash and cash equivalents at end of the period	**1 915**	132	201	333	341	254	595

1) Re-presented for the discontinued operations as detailed in the introduction to these summary interim consolidated financial statements.

2) Borrowings repaid during the period under review comprise i) R1bn in redeemable preference share debt repaid in full and ii) R289m on account of loans payable to PSG Group (holding company).

Notes to the summary interim consolidated financial statements	Carrying value 29-Feb-20 Rm	Gain/(loss) upon deemed disposal and reacquisition of subsidiaries at fair value on 01-Mar-20 Rm	Fair value [1] 01-Mar-20 Rm	Transfer from investment in associate Rm	Fair value losses Rm	Capitec unbundling receipt [2] Rm	(Disposals)/ additions [3] Rm	Fair value [1] 31-Aug-20 Rm	Investment (dividend) income [4] Rm
	Unaudited								
			Reconciliation of investments at FVTPL from 1 Mar 2020 to 31 Aug 2020						
1. Investments									
1.1 Investments at FVTPL									
Capitec			-	3 877	(1 556)	1 841	(1 460)	**2 702**	
PSG Konsult	1 964	4 435	**6 399**		(631)			**5 768**	**122**
Curro	3 034	(430)	**2 604**		(732)			**1 872**	**23**
Zeder	3 517	(344)	**3 173**		(1 377)			**1 796**	**1 721**
PSG Alpha	3 111	507	**3 618**		(197)		76	**3 497**	
Other	223	(223)	-					-	
Total		3 945	**15 794**	3 877	(4 493)	1 841	(1 384)	**15 635**	**1 866**
Interest income on cash and cash equivalents and loans and advances, as well as preference share dividends accrued on debt securities									**64**
Dividend income from equity securities at FVTOCI (classified as "equity securities" in the statement of financial position)									**1 851**
Ordinary dividend received in cash									**10**
Dividend in specie received pursuant to the Capitec Unbundling [2]									**1 841**
Total investment income									**3 781**

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

2) In light of PSGFS holding approximately 13.9m JSE-listed PSG Group (holding company) treasury shares, it received approximately 1.9m JSE-listed Capitec shares pursuant to the Capitec Unbundling, being worth R1,841m at the ruling share price as at 30 July 2020, being the date on which PSG Group shareholder approval for the Capitec Unbundling was obtained, with the required approval of the Prudential Authority having been obtained prior to such date.

3) The disposal of 1.7m Capitec shares during May/June 2020 raised R1,460m in cash, while a further R76m cash was invested in PSG Alpha to support it investing in its portfolio of early-stage investments.

4) The dividends received from PSG Konsult and Curro were paid in the normal course of business, while the dividend received from Zeder was a special dividend paid pursuant to the Pioneer Foods Disposal.

	Carrying value 29-Feb-20 Rm	Gain upon remeasuring retained Capitec interest to fair value Rm	Gain upon unbundling of Capitec interest at fair value Rm	Transfer to investments at FVTPL Rm	Disposal at fair value to PSG Group Rm	Carrying value 31-Aug-20 Rm
	Unaudited					
	Reconciliation of associate from 29 Feb 2020 to 31 Aug 2020					
1.2 Investment in associate (Capitec)						
Retained Capitec interest (continuing operations) [1]	**760**	3 117		(3 877)		-
Unbundled Capitec interest (discontinued operations) [2]	**8 283**		18 369		(26 652)	-
Total	**9 043**	3 117	18 369	(3 877)	(26 652)	-

1) This portion of the investment in associate, representing the approximately 3m Capitec shares not sold to PSG Group in terms of the corporate rollover provisions in the Income Tax Act in anticipation of the Capitec Unbundling, and over which significant influence was lost, was transferred to investments at FVTPL at the ruling market price on 1 March 2020, being the date on which the unbundled Capitec interest was reclassified as a non-current asset held for sale.

2) Representing approximately 32.5m Capitec shares worth R26,652m at the ruling share price as at 9 July 2020, being the date on which PSGFS disposed of such shares to PSG Group in anticipation of the Capitec Unbundling.

1.3 Debt securities

Debt securities as at 31 August 2020 relate to PSGFS' investment in Dipeo redeemable preference shares. Previously, such investment was eliminated upon consolidation of Dipeo (a subsidiary in terms of IFRS 10), with PSGFS accordingly sharing in the underlying assets of Dipeo. However, following the aforementioned change in status to that of an Investment Entity, Dipeo is no longer consolidated and PSGFS had to accordingly reinstate such debt securities and account therefore at amortised cost. Below is a reconciliation of movement in such debt securities balance for the period under review:

	Unaudited 31-Aug-20 Rm
Reinstatement following change in status to that of an Investment Entity (i.e. opening balance net of prior impairment)	**567**
Cash collected	**(21)**
Preference share dividends accrued [1]	**25**
Impairment loss	**(93)**
Closing balance [2]	**478**

1) Preference share dividends are accounted for at the contractual rate of Prime plus 2% on the balance net of impairment losses (i.e. stage 2 under-performing financial asset).

2) The carrying value of the debt securities is supported by Dipeo's investment in JSE-listed Curro (5.2%), Stadio (3.4%) and Kaap Agri (20%), as well as in unlisted Energy Partners (15.7%), and accordingly the remaining carrying value is deemed fully recoverable.

	Unaudited 6 months						**Audited 12 months**		
	Aug-20			Aug-19			Feb-20 [1]		
	Continuing operations Rm	**Discontinued operations Rm**	**Total Rm**	Continuing operations Rm	Discontinued operations Rm	Total Rm	Continuing operations Rm	Discontinued operations Rm	Total Rm
2. Headline earnings and dividend per preference share									
Profit for the period attributable to owners of the parent	**5 351**	**18 369**	**23 720**	452	1 064	1 516	671	2 009	2 680
Non-headline items	**(5 983)**	**(18 369)**	**(24 352)**	106	(262)	(156)	338	(217)	121
Gross amounts	**(7 062)**	**(18 369)**	**(25 431)**	261	(593)	(332)	598	(503)	95
Gain upon deemed disposal and reacquisition of subsidiaries at fair value (note 1.1)	**(3 945)**		**(3 945)**			-			-
Net (profit)/loss on sale/dilution of interest in associates (note 1.2)	**(3 117)**		**(3 117)**	12	81	93	(130)	86	(44)
Loss on/(reversal of) impairment of associates				47	(617)	(570)	323	(617)	(294)
Gain upon unbundling of Capitec interest at fair value (note 1.2)		**(18 369)**	**(18 369)**						
Profit from subsidiaries sold				(11)		(11)	(58)		(58)
Fair value gain on step-up from associate to subsidiary						-	(4)		(4)
Net loss on sale/impairment of intangible assets (including goodwill)				78		78	294		294
Net loss on sale/impairment of property, plant and equipment				110		110	209		209
Loss on impairment of biological assets				1		1	2		2
Non-headline items of associates and joint ventures				(6)	(57)	(63)	(84)	28	(56)
Impairment of assets held for sale				30		30	46		46
Non-controlling interests				(143)	331	188	(309)	286	(23)
Taxation	**1 079**		**1 079**	(12)		(12)	49		49
Headline (loss)/earnings	**(632)**	**-**	**(632)**	558	802	1 360	1 009	1 792	2 801

[1] Re-presented for the discontinued operations as detailed in the introduction to these summary interim consolidated financial statements.

	Unaudited 6 months Aug-20	Aug-19	Audited 12 months Feb-20
2. Headline earnings and dividend per preference share (continued)			
Number of shares in issue (m)			
Ordinary shares	**599.3**	599.3	599.3
Preference shares	**17.4**	17.4	17.4
Dividend per preference share (R)	**3.26**	4.28	8.41
Interim	**3.26**	4.28	4.28
Final			4.13

	Unaudited 6 months Aug-20 Rm	Aug-19 Own balances Rm	Aug-19 Client-related balances Rm	Aug-19 Total Rm	Audited 12 months Feb-20 [1] Own balances Rm	Feb-20 [1] Client-related balances Rm	Feb-20 [1] Total Rm
3. Cash generated from/(utilised by) operations							
Profit before taxation	**6 081**	680	13	693	1 467	34	1 501
Share of profits of associates and joint ventures		(370)		(370)	(648)		(648)
Depreciation and amortisation	**1**	394		394	836		836
Investment income	**(3 781)**	(254)	(946)	(1 200)	(493)	(1 964)	(2 457)
Finance costs	**128**	416		416	889		889
Working capital changes and other non-cash items	**152**	95	(15)	80	269	8	277
Fair value loss on investments at FVTPL (note 1.1)	**4 493**						
Gain upon deemed disposal and reacquisition of investments at fair value (note 1.1)	**(3 945)**						
Profit on sale/dilution of interest in associates (note 1.2)	**(3 117)**	12		12	(130)		(130)
Cash generated from/(utilised by) operations	**12**	973	(948)	25	2 190	(1 922)	268

[1] Re-presented for the discontinued operations as detailed in the introduction to these summary interim consolidated financial statements.

4. Capital commitments and contingencies

PSGFS, as an Investment Entity, has no material capital commitments or contingencies, apart from its commitment in respect of Curro's rights issue concluded on 7 September 2020, in which PSGFS invested a further R1.05bn, thereby increasing PSGFS' interest in Curro to 60%.

5. 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, other than that detailed in note 4 above and the disposal of a further 0.2% interest in Capitec for R212m cash proceeds.

6. Financial instruments

6.1 Financial risk factors

PSGFS' activities as an Investment Entity expose it mainly to i) price risk in respect of its investments at FVTPL and ii) credit risk in respect of its debt securities and cash and cash equivalents.

Risk management continues to be carried out by each investee of PSGFS under policies approved by the respective boards of directors. In light of the change in status to that of an Investment Entity, PSGFS' comparative financial risk disclosures have not been provided as it does not provide any information relevant to an understanding of PSGFS' financial risks during the period under review or as at the reporting date.

6.2 Price risk

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:

31 August 2020 (unaudited)	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
Assets				
Investments at FVTPL	**13 827**		**1 808**	**15 635**
Liabilities				
Derivative financial liabilities		**53**		**53**

The following table presents changes in level 3 assets during the period under review:

	Unaudited Aug-20 Rm
Opening balance	**346**
Movement as a result of the change in status to that of an Investment Entity	**1 514**
Additions	**76**
Fair value gains	**(128)**
Closing balance	**1 808**

Valuation techniques and main inputs used to determine fair value for assets are detailed in Annexure A.

6.3 Credit risk

Debt securities

Debt securities as at 31 August 2020 relate to PSGFS' investment in Dipeo preference shares, as detailed in note 1.3. Dipeo has no external borrowings or funding obligations apart from the preference shares held by PSGFS (also being a 49% ordinary shareholder in Dipeo) and the Dipeo BEE Education Trust (being the remaining 51% shareholder in Dipeo). However, PSGFS holds approximately 94% of Dipeo's total preference share exposure.

As noted in note 1.3, the carrying value of the debt securities is mostly supported by JSE-listed investments at their respective fair values. Such JSE-listed investments (i.e. level 1 fair value measurement) supports approximately 87% of the carrying value of the debt securities, with the remainder being supported by unlisted investments.

Cash and cash equivalents

PSGFS' cash and cash equivalents comprise current/call accounts and term deposits (with a maturity of 7 days or less) spread across two South African banks (both rated by Moody's as having short-term and long-term counterparty risk ratings of P-3 and Baa3, respectively) in an aggregate of R1,844m, with the remainder of R71m being invested in the PSG Money Market Fund.

7. Segment report

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

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

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

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

Six months ended 31 August 2020 (unaudited)	**Fair value losses on investments at FVTPL Rm**	**Investment (dividend) income Rm**	**Other income and expenses Rm**	**Headline earnings Rm**	**SOTP value Rm**
Capitec	**(1 556)**		**349**	**(1 207)**	**2 702**
PSG Konsult	**(631)**	**122**		**(509)**	**5 768**
Curro	**(732)**	**23**		**(709)**	**1 872**
Zeder	**(1 377)**	**1 721**		**344**	**1 796**
PSG Alpha	**(197)**			**(197)**	**3 497**
Dipeo				**-**	
PSG Corporate			**(30)**	**(30)**	
Funding and other		**1 851**	**(175)**	**1 676**	**749**
Cash and cash equivalents					**1 915**
Preference share investments and net loans receivable					**448**
Other [1]					**(521)**
PSG Financial Services perpetual preference shares					**(1 093)**
Total				**(632)**	**16 384**
Non-headline items (note 2)				**24 352**	
Taxation				**730**	
Profit before taxation				**24 450**	
Profit before taxation from continuing operations				**6 081**	
Profit for the period from discontinued operations				**18 369**	

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

7. Segment report (continued)

Six months ended 31 August 2019 (unaudited)	Revenue (own balances) Rm	Recurring earnings (segment profit) [1] Rm	Non-recurring earnings [1] Rm	Headline earnings [1] Rm	SOTP value Rm
Capitec		904		904	38 852
PSG Konsult	2 453	188		188	6 553
Curro	1 495	84	29	113	4 391
Zeder	3 184	27	(8)	19	3 517
PSG Alpha	3 931	152	(75)	77	4 427
Dipeo	5	(21)	27	6	
PSG Corporate	27	(22)		(22)	
Funding and other	18	41	34	75	(1 089)
Total	11 113	1 353	7	1 360	56 651
Revenue from contracts with customers					
Revenue from sale of goods	5 999				
Revenue earned from commission, school, net insurance and other fee income	4 902				
Investment income	212				
Non-headline items (note 2)				156	
Earnings attributable to non-controlling interests				502	
Taxation				104	
Profit before taxation				2 122	
Profit before taxation from continuing operations				693	
Profit for the period from discontinued operations				1 429	

7. Segment report (continued)

Year ended 29 February 2020 (audited)	Revenue (own balances) Rm	Recurring earnings (segment profit) [1] Rm	Non-recurring earnings [1] Rm	Headline earnings [1] Rm	SOTP value Rm
Capitec		1 927		1 927	46 130
PSG Konsult	4 954	389		389	6 399
Curro	2 980	117	23	140	2 604
Zeder	7 543	246	(65)	181	3 173
PSG Alpha	9 245	270	(164)	106	3 618
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 (note 2)				(121)	
Earnings attributable to non-controlling interests				750	
Taxation				525	
Profit before taxation				3 955	
Profit before taxation from continuing operations [2]				1 501	
Profit for the year from discontinued operations [2]				2 454	

1) Reported net of non-controlling interests.

2) Re-presented for the discontinued operations as detailed in the introduction to these summary interim consolidated financial statements.

ANNEXURE A: ***SOTP VALUE***

Investment	Aug-20 Shareholding	Aug-20 Nr of shares held m	Industry	Listed/ unlisted	Classification at Aug-20	*SOTP value* Feb-20 Rm	*SOTP value* Movement Rm	*SOTP value* Aug-20 Rm	Portion	Valuation method	IFRS 13 fair value Categorisation	IFRS 13 fair value R/share
PSG Konsult	60.6%	810.1	Financial services	JSE-listed [1]	Subsidiary	6 399	**(631)**	**5 768**	33%	Closing JSE-listed share price	Level 1	7.12
Capitec	2.8%	3.2	Banking	JSE-listed	Equity securities	46 130	(43 428)	**2 702**	15%	Closing JSE-listed share price	Level 1	835.00
Interest sold to PSG Group in anticipation of Capitec Unbundling at fair value on 1 Mar 2020							42 253					
Shareholding sold (note 1.1)							1 460					
Fair value of Capitec unbundled shares in respect of approximately 13.9m PSG Group treasury shares held							(1 841)					
Fair value loss on retained interest							**(1 556)**					
Curro	55.4%	228.2	Private education	JSE-listed	Subsidiary	2 604	**(732)**	**1 872**	11%	Closing JSE-listed share price	Level 1	8.20
Zeder	46.8%	748.4	Investment holding (food and related business)	JSE-listed	Subsidiary	3 173	**(1 377)**	**1 796**	10%	Closing JSE-listed share price	Level 1	2.40
PSG Alpha	98.1%		Investment holding (early-stage investments)	Unlisted	Subsidiary	3 618		**3 497**	20%			
CA&S	47.3%		Route-to-market services for fast-moving consumer goods in Sub-Saharan Africa	Botswana Stock Exchange ("BSE")-listed [2]	Subsidiary	1 130	50	**1 180**	7%	Closing BSE-listed share price converted from Botswana pula to South African rand at the spot exhange rate	Level 1	5.51
Stadio	44.4%		Private higher education	JSE-listed	Subsidiary	662	(120)	**542**	3%	Closing JSE-listed share price	Level 1	1.49
Evergreen	50.0%		Retirement lifestyle villages	Unlisted	Joint venture	975	(54)	**921**	5%	Net asset value, underpinned by investment property subject to external valuation annually	Level 3	
Energy Partners	56.0%		Private energy utility	Unlisted	Subsidiary	118	148	**266**	2%	6x and 10x EBITDA multiples applied to 12-month rolling and annualised recurring EBITDA for the operations and investment businesses, respectively, plus cash and work-in-progress, less all debt	Level 3	
Optimi	86.2%		Innovative and accessible education solutions to schools, tutors, parents and learners	Unlisted	Subsidiary	305	(118)	**187**	1%	13.3x PE multiple	Level 3	
Other			Various	Unlisted	Various	499	(29)	**470**	2%	Various	Level 3	
Sub-total						3 689		**3 566**				
Less : Minority shareholding held by PSG Alpha management [3]						(71)	2	**(69)**				
Additions (note 1.1)							(76)					
Fair value loss							**(197)**					
Dipeo	49.0%											
Sub-total						61 924		**15 635**				
Other net assets						879		**1 842**	11%			
Cash and cash equivalents						187		**1 915**				
Preference share investments and net loans receivable						542		**448**				
Other [4]						150		**(521)**				
Total assets						**62 803**		**17 477**	**100%**			
Funding						(2 483)		**(1 093)**				
PSG Financial Services perpetual preference shares		17.4				(1 463)		**(1 093)**		Closing JSE-listed share price	Level 1	62.75
Redeemable preference shares [5]						(1 020)						
Total SOTP value						**60 320**		**16 384**				
SOTP value per share (R)						**276.43**		**75.86**				
Fair value losses from investments at FVTPL (note 1.1)							**(4 493)**					
Fair value loss from derivative financial instruments							(18)					
Fair value losses reported in the income statement							**(4 511)**					

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

[2] Secondary listing on the 4AX Exchange.

[3] PSG Alpha management holds ±1.9% in PSG Alpha.

[4] The 31 Aug 2020 balance includes a capital gains tax liability in respect of the Capitec shares disposed of and the retained Capitec interest.

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