THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

The definitions and interpretations commencing on page 10 of this Circular apply throughout this Circular, including to this cover page.

ACTION REQUIRED BY SHAREHOLDERS:

1. This entire Circular is important and should be read with particular attention to the section entitled "*Action required by Shareholders*", commencing on page 5.
2. If you are in any doubt as to what action to take in relation to this Circular, please consult your CSDP, Broker, banker, attorney, accountant or other professional advisor immediately.
3. If you have disposed of all your PSG Group Shares, please forward this Circular and the attached Form of Proxy (*grey*) to the purchaser of such PSG Group Shares or to the CSDP, Broker, banker, attorney, accountant or other agent through whom the disposal was effected.

PSG GROUP LIMITED

(Incorporated in the Republic of South Africa)
(Registration number 1970/008484/06)
Share code: PSG ISIN: ZAE000013017
LEI: 378900CD0BEE79F35A34
("**PSG Group**" or "**the Company**")

CIRCULAR TO SHAREHOLDERS

relating to:

– the approval of the PSG Group Unbundling, in terms of which PSG Group will unbundle the Capitec Distribution Shares to its Shareholders by way of a distribution *in specie pro rata* to their respective shareholdings in PSG Group, in terms of section 46 of the Companies Act and section 46 of the Income Tax Act, which is deemed to constitute the disposal of the greater part of the assets or undertaking of PSG Group in terms of section 112 of the Companies Act, requiring the approval of Shareholders by way of a special resolution, in terms of section 115 of the Companies Act;

and incorporating:

– a report prepared by the Independent Expert in terms of section 112 of the Companies Act (read with the provisions of regulation 90 and regulation 110 of the Companies Regulations), attached as **Annexure 1**;
– extracts of section 115 of the Companies Act dealing with the approval requirements for fundamental transactions and section 164 of the Companies Act dealing with Dissenting Shareholders' Appraisal Rights, attached as **Annexure 2**;
– a Notice of General Meeting;
– an electronic participation meeting guide;
– an Electronic Participation Form; and
– a Form of Proxy (*grey*) for purposes of the General Meeting (only for use by Certificated Shareholders and Own Name Dematerialised Shareholders).

Transaction Advisor and Sponsor	Legal Advisor as to South African law	Independent Expert
PSG CAPITAL	CDH CLIFFE DEKKER HOFMEYR	BDO
Auditors and Independent Reporting Accountants	**Legal Advisor as to US and UK law**	**Independent Sponsor**
pwc	Davis Polk	UBS

Date of issue: Wednesday, 1 July 2020

This Circular is available in English only. Copies may be obtained during normal business hours from the registered office of PSG Group and from the offices of PSG Capital, whose addresses are set out in the "Corporate information" section of this Circular, from Wednesday, 1 July 2020 until the date of the General Meeting (both days inclusive). A copy of this Circular will also be available on PSG Group's website (http://www.psggroup.co.za).

CORPORATE INFORMATION

Directors
ZL Combi** (Chairman)
PJ Mouton (Chief Executive Officer)
WL Greeff (Chief Financial Officer)
JA Holtzhausen (Executive Director)
FJ Gouws*
JJ Mouton*
PE Burton** (Lead Independent Director)
AM Hlobo**
B Mathews**
CA Otto**
** Non-executive Directors*
*** Independent non-executive Directors*

Date and place of incorporation
26 June 1970
South Africa

Company Secretary and Registered Address
PSG Corporate Services Proprietary Limited
(Registration number 1996/004840/07)
1st Floor, Ou Kollege
35 Kerk Street
Stellenbosch, 7600
(PO Box 7403, Stellenbosch, 7599)

Independent Expert
BDO Corporate Finance Proprietary Limited
(Registration number 1983/002903/07)
Wanderers Office Park
52 Corlett Drive
Illovo, 2196
(Private Bag X60500, Houghton, 2041)

Transfer Secretaries
Computershare Investor Services Proprietary Limited
(Registration number 2004/003647/07)
Rosebank Towers
15 Biermann Avenue
Rosebank
Johannesburg, 2196
(Private Bag X9000, Saxonwold, 2132)

Transaction Advisor and Sponsor
PSG Capital Proprietary Limited
(Registration number 2006/015817/07)
1st Floor, Ou Kollege
35 Kerk Street
Stellenbosch, 7600
(PO Box 7403, Stellenbosch, 7599)

and at:

2nd Floor, Building 3
11 Alice Lane
Sandhurst
Sandton, 2196
(PO Box 650957, Benmore, 2010)

Legal Advisor as to South African law
Cliffe Dekker Hofmeyr Incorporated
11 Buitengracht Street
Cape Town, 8001
(PO Box 695, Cape Town, 8000)

Auditor and Independent Reporting Accountant
PricewaterhouseCoopers Incorporated
(Registration number 1998/012055/21)
Capital Place
15–21 Neutron Avenue
Technopark
Stellenbosch, 7600
(PO Box 57, Stellenbosch, 7599)

Legal Advisor as to US and UK law
Davis Polk & Wardwell London LLP
5 Aldermanbury Square
London
EC2V 7HR

Independent Sponsor
UBS South Africa Proprietary Limited
(Registration number 1995/011140/07)
64 Wierda Road East
Wierda Valley
Johannesburg, 2196
(PO Box 652863, Benmore, 2010, South Africa)

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IMPORTANT LEGAL NOTICES

The definitions and interpretations commencing on page 10 of this Circular apply to this section and throughout this Circular.

GENERAL

This Circular does not constitute or form part of any offer or invitation to purchase, subscribe for, sell or issue, or any solicitation of any offer to purchase, subscribe for, sell or issue, PSG Group Shares, Capitec Distribution Shares, or any other securities.

The release, publication or distribution of this Circular in jurisdictions other than South Africa and the US may be restricted by law. The distribution of the Capitec Distribution Shares to Foreign Shareholders in terms of the PSG Group Unbundling may be affected by the laws of the relevant Foreign Shareholders' jurisdiction. In this regard, Foreign Shareholders are referred to the further detail set out below.

APPLICABLE LAWS

The PSG Group Unbundling is proposed solely in terms of this Circular and this Circular sets out the terms and conditions on which the PSG Group Unbundling is to be implemented.

The PSG Group Unbundling involves the securities of a company registered in South Africa which is listed on the JSE and is governed by, and must be construed in accordance with, the laws of South Africa including its procedural laws and disclosure requirements.

This Circular has been prepared for purposes of complying with the applicable disclosure requirements of the Companies Act and the Companies Regulations, and the information disclosed may not be the same as that which would have been disclosed had this Circular been prepared in accordance with the laws and regulations of any jurisdiction outside of South Africa.

Any Shareholder who is in doubt as to their position regarding the contents of this Circular, including, without limitation, their ability to receive the Capitec Distribution Shares contemplated in this Circular, or their tax status, should consult an appropriate independent professional advisor in the relevant jurisdiction without delay.

SHAREHOLDER APPROVAL OF THE PSG GROUP UNBUNDLING

The PSG Group Unbundling is deemed to constitute a Section 112 Disposal and must be approved by a special resolution (the "**Unbundling Resolution**"), in accordance with sections 112 and 115(2)(a) of the Companies Act, at the General Meeting, at which meeting, for quorum purposes, at least three Shareholders must be present, and such Shareholders present, in person or by proxy, must be entitled to exercise, in aggregate, at least 25% of all the voting rights that are entitled to be exercised at the General Meeting.

POTENTIAL COURT APPROVAL

Shareholders are advised that, in accordance with section 115(3) of the Companies Act, PSG Group may, in certain circumstances, not proceed to implement the PSG Group Unbundling without the approval of the court, despite the fact that the Unbundling Resolution set out in the Notice of General Meeting will have been duly adopted at the General Meeting.

In this regard, a copy of section 115 of the Companies Act, which details the circumstances under which court approval may be required for implementation of the PSG Group Unbundling, is set out in **Annexure 2** to this Circular.

NOTICE TO PSG GROUP SHAREHOLDERS

Pursuant to the PSG Group Unbundling, Shareholders recorded in the Register on the PSG Group Unbundling Record Date, will participate in the PSG Group Unbundling. Until such time as a reader of this Circular becomes a Shareholder, this Circular is available to them for information purposes only.

TRP APPROVAL

Shareholders are advised that the PSG Group Unbundling is deemed to constitute a Section 112 Disposal, and as such, constitutes an "*affected transaction*" as defined in section 117(1)(c)(i) of the Companies Act. Consequently, the PSG Group Unbundling is regulated by the Companies Act and the Companies Regulations and requires the approval of the TRP. The PSG Group Unbundling is subject to the condition that the TRP issues the compliance certificate required in terms of section 115(1)(b) of the Companies Act.

Shareholders should take note that the TRP does not consider the commercial advantages or disadvantages of an "*affected transaction*" when it approves such a transaction.

FOREIGN SHAREHOLDERS: GENERAL

No action has been taken by PSG Group to obtain any approval, authorisation or exemption to permit the distribution of the Capitec Distribution Shares or the possession or distribution of this Circular (or any other publicity material relating to the Capitec Distribution Shares) in any jurisdictions other than South Africa.

The PSG Group Unbundling is being conducted under the procedural requirements and disclosure standards of South Africa which may be different from those applicable in other jurisdictions. The legal implications of the PSG Group Unbundling on persons resident or located in jurisdictions outside of South Africa may be affected by the laws of the relevant jurisdiction. Such persons should consult their professional advisors and inform themselves about any applicable legal requirements, which they are obligated to observe. It is the responsibility of any such persons wishing to participate in the PSG Group Unbundling to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith.

Foreign Shareholders resident in the US, the United Kingdom and the European Union should refer to and take into account the disclaimers set out in **Annexure 3** to this Circular in relation to those jurisdictions. PSG Group has been advised that Shareholders in these jurisdictions should be able to, subject to disclaimers, vote at the General Meeting and receive the Capitec Distribution Shares in terms of the PSG Group Unbundling.

Foreign Shareholders in those and other jurisdictions should nevertheless consult their own professional advisors and satisfy themselves as to the applicable legal or other requirements in their jurisdiction.

Notwithstanding the foregoing, any Capitec Distribution Shares to which Foreign Excluded Shareholders are entitled but are unable, as a result of applicable laws in their jurisdiction, to receive and/or hold, will be held in trust by the Transfer Secretaries on their behalf, aggregated and disposed of on the JSE by the Transfer Secretaries for the benefit of such Foreign Excluded Shareholders.

It is the responsibility of Dematerialised Shareholders to inform their CSDPs if they are Foreign Excluded Shareholders. CSDPs will then be responsible for informing the Transfer Secretaries of all Dematerialised Shares held by them on behalf of Foreign Excluded Shareholders. It is the responsibility of Certificated Shareholders to inform the Transfer Secretaries if they are Foreign Excluded Shareholders.

Foreign Excluded Shareholders will, in respect of their shareholdings, receive the average cash value of the relevant Capitec Distribution Shares (net of costs), based on the average price at which such Capitec Distribution Shares due to Foreign Excluded Shareholders were sold. The average cash value (net of costs) will be calculated and the consideration due to each Foreign Excluded Shareholder will be paid only once all these Capitec Distribution Shares have been disposed of.

Shareholders who are not residents of South Africa or whose registered addresses fall outside of South Africa should contact their CSDP or Broker if they are uncertain of the impact of the PSG Group Unbundling on them.

CERTAIN FORWARD-LOOKING STATEMENTS

This Circular contains statements about PSG Group that are, or may be, forward-looking statements. All statements, other than statements of historical fact, are, or may be deemed to be, forward-looking statements. These forward-looking statements are not based on historical facts, but rather reflect current expectations concerning future results and events and generally may be identified by the use of forward-looking words or phrases such as "believe", "aim", "expect", "anticipate", "intend", "foresee", "forecast", "likely", "should", "planned", "may", "estimated", "potential" or similar words and phrases.

Examples of forward-looking statements include statements regarding a future financial position or future profits, expected profit or growth margins, cash flows, corporate strategy, estimates of capital expenditures, acquisition strategy, or future capital expenditure levels, and other economic, fiscal and political factors.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. PSG Group cautions that forward-looking statements do not constitute any kind of guarantee of future performance. Actual results, financial and operating conditions, liquidity, capital maintenance and the developments within the relevant sectors in which PSG Group operates may differ materially from those made in, or suggested by, the forward-looking statements contained in this Circular.

Each of these forward-looking statements are based on estimates and assumptions, all of which, although PSG Group may believe them to be reasonable, are inherently uncertain. Such estimates, assumptions or statements may not eventuate. Many factors (including factors not yet known to PSG Group, or not currently considered material) could cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied in those estimates, statements or assumptions.

Shareholders should keep in mind that any forward-looking statement made in this Circular or elsewhere, is applicable only at the date on which such forward-looking statement is made. New factors that could cause the business of PSG Group, or other matters to which such forward-looking statements relate, not to develop as expected may emerge from time to time and it is not possible to predict all of them.

Further, the extent to which any factor or combination of factors may cause actual results to differ materially from those contained in any forward-looking statement are not known. PSG Group has no duty to, and does not intend to, update or revise the forward-looking statements contained in this Circular after the date of this Circular, except as may be required by law.

Any forward-looking statements have not been reviewed nor reported on by the external auditor of PSG Group.

DATE OF INFORMATION PROVIDED

Unless the context clearly indicates otherwise, all information provided in this Circular is provided as at the Last Practicable Date.

ACTION REQUIRED BY SHAREHOLDERS

This entire Circular is important and requires your immediate attention. Please take careful note of the following provisions regarding the action required by Shareholders. If you are in any doubt as to what action to take, please consult your CSDP, Broker, banker, attorney, accountant or other professional advisor immediately.

If you have disposed of all of your Shares in PSG Group, please forward this Circular and the attached Form of Proxy *(grey)* to the purchaser of such Shares or to the CSDP, Broker, banker, attorney, accountant or other agent through whom the disposal was effected.

GENERAL MEETING

Shareholders are advised, that as a result of the impact of the COVID-19 pandemic and the restrictions placed on public gatherings, the General Meeting will be held in electronic format only.

Shareholders are invited to attend the General Meeting, convened in terms of the Notice of General Meeting, which will only be accessible through electronic participation, as permitted by the JSE Listings Requirements, the provisions of the Companies Act and PSG Group's MOI, at 10h30 on Thursday, 30 July 2020 or at any other adjourned or postponed time determined in accordance with the provisions of the Companies Act and the JSE Listings Requirements, at which General Meeting Shareholders will be requested to consider and, if deemed fit, to pass, with or without modification, the resolutions set out in the Notice of General Meeting.

Shareholders are to connect to the General Meeting utilising the details set out in the "*Electronic attendance and participation*" section below.

1. **ELECTRONIC ATTENDANCE AND PARTICIPATION**

1.1 **Connecting to the General Meeting electronically**

1.1.1 The General Meeting will be held at 10h30 on Thursday, 30 July 2020. PSG Group has retained the services of Computershare to host the General Meeting on an interactive electronic platform, in order to facilitate electronic participation and voting by Shareholders.

1.1.2 In order to attend the General Meeting and participate electronically thereat Shareholders must pre-register with the Transfer Secretaries by either:

1.1.2.1 registering online using the online registration portal at https://www.smartagm.co.za, by no later than 10h30 on Tuesday, 28 July 2020, for administrative reasons, in order for the Transfer Secretaries to arrange the participation of the Shareholder at the General Meeting and for the Transfer Secretaries to provide the Shareholder with the details as to how to access the General Meeting by means of electronic participation. Shareholders may still register online to participate in and/or vote electronically at the General Meeting after this date, provided, however, that for those Shareholders to participate in and/or vote electronically at the General Meeting those Shareholders must be verified and registered (as required in terms of section 63(1) of the Companies Act by uploading their relevant verification documentation) before the commencement of the General Meeting; or

1.1.2.2 making a written application (on the Electronic Participation Form) to so participate, by completing and delivering the Electronic Participation Form to the Transfer Secretaries at Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196, or posting it to Private Bag X9000, Saxonwold, 2132 (at the risk of the Shareholder), or sending it by email to proxy@computershare.co.za, so as to be received by the Transfer Secretaries by no later than 10h30 on Tuesday, 28 July 2020, for administrative reasons, in order for the Transfer Secretaries to arrange such participation for the Shareholder and for the Transfer Secretaries to provide the Shareholder with the details as to how to access the General Meeting by means of electronic participation. Shareholders may still register/apply to participate in and/or vote electronically at the General Meeting after this date, provided, however, that for those Shareholders to participate in and/or vote electronically at the

General Meeting those Shareholders must be verified and registered (as required in terms of section 63(1) of the Companies Act) before the commencement of the General Meeting.

1.1.3 Shareholders will thereafter be required to connect to the General Meeting through https://www.web.lumiagm.com or by downloading the Lumi AGM app from the Apple App Store or Google Playstore and following the relevant prompts. The General Meeting ID is **141-959-471**. Shareholders are referred to the "Electronic Participation Meeting Guide" attached to the Notice of General Meeting for further instructions for electronic participation.

1.1.4 The Transfer Secretaries will by no later than 10h30 on Wednesday, 29 July 2020 notify eligible Shareholders of the username and password through which eligible Shareholders can participate electronically in and/or vote at the General Meeting.

1.1.5 In person registration of General Meeting participants will not be permitted**.**

1.1.6 Shareholders will be liable for their own network charges in relation to electronic participation in and/or voting at the General Meeting. Any such charges will not be for the account of PSG Group and/or Computershare. None of PSG Group and/or Computershare can be held accountable in the case of loss of network connectivity or other network failure due to insufficient airtime, internet connectivity, internet bandwidth and/or power outages which prevent any such Shareholder from participating in and/or voting at the General Meeting.

1.2 **Electronic voting at the General Meeting**

1.2.1 Shareholders connecting to the General Meeting electronically will be able to participate in the General Meeting. Voting will be conducted by poll and Shareholders will be able to cast their vote electronically at the General Meeting.

1.2.2 Shareholders are also encouraged to submit any questions to PSG Group's Company Secretary prior to the General Meeting, by no later than 17h00, Wednesday, 29 July 2020, at cosec@psggroup.co.za. These questions will be addressed at the General Meeting.

1.2.3 All eligible Shareholders will be entitled to participate in the General Meeting and to vote (or abstain from voting) on the resolutions set out in the Notice of General Meeting.

2. **DEMATERIALISED SHAREHOLDERS WHO ARE NOT OWN-NAME DEMATERIALISED SHAREHOLDERS**

2.1 **Voting at the General Meeting**

2.1.1 Your Broker or CSDP should contact you to ascertain how you wish to cast your vote at the General Meeting and should thereafter cast your vote in accordance with your instructions.

2.1.2 If your Broker or CSDP has not contacted you, it is advisable for you to contact your Broker or CSDP and furnish them with your voting instructions.

2.1.3 If your Broker or CSDP does not obtain voting instructions from you, it will be obliged to vote in accordance with the instructions contained in the custody agreement concluded between you and your Broker or CSDP.

2.1.4 **You must <u>not</u> complete the attached Form of Proxy (*grey*)**.

2.2 **Attendance and representation at the General Meeting**

2.2.1 In accordance with the custody agreement between you and your CSDP or Broker, you must advise your CSDP or Broker if you wish to:

2.2.1.1 participate electronically, speak and vote at the General Meeting; or

2.2.1.2 send a proxy to represent you at the General Meeting.

2.2.2 If you wish to electronically attend the General Meeting in person, your CSDP or Broker should then issue the necessary letter of representation to you for you or your proxy to participate electronically, speak and vote at the General Meeting. In order to attend the General Meeting electronically you must pre-register with the Transfer Secretaries by following the procedure set out in paragraph 1 above and submit the letter of representation to the Transfer Secretaries, as follows:

2.2.2.1 participants pre-registering to participate in the General Meeting using the online registration method, by uploading the letter of representation via the online registration portal; or

2.2.2.2 participants pre-registering to participate in the General Meeting by submitting the written application (the form of which is attached to the Notice of General Meeting), by submitting the letter of representation by post or by e-mail, as the case may be.

You must also connect to the General Meeting electronically, as explained in paragraph 1 above.

3. **CERTIFICATED SHAREHOLDERS AND OWN-NAME DEMATERIALISED SHAREHOLDERS**

3.1 **Voting and attendance at the General Meeting**

3.1.1 You may electronically attend the General Meeting (as explained in paragraph 1) and may vote (or abstain from voting) at the General Meeting. If you wish to be classified as attending the meeting electronically in person, you must pre-register with the Transfer Secretaries by following the procedure set out in paragraph 1 above. You must also connect to the General Meeting electronically, as explained in paragraph 1 above.

3.1.2 Alternatively, you may appoint a proxy to represent you at the General Meeting by completing the attached Form of Proxy (*grey*) in accordance with the instructions contained therein and lodging it, posting it or sending it via e-mail to the Transfer Secretaries to be received by them preferably by no later than 10h30 on Tuesday, 28 July 2020, provided that any Form of Proxy not delivered to the Transfer Secretaries by this time may be emailed to the Transfer Secretaries (who will provide same to the chairman of the General Meeting) at any time before the appointed proxy exercises any Shareholder rights at the General Meeting. The details of the Transfer Secretaries are as set out below:

Transfer Secretaries
Computershare Investor Services Proprietary Limited
Rosebank Towers
15 Biermann Avenue
Rosebank
Johannesburg, 2196
(Private Bag X9000, Saxonwold, 2132)
Email: proxy@computershare.co.za

4. **IDENTIFICATION**

4.1 In terms of section 63(1) of the Companies Act, all General Meeting participants will be required to provide identification reasonably satisfactory to the Transfer Secretaries, as follows:

4.1.1 participants pre-registering to participate in the General Meeting using the online registration method, by uploading the relevant documentation via the online registration portal; or

4.1.2 participants pre-registering to participate in the General Meeting by submitting the written application (the form of which is attached to the Notice of General Meeting), by submitting the relevant documentation by post or by e-mail, as the case may be.

4.2 The Transfer Secretaries must be reasonably satisfied that the right of that person to attend, participate in and vote at the General Meeting as a Shareholder or a proxy or representative of a Shareholder, has been reasonably verified. Acceptable forms of identification include valid and original South African drivers' licenses, green barcoded identity documents or barcoded identification smart cards issued by the South African Department of Home Affairs and passports.

SALIENT DATES AND TIMES

The definitions and interpretations commencing on page 10 apply to this "Salient dates and times" section.

	2020
Record date for Shareholders to be recorded in the Register in order to receive this Circular	Friday, 26 June
Circular incorporating the Notice of General Meeting and Form of Proxy *(grey)*, distributed to Shareholders on	Wednesday, 1 July
Announcement of distribution of Circular and notice convening the General Meeting published on SENS on	Wednesday, 1 July
Announcement of distribution of Circular and notice convening the General Meeting published in the South African press on	Thursday, 2 July
Last day to trade in PSG Group Shares in order to be recorded in the Register to vote at the General Meeting on	Tuesday, 21 July
Record date for a Shareholder to be registered in the Register in order to be eligible to attend and participate in the General Meeting and to vote thereat, by close of trade on	Friday, 24 July
For administrative reasons, Forms of Proxy (*grey*) in respect of the General Meeting to be lodged at the Transfer Secretaries by 10h30 on	Tuesday, 28 July
Forms of Proxy (*grey*) not lodged timeously with the Transfer Secretaries, to be emailed to the Transfer Secretaries (who will provide same to the chairman of the General Meeting) before the proxy exercises the rights of the Shareholder at the General Meeting on	Thursday, 30 July
General Meeting held at 10h30 on	Thursday, 30 July
Results of the General Meeting published on SENS on	Thursday, 30 July
Results of the General Meeting published in the South African press on	Friday, 31 July
If the PSG Group Unbundling is approved by Shareholders at the General Meeting:	
Last date on which Shareholders who voted against the Unbundling Resolution may require PSG Group to seek court approval in terms of section 115(3)(a) of the Companies Act, but only if the Unbundling Resolution was opposed by at least 15% of the voting rights exercised thereon	Thursday, 6 August
Last date on which Shareholders who voted against the Unbundling Resolution may make application to the court in terms of section 115(3)(b) of the Companies Act for leave to apply for a review of the PSG Group Unbundling	Friday, 14 August
Last date for PSG Group to send objecting Shareholders notice of the adoption of the Unbundling Resolution, in terms of section 164 of the Companies Act	Friday, 14 August
Assuming that all the PSG Group Unbundling Conditions are fulfilled or waived (to the extent legally permissible) and that neither court approvals nor the review of the PSG Group Unbundling is required:	
Finalisation announcement in respect of the PSG Group Unbundling published on SENS on	Monday, 17 August
Finalisation announcement in respect of the PSG Group Unbundling published in the South African press on	Tuesday, 18 August

	2020
Last day to trade Shares in order to be recorded in the Register to participate in the PSG Group Unbundling on	Tuesday, 25 August
Announcement in respect of the apportionment of base costs in relation to the PSG Group Unbundling for taxation purposes by	Wednesday, 26 August
Shares trade *ex right* to the Capitec Distribution Shares	Wednesday, 26 August
Announcement in respect of the cash value of fractional entitlements applicable to the PSG Group Unbundling on	Thursday, 27 August
PSG Group Unbundling Record Date	Friday, 28 August
PSG Group Unbundling Completion Date on which Shareholders will have their accounts at their CSDP or Broker updated to reflect the Capitec Distribution Shares	Monday, 31 August

Notes:

1. The above dates and times are subject to amendment at the discretion of PSG Group, subject to the approval of the TRP and/or the JSE, if required. Any such amendment will be published on SENS.
2. Shareholders should note that as transactions in PSG Group Shares are settled in the electronic settlement system used by Strate, settlement of trades takes place three Business Days after such trade. Therefore, Shareholders who acquire PSG Group Shares after close of trade on Tuesday, 21 July 2020 will not be eligible to attend, participate in and vote at the General Meeting.
3. Share certificates may not be Dematerialised or re-materialised between Wednesday, 26 August 2020 and Friday, 28 August 2020, both days inclusive.
4. All times indicated above and elsewhere in this Circular are in South African Standard Time.
5. In terms of the PSG Group Unbundling, Shareholders will receive the Capitec Distribution Shares in Dematerialised form only. Certificated Shareholders wishing to receive their Capitec Distribution Shares in Dematerialised form and Shareholders wishing to materialise their Capitec Distribution Shares following the implementation of the PSG Group Unbundling, are referred to paragraph 4.9 of this Circular, which details the steps to be taken by them in this regard.

DEFINITIONS AND INTERPRETATIONS

In this Circular, unless the context indicates otherwise, reference to the singular shall include the plural and *vice versa*, words denoting one gender include the others, words and expressions denoting natural persons include juristic persons and associations of persons and the words and expressions in the first column have the meanings stated opposite them in the second column.

"**4AX**"	the licensed exchange operated by 4 Africa Exchange Proprietary Limited (registration number 2013/031754/07), a private company incorporated under the laws of South Africa and licensed as an exchange under the Financial Markets Act;
"**Appraisal Rights**"	the rights afforded to Shareholders in terms of section 115 and section 164 of the Companies Act, in relation to the Unbundling Resolution;
"**Authorised Dealer**"	a person authorised by the Financial Surveillance Department to deal in foreign exchange;
"**Board**" or "**Directors**"	the board of directors of PSG Group from time to time, comprising, as at the Last Practicable Date, those persons whose names appear in the "*Corporate Information*" section of this Circular;
"**BSE**"	the Botswana Stock Exchange, as established by the Botswana Stock Exchange Act Cap 56:08;
"**Broker**"	any person registered as a "broking member (equities)" in accordance with the provisions of the Financial Markets Act;
"**Business Day**"	any day, other than a Saturday, Sunday or public holiday in South Africa;
"**Capitec**"	Capitec Bank Holdings Limited (registration number 1999/025903/06), a public company incorporated under the laws of South Africa, the ordinary shares of which are listed on the JSE;
"**Capitec Disposal**"	the disposal by PSG Group, via its Wholly-Owned Subsidiary, PSG Financial Services, of 1 700 000 Capitec Shares prior to implementation of the PSG Group Unbundling, as referred to in paragraph 1.2 of this Circular;
"**Capitec Disposal Shares**"	those Capitec Shares sold by PSG Group, via its Wholly-Owned Subsidiary, PSG Financial Services, prior to implementation of the PSG Group Unbundling, as referred to in paragraph 1.2 of this Circular;
"**Capitec Distribution Shares**"	32 502 856 Capitec Shares, comprising approximately 28.11% of the total issued share capital of Capitec, that will be distributed by PSG Group to Shareholders in terms of the PSG Group Unbundling, should the PSG Group Unbundling Conditions be fulfilled (or, where permissible, waived) and the PSG Group Unbundling be implemented;
"**Capitec Retained Shares**"	those Capitec Shares to be retained by PSG Group, via its Wholly-Owned Subsidiary, PSG Financial Services, following implementation of the PSG Group Unbundling, as referred to in paragraph 1.2 of this Circular;
"**Capitec Shares**"	the ordinary shares with a par value of R0.01 each in the issued share capital of Capitec;
"**CA Sales**"	CA Sales Holdings Limited (registration number 2011/143100/06), a public company incorporated under the laws of South Africa and registered as an external company in Botswana, the ordinary shares of which are listed on the BSE and 4AX;
"**Certificated Shares**"	PSG Group Shares which are not Dematerialised, title to which is represented by a share certificate or other Document of Title;

"**Certificated Shareholders**"	Shareholders who hold Certificated Shares;
"**CGT**"	capital gains tax as levied in terms of Schedule 8 of the Income Tax Act;
"**Circular**"	this document to Shareholders, including all annexures hereto, dated Wednesday, 1 July 2020;
"**Common Monetary Area**"	South Africa, the Republic of Namibia and the Kingdoms of Eswatini and Lesotho;
"**Companies Act**"	the Companies Act, 2008 (Act No. 71 of 2008), as amended from time to time;
"**Companies Regulations**"	the Companies Regulations, 2011, promulgated under the Companies Act, as amended from time to time;
"**CSDP**"	a central securities depository participant registered in terms of the Financial Markets Act with whom a beneficial holder of shares holds a Dematerialised share account;
"**Curro**"	Curro Holdings Limited (registration number 1998/025801/06), a public company incorporated under the laws of South Africa, the ordinary shares of which are listed on the JSE;
"**Dematerialisation**"	the process by which securities held in certificated form are converted to or held in electronic form as uncertificated securities and recorded as such in a sub-register of security holders maintained by a CSDP, and "Dematerialised" shall bear the corresponding meaning;
"**Dematerialised Shares**"	PSG Group Shares which have been Dematerialised and incorporated into the Strate system and which are no longer evidenced by physical Documents of Title;
"**Dematerialised Shareholders**"	those Shareholders who hold Dematerialised Shares;
"**Dissenting Shareholder**"	a Shareholder who delivers written notice of objection to PSG Group in relation to the Unbundling Resolution and who votes against the Unbundling Resolution;
"**Distribution Ratio**"	the ratio of 14 Capitec Shares for every 100 PSG Group Shares held on the PSG Group Unbundling Record Date, to be distributed to Shareholders in terms of the PSG Group Unbundling, should the PSG Group Unbundling Conditions be fulfilled (or, where permissible, waived) and the PSG Group Unbundling be implemented;
"**Documents of Title**"	share certificates, certified transfer deeds, balance receipts or any other documents of title to Certificated Shares acceptable to PSG Group;
"**Electronic Participation Form**"	the electronic participation form attached to the Notice of General Meeting;
"**Energy Partners**"	Energy Partners Holdings Proprietary Limited (registration number 2010/005871/07), a private company incorporated under the laws of South Africa;
"**Evergreen**"	Evergreen Retirement Holdings Proprietary Limited (registration number 2017/410269/07), a private company incorporated under the laws of South Africa;
"**Exchange Control Regulations**"	the South African Exchange Control Regulations, promulgated in terms of the South African Currency and Exchanges Act, 1933 (Act No. 9 of 1933), as amended from time to time;
"**Financial Markets Act**"	the Financial Markets Act, 2012 (Act No. 19 of 2012), as amended from time to time;

"**Financial Surveillance Department**"	the Financial Surveillance Department of the South African Reserve Bank;
"**Foreign Excluded Shareholders**"	any Foreign Shareholders to whom the distribution of the Capitec Distribution Shares would or may infringe the laws of their jurisdiction, or would require PSG Group to comply with any governmental or other consent or any registration, filing or other formality with which PSG Group has not complied with;
"**Foreign Shareholders**"	Shareholders that are registered in a jurisdiction outside of South Africa, or who are resident, domiciled or located in, or who are a citizen of, a jurisdiction other than South Africa;
"**Form of Proxy**"	for purposes of the General Meeting, the form of proxy (*grey*) for use only by Certificated Shareholders and Own-Name Dematerialised Shareholders;
"**FSRA**"	Financial Sector Regulation Act, 2017 (Act No. 9 of 2017), as amended from time to time;
"**General Meeting**"	the general meeting of Shareholders to be held in electronic format only at 10h30 on Thursday, 30 July 2020, convened in terms of the Notice of General Meeting, together with any reconvened general meeting held as a result of the adjournment or postponement of that general meeting;
"**Holding Company**"	a "holding company" as defined in the Companies Act;
"**Income Tax Act**"	the Income Tax Act, 1962 (Act No. 58 of 1962), as amended from time to time;
"**Independent Board**"	collectively, PE Burton, AM Hlobo and B Mathews, being those independent non-executive Directors who have been appointed as the independent committee of the Board for purposes of the Companies Act and the Companies Regulations;
"**Independent Expert**"	BDO Corporate Finance (registration number 1983/002903/07), further particulars of which appear in the "*Corporate Information*" section of the Circular;
"**Independent Expert's Report**"	the fair and reasonable opinion of the Independent Expert on the PSG Group Unbundling, prepared in terms of section 112 of the Companies Act (read with the provisions of regulation 90 and regulation 110 of the Companies Regulations), attached hereto as **Annexure 1**;
"**Independent Reporting Accountant**"	PricewaterhouseCoopers Incorporated (registration number 1998/012055/21), further particulars of which appear in the "*Corporate Information*" section of the Circular, being the external auditor and independent reporting accountant of PSG Group;
"**JSE**"	JSE Limited (registration number 2005/022939/06), a public company incorporated under the laws of South Africa and which is licensed as an exchange in terms of the Financial Markets Act;
"**JSE Listings Requirements**"	the Listings Requirements of the JSE;
"**Last Practicable Date**"	the last practicable date before finalisation of this Circular, which date was Friday, 19 June 2020;
"**MOI**"	memorandum of incorporation;
"**Notice of General Meeting**"	the notice of the General Meeting of Shareholders, forming part of this Circular;
"**Optimi**"	Optimi Holdings Proprietary Limited (previously, FutureLearn Holdings Proprietary Limited), (registration number 2016/217646/07), a private company incorporated under the laws of South Africa;

"**Own-Name Dematerialised Shareholders**"	Shareholders who hold Dematerialised Shares and are recorded by the CSDP in the sub-register kept by that CSDP in the name of such Shareholder;
"**Prudential Authority**"	the Prudential Authority established in terms of the FSRA;
"**PSG Group**" or "**the Company**"	PSG Group Limited (registration number 1970/008484/06), a public company incorporated under the laws of South Africa, the ordinary shares of which are listed on the JSE and being the Holding Company of PSG Financial Services;
"**PSG Alpha**"	PSG Alpha Investments Proprietary Limited (registration number 2009/022552/07), a private company incorporated under the laws of South Africa;
"**PSG Capital**"	PSG Capital Proprietary Limited (registration number 2006/015817/07), a private company incorporated under the laws of South Africa, particulars of which appear in the "*Corporate Information*" section of this Circular, being the transaction advisor and sponsor to PSG Group;
"**PSG Group Unbundling**"	the proposed distribution *in specie* by PSG Group of the Capitec Distribution Shares to its Shareholders in the Distribution Ratio and *pro rata* to their respective shareholdings in PSG Group, as detailed in paragraph 4 of this Circular;
"**PSG Group Unbundling Completion Date**"	the date, which is anticipated to be Monday, 31 August 2020, on which the PSG Group Unbundling will be completed and the Capitec Distribution Shares will be acquired by the Shareholders, registered as such on the PSG Group Unbundling Record Date;
"**PSG Group Unbundling Conditions**"	the conditions precedent to the PSG Group Unbundling, as set out in paragraph 4.4 of this Circular;
"**PSG Group Unbundling Record Date**"	the date on which a Shareholder must be registered in the Register in order to be eligible to participate in the PSG Group Unbundling, which is anticipated as being Friday, 28 August 2020;
"**PSG Financial Services**"	PSG Financial Services Limited (registration number 1919/000478/06), a public company incorporated under the laws of South Africa, of which the entire issued ordinary share capital is held by PSG Group, and accordingly being a Wholly-Owned Subsidiary of PSG Group;
"**PSG Financial Services Transfer**"	the sale and transfer by PSG Financial Services of the Capitec Distribution Shares to its sole ordinary shareholder, PSG Group;
"**PSG Konsult**"	PSG Konsult Limited (registration number 1993/003941/06), a public company incorporated under the laws of South Africa, the ordinary shares of which are listed on the JSE;
"**Register**"	the register of Certificated Shareholders maintained by the Transfer Secretaries and the sub-register of Dematerialised Shareholders maintained by the relevant CSDPs;
"**Section 112 Disposal**"	a disposal by a company of the greater part of its assets or undertaking as contemplated in section 112 of the Companies Act;
"**SENS**"	the Stock Exchange News Service of the JSE;
"**Shareholders**" or "**PSG Group Shareholders**"	registered holders of PSG Group Shares;
"**Shares**" or "**PSG Group Shares**"	no par value ordinary shares in the Company's share capital;
"**South Africa**"	the Republic of South Africa;

"**STADIO Holdings**"	STADIO Holdings Limited (registration number 2016/371398/06), a public company incorporated under the laws of South Africa, the ordinary shares of which are listed on the JSE;
"**Strate**"	Strate Proprietary Limited (registration number 1998/022242/07), a private company incorporated under the laws of South Africa, being a licensed central securities depository in terms of section 1 of the Financial Markets Act and the entity that manages the electronic custody, clearing and settlement environment for all share transactions concluded on the JSE and off-market, and in terms of which transactions in securities are settled and transfers of ownership in securities are recorded electronically;
"**STT**"	securities transfer tax levied under the STT Act;
"**STT Act**"	the Securities Transfer Tax Act, 2007 (Act No. 25 of 2007), as amended from time to time;
"**Subsidiary**"	a "subsidiary" as defined in the Companies Act;
"**the Group**"	PSG Group and its Subsidiaries;
"**Transfer Secretaries**" or "**Computershare**"	Computershare Investor Services Proprietary Limited (registration number 2004/003647/07), a private company incorporated under the laws of South Africa, the particulars of which are set out in the "*Corporate Information*" section of this Circular, being the transfer secretaries of PSG Group;
"**TRP**"	the Takeover Regulation Panel established in terms of section 196 of the Companies Act;
"**Treasury Shares**"	PSG Group Shares beneficially owned by Subsidiaries of PSG Group;
"**Unbundling Resolution**"	the special resolution required to be passed in terms of section 112 and section 115(2)(a) of the Companies Act in relation to the PSG Group Unbundling;
"**UK**"	the United Kingdom of Great Britain and Northern Ireland;
"**US**"	the United States of America;
"**US Securities Act**"	the US Securities Act of 1933, as amended from time to time;
"**Wholly-Owned Subsidiary**"	a "wholly owned subsidiary" as defined in the Companies Act;
"**ZAR**" or "**Rand**" or "**R**"	South African rand, the official currency of South Africa; and
"**Zeder**"	Zeder Investments Limited (registration number 2006/019240/06), a public company incorporated under the laws of South Africa, the ordinary shares of which are listed on the JSE.

PSG GROUP LIMITED

(Incorporated in the Republic of South Africa)
(Registration number 1970/008484/06)
Share code: PSG ISIN: ZAE000013017
LEI: 378900CD0BEE79F35A34
("**PSG Group**" or "**the Company**")

Directors:
ZL Combi** *(Chairman)*
PJ Mouton *(Chief Executive Officer)*
WL Greeff *(Chief Financial Officer)*
JA Holtzhausen *(Executive Director)*
FJ Gouws*
JJ Mouton*
PE Burton** *(Lead Independent Director)*
AM Hlobo**
B Mathews**
CA Otto**
* *Non-executive Directors*
** *Independent non-executive Directors*

CIRCULAR TO SHAREHOLDERS

1. **INTRODUCTION AND PURPOSE OF THIS CIRCULAR**

1.1 Shareholders are referred to the announcement by PSG Group on SENS on Wednesday, 29 April 2020, advising shareholders that the Board was in the process of investigating, and seriously considering, the potential unbundling of some or all of PSG Group's shareholding in Capitec and the further terms announcement by PSG Group on SENS on Wednesday, 27 May 2020 ("**Terms Announcement**") advising Shareholders that subject to the fulfilment (or where permissible, waiver) of the PSG Group Unbundling Conditions, PSG Group intends to distribute 32 502 856 Capitec Distribution Shares, comprising approximately 28.11% of the total issued ordinary share capital of Capitec, to PSG Group Shareholders by way of a *pro rata* distribution *in specie*, in the ratio of 14 Capitec Shares for every 100 PSG Group Shares held on the PSG Group Unbundling Record Date.

1.2 During May and June 2020, PSG Financial Services disposed of 1 700 000 Capitec Shares for cash ("**Capitec Disposal**"), in order to settle the remaining term debt comprising redeemable preference shares amounting to approximately R1 billion (previously held by a Wholly-owned Subsidiary of PSG Financial Services), as well as to place PSG Group in a healthy liquidity position in relation to any investment opportunities that may arise. The aforesaid 1 700 000 Capitec Shares disposed of represent a 1.47% interest in the issued ordinary share capital of Capitec ("**Capitec Disposal Shares**"), thereby reducing PSG Financial Services' shareholding in Capitec from 30.69% as at 29 February 2020 to 29.22% as at the Last Practicable Date. Accordinlgy, Shareholders should now note that PSG Group will retain a 2.79% shareholding in Capitec post the PSG Group Unbundling, which will be held by its Wholly-Owned Subsidiary, PSG Financial Services ("**Capitec Retained Shares**"). The Capitec Retained Shares will comprise a 1.11% shareholding in Capitec that will not form part of the PSG Group Unbundling and a 1.68% shareholding in Capitec that will be received by PSG Financial Services in terms of the PSG Group Unbundling, as a result of the treasury shares held by PSG Financial Services in PSG Group. The Capitec Retained Shares, comprising 3 229 270 Capitec Shares, will further bolster the group's balance sheet post the PSG Group Unbundling.

1.3 Whereas Capitec is listed on the JSE and will be listed on the JSE on the implementation of the PSG Group Unbundling, the PSG Group Unbundling will not require the approval of shareholders under paragraph 5.85 of the JSE Listings Requirements. However, as the PSG Group Unbundling is deemed to be the disposal of the greater part of the assets or undertaking of PSG Group in terms of section 112 of the Companies Act, it will require the approval of Shareholders by way of a special resolution, in compliance with the provisions of section 115 of the Companies Act.

1.4 The Independent Expert has prepared the Independent Expert's Report in respect of the PSG Group Unbundling, which is annexed to the Circular as **Annexure 1**.

1.5 The purpose of this Circular is to:

1.5.1 provide Shareholders with the relevant information relating to the PSG Group Unbundling to enable Shareholders to make an informed decision in respect of the resolutions set out in the Notice of General Meeting; and

1.5.2 convene the General Meeting to consider and, if deemed fit, approve the resolutions authorising the PSG Group Unbundling.

2. RATIONALE FOR THE PSG GROUP UNBUNDLING

2.1 The rationale for the PSG Group Unbundling is to:

2.1.1 ease the administrative and regulatory compliance burden that would otherwise be imposed on PSG Group, should PSG Group be classified in terms of the FSRA as belonging to a financial conglomerate, as a result of its shareholding in Capitec, and to avoid the resulting restrictions that could impact on PSG Group's ability to operate as a dynamic and nimble investment holding company; and

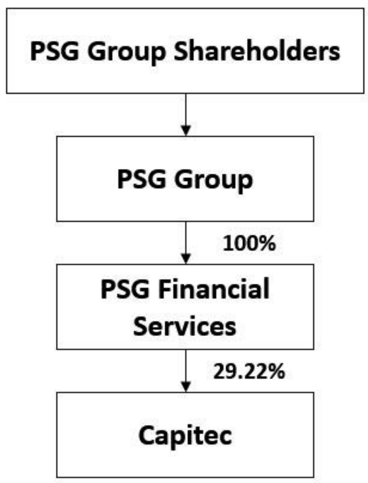
2.1.2 assist in the reduction of the discount at which PSG Group Shares trade to its sum-of-the-parts ("**SOTP**") value and to unlock value for PSG Group Shareholders.

2.2 The Board believes that the PSG Group Unbundling is in the best interests of Shareholders and should unlock value for Shareholders.

3. PRE-UNBUNDLING STEPS

3.1 Simplified PSG Group corporate structure before pre-PSG Group Unbundling steps

The simplified corporate structure of PSG Group before the pre-PSG Group Unbundling steps is as follows:



Note: The above diagram shows only the 29.22% shareholding held in Capitec. All other residual investment holdings are also held by PSG Financial Services, but are not illustrated above.

3.2 **PSG Financial Services Transfer**

3.2.1 As at the Last Practicable Date, PSG Financial Services holds the Capitec Distribution Shares.

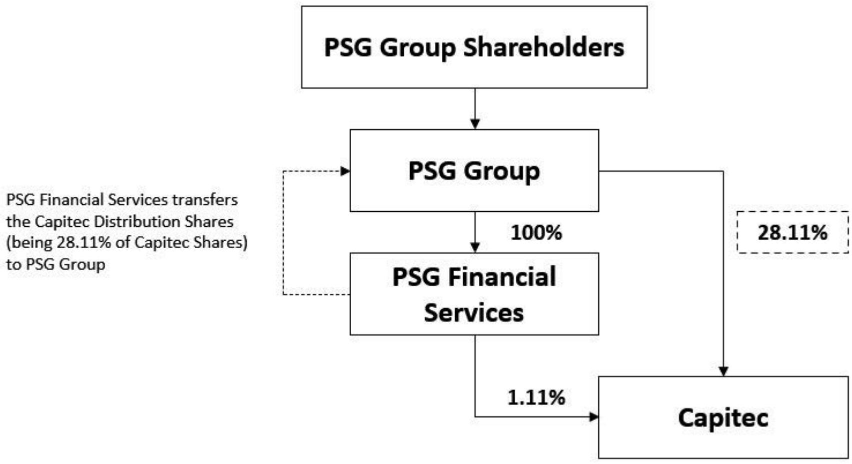
3.2.2 In terms of the PSG Financial Services Transfer, PSG Group's Wholly-Owned Subsidiary, PSG Financial Services will sell and transfer the Capitec Distribution Shares to PSG Group in terms of section 45 of the Income Tax Act. The Capitec Distribution Shares will be sold and transferred at the closing price of the Capitec Distribution Shares on the JSE on the date of transfer of the Capitec Distribution Shares to PSG Group.

3.2.3 The PSG Financial Services Transfer is subject to approval of the Prudential Authority approving the PSG Financial Services Transfer and the PSG Group Unbundling on terms and conditions acceptable to PSG Financial Services and PSG Group, to the extent applicable.

3.2.4 The PSG Financial Services Transfer is a PSG Group Unbundling Condition and will accordingly take place before the PSG Group Unbundling.

3.3 **Simplified PSG Group Corporate structure after pre-PSG Group Unbundling steps**

The simplified corporate structure of PSG Group after the pre-PSG Group Unbundling steps is as follows:



4. **TERMS OF THE PSG GROUP UNBUNDLING**

4.1 **Overview**

4.1.1 In terms of the PSG Group Unbundling, following implementation of the PSG Financial Services Transfer, PSG Group will unbundle the Capitec Distribution Shares to PSG Group Shareholders, by way of a *pro rata* distribution *in specie* in terms of section 46 of the Companies Act and section 46 of the Income Tax Act.

4.1.2 The PSG Group Unbundling will be implemented based on the Distribution Ratio of 14 Capitec Shares for every 100 PSG Group Shares held on the PSG Group Unbundling Record Date.

4.1.3 The PSG Group Unbundling will result in PSG Group Shareholders holding a direct interest in Capitec rather than holding an indirect interest through PSG Group.

4.2 **Theoretical value unlock of the PSG Group Unbundling**

4.2.1 The PSG Group Unbundling could theoretically unlock value for PSG Group Shareholders for the reasons set out below.

4.2.2 The PSG Group 30-day volume weighted average traded share price ("**30-Day VWAP**") up to and including 28 April 2020, being the final trading day preceding the publication of the further cautionary announcement by PSG Group on SENS relating to the PSG Group Unbundling, amounted to R131.40 ("**PSG Group VWAP Price**"). When compared to the SOTP value of R203.11 per PSG Group Share, calculated using the 30-Day VWAP for PSG

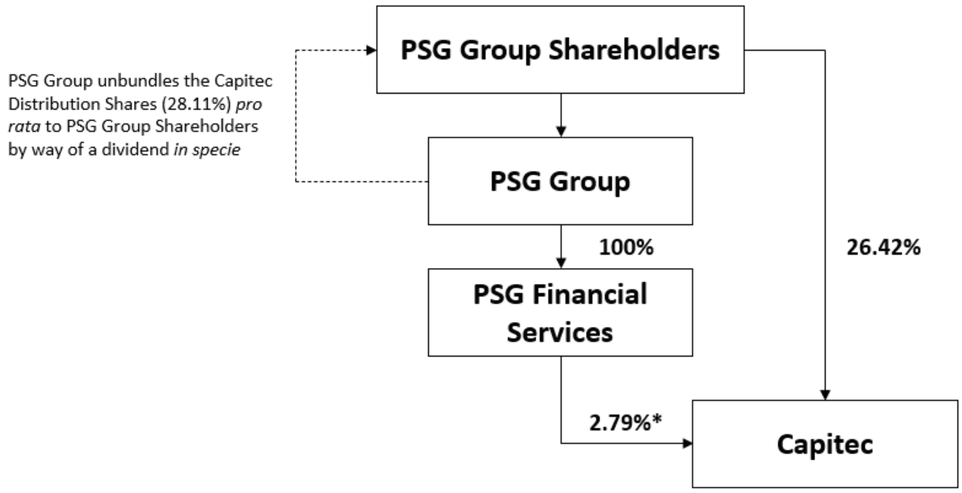
Group's listed investments as at the close of business on the same date, the PSG Group VWAP Price represented a discount of R71.71, or 35.3%, per PSG Group Share.

4.2.3 The PSG Group Unbundling will result in PSG Group Shareholders holding the Capitec Distribution Shares directly, which will eliminate the current discount applied to the Capitec Distribution Shares currently included in the SOTP value of PSG Group.

4.2.4 On a per PSG Group Share basis, the Capitec Distribution Shares had an attributable value of R125.48 on 28 April 2020 (based on the Capitec 30-Day VWAP on the same date) and accordingly comprised approximately 95.5% of the PSG Group 30-Day VWAP and 61.8% of the SOTP value per PSG Group Share on the same date. Capitec's success resulted in it constituting a significant part of the PSG Group portfolio in recent times. Post the PSG Group Unbundling, PSG Group will remain well capitalised and will be in a healthy liquidity position. The active management style of PSG Group, along with its attractive portfolio of market leading investments, which will no longer be dominated by Capitec, could theoretically assist to reduce the discount at which PSG Group Shares trade to the Company's SOTP value post the PSG Group Unbundling.

4.3 **Simplified PSG Group corporate structure after the PSG Group Unbundling**

The simplified corporate structure of PSG Group after the PSG Group Unbundling is as follows:



**The Capitec Retained Shares will comprise a 1.11% shareholding in Capitec that will not form part of the PSG Group Unbundling and a 1.68% shareholding in Capitec that will be received by PSG Financial Services in terms of the PSG Group Unbundling, as a result of the treasury shares held by PSG Financial Services in PSG Group.*

4.4 **PSG Group Unbundling Conditions**

4.4.1 Subject to the provisions of paragraph 4.4.2, the PSG Group Unbundling is subject to the fulfilment of the following conditions precedent ("**PSG Group Unbundling Conditions**"), namely that –

4.4.1.1 by no later than Wednesday, 30 September 2020:

4.4.1.1.1 the requisite majority of Shareholders pass the Unbundling Resolution approving the PSG Group Unbundling, in term of section 112 of the Companies Act (read with section 115 of the Companies Act);

4.4.1.1.2 to the extent required in terms of section 115 of the Companies Act, the court approves the implementation of the Unbundling Resolution;

4.4.1.1.3 if any person who voted against the Unbundling Resolution, applies to court for a review of the Unbundling Resolution in terms of section 115(3)(b) of the Companies Act, either:

4.4.1.1.3.1 leave to apply to court for any such review is refused; or

4.4.1.1.3.2 if leave is so granted, the court refuses to set aside the Unbundling Resolution;

4.4.1.1.4 no PSG Group Shareholders deliver an objection notice in relation to the PSG Group Unbundling or the Unbundling Resolution on or before the date of the General Meeting, as contemplated in section 164(3) of the Companies Act, or, if such an objection notice has been duly delivered, PSG Group has waived this condition on or before the date set out in paragraph 4.4.1.1 above (read with the provisions of paragraph 4.4.2 below);

4.4.1.1.5 the TRP issues a compliance certificate, in accordance with section 119(4)(b) of the Companies Act, to PSG Group in respect of the PSG Group Unbundling;

4.4.1.1.6 the JSE grants such approvals (if any) as are required in terms of the JSE Listings Requirements with respect to the PSG Group Unbundling;

4.4.1.1.7 the Financial Surveillance Department approves the PSG Group Unbundling on terms and conditions acceptable to PSG Group;

4.4.1.1.8 the Prudential Authority grants the requisite approval of the PSG Group Unbundling, pursuant to the FSRA and, to the extent applicable, the Banks Act, 1990 (Act No. 94 of 1990), as amended from time to time, on terms and conditions acceptable to PSG Group; and

4.4.1.1.9 the PSG Financial Services Transfer becomes unconditional and is implemented in accordance with its terms.

4.4.2 PSG Group may, at any time, extend the date for fulfilment of the PSG Group Unbundling Conditions or, to the extent legally permissible, waive, wholly or in part, any of the PSG Group Unbundling Conditions.

4.5 **Fractional Entitlements**

4.5.1 Where a Shareholder's entitlement to the Capitec Distribution Shares in terms of the PSG Group Unbundling, calculated in accordance with the Distribution Ratio, gives rise to a fraction of a Capitec Distribution Share, such fraction will be rounded down to the nearest whole number, resulting in allocations of whole Capitec Distribution Shares and a cash payment for the fraction to Shareholders. The fractional entitlements will be delivered in aggregate to each CSDP and they will be responsible for the payment of the cash fractional payment to Shareholders, which will be funded through the disposal of the fractional entitlements on the market. In accordance with the JSE Listings Requirements, the weighted average traded price for a Capitec Distribution Share on the last day to trade, being Tuesday, 25 August 2020 plus one Business Day less 10% will be used to calculate the cash value in respect of the respective fractions of Capitec Distribution Shares to be paid to the applicable Shareholders. The cash value applicable to fractions of Capitec Distributions Shares will be announced on SENS on Thursday, 27 August 2020. Certificated Shareholders whose bank account details are not held by the Transfer Secretaries, are requested to provide such details to the Transfer Secretaries to enable payment of the cash amount due for the aforementioned fraction of a Capitec Distribution Share. Should no details be on record, the funds will be held by the Company in trust until such time as the details have been provided and the cash fraction will thereafter be paid to the Shareholder upon its request without interest, provided that (in accordance with the provisions of PSG Group's MOI) such funds shall be held by the Company in trust until lawfully claimed by such Shareholder, or until the Shareholder's claim to such funds has prescribed in terms of the applicable laws of prescription.

4.6 **The implementation date of the PSG Group Unbundling**

The PSG Group Unbundling will be implemented after the PSG Group Unbundling Conditions are fulfilled or waived (to the extent permissible), as the case may be, on the PSG Group Unbundling Completion Date, which is anticipated to be Monday, 31 August 2020.

4.7 **Classification of the PSG Group Unbundling**

As Capitec is listed on the JSE and will be listed on the implementation of the PSG Group Unbundling, the PSG Group Unbundling will not require the approval of Shareholders under paragraph 5.85 of the JSE Listings Requirements. The PSG Group Unbundling is however, deemed to constitute the disposal of the greater part of the assets or undertaking of PSG Group in terms of section 112 of the Companies Act and therefore requires the approval of the TRP and the approval of Shareholders by way of a special resolution, in terms of the provisions of section 115 of the Companies Act.

4.8 **Shareholders' Appraisal Rights**

Shareholders are advised that if there are any objections to the PSG Group Unbundling as stipulated in paragraph 4.4.1.1.4, the PSG Group Unbundling may fail. Shareholders are referred to section 164 of the Companies Act, as set out in **Annexure 2** of this Circular.

4.9 **Implementation of PSG Group Unbundling**

4.9.1 Under the PSG Group Unbundling, Shareholders will receive the Capitec Distribution Shares in Dematerialised form only.

4.9.2 Accordingly, all Certificated Shareholders wishing to receive their Capitec Distribution Shares in Dematerialised form must appoint a CSDP under the terms of the Financial Markets Act, directly or through a Broker, to receive the Capitec Distribution Shares on their behalf.

4.9.3 Should a Certificated Shareholder not appoint a CSDP under the terms of the Financial Markets Act, directly or through a Broker, to receive the Capitec Distribution Shares on its behalf, such Shareholder will be issued with a statement of allocation, reflecting its Capitec Distribution Shares, by the Transfer Secretaries. Such Shareholders can thereafter instruct the Transfer Secretaries to transfer their Capitec Distribution Shares, represented by the statement of allocation, to their appointed CSDP or can instruct the Transfer Secretaries to issue them with a share certificate at any time following the PSG Group Unbundling.

4.9.4 If a Shareholder is in any doubt as to what action to take in respect of the PSG Group Unbundling, such Shareholder should consult its Broker, CSDP, banker, attorney, accountant or other professional advisor.

4.10 **TRP**

4.10.1 As the PSG Group Unbundling is deemed to constitute a Section 112 Disposal, it constitutes an "affected transaction" as defined in section 117(1)(c)(i) of the Companies Act.

4.10.2 Consequently, the PSG Group Unbundling is regulated by the Companies Act and the Companies Regulations and requires the approval of the TRP.

4.11 **Governing law and jurisdiction**

4.11.1 The PSG Group Unbundling will be governed by, and construed in accordance with, the laws of South Africa.

4.11.2 Each Shareholder shall be deemed to have irrevocably submitted to the exclusive jurisdiction of the courts of South Africa in relation to matters arising out of or in connection with the PSG Group Unbundling.

4.12 **Tax considerations relating to the PSG Group Unbundling**

4.12.1 It is expected that the distribution of the Capitec Shares in terms of the PSG Group Unbundling should qualify as an "unbundling transaction" for purposes of section 46(1) of the Income Tax Act and should, accordingly, be disregarded for tax purposes in South Africa for PSG Group and its Shareholders. The tax consequences for Foreign Shareholders should be confirmed by such Foreign Shareholders with advisors in the relevant foreign jurisdictions.

4.12.2 Consequently, the receipt of the Capitec Distribution Shares by Shareholders resident in South Africa should qualify for tax relief and should not constitute a "return of capital" or a "dividend".

4.12.3 Shareholders are referred to **Annexure 4** to this Circular for information on the tax consequences relating to the PSG Group Unbundling.

5. FINANCIAL INFORMATION

5.1 Consolidated historical financial information of PSG Group

5.1.1 The consolidated historical financial information of PSG Group for the financial years ended 28 February 2018, 28 February 2019 and 29 February 2020 are annexed hereto as **Annexure 6**.

5.1.2 Copies of the aforementioned consolidated historical financial information of PSG Group will also be available for inspection by Shareholders during normal business hours at the registered office of PSG Group and at the offices of PSG Capital from Wednesday, 1 July 2020 until the date of the General Meeting (both days inclusive) and are also available on PSG Group's website (http://www.psggroup.co.za).

5.2 *Pro forma* financial information of PSG Group

5.2.1 The *pro forma* financial effects of the PSG Group Unbundling, as set out in **Annexure 7**, are the responsibility of the Board. The *pro forma* financial effects are presented in a manner consistent with the basis on which the consolidated historical financial information of PSG Group has been prepared and in terms of PSG Group's accounting policies. The *pro forma* financial effects have been presented for illustrative purposes only and, because of their nature, may not fairly present PSG Group's financial position, changes in equity, results of operations or cash flows post the implementation of the PSG Group Unbundling.

5.2.2 The *pro forma* financial information of PSG Group has been prepared based on the assumption that the PSG Group Unbundling took place with effect from 1 March 2019 for purposes of the *pro forma* income statement and *pro forma* statement of comprehensive income, and on 29 February 2020 for purposes of the *pro forma* statement of financial position.

5.2.3 The report of the Independent Reporting Accountant in respect of the *pro forma* financial information appears in **Annexure 8** to this Circular.

6. BUSINESS AND PROSPECTS OF PSG GROUP AFTER THE PSG GROUP UNBUNDLING

6.1 PSG Group is an investment holding company consisting of underlying investments that operate across a diverse range of industries, which, after the PSG Group Unbundling, include financial services (PSG Konsult), education (Curro) and food and related business (Zeder), as well as early-stage investments in select growth sectors such as utilities (Energy Partners), retirement villages (Evergreen), private higher education (STADIO Holdings), and the like. A number of PSG Group's investments are essential services/foods businesses that continue to trade and/or operate remotely during the COVID-19 lockdown.

6.2 PSG Group's strategy post the PSG Group Unbundling is as follows:

6.2.1 Firstly, to reduce debt and ensure a healthy liquidity position, assuming that investment holding companies may continue to trade at a discount and that equity markets may accordingly be less accessible for capital raisings in the foreseeable future. In this regard, PSG Group early-settled its only remaining term debt comprising redeemable preference shares amounting to R1 billion on 29 May 2020. Following the redemption, PSG Group's only ongoing funding obligation comprises the bi-annual preference dividend payable in respect of the perpetual (i.e. non-redeemable) preference shares issued by PSG Financial Services;

6.2.2 Secondly, to secure adequate liquidity for PSG Group in order to support its key investments where necessary. In this regard, PSG Group has revisited the strategic objectives of its investee companies and assessed how they may possibly be affected by the severe downturn in the economy following the COVID-19 lockdown. Although it is not possible to accurately predict the extent of the damage to the economy, PSG Group has performed various scenario analyses to stress test its investee companies' resilience. Such analyses included assessing the capital needs of its investee companies, while assuming that access to debt funding may be limited in the short to medium term;

6.2.3 Thirdly, to have sufficient resources available to support investee companies when attractive bolt-on acquisition opportunities become available (this part of the strategy is aligned to the second strategy above); and

6.2.4 Finally, PSG Group aims to proactively seek new investments which fit its investment philosophy and show promise to flourish in the emerging new economy post COVID-19.

6.3 PSG Group will have a strong balance sheet with ample liquidity and limited funding obligations post the PSG Group Unbundling. Its core investee companies such as PSG Konsult and Curro are market leaders in their respective industries and are suitably positioned to capitalise on any economic recovery. PSG Group's early-stage investments provide meaningful optionality, particularly so in the context of a "smaller" PSG Group ex-Capitec. The Board therefore remains optimistic about PSG Group's long-term growth prospects and value creation for Shareholders, albeit cautiously so as much will depend on the state of the South African economy going forward.

6.4 Following the implementation of the PSG Group Unbundling, the business of PSG Group and its Subsidiaries will comprise the following:

6.4.1 **PSG Konsult**

6.4.1.1 PSG Financial Services holds 60.5% of the issued share capital of PSG Konsult, a financial services company focused on providing wealth management, asset management and insurance solutions to clients. PSG Konsult reported an 8% increase in *recurring headline earnings* per share for the year ended 29 February 2020.

6.4.1.2 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 http://www.psg.co.za.

6.4.1.3 PSG Konsult has the largest independent financial advisor distribution network in southern Africa with 935 advisors across 260 offices as at 29 February 2020. With the legal and regulatory environment within the industry becoming increasingly onerous, PSG Konsult continues to attract quality advisors. PSG Konsult provides advisors with support through its well-established systems and its risk and regulatory compliance platform, allowing them to focus on their clients.

6.4.2 **Curro**

6.4.2.1 PSG Financial Services holds 55.4% of the issued share capital of Curro, the largest provider of private school education in southern Africa with more than 57 000 learners across 68 campuses as at 31 December 2019.

6.4.2.2 Curro reported a 15% decline in *recurring headline earnings* per share for its financial year ended 31 December 2019, mainly as a result of increased finance costs associated with debt funding of greenfield developments, increased bad debts with the consumer under pressure and higher than anticipated property rates and taxes in particular cases.

6.4.2.3 Curro is listed on the JSE and its comprehensive results are available at http://www.curro.co.za.

6.4.3 **Zeder**

6.4.3.1 PSG Financial Services holds 43.8% of the issued share capital of Zeder, an investor in the broad agribusiness and related industries, with a historical focus on the food and beverage sectors.

6.4.3.2 The disposal of Zeder's largest investment comprising a 28.6% interest in Pioneer Foods Group Limited to PepsiCo Inc. for R6.4 billion cash as part of a scheme of arrangement, was concluded on 23 March 2020. Pursuant to such disposal, Zeder declared a R2.30 per share special dividend, which was paid to shareholders on

28 April 2020, of which PSG Financial Services received R1.7 billion in cash. This transaction also allowed Zeder to settle its R1.5 billion term debt in full and to retain R1 billion in cash for liquidity purposes. Zeder reported an 18% increase in *recurring headline earnings* per share for the year ended 29 February 2020.

6.4.3.3 Zeder actively drives and assists with portfolio and investee strategies, while monitoring and overseeing optimal capital allocations to ensure sustainable investment returns. Its portfolio consists of strategic interests in leading companies that provide it with a diversified exposure across the agribusiness spectrum, ranging from strategic agri-inputs to fast moving consumer goods while incorporating related logistical and enabling services.

6.4.4 **PSG Alpha**

6.4.4.1 PSG Financial Services holds 98.1% of the issued share capital of PSG Alpha, which serves as incubator to identify and help build the businesses of tomorrow. PSG Group has always excelled at early-stage investing by building businesses alongside entrepreneurs from the development stage. PSG Alpha's focus is therefore predominantly on early-stage investing in select growth sectors.

6.4.4.2 PSG Alpha reported a 20% increase in *recurring earnings* per share for the financial year ended 29 February 2020 (as stipulated in the PSG Group audited consolidated annual financial statements for the financial year ended 29 February 2020), following satisfactory performance from most of its core investments with due consideration given to the challenging economic environment.

6.4.4.3 The PSG Alpha portfolio currently comprises 11 investments, mainly in their development phase. PSG Group will continue to support these investments not only through providing capital when necessary and deemed appropriate, but also working alongside management in building these businesses – be it to help determine strategy, acting as a soundboard, assisting with problem solving, complementary deal-making, stakeholder relationships, promoting good corporate governance, establishing appropriate remuneration structures, and the like.

6.4.4.4 Members of the executive committee of PSG Alpha as a rule serve as directors on all its investees' boards and as members on numerous sub-committees, including the audit/finance and risk committees.

6.4.4.5 **CA Sales**

PSG Alpha holds 47.3% of the issued share capital of CA Sales. CA Sales is the parent company of a collection of fast-moving consumer goods businesses that operate across the southern Africa region, offering a route-to-market service to blue chip manufacturers. CA Sales' service offering includes selling, merchandising, warehousing, distribution, marketing and promotions, training and debtors administration. CA Sales partners with its clients to grow their brands by increasing their market share and volume.

6.4.4.6 **Evergreen**

6.4.4.6.1 PSG Alpha holds 50% of the issued share capital of Evergreen. Evergreen develops, owns and operates retirement lifestyle villages on a life-right model. Although this model is well established in other parts of the world, especially in the US, Australia and New Zealand, it is still a fairly new concept in South Africa.

6.4.4.6.2 Evergreen offers significant benefits to its residents – state-of-the-art lifestyle centres, typically including a bistro, lounge, salon, bar, library, gym, games room and entertainment area; health and frail care; excellent security; and a sense of community among fellow retirees.

6.4.4.6.3 As at 29 February 2020 Evergreen operated 947 units across seven villages. Evergreen's stated ambition is to be the pre-eminent retirement provider in South Africa reaching 10 000 units over time.

6.4.4.7 **STADIO Holdings**

6.4.4.7.1 PSG Alpha holds 43.9% of the issued share capital of STADIO Holdings, a JSE-listed private higher education provider in its development phase. It currently comprises six private higher education institutions offering over 90 accredited qualifications to approximately 30 000 students, ranging from higher certificates to doctorates through contact, distance and online learning.

6.4.4.7.2 STADIO Holdings is in the process of amalgamating its six private higher education institutions into one STADIO offering with a comprehensive range of faculties across the 14 existing campuses. It will also develop new multi-faculty campuses in due course in the Western Cape and Gauteng. STADIO Holdings will continue to pursue strategic acquisitions and to develop and expand its product offering as part of its journey to reach 100 000 students over time. PSG Alpha is actively assisting STADIO Holdings' management in achieving their stated objectives.

6.4.4.8 **Optimi**

6.4.4.8.1 PSG Alpha holds 86.2% of the issued share capital of Optimi. Optimi provides accessible learning and support to learners and tutors using technology and centralised assistance to reduce the cost of and to improve the quality of education. Services are rendered to the following distinct segments:

- Schools (teachers, management and learners);
- Home (parents, learners and tutors); and
- Corporates (businesses/government departments and their employees).

6.4.4.8.2 Optimi is an education technology company and its patented e-learning solution bridges the gap between traditional and technology-based teaching – making learning visible, measurable, collaborative, integrated and mobile.

6.4.4.9 **Energy Partners**

6.4.4.9.1 PSG Alpha holds 54.1% of the issued share capital of Energy Partners. PSG Alpha originally invested in Energy Partners when it was an engineering consulting business focused on providing energy-efficient solutions to its clients in return for a consultancy fee. Energy Partners has since been transformed into a fully-fledged manufacturer, owner and operator of energy-producing assets – which include solar, steam and refrigeration.

6.4.4.9.2 Although owning and operating the energy-producing assets is less profitable in the short term, it is significantly more profitable over the long term and provides the business with valuable annuity income. Accordingly, Energy Partners' focus remains on growing its current investment book.

7. **EXCHANGE CONTROL REGULATIONS**

7.1 PSG Group has applied for and obtained the requisite exchange control approval from the Financial Surveillance Department of the South African Reserve Bank for the PSG Group Unbundling.

7.2 Shareholders who are not resident in, or whose registered addresses are outside the Common Monetary Area, will need to comply with the Exchange Control Regulations as summarised in **Annexure 5** to this Circular.

7.3 If Shareholders are in any doubt as to what action to take, they should consult their professional advisors.

8. FURTHER INFORMATION RELATING TO PSG GROUP

8.1 Share capital

8.1.1 As at the Last Practicable Date, the authorised and issued Share capital of PSG Group was as follows:

	Number of Shares	R'000
Authorised		
Ordinary Shares with no par value	400 000 000	
Issued		
Stated capital – ordinary Shares with no par value	232 163 254	7 095
Treasury Shares held by PSG Financial Services	13 908 770	
Treasury Shares held by the PSG Group Limited Supplementary Share Incentive Trust	45 000	

8.2 Major Shareholders and interests

8.2.1 As far as the Directors are aware, as at the Last Practicable Date, the following persons are the direct or indirect beneficial owners of 5% or more of the total PSG Group Shares in issue:

Shareholder	Number of Shares	Percentage of total issued Share capital
JF Mouton Familietrust and its subsidiaries (including effective interest held through a joint venture)	42 269 481	18.2%
Public Investment Corporation (including Government Employees Pension Fund)	25 259 236	10.9%
PSG Financial Services	13 908 770	6.0%
Total	81 437 487	35.1%

Note: The above is inclusive of treasury shares.

9. INFORMATION RELATING TO DIRECTORS

9.1 Directors' interests in the issued Shares of PSG Group

9.1.1 The table below sets out the direct and indirect interests of the Directors (and their associates) in PSG Group's issued Shares, as at the Last Practicable Date:

Director	Direct beneficial	Indirect beneficial	Indirect non-beneficial	Total	Percentage of issued Shares (net of Treasury Shares)
ZL Combi	354 000	–	–	354 000	0.2%
PJ Mouton[1, 2]	54 148	5 375 414	508 050	5 937 612	2.7%
WL Greeff	8 124	1 047 497	–	1 055 621	0.5%
JA Holtzhausen	611 226	500 000	–	1 111 226	0.5%
FJ Gouws	–	–	–	–	–
JJ Mouton[1, 2]	121 000	1 415 250	455 220	1 991 470	0.9%
PE Burton	–	197 500	100 000	297 500	0.1%
AM Hlobo	–	300	–	300	–
B Mathews	–	–	–	–	–
CA Otto[3]	200	–	3 324 559[3]	3 324 759	1.5%
Total	1 148 698	8 535 961	4 387 829	14 072 488	6.4%

Notes:

1. Messrs JJ Mouton and PJ Mouton are also trustees and discretionary beneficiaries of the JF Mouton Familietrust with an effective holding of 42 269 481 PSG Group Shares, representing approximately 19.4% of PSG Group's issued share capital (net of Treasury Shares).
2. The shareholding of the immediate family members of Messrs PJ Mouton and JJ Mouton (i.e. wives and minor children, held either in own name or via trusts) have been included as indirect non-beneficial shareholding.
3. Shareholders should note that Mr Otto has resigned as a trustee and/or director of the entities which hold the indirect beneficial shareholding in PSG Group Shares noted in the above table, however, such holding has been disclosed for transparency.

9.1.2 There have been no dealings in respect of beneficial interests in or, holdings of, PSG Group Shares by Directors over the six-month period commencing 19 December 2020, until the Last Practicable Date, other than as set out in the table below:

Director	Date	Nature of transaction	Number of Shares acquired/ options accepted	Price per share
JJ Mouton	18 June 2020	Acquisition of Shares by an associate of the director. On-market transaction. Indirect, non-beneficial interest.	540	R164.47
JJ Mouton	18 June 2020	Acquisition of Shares by an associate of the director. On-market transaction. Indirect, non-beneficial interest.	540	R164.50
JJ Mouton	18 June 2020	Acquisition of Shares by an associate of the director. On-market transaction. Indirect, non-beneficial interest.	540	R164.50
CA Otto	15 June 2020	Acquisition of Shares by a Director (on-market transaction)	92	R172.47
PJ Mouton	28 February 2020	Acceptance of award of options to acquire Shares in terms of a share incentive scheme. Direct, beneficial interest.	183 503 (options accepted)	R213.71 (strike price)
WL Greeff	28 February 2020	Acceptance of award of options to acquire Shares in terms of a share incentive scheme. Direct, beneficial interest.	131 082 (options accepted)	R213.71 (strike price)
JA Holtzhausen	28 February 2020	Acceptance of award of options to acquire Shares in terms of a share incentive scheme. Direct, beneficial interest.	131 084 (options accepted)	R213.71 (strike price)
AM Hlobo	19 December 2019	Acquisition of Shares by an associate of the director. On-market transaction. Indirect, beneficial interest.	300	R243.00

Director	Date	Nature of transaction	Number of Shares acquired/ options accepted	Price per share
PJ Mouton	19 November 2019	Acquisition of Shares by an associate of the director. On-market transaction. Indirect, non-beneficial interest.	810	R236.14
PJ Mouton	19 November 2019	Acquisition of Shares by an associate of the director. On-market transaction. Indirect, non-beneficial interest.	810	R236.14
PJ Mouton	19 November 2019	Acquisition of Shares by an associate of the director. On-market transaction. Indirect, non-beneficial interest.	810	R236.14
PJ Mouton	19 November 2019	Acquisition of Shares by an associate of the director. On-market transaction. Indirect, non-beneficial interest.	210	R236.58
PJ Mouton	19 November 2019	Acquisition of Shares by an associate of the director. On-market transaction. Indirect, beneficial interest.	160	R236.58
JJ Mouton	19 November 2019	Acquisition of Shares by an associate of the director. On-market transaction. Indirect, non-beneficial interest.	900	R237.00
JJ Mouton	19 November 2019	Acquisition of Shares by an associate of the director. On-market transaction. Indirect, non-beneficial interest.	900	R237.01
JJ Mouton	19 November 2019	Acquisition of Shares by an associate of the director. On-market transaction. Indirect, non-beneficial interest.	900	R237.01

9.1.3 It is the intention of the Directors holding a beneficial interest in PSG Group Shares to vote in favour of the Unbundling Resolution to be proposed at the General Meeting.

9.2 **Service contracts**

9.2.1 The executive Directors have concluded service contracts with terms and conditions that are market-related and appropriate for their positions in PSG Group.

9.2.2 No service contracts have been concluded between PSG Group and the non-executive Directors.

9.2.3 No service contracts contemplated in Companies Regulation 106(7)(f) have been entered into or amended within six months before the date of this Circular.

9.3 **Remuneration of the Board**

9.3.1 Save for paragraph 9.3.2, the remuneration of the Board shall not be affected by the PSG Group Unbundling.

9.3.2 Shareholders will be requested to approve, at the General Meeting, the payment of a market-related fee to the members of the Independent Board for the services rendered in respect of the PSG Group Unbundling.

10. GENERAL MEETING

10.1 The General Meeting of Shareholders will be held at 10h30 on Thursday, 30 July 2020 in electronic format only, to consider and, if deemed fit, to pass, with or without modification, the requisite resolutions required to give effect to the PSG Group Unbundling, as contained in the Notice of General Meeting.

10.2 Details of the action required by Shareholders are set out in the "*Action required by Shareholders*" section of this Circular.

11. THE VIEWS OF THE INDEPENDENT BOARD IN RELATION TO THE PSG GROUP UNBUNDLING

11.1 In accordance with the Companies Regulations, the Board has appointed the Independent Board comprised of independent non-executive Directors of PSG Group. The Independent Board has appointed the Independent Expert to prepare a report on the PSG Group Unbundling. The Independent Expert has determined that the PSG Group Unbundling is fair and reasonable to Shareholders of PSG Group, for the reasons and on the basis set out in the Independent Expert's Report.

11.2 The Independent Board, after due consideration of the Independent Expert's Report, has determined that it will place reliance on the valuations performed by the Independent Expert for purposes of reaching its own opinion regarding the PSG Group Unbundling, as contemplated in regulation 110(3)(b) of the Companies Regulations. The Independent Board has formed a view of the fair value range of a Capitec Share, which accords with the range contained in the Independent Expert's Report, in considering its opinion and recommendation.

11.3 The Independent Board is not aware of any factors which are difficult to quantify or are unquantifiable (as contemplated in Companies Regulation 110(6)) and has not taken any such factors into account, in forming its opinion.

11.4 The Independent Board, taking into account the Independent Expert's Report in relation to the PSG Group Unbundling, has considered the terms and conditions of the PSG Group Unbundling and the members of the Independent Board are unanimously of the opinion that the terms and conditions thereof are fair and reasonable to Shareholders and, accordingly, recommend that Shareholders vote in favour of the resolutions to be proposed at the General Meeting relating to the approval of the PSG Group Unbundling.

11.5 As at the Last Practicable Date, the Independent Board has not received any offers, as defined in section 117(1)(f) of the Companies Act.

11.6 The members of the Independent Board, in their personal capacities, who hold PSG Group Shares, intend to vote any such PSG Group Shares beneficially owned by them in favour of the resolutions to be proposed at the General Meeting.

12. RESPONSIBILITY STATEMENT OF THE INDEPENDENT BOARD IN TERMS OF THE COMPANIES REGULATIONS

The Independent Board accepts responsibility for the information contained in this Circular and confirms that, to the best of its knowledge and belief, such information is true and this Circular does not omit anything likely to affect the importance of such information.

13. **ADVISORS' CONSENTS**

Each of the advisors, whose name appears in the "*Corporate information*" section of this Circular, has consented in writing to act in the capacities stated and to the inclusion of its name and, where applicable, to the inclusion of its reports in this Circular in the form and context in which they appear and has not withdrawn its consent prior to the publication of this Circular.

14. **DOCUMENTS AVAILABLE FOR INSPECTION**

The following documents, or copies thereof, will be available for inspection by Shareholders during normal business hours at the registered office of PSG Group and at the offices of PSG Capital from Wednesday, 1 July 2020, until the date of the General Meeting (both days inclusive):

14.1 the MOI of PSG Group;

14.2 the published audited consolidated annual financial statements of PSG Group for the preceding three financial years ended 28 February 2018, 28 February 2019 and 29 February 2020;

14.3 the Independent Reporting Accountant's report on the *pro forma* financial information of PSG Group, as reproduced in **Annexure 8**;

14.4 the Independent Expert's Report, as reproduced in **Annexure 1**;

14.5 the written consents from each of the advisors referred to in paragraph 13;

14.6 the approval letter issued by the TRP in respect of the Circular; and

14.7 a copy of this Circular and all annexures hereto.

SIGNED ON WEDNESDAY, 1 JULY 2020 BY PE BURTON ON BEHALF OF THE INDEPENDENT BOARD OF PSG GROUP, IN TERMS OF POWERS OF ATTORNEYS SIGNED BY THE MEMBERS OF THE INDEPENDENT BOARD

PE BURTON
Chairman of the Independent Board

INDEPENDENT EXPERT'S REPORT

The Independent Board of Directors
PSG Group Limited
1st Floor, Ou Kollege
35 Kerk Street
Stellenbosch, 7600

10 June 2020

Dear Sirs / Mesdames

REPORT OF THE INDEPENDENT EXPERT ON THE PROPOSED PSG GROUP UNBUNDLING IN TERMS OF WHICH PSG GROUP WILL DISTRIBUTE THE CAPITEC DISTRIBUTION SHARES TO PSG GROUP SHAREHOLDERS BY WAY OF A DISTRIBUTION *IN SPECIE*

Introduction

Unless defined below, the definitions and interpretations commencing on page 10 of the Circular to which this letter is attached apply to this independent expert's report.

In terms of the announcement published by PSG Group Limited ("PSG Group" or the "Company") on the Stock Exchange News Service of the JSE Limited ("JSE") ("SENS") on 27 May 2020, PSG Group advised that, subject to the fulfilment (or where permissible, waiver) of the PSG Group Unbundling Conditions, PSG Group intends to distribute 32 502 856 ordinary shares with a par value of R0.01 each in the issued share capital of Capitec Bank Holdings Limited ("Capitec") ("Capitec Shares") ("Capitec Distribution Shares"), comprising approximately 28.11% of the total issued share capital of Capitec, to registered holders of PSG Group Shares ("Shareholders" or "PSG Group Shareholders") by way of a *pro rata* distribution *in specie*, in the ratio of 14 Capitec Shares for every 100 PSG Group Shares held on the date on which a Shareholder must be registered in the shareholder register in order to be eligible to participate in the distribution ("PSG Group Unbundling Record Date") ("PSG Group Unbundling").

The PSG Group Unbundling will be implemented in terms of section 46(1) of the Companies Act (No. 71 of 2008) as amended ("Companies Act") read together with section 112 of the Companies Act, which is deemed to constitute the disposal of a greater part of the assets or undertaking of PSG Group and therefore requires the approval of the Shareholders by way of a special resolution in compliance with the provisions of section 115 of the Companies Act.

As at the last practicable date prior to the finalisation of this report, being Friday, 19 June 2020 (the "Last Practicable Date"), the authorised share capital and issued share capital of PSG Group comprises the following:

	Number of Shares	R'000
Authorised		
Ordinary Shares with no par value	400 000 000	
Issued		
Stated capital – ordinary Shares with no par value	232 163 254	7 095
Treasury Shares held by PSG Financial Services	13 908 770	
Treasury Shares held by the PSG Group Limited Supplementary Share Incentive Trust	45 000	

The rationale for the PSG Group Unbundling is to:

- ease the administrative and regulatory compliance burden that would otherwise be imposed on PSG Group, should PSG Group be classified in terms of the FSRA as belonging to a financial conglomerate, as a result of its shareholding in Capitec, and to avoid the resulting restrictions that could impact on PSG Group's ability to operate as a dynamic and nimble investment holding company; and
- assist in the reduction of the discount at which PSG Group Shares trade to its sum-of-the-parts ("SOTP") value and to unlock value for PSG Group Shareholders.

The Board believes that the PSG Group Unbundling is in the best interests of Shareholders and should unlock value for Shareholders.

Post the PSG Group Unbundling, Shareholders will directly hold Capitec Shares in accordance with the Distribution Ratio, as well as PSG Group Shares.

Full details of the PSG Group Unbundling are contained in the Circular to be dated Wednesday, 1 July 2020, which will include a copy of this letter.

As at the Last Practicable Date, Directors held the following direct and indirect beneficial interests in PSG Group Shares:

Director	**Direct beneficial**	**Indirect beneficial**	**Indirect non-beneficial**	**Total**	**Percentage of issued Shares (net of Treasury Shares)**
ZL Combi	354 000	–	–	354 000	0.2%
PJ Mouton*	54 148	5 375 414	508 050*	5 937 612	2.7%
WL Greeff	8 124	1 047 497	–	1 055 621	0.5%
JA Holtzhausen	611 226	500 000	–	1 111 226	0.5%
FJ Gouws	–	–	–	–	–
JJ Mouton*	121 000	1 415 250	455 220*	1 991 470	0.9%
PE Burton	–	197 500	100 000	297 500	0.1%
AM Hlobo	–	300	–	300	–
B Mathews	–	–	–	–	–
CA Otto**	200	–	3 324 559**	3 324 759	1.5%
Total	1 148 698	8 535 961	4 387 829	14 072 488	6.4%

* *Messrs JJ Mouton and PJ Mouton are also trustees and discretionary beneficiaries of the JF Mouton Familietrust with an effective holding of 42 269 481 PSG Group Shares, representing approximately 19.4% of PSG Group's issued share capital (net of Treasury Shares). The shareholding of the immediate family members (i.e. spouses and minor children, held either in own name or via trusts) of Messrs JJ Mouton and PJ Mouton have been included as non-beneficial indirect shareholdings.*

** *Mr Otto has resigned as a trustee and/or director of the entities which hold the indirect beneficial shareholding in PSG Group Shares noted in the table above, however, such holding has been disclosed for transparency.*

Copies of section 115 and section 164 of the Companies Act are contained in **Annexure 2** of the Circular.

Fair and reasonable opinion required in terms of the Companies Act

The PSG Group Unbundling constitutes the disposal of a greater part of the assets or undertaking of the Company in terms of the Companies Act. The PSG Group Unbundling constitutes an affected transaction as defined in section 117(1)(c)(i) of the Companies Act, which is subject to the provisions of the Companies Act Regulations, 2011 promulgated under the Companies Act ("the Companies Regulations"). In terms of regulation 90(1)(a) and regulation 110 of the Companies Regulations (as read with section 112 and section 115 of the Companies Act), the independent board of directors constituted for purposed of the PSG Group Unbundling ("Independent Board") are required to obtain appropriate independent expert advice as to how the PSG Group Unbundling affects all holders of securities in PSG Group and whether the proposed terms and conditions of the PSG Group Unbundling are fair and reasonable insofar as Shareholders are concerned (the "Fair and Reasonable Opinion" or "Opinion").

BDO Corporate Finance Proprietary Limited ("BDO Corporate Finance") has been appointed as the independent expert by the Company, acting through the Independent Board, to assess the terms and conditions of the PSG Group Unbundling as well as the Distribution Ratio as required in terms of regulations 90 and 110 of the Companies Regulations which will be provided for the sole purpose of assisting the Independent Board in forming and expressing an opinion on the PSG Group Unbundling and the Distribution Ratio for the benefit of the Shareholders, and for distribution of the opinion to Shareholders pursuant to the requirements of the Companies Act.

Responsibility

Compliance with the Companies Act and the Companies Regulations is the responsibility of the Independent Board. Our responsibility is to report to the Independent Board on whether the terms and conditions of the proposed PSG Group Unbundling are fair and reasonable to the Shareholders and to advise in relation to the matters specified in regulations 90 and 110 of the Companies Regulations.

Definition of the terms "fair" and "reasonable" applicable in the context of the PSG Group Unbundling

The "fairness" of a transaction is primarily based on quantitative issues. A transaction will generally be considered to be fair to a company's shareholders if the benefits received, as a result of the transaction, are equal to or greater than the value given up.

Typically, where a company implements a transaction which constitutes the disposal of a greater part of the assets or undertaking of that company, the disposal would be considered fair if the consideration received in respect of the disposal is equal to or more than the fair value of the assets that are the subject of the disposal and unfair if the consideration received in respect of the disposal is less than the fair value of the assets that are the subject of the disposal.

The PSG Group Unbundling will be considered fair to Shareholders if the assets, on a fair value basis, attributable to a Shareholder are not diluted by the PSG Group Unbundling.

An assessment of reasonableness is generally based on factors other than quantitative considerations.

Details and sources of information

In arriving at our opinion, we have relied upon the following principal sources of information:

Information secured from directors and/or management of PSG Group:

- the terms and conditions of the PSG Group Unbundling, as set out in the Circular;
- the rationale for the PSG Group Unbundling;
- other conditions which may affect the underlying value of Capitec.

Information secured from third party sources, including information related to publicly available economic, market and other data which we considered applicable to, or potentially influencing, Capitec:

- the Annual Financial Statements of Capitec for the years ended 28 February 2018, 28 February 2019, 29 February 2020;
- the consensus analysts' forecasts for Capitec for the years ending 28 February 2021 and 28 February 2022;
- the market research on appropriate discounts and premia to be applied in our analysis;
- the publicly available information relating to the relevant sector in general; and
- the publicly available information relating to PSG Group and Capitec that we deemed to be relevant, including announcements and media articles.

Procedures

In arriving at our opinion, we have undertaken the following procedures and taken into account the following factors in evaluating the fairness and reasonableness of the PSG Group Unbundling:

- reviewed the terms and conditions of the PSG Group Unbundling;
- reviewed the audited financial information related to Capitec, as detailed above;
- performed such other studies and analyses as we considered appropriate and have taken into account our assessment of general economic, market and financial conditions and our experience in other transactions, as well as our experience in securities valuation and knowledge of the relevant sector generally;

- held discussions with directors and/or management of PSG Group regarding the tax and accounting implications of the PSG Group Unbundling;
- assessed the long-term potential of Capitec and its underlying operations;
- evaluated the relative risks associated with Capitec and the Retail Banking sector; and
- reviewed certain publicly available information relating to Capitec and the Retail Banking sector that we deemed to be relevant, including announcements and media articles and available analyst coverage.

Assumptions

We arrived at our opinion based on the following assumptions:

- that all documents intended to have binding force that have been or will be issued or adopted in terms of the PSG Group Unbundling are or will be legally enforceable as against the relevant parties thereto;
- that the PSG Group Unbundling will have the legal, accounting and taxation consequences described in the Circular and discussions with, and materials furnished to us by representatives and advisors of PSG Group; and
- that reliance can be placed on the financial information of Capitec.

Appropriateness and reasonableness of underlying information and assumptions

We satisfied ourselves as to the appropriateness and reasonableness of the information and assumptions employed in arriving at our opinion by:

- placing reliance on audit reports in the annual financial statements of Capitec; and
- determining the extent to which representations (if any) from directors and/or management of PSG Group were confirmed by documentary and audited financial evidence as well as our understanding of Capitec and the economic environment in which Capitec operates.

Limiting conditions

This opinion is provided in connection with and for the purposes of the PSG Group Unbundling. The opinion does not purport to cater for each individual Shareholder's perspective, but rather that of the general body of such Shareholders. Should such a Shareholder be in doubt as to what action to take, he or she should consult his or her independent adviser.

Individual Shareholders' decisions regarding the PSG Group Unbundling may be influenced by such Shareholders' particular circumstances and accordingly such individual Shareholders should consult his or her independent advisor if in any doubt as to the merits or otherwise of the PSG Group Unbundling.

The nature of the PSG Group Unbundling does not require us to express, and nor do we express, a view on the future growth prospects, earnings potential or value of a PSG Group Share. We do not express any view as to the price at which PSG Group Shares may trade nor on the future value, financial performance or condition of PSG Group.

We have also assumed that the PSG Group Unbundling will have the legal consequences described in the Circular and in discussions with, and materials furnished to us by representatives of PSG Group and we express no opinion on such consequences.

Our opinion is based on current economic, regulatory and market as well as other conditions. Subsequent developments may affect the opinion, and we are under no obligation to update, review or re-affirm our opinion based on such developments.

Independence, competence and fees

We confirm that neither we nor any person related to us (as contemplated in the Companies Act) have a direct or indirect interest in the PSG Group Unbundling and specifically declare, as required by Regulations 90(6)(i) and 90(3)(a) of the Companies Regulations, that we are independent in relation to the PSG Group Unbundling and will reasonably be perceived to be independent. We also confirm that we have the necessary competence to provide the Fair and Reasonable Opinion and meet the criteria set out in the Companies Regulations.

Furthermore, we confirm that our professional fees of R350 000 (excluding VAT) are not contingent upon the success of the PSG Group Unbundling. Our fees are payable in cash and not payable in shares.

Approach to fairness and reasonableness of the PSG Group Unbundling

In assessing the fairness and reasonableness of the PSG Group Unbundling, BDO Corporate Finance considered the following:

- The context in which the PSG Group Unbundling has been proposed; and
- The net benefits that accrue to each Shareholder as a result of the PSG Group Unbundling.

We reviewed and considered the terms and conditions and consequences of the PSG Group Unbundling.

Valuation approach and results

This valuation of a Capitec Share has been prepared on the basis of "Market Value". The generally accepted definition of "Market Value" is the value as applied between a hypothetical willing vendor and a hypothetical willing prudent buyer in an open market and with access to all relevant information.

"Market Value" for financial services firms is commonly derived by applying one or more of the following valuation methodologies:

- Fair P/B;
- PE Multiples; and
- Discounted cash flow models, i.e. dividend discount models ("DDM") and residual income models ("RI").

We performed a valuation of a Capitec Share by applying the discounted cash flow ("DCF") methodology as our primary approach based on the RI approach. In addition, we considered the market approach (based on a P/B approach) as a secondary methodology to support the results of the DCF valuation.

The valuation was performed taking cognisance of risk and other market and industry factors affecting Capitec. All financial information used in the valuation of Capitec is based on consensus analysts' forecasts and information available in the public domain. Neither Capitec nor PSG Group directors and/or management have provided any forward-looking financial information for the purposes of this valuation.

In performing our valuation analysis of Capitec Shares we considered the sensitivity of the valuations to changes in assumptions around key value drivers. We found that the key internal value drivers of the valuation of the Capitec Shares are estimates of projected earnings growth and sustainable return on equity.

External value drivers, including key macro-economic parameters and prevailing market and industry conditions in the Retail Banking industry, were considered in assessing the consensus analysts' forecasts and risk profile of Capitec.

Given the nature of the PSG Group Unbundling we note that the value attributable to a Shareholder is the same before and after the PSG Group Unbundling. We assessed the value of a Capitec Share, as between ZAR899.16 and ZAR1 039.77 per Capitec Share. For the purposes of this opinion we consider the core value to be ZAR963.93. The valuation ranges above are provided solely in respect of this Independent Expert Report and should not be used for any other purposes.

Opinion

BDO Corporate Finance has considered the terms and conditions of the PSG Group Unbundling and, based on and subject to the conditions set out herein, is of the opinion that the terms and conditions of the PSG Group Unbundling, based on quantitative considerations, are fair to the Shareholders.

Whilst we have performed a fundamental valuation of a Capitec Share which is the subject of the PSG Group Unbundling, we have not performed a fundamental valuation of a PSG Group Share before or after the PSG Group Unbundling. We are of the opinion that the fundamental value attributable to PSG Group Shareholders post the PSG Group Unbundling is not materially different to the fundamental value to PSG Group Shareholders prior to the PSG Group Unbundling.

The scope of our appointment does not require us to express, and nor do we express, a view on the future growth prospects, earnings potential or value of a PSG Group Share. We do not express any view as to the price at which PSG Group Shares may trade nor on the future value, financial performance or condition of PSG Group. However, we expect that the PSG Group Unbundling would assist in the reduction of the discount at which PSG Group Shares trade to its sum-of-the-parts ("SOTP") value as the PSG Group Unbundling will unlock any blockage or other discounts attributed to a Capitec Share held via PSG Group, rather than directly. A blockage discount is a deduction from the actively traded price of a stock. The discount is warranted when the block of stock to be valued is so large (relative to the volume of actual sales on the existing market) that the block could not be quickly liquidated without depressing the market price. Had we performed a fundamental valuation of a PSG Group Share, the only adjustment we could have considered would be a reduction of any blockage or other discount applied to a Capitec Share held via PSG Group, rather than directly.

In terms of sections 46(5) and 46(5A) of the Income Tax Act, the distribution of the Capitec Distribution Shares must be disregarded for dividends tax purposes and must also not be treated as a return of capital for the purposes of paragraph 76B of the Eighth Schedule to the Income Tax Act. Accordingly, the PSG Group Unbundling will not give rise to dividends tax.

Based on qualitative factors, we are of the opinion that the terms and conditions of the PSG Group Unbundling are reasonable from the perspective of Shareholders.

Our Opinion is necessarily based upon the information available to us up to the Last Practicable Date, including in respect of the financial information as well as other conditions and circumstances existing and disclosed to us. We have assumed that all conditions precedent, including any material regulatory and other approvals or consents required in connection with the PSG Group Unbundling have been fulfilled or obtained.

Accordingly, it should be understood that subsequent developments may affect this Opinion, which we are under no obligation to update, revise or re-affirm but BDO Corporate Finance reserves its rights to do so should any such developments arise.

Consent

We hereby consent to the inclusion of this opinion, in whole or in part, and references thereto in the Circular and any other announcement or document pertaining to the PSG Group Unbundling, in the form and context in which they appear.

Yours faithfully

N Lazanakis
Director

BDO Corporate Finance Proprietary Limited
Wanderers Office Park
52 Corlett Drive
Illovo 2196

EXTRACTS OF SECTION 115 AND SECTION 164 OF THE COMPANIES ACT

*"**Section 115: Required approval for transactions contemplated in Part A***

(1) Despite section 65, and any provision of a company's Memorandum of Incorporation, or any resolution adopted by its board or holders of its securities, to the contrary, a company may not dispose of, or give effect to an agreement or series of agreements to dispose of, all or the greater part of its assets or undertaking, implement an amalgamation or a merger, or implement a scheme of arrangement, unless:

(a) the disposal, amalgamation or merger, or scheme of arrangement:

(i) has been approved in terms of this section; or

(ii) is pursuant to or contemplated in an approved business rescue plan for that company, in terms of Chapter 6; and

(b) to the extent that Parts B and C of this Chapter and the Takeover Regulations, apply to a company that proposes to:

(i) dispose of all or the greater part of its assets or undertaking;

(ii) amalgamate or merge with another company; or

(iii) implement a scheme of arrangement,

the Panel has issued a compliance certificate in respect of the transaction, in terms of section 119(4)(b), or exempted the transaction in terms of section 119(6).

(2) A proposed transaction contemplated in subsection (1) must be approved:

(a) by a special resolution adopted by persons entitled to exercise voting rights on such a matter, at a meeting called for that purpose and at which sufficient persons are present to exercise, in aggregate, at least 25% of all of the voting rights that are entitled to be exercised on that matter, or any higher percentage as may be required by the company's Memorandum of Incorporation, as contemplated in section 64(2); and

(b) by a special resolution, also adopted in the manner required by paragraph (a), by the shareholders of the company's holding company if any, if:

(i) the holding company is a company or an external company;

(ii) the proposed transaction concerns a disposal of all or the greater part of the assets or undertaking of the subsidiary; and

(iii) having regard to the consolidated financial statements of the holding company, the disposal by the subsidiary constitutes a disposal of all or the greater part of the assets or undertaking of the holding company; and

(c) by the court, to the extent required in the circumstances and manner contemplated in subsections (3) to (6).

(3) Despite a resolution having been adopted as contemplated in subsections (2)(a) and (b), a company may not proceed to implement that resolution without the approval of a court if:

(a) the resolution was opposed by at least 15% of the voting rights that were exercised on that resolution and, within five business days after the vote, any person who voted against the resolution requires the company to seek court approval; or

(b) the court, on an application within 10 business days after the vote by any person who voted against the resolution, grants that person leave, in terms of subsection (6), to apply to a court for a review of the transaction in accordance with subsection (7).

(4) For the purposes of subsections (2) and (3), any voting rights controlled by an acquiring party, a person related to an acquiring party, or a person acting in concert with either of them, must not be included in calculating the percentage of voting rights:

(a) required to be present, or actually present, in determining whether the applicable quorum requirements are satisfied; or

(b) required to be voted in support of a resolution, or actually voted in support of the resolution.

(4A) In subsection (4), 'act in concert' has the meaning set out in section 117(1)(b).

(5) If a resolution requires approval by a court as contemplated in terms of subsection (3)(a), the company must either:

(a) within 10 business days after the vote, apply to the court for approval, and bear the costs of that application; or

(b) treat the resolution as a nullity.

(6) On an application contemplated in subsection (3)(b), the court may grant leave only if it is satisfied that the applicant:

(a) is acting in good faith;

(b) appears prepared and able to sustain the proceedings; and

(c) has alleged facts which, if proved, would support an order in terms of subsection (7).

(7) On reviewing a resolution that is the subject of an application in terms of subsection (5)(a), or after granting leave in terms of subsection (6), the court may set aside the resolution only if:

(a) the resolution is manifestly unfair to any class of holders of the company's securities; or

(b) the vote was materially tainted by conflict of interest, inadequate disclosure, failure to comply with the Companies Act, the Memorandum of Incorporation or any applicable rules of the company, or other significant and material procedural irregularity.

(8) The holder of any voting rights in a company is entitled to seek relief in terms of section 164 if that person:

(a) notified the company in advance of the intention to oppose a special resolution contemplated in this section; and

(b) was present at the meeting and voted against that special resolution.

(9) If a transaction contemplated in this Part has been approved, any person to whom assets are, or an undertaking is, to be transferred, may apply to a court for an order to effect:

(a) the transfer of the whole or any part of the undertaking, assets and liabilities of a company contemplated in that transaction;

(b) the allotment and appropriation of any shares or similar interests to be allotted or appropriated as a consequence of the transaction;

(c) the transfer of shares from one person to another;

(d) the dissolution, without winding-up, of a company, as contemplated in the transaction;

(e) incidental, consequential and supplemental matters that are necessary for the effectiveness and completion of the transaction; or

(f) any other relief that may be necessary or appropriate to give effect to, and properly implement, the amalgamation or merger.

Section 164: Dissenting shareholders appraisal rights

(1) This section does not apply in any circumstances relating to a transaction, agreement or offer pursuant to a business rescue plan that was approved by shareholders of a company, in terms of section 152.

(2) If a company has given notice to shareholders of a meeting to consider adopting a resolution to:

(a) amend its Memorandum of Incorporation by altering the preferences, rights, limitations or other terms of any class of its shares in any manner materially adverse to the rights or interests of holders of that class of shares, as contemplated in section 37(8); or

(b) enter into a transaction contemplated in section 112, 113, or 114,

that notice must include a statement informing shareholders of their rights under this section.

(3) At any time before a resolution referred to in subsection (2) is to be voted on, a dissenting shareholder may give the company a written notice objecting to the resolution.

(4) Within 10 business days after a company has adopted a resolution contemplated in this section, the company must send a notice that the resolution has been adopted to each shareholder who:

(a) gave the company a written notice of objection in terms of subsection (3); and

(b) has neither:

(i) withdrawn that notice; or

(ii) voted in support of the resolution.

(5) A shareholder may demand that the company pay the shareholder the fair value for all of the shares of the company held by that person if:

(a) the shareholder:

(i) sent the company a notice of objection, subject to subsection (6); and

(ii) in the case of an amendment to the company's Memorandum of Incorporation, holds shares of a class that is materially and adversely affected by the amendment;

(b) the company has adopted the resolution contemplated in subsection (2); and

(c) the shareholder:

(i) voted against that resolution; and

(ii) has complied with all of the procedural requirements of this section.

(6) The requirement of subsection (5)(a)(i) does not apply if the company failed to give notice of the meeting, or failed to include in that notice a statement of the shareholders rights under this section.

(7) A shareholder who satisfies the requirements of subsection (5) may make a demand contemplated in that subsection by delivering a written notice to the company within:

(a) 20 business days after receiving a notice under subsection (4); or

(b) if the shareholder does not receive a notice under subsection (4), within 20 business days after learning that the resolution has been adopted.

(8) A demand delivered in terms of subsections (5) to (7) must also be delivered to the Panel, and must state:

(a) the shareholder's name and address;

(b) the number and class of shares in respect of which the shareholder seeks payment; and

(c) a demand for payment of the fair value of those shares.

(9) A shareholder who has sent a demand in terms of subsections (5) to (8) has no further rights in respect of those shares, other than to be paid their fair value, unless:

(a) the shareholder withdraws that demand before the company makes an offer under subsection (11), or allows an offer made by the company to lapse, as contemplated in subsection (12)(b);

(b) the company fails to make an offer in accordance with subsection (11) and the shareholder withdraws the demand; or

(c) the company, by a subsequent special resolution, revokes the adopted resolution that gave rise to the shareholder's rights under this section.

(10) If any of the events contemplated in subsection (9) occur, all of the shareholder's rights in respect of the shares are reinstated without interruption.

(11) Within five business days after the later of:

(a) the day on which the action approved by the resolution is effective;

(b) the last day for the receipt of demands in terms of subsection (7)(a); or

(c) the day the company received a demand as contemplated in subsection (7)(b), if applicable, the company must send to each shareholder who has sent such a demand a written offer to pay an amount considered by the company's directors to be the fair value of the relevant shares, subject to subsection (16), accompanied by a statement showing how that value was determined.

(12) Every offer made under subsection (11):

(a) in respect of shares of the same class or series must be on the same terms; and

(b) lapses if it has not been accepted within 30 business days after it was made.

(13) If a shareholder accepts an offer made under subsection (12):

(a) the shareholder must either in the case of:

(i) shares evidenced by certificates, tender the relevant share certificates to the company or the company's transfer agent; or

(ii) uncertificated shares, take the steps required in terms of section 53 to direct the transfer of those shares to the company or the company's transfer agent; and

(b) the company must pay that shareholder the agreed amount within 10 business days after the shareholder accepted the offer and:

(i) tendered the share certificates; or

(ii) directed the transfer to the company of uncertificated shares.

(14) A shareholder who has made a demand in terms of subsections (5) to (8) may apply to a court to determine a fair value in respect of the shares that were the subject of that demand, and an order requiring the company to pay the shareholder the fair value so determined, if the company has:

(a) failed to make an offer under subsection (11); or

(b) made an offer that the shareholder considers to be inadequate, and that offer has not lapsed.

(15) On an application to the court under subsection (14):

(a) all dissenting shareholders who have not accepted an offer from the company as at the date of the application must be joined as parties and are bound by the decision of the court;

(b) the company must notify each affected dissenting shareholder of the date, place and consequences of the application and of their right to participate in the court proceedings; and

(c) the court:

(i) may determine whether any other person is a dissenting shareholder who should be joined as a party;

(ii) must determine a fair value in respect of the shares of all dissenting shareholders, subject to subsection (16);

(iii) in its discretion may:

(aa) appoint one or more appraisers to assist it in determining the fair value in respect of the shares; or

(bb) allow a reasonable rate of interest on the amount payable to each dissenting shareholder from the date the action approved by the resolution is effective, until the date of payment;

(iv) may make an appropriate order of costs, having regard to any offer made by the company, and the final determination of the fair value by the court; and

(v) must make an order requiring:

(aa) the dissenting shareholders to either withdraw their respective demands or to comply with subsection (13)(a); and

(bb) the company to pay the fair value in respect of their shares to each dissenting shareholder who complies with subsection (13)(a), subject to any conditions the court considers necessary to ensure that the company fulfils its obligations under this section.

(15A) At any time before the court has made an order contemplated in subsection (15)(c)(v), a dissenting shareholder may accept the offer made by the company in terms of subsection (11), in which case:

(a) that shareholder must comply with the requirements of subsection 13(a); and

(b) the company must comply with the requirements of subsection 13(b).

(16) The fair value in respect of any shares must be determined as at the date on which, and time immediately before, the company adopted the resolution that gave rise to a shareholder's rights under this section.

(17) If there are reasonable grounds to believe that compliance by a company with subsection (13)(b), or with a court order in terms of subsection (15)(c)(v)(bb), would result in the company being unable to pays its debts as they fall due and payable for the ensuing 12 months:

(a) the company may apply to a court for an order varying the company's obligations in terms of the relevant subsection; and

(b) the court may make an order that:

(i) is just and equitable, having regard to the financial circumstances of the company; and

(ii) ensures that the person to whom the company owes money in terms of this section is paid at the earliest possible date compatible with the company satisfying its other financial obligations as they fall due and payable.

(18) If the resolution that gave rise to a shareholder's rights under this section authorised the company to amalgamate or merge with one or more other companies, such that the company whose shares are the subject of a demand in terms of this section has ceased to exist, the obligations of that company under this section are obligations of the successor to that company resulting from the amalgamation or merger.

(19) For greater certainty, the making of a demand, tendering of shares and payment by a company to a shareholder in terms of this section do not constitute a distribution by the company, or an acquisition of its shares by the company within the meaning of section 48, and therefore are not subject to:

(a) the provisions of that section; or

(b) the application by the company of the solvency and liquidity test set out in section 4.

(20) Except to the extent:

(a) expressly provided in this section; or

(b) that the Panel rules otherwise in a particular case,

a payment by a company to a shareholder in terms of this section does not obligate any person to make a comparable offer under section 125 to any other person."

INFORMATION FOR FOREIGN SHAREHOLDERS

The definitions and interpretations commencing on page 10 of this Circular apply to this section and throughout this Circular.

DISTRIBUTIONS TO FOREIGN SHAREHOLDERS

The distribution of Capitec Distribution Shares to Foreign Shareholders, in terms of the PSG Group Unbundling, may be affected by the laws of such Foreign Shareholders' relevant jurisdiction. Those Foreign Shareholders should consult their professional advisors as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their rights.

This section sets out some of the restrictions applicable to Shareholders who have registered addresses outside South Africa, who are nationals, citizens or residents of countries other than South Africa, or who are persons (including, without limitation, custodians, nominees and trustees) who have a contractual or legal obligation to forward this document to a jurisdiction outside South Africa or who hold ordinary shares for the account or benefit of any such Foreign Shareholder.

It is the responsibility of any Foreign Shareholder (including, without limitation, nominees, agents and trustees for such persons) receiving this Circular and wishing to take up their entitlement to unbundled Capitec Distribution Shares to satisfy themselves as to full observance of the applicable laws of any relevant territory, including obtaining any requisite governmental or other consents, observing any other requisite formalities and paying any issue, transfer or other taxes due in such territories. Foreign Shareholders are obliged to observe the applicable legal requirements of their relevant jurisdictions.

Accordingly, persons (including, without limitation, nominees, agents and trustees) receiving a copy of this Circular should not distribute or send the same to any person in, or citizen or resident of, or otherwise into any jurisdiction where to do so would or might contravene local securities laws or regulations. Any person who does distribute this Circular into any such territory (whether under a contractual or legal obligation or otherwise) should draw the recipient's attention to the contents of this annexure.

PSG Group reserves the right, but shall not be obliged, to treat as invalid any distribution of the Capitec Distribution Shares, in terms of the PSG Group Unbundling, which appears to PSG Group or its agents to have been executed, effected or dispatched in a manner which may involve a breach of the securities laws or regulations of any jurisdiction or if PSG Group believes or its agents believe that the same may violate applicable legal or regulatory requirements.

A Foreign Excluded Shareholder includes any Foreign Shareholder who is unable to receive any of the Capitec Shares constituting the Capitec Distribution Shares to be distributed to him because of the laws of the jurisdiction of that Shareholder, or any Foreign Shareholder that PSG Group is not permitted to distribute any of the Capitec Distribution Shares to because of the laws of the jurisdiction of that Shareholder. Notwithstanding the foregoing, any Capitec Distribution Shares to which Foreign Excluded Shareholders are entitled but are unable, as result of applicable law in their jurisdiction, to receive and/or hold, will be held in trust by the Transfer Secretaries on their behalf, aggregated and disposed of on the JSE by the Transfer Secretaries for the benefit of such Foreign Excluded Shareholders.

It is the responsibility of Dematerialised Shareholders to inform their CSDPs if they are Foreign Excluded Shareholders. CSDPs will then be responsible for informing the Transfer Secretaries of all Dematerialised Shares held by them on behalf of Foreign Excluded Shareholders. It is the responsibility of Certificated Shareholders to inform the Transfer Secretaries if they are Foreign Excluded Shareholders.

Foreign Excluded Shareholders will, in respect of their shareholdings, receive the average cash value of the relevant Capitec Share(s) (net of costs) at which the relevant Capitec Shares were disposed of. Accordingly, Foreign Excluded Shareholders will, in respect of their Capitec Distribution Shares, receive the average consideration per unbundled Capitec Distribution Share (net of transaction and currency conversion costs) received by the Transfer Secretaries pursuant to the sale process as set out in the preceding paragraph. The average consideration per Capitec Shares constituting the Capitec Distribution Share due to each Foreign Excluded Shareholder will only be paid once all such unbundled Capitec Distribution Shares have been disposed of.

NOTICE TO FOREIGN SHAREHOLDERS LOCATED IN THE US

This Circular is not an offer of securities for sale in the US. The Capitec Distribution Shares have not been and will not be registered under the US Securities Act, or with any regulatory authority of any state or other jurisdiction in the US and may not be offered, sold, exercised, transferred or delivered, directly or indirectly, in or into the US at any time except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and applicable state and other securities laws of the US.

The Capitec Distribution Shares have not been and will not be listed on a US securities exchange or quoted on any inter-dealer quotation system in the US. PSG Group does not intend to take any action to facilitate a market in the Capitec Distribution Shares in the US. Consequently, it is unlikely that an active trading market in the US will develop for the Capitec Distribution Shares.

The Capitec Distribution Shares have not been approved or disapproved by the US Securities and Exchange Commission, any state securities commission in the US or any other regulatory authority in the US, nor have any of the foregoing authorities passed comment upon, or endorsed the merit of, the PSG Group Unbundling or the accuracy or the adequacy of this Circular or the information contained herein. Any representation to the contrary is a criminal offence in the US.

NOTICE TO FOREIGN SHAREHOLDERS LOCATED IN THE EUROPEAN ECONOMIC AREA ("EEA") AND THE UK

This Circular is not a prospectus, as such term is defined in the Prospectus Regulation (EU) 2017/1129, on the basis that the Capitec Distribution Shares are not being admitted to trading on a regulated market situated or operating within the EEA or the UK, nor is there an offer to the public in respect of the Capitec Distribution Shares in any member state of the EEA or in the UK. Accordingly, any person making or intending to make any offer for the Capitec Distribution Shares should only do so in circumstances in which no obligation arises for PSG Group or Capitec to produce a prospectus for such offer. PSG Group has not authorised the making of any offer for the Capitec Distribution Shares through any financial intermediary.

TAXATION CONSIDERATIONS FOR THE PSG GROUP UNBUNDLING

The definitions and interpretations commencing on page 10 of this Circular apply to this section and throughout this Circular.

The summary below is a general guide and is not intended to constitute a complete analysis of the tax consequences of the PSG Group Unbundling provisions in terms of South African tax law. It is not intended to be, nor should it be considered as legal or tax advice. PSG Group and its advisors cannot be held responsible for the tax consequences of the PSG Group Unbundling and therefore Shareholders are advised to consult their own tax advisors in this regard.

The PSG Group Unbundling will constitute a disposal by PSG Group of its Capitec Shares to the PSG Group Shareholders. The disposal will be effected utilising the provisions of section 46 of the Income Tax Act.

The consequences of applying section 46 of the Income Tax Act are outlined below:

1. DISTRIBUTION OF CAPITEC SHARES BY PSG GROUP

The distribution of the Capitec Distribution Shares by PSG Group, in terms of the PSG Group Unbundling, will be disregarded by PSG Group in determining its taxable income or assessed loss in the tax year that the PSG Group Unbundling takes place. This means that PSG Group will not be subject to tax on the distribution of the Capitec Distribution Shares in terms of the PSG Group Unbundling.

2. SHARES HELD AS TRADING STOCK

Any Shareholder holding PSG Group Shares as trading stock will be deemed to acquire the Capitec Distribution Shares as trading stock. The Shareholder must allocate a portion of the expenditure in respect of and market value of the PSG Group Shares to the Capitec Distribution Shares and reduce the expenditure in respect of and market value of the PSG Group Shares. The Shareholder will be deemed to have incurred the expenditure allocated to the Capitec Distribution Shares on the same date that it was incurred in respect of the PSG Group Shares.

The expenditure to be allocated to the Capitec Distribution Shares will be determined by applying the ratio that the market value of Capitec Distribution Shares, as at the last day to trade, plus one Business Day, being Wednesday, 26 August 2020, bears to the sum of the market value, at the end of that day, of the Capitec Distribution Shares and the PSG Group Shares.

PSG Group will advise Shareholders of the specified ratio at which expenditure must be allocated by way of an announcement to be published on SENS on or about Wednesday, 26 August 2020. The allocated expenditure must be used in the determination of any profits or losses derived on any future disposals of the PSG Group Shares or Capitec Distribution Shares.

3. SHARES HELD AS CAPITAL ASSETS

Any PSG Group Shareholder holding Shares as capital assets will be deemed to acquire the Capitec Distribution Shares as capital assets. The Shareholder must allocate a portion of the original expenditure incurred in respect of the PSG Group Shares, and which forms part of the base cost of the PSG Group Shares as contemplated in paragraph 20 of the Eighth Schedule to the Income Tax Act and (where applicable) the CGT valuation of the PSG Group Shares, as contemplated in paragraph 29 of the Eighth Schedule to the Income Tax Act to the Capitec Distribution Shares. Such allocation would also be done by applying the ratio that the market value of Capitec Distribution Shares, as at the last day to trade, plus one Business Day, being Wednesday, 26 August 2020, bears to the sum of the market value, at the end of that day, of the Capitec Distribution Shares and the PSG Group Shares.

4. **SECURITIES TRANSFER TAX**

The distribution of the Capitec Distribution Shares to ordinary Shareholders will be exempt from the payment of any STT.

5. **DIVIDENDS TAX AND RETURNS OF CAPITAL**

In terms of sections 46(5) and 46(5A) of the Income Tax Act, the distribution of the Capitec Distribution Shares must be disregarded for Dividends Tax purposes and must also not be treated as a return of capital for the purposes of paragraph 76B of the Eighth Schedule to the Income Tax Act.

6. **EXEMPT PERSONS**

The provisions of section 46 of the Income Tax Act will not apply to the unbundling of the Capitec Distribution Shares to a Shareholder who is not a resident, the Government, provincial administration or a municipality, a Public Benefit Organisation (as defined in section 30 of the Income Tax Act), a recreational club (as defined in section 30A of the Income Tax Act), a company or trust contemplated in section 37A of the Income Tax Act, a fund contemplated in section 10(1)(d)(i) or (ii) of the Income Tax Act or a person contemplated in section 10(1)(cA) or (t) of the Income Tax Act who either alone or together with any connected person in relation to it, immediately after the PSG Group Unbundling, holds at least 20% of the ordinary issued share capital of Capitec.

7. **NON-RESIDENT SHAREHOLDERS**

Shareholders who are non-resident for tax purposes in South Africa are advised to consult their own professional tax advisors regarding the tax treatment of the PSG Group Unbundling in their respective jurisdictions, having regard to the tax laws in their jurisdiction and any applicable tax treaties between South Africa and their country of residence.

8. **APPRAISAL RIGHTS**

South African resident Shareholders who do not elect to exercise their Appraisal Rights and who receive Capitec Distribution Shares pursuant to the PSG Group Unbundling will not be liable for any tax (including Dividends Tax and Securities Transfer Tax) in respect of the Capitec Shares distributed to them. If applicable, South African resident Shareholders who elect to exercise their Appraisal Rights and, as a result, receive the fair value of the Capitec Distribution Shares, will be treated as having received a dividend from PSG Group. Depending on where they are resident for tax purposes and whether they are exempt from tax in terms of the Income Tax Act, the Shareholders will be liable for Dividends Tax in respect of the fair value payment received from PSG Group.

9. **CERTAIN US FEDERAL INCOME TAX CONSIDERATIONS FOR US SHAREHOLDERS**

The following discussion describes certain US federal income tax consequences of the PSG Group Unbundling to PSG Group's Shareholders that are subject to US federal income tax on a net income basis ("**US Shareholders**"). This discussion does not describe the tax consequences of the ownership and disposition of Capitec Distribution Shares received in the PSG Group Unbundling, nor does it address the tax consequences of the continuing ownership and possible disposition of PSG Group Shares following the PSG Group Unbundling.

Except as specifically described below, PSG Group has not analysed the US tax consequences of the PSG Group Unbundling and any pre-unbundling steps taken in connection with the transaction. In particular, US Shareholders should note that for purposes of the PSG Group Unbundling PSG Group has not analysed, and has not sought advice to determine (i) whether PSG Group or Capitec is or was a "passive foreign investment company" ("PFIC") for US federal income tax purposes for the current or any prior taxable year, (ii) whether PSG Group will be or may become a PFIC for the current or any future taxable year in light of the change in the composition of its income and assets following the PSG Group Unbundling and (iii) the expected PFIC status of PSG Group and Capitec for any future taxable year.

If either PSG Group or Capitec is a PFIC for any taxable year during which a US Shareholder owns the relevant shares, such US Shareholder generally would be subject to adverse tax consequences. For example, the US Shareholder would generally be subject to increased tax liability on the disposition of, and receipt of certain distributions on, the relevant shares (likely including the distribution of Capitec Distribution Shares pursuant to the PSG Group Unbundling, if PSG Group is a PFIC or is treated as a PFIC with respect to such Shareholder). In addition, the US Shareholder would be subject to reporting requirements with respect to the PFIC. US Shareholders should consult their tax advisors regarding PSG Group and Capitec's PFIC status (in the case of PSG Group, taking into account the effect of the PSG Group Unbundling), the consequences of owning shares in a PFIC and the availability of any election under the PFIC rules.

In addition, this discussion does not describe specific tax consequences that may be relevant to a US Shareholder in light of the Shareholder's particular circumstances (including exercising Appraisal Rights) or differing tax consequences applicable to US Shareholders subject to special rule, such as financial institutions, partnerships, dealers in securities, tax-exempt entities or Shareholders holding 10% or more of PSG Group's stock by vote or value. Moreover, this discussion does not address any aspect of state, local or non-US tax, or any US federal tax considerations other than income tax.

The distribution of the Capitec Distribution Shares (including the value of entitlements for fractional shares bundled for purposes of their sales for the benefit of Shareholders) pursuant to the PSG Group Unbundling will be taxable to PSG Group's US Shareholders as a dividend to the extent of PSG Group's current or accumulated earnings and profits, as determined under US federal income tax principles. Because PSG Group does not maintain calculations of its earnings and profits under US federal income tax principles, it is expected that the entire distribution will be reported as a taxable dividend. The amount of the dividend should equal the fair market value of the Capitec Distribution Shares received and the Capitec fractional shares allocable to the Shareholder, determined in US dollars as of the date of the distribution. A US Shareholder's basis in the Capitec Distribution Shares received (including any fractional Capitec Distribution Share allocable to such Shareholder) will be equal to the fair market value of the shares on the date of distribution. US Shareholders should consult their tax advisors as to the amount of any short-term capital gain or loss that may be recognized with respect to the receipt of proceeds from the sale of fractional Capitec Shares pursuant to the PSG Group Unbundling (in addition to the dividend income recognized with respect to such fractional shares as described above). Any dividend income will be foreign-source. US Shareholders will not be eligible for the dividends-received deduction generally available to US corporations under the Internal Revenue Code of 1986, as amended. Non-corporate US Shareholders should consult their tax advisors as to whether any dividend income is eligible for the favourable rate applicable to "qualified dividend income" in general and in their particular circumstances. Non-corporate US Shareholders should note, however, that the favourable rate will not apply if PSG Group is a PFIC (or is treated as a PFIC with respect to the US Shareholder) for PSG Group's taxable year in which the Capitec Distribution Shares are distributed or the preceding taxable year.

The discussion above is general in nature and does not constitute tax advice. Accordingly, US Shareholders are urged to consult their tax advisors concerning the US federal, state and local, and non-US Shareholders tax consequences of the PSG Group Unbundling and the receipt, ownership and disposition of Capitec Distribution Shares in their particular circumstances.

EXCHANGE CONTROL CONSIDERATIONS FOR THE PSG GROUP UNBUNDLING

The definitions and interpretations commencing on page 10 of this Circular apply to this section and throughout this Circular.

EXCHANGE CONTROL

The unbundled Capitec Distribution Shares are not freely transferable from the Common Monetary Area and must be dealt with in terms of the Exchange Control Regulations. The following is a summary of the Exchange Control Regulations, is not comprehensive and is intended as a guide only. In the event that Shareholders have any doubts in respect of their obligations in terms of the Exchange Control Regulations, they should consult their professional advisors without delay. This summary is based on the Exchange Control Regulations as at the Last Practicable Date and may be impacted by any subsequent changes to such regulations.

1. **EMIGRANTS FROM THE COMMON MONETARY AREA**

The unbundled Capitec Distribution Shares received by the Shareholders who are emigrants from the Common Monetary Area and whose registered address is outside the Common Monetary Area will:

1.1 in the case of Dematerialised Shareholders, be credited to their blocked share accounts at the CSDP to the order of the Authorised Dealer under whose administration the emigrant's remaining assets are held; or

1.2 in the case of Certificated Shareholders whose Documents of Title have been restrictively endorsed under the Exchange Control Regulations, be endorsed 'non-resident' and will be sent to the Authorised Dealer under whose administration the emigrant's remaining assets are held.

The CSDP or Broker will ensure that all requirements of the Exchange Control Regulations are adhered to in respect of their clients falling into this category of investor, whether shares are held in Dematerialised or certificated form.

2. **ALL OTHER NON-RESIDENTS OF THE COMMON MONETARY AREA**

The unbundled Capitec Distribution Shares received by Shareholders who are non-residents of the Common Monetary Area and who have never resided in the Common Monetary Area and whose registered address is outside the Common Monetary Area will:

2.1 in the case of Dematerialised Shareholders, be credited to their share accounts at the CSDP controlling their portfolios; or

2.2 in the case of a Certificated Shareholder whose Documents of Title have been restrictively endorsed under the Exchange Control Regulations, be deposited with an Authorised Dealer nominated by such Shareholder. It will be incumbent on the Shareholder concerned to nominate the Authorised Dealer and to instruct the nominated Authorised Dealer as to the disposal of the relevant shares. If the information regarding the Authorised Dealer is not given, the unbundled Capitec Distribution Shares will be held in trust for the Shareholder concerned pending the receipt of the necessary information or instruction.

The CSDP or Broker will ensure that all requirements of the Exchange Control Regulations are adhered to in respect of their clients falling into this category of investor, whether shares are held in Dematerialised or certificated form.

THE CONSOLIDATED HISTORICAL FINANCIAL INFORMATION OF PSG GROUP FOR THE FINANCIAL YEARS ENDED 28 FEBRUARY 2018, 28 FEBRUARY 2019 AND 29 FEBRUARY 2020

PART A: The consolidated historical financial information of PSG Group for the financial year ended 29 February 2020 (incorporating the financial year ended 28 February 2019 comparatives)

PART B: The consolidated historical financial information of PSG Group for the financial year ended 28 February 2019 (incorporating the financial year ended 28 February 2018 comparatives)

PSG GROUP LIMITED

ANNUAL FINANCIAL STATEMENTS

for the year ended 29 February 2020

These annual financial statements were compiled under the supervision of the group chief financial officer, Mr WL Greeff, CA(SA), and were audited by the group's external auditor, PricewaterhouseCoopers Inc. These annual financial statements should be read in conjunction with PSG Group Ltd's annual report, which will be available on or about 17 June 2020 on PSG Group Ltd's website at *www.psggroup.co.za* or may be requested and obtained in person, at no charge, at the registered office of PSG Group Ltd during office hours.

CONTENTS

GLOSSARY

- "Capitec"
  Capitec Bank Holdings Ltd, a JSE-listed bank, in which PSG Group holds an associate interest of 30.7%. Capitec represents one of PSG Group's seven reportable segments.
- "CA Sales"
  CA Sales Holdings Ltd, a Botswana Stock Exchange-listed fast-moving consumer goods distributor, in which PSG Alpha holds an interest of 47.7%. PSG Group consolidates CA Sales in terms of IFRS 10, in light of, inter alia, its shareholding, board representation and additional voting rights. CA Sales forms part of the PSG Alpha reportable segment, being its largest investment.
- "Curro"
  Curro Holdings Ltd, a JSE-listed private basic education provider, in which PSG Group holds a subsidiary interest of 55.4% and Dipeo a further interest of 5.2%. Curro represents one of PSG Group's seven reportable segments.
- "Dipeo"
  Dipeo Capital (RF) (Pty) Ltd, an unlisted black economic empowerment investment holding company, in which PSG Group holds a subsidiary interest of 49%. PSG Group consolidates Dipeo in terms of IFRS 10, in light of, inter alia, its shareholding, board representation and the extent of preference share funding provided. Dipeo represents one of PSG Group's seven reportable segments.
- "Energy Partners"
  Energy Partners Holdings (Pty) Ltd, an unlisted manufacturer, owner and operator of energy-producing assets (including solar, steam and refrigeration), in which PSG Alpha and Dipeo hold interests of 54.1% and 15.7%, respectively. PSG Alpha's interest in Energy Partners forms part of the PSG Alpha reportable segment, being its seventh largest investment.
- "Evergreen"
  Evergreen Retirement Holdings (Pty) Ltd, an unlisted developer and operator of retirement lifestyle villages, in which PSG Alpha holds a joint venture interest of 50%. PSG Alpha's interest in Evergreen forms part of the PSG Alpha reportable segment, being its second largest investment.
- "JSE"
  JSE Ltd, a registered stock exchange in South Africa.
- "PSG Alpha"
  PSG Alpha Investments (Pty) Ltd, an unlisted investment holding company focused on early-stage investments in select growth sectors, thus serving as incubator to find and help build the businesses of tomorrow. PSG Alpha is invested in 11 businesses, including CA Sales, Energy Partners, Evergreen and Stadio. PSG Group holds a subsidiary interest of 98.1% in PSG Alpha. PSG Alpha represents one of PSG Group's seven reportable segments.
- "PSG Corporate"
  Represents the segment comprising PSG Group's wholly-owned subsidiaries, which offer management, administrative, advisory, treasury and corporate services. PSG Corporate represents one of PSG Group's seven reportable segments.
- "PSG Financial Services"
  PSG Financial Services Ltd is a wholly-owned subsidiary of PSG Group and holds the direct interests in Capitec, Curro, Dipeo, PSG Alpha, PSG Corporate, PSG Konsult and Zeder. PSG Financial Services' cumulative, non-redeemable, non-participating (i.e. perpetual) preference shares are listed on the JSE.
- "PSG Group" or "the group" or "the company"
  PSG Group Ltd, a JSE-listed investment holding company, and its subsidiaries, as the context may require.
- "PSG Konsult"
  PSG Konsult Ltd, a JSE-listed financial services company, in which PSG Group holds a subsidiary interest of 60.5%. PSG Konsult represents one of PSG Group's seven reportable segments.
- "Stadio"
  Stadio Holdings Ltd, a JSE-listed private higher education provider, in which PSG Alpha and Dipeo hold interests of 44% and 3.4%, respectively. PSG Group consolidates Stadio in terms of IFRS 10, in light of, inter alia, its shareholding, board representation and management involvement. PSG Alpha's interest in Stadio forms part of the PSG Alpha reportable segment, being its third largest investment.
- "Zeder"
  Zeder Investments Ltd, a JSE-listed investment holding company focused on food and related businesses, in which PSG Group holds an interest of 43.8%. PSG Group consolidates Zeder in terms of IFRS 10, in light of its shareholding, board representation and ongoing strategic input being provided by the PSG Group Executive Committee. Zeder represents one of PSG Group's seven reportable segments.

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

REPORT OF THE AUDIT AND RISK COMMITTEE

For the year ended 29 February 2020

The PSG Group Audit and Risk Committee ("the Committee") is an independent statutory committee appointed by the board of directors in terms of section 94 of the Companies Act of South Africa. The Committee also acts as the statutory audit committee of public company wholly-owned subsidiaries that are legally required to have such a committee.

The Committee comprises four independent non-executive directors, namely Mr PE Burton (chairman), Ms AM Hlobo, Ms B Mathews and Mr CA Otto, who have served as members of the audit and risk committee for 13, one, three and eight years, respectively. The Committee met twice during the past financial year on 23 April 2019 and 14 October 2019, as well as after financial year-end on 21 April 2020, with all members being present.

The Committee operates in terms of a board-approved charter. It conducted its affairs in compliance with, and discharged its responsibilities in terms of, its charter for the year ended 29 February 2020.

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

- Satisfied itself that the external auditor is independent of PSG Group, as set out in section 94(8) of the Companies Act of South Africa, and suitable for reappointment by considering, inter alia, the information stated in paragraph 22.15(h) of the JSE Listings Requirements;
- Ensured that the appointment of the external auditor complied with the Companies Act of South Africa;
- In consultation with management, agreed to the audit engagement letter terms, audit plan and budgeted audit fees for the 2020 financial year;
- Approved the nature and extent of non-audit services of the external auditor;
- Nominated for re-election at the annual general meeting, PricewaterhouseCoopers Inc. as the external audit firm;
- Satisfied itself, based on the information and explanations supplied by management and obtained through discussions with the external auditor, that the system of internal financial controls is effective and forms a basis for the preparation of reliable financial statements;
- Satisfied itself, based on the information and explanations supplied by management and obtained through discussions with the external auditor, that PSG Group be regarded as a going concern;
- Reviewed the formal policy for and calculation of PSG Group's ordinary dividend proposed at interim and year-end, and recommended it to the board of directors for approval;
- Reviewed the accounting policies and financial statements for the year ended 29 February 2020 and, based on the information provided to the Committee, considers that the company and group

comply, in all material respects, with the JSE Listings Requirements; International Financial Reporting Standards ("IFRS"); the IFRIC interpretations; the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee; the Financial Reporting Pronouncements, as issued by the Financial Reporting Standards Council; and the manner required by the Companies Act of South Africa; and

- Satisfied itself in terms of paragraph 3.84(g)(i) of the JSE Listings Requirements that the group chief financial officer, as well as the group finance function, has the appropriate expertise and experience.

PricewaterhouseCoopers Inc. has served as external auditor of PSG Group for the past 24 years, while the designated external audit partner has served in such capacity for the past five years, being the maximum allowed, and accordingly a new designated external audit partner will be nominated for the ensuing year. The Committee remains satisfied with the quality of the external audit performed by PricewaterhouseCoopers Inc. The adoption of mandatory audit firm rotation, as set out in the rules of the Independent Regulatory Board of Auditors, is receiving the Committee's attention.

PE Burton
PSG Group Audit and Risk Committee Chairman

Stellenbosch
29 May 2020

PSG GROUP LIMITED

APPROVAL OF ANNUAL FINANCIAL STATEMENTS

for the year ended 29 February 2020

The directors are responsible for the maintenance of adequate accounting records and to prepare annual financial statements that fairly represent the state of affairs and the results of the company and group. The external auditor is responsible for independently auditing and reporting on the fair presentation of the annual financial statements. Management fulfils this responsibility primarily by establishing and maintaining accounting systems and practices adequately supported by internal accounting controls. Such controls provide assurance that the group's assets are safeguarded, that transactions are executed in accordance with management's authorisations and that the financial records are reliable. The annual financial statements are prepared in accordance with the JSE Listings Requirements; IFRS; the IFRIC interpretations; the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee; the Financial Reporting Pronouncements, as issued by the Financial Reporting Standards Council; and the manner required by the Companies Act of South Africa.

The audit and risk committee of the company meets regularly with the external auditor, as well as senior management, to evaluate matters concerning accounting policies, internal control, auditing and financial reporting. The external auditor has unrestricted access to all records, assets and personnel as well as to the audit and risk committee.

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

The annual financial statements set out on pages 5 to 8 and 19 to 110, were approved by the board of directors of PSG Group and are signed on its behalf by:

PJ Mouton	**WL Greeff**
PSG Group CEO	*PSG Group CFO*

Stellenbosch
29 May 2020

DECLARATION BY THE COMPANY SECRETARY

for the year ended 29 February 2020

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

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

Stellenbosch
29 May 2020

NATURE OF BUSINESS

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

OPERATING RESULTS

The operating results and state of affairs of the company and group are set out in the attached income statements and statements of financial position, comprehensive income, changes in equity and cash flows, as well as the notes thereto. For the year under review, the group's recurring earnings amounted to R2,794m (2019: R2,357m), headline earnings amounted to R2,583m (2019: R2,194m) and earnings attributable to owners of the parent amounted to R2,462m (2019: R1,926m). The group's total profit (gross of non-controlling interests) for the year amounted to R3,358m (2019: R2,341m).

STATED CAPITAL

Details regarding authorised and issued share capital are set out in note 18 to these annual financial statements.

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

	Number of shares	
	2020	2019
Shares in issue at beginning of the year, gross of treasury shares	**232,108,050**	231,449,404
Less : Treasury shares		
Held by a subsidiary (PSG Financial Services)	**(13,908,770)**	(13,908,770)
Held by related parties of management and acquired by way of loan funding advanced	**(100,000)**	(1,600,000)
Shares in issue at beginning of the year, net of treasury shares	**218,099,280**	**215,940,634**
Movement in treasury shares		
Shares issued in terms of the PSG Group Ltd Supplementary Share Incentive Trust to participants	**55,204**	658,646
Shares acquired by the PSG Group Ltd Supplementary Share Incentive Trust	**(45,000)**	
Shares released following full settlement of loan funding previously advanced to related parties of management		1,500,000
Shares in issue at end of the year, net of treasury shares	**218,109,484**	**218,099,280**

DIVIDENDS

Details of dividends appear in note 38 to these annual financial statements.

DIRECTORS

Details of the company's directors at the date of this report are set out below:

Executive

PJ Mouton (43) 1) 2)
BCom (Mathematics)
PSG Group CEO
Appointed 16 February 2009

WL Greeff (50) 1)
BCompt (Hons), CA(SA)
PSG Group CFO
Appointed 13 October 2008

JA Holtzhausen (49) 1)
BIuris, LLB, HDip Tax
PSG Capital CEO
Appointed 13 May 2010

Non-executive

FJ Gouws (55)
BAcc, CA(SA)
PSG Konsult CEO
Appointed 25 February 2013

JJ Mouton (45)
BAcc (Hons), CA(SA), MPhil (Cantab)
Investment professional
Appointed 18 April 2005

Independent non-executive

PE Burton (67) 2) 3) 4) 5) 6)
BCom (Hons), PG Dip Tax
Director of companies
Appointed 19 March 2001

ZL Combi (68) 2) 4) 5)
Diploma in Public Relations
Director of companies and PSG Group Chairman
Appointed 14 July 2008

AM Hlobo (44) 3)
BCompt (Hons), CA(SA), MCom (Finance)
Senior lecturer and director of companies
Appointed 11 April 2019

B Mathews (50) 3)
BCom (Hons), CA(SA), HDip Tax
Consultant and director of companies
Appointed 3 May 2016

CA Otto (70) 3) 4) 5)
BCom LLB
Director of companies
Appointed 25 November 1995

1) *Member of executive committee*
2) *Member of social and ethics committee*
3) *Member of audit and risk committee*
4) *Member of remuneration committee*
5) *Member of nomination committee*
6) *Lead independent director*

DIRECTORS' EMOLUMENTS

PSG Group's comprehensive remuneration report is included in its annual report available on or about 17 June 2020 at *www.psggroup.co.za.*

Executive directors

The table below provides information on the total remuneration of PSG Group's executive directors:

Audited R'000	Short-term remuneration: Base salary: Approved	Deferred for 12 months 1)	Prior year deferral paid out 1)	Paid during the year 2)	Discretionary performance-based bonus 3)	Total short-term remuneration	Long-term remuneration: Gains from exercise of share options 4)	Total remuneration
For the year ended 29 Feb 2020								
WL Greeff	10,695	(3,209)	3,243	**10,729**		**10,729**	**30,374**	**41,103**
JA Holtzhausen	10,695	(3,209)	3,243	**10,729**	4,000	**14,729**	**30,418**	**45,147**
PJ Mouton	12,383	(3,715)	3,755	**12,423**		**12,423**	**34,893**	**47,316**
	33,773	(10,133)	10,241	**33,881**	4,000	**37,881**	**95,685**	**133,566**
For the year ended 28 Feb 2019								
WL Greeff	10,042	(3,013)	3,068	**10,097**		**10,097**	**29,116**	**39,213**
JA Holtzhausen	10,042	(3,013)	3,068	**10,097**	4,000	**14,097**	**29,130**	**43,227**
PJ Mouton	11,627	(3,488)	3,553	**11,692**		**11,692**	**33,260**	**44,952**
	31,711	(9,514)	9,689	**31,886**	4,000	**35,886**	**91,506**	**127,392**

1) *The deferred portion of base salaries is increased by the South African Revenue Services' official interest rate to compensate for time value of money, and paid out 12 months later on a monthly basis during the ensuing year, subject to i) malus/clawback provisions, ii) the executive director remaining in PSG Group's service and iii) the executive director meeting non-financial personal key performance objectives.*

2) *Includes all benefits.*

3) *The PSG Group CEO and CFO do not qualify for discretionary bonuses, to help drive long-term focus and decision-making in order to ultimately deliver on PSG Group's stated objective of sustainable long-term value creation for shareholders. PSG Capital's CEO, also serving as an executive director of PSG Group, continues to qualify for a discretionary performance-based bonus in terms of PSG Capital's revenue-sharing arrangement.*

4) ***The gains for the year ended 29 February 2020 emanated from the exercise of share options on 30 April 2019 at PSG Group's then ruling share price of R265.08. Subsequently, PSG Group's share price declined to R186.60 (30-day VWAP R213.71) as at 29 February 2020 – as a result, the unvested share options (as detailed on page 7) are significantly out of the money in the aggregate compared to the gains made during the past year. The executive directors are consequently penalised if PSG Group's share price does not perform over time as share options are consistently awarded at the ruling market price.***

Non-executive directors

The table below provides information on the total remuneration paid to PSG Group's non-executive directors, including fees paid by subsidiaries of PSG Group to non-executive directors for services rendered to such subsidiaries in either an executive or non-executive capacity:

Audited R'000 (excluding value added tax, to the extent applicable)	Paid for services rendered to PSG Group: Fees	Base salary	Total	Paid for services rendered to subsidiaries: Fees	Base salary	Discretionary performance-based bonus	Gains from exercise of share options	Total	Total remuneration
For the year ended 29 Feb 2020									
PE Burton	564		**564**	695				**695**	**1,259**
ZL Combi	725		**725**	1,000				**1,000**	**1,725**
FJ Gouws 1)			**-**		5,507	21,093	20,412	**47,012**	**47,012**
AM Hlobo 2)	426		**426**					**-**	**426**
B Mathews	426		**426**					**-**	**426**
JJ Mouton	266		**266**					**-**	**266**
CA Otto	479		**479**	1,024				**1,024**	**1,503**
	2,886	-	**2,886**	2,719	5,507	21,093	20,412	**49,731**	**52,617**
For the year ended 28 Feb 2019									
PE Burton	497		**497**	606				**606**	**1,103**
ZL Combi	387		**387**	740				**740**	**1,127**
FJ Gouws 1)			**-**		5,210	20,600	37,673	**63,483**	**63,483**
B Mathews	400		**400**					**-**	**400**
JF Mouton 3)	360	721	**1,081**					**-**	**1,081**
JJ Mouton	250		**250**					**-**	**250**
CA Otto	450		**450**	500				**500**	**950**
	2,344	721	**3,065**	1,846	5,210	20,600	37,673	**65,329**	**68,394**

1) *Mr FJ Gouws is the CEO of PSG Konsult, a subsidiary. The total performance-based bonus earned on a PSG Konsult level was R21.2m (2019: R21.5m), of which the payment of 70% (2020: R14.9m; 2019: R15.1m) is unconditional, while the payment of 15% each (2020: R3.2m; 2019: R3.2m) is subject to malus/clawback provisions and conditional on the director remaining in service for one and two years, respectively.*

2) *Ms AM Hlobo was appointed on 11 April 2019.*

3) *Mr JF Mouton resigned on 20 November 2018.*

DIRECTORS' EMOLUMENTS (continued)

The table below provides information on PSG Group's executive directors' unvested share options, awarded in terms of the PSG Group Ltd Supplementary Share Incentive Trust:

Audited	Number of share options as at 28 Feb 2019	Number of share options during the year Awarded	Vested [1]	Market price per share on vesting date R	Strike price per share R	Date granted	Number of share options as at 29 Feb 2020	Gains from exercise of share options during the year R'000	Value of unvested share options as at 29 Feb 2020 [2] R'000
WL Greeff	150,357		(150,357)	265.08	83.23	28/02/2014	-	27,342	
	28,702		(14,352)	265.08	136.84	28/02/2015	14,350	1,841	1,103
	41,153		(13,718)	265.08	178.29	29/02/2016	27,435	1,191	972
	72,292				236.13	28/02/2018	72,292		(1,621)
	185,877				250.56	28/02/2019	185,877		(6,850)
		131,082			213.71	28/02/2020	131,082		
	478,381	131,082	(178,427)				431,036	30,374	
JA Holtzhausen	150,561		(150,561)	265.08	83.23	28/02/2014	-	27,380	
	29,492		(14,747)	265.08	136.84	28/02/2015	14,745	1,891	1,133
	39,660		(13,220)	265.08	178.29	29/02/2016	26,440	1,147	937
	72,889				236.13	28/02/2018	72,889		(1,634)
	185,807				250.56	28/02/2019	185,807		(6,847)
		131,084			213.71	28/02/2020	131,084		
	478,409	131,084	(178,528)				430,965	30,418	
PJ Mouton	165,471		(165,471)	265.08	83.23	28/02/2014	-	30,091	
	37,347		(18,673)	265.08	136.84	28/02/2015	18,674	2,395	1,435
	62,995		(20,998)	265.08	178.29	29/02/2016	41,997	1,822	1,488
	84,203		(21,051)	265.08	237.31	28/02/2017	63,152	585	(1,490)
	113,018				236.13	28/02/2018	113,018		(2,534)
	227,700				250.56	28/02/2019	227,700		(8,391)
		183,503			213.71	28/02/2020	183,503		
	690,734	183,503	(226,193)				648,044	34,893	
	1,647,524	445,669	(583,148)				1,510,045	95,685	

[1] *The executive directors have not yet elected to exercise their right in terms of the provisions of the share incentive scheme to exercise their share options that became exercisable on 29 February 2020. Such right will be exercised within the 180-day exercise window.*

[2] *Based on the 30-day volume weighted average PSG Group share price of R213.71 as at 29 February 2020.*

Mr FJ Gouws, being the chief executive officer of PSG Konsult and also a non-executive director of PSG Group, has been awarded PSG Konsult share options in terms of the PSG Konsult Group Share Incentive Trust. Such share options are set out in the table below:

Audited	Number of share options as at 28 Feb 2019	Number of share options during the year Awarded [1]	Vested	Market price per share on vesting date R	Strike price per share R	Date granted	Number of share options as at 29 Feb 2020	Gains from exercise of share options during the year R'000	Value of unvested share options as at 29 Feb 2020 [2] R'000
FJ Gouws	1,587,500		(1,587,500)	10.35	5.06	01/03/2014	-	8,398	
	447,592		(223,797)	10.35	7.27	01/04/2015	223,795	689	356
	7,751,684		(2,583,895)	10.35	6.81	01/04/2016	5,167,789	9,147	10,594
	3,156,559		(789,140)	10.35	7.59	01/04/2017	2,367,419	2,178	3,007
	3,750,000				8.74	01/04/2018	3,750,000		450
		4,000,000			10.15	01/04/2019	4,000,000		(5,160)
	16,693,335	4,000,000	(5,184,332)				15,509,003	20,412	

[1] *On 20 April 2020, Mr FJ Gouws accepted a further 4.8m PSG Konsult share options at a strike price of R7.13 per share, being the 30-day volume weighted average PSG Konsult share price as at 31 March 2020.*

[2] *Based on the 30-day volume weighted average PSG Konsult share price as at 29 February 2020.*

PRESCRIBED OFFICERS

The members of the PSG Group Executive Committee ("Exco") are regarded as being the prescribed officers of the company. The Exco comprises the following PSG Group directors: Messrs PJ Mouton (chief executive officer), WL Greeff (chief financial officer) and JA Holtzhausen (executive). Their remuneration is detailed above. The duties and responsibilities of the Exco are set out in the environmental, social and governance section of the annual report available on or about 17 June 2020 at *www.psggroup.co.za.*

SHAREHOLDING OF DIRECTORS

The shareholding of directors in the issued share capital of PSG Group as at 29 February 2020 was as follows:

	Beneficial		Non-beneficial	**Total shareholding 2020** [4]		Total shareholding 2019	
Audited	Direct	Indirect	Indirect	**Number**	**%**	Number	%
PE Burton		197,500	100,000	**297,500**	**0.1**	297,500	0.1
ZL Combi [1]	354,000			**354,000**	**0.2**	354,000	0.2
WL Greeff	8,124	1,047,497		**1,055,621**	**0.5**	1,055,621	0.5
AM Hlobo		300		**300**	**-**		-
JA Holtzhausen	611,226	500,000		**1,111,226**	**0.5**	1,111,226	0.5
JJ Mouton [2) 3)]	121,000	1,415,250	453,600	**1,989,850**	**0.9**	1,977,100	0.9
PJ Mouton [2) 3)]	54,148	5,375,414	508,050	**5,937,612**	**2.7**	5,904,178	2.7
CA Otto	108		3,324,559	**3,324,667**	**1.5**	3,324,667	1.5
Total	1,148,606	8,535,961	4,386,209	**14,070,776**	**6.4**	14,024,292	6.4

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

2) *Messrs JJ Mouton and PJ Mouton are also trustees and discretionary beneficiaries of the JF Mouton Familietrust with an effective holding of 42,269,481 PSG Group ordinary shares, representing approximately 19.4% of PSG Group's issued share capital (net of treasury shares).*

3) *The shareholding of the immediate family members of Messrs JJ Mouton and PJ Mouton (i.e. wives and minor children, held either in own name or via trusts) have been included as non-beneficial indirect shareholding, with the comparatives amended accordingly.*

4) *The shareholding of directors did not change between year-end and the date of approval of these annual financial statements.*

The aforementioned beneficial shareholding of directors served as security for debt facilities as at 29 February 2020 as detailed in the table below:

Director	**Type of debt facility**	**Redemption date**	**Amount of debt facility Rm** [2]	**Amount owed against debt facility Rm** [2]	**Number of PSG Group shares pledged as security**	**Value of security Rm**	**Security cover (times)**
WL Greeff	Third-party term loan	Dec-21	20	-	400,000	75	n/a
	PSG Group SIT loan	Feb-22	n/a	4	500,000	93	23.2x
JA Holtzhausen	Third-party term loan	< 1 year	20	20	221,700	41	2.1x
	PSG Group SIT loan	Feb-23	n/a	13	429,526	80	6.0x
PJ Mouton [1]	Third-party term loan (1)	< 1 year	125	94	3,200,000	597	6.4x
	Third-party term loan (2)	< 1 year	20	6	833,560	156	25.9x

1) *Subsequent to year-end, Mr PJ Mouton significantly reduced his borrowings for which PSG Group shares serve as security to approximately R51m as at the date of these annual financial statements.*

2) *Amounts are approximate and may vary slightly.*

COMPANY SECRETARY

The registered and postal addresses of PSG Corporate Services (Pty) Ltd, being PSG Group's appointed company secretary, are set out below:

First Floor	PO Box 7403
Ou Kollege building	Stellenbosch
35 Kerk Street	7599
Stellenbosch	South Africa
7600	
South Africa	

AUDITOR

PricewaterhouseCoopers Inc. continues to serve as the external auditor of PSG Group and their re-appointment will be presented to PSG Group ordinary shareholders for voting thereon at the upcoming annual general meeting scheduled for 17 July 2020.

EVENTS SUBSEQUENT TO THE REPORTING DATE

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

Independent auditor's report

To the Shareholders of PSG Group Limited

Report on the audit of the consolidated and separate financial statements

Our opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of PSG Group Limited (the Company) and its subsidiaries (together the Group) as at 29 February 2020, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

What we have audited

PSG Group Limited's consolidated and separate financial statements set out on pages 19 to 109 comprise:

- the consolidated and separate statements of financial position as at 29 February 2020;
- the consolidated and separate income statements for the year then ended;
- the consolidated and separate statements of comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended;
- the notes to the financial statements, which include a summary of significant accounting policies.

Certain required disclosures have been presented elsewhere in the document titled "*PSG Group Limited Annual Financial Statements for the year ended 29 February 2020*", rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated and separate financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised January 2018)*, parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa.

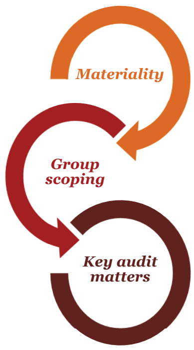
PricewaterhouseCoopers Inc., Capital Place, 15-21 Neutron Avenue, Techno Park, Stellenbosch, 7600
P O Box 57, Stellenbosch, 7599
T: +27 (0) 21 815 3000, F: +27 (0) 21 815 3100, www.pwc.co.za

Chief Executive Officer: L S Machaba
The Company's principal place of business is at 4 Lisbon Lane, Waterfall City, Jukskei View, where a list of directors' names is available for inspection.
Reg. no. 1998/012055/21, VAT reg.no. 4950174682.

We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* respectively.

Our audit approach

Overview



Overall group materiality

- *R154.4 million, which represents 5% of consolidated profit before taxation.*

Group audit scope

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

Key audit matters

- *Impairment assessment of intangible assets including goodwill;*
- *Equity accounted earnings of Capitec Bank Holdings Limited (Capitec);*
- *Adoption of IFRS 16 - Leases; and*
- *Accounting for the investment in Pioneer Food Group Limited (Pioneer Foods), an associate, as held for sale.*

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and separate financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall group materiality	*R154.4 million*
How we determined it	*5% of consolidated profit before taxation.*
Rationale for the materiality benchmark applied	*We chose consolidated profit before taxation as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users of the financial statements and is a generally accepted benchmark. We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.*

How we tailored our group audit scope

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

The Group has underlying investments that operate across a diverse range of industries, which include banking, financial services, education and food and related business, as well as early-stage investments in select growth sectors. Although the Group has seven main reportable segments, for Group audit scoping purposes the eight main business units identified are Capitec Bank Holdings Limited (Capitec), Curro Holdings Limited (Curro), PSG Konsult Limited (PSG Konsult), Zeder Investments Limited (Zeder), PSG Alpha Investments Proprietary Limited (PSG Alpha), Dipeo Capital (RF) Proprietary Limited (Dipeo), PSG Financial Services Limited (PSL) and CA Sales Holdings Limited (CA Sales).

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

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

Key audit matters

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

Consolidated financial statements

Key audit matter	*How our audit addressed the key audit matter*
Impairment assessment of intangible assets including goodwill *Refer to accounting policies 8 and 10, and note 2 of the consolidated financial statements* Goodwill and intangible assets with a carrying amount of R4.5 billion represents a substantial portion of the Group's total assets, when excluding client-related balances. Goodwill and intangible assets that have indefinite useful lives are tested by management for impairment bi-annually or when impairment indicators exist, and for all other intangible assets when impairment indicators exist, using price/earnings (P/E) multiples and discounted cash flow (DCF) valuations. In the current year, an impairment loss of R294 million was recorded relating mainly to the PSG Alpha segment in respect of goodwill on various subsidiaries. Management utilises two different valuation techniques in assessing for impairment: **P/E multiples** The P/E multiples are used to determine the fair value less cost to sell. The key judgements and estimates in determining the inputs are: • Forecast recurring earnings per share; and • P/E-multiple ranges and the reasonability thereof compared to similar entities operating in similar industries, as well as previous transactions. **DCF valuations** The DCF valuations are used to determine the value-in-use. The key judgements and estimates in determining the inputs are: • Taxation rate; • Growth rate; • Terminal growth rate; and • Discount rate. The impairment assessment of goodwill and intangible assets was considered to be a matter of most significance to our current year audit as management applies significant judgement in determining the inputs to the valuations.	• We evaluated the controls over the approval of the impairment calculations and assumptions by inspecting minutes of the audit, risk and executive committee meetings. • We tested the mathematical accuracy of the impairment calculations and considered whether the models used are consistent with the prior year and acceptable for the industry. We noted no exceptions. • We evaluated the cash flows in the impairment calculations by agreeing them to approved budgets and third-party information where appropriate. We noted no exceptions. We tested the reasonableness of the key assumptions for the two different techniques used, as detailed below: **P/E multiples** • We assessed and considered the P/E multiples applied by management and compared them to multiples of similar entities. We found that the P/E multiples used are comparable with third-party and independently established multiples. • We agreed the forecast recurring earnings used to the financial results of the respective investees. • In order to test the robustness of management's forecasts, we compared the latest actual results to the forecast information used in the prior year's impairment testing performed. The forecast information was within an acceptable range compared to the actual results, after allowing for changes in economic assumptions and other relevant variables. **DCF valuations** • We assessed the projected future cash flows, including the growth rate and the terminal growth rate, used in the DCF valuations by understanding the process followed by management to determine these forecasts and agreeing the forecast information to

	management approved budgets and business plans. • In order to test the robustness of management's forecasts, we compared the latest actual results to the forecast information used in the prior year's impairment testing performed. The forecast information was within an acceptable range compared to the actual results, after allowing for changes in economic assumptions and other relevant variables. • We compared the discount rate used by management in their calculations to our internally benchmarks developed using our valuation expertise. Our internal benchmarks were determined using our view of various economic indicators. We found that the discount rates applied by management were comparable with our internally developed benchmarks.
Equity accounted earnings of Capitec Bank Holdings Limited (Capitec) *Refer to accounting policy 4.4, note 5.1 to the consolidated financial statements and Annexure B to the consolidated financial statements.* The Group's largest investment is a 30.7% interest in Capitec. This investment is equity accounted in the consolidated financial statements under the equity method per International Accounting Standard 28 - *Investments in Associates and Joint Ventures* (IAS 28). The Group's share of the after-tax profits of Capitec for the year ended 29 February 2020 was R1.9 billion and the Group's share of Capitec's net assets was R9 billion as at 29 February 2020. The equity accounting of Capitec's earnings was considered to be a matter of most significance to our current year audit due to its significance to the Group's consolidated earnings and due to the significant judgement areas within its financial information.	We issued audit instructions to the Capitec audit team, which outlined the areas of audit focus necessary for the Group audit, as well as the information required to be reported back to the Group audit team. We obtained the audited financial results of Capitec, evaluated the consistency of its accounting policies with those of the Group and compared the results to the equity accounted results and movements recorded in the consolidated financial statements. We found no exceptions. We maintained continual interaction with the Capitec audit team, and involvement in their work. We evaluated the audit approach applied throughout all phases of the audit process by assessing whether the identified audit risks were addressed and examining working papers. We obtained an understanding of the significant judgement areas within Capitec and the impact it had on the Group's consolidated financial statements. IFRS 9 – *Financial Instruments* (IFRS 9) has a significant impact on the earnings of Capitec. As a result, we evaluated the work performed on judgements relating to Capitec's assessment of expected credit losses

Adoption of IFRS 16 – Leases

Refer to accounting policy 9, and notes 3.1 and 3.2 of the consolidated financial statements

IFRS 16-*Leases* (IFRS 16) was effective for the first time in the current financial year. The Group adopted the new standard using the simplified approach.

The impact of the adoption of IFRS 16 is disclosed in note 45 to the consolidated financial statements.

The impact of adoption of IFRS 16 is reliant upon a number of key estimates and judgements, primarily applied in determining the appropriate discount rates (incremental borrowing rates) and the lease term for each lease. The lease term may include future lease terms for which the Group has extension options and which the Group is reasonably certain to exercise.

On initial recognition, the Group recognised right-of-use assets and lease liabilities, of R987 million and R1.3 billion respectively.

We considered the adoption of IFRS 16 to be a matter of most significance to the audit due to the estimation and judgements applied in the transition.

(ECLs) in terms of IFRS 9 by inspecting the testing performed by the Capitec audit team.

The right-of-use assets and lease liabilities recognised for the Group are almost entirely attributable to subsidiaries audited by component audit teams. We centrally directed the work performed by component audit teams, which included examining working papers as considered necessary. We maintained continual interaction with the component audit teams, and involvement in their work.

Audit procedures included the following:

- We assessed the discount rates used to calculate the lease obligation which included independently sourcing base rates for each lease origination date, linked to inter-bank rates. Adjustments made to the inter-bank rates to cater for lease terms were traced to independent sources. No material exceptions were noted.
- We verified the accuracy of the underlying lease data on the IFRS 16 lease calculations obtained from management by agreeing a sample of leases to the original contract, and we checked the integrity and mathematical accuracy of these calculations for each lease tested through recalculation of the expected IFRS 16 adjustment. No material exceptions were noted.
- We tested the completeness of the lease data by reconciling a sample of the Group's existing lease commitments to the lease data underpinning the IFRS 16 model. No material exceptions were noted.
- We evaluated the lease terms, including the renewal periods, where applicable, by inspecting the underlying contracts and assessing management's judgements for the lease periods applied in the lease calculations. No material exceptions were noted.

Based on the work executed by the component audit teams in accordance with our instructions and the procedures noted above, we have determined that the audit work performed, and audit evidence obtained were sufficient for our purposes.

Accounting for the investment in Pioneer Food Group Limited (Pioneer Foods), an associate, as held for sale

Refer to accounting policy 16, and note 26 of the consolidated financial statements

During the year under review, Pepsico made an offer to the Pioneer Foods ordinary shareholders (including the Group) to acquire all issued ordinary shares in Pioneer Foods for a cash consideration of R110 per share.

The Group disposed of its investment in Pioneer Foods subsequent to year-end in terms of the aforementioned offer.

The investment in Pioneer Foods has been presented in accordance with IFRS 5 - *Non-Current Assets Classified as Held for Sale and Discontinued Operations* (IFRS 5). As Pioneer Foods represents a separate major line of business, their results are presented as a discontinued operation in the consolidated income statement and related notes, including the restatement of the comparative financial information. The investment in Pioneer Foods in the consolidated statement of financial position is presented as non-current assets held for sale as at 29 February 2020.

The accounting for the Group's investment in Pioneer Foods as held for sale was considered to be a matter of most significance to our current year audit due to the judgement applied in determining the timing of recognition and classification of the associate as held for sale.

Our audit procedures included the following:

- We evaluated the presentation of the investment in Pioneer Foods in the consolidated financial statements as a non-current asset held for sale against the requirements of IFRS 5 in order to determine whether the requirements of IFRS 5 had been met. This included obtaining an in-depth understanding of the status of the sale as at 29 February 2020, and inspecting supporting documentation received from the directors in respect of the timing of recognition and classification as held for sale.
- Making use of our accounting expertise, we evaluated the directors' analysis provided in relation to whether there is a high probability of sale of the investment in Pioneer Foods to assess whether the requirements of IFRS 5 had been met.
- We assessed whether the investment in Pioneer Foods Limited was measured at the lower of carrying value and fair value less costs to sell as required by IFRS 5 by performing an independent recalculation of the fair value less costs to sell. No material exceptions were noted.

Separate financial statements

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "*PSG Group Limited Annual Financial Statements for the year ended 29 February 2020*", which includes the Directors' Report, the Report of the Audit and Risk Committee and the Declaration by the Company Secretary, as required by the Companies Act of South Africa, which we obtained prior to the date of this auditor's report, and the document titled "*PSG Group Limited Annual Report 2020*", which is expected to be made available to us after that date. The other information does not include the consolidated or the separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not and will not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated and separate financial statements

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

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

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of PSG Group Limited for 24 years.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: D de Jager
Registered Auditor
Stellenbosch
29 May 2020

PSG GROUP LIMITED

STATEMENTS OF FINANCIAL POSITION

as at 29 February 2020

		GROUP		COMPANY	
		2020	2019	**2020**	2019
	Notes	**Rm**	Rm	**Rm**	Rm
ASSETS					
Property, plant and equipment	1	**12,117**	11,149		
Intangible assets	2	**4,483**	4,541		
Right-of-use assets	3.1	**1,107**			
Investment in subsidiary	4.1			**2,498**	2,498
Loans to subsidiaries	4.2			**7,109**	5,900
Investment in ordinary shares of associates	5.1	**10,672**	14,578		
Investment in preference shares of/loans granted to associates	5.1	**42**	178		
Investment in ordinary shares of joint ventures	5.2	**986**	855		
Loans granted to joint ventures	5.2	**35**	5		
Employee benefit assets	24	**42**	43		
Unit-linked investments	6	**50,404**	46,495		
Equity securities	7	**2,620**	2,996		
Debt securities	8	**6,212**	6,263		
Deferred income tax assets	9	**469**	303		
Biological assets	10	**585**	593		
Investment in investment contracts	11	**16**	16		
Loans and advances	12	**330**	443		
Trade and other receivables	13	**6,001**	4,589	**1**	
Derivative financial assets	14	**24**	33		
Inventory	15	**2,038**	1,696		
Current income tax assets		**39**	102		
Reinsurance assets	16	**134**	109		
Cash and cash equivalents	17	**1,977**	1,832		
Assets held for sale	26	**5,520**			
Total assets		**105,853**	96,819	**9,608**	8,398
EQUITY					
Equity attributable to owners of the parent					
Stated capital	18	**7,148**	7,133	**7,095**	7,080
Treasury shares		**(122)**	(111)		
Other reserves	19	**(212)**	7		
Retained earnings		**12,269**	11,086	**1,031**	922
		19,083	18,115	**8,126**	8,002
Non-controlling interests	20	**11,843**	11,776		
Total equity		**30,926**	29,891	**8,126**	8,002
LIABILITIES					
Insurance contracts	21	**554**	543		
Third-party liabilities arising on consolidation of mutual funds	22.1	**29,999**	26,715		
Investment contract liabilities	22.2	**26,694**	25,932		
Deferred income tax liabilities	9	**975**	963		
Borrowings	23	**9,094**	7,777		
Lease liabilities	3.2	**1,453**			
Loan from subsidiary	4.2			**1,476**	391
Derivative financial liabilities	14	**117**	78		
Employee benefit liabilities	24	**598**	528		
Trade and other payables	25	**5,285**	4,348	**6**	5
Reinsurance liabilities	16	**7**	5		
Current income tax liabilities		**135**	39		
Liabilities held for sale	26	**16**			
Total liabilities		**74,927**	66,928	**1,482**	396
Total equity and liabilities		**105,853**	96,819	**9,608**	8,398

PSG GROUP LIMITED

INCOME STATEMENTS

for the year ended 29 February 2020

	Notes	GROUP 2020 Rm	GROUP 2019* Rm	COMPANY 2020 Rm	COMPANY 2019 Rm
CONTINUING OPERATIONS					
Revenue from sale of goods	27	**13,502**	13,041		
Cost of goods sold	28	**(11,339)**	(11,460)		
Gross profit from sale of goods		**2,163**	1,581		
Revenue earned from commission, school, net insurance and other fee income**	29	**10,861**	9,239		
Investment income					
Interest income	30	**1,720**	1,790	**1**	1
Interest income calculated using the effective interest rate		**273**	533	**1**	1
Interest income on fair value through profit or loss financial instruments		**1,447**	1,257		
Dividend income	30	**671**	512	**1,200**	1,200
		2,391	2,302	**1,201**	1,201
Fair value adjustments and other income					
Changes in fair value of biological assets	10	**225**	194		
Fair value gains and losses	31	**(122)**	376		
Fair value adjustment to third-party liabilities arising on consolidation of mutual funds	22.1	**(1,270)**	(1,336)		
Fair value adjustment to investment contract liabilities	22.2	**(507)**	(1,073)		
Other operating income	32	**314**	216		
		(1,360)	(1,623)		
Expenses					
Insurance claims and loss adjustments, net of recoveries	33	**(663)**	(582)		
Marketing, administration, impairment losses and other expenses	34	**(11,529)**	(9,128)	**(5)**	(6)
		(12,192)	(9,710)	**(5)**	(6)
Net income from associates and joint ventures					
Share of profits of associates and joint ventures	5	**2,307**	2,042		
Loss on impairment of associates	5	**(323)**	(59)		
Net profit on sale/dilution of interest in associates	5	**130**	6		
		2,114	1,989		
Profit before finance costs and taxation		**3,977**	3,778	**1,196**	1,195
Finance costs	35	**(889)**	(676)		
Profit before taxation		**3,088**	3,102	**1,196**	1,195
Taxation	36	**(525)**	(476)		
Profit for the year from continuing operations		**2,563**	2,626	**1,196**	1,195
DISCONTINUED OPERATION					
Profit/(loss) for the year from discontinued operation	26	**795**	(285)		
Share of profit of associate	5	**264**	318		
Reversal of/(loss on) impairment of associate	5	**617**	(617)		
(Loss)/profit on dilution of interest in associate	5	**(86)**	14		
Profit for the year		**3,358**	2,341	**1,196**	1,195
Attributable to:					
Owners of the parent		**2,462**	1,926	**1,196**	1,195
Continuing operations		**2,112**	2,051	**1,196**	1,195
Discontinued operation		**350**	(125)		
Non-controlling interests		**896**	415		
		3,358	2,341	**1,196**	1,195
Earnings per share (R)	37				
Basic		**11.29**	8.88		
Diluted		**11.26**	8.76		

** Re-presented for the discontinued operation detailed in note 26.*

*** Line item wording amended and re-presented higher up in the consolidated income statement being representative of the group's revenue-producing activities, with no change to previously reported amounts. Previously, the line item was presented under a sub-heading titled "income", which has now been amended to read "Fair value adjustments and other income".*

PSG GROUP LIMITED

STATEMENTS OF COMPREHENSIVE INCOME
for the year ended 29 February 2020

	GROUP		COMPANY	
	2020	2019	**2020**	2019
	Rm	Rm	**Rm**	Rm
Profit for the year	**3,358**	2,341	**1,196**	1,195
Other comprehensive loss for the year, net of taxation	**(432)**	(50)	**-**	-
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)		
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	**2,926**	2,291	**1,196**	1,195
Attributable to:				
Owners of the parent	**2,263**	1,912	**1,196**	1,195
Continuing operations	**2,368**	1,919	**1,196**	1,195
Discontinued operation	**(105)**	(7)		
Non-controlling interests	**663**	379		
	2,926	2,291	**1,196**	1,195

PSG GROUP LIMITED

STATEMENTS OF CHANGES IN EQUITY
for the year ended 29 February 2020

GROUP	Stated capital Rm	Treasury shares Rm	Other reserves Rm	Retained earnings Rm	Non-controlling interests Rm	Total Rm
Balance at 1 March 2018	6,976	(222)	(22)	10,411	11,729	28,872
Adjustment due to initial application of IFRS 9 and IFRS 15				(231)	(32)	(263)
Total comprehensive (loss)/income	-	-	(13)	1,925	379	2,291
Profit for the year				1,926	415	2,341
Other comprehensive loss			(13)	(1)	(36)	(50)
Transactions with owners	157	111	42	(1,019)	(300)	(1,009)
Issue of shares	157				433	590
Share-based payment costs - employees			73		39	112
Treasury shares released		111				111
Businesses/subsidiaries acquired (note 42.3)					25	25
Subsidiary deconsolidated (note 42.5)					(106)	(106)
Transactions with non-controlling interests and transfers between reserves (note 43)			(31)	(90)	(191)	(312)
Dividends paid				(929)	(500)	(1,429)
Balance at 28 February 2019	7,133	(111)	7	11,086	11,776	29,891
Adjustment due to initial application of IFRS 16 (refer note 45)				**(103)**	**(133)**	**(236)**
Total comprehensive (loss)/income	**-**	**-**	**(199)**	**2,462**	**663**	**2,926**
Profit for the year				**2,462**	**896**	**3,358**
Other comprehensive loss			**(199)**		**(233)**	**(432)**
Transactions with owners	**15**	**(11)**	**(20)**	**(1,176)**	**(463)**	**(1,655)**
Issue of shares	**15**				**20**	**35**
Share-based payment costs - employees			**80**		**48**	**128**
Treasury shares acquired		**(11)**				**(11)**
Subsidiary acquired (note 42.3)					**66**	**66**
Subsidiary sold (note 42.5)					**(2)**	**(2)**
Transactions with non-controlling interests and transfers between reserves (note 43)			**(100)**	**(155)**	**(142)**	**(397)**
Dividends paid				**(1,021)**	**(453)**	**(1,474)**
Balance at 29 February 2020	**7,148**	**(122)**	**(212)**	**12,269**	**11,843**	**30,926**

COMPANY	Stated capital Rm	Retained earnings Rm	Total Rm
Balance at 1 March 2018	6,923	721	7,644
Total comprehensive income			
Profit for the year		1,195	1,195
Transactions with owners	157	(994)	(837)
Issue of shares	157		157
Dividends paid		(994)	(994)
Balance at 28 February 2019	7,080	922	8,002
Total comprehensive income			
Profit for the year		**1,196**	**1,196**
Transactions with owners	**15**	**(1,087)**	**(1,072)**
Issue of shares	**15**		**15**
Dividends paid		**(1,087)**	**(1,087)**
Balance at 29 February 2020	**7,095**	**1,031**	**8,126**

PSG GROUP LIMITED

STATEMENTS OF CASH FLOWS

for the year ended 29 February 2020

	Notes	GROUP 2020 Rm	GROUP 2019* Rm	COMPANY 2020 Rm	COMPANY 2019 Rm
Cash flows from operating activities					
Cash generated from/(utilised by) operations	42.1	**262**	(137)	**(5)**	(6)
Interest received		**1,712**	1,774	**1**	1
Dividends received		**1,628**	1,398	**1,200**	1,200
Continuing operations		**1,439**	1,185		
Discontinued operation	26	**189**	213		
Finance costs paid		**(840)**	(668)		
Taxation paid	42.2	**(490)**	(693)		
Net cash flow from operating activities		**2,272**	1,674	**1,196**	1,195
Cash flows from investing activities					
Businesses/subsidiaries acquired	42.3	**(235)**	(852)		
First-time consolidation of mutual fund	42.4.1		10		
Subsidiaries sold/deconsolidated	42.5	**54**	(59)		
Deconsolidation of mutual funds	42.4.2		(33)		
Acquisition of associates and joint ventures		**(515)**	(402)		
Proceeds from sale of associates		**796**	12		
Net advance of loans and preference share funding to associates and joint ventures		**(39)**	(48)		
Purchases of intangible assets (including books of business)		**(261)**	(294)		
Proceeds from sale of intangible assets (including books of business)		**11**	9		
Purchases of property, plant and equipment		**(1,672)**	(1,451)		
Proceeds from sale of property, plant and equipment		**45**	37		
Movement in other financial assets [1)]		**355**	2,085		
Increase in loans to/from subsidiaries				**(124)**	(358)
Net cash flow from investing activities		**(1,461)**	(986)	**(124)**	(358)
Cash flows from financing activities					
Dividends paid to PSG Group shareholders		**(1,021)**	(929)	**(1,087)**	(994)
Dividends paid to non-controlling interests		**(453)**	(500)		
Capital contributions by non-controlling interests		**32**	198		
Acquired from non-controlling interests		**(358)**	(323)		
Acquired by non-controlling interests		**93**	199		
Borrowings drawn	23	**3,165**	1,508		
Borrowings repaid	23	**(2,157)**	(1,274)		
Lease liabilities paid - principal portion	3.2	**(190)**			
(Treasury shares acquired)/proceeds from delivery of treasury shares		**(11)**	119		
Shares issued			19	**15**	157
Net cash flow from financing activities		**(900)**	(983)	**(1,072)**	(837)
Net decrease in cash and cash equivalents		**(89)**	(295)	**-**	-
Exchange (losses)/gains on cash and cash equivalents		**(21)**	7		
Cash and cash equivalents at beginning of the year		**705**	993		
Cash and cash equivalents at end of the year [2)]	42.6	**595**	705	**-**	-

[1)] *Cash flow from other financial assets during the year comprised mainly disposal of debt securities (2019: comprised mainly proceeds of R1.2bn from Zeder's, through Capespan, disposal of its equity security investment in Joy Wing Mau, a fruit distributor in China, as well as disposal of debt securities).*

[2)] *Please refer to page 27 for a detailed explanation on the group's statement of cash flows and the impact of client-related balances thereon.*

** Re-presented for the discontinued operation detailed in note 26.*

EXPLANATORY NOTE ON IMPACT OF CLIENT-RELATED BALANCES
for the year ended 29 February 2020

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

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

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

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

	Own balances			Client-related	
ANALYSIS OF THE GROUP STATEMENT OF FINANCIAL POSITION	**Financial and insurance instruments Rm**	**Non-financial instruments Rm**	**Subtotal Rm**	**balances (financial instruments) Rm**	**Total Rm**
As at 29 February 2020					
Assets					
Property, plant and equipment		**12,117**	**12,117**		**12,117**
Intangible assets		**4,483**	**4,483**		**4,483**
Right-of-use assets		**1,107**	**1,107**		**1,107**
Investment in ordinary shares of associates		**10,672**	**10,672**		**10,672**
Investment in preference shares of/loans granted to associates	**42**		**42**		**42**
Investment in ordinary shares of joint ventures		**986**	**986**		**986**
Loans granted to joint ventures	**35**		**35**		**35**
Employee benefit assets		**42**	**42**		**42**
Unit-linked investments	**682**		**682**	**49,722**	**50,404**
Equity securities	**411**		**411**	**2,209**	**2,620**
Debt securities	**1,847**		**1,847**	**4,365**	**6,212**
Deferred income tax assets		**469**	**469**		**469**
Biological assets		**585**	**585**		**585**
Investment in investment contracts			**-**	**16**	**16**
Loans and advances	**330**		**330**		**330**
Trade and other receivables	**3,807**	**454**	**4,261**	**1,740**	**6,001**
Derivative financial assets	**1**		**1**	**23**	**24**
Inventory		**2,038**	**2,038**		**2,038**
Current income tax assets		**39**	**39**		**39**
Reinsurance assets	**134**		**134**		**134**
Cash and cash equivalents	**1,723**		**1,723**	**254**	**1,977**
Assets held for sale	**7**	**5,513**	**5,520**		**5,520**
Total assets	**9,019**	**38,505**	**47,524**	**58,329**	**105,853**
Equity					
Equity attributable to owners of the parent		**19,083**	**19,083**		**19,083**
Non-controlling interests		**11,843**	**11,843**		**11,843**
Total equity	**-**	**30,926**	**30,926**	**-**	**30,926**
Liabilities					
Insurance contracts	**554**		**554**		**554**
Third-party liabilities arising on consolidation of mutual funds			**-**	**29,999**	**29,999**
Investment contract liabilities			**-**	**26,694**	**26,694**
Deferred income tax liabilities		**975**	**975**		**975**
Borrowings	**9,094**		**9,094**		**9,094**
Lease liabilities	**1,453**		**1,453**		**1,453**
Derivative financial liabilities	**87**		**87**	**30**	**117**
Employee benefit liabilities		**598**	**598**		**598**
Trade and other payables	**3,095**	**584**	**3,679**	**1,606**	**5,285**
Reinsurance liabilities	**7**		**7**		**7**
Current income tax liabilities		**135**	**135**		**135**
Liabilities held for sale	**12**	**4**	**16**		**16**
Total liabilities	**14,302**	**2,296**	**16,598**	**58,329**	**74,927**
Total equity and liabilities	**14,302**	**33,222**	**47,524**	**58,329**	**105,853**

PSG GROUP LIMITED

EXPLANATORY NOTE ON IMPACT OF CLIENT-RELATED BALANCES

for the year ended 29 February 2020

	Own balances			Client-related	
	Financial and insurance instruments	Non-financial instruments	Subtotal	balances (financial instruments)	Total
ANALYSIS OF THE GROUP STATEMENT OF FINANCIAL POSITION	**Rm**	**Rm**	**Rm**	**Rm**	**Rm**
As at 28 February 2019					
Assets					
Property, plant and equipment		11,149	11,149		11,149
Intangible assets		4,541	4,541		4,541
Investment in ordinary shares of associates		14,578	14,578		14,578
Investment in preference shares of/loans granted to associates	178		178		178
Investment in ordinary shares of joint ventures		855	855		855
Loans granted to joint ventures	5		5		5
Employee benefit assets		43	43		43
Unit-linked investments	776		776	45,719	46,495
Equity securities	659		659	2,337	2,996
Debt securities	1,873		1,873	4,390	6,263
Deferred income tax assets		303	303		303
Biological assets		593	593		593
Investment in investment contracts			-	16	16
Loans and advances	443		443		443
Trade and other receivables	2,955	313	3,268	1,321	4,589
Derivative financial assets	22		22	11	33
Inventory		1,696	1,696		1,696
Current income tax assets		102	102		102
Reinsurance assets	109		109		109
Cash and cash equivalents	1,552		1,552	280	1,832
Total assets	8,572	34,173	42,745	54,074	96,819
Equity					
Equity attributable to owners of the parent		18,115	18,115		18,115
Non-controlling interests		11,776	11,776		11,776
Total equity	-	29,891	29,891	-	29,891
Liabilities					
Insurance contracts	543		543		543
Third-party liabilities arising on consolidation of mutual funds			-	26,715	26,715
Investment contract liabilities			-	25,932	25,932
Deferred income tax liabilities		963	963		963
Borrowings	7,666		7,666	111	7,777
Derivative financial liabilities	64		64	14	78
Employee benefit liabilities		528	528		528
Trade and other payables	2,546	500	3,046	1,302	4,348
Reinsurance liabilities	5		5		5
Current income tax liabilities		39	39		39
Total liabilities	10,824	2,030	12,854	54,074	66,928
Total equity and liabilities	10,824	31,921	42,745	54,074	96,819

PSG GROUP LIMITED

EXPLANATORY NOTE ON IMPACT OF CLIENT-RELATED BALANCES

for the year ended 29 February 2020

	2020			2019*		
ANALYSIS OF THE GROUP INCOME STATEMENT	**Own balances Rm**	**Client-related balances Rm**	**Total Rm**	Own balances Rm	Client-related balances Rm	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**	**10,936**	**(75)**	**10,861**	9,329	(90)	9,239
Investment income	**427**	**1,964**	**2,391**	492	1,810	2,302
Fair value adjustments and other income						
Changes in fair value of biological assets	**225**		**225**	194		194
Fair value gains and losses	**3**	**(125)**	**(122)**	(268)	644	376
Fair value adjustment to third-party liabilities arising on consolidation of mutual funds		**(1,270)**	**(1,270)**		(1,336)	(1,336)
Fair value adjustment to investment contract liabilities		**(507)**	**(507)**		(1,073)	(1,073)
Other operating income	**314**		**314**	216		216
	542	**(1,902)**	**(1,360)**	142	(1,765)	(1,623)
Expenses						
Insurance claims and loss adjustments, net of recoveries	**(663)**		**(663)**	(582)		(582)
Marketing, administration, impairment losses and other expenses	**(11,576)**	**47**	**(11,529)**	(9,185)	57	(9,128)
	(12,239)	**47**	**(12,192)**	(9,767)	57	(9,710)
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	**3,943**	**34**	**3,977**	3,766	12	3,778
Finance costs	**(889)**		**(889)**	(676)		(676)
Profit before taxation	**3,054**	**34**	**3,088**	3,090	12	3,102
Taxation	**(491)**	**(34)**	**(525)**	(464)	(12)	(476)
Profit for the year from continuing operations	**2,563**	**-**	**2,563**	2,626	-	2,626
DISCONTINUED OPERATION						
Profit/(loss) for the year from discontinued operation	**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	**3,358**	**-**	**3,358**	2,341	-	2,341

** Re-presented for the discontinued operation detailed in note 26.*

*** Line item wording amended and re-presented higher up on the consolidated income statement being representative of the group's revenue-producing activities, with no change to previously reported amounts. Previously, the line item was presented under a sub-heading titled "income", which has now been amended to read "Fair value adjustments and other income".*

PSG GROUP LIMITED

EXPLANATORY NOTE ON IMPACT OF CLIENT-RELATED BALANCES
for the year ended 29 February 2020

	2020			2019		
	Own balances	**Client-related balances**	**Total**	Own balances	Client-related balances	Total
ANALYSIS OF THE GROUP STATEMENT OF CASH FLOWS	**Rm**	**Rm**	**Rm**	Rm	Rm	Rm
Cash generated from/(utilised by) operations	**2,184**	**(1,922)**	**262**	1,726	(1,863)	(137)
Interest received	**352**	**1,360**	**1,712**	439	1,335	1,774
Dividends received	**985**	**643**	**1,628**	922	476	1,398
Finance costs paid	**(840)**		**(840)**	(668)		(668)
Taxation paid	**(483)**	**(7)**	**(490)**	(693)		(693)
Net cash flow from operating activities	**2,198**	**74**	**2,272**	1,726	(52)	1,674
Net cash flow from investing activities	**(1,461)**		**(1,461)**	(963)	(23)	(986)
Net cash flow from financing activities	**(800)**	**(100)**	**(900)**	(983)		(983)
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

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 was invested in the PSG Money Market Fund, while some of the available cash held at a subsidiary-level was also 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 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 consolidated statement of financial position. Third parties' cash invested in the PSG Money Market Fund is recognised as a payable and included under "third-party liabilities arising on consolidation of mutual funds".

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

	2020			2019		
	Own balances	**Client-related balances**	**Total**	Own balances	Client-related balances	Total
	Rm	**Rm**	**Rm**	Rm	Rm	Rm
Cash and cash equivalents (per the consolidated statement of financial position)	**1,723**	**254**	**1,977**	1,552	280	1,832
Bank overdrafts (included in "borrowings" per the consolidated statement of financial position)	**(1,382)**		**(1,382)**	(1,127)		(1,127)
Cash and cash equivalents (per the consolidated statement of cash flows - refer note 42.6)	**341**	**254**	**595**	425	280	705
Debt securities (per the 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
PSG Group-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)		

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

1. BASIS OF PREPARATION

The standalone and consolidated financial statements of PSG Group have been prepared in accordance with the JSE Listings Requirements and the requirements of the Companies Act of South Africa. The JSE Listings Requirements require financial statements to be prepared in accordance with the framework concepts and the recognition and measurement requirements of IFRS; the IFRIC interpretations; the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee; the Financial Reporting Pronouncements, as issued by the Financial Reporting Standards Council, and the manner required by the Companies Act of South Africa.

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

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

2. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS THAT ARE EFFECTIVE FOR THE FIRST TIME IN 2020

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

The following new standard, which is relevant to the group's operations, was adopted during the year:

- IFRS 16 Leases (effective 1 January 2019)

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

  Various of the group's investees were significantly impacted by the adoption of IFRS 16, specifically in respect of leases pertaining to premises (e.g. Capitec branches, PSG Konsult advisor offices, TLG's port facilities, and Curro and CA Sales leased properties). 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. The impact of adopting IFRS 16 is detailed in note 45.

- Annual improvements to IFRSs 2015 - 2017 review cycle

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

The following new amendments and interpretation had no impact on reported amounts or disclosures in the current or prior year:

- Amendments to IFRS 9 Financial Instruments - Prepayment Features with Negative Compensation (effective 1 January 2019)
- Amendments to IAS 19 Employee Benefits - Plan Amendment, Curtailment or Settlement (effective 1 January 2019)
- Amendments to IAS 28 Investments in Associates and Joint Ventures - Long-term Interest in Associates and Joint Ventures (effective 1 January 2019)
- IFRIC 23 Uncertainty over Income Tax Treatments (effective 1 January 2019)

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

The following new standards, interpretations and amendments have been published and are mandatory for the group's accounting periods beginning on or after 1 March 2020 or later periods and have not been early adopted by the group:

- Amendments to IFRS 3 Business Combinations - Definition of a Business (effective 1 January 2020) *
- Amendments to IFRS 9, IAS 39 and IFRS 7 - Interest Rate Benchmark Reform (effective 1 January 2020) *

  Amendments to the requirements for hedge accounting to support the provision of useful financial information during the period of uncertainty caused by the phasing out of interest-rate benchmarks such as interbank offered rates (IBORs) on hedge accounting.

- IAS 1 Presentation of Financial Statements - Definition of Material (effective 1 January 2020) *
- IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material (effective 1 January 2020) *
- IFRS 17 Insurance Contracts (effective 1 January 2023, subject to due process)

  New standard to replace IFRS 4 Insurance Contracts. IFRS 17 defines clear and consistent rules that will significantly increase the comparability of financial statements of insurers. Under IFRS 17, the general model requires entities to measure an insurance contract at initial recognition at the total of the fulfilment cash flows (comprising the estimated future cash flows, an adjustment to reflect the time value of money and an explicit risk adjustment for non-financial risk) and the contractual service margin. The fulfilment cash flows are remeasured on a current basis in each reporting period. The unearned profit (contractual service margin) is recognised over the coverage period. Aside from this general model, the standard provides, as a simplification, the premium allocation approach. This simplified approach is applicable for certain types of contracts, including those with a coverage period of one year or less.

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

- IFRS 17 Insurance Contracts (effective 1 January 2023, subject to due process) (continued)

  For insurance contracts with direct participation features, the variable fee approach applies. The variable fee approach is a variation on the general model. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the contractual service margin. As a consequence, the fair value changes are not recognised in profit or loss in the period in which they occur, but over the remaining life of the contract.

  Management is in the process of assessing the impact of IFRS 17 on Capitec and PSG Konsult's insurance businesses and therefore the group.

- IAS 1 Presentation of Financial Statements - Classification of Liabilities as Current or Non-current (effective 1 January 2022) *

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

4. CONSOLIDATION

4.1 Subsidiaries (including consolidated mutual funds)

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

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

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

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

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

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

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

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

CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

Classification as subsidiaries

Management concluded that the group controls and therefore consolidates certain entities in which it holds an interest of less than 50%, most notably Zeder (refer pages 1 and 105). Judgement is required in the assessment of whether the group has control over these entities in terms of the variability of returns from the group's involvement in these entities, the ability to use power to affect those returns and the significance of the group's investment in these entities.

PSG Group consolidates Zeder in terms of IFRS 10, in light of its shareholding, board representation and ongoing strategic input being provided by the PSG Group Executive Committee. Critical to management's assessment that PSG Group controls Zeder was the fact that at recent Zeder shareholder meetings, PSG Group exercised in excess of 50% of the votes cast.

4.2 Changes in ownership interests in subsidiaries without change of control

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

4. CONSOLIDATION (continued)

4.3 Disposal of subsidiaries

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

4.4 Associates

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

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

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

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

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

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

4.5 Joint arrangements

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. PSG Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are equity accounted similarly to associates, as disclosed above.

5. SEGMENT REPORTING

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

6. FOREIGN CURRENCY TRANSLATION

6.1 Functional and presentation currency

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

6.2 Transactions and balances

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

6.3 Group companies

The results and financial position of group entities that have a functional currency different from the presentation currency and which do not operate in a hyperinflationary economy, are translated into the presentation currency as follows:

- Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rates on the various transaction dates);
- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position; and
- All resulting exchange differences are recognised in other comprehensive income.

The results and the financial position of the group entities which are accounted for as entities which operate in hyperinflationary economies and that have a functional currency that is different from the presentation currency of the group are translated into the presentation currency of its immediate parent at the exchange rates ruling at the reporting date.

6. FOREIGN CURRENCY TRANSLATION (continued)

6.3 Group companies (continued)

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the relevant closing rate. Exchange differences arising are recognised in other comprehensive income.

Group entities with functional currencies other than the presentation currency, have mainly the following functional currencies:

	2020		2019	
Currency	**Average rand per foreign currency unit**	**Closing rand per foreign currency unit**	**Average rand per foreign currency unit**	**Closing rand per foreign currency unit**
Botswana pula	1.34	1.40	1.30	1.33
British pound sterling	18.62	20.04	17.82	18.67
Chinese yuan renminbi	2.10	2.24	2.02	2.10
Euro	16.21	17.19	15.75	16.00
Japanese yen	0.13	0.14	0.12	0.13
Mozambique new metical	0.23	0.24	0.22	0.22
United States dollar	14.57	15.59	13.52	14.08
Zambian kwacha	1.10	1.04	1.26	1.17

Exchanges rates used are based on interbank bid rates.

6.4 Hyperinflation

Various characteristics of the economic environment of each country are taken into account to assess whether an economy is hyperinflationary or not. These characteristics include, but are not limited to, the following:

- The general population prefer to keep its wealth in non-monetary assets or in a relatively stable foreign currency;
- Prices are quoted in a relatively stable foreign currency;
- Sales and purchases on credit take place at prices that compensate for the expected loss of purchasing power during the credit period, even if the period is short;
- Interest rates, wages and prices are linked to a price index; and
- The cumulative inflation rate over three years is approaching, or exceeds, 100%.

Zimbabwe is a hyper-inflationary economy for the first time for accounting periods ending after 1 July 2019. Inflation has increased significantly in Zimbabwe and cumulative inflation since October 2018 has exceeded 100%. IAS 29 requires financial statements of an entity whose functional currency is the currency of a hyper-inflationary country to be restated into the current purchasing power at the end of the reporting period. Accordingly, the results, cash flows and financial position, including comparative amounts, of certain of the group's subsidiaries in Zimbabwe, forming part of the Zaad group, have been expressed in terms of the measuring unit current at the reporting date.

The carrying amounts of non-monetary assets and liabilities are adjusted to reflect the change in the general price index from the date of acquisition to the end of the reporting period. All items recognised in the statement of comprehensive income are restated by applying the change in the general price index from the dates when the items of income and expenses were initially earned or incurred. All items in the statement of cash flows are expressed in terms of the general price index at the end of the reporting period.

At the beginning of the first period of application, the components of owners' equity, except retained earnings, are restated by applying a general price index from the dates the components were contributed or otherwise arose. These restatements are recognised in other comprehensive income. Restated retained earnings are derived from all other amounts in the restated statement of financial position.

At the end of the first period and in the subsequent periods, all components of owners' equity are restated by applying a general price index from the beginning of the period or the date of contribution, if later.

As the presentation currency of the group is that of a non-hyperinflationary economy, comparative amounts are not adjusted for changes in the price level or exchange rates in the current year. Differences between these comparative amounts and the hyperinflation adjusted equity opening balances are recognised in other comprehensive income.

The general price indices, as published by the Reserve Bank of Zimbabwe, were used in adjusting the historic cost local currency results and financial positions of the group's Zimbabwean subsidiaries. The general price index as at the end of the reporting period was 564. An adjustment factor for the current reporting period of 5.73 was applied to restate the results of the Zimbabwean subsidiaries of the group. As at 29 February 2020, the cumulative three-year inflation rate was 831%.

Gains or losses on the net monetary position are recognised in profit or loss. An impairment loss is recognised in profit or loss if the restated amount of a non-monetary item exceeds its estimated recoverable amount. The impact of implementing IAS29 was an increase of R36m in the group's profit after tax for the year, which was treated as a non-recurring item.

7. PROPERTY, PLANT AND EQUIPMENT

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

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

Gains and losses on disposals of property, plant and equipment are determined by comparing the asset's proceeds with its carrying value and are included in profit or loss.

7. PROPERTY, PLANT AND EQUIPMENT (continued)

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

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

Land is not depreciated, except for land held under leasehold rights, which is depreciated over the relevant leasehold term. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying value is written down immediately to its recoverable amount if the asset's carrying value exceeds its recoverable amount.

8. INTANGIBLE ASSETS

8.1 Goodwill

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

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

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

8.2 Trademarks, patents and licences

Acquired trademarks, patents and licences are shown at cost less accumulated amortisation and impairment losses. Amortisation is generally calculated using the straight-line method over their estimated useful lives, which vary from two to 20 years (2019: three to 20 years) and are reassessed annually. The carrying value of each cash-generating unit is reviewed for impairment when an impairment indicator is identified.

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

8.3 Customer lists

Acquired customer lists are shown at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method over their estimated useful lives ranging between one and 20 years (2019: one and 20 years), which reflect the expected life of the customer lists acquired. The carrying value of each cash-generating unit is reviewed for impairment when an impairment indicator is identified.

8.4 Other internally generated intangible assets

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

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

Directly attributable costs that are capitalised as part of such items include development employee costs and an appropriate portion of relevant overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. These intangible assets are amortised using the straight-line method over their estimated useful lives, which range between two and 20 years (2019: two and 12 years).

CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

Recognition of intangible assets

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

9. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Assets and liabilities arising from a lease are initially measured on a present value basis. Right-of-use assets are initially recognised at cost, which includes the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement of the lease and any initial indirect costs incurred by the lessee. Lease liabilities are initially measured on the present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under residual value guarantees;
- The exercise price of a purchase option if it is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of that option.

Lease payments to be made under reasonably certain extension options are included in the measurement of the liability. Lease payments associated with short-term leases or leases for which the underlying asset is of low value, are recognised as an expense on a straight-line basis over the lease term.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the group:

- Considers government bond rates and the entity's borrowing rate for similar financing arrangements; and
- Make specific adjustments thereto for the lease (e.g. term, geographical location, currency, security and other property-specific factors).

After the commencement date of the lease, the carrying amount of the lease liability increases to reflect interest on the lease liability, reduces by payments of principal and interest and is remeasured to reflect reassessments or lease modifications.

Right-of-use assets are subsequently carried at cost less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term. Depreciation is calculated on the straight-line method and expensed in the income statement. The lease terms across the group typically range between two and 20 years (excluding renewal options), except for two of Curro's leased school premises containing extension options for various periods up to a maximum lease term of 93 years and for which it was assessed to be reasonably certain that these extension options would in due course be exercised.

10. IMPAIRMENT OF NON-FINANCIAL ASSETS

Goodwill and intangible assets that have indefinite useful lives and are not subject to amortisation, or that are not yet available for use, are tested annually for impairment. Other assets (such as investments in associates and joint ventures) are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recovered. The recoverable amount, being the higher of fair value less costs to sell and value-in-use, is determined for any asset for which an indication of impairment is identified. If the recoverable amount of an asset is less than its carrying value, the carrying value of the asset is reduced to its recoverable amount.

For the purpose of assessing impairment, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely dependent on cash inflows of other assets or groups of assets (the cash-generating unit). An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised as an expense in profit or loss in the period in which they are identified. An impairment loss in respect of goodwill is not reversed. In respect of other assets, reversal of impairment losses is recognised in profit or loss in the period in which the reversal is identified, to the extent that the asset is not increased to a carrying value higher than it would have been had no impairment loss been recognised for the asset in prior years.

CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

Impairment testing of goodwill

The group tests bi-annually, or whenever there is an impairment indicator, whether goodwill has suffered any impairment. The recoverable amounts of cash-generating units have been determined based on either fair value less cost to sell or value-in-use calculations, as set out in note 2. However, the impairment testing of goodwill is sensitive to any estimates, assumptions or judgements made regarding future revenue growth, the weighted average cost of capital, operating costs and other economic factors affecting either fair value less cost to sell or value-in-use calculations.

Impairment testing of investments in associates and joint ventures

Investments in associates and joint ventures are tested for impairment when indicators exist that the carrying value might exceed the recoverable amount, being the higher of fair value less cost to sell or value-in-use. An impairment loss is recognised for the amount by which the carrying value exceeds the investments' recoverable amount.

The directors are satisfied that the group's investment in associates and joint ventures are fairly stated following the recognition of the impairment losses detailed in note 5.1.

11. OFFSETTING FINANCIAL INSTRUMENTS

The group does not have any financial assets or financial liabilities that are currently subject to offsetting in accordance with IAS 32 – Financial instruments: Presentation.

12. FINANCIAL ASSETS

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

12.1 Classification

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

Financial assets at amortised cost

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

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

Financial assets at fair value through other comprehensive income

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

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

The company and group had no equity instruments that have been elected to be measured at fair value through other comprehensive income.

Financial assets at fair value through profit or loss

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

12.2 Recognition and measurement of financial assets

Purchases and sales of financial assets are recognised on trade date – the date on which the group commits to purchase or sell the asset. Financial assets not carried at fair value through profit or loss are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement.

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

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

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

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

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

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

12. FINANCIAL ASSETS (continued)

12.2 Recognition and measurement of financial assets (continued)

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

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

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

12.3 Impairment of financial assets

The group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost.

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

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

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

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

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

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

12.4 Derecognition of financial assets

Financial assets are derecognised when the right to receive cash flows from the financial asset has expired or has been transferred, and the group has transferred substantially all risks and rewards of ownership. The group also derecognises a financial asset when the group retains the contractual rights of the assets but assumes a corresponding liability to transfer these contractual rights to another party and thereby transfers substantially all the risks and benefits associated with the asset.

13. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash held at call with banks and other short-term highly liquid investments with maturities of three months or less. Investments in money market funds are classified as cash equivalents, since these funds are held to meet short-term cash requirements, are highly liquid investments, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are included within borrowings in the statement of financial position.

14. BIOLOGICAL ASSETS

14.1 Agricultural produce

Agricultural produce are measured on initial recognition and at the end of each reporting period at fair value less cost to sell. Changes in the measurement of fair value less cost to sell are included in profit or loss for the period in which they arise. Costs to sell include all costs that would be necessary to sell the assets, including transportation costs and incremental selling costs, including auctioneers' fees and commission paid to brokers and dealers. All costs incurred in maintaining the assets are included in profit or loss for the period in which they arise. Refer note 10 for further details regarding the valuation of biological assets. Agricultural produce is transferred at the prevailing fair value less cost to sell value to inventory upon harvest.

14.2 Bearer plants

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

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

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

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

14. BIOLOGICAL ASSETS (continued)

14.2 Bearer plants (continued)

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

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

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

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

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

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

15. INVENTORY

Inventory is measured at the lower of cost and net realisable value. The cost of inventory is based on the weighted average principle, and includes expenditure incurred in acquiring the inventory, production or conversion costs and other costs incurred in bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

16. NON-CURRENT ASSETS (OR DISPOSAL GROUPS) HELD FOR SALE

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying value is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying value and fair value less costs to sell.

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits and financial assets that are carried at fair value.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the statement of financial position.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit or loss.

CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

Date of classifying investment in Pioneer Foods as an asset held for sale and discontinued operation in terms of IFRS 5 Non-Current Assets Classified as Held for Sale and Discontinued Operations

As at 29 February 2020, the group, through Zeder, transferred its investment in Pioneer Foods (previously classified as an investment in associate) to assets held for sale (refer note 26). Furthermore, as a result of Pioneer Foods being a material associate and the group's second largest associate investment (refer Annexure B), it was regarded to be a separate major line of business for purposes of meeting the definition of a "discontinued operation". Accordingly, the results of Pioneer Foods are presented as a discontinued operation in the income statement and related notes, including the restatement of the comparative financial information. During the year under review, Pepsico made an offer to the Pioneer Foods ordinary shareholders (including Zeder) to acquire all issued ordinary shares in Pioneer Foods for a cash consideration of R110 per share. General meetings of Zeder and Pioneer Foods shareholders were held on 30 September 2019 and 15 October 2019, respectively, and the required shareholder approvals were obtained to proceed with the transaction. However, despite obtaining such shareholder approvals, the transaction remained subject to various other significant suspensive conditions. These significant and highly uncertain suspensive conditions included, inter alia, relevant material adverse change clauses (i.e. Pioneer Foods profit warranties measured at each month-end), minority shareholder approvals and various competition commission approvals in numerous jurisdictions. Out of the numerous competition commission approvals required, the most significant one was in respect of South Africa, where the approval of the South African Competition Commission and South African Competition Tribunal were critical for the transaction to be successfully concluded. Subsequent to year-end, the necessary approvals were obtained and all suspensive conditions were met and therefore Zeder, and the group, could only reclassify Pioneer Foods as a non-current asset held for sale in terms of IFRS 5 on 29 February 2020.

17. STATED CAPITAL

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax.

Where a subsidiary purchases the holding company's shares (i.e. treasury shares), the consideration paid, including any directly attributable incremental costs, net of income taxes, is deducted from equity attributable to owners of the parent until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold, reissued or otherwise disposed of, any consideration received is included in equity attributable to owners of the parent, net of any directly attributable incremental transaction costs and the related income tax effects.

PSG Financial Services' perpetual preference shares

Cumulative, non-redeemable, non-participating subsidiary preference shares, where the dividend declaration is subject to the discretion of the subsidiary's board, are classified as non-controlling interests.

18. INSURANCE AND INVESTMENT CONTRACTS – CLASSIFICATION

The group issues contracts that transfer insurance risk, financial risk or both.

A distinction is made between investment contract liabilities (which fall within the scope of IFRS 9) and insurance contracts (where the FSV method continues to apply, subject to certain requirements specified in IFRS 4 – Insurance Contracts). A contract is classified as insurance where the group accepts significant insurance risk by agreeing with the policyholder to pay benefits if a specified uncertain future event (i.e. insured event) adversely affects the policyholder or other beneficiary. Significant insurance risk exists where it is expected that, for the duration of the policy or part thereof, policy benefits payable on the occurrence of the insured event will exceed the amount payable on early termination before allowance for expense deductions at early termination. Once a contract has been classified as an insurance contract, the classification remains unchanged for the remainder of its lifetime, even if the insurance risk reduces significantly during this period. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, credit rating, credit index or other variable provided, in the case of a non-financial variable, that the variable is not specific to a party to the contract. Insurance contracts may also transfer some financial risk.

Investment contracts are those contracts that transfer financial risk with no significant insurance risk. These contracts are measured at the fair value of the corresponding financial assets. A subsidiary of the group, PSG Life Ltd, is a linked insurance company and issues linked policies to policyholders (where the value of policy benefits is directly linked to the fair value of the supporting assets).

19. INSURANCE CONTRACTS

Policyholder contracts that transfer significant insurance risk are classified as insurance contracts, and further divided into two categories, depending on the duration of or type of insurance risks; namely: short-term and long-term insurance contracts.

19.1 Short-term insurance

Short-term insurance provides benefits under short-term policies, which include property, business interruption, transportation, motor, personal all risk, accident and health, professional indemnity, public liability, marine, employers' liability, group personal accident, natural disasters and miscellaneous. Short-term insurance contracts are further classified into the following categories:

- Personal insurance, consisting of insurance provided to individuals and their personal property; and
- Commercial insurance, providing cover on the assets and liabilities of business enterprises.

Recognition and measurement

i) Gross written premium

Gross premiums exclude value added tax and other foreign indirect taxes. Premiums are accounted for as income when the risk related to the insurance policy incepts and are spread over the risk period of the contract by using an unearned premium provision. This also includes premiums received in terms of reinsurance arrangements. All premiums are shown before deduction of commission payable to intermediaries.

ii) Claims incurred

Claims incurred consist of claims and claims handling expenses paid during the financial year and are charged to the income statement as incurred.

iii) Provision for unearned premium

Premiums are earned from the date the risk attaches, over the indemnity period, based on the pattern of the risk underwritten. Unearned premiums, which represent the proportion of premiums written in the current year, which relate to risks that have not expired by the end of the financial year, are calculated on a time proportionate basis for even risk contracts and other bases that best represent the unearned risk profile for uneven risk contracts. The group has predominantly even risks contracts.

iv) Provision for unexpired risk

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

19. INSURANCE CONTRACTS (continued)

19.1 Short-term insurance (continued)

Recognition and measurement (continued)

v) Provision for claims

Provision is made on a prudent basis for the estimated final cost of all claims that have not been settled on the reporting date, less amounts already paid. Claims and loss adjustment expenses are charged to income as incurred, based on the estimated liability for compensation owed to the beneficiaries (contract holders or third parties damaged by the contract holders) of the insurance contracts. The claims provision include direct and indirect claims settlement costs and assessment charges and arise from events that have occurred up to the end of the reporting period even if they have not yet been reported to the group. The group does not discount its claim provision for unpaid claims other than for disability claims. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the group and statistical analyses for the claims incurred but not reported, and to estimate the expected ultimate cost of more complex claims that may be affected by external factors (such as court decisions). The group's own assessors or external assessors individually assess claims.

vi) Provision for claims incurred but not reported

Provision is also made for claims arising from insured events that occurred before the close of the reporting period, but which had not been reported to the group by that date. The provision is based on a best estimate liability plus an adjustment for risk (where sufficient historical data is available).

vii) Deferred acquisition costs

Commissions that vary with and are related to securing new contracts and renewing existing contracts are deferred over the period in which the related premiums are earned, and recognised as a current asset. All other costs are recognised as expenses when incurred.

viii) Reinsurance contracts held

Contracts entered into by the group with reinsurers under which the group is compensated for losses on one or more contracts issued by the group and that meet the classification requirements for insurance contracts, are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets. Income received from insurance contracts entered into by the group under which the contract holder is another insurer (inwards reinsurance) is included with premium income.

The benefits to which the group is entitled under its reinsurance contracts held are classified as reinsurance assets. These assets consist of short-term balances due from reinsurers (classified within receivables) on settled claims, as well as estimates (classified as reinsurance assets) that are calculated based on the gross outstanding claims and incurred but not reported provisions. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period.

Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when incurred.

The reinsurer's share of unearned premiums represents the portion of the current year's outward reinsurance premiums that relate to risk periods covered by the related reinsurance contracts extending into the following year. The reinsurer's share of unearned premium is calculated using the 365th method.

Income from reinsurance contracts ceded, that varies with and is related to obtaining new reinsurance contracts and renewing existing reinsurance contracts, is deferred over the period of the related reinsurance contract and is recognised as a current liability.

The group assesses its reinsurance assets for impairment on a quarterly basis. If there is objective evidence that the reinsurance asset is impaired, the group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in profit or loss.

ix) Receivables and payables related to insurance contracts

Receivables and payables are recognised when due. These include amounts due to and from agents, intermediaries and insurance contract holders and are included under receivables and trade and other payables.

If there is objective evidence that the insurance receivable is impaired, the group reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in profit or loss. A provision for impairment is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired.

x) Salvage reimbursements

Some insurance contracts permit the group to sell (usually damaged) property acquired in settling a claim (i.e. salvage). The group may also have the right to pursue third parties for payment of some or all costs (i.e. subrogation). Estimates of salvage recoveries are included as an allowance in the measurement of the insurance liability for claims. The allowance is the amount that can reasonably be recovered from the disposal of the property.

Subrogation reimbursements are also considered as an allowance in determining the insurance liability for claims and are recognised in other assets when the liability is settled. The allowance is the assessment of the amount that can be recovered from the action against the liable third party.

19. INSURANCE CONTRACTS (continued)

19.1 Short-term insurance (continued)

Short-term insurance liabilities

One of the purposes of insurance is to enable policyholders to protect themselves against uncertain future events. Insurance companies accept the transfer of uncertainty from policyholders and seek to add value through the aggregation and management of these risks. The uncertainty inherent in insurance is inevitably reflected in the financial statements of the insurance company, principally in respect of the insurance liabilities of the company.

Insurance risks are unpredictable and the group recognises that it is not always possible to forecast, with absolute precision, future claims payable under existing insurance contracts. Over time, the group has developed a methodology that is aimed at establishing insurance provisions that have an above-average likelihood of being adequate to settle all its insurance obligations.

i) Unearned premiums

Unearned premiums represent the amount of income set aside by the group to cover the cost of claims that may arise during the unexpired period of risk of insurance policies in force at the reporting date.

The group raises provisions for unearned premiums on a basis that reflects the underlying risk profile of its insurance contracts. An unearned premium provision is created at the commencement of each insurance contract and is released as the risk covered by the contract expires. The group's insurance contracts have an even risk profile. Therefore, the unearned premium provision is released evenly over the period of insurance using a time proportion basis.

The provisions for unearned premiums are first determined on a gross level and thereafter the reinsurance impact is recognised. Deferred acquisition costs and reinsurance commission revenue are recognised on a basis that is consistent with the related provisions for unearned premiums.

ii) Unexpired risk provision

If the expected value of claims and expenses attributable to the unexpired periods of policies in force at the statement of financial position date exceeds the unearned premiums provision in relation to those policies, after deduction of any deferred commission expenses, management assesses the need for an unexpired risk provision (estimated future underwriting losses relating to unexpired risks).

The need for an unexpired risk provision is assessed on the basis of information available at the reporting date. Claims events occurring after the statement of financial position date in relation to the unexpired period of policies in force at that time are not taken into account in assessing the need for an unexpired risk provision.

Management will base the assessment on the expected outcome of those contracts, including the available evidence of claims experience on similar contracts in the past year, as adjusted for known differences, events not expected to recur, and the normal level of seasonal claims.

iii) Outstanding claims

Outstanding claims represent the company's estimate of the cost of settlement of claims that have occurred and were reported by the reporting date, but that have not yet been finally settled.

Claims provisions are determined based on previous claims experience, knowledge of events, the terms and conditions of the relevant policies and the interpretation of circumstances. Each notified claim is assessed on a separate case-by-case basis with due regard for the specific circumstances, information available from the insured and/or loss adjuster and past experience with similar cases and historical claims payment trends. The approach also includes the consideration of the development of loss payment trends, the levels of unpaid claims, legislative changes, judicial decisions and economic conditions. The group employs people experienced in claims handling and rigorously applies standardised policies and procedures to claims assessment.

The ultimate cost of reported claims may vary as a result of future developments or better information becoming available about the current circumstances. Therefore, case estimates are reviewed regularly and updated when new information becomes available.

The provision for outstanding claims is initially estimated at a gross level. A separate calculation is carried out to estimate reinsurance recoveries. The calculation of reinsurance recoveries considers the type of risk underwritten, the year in which the loss claim occurred and under which reinsurance programme the recovery will be made, the size of the claim and whether the claim was an isolated incident or formed part of a catastrophe reinsurance claim.

iv) Claims incurred but not reported

Provisions need to held for the eventual outcome of open claims that have occurred but have not been reported to the insurer by the reporting date.

The company utilises its own actuarial models to determine the appropriate amount of provision to hold, taking into account the nature, scale and complexity of the business. Each class of business is placed into homogeneous groups and modelled separately to determine the best estimate liability (probability-weighted mean) to be held, based on historic data and expert judgement. Where necessary, business of similar nature with insufficient claims detail is accounted for by extrapolating to the entire population in proportion to gross premium. The basic technique involves analysing the historical delay between loss events and the ultimate finalisation of these events to determine estimated development factors based on this historical pattern. The selected development factors are applied to cumulative internal claims data for each accident quarter that is not yet fully developed to produce an estimated ultimate claims cost per accident quarter.

19. INSURANCE CONTRACTS (continued)

19.1 Short-term insurance (continued)

Short-term insurance liabilities (continued)

iv) Claims incurred but not reported (continued)

The provision is modelled on a gross basis with a related reinsurance asset recognised based on a proportion of reinsurance purchased for each portfolio and business line. Prudence is maintained on the net provision by including a separate risk adjustment. To obtain this adjustment, a stochastic chain-ladder model is utilised to perform numerous simulations and, in doing so, obtain a distribution of the ultimate claims cost. The risk adjustment is determined as being the additional funds required so that the incurred but not reported provision will be sufficient at the 75th to 80th percentile of the ultimate cost distribution.

Where data is deemed not to be sufficient and the business is different in nature to the modelled groups, the company makes use of the minimum prescribed requirements provided by the applicable regulatory body.

19.2 Long-term insurance

These contracts are valued in terms of the financial soundness valuation basis contained in SAP 104 issued by the Actuarial Society of South Africa and are reflected as insurance contract liabilities.

Liabilities are valued as the present value of future cash flows due to benefit payments and administration expenses that are directly related to the contract discounted at the rate of return at year-end on the assets backing the policyholder funds. Future cash flows are projected on a best estimate basis with an allowance for compulsory margins for adverse deviations as prescribed by SAP 104. Best estimate assumptions are required for future investment returns, expenses, persistency, mortality and other factors that may impact the financial position of the group. As per SAP 104, contractual premium increases are allowed for, but future voluntary premium increases are ignored.

In addition, certain discretionary margins are created to allow profits to emerge over the lifetime of the policy to reflect the small number of policies and associated volatility. Where the number of policies is small, the prescribed margins alone do not result in an acceptable probability of the total reserve being sufficient to meet all liabilities.

The financial soundness methodology includes allowance for liability adequacy testing to ensure that the carrying amount of technical provisions is sufficient in view of estimated future cash flows. Where a shortfall is identified an additional provision is made.

The group reflects premium income relating to insurance business on a gross basis together with the gross amount of any reinsurance premiums. All premiums are accounted for when they become due and payable.

The group shows the gross amount of policyholder benefit payments in respect of insurance contracts together with the gross reinsurance recoveries and accounts for such transactions when claims are intimated.

Claims on long-term insurance contracts, which include death, disability, maturity, surrender and annuity payments, are charged to income when notified of a claim based on the estimated liability for compensation owed to policyholders. Outstanding claims are recognised in insurance and other payables. Reinsurance recoveries are accounted for in the same period as the related claim.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under circumstances.

20. FINANCIAL LIABILITIES

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another entity.

Financial liabilities include third-party liabilities arising on consolidation of mutual funds, investment contract liabilities, borrowings, lease liabilities, derivative financial liabilities and trade and other payables, as well as standalone loans from subsidiaries.

All financial liabilities are initially recognised at fair value. The best evidence of the fair value at initial recognition is the transaction price (i.e. the fair value of the consideration received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets.

Financial liabilities at fair value through profit or loss are subsequently measured at fair value, with any resultant gains and losses recognised in the income statement. The gain or loss recognised in the income statement incorporates any measurement gains or losses and interest expense on the financial liability.

Financial liabilities, or a portion thereof, are derecognised when the obligation specified in the contract is discharged, cancelled or expired. On derecognition, the difference between the carrying amount of the financial liability, including related unamortised costs, and settlement amounts paid are included in the income statement.

Financial liabilities are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

20.1 Third-party liabilities arising on consolidation of mutual funds

Third-party financial liabilities on consolidation of mutual funds are effectively demand deposits of external investors' interests in consolidated mutual funds and are consequently measured at fair value, which is the quoted unit values as derived by the fund administrator with reference to the rules of each particular fund. Fair value gains or losses are recognised in profit or loss.

20.2 Investment contract liabilities

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

20.3 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective-interest method.

Preference shares, which are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised in the income statement as finance cost.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

20.4 Derivative financial liabilities

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

20.5 Trade and other payables

Trade and other payables are recognised initially at fair value, net of transaction costs incurred. Trade and other payables are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period using the effective-interest method.

21. EMPLOYEE BENEFITS

21.1 Short-term benefits

Profit sharing and bonus plans

The group recognises a liability and an expense for bonus plans and profit sharing, where contractually obliged, or where there is a past practice that has created a constructive obligation.

Annual leave

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the estimated annual leave as a result of services rendered by employees up to reporting date.

21. EMPLOYEE BENEFITS (continued)

21.2 Post-employment benefits

The group operates various post-employment schemes, including both defined benefit and contribution pension and medical schemes.

A defined contribution plan is a plan under which the group pays fixed contributions into a separate entity. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a plan that is not a defined contribution plan.

Typically defined benefit plans define an amount of pension/medical benefits that an employee will receive from retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the statement of financial position in respect of defined benefit plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related obligations. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in profit or loss.

For defined contribution plans, the group pays contributions to publicly or privately administered insurance plans on a mandatory, contractual or voluntary basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

21.3 Share-based compensation

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

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

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

22. CONTINGENT LIABILITIES

A contingent liability is either a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity or a present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability. These contingent liabilities are not recognised in the statement of financial position but disclosed in the notes to the financial statements.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. These contingent assets are not recognised in the statement of financial position but are disclosed in the notes to the financial statements if the inflow of financial benefits is probable.

23. DIVIDEND DISTRIBUTIONS

Dividend distributions to the company's shareholders are recognised as a liability in the period in which the dividends are approved by the company's board of directors.

24. REVENUE RECOGNITION

Revenue comprises the fair value of the consideration received or receivable for goods sold and services rendered in the ordinary course of the group’s activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the group.

24. REVENUE RECOGNITION (continued)

24.1 Revenue recognised in accordance with IFRS 15

Revenue type	Description	Recognition and measurement
Revenue from sale of goods	Revenue from sales of goods comprising mainly agricultural produce, fast-moving consumer goods, mining and construction goods, and utilities.	Sales are recognised when control of the products have transferred, being when the products are delivered to the client, the client has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the client's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the client and either the client has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the group has objective evidence that all criteria for acceptance have been satisfied.
Commission, school, net insurance and other fee income		
• Commission and advisory	Revenue from advisory and portfolio management activities (including commission and administration fees).	Commission is recognised as services are rendered. In terms of IFRS 15, these commissions are recognised either at a point in time or over time, depending on when the performance obligations are satisfied. Administration fees are recognised when the services are rendered, in accordance with the substance of the relevant agreements.
	Revenue arising from dealing, structuring and brokerage fee income (including brokerage, custodian fees, settlement fees).	Revenue relating to dealing, structuring and stockbroking activities is recognised as services are rendered, by reference to the completion of the specific transaction. In terms of IFRS 15, revenue is recognised either at a point in time or over time, depending on when the performance obligations are satisfied.
• Management fees and performance fees	Revenue from management fees and performance fees.	Management fees on assets under management are recognised over the period for which the services are rendered, in accordance with the substance of the relevant agreements. Performance fees are earned, over and above management fees, on superior fund performance which exceeds specific agreed targets (typically market-related benchmarks) and are recognised when the performance obligation has been satisfied. Performance fees include variable consideration and therefore revenue is recognised only to the extent that it is highly probable that no significant revenue reversal will occur.
• School, tuition and other education-related fees	Revenue from education-related services rendered (including registration, enrolment and tuition fees).	Registration, enrolment and tuition fees are recognised over the period that tuition is provided to learners/students in accordance with the relevant contract. Registration and enrolment fees are paid to grant access to or to provide a right to use a certain education institution. In some instances, registration and enrolment fees paid by customers are non-refundable. The existence of a non-refundable registration or enrolment fee indicates that the arrangement includes a renewal option for future services at a reduced price (customer renews the agreement without the payment of an additional registration or enrolment fee). By not requiring the customer to pay the registration or enrolment fee again at renewal, the group is effectively providing a discounted renewal rate to the customer.

24. REVENUE RECOGNITION (continued)

24.1 Revenue recognised in accordance with IFRS 15 (continued)

Revenue is recognised either when the performance obligation has been satisfied ('point in time') or when control of the goods or service is transferred to the customer ('over time'). This requires an assessment of the group's performance obligations and of when control is transferred to the customer. Where revenue is recognised over time, this is in general due to the group performing and the customer simultaneously receiving and consuming the benefits over the life of the contract as services are rendered. For each performance obligation over time, the group apply a revenue recognition method that faithfully depicts the group's performance in transferring control of the service to the customer. If performance obligations in a contract do not meet the 'over time' criteria, the group recognises revenue at a point in time.

Revenue is measured based on the consideration specified in contracts with customers, excluding amounts collected on behalf of third parties and including an assessment of any variable consideration dependent on the achievement of agreed key performance indicators. Such amounts are only included based on the expected value or most likely outcome method, and only to the extent that it is highly probable that no significant revenue reversal will occur. In assessing whether a significant reversal will occur, the group considers both the likelihood and the magnitude of the potential revenue reversal.

24.2 Investment income

Revenue type	Description	Recognition and measurement
Investment income		
• Interest income	Interest income	Recognised using the effective-interest method and included in investment income in the income statement.
• Dividend income	Dividend income	Recognised when the right to receive payment is established and included in investment income in the income statement.

25. OPERATING LEASES

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

26. TAXATION

26.1 Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the group's subsidiaries, associates and joint ventures operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associated companies, except where the group controls the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

26.2 Dividend withholding tax

Dividend withholding tax is not levied on the company but on the beneficial owner of the share and accordingly does not require recognition in profit or loss. However, the group's share incentive trusts (not being exempt from dividend withholding tax) may incur a dividend withholding tax expense on treasury shares held.

27. EARNINGS PER SHARE

27.1 Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the parent by the weighted average number of outstanding shares ("WANOS") during the year (net of treasury shares), with the WANOS comparative adjusted for bonus elements as provided for in IAS 33 Earnings per Share.

27. EARNINGS PER SHARE (continued)

27.2 Diluted earnings per share

Diluted earnings per share is calculated on the same basis as basic earnings per share, adjusted for the impact that the issue/release of potential ordinary shares on an associate, joint venture, subsidiary or holding company level would have on earnings and WANOS.

27.3 Headline and diluted headline earnings per share

Headline and diluted headline earnings per share are calculated on the same basis set out above and in accordance with The South African Institute of Chartered Accountants (SAICA) Circular 1/2019.

GROUP	Land Rm	Buildings Rm	Vehicles, plant and machinery Rm	Office equipment Rm	Computer equipment Rm	Total Rm
1. PROPERTY, PLANT AND EQUIPMENT						
As at 29 February 2020						
Cost	**1,816**	**9,153**	**2,533**	**303**	**724**	**14,529**
Accumulated depreciation and impairment losses	**(117)**	**(447)**	**(1,247)**	**(158)**	**(443)**	**(2,412)**
Balance at end of the year	**1,699**	**8,706**	**1,286**	**145**	**281**	**12,117**
Reconciliation						
Balance at beginning of the year	**1,656**	**7,954**	**1,200**	**109**	**230**	**11,149**
Adoption of IFRS 16 (transfer of existing finance leases) (refer note 3.1)			**(51)**	**(2)**		**(53)**
Additions	**195**	**865**	**422**	**74**	**143**	**1,699**
Disposals	**(8)**	**(18)**	**(14)**	**(1)**	**(3)**	**(44)**
Depreciation	**(4)**	**(67)**	**(227)**	**(38)**	**(87)**	**(423)**
Impairments	**(106)**	**(81)**	**(32)**			**(219)**
Transfer to assets held for sale	**(48)**	**(26)**	**(13)**		**(1)**	**(88)**
Exchange differences	**(4)**	**(3)**	**(14)**	**2**	**(2)**	**(21)**
Subsidiaries acquired	**21**	**95**	**19**	**1**	**1**	**137**
Subsidiaries sold	**(3)**	**(13)**	**(4)**			**(20)**
Balance at end of the year	**1,699**	**8,706**	**1,286**	**145**	**281**	**12,117**
As at 28 February 2019						
Cost	1,692	8,274	2,266	237	606	13,075
Accumulated depreciation and impairment losses	(36)	(320)	(1,066)	(128)	(376)	(1,926)
Balance at end of the year	1,656	7,954	1,200	109	230	11,149
Reconciliation						
Balance at beginning of the year	1,179	6,705	1,112	104	210	9,310
Additions	347	978	332	30	100	1,787
Disposals	(4)	(18)	(15)	(2)	(1)	(40)
Depreciation	(5)	(55)	(228)	(31)	(87)	(406)
Impairments		(13)				(13)
Exchange differences	33	4	12		1	50
Subsidiaries acquired	110	359	14	8	8	499
Subsidiaries sold	(4)	(6)	(27)		(1)	(38)
Balance at end of the year	1,656	7,954	1,200	109	230	11,149

Additions include borrowing costs of R66m (2019: R55m) capitalised at a rate of 9.1% (2019: 9.2%). Depreciation is accounted for on land held under leasehold rights.

The current year impairments relate mainly to i) Agrivision Africa's milling and farming operations (R101m) and ii) two Curro schools with lower than expected learner growth and a piece of vacant land subsequently reclassified as held for sale (R104m), and were mainly as a result of the general challenging trading conditions. The prior year impairments related mainly to Capespan's grape farming operations, having been affected by weaker offtake prices.

Details of land and buildings are available at the registered offices of the relevant property-owning companies within the group. Some items of property, plant and equipment, most notably certain of Curro's land and buildings, serve as security for borrowings (refer note 23).

GROUP	Customer lists Rm	Trademarks and other Rm	Goodwill Rm	Total Rm
2. INTANGIBLE ASSETS				
As at 29 February 2020				
Cost	**1,345**	**1,535**	**2,652**	**5,532**
Accumulated amortisation and impairment losses	**(573)**	**(476)**		**(1,049)**
Balance at end of the year	**772**	**1,059**	**2,652**	**4,483**
Reconciliation				
Balance at beginning of the year	**817**	**966**	**2,758**	**4,541**
Additions	**35**	**239**		**274**
Disposals	**(8)**	**(26)**		**(34)**
Amortisation	**(69)**	**(103)**		**(172)**
Impairments	**(3)**	**(41)**	**(250)**	**(294)**
Transfer to assets held for sale		**(101)**		**(101)**
Exchange differences	**(1)**	**19**	**(8)**	**10**
Subsidiaries acquired	**1**	**106**	**154**	**261**
Subsidiaries sold			**(2)**	**(2)**
Balance at end of the year	**772**	**1,059**	**2,652**	**4,483**
As at 28 February 2019				
Cost	1,328	1,336	2,758	5,422
Accumulated amortisation and impairment losses	(511)	(370)		(881)
Balance at end of the year	817	966	2,758	4,541
Reconciliation				
Balance at beginning of the year	709	710	2,406	3,825
Additions	89	217		306
Disposals	(10)			(10)
Amortisation	(78)	(77)		(155)
Impairments	(1)	(9)	(108)	(118)
Exchange differences	1	9	31	41
Subsidiaries acquired	115	119	561	795
Subsidiaries sold	(8)	(3)	(132)	(143)
Balance at end of the year	817	966	2,758	4,541

The current year impairments relate mainly to the PSG Alpha segment in respect of i) goodwill on Energy Partners and its various subsidiaries (R117m), ii) Optimi Holdings (Pty) Ltd's goodwill on a subsidiary providing education solutions (R46m) and iii) CA Sales' goodwill on a Namibia-based operating subsidiary (R30m). Furthermore, the current year impairments also include the impairment of Capespan computer software (R33m) and goodwill in respect of Curro on a PSG Group-level (R22m). All of the aforementioned entities were affected by the general challenging trading conditions.

The prior year impairments related mainly to i) Zeder's remaining goodwill in respect of Agrivision (R49m), ii) a portion of Energy Partners' goodwill on its refrigeration division (R15m) and other product development costs (R8m), and iii) a portion of CA Sales' goodwill on two of its Namibia-based operating subsidiaries (R27m). All of the aforementioned entities were affected by the general challenging trading conditions.

Included in other intangible assets are internally-generated intangible assets with a carrying value of approximately R753m (2019: R647m), comprising mainly plant and seed breeding rights and other product development costs.

Apart from goodwill, education-related trademarks/curriculum development costs held/incurred by Curro and Stadio amounting to R181m (2019: R177m) in aggregate have been assessed as having an indefinite useful life. In reaching this conclusion, the respective entities' management gave specific consideration to the extensive period that comparable education facilities have existed for.

2. INTANGIBLE ASSETS (continued)

Customer lists

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

	Remaining amortisation period		2020	2019
Segment and customer list	**2020**	2019	**Rm**	Rm
Curro - Woodhill College	**6 years**	7 years	**10**	11
PSG Konsult				
Wealth advisor office	**11 years**	12 years	**67**	73
ABSA commercial and industrial insurance business	**18 years and 3 months**	19 years and 3 months	**63**	57
Wealth advisor office	**14 years**	15 years	**38**	41
ABSA personal lines insurance business	**18 years and 9 months**	19 years and 9 months	**32**	35
Wealth advisor office	**14 years**	15 years	**28**	30
Multinet Makelaars	**6 years and 1 month**	7 years and 1 month	**24**	28
Wealth advisor office	**16 years and 3 months**	17 years and 3 months	**13**	14
Diagonal Street Financial Services	**10 years and 6 months**	11 years and 6 months	**12**	14
Wealth advisor office	**13 years**	14 years	**11**	14
Tlotlisa Securities	**9 years and 2 months**	10 years and 2 months	**11**	12
Wealth advisor office	**18 years**	19 years	**10**	11
Short-Term Administration	**6 years and 2 months**	7 years and 2 months	**8**	10
Multifund	**10 years**	11 years	**9**	10
Insurance Solutions	**10 years**	11 years	**9**	10
			345	370

Trademarks and other

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

	Remaining amortisation period		2020	2019
Segment and intangible asset item	**2020**	2019	**Rm**	Rm
Curro				
Northern Academy trademark	**Indefinite**	Indefinite	**12**	12
Woodhill College trademark	**Indefinite**	Indefinite	**14**	14
Waterstone College trademark	**Indefinite**	Indefinite	**13**	13
Cooper College trademark	**Indefinite**	Indefinite	**15**	15
PSG Alpha				
Stadio				
Embury trademark	**1 year and 11 months**	Indefinite	**16**	17
AFDA trademark	**Indefinite**	Indefinite	**20**	20
SBS trademark	**Indefinite**	Indefinite	**18**	18
Milpark trademark	**Indefinite**	Indefinite	**38**	38
Optimi Holdings (Pty) Ltd				
Media Works trademark	**Indefinite**	Indefinite	**11**	11
Zeder				
Zaad capitalised product development costs in respect of plant and seed breeding rights	**3 - 20 years**	< 7 years	**500**	416
Capespan software development costs		1 - 7 years		32
			657	606

Goodwill allocation

Goodwill relates to the following reportable segments:

Curro	**565**	570
PSG Konsult	**380**	384
PSG Alpha	**1,426**	1,600
Zeder	**281**	204
	2,652	2,758

2. INTANGIBLE ASSETS (continued)

Goodwill impairment testing

Curro

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

	2020 %	2019 %
Taxation rate	**28.0**	28.0
Growth rate	**8.0**	8.0
Terminal growth rate	**8.0**	8.0
Discount rate	**13.3**	14.5

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

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

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

PSG Konsult

The recoverable amounts of CGU's are determined based on the higher of fair value less cost to sell and value-in-use calculations. Price/earnings ratios used by management to determine fair value less cost to sell are determined with reference to similar listed companies, adjusted for entity specific considerations. The price/earnings ratios used varied between 5 and 7.5 times (2019: between 5 and 7.5 times). Value-in-use calculations are performed based on five-year cash flow projections forming part of financial budgets approved by management. Cash flows were extrapolated into perpetuity using the below-mentioned terminal growth rate. Key assumptions used for the value-in-use calculations are as follows:

	2020 %	2019 %
Taxation rate	**28.0**	28.0
Growth rate	**3.0**	3.0
Terminal growth rate	**3.0**	3.0
Discount rate	**18.2**	18.3

PSG Konsult has considered and assessed reasonably possible changes in key assumptions and have not identified any instances that could cause the carrying amount of the CGUs to exceed the value-in-use. These sensitivities and other relevant factors were considered in management's determination that no intangible assets need to be impaired.

PSG Alpha

Goodwill forming part of this segment relates mainly (2020: 88%; 2019: 80%) to Stadio's private higher education businesses (2020: R749m; 2019: R749m) and CA Sales's businesses distributing fast-moving consumer goods throughout southern Africa (2020: R499m; 2019: R529m). Key assumptions used for the value-in-use calculations, determined by management to be reasonable given the various entity-specific considerations, are as follows:

	Stadio		**CA Sales**	
	2020 %	2019 %	**2020** %	2019 %
Taxation rate	**28.0**	28.0	**22.0 - 32.0**	22.0 - 32.0
Growth rate				
Tuition fees/revenue	**3.0 - 7.0**	6.0 - 8.0	**5.2 - 13.5**	6.0 - 8.0
Student numbers	**6.0 - 18.0**	5.0 - 21.0		
Operating expenses	**7.0 - 19.0**	8.0 - 17.0	**5.1 - 12.7**	5.5 - 15.2
Terminal growth rate	**6.0**	7.0	**5.0 - 6.0**	5.0 - 5.3
Discount rate	**15.9**	14.4	**18.1 - 24.2**	17.5 - 26.5

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

If the discount rate used in Stadio's value-in-use calculations for CGUs had been 1% higher or if the terminal growth rate had been 1% lower than management's estimate, the group would not have recognised additional goodwill impairment. Furthermore, if the tuition fee increases and student number growth rates used in the value-in-use calculations for the CGUs had been lower than management's estimate by 50%, the group would not have recognised additional goodwill impairment.

If the discount rate used in CA Sales' most notable value-in-use calculations for CGUs had been 0.5% higher or if the terminal growth rate had been 0.9% lower than management's estimate, the group would not have recognised additional goodwill impairment.

2. INTANGIBLE ASSETS (continued)

Goodwill impairment testing (continued)

Zeder

The recoverable amounts of CGU's are determined based on the higher of fair value less cost to sell and value-in-use calculations. The fair value less cost to sell was determined based on either applying a price/earnings ratio or assessing net realisable value of the underlying assets (mostly agricultural land). Price/earnings ratios used by management are determined with reference to similar listed companies, adjusted for entity specific considerations. The price/earnings ratios applied ranged between 8 and 14 times (2019: between 12 and 14 times), while the respective agricultural land was valued at between R104,454 and R118,485 (2019: between R86,960 and R91,493) per irrigated hectare. Key assumptions used for the value-in-use calculations are as follows:

	2020	2019*
	%	%
Taxation rate	**28.0**	28.0
Growth rate	**4.0 - 5.0**	5.0 - 7.0
Terminal growth rate	**1.0**	2.0
Discount rate	**15.4 - 17.5**	17.9

** Restated previously disclosed rates.*

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

Had the aforementioned price/earnings ratios been decreased by 10%, the additional amount of goodwill impaired would have amounted to approximately R30m. Had the aforementioned agricultural land valuations been decreased by 10%, no additional goodwill impairment would have been recognised. Furthermore, Zeder has considered and assessed reasonably possible changes in key assumptions underlying the value-in-use calculations which could cause the carrying amount of the CGUs to exceed the value-in-use, and none were identified.

Applicable to all segments

Performing aforementioned value-in-use calculations with pre-tax as opposed to post-tax discount rates and cash flows would not have necessitated any further impairment of goodwill.

GROUP	**Land and buildings Rm**	**Vehicles, plant and machinery Rm**	**Office equipment Rm**	**Total Rm**
3.1 RIGHT-OF-USE ASSETS				
As at 29 February 2020				
Cost	**1,203**	**163**	**6**	**1,372**
Accumulated depreciation and impairment losses	**(193)**	**(71)**	**(1)**	**(265)**
Balance at end of the year	**1,010**	**92**	**5**	**1,107**
Reconciliation				
Adoption of IFRS 16 (refer note 45)	**956**	**29**	**2**	**987**
Transfer of existing finance leases (refer note 1)		**51**	**2**	**53**
New leases entered into	**210**	**68**	**1**	**279**
Depreciation	**(177)**	**(44)**	**(1)**	**(222)**
Other movements	**15**	**(12)**	**1**	**4**
Subsidiaries acquired	**6**			**6**
Balance at end of the year	**1,010**	**92**	**5**	**1,107**

With the adoption of IFRS 16 on 1 March 2019, the group recognised right-of-use assets of R987m in respect of operating leases previously accounted for in terms of IAS 17.

As at 29 February 2020, the carrying value of right-of-use assets comprised mainly i) TLG's leased port facilities (R302m), ii) PSG Konsult's leased corporate and adviser offices (R248m), iii) Curro's leased school premises (R195m), iv) CA Sales's leased offices, warehouses, equipment and vehicles to support its fast-moving consumer goods businesses (R103m), v) Stadio's leased offices and administration buildings to support its private higher education businesses (R92m) and vi) Capespan's lease of a grape farm in Namibia (R72m).

3.2 LEASE LIABILITIES

	GROUP 2020 Rm
Adoption of IFRS 16 (refer note 45)	**1,283**
Transfer of existing finance leases (refer note 23)	**42**
New leases entered into	**294**
Payments - principal portion	**(190)**
Payments - finance cost	**(138)**
Finance cost (refer note 35)	**148**
Other movements	**3**
Subsidiaries acquired	**11**
Balance at 29 February 2020	**1,453**
Current	**231**
Non-current	**1,222**

With the adoption of IFRS 16 on 1 March 2019, the group recognised lease liabilities of R1,283m in respect of operating leases previously accounted for in terms of IAS 17.

As at 29 February 2020, the carrying value of lease liabilities comprised mainly aforementioned leases (refer note 3.1) of TLG (R435m), PSG Konsult (R305m), Curro (R195m), Stadio (R169m), Capespan (R139m) and CA Sales (R99m). Refer to note 3.1 for the nature of the group's leasing activities.

Lease liabilities are measured at the present value of the remaining lease payments. Extension and termination options are included in the measurement of the lease liability only if reasonably certain to be exercised, as assessed by the respective group entity's management. The group's weighted average incremental borrowing rate applied to lease liabilities during the year under review ranged between 9.6% and 11.8%. To determine the incremental borrowing rate, the group considers government bond rates and the particular entity's borrowing rate for similar financing arrangements, and make specific adjustments thereto for the lease (e.g. term, geographical location, currency, security and other property-specific factors).

		COMPANY	
		2020	2019
		Rm	Rm
4.1	**INVESTMENT IN SUBSIDIARY**		
	Unlisted ordinary shares in PSG Financial Services carried at cost	**2,498**	2,498
	Refer Annexure A for further information regarding material subsidiaries.		
4.2	**LOANS TO/(FROM) SUBSIDIARIES**		
	Amounts receivable from PSG Financial Services and its wholly-owned subsidiaries	**7,109**	5,900
	Amount payable to a wholly-owned subsidiary of PSG Financial Services	**(1,476)**	(391)

The loans to/from PSG Financial Services and its wholly-owned subsidiaries are unsecured, interest-free and have no fixed terms of repayment. The loans to subsidiaries are measured at amortised cost, fully performing (i.e. stage 1) and, considering forward-looking information, deemed fully recoverable. Accordingly, no expected credit losses have been provided for. Intergroup loan balances are managed at a group level, with PSG Financial Services having been rated by Global Credit Rating Company as having a short-term credit rating of A1+ (2019: A1) and long-term credit rating of AA- (2019: A+).

		GROUP	
		2020	2019
		Rm	Rm
5.	**INVESTMENT IN ASSOCIATES AND JOINT VENTURES**		
5.1	**INVESTMENT IN ASSOCIATES**		
	Carrying value of ordinary share investments	**10,672**	14,578
	Listed	**9,954**	13,629
	Unlisted	**718**	949
	Carrying value of preference share investments (unquoted)		5
	Carrying value of loans	**42**	173
	GAP Chemicals (Pty) Ltd ("GAP") [1)]		60
	The unsecured loan carried interest at prime and was repayable on demand.		
	JWM Asia	**30**	30
	The unsecured loan is interest free and repayable on demand.		
	Clean Air Nurseries Agri Global (Pty) Ltd ("CAN-Agri") [2)]		67
	The unsecured loan carries interest at prime plus 1% and is repayable in bi-annual instalments from 2020 onwards.		
	Other associates	**12**	16
	Various unsecured loans carrying interest at various rates of up to 9.8% (2019: 11.3%), and being repayable on various dates.		
		10,714	14,756

[1)] During the year under review, the group, through Zaad, being a subsidiary of Zeder, increased its interest in GAP from 49.7% to 100% and the investment was therefore consolidated for the first time and the loan accordingly eliminated (refer note 42.3).

[2)] As at 29 February 2020, Zeder's loan to CAN-Agri in an amount of R90m was impaired in full. Due to the start-up nature of CAN-Agri's business, its current and projected cash flow requirements and following default on a scheduled loan repayment, the loan is considered to be stage 3 credit-impaired.

Unless otherwise stated, the investment in preference shares of/loans granted to associates, are almost entirely fully performing, with only an insignificant amount of expected credit losses being provided for.

	GROUP 2020 Rm	GROUP 2019 Rm
5. INVESTMENT IN ASSOCIATES AND JOINT VENTURES (continued)		
5.1 INVESTMENT IN ASSOCIATES (continued)		
Loans and preference shares		
Current	**41**	106
Non-current	**1**	72
	42	178
Reconciliation of ordinary share investments		
Balance at beginning of the year	**14,578**	13,886
Share of profits of associates		
Continuing operations	**2,230**	1,985
Discontinued operation (refer note 26)	**264**	318
(Impairment)/reversal of impairment of associates		
Continuing operations	**(323)**	(59)
Discontinued operation (refer note 26)	**617**	(617)
Dividends received		
Continuing operations	**(780)**	(677)
Discontinued operation (refer note 26)	**(189)**	(213)
Additions	**433**	40
Disposals	**(669)**	(12)
Net (loss)/profit on dilution		
Continuing operations	**(1)**	6
Discontinued operation (refer note 26)	**(86)**	14
Subsidiaries acquired (refer note 42.3)	**4**	
Transfer to subsidiaries at fair value (refer note 42.3)	**(105)**	(7)
Transfer from subsidiary at fair value (refer note 42.5)		157
Transfer from equity securities (refer "additions" below)	**168**	
Transfer to non-current assets held for sale (refer note 26)	**(5,217)**	
Other movements	**(252)**	(243)
Balance at end of the year	**10,672**	14,578

Refer Annexure B for further information regarding material associates.

(Impairment)/reversal of impairment

2020

During the current year, the group reversed R617m of the impairment charge previously recognised on Zeder's interest in Pioneer Foods (prior to being classified as held for sale, refer note 26) following a recovery in its JSE-listed share price. This was somewhat offset by an impairment of Zeder's interests in Kaap Agri and Quantum Foods following a decline in their respective JSE-listed share prices.

2019

Impairment charges related mainly to Zeder's interest in Pioneer Foods and Quantum Foods being written down to their respective JSE-listed fair values.

Additions

2020

Significant additions during the current year related mainly to Dipeo acquiring an interest of approximately 4% in each of Pioneer Foods and Quantum Foods (being existing associates of Zeder and therefore the group), when the associated ringfenced debt of R429m against such investments was settled upon the conclusion of the Pioneer Foods BEE Scheme. Dipeo's previous residual interest (i.e. net upside) in the Pioneer Foods BEE Scheme amounted to R168m and was reclassified from equity securities to associates at the time.

2019

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

Disposals

2020

Disposals related mainly to Dipeo's aforementioned interests in Pioneer Foods and Quantum Foods being subsequently disposed of, as well as PSG Alpha's disposal of its 25% interest in Alaris Holdings Ltd, a global radio frequency technology group.

2019

No significant associates were disposed of during the prior year.

5. INVESTMENT IN ASSOCIATES AND JOINT VENTURES (continued)

5.1 INVESTMENT IN ASSOCIATES (continued)

Other movements

Other movements comprise mainly the group's share of associates' other comprehensive losses and equity movements, as well as the impact of Capitec's adoption of IFRS 9 in the prior year.

	GROUP 2020 Rm	GROUP 2019 Rm
5.2 INVESTMENT IN JOINT VENTURES		
Balance at beginning of the year	**855**	432
Share of profits of joint ventures	**77**	57
Additions	**82**	375
Transfer to subsidiaries at fair value (refer note 42.3)	**(35)**	
Other movements	**7**	(9)
Balance at end of the year	**986**	855
Loans (current)	**35**	5
	1,021	860

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

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

	GROUP 2020 Rm	GROUP 2019 Rm
6. UNIT-LINKED INVESTMENTS		
Own balances	**682**	776
Unlisted but quoted	**656**	756
Unquoted	**26**	20
Consolidated mutual funds (refer note 22.1)		
Unlisted but quoted	**25,542**	22,356
Investments linked to investment contracts (refer note 22.2)	**24,180**	23,363
Unlisted but quoted	**23,907**	22,928
Unquoted	**273**	435
	50,404	46,495

GROUP	Fair value through profit or loss Rm
Reconciliation	
Balance at 1 March 2018	42,200
Additions	10,885
Disposals	(7,048)
Fair value net gains and reinvestments	1,933
Exchange differences	60
Subsidiaries acquired and first-time consolidation of mutual funds	252
Subsidiaries sold and mutual funds deconsolidated	(1,787)
Balance at 28 February 2019	46,495
Additions	**17,525**
Disposals	**(14,810)**
Fair value net gains and reinvestments	**1,185**
Exchange differences	**9**
Balance at 29 February 2020	**50,404**

	GROUP 2020 Rm	GROUP 2019 Rm
6. UNIT-LINKED INVESTMENTS (continued)		
Current	**2,325**	2,914
Non-current	**48,079**	43,581
	50,404	46,495

Fair value of the unit-linked investments (i.e. collective investment schemes invested in) are determined by reference to the underlying assets of the unit-linked investments, taking into account any relevant credit risk associated with the unit-linked investments.

	GROUP 2020 Rm	GROUP 2019 Rm
7. EQUITY SECURITIES		
Own balances	**411**	659
Listed	**372**	485
Unlisted but quoted	**2**	2
Unquoted	**37**	172
Consolidated mutual funds (refer note 22.1)		
Listed	**112**	160
Investments linked to investment contracts (refer note 22.2)	**2,097**	2,177
Listed	**2,088**	2,177
Unquoted	**9**	
	2,620	2,996

GROUP	Fair value through profit or loss Rm
Reconciliation	
Balance at 1 March 2018	4,321
Additions	847
Disposals	(2,046)
Fair value net losses	(181)
Other movements	55
Balance at 28 February 2019	2,996
Additions	**428**
Disposals	**(468)**
Fair value net losses	**(172)**
Transfer to associates (refer note 5.1)	**(168)**
Subsidiaries sold	**(1)**
Other movements	**5**
Balance at 29 February 2020	**2,620**

	GROUP 2020 Rm	GROUP 2019 Rm
Current	**259**	257
Non-current	**2,361**	2,739
	2,620	2,996

During the prior year, the group, through Zeder and Capespan, disposed of its equity security investment in Joy Wing Mau, a fruit distributor in China, for proceeds of R1.2bn.

	GROUP 2020 Rm	GROUP 2019 Rm
8. DEBT SECURITIES		
Own balances	**1,847**	1,873
Unlisted but quoted	**1,847**	1,864
Unquoted		9
Consolidated mutual funds (refer note 22.1)	**3,994**	4,022
Listed	**867**	876
Unlisted but quoted	**3,127**	3,146
Investments linked to investment contracts (refer note 22.2)	**371**	368
Unlisted but quoted	**371**	310
Unquoted		58
	6,212	6,263

GROUP	Fair value through profit or loss Rm	Measured at amortised cost Rm	Total Rm
Reconciliation			
Balance at 1 March 2018	2,423	3,721	6,144
Adjustment due to initial application of IFRS 9	3,536	(3,561)	(25)
Additions	2,693		2,693
Maturity/disposals	(2,711)	(105)	(2,816)
Fair value net gains	255		255
Finance income		12	12
Balance at 28 February 2019	6,196	67	6,263
Additions	**11,487**		**11,487**
Maturity/disposals	**(12,326)**	**(69)**	**(12,395)**
Fair value net gains	**855**		**855**
Finance income		**2**	**2**
Balance at 29 February 2020	**6,212**	**-**	**6,212**

	GROUP 2020 Rm	GROUP 2019 Rm
Current	**4,666**	4,471
Non-current	**1,546**	1,792
	6,212	6,263

Debt securities relate mainly to those held by the PSG Money Market Fund, as consolidated by PSG Konsult, with a business model whose objective is closely aligned to both collecting contractual cash flows (i.e. principal and interest) and potentially disposing of such financial assets (i.e. to fund redemptions by third parties), and therefore the debt securities are classified as at "fair value through profit or loss".

	GROUP	
	2020	2019
	Rm	Rm
9. DEFERRED INCOME TAX		
Deferred income tax assets	**469**	303
Deferred income tax liabilities	**(975)**	(963)
Net deferred income tax liability	**(506)**	(660)
Deferred income tax assets		
To be recovered within 12 months	**147**	133
To be recovered after 12 months	**322**	170
	469	303
Deferred income tax liabilities		
To be recovered within 12 months	**(24)**	(23)
To be recovered after 12 months	**(951)**	(940)
	(975)	(963)

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

GROUP	**Provisions, contract liabilities, income received in advance Rm**	**Tax losses Rm**	**Unrealised profits Rm**	**Wear & tear allowance i.r.o. PPE and intangible assets, as well as other differences * Rm**	**Sub-total Rm**
Balance at 1 March 2018	118	353	(438)	(785)	(752)
Credited/(charged) to profit or loss	16	(28)	310	(75)	223
Charged to other comprehensive income/loss			(1)	(3)	(4)
Other movements	12	(2)	(12)	16	14
Subsidiaries acquired	5	10		(153)	(138)
Subsidiary deconsolidated	(7)			4	(3)
Balance at 28 February 2019	144	333	(141)	(996)	(660)
Adoption of IFRS 16				**(6)**	**(6)**
Credited/(charged) to profit or loss	**39**	**72**	**62**	**(22)**	**151**
Credited/(charged) to other comprehensive income/loss	**4**			**(3)**	**1**
Other movements	**(10)**	**(43)**	**(10)**	**23**	**(40)**
Subsidiaries acquired	**1**		**(1)**	**(34)**	**(34)**
Subsidiaries sold	**1**	**(2)**			**(1)**
Balance at 29 February 2020	**179**	**360**	**(90)**	**(1,038)**	**(589)**

GROUP	**Sub-total Rm**	**Lease liabilities Rm**	**Right-of-use assets Rm**	**Total Rm**
Balance at 28 February 2019	(660)			(660)
Adoption of IFRS 16	**(6)**	**162**	**(98)**	**58**
Credited/(charged) to profit or loss	**151**	**96**	**(83)**	**164**
Credited to other comprehensive income/loss	**1**			**1**
Other movements	**(40)**	**8**	**(4)**	**(36)**
Subsidiaries acquired	**(34)**	**3**	**(1)**	**(32)**
Subsidiaries sold	**(1)**			**(1)**
Balance at 29 February 2020	**(589)**	**269**	**(186)**	**(506)**

** These deferred income tax liabilities relate mainly to Curro's wear and tear allowances in respect of its school premises (i.e. property, plant and equipment).*

The deferred income tax assets and liabilities were calculated on all temporary differences under the liability method using a South African normal tax rate of 28% (2019: 28%) and a South African capital gains tax inclusion rate of 80% (2019: 80%). Where temporary differences arose in jurisdictions other than South Africa, the tax rates relevant to those jurisdictions were applied.

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

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

		2020			2019		
	GROUP	**Current (agricultural produce) Rm**	**Non-current (bearer plants) Rm**	**Total Rm**	Current (agricultural produce) Rm	Non-current (bearer plants) Rm	Total Rm
10.	**BIOLOGICAL ASSETS**						
	Balance at beginning of the year	**167**	**426**	**593**	152	406	558
	Additions	**175**	**40**	**215**	126	43	169
	Disposals		**(7)**	**(7)**		(11)	(11)
	Changes in fair value of biological assets	**225**		**225**	194		194
	Transfer of harvested produce to inventory	**(389)**		**(389)**	(311)		(311)
	Depreciation		**(19)**	**(19)**		(21)	(21)
	Impairments		**(2)**	**(2)**		(1)	(1)
	Exchange differences	**(2)**		**(2)**	4		4
	Subsidiaries acquired			**-**	2	10	12
	Subsidiaries sold	**(4)**	**(25)**	**(29)**			-
	Balance at end of the year	**172**	**413**	**585**	167	426	593
	Biological assets consist of the following:						
	Maize crops *	**26**		**26**	5		5
	Soya crops *	**33**		**33**	43		43
	Orchards **	**53**		**53**	45		45
	Vineyards **	**43**		**43**	54		54
	Other *	**17**		**17**	20		20
	Orchards ***		**246**	**246**		239	239
	Vineyards ***		**167**	**167**		187	187
		172	**413**	**585**	167	426	593

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

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

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

The abovementioned fair value of agricultural produce has been calculated using unobservable inputs (level 3). Had the fair value of the agricultural produce been 10% higher/lower at the reporting date, the group's profit for the year would have been R12m (2019: R12m) higher/lower.

Biological assets comprised mainly plantings of apples and pears (2020: 563ha; 2019: 568ha), grapes (2020: 287ha; 2019: 952ha - with two farming entities being disposed of during the year, refer note 42.5), citrus (2020: 278ha; 2019: 287ha), soya (2020: 5,037ha; 2019: 6,283ha) and maize (2020: 1,750ha; 2019: 420ha).

		GROUP	
		2020 Rm	2019 Rm
11.	**INVESTMENT IN INVESTMENT CONTRACTS**		
	Fair value through profit or loss (current)		
	Reconciliation		
	Balance at beginning of the year	**16**	15
	Investment contracts benefits received		(1)
	Fair value gains		2
	Balance at end of the year	**16**	16

Fair value of the investment in investment contracts is determined by reference to the underlying assets' quoted prices. All of these investments are linked to investment contract liabilities (refer note 22.2).

	GROUP 2020 Rm	GROUP 2019 Rm
12. LOANS AND ADVANCES		
Secured loans	**276**	325
Unsecured loans	**54**	118
	330	443
Current	**125**	177
Non-current	**205**	266

All loans and advances related to own balances, refer page 24.

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

Loans carry interest at various rates of up to a maximum of 16% and are repayable over various periods not exceeding seven years. Further financial risk management disclosures are set out in note 46.

Loss allowances for loans and advances are measured under the general expected credit loss impairment model according to the categories detailed below:

Category	Description
Stage 1	These are loans which are up-to-date with no indication of a significant increase in credit risk as well as loans which are fully secured.
Stage 2	These are loans which have had a significant increase in credit risk, but are not credit impaired. A significant increase in credit risk may result from instances such as: • the PSG Konsult financial advisors' books of business are not performing as expected; or • the counterparty has missed payments.
Stage 3	These are loans which have been assessed to be credit impaired as a result of instances such as: • the PSG Konsult financial advisors no longer being employed by the group; or • legal proceedings have been instituted to try and recover the loan.
Write-off	Loans are written off when there is no reasonable expectation of further recovery.

Loans and advances and the related loss allowances can be analysed as follows applying the aforementioned categories:

GROUP	Stage 1 (fully performing) Rm	Stage 2 (under-performing) Rm	Stage 3 (non-performing) Rm	Total Rm
As at 29 February 2020				
Gross carrying value	**329**	**3**	**94**	**426**
Loss allowances	**(1)**	**(2)**	**(93)**	**(96)**
Opening balance	**(1)**	**(1)**	**(13)**	**(15)**
Charged to profit or loss		**(2)**	**(80)**	**(82)**
Amounts written off		**1**		**1**
Net carrying value	**328**	**1**	**1**	**330**
As at 28 February 2019				
Gross carrying value	417	22	19	458
Loss allowances	(1)	(1)	(13)	(15)
Opening balance	(4)		(20)	(24)
Credited/(charged) to profit or loss	3	(1)	7	9
Net carrying value	416	21	6	443

		GROUP		COMPANY	
		2020	2019	**2020**	2019
		Rm	Rm	**Rm**	Rm
13.	**TRADE AND OTHER RECEIVABLES**				
	Trade receivables [1)]	**3,564**	2,600		
	Broker- and clearing accounts [2)]	**1,626**	1,278		
	Contract assets from contracts with customers [3)]	**50**	32		
	Prepayments and sundry receivables	**761**	679	**1**	
		6,001	4,589	**1**	-
	Own balances	**4,261**	3,268	**1**	
	Client balances	**1,669**	1,298		
	Consolidated mutual funds (refer note 22.1)	**71**	23		
		6,001	4,589	**1**	-
	Current	**5,997**	4,578	**1**	
	Non-current	**4**	11		

[1)] *Included are insurance receivables due from contract holders and agents, brokers, reinsurers and intermediaries of R112m (2019: R111m), which are accounted for according to IFRS 4.*

[2)] *PSG Securities Ltd's ("PSG Online"), a subsidiary of PSG Konsult, broker- and clearing accounts of R1.6bn (2019: R1.3bn) representing amounts owing by the JSE for trades in the last few days before year-end. These balances fluctuate on a daily basis depending on the activity in the markets. The control account for the settlement of these transactions is included under trade and other payables (refer note 25), with the settlement to the clients taking place within three days after the transaction date. All such balances have subsequently been settled accordingly.*

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

Trade and other receivables include non-financial assets of R454m (2019: R313m).

For trade and other receivables, the group applies the simplified approach to providing for expected credit losses, which requires lifetime expected credit losses to be provided for. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on historical default rates over the expected life. The historical loss rates are adjusted to reflect current and forward-looking information on macro-economic factors affecting the ability of the customers to settle the receivables. The historical default rates have been assessed generally using a 12 to 24-month period. Forward-looking estimates include the economic outlook of the country in which the customer resides. Each subsidiary's board of directors is responsible for managing the respective entity's credit risk, including setting credit granting criteria and write-off policies.

Other receivables are assessed based on individual characteristics such as the relevant counterparty and payment history with such counterparty, in order to determine the credit risk and lifetime expected credit losses. There are no significant expected credit losses recognised in respect of other receivables.

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

		Past due				
	Current	**0 - 30 days**	**31 - 60 days**	**61 - 90 days**	**> 90 days**	**Total**
GROUP	**Rm**	**Rm**	**Rm**	**Rm**	**Rm**	**Rm**
As at 29 February 2020						
Gross carrying value	**2,558**	**367**	**136**	**163**	**581**	**3,805**
Loss allowance	**(20)**	**(18)**	**(15)**	**(29)**	**(159)**	**(241)**
Opening balance						**(111)**
Charged to profit or loss						**(141)**
Amounts written off						**37**
Subsidiaries acquired						**(31)**
Other movements						**5**
Net carrying value	**2,538**	**349**	**121**	**134**	**422**	**3,564**
				1,026		
Expected loss rate	**0.8%**	**4.9%**	**11.0%**	**17.8%**	**27.4%**	**6.3%**

The group's net trade receivables past due of R1,026m relate mainly to CA Sales (R365m), Zaad (R350m) and Curro (R134m), with collection history, collateral held and forward-looking information indicating that these amounts are recoverable.

13. TRADE AND OTHER RECEIVABLES (continued)

The historical loss rates of CA Sales have been assessed using a 24-month period. Historical loss rates are adjusted for forward-looking estimates based on the economic outlook of the country in which the customer resides. A significant depreciation of the local currency as well as civil unrest increase the risk of defaults on customer accounts. CA Sales generally considers trade receivables to be in default when payment terms have been exceeded by more than 60 days without reason or arrangements made to extend the payment terms and considers trade receivables to be credit impaired when payment terms have been exceeded by more than 180 days with no communication received from the debtor. Credit-impaired trade receivables are written off. Trade receivables outstanding for 90 days are not seen as credit impaired as it is normal practice to extend credit to certain customers at those terms.

Zaad determines historical loss rates based on the payment profile of historical sales using an average period of 12 months. The historical loss rate is then adjusted to reflect the potential impact on future expected credit losses per aging category for factors that are specific to the customers and general economic conditions, such as the local and export market through sub-Saharan Africa, weather conditions (drought), foreign currency fluctuations, the availability of natural resources (water and electricity) and global competition. Average credit terms range between 30 to 180 days and accounts are in default if not settled within the allocated credit terms. Zaad considers trade receivables to be credit impaired when a deterioration in the ability to adhere to credit terms occurs and the prospect of recovery is in doubt. Credit-impaired trade receivables are written off when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery.

Curro determines historical loss rates based on the payment profiles of sales over the past 12 months and the corresponding historical credit losses experienced within this period. Considering the nature of the business, Curro has identified GDP and inflation to be the most relevant factors affecting the ability of the customers to settle the receivables and accordingly adjust the historical loss rates based on expected changes in these factors. Normal payment terms require fees to be settled within 30 days from date of invoice; however, credit periods may vary based on special payment agreements reached with parents of learners. Curro has rebutted the presumption that there is a significant increase in credit risk when payment terms have been exceeded by more than 30 days. Based on historic information, there is a significant increase in credit risk when collections deteriorate, the period of indebtedness lengthens and the debtor is no longer an active client of the business. Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include failure to make payments for a period of greater than 24 months.

		Past due				
	Current	**0 - 30 days**	**31 - 60 days**	**61 - 90 days**	**> 90 days**	**Total**
GROUP	**Rm**	**Rm**	**Rm**	**Rm**	**Rm**	**Rm**
As at 28 February 2019						
Gross carrying value	1,970	89	314	87	251	2,711
Loss allowance	(8)	(3)	(3)	(19)	(78)	(111)
Opening balance						(60)
Adjustment due to initial application of IFRS 9						(39)
Charged to profit or loss						(33)
Amounts written off						29
Subsidiaries acquired						(9)
Other movements						1
Net carrying value	1,962	86	311	68	173	2,600
		$\underbrace{\qquad\qquad\qquad\qquad}_{638}$				
Expected loss rate	0.4%	3.4%	1.0%	21.8%	31.1%	4.1%

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

	GROUP	
	2020	2019
	Rm	Rm
14. DERIVATIVE FINANCIAL INSTRUMENTS		
Derivative financial assets		
Current	**24**	33
Derivative financial liabilities	**(117)**	(78)
Current	**(73)**	(44)
Non-current	**(44)**	(34)
Net derivative financial liability	**(93)**	(45)
Analysis of net derivative financial liability		
Fixed-for-variable interest rate swaps	**(63)**	(38)
Written put options extended to non-controlling interests	**(23)**	(25)
Other (prior year included a preference share equity-kicker in respect of JSE-listed shares' market value, which was settled during the current year)	**(7)**	18
	(93)	(45)
Own balances	**(86)**	(42)
Assets	**1**	22
Liabilities	**(87)**	(64)
Client-related balances	**(7)**	(3)
Assets	**23**	11
Liabilities	**(30)**	(14)
	(93)	(45)

Derivatives are classified as financial assets and liabilities at fair value through profit or loss. The fair value of interest rate swaps was determined as the difference between the floating leg and the fixed leg of the swap. The fair value of the fixed leg is the present value of fixed interest payments discounted at the risk-free rate plus a margin. The floating leg was valued by discounting projected floating leg payments using a risk-free rate plus a margin. The fair value of the written put options extended to non-controlling interests was calculated as the contractual put exercise price, discounted at a market-related interest rate. The fair value of the preference share equity-kicker was calculated with reference to the relevant JSE-listed shares' market value.

The fair value adjustments on derivative financial instruments included in "net fair value losses/gains on financial assets and financial liabilities at fair value through profit or loss" (refer note 31) amounted to a loss of R13m (2019: loss of R24m).

		GROUP 2020 Rm	GROUP 2019 Rm
15.	**INVENTORY**		
	Raw materials	**155**	123
	Work-in-progress	**104**	14
	Finished goods	**1,779**	1,559
		2,038	1,696

The cost of inventory recognised as an expense and included in cost of goods sold (refer note 28) in the income statement amounted to R10.9bn (2019: R10.5bn).

		GROUP 2020 Rm	GROUP 2019 Rm
16.	**REINSURANCE ASSETS AND LIABILITIES**		
	Reinsurance assets (current)		
	Reinsurers' share of insurance liabilities	**127**	103
	Balance at beginning of the year	**103**	81
	Movement for the year	**24**	22
	Deferred acquisition costs	**7**	6
	Balance at beginning of the year	**6**	5
	Movement for the year	**1**	1
		134	109

Amounts due from reinsurers in respect of claims already paid by the group on reinsured contracts, are included in trade receivables (refer note 13). All reinsurance assets were considered recoverable at the reporting dates.

		GROUP 2020 Rm	GROUP 2019 Rm
	Reinsurance liabilities (current)		
	Deferred reinsurance acquisition revenue	**7**	5
	Balance at beginning of the year	**5**	3
	Movement for the year	**2**	2
17.	**CASH AND CASH EQUIVALENTS**		
	Cash at bank	**1,424**	1,387
	Short-term liquid investments	**553**	445
		1,977	1,832
	Own balances	**1,723**	1,552
	Client-related balances	**254**	280
		1,977	1,832

The average interest rate on cash and cash equivalents (using the average of the opening and closing balances) was 9% (2019: 11%).

Cash and cash equivalents relate mainly to deposits held with FirstRand Bank Ltd, Absa Bank Ltd, Standard Bank of South Africa Ltd and Nedbank Ltd. Cash and cash equivalents are measured at amortised cost, fully performing (i.e. stage 1) and, considering forward-looking information, deemed fully recoverable. Accordingly, no expected credit losses have been provided for.

	GROUP		COMPANY	
	2020	2019	**2020**	2019
	Rm	Rm	**Rm**	Rm
18. STATED CAPITAL				
Authorised				
400,000,000 (2019: 400,000,000) ordinary shares with no par value				
Issued				
Balance at beginning of the year	**7,133**	6,976	**7,080**	6,923
Issue of shares	**15**	157	**15**	157
Balance at end of the year	**7,148**	7,133	**7,095**	7,080
Number of shares in issue ('000)				
In issue (gross of treasury shares)	**232,163**	232,108	**232,163**	232,108
Shares held by subsidiaries or consolidated in terms of non-recourse loan funding advanced	**(14,009)**	(14,009)		
Shares held by share incentive trust	**(45)**			
In issue (net of treasury shares)	**218,109**	218,099	**232,163**	232,108

Unissued shares, limited to 5% of the company's number of shares in issue as at 5 June 2019, have been placed under the control of the directors until the next annual general meeting. The directors are authorised to buy back shares subject to certain limitations and the JSE Listings Requirements.

Share option schemes

PSG Group operates an equity-settled share incentive scheme by means of the PSG Group Ltd Supplementary Share Incentive Trust. In terms of the scheme, share options are granted to executive directors and other employees ("participants"). Furthermore, three material subsidiaries (namely PSG Konsult, Curro and Zeder) also operate share option schemes on similar terms. Other share option schemes operated by subsidiaries include, inter alia, that of Stadio, TLG, Capespan, Agrivision Africa, Energy Partners and CA Sales.

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

The total equity-settled share-based payment charge recognised in the income statement amounted to R128m (2019: R112m). This charge, net of the related tax effect, was debited to the income statement and credited to other reserves (refer note 19) and non-controlling interests (refer statement of changes in equity), respectively.

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

The weighted average strike price of PSG Group share options exercised during the year under review in terms of the equity-settled share option scheme was R107.54 (2019: R91.76) per ordinary share.

The PSG Group Ltd Supplementary Share Incentive Trust currently holds 45,000 (2019: nil) PSG Group ordinary shares, with 2,072,537 (2019: 2,256,402) share options having been allocated that are unvested and/or unexercised with a total strike consideration of R469m (2019: R426m).

The maximum number of PSG Group shares which may be utilised for purposes of the scheme is 17,287,099 shares, while the maximum number of shares that may be offered to any single participant is 3,457,420 shares. To date, 8,240,505 (2019: 7,465,146) shares have been exercised by way of the scheme and accordingly a further 9,046,594 (2019: 9,821,953) shares may be exercised in future by way of the scheme. To date, a maximum of 1,827,453 (2019: 1,827,453) shares have been exercised by an individual who is no longer a participant of the scheme. The maximum number of shares that may be exercised by an employee who remains a participant of the scheme is 1,677,387 shares (2019: 1,903,580).

	2020	2019
PSG Group shares	**Number**	Number
Number of share options allocated at beginning of the year	**2,256,402**	2,877,138
Number of share options cancelled during the year	**(13,038)**	(2,287)
Number of share options vested during the year	**(775,359)**	(1,335,503)
Number of share options allocated during the year	**604,532**	717,054
Number of share options allocated at end of the year	**2,072,537**	2,256,402

18. STATED CAPITAL (continued)

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

Outstanding PSG Group share options per tranche allocated:	**Number of shares**	Strike price R	Volatility %	Dividend yield %	Average risk-free rate %	Average fair value R
28 February 2015	87,894	136.84	21.7	2.2	6.8	29.43
29 February 2016	147,805	178.29	40.3	2.0	8.2	60.90
28 February 2017	130,309	237.31	27.7	1.6	7.4	64.23
28 February 2018	389,465	236.13	33.8	2.0	7.1	68.62
28 February 2019	712,532	250.56	25.4	2.0	7.3	62.20
28 February 2020	604,532	213.71	23.7	2.3	6.5	46.93
	2,072,537					

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

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

	2020		2019	
Analysis of outstanding PSG Group share options by financial year of maturity:	**Weighted average strike price (R)**	**Number**	Weighted average strike price (R)	Number
29 February 2020			127.06	1,013,816
28 February 2021	**215.13**	**695,436**	227.55	449,199
28 February 2022	**234.50**	**470,069**	244.02	336,602
28 February 2023	**234.21**	**426,633**	245.45	277,523
29 February 2024	**233.65**	**329,266**	250.56	179,262
28 February 2025	**213.71**	**151,133**		
		2,072,537		2,256,402

Material subsidiaries' share option schemes

PSG Konsult

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

Outstanding PSG Konsult share options per tranche allocated:	**Number of shares**	Strike price R	Volatility %	Dividend yield %	Average risk-free rate %	Average fair value R
1 April 2015	**2,458,781**	7.27	24.7	2.0	7.1	1.73
1 April 2016	**12,449,140**	6.81	34.7	2.2	8.4	2.11
1 August 2016	**25,000**	6.83	34.1	2.3	7.8	1.98
1 April 2017	**13,203,479**	7.59	26.8	2.4	7.6	1.87
1 April 2018	**17,675,000**	8.74	22.1	2.5	7.8	2.08
1 April 2019	**16,625,000**	10.15	28.2	2.5 - 2.6	7.2	2.55
1 June 2019	**300,000**	10.27	28.0	2.5	7.1	2.27
1 November 2019	**250,000**	8.20	28.2	2.1 - 2.3	7.0	2.83
1 February 2020	**1,500,000**	9.26	28.3	2.8 - 2.9	6.5	2.13
	64,486,400					

Volatility was calculated with reference to the one year historic volatility, whilst the fair value of share options was calculated using a Black-Scholes model for share options issued prior to 1 March 2019, and using a Modified Binomial Tree model for share options issued subsequent to this date.

18. STATED CAPITAL (continued)

Material subsidiaries' share option schemes (continued)

PSG Konsult (continued)

Analysis of outstanding PSG Konsult share options by financial year of maturity:	**2020** Weighted average strike price (R)	**2020** Number	2019 Weighted average strike price (R)	2019 Number
29 February 2020			6.64	19,379,258
28 February 2021	**7.56**	**17,515,760**	7.58	19,398,008
28 February 2022	**8.18**	**19,725,730**	7.63	16,668,573
28 February 2023	**8.82**	**13,488,660**	8.15	10,208,664
29 February 2024	**9.42**	**9,087,500**	8.74	4,943,750
28 February 2025	**10.05**	**4,668,750**		
		64,486,400		70,598,253

Curro

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

Outstanding Curro share options per tranche allocated:	**Number of shares**	Strike price R	Volatility %	Dividend yield %	Average risk-free rate %	Average fair value R
29 September 2015	**330,325**	35.42	25.3	-	6.8	10.25
29 September 2016	**665,300**	42.01	34.4	-	8.0	15.05
29 September 2017	**1,736,175**	37.53	22.9	-	8.4	11.40
29 September 2018	**2,287,500**	30.54	35.3	-	7.9	8.08
29 September 2019	**7,479,800**	19.81	42.0	-	6.4	4.89
	12,499,100					

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

Analysis of outstanding Curro share options by financial year of maturity:	**2020** Weighted average strike price (R)	**2020** Number	2019 Weighted average strike price (R)	2019 Number
29 February 2020			30.79	1,768,775
28 February 2021	**33.53**	**1,813,575**	33.56	1,924,025
28 February 2022	**26.33**	**3,353,200**	34.59	1,569,025
28 February 2023	**25.24**	**3,020,550**	34.12	1,215,375
29 February 2024	**22.32**	**2,441,825**	30.54	592,425
28 February 2025	**19.81**	**1,869,950**		
		12,499,100		7,069,625

Zeder

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

Outstanding Zeder share options per tranche allocated:	**Number of shares**	Strike price R	Volatility %	Dividend yield %	Average risk-free rate %	Average fair value R
28 February 2015	**223,084**	7.71	28.6	0.5	6.8	2.27
29 February 2016	**581,553**	4.97	35.6	2.8	8.2	1.48
28 February 2017	**2,750,475**	7.29	27.4	1.5	7.5	1.99
28 February 2018	**6,426,185**	6.41	29.9	1.7	7.0	2.61
28 February 2019	**10,473,162**	4.36	30.2	2.5	7.3	1.80
29 February 2020	**6,243,003**	4.52	33.0	-	6.3	1.88
	26,697,462					

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

18. STATED CAPITAL (continued)

Material subsidiaries' share option schemes (continued)

Zeder (continued)

Analysis of outstanding Zeder share options by financial year of maturity:	**2020** Weighted average strike price (R)	**2020** Number	2019 Weighted average strike price (R)	2019 Number
29 February 2020			6.04	6,102,448
28 February 2021	**5.90**	**8,469,672**	5.48	5,611,534
28 February 2022	**5.29**	**6,702,414**	5.51	5,304,910
28 February 2023	**4.97**	**5,785,586**	5.13	4,387,002
29 February 2024	**3.50**	**4,179,040**	4.36	2,733,132
28 February 2025	**4.52**	**1,560,750**		
		26,697,462		24,139,026

19. OTHER RESERVES

GROUP	**Foreign currency translation Rm**	**Share-based payment Rm**	**Other [1] Rm**	**Total Rm**
Balance as at 1 March 2018	(143)	242	(121)	(22)
Currency translation adjustments	(2)			(2)
Cash flow hedges			4	4
Share of other comprehensive losses and equity movements of associates			(15)	(15)
Share-based payment costs - employees		73		73
Transactions with non-controlling interests and transfers between reserves		(37)	6	(31)
Balance as at 28 February 2019	(145)	278	(126)	7
Currency translation adjustments	**(59)**			**(59)**
Cash flow hedges			**(7)**	**(7)**
Share of other comprehensive losses and equity movements of associates			**(133)**	**(133)**
Share-based payment costs - employees		**80**		**80**
Transactions with non-controlling interests and transfers between reserves	**4**	**(67)**	**(37)**	**(100)**
Balance as at 29 February 2020	**(200)**	**291**	**(303)**	**(212)**

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

	GROUP **2020** **Rm**	GROUP 2019 Rm
20. NON-CONTROLLING INTERESTS		
Cumulative, non-redeemable, non-participating preference shares of PSG Financial Services	**1,578**	1,579
Other	**10,265**	10,197
	11,843	11,776

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

Authorised

30,000,000 (2019: 30,000,000) cumulative, non-redeemable, non-participating preference shares with no par value.

Issued

17,415,770 (2019: 17,415,770) cumulative, non-redeemable, non-participating preference shares with no par value.

		GROUP	
		2020	2019
		Rm	Rm
20.	**NON-CONTROLLING INTERESTS (continued)**		
	The discretionary preference dividend is calculated on a daily basis at 83.33%% (2019: 83.33%) of prime on the nominal value of R100 per share and is payable in two semi-annual instalments. Arrear preference dividends accrue interest at prime. All preference dividends have been paid up to date.		
21.	**INSURANCE CONTRACTS**		
	Long-term insurance (non-current)	**19**	21
	Balance at beginning of the year	**21**	22
	Liabilities released for payments on death, surrender and other terminations	**(3)**	(3)
	Transfer to policyholder funds	**1**	2
	Short-term insurance (current)	**535**	522
	Balance at beginning of the year	**522**	521
	Claims reported		
	In respect of current year	**1,077**	918
	In respect of prior year	**(155)**	(121)
	Claims paid	**(892)**	(762)
	Movement for the year	**(17)**	(34)
		554	543
22.1	**THIRD-PARTY LIABILITIES ARISING ON CONSOLIDATION OF MUTUAL FUNDS**		
	Balance at beginning of the year	**26,715**	23,600
	Net capital contributions received from third parties	**2,014**	3,090
	Fair value adjustment to third-party liabilities	**1,270**	1,336
	First-time consolidation of mutual fund (refer note 42.4.1)		689
	Deconsolidation of mutual funds (refer note 42.4.2)		(2,000)
	Balance at end of the year (current)	**29,999**	26,715
	Third-party liabilities arising on consolidation of mutual funds are represented by the following underlying investments:		
	Unit-linked investments	**25,542**	22,356
	Equity securities	**112**	160
	Debt securities	**3,994**	4,022
	Trade and other receivables	**71**	23
	Cash and cash equivalents	**309**	173
	Trade and other payables	**(29)**	(19)
		29,999	26,715
	The group consolidates various mutual funds due to the group's investment therein and PSG Konsult's management of same (refer page 24). Third parties' funds invested in the consolidated mutual funds are included as a liability under "third-party liabilities arising on consolidation of mutual funds".		
22.2	**INVESTMENT CONTRACT LIABILITIES**		
	Balance at beginning of the year	**25,932**	24,279
	Investment contract receipts	**3,454**	3,708
	Investment contract benefits paid	**(2,909)**	(2,872)
	Commission and administration expenses	**(290)**	(256)
	Fair value adjustments to investment contract liabilities	**507**	1,073
	Balance at end of the year	**26,694**	25,932
	Current	**2,946**	2,946
	Non-current	**23,748**	22,986

		GROUP	
		2020 Rm	2019 Rm
22.2	**INVESTMENT CONTRACT LIABILITIES (continued)**		
	Investment contract liabilities carried at:		
	Fair value	**26,694**	25,874
	Amortised cost		58
		26,694	25,932
	Investment contracts are represented by the following underlying investments:		
	Unit-linked investments	**24,180**	23,363
	Equity securities	**2,097**	2,177
	Debt securities	**371**	368
	Investment in investment contracts	**16**	16
	Cash and cash equivalents	**30**	8
		26,694	25,932

Investment contract liabilities relate to PSG Life Ltd clients' assets held under investment contracts, which are linked to a corresponding liability (refer page 24).

		2020 Rm	2019 Rm
23.	**BORROWINGS**		
	Non-current	**5,753**	6,192
	Redeemable preference share capital and accumulated dividends	**1,036**	2,500
	Unsecured loans	**277**	299
	Secured loans	**4,440**	3,393
	Current	**3,341**	1,585
	Bank overdrafts	**1,382**	1,127
	Redeemable preference share capital and accumulated dividends	**1,519**	19
	Unsecured loans	**87**	62
	Secured loans	**353**	377
	Total borrowings	**9,094**	7,777
	Own balances	**9,094**	7,666
	Client-related balances		111
		9,094	7,777

At a PSG Group head office level

The only borrowings at a PSG Group head office level relates to redeemable preference shares issued by a wholly-owned subsidiary of PSG Group to third-party funders. As at the reporting date, preference share capital and accumulated preference share dividends payable amount to R1bn (2019: R1bn) and R19m (2019: R19m), respectively. These redeemable preference shares carry a fixed dividend rate of 7.8% (2019: 7.8%) nominal annual compounded monthly, being serviced during May and November of each year, with the preference share capital repayable during April 2021 (R180m), April 2022 (R170m) and April 2023 (R650m). As security for the aforementioned borrowings, a PSG Group wholly-owned subsidiary ceded and pledged ordinary shares in Capitec (4.7m), PSG Konsult (160m), Zeder (450m) and Curro (48m), with a further negative pledge over additional ordinary shares in Capitec (3.3m), PSG Konsult (88m), Zeder (130m) and Curro (26m). Subsequent to year-end, the aforementioned redeemable preference share borrowings were settled in full.

PSG Group maintains a strict policy not to provide any guarantee or surety in respect of investee companies' borrowings, unless wholly-owned and managed at a head office level. Accordingly, none of the borrowings of Capitec, PSG Konsult, Curro, Zeder, PSG Alpha, Dipeo or any of their respective underlying investments have any recourse to PSG Group.

At an investee level

Other redeemable preference shares relate mainly those issued by a wholly-owned subsidiary of Zeder (2020: R1.5bn; 2019: R1.5bn) which carry fixed dividend rates ranging between 7.7% and 8.1% (2019: between 7.7% and 8.1%) nominal annual compounded monthly. The redeemable preference shares are secured through the pledge of JSE-listed shares held by a wholly-owned subsidiary of Zeder to the value of R7bn (2019: R5.5bn). Subsequent to year-end, the aforementioned redeemable preference share borrowings were settled in full.

23. BORROWINGS (continued)

At an investee level (continued)

Secured loans relate mainly to the following:

- Curro's rand-denominated borrowings of R3.7bn (2019: R2.9bn);
- Agrivision Africa, Capespan, TLG and Zaad's rand-denominated borrowings of R0.2bn (2019: R0.1bn) and United States dollar-denominated borrowings of R0.4bn (2019: R0.2bn); and
- PSG Alpha subsidiaries' mainly rand-denominated borrowings of R0.5bn (2019: R0.5bn).

The most significant security pledged towards the secured loans includes the majority of Curro's land and buildings, with a total carrying value at group level of R9bn (2019: R8.1bn).

Bank overdrafts relate mainly to Agrivision Africa, Capespan and Zaad's rand-denominated overdrafts of R0.9bn (2019: R0.4bn), United States dollar-denominated overdrafts of R0.1bn (2019: R0.3bn) and Euro-denominated overdrafts of R0.2bn (2019: R0.2bn).

The aforementioned borrowings are repayable to various counterparties with effective interest rates of up to 16.8% (2019: ranging between 1.8% and 22.5%).

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

	2020					
		Financing cash flows per statement of cash flows				
GROUP Reconciliation of liabilities arising from financing activities	**Opening carrying value Rm**	**Increase in borrowings Rm**	**Borrowings repaid Rm**	**Subsidiaries acquired Rm**	**Other movements * Rm**	**Closing carrying value Rm**
Redeemable preference shares	**2,519**	**30**			**6**	**2,555**
Unsecured loans	**361**	**348**	**(425)**	**90**	**(10)**	**364**
Secured loans	**3,770**	**2,787**	**(1,732)**	**9**	**(41)**	**4,793**
	6,650	**3,165**	**(2,157)**	**99**	**(45)**	**7,712**
Bank overdrafts	**1,127**					**1,382**
Total borrowings	**7,777**					**9,094**

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

** Current year movements comprise mainly finance leases transferred (refer note 3.2), foreign currency exchange movements and accrued and unpaid finance costs, while the prior year movements comprise mainly non-cash flow acquisitions of property, plant and equipment, foreign currency exchange movements and accrued and unpaid finance costs.*

24. EMPLOYEE BENEFIT ASSETS/(LIABILITIES)

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

	2020			2019		
	Assets	**Liabilities**	**Net**	Assets	Liabilities	Net
GROUP	**Rm**	**Rm**	**Rm**	Rm	Rm	Rm
Short-term benefits		**(499)**	**(499)**		(425)	(425)
Post-employment benefits	**42**	**(99)**	**(57)**	43	(103)	(60)
	42	**(598)**	**(556)**	43	(528)	(485)

Short-term benefits

These benefits comprise mainly bonus and leave pay accruals.

Post-employment benefits

Medical benefits

The group, through Capespan and TLG, provides for defined-benefit medical aid benefits in respect of a limited number of retired employees (including their dependants) who retired from International Harbour Services (Pty) Ltd, Outspan International Ltd and Unifruco Ltd prior to 1999. To qualify for the scheme they had to be permanently employed, be a member of the company's designated scheme at retirement and remain resident in South Africa until their retirement. The obligation was quantified by an independent actuary.

Retirement benefits

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

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

	2020			2019		
	Medical benefits Rm	**Retirement benefits Rm**	**Total Rm**	Medical benefits Rm	Retirement benefits Rm	Total Rm
The respective employee defined-benefit plan deficits can be analysed as follows:						
Fair value of plan assets		**42**	**42**		43	43
Present value of funded obligations	**(19)**	**(80)**	**(99)**	(24)	(79)	(103)
	(19)	**(38)**	**(57)**	(24)	(36)	(60)
Balance at beginning of the year	**(24)**	**(36)**	**(60)**	(25)	(27)	(52)
Interest expense	**(2)**	**(9)**	**(11)**	(2)	(8)	(10)
Return on plan assets		**9**	**9**		8	8
Gains/(losses) from changes in financial and demographic assumptions	**5**	**(9)**	**(4)**	1	(4)	(3)
Employer contributions	**2**	**1**	**3**	2		2
Past service costs		**4**	**4**			-
Exchange differences		**2**	**2**		(5)	(5)
Balance at end of the year	**(19)**	**(38)**	**(57)**	(24)	(36)	(60)

	2020		2019	
	Medical benefits	**Retirement benefits**	Medical benefits	Retirement benefits
	%	**%**	%	%
24. EMPLOYEE BENEFIT ASSETS/(LIABILITIES) (continued)				
Principal actuarial assumptions used include:				
Discount rates	**8.5 - 8.6**	**0.5 - 1.9**	9.3	1.0 - 2.8
Future medical costs increases	**4.8 - 10.0**	**-**	10.0	-
Future salary increases	**-**	**-**	-	3.0
Inflation rates	**-**	**2.0 - 2.5**	-	1.7 - 2.4

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

	Medical benefits					
	2020			2019		
		Impact of			Impact of	
		Increase	**Decrease**		Increase	Decrease
	Change	**Rm**	**Rm**	Change	Rm	Rm
Discount rates	**0.5%**	**1**	**(1)**	0.5%	1	(1)
Future medical costs increases	**1.0%**	**1**	**(1)**	1.0%	1	(2)
Mortality rates	**1 year**	**1**	**(1)**	1 year	1	(1)

	Retirement benefits					
	2020			2019		
		Impact of			Impact of	
		Increase	**Decrease**		Increase	Decrease
	Change	**Rm**	**Rm**	Change	Rm	Rm
Discount rates	**0.1%**	**(24)**	**22**	0.1%	(26)	26
Future salary increases	**0.5%**	**4**	**(3)**	0.5%	4	(3)
Inflation rates	**0.5%**	**(10)**	**12**	0.5%	(11)	15
Mortality rates	**1 year**	**(21)**	**21**	1 year	(23)	23

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

	GROUP		**COMPANY**	
	2020	2019	**2020**	2019
	Rm	Rm	**Rm**	Rm
25. TRADE AND OTHER PAYABLES				
Trade payables [1) 2)]	**3,150**	2,482	**6**	5
Broker- and clearing accounts (refer note 13)	**1,526**	1,278		
Margin accounts	**28**	21		
Contract liabilities from contracts with customers	**401**	391		
Subsidiary/associate purchase consideration payable	**180**	176		
	5,285	4,348	**6**	5
Own balances	**3,679**	3,046	**6**	5
Client balances	**1,577**	1,283		
Consolidated mutual funds	**29**	19		
	5,285	4,348	**6**	5
Current	**5,230**	4,253	**6**	5
Non-current	**55**	95		

[1)] *Includes non-financial liabilities of R188m (2019: R109m).*

[2)] *Trade payables relate mainly to the business operations of CA Sales (2020: R1bn; 2019: R0.7bn), Zaad (2020: R0.8bn; 2019: R0.4bn), PSG Konsult (2020: R0.5bn; 2019: R0.5bn), Curro (2020: R0.2bn; 2019: R0.3bn) and Capespan (2020: R0.2bn; 2019: R0.5bn).*

		GROUP	
		2020	2019
		Rm	Rm
25.	**TRADE AND OTHER PAYABLES (continued)**		
	Reconciliation of contract liabilities from contracts with customers:		
	Balance at beginning of the year	**391**	214
	Cash received in advance during the year	**493**	354
	Revenue recognised in respect of performance obligations satisfied during the year	**(487)**	(312)
	Other movements (including adjustments due to initial application of IFRS 15 in the prior year)	**4**	135
	Balance at end of the year	**401**	391

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

26. ASSETS/LIABILITIES HELD FOR SALE AND DISCONTINUED OPERATION

Asset held for sale and discontinued operation

During the year under review, Pepsico made an offer to the Pioneer Foods ordinary shareholders (including Zeder) 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 pursuant to such disposal, Zeder declared a special dividend of R2.30 per share. PSG Group consequently received a special dividend from Zeder of R1.7bn on 28 April 2020.

Other assets/liabilities held for sale

The remaining portion of assets/liabilities held for sale relates to i) Capespan's investment in two associates (R108m), ii) various assets (mainly property, plant and equipment, intangible assets and inventory) (R311m) and liabilities (R16m) of Klein Karoo Saad Bemarking (Pty) Ltd, a subsidiary of Zaad, and iii) vacant land held by Curro (R43m), all of which are in the process of being sold.

	GROUP 2020 Rm	GROUP 2019 Rm
27. REVENUE FROM SALE OF GOODS		
Agricultural produce/seed	**6,547**	6,800
Fast-moving consumer goods	**6,051**	4,746
Mining, construction and utility goods	**501**	1,307
Other goods	**403**	188
	13,502	13,041

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

	GROUP 2020 Rm	GROUP 2019 Rm
28. COST OF GOODS SOLD		
Changes in finished goods	**10,446**	10,042
Raw material and consumables used	**411**	476
Other expenses	**482**	942
	11,339	11,460

Cost of goods sold relates to aforementioned agricultural produce/seed, fast-moving consumer goods, mining, construction and utility goods.

	GROUP 2020 Rm	GROUP 2019 Rm
29. REVENUE EARNED FROM COMMISSION, SCHOOL, NET INSURANCE AND OTHER FEE INCOME *		
Commission and advisory fees	**4,668**	3,917
Financial services - PSG Konsult **	**2,412**	2,097
Merchandising services - CA Sales	**1,081**	809
Logistical services - TLG	**937**	837
Other	**238**	174
Management and performance fees		
Financial services - PSG Konsult	**1,135**	1,143
School, tuition and other education-related fees	**3,961**	3,242
Private basic education services - Curro	**2,944**	2,496
Private higher education services - Stadio	**808**	621
Other	**209**	125
Net insurance premiums	**1,097**	937
Gross premiums - PSG Konsult	**1,553**	1,289
Reinsurance written premiums paid - PSG Konsult	**(456)**	(352)
	10,861	9,239
Revenue recognised at a point in time ***	**1,256**	1,075
Revenue recognised over time	**9,605**	8,164

** The note previously titled "Commission, school, net insurance premiums and other fee income" has been renamed "Revenue earned from commission, school, net insurance and other fee income", while the revenue amounts within the note have been disaggregated to provide more relevant information on the group's revenue-producing activities.*

*** Financial services commission and advisory fees includes dealing, structuring and brokerage fee income of R385m (2019: R333m).*

**** Revenue recognised at a point in time relates mainly to logistical and other services.*

Please refer to accounting policy note 24.1 for details regarding performance obligations of the contracts with customers giving rise to the revenue detailed above. Furthermore, such contracts do not contain significant warranties, payment terms, or obligations for returns, refunds and other similar obligations.

	GROUP 2020 Rm	GROUP 2019 Rm	COMPANY 2020 Rm	COMPANY 2019 Rm
30. INVESTMENT INCOME				
Interest income				
Loans and advances	**91**	84		
Trade and other receivables	**32**	14		
Debt securities	**535**	501		
Unit-linked investments	**893**	965		
Cash and cash equivalents	**169**	226	**1**	1
	1,720	1,790	**1**	1

	GROUP		COMPANY	
	2020	2019	**2020**	2019
	Rm	Rm	**Rm**	Rm
30. INVESTMENT INCOME (continued)				
Dividend income				
Equity securities at fair value through profit or loss	**74**	37		
Debt securities (preference shares)	**6**	9		
Unit-linked investments at fair value through profit or loss	**591**	466		
Dividend income from subsidiary			**1,200**	1,200
	671	512	**1,200**	1,200
	2,391	2,302	**1,201**	1,201

31. FAIR VALUE GAINS AND LOSSES

	GROUP 2020 Rm	GROUP 2019 Rm
Foreign exchange gains	**107**	138
Foreign exchange losses	**(106)**	(102)
Net fair value (losses)/gains on financial instruments at fair value through profit or loss	**(201)**	338
Fair value adjustment on step-up from associate and joint venture to subsidiary	**4**	2
Fair value loss on assets held for sale	**(52)**	
Gain from accounting for hyperinflationary foreign operations	**126**	
	(122)	376

The gain from accounting for hyperinflationary foreign operations relate to two Zimbabwe-based entities forming part of the Zaad group, which commenced the application of hyperinflationary accounting during the year under review.

32. OTHER OPERATING INCOME

	GROUP 2020 Rm	GROUP 2019 Rm
Profit on sale/deconsolidation of subsidiaries (refer note 42.5)	**58**	8
Profit on sale of property, plant and equipment	**14**	20
Bargain purchase gain		25
Other	**242**	163
	314	216

33. INSURANCE CLAIMS AND LOSS ADJUSTMENTS, NET OF RECOVERIES

	GROUP 2020 Rm	GROUP 2019 Rm
Short-term insurance contracts	**659**	578
Long-term individual life insurance contracts - death, maturity, surrender and sick leave benefits and transfers to policyholder liabilities	**4**	4
	663	582

GROUP	Gross Rm	Reinsurance Rm	Net Rm
2020			
Short-term insurance contracts	**939**	**(280)**	**659**
Claims paid	**930**	**(280)**	**650**
Movement in expected cost of outstanding claims	**48**	**(17)**	**31**
Salvages	**(39)**	**17**	**(22)**
Long-term individual life insurance contracts	**4**		**4**
	943	**(280)**	**663**
2019			
Short-term insurance contracts	800	(222)	578
Claims paid	801	(213)	588
Movement in expected cost of outstanding claims	36	(23)	13
Salvages	(37)	14	(23)
Long-term individual life insurance contracts	4		4
	804	(222)	582

	GROUP		COMPANY	
	2020	2019	**2020**	2019
	Rm	Rm	**Rm**	Rm
34. MARKETING, ADMINISTRATION, IMPAIRMENT LOSSES AND OTHER EXPENSES				
Expenses by nature				
Depreciation	**664**	427		
Property, plant and equipment (refer note 1)	**423**	406		
Right-of-use assets (refer note 3.1)	**222**			
Biological assets - bearer plants (refer note 10)	**19**	21		
Amortisation of intangible assets (refer note 2)	**172**	155		
Lease expenses	**97**	367		
Lease expense in respect of low-value items	**21**			
Lease expense in respect of short-term leases	**76**			
Operating lease rentals		367		
Auditors' remuneration	**57**	50		
Audit services				
Current year	**48**	42		
Prior year	**3**	4		
Tax services	**2**	1		
Other services	**4**	3		
Employee benefit expenses	**5,348**	4,441		
Salaries, wages and allowances	**5,220**	4,329		
Equity-settled share-based payment costs	**128**	112		
Impairment of intangible assets (refer note 2)	**294**	118		
Loss on sale of intangible assets		2		
Loss allowances on financial assets	**322**	25		
Impairment of property, plant and equipment (refer note 1)	**219**	13		
Loss on sale of property, plant and equipment	**4**	6		
Impairment of biological assets (refer note 10)	**2**	1		
Other expenses	**2,785**	2,129	**5**	6
Management and administration fees	**75**	52		
Marketing	**162**	154		
Professional fees	**142**	106		
Other operating costs	**2,406**	1,817	**5**	6
Commissions paid	**1,565**	1,394		
	11,529	9,128	**5**	6

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

	GROUP		COMPANY	
	2020	2019	**2020**	2019
	Rm	Rm	**%**	%
35. FINANCE COSTS				
Bank overdrafts	**111**	112		
Redeemable preference shares	**206**	193		
Secured loans	**345**	263		
Unsecured loans	**56**	89		
Derivative financial instruments	**23**	19		
Lease liabilities (refer note 3.2)	**148**			
	889	676		
36. TAXATION				
South African current taxation	**539**	514		
Current year	**527**	511		
Prior year	**12**	3		
South African deferred taxation	**(147)**	(99)		
Foreign current taxation	**146**	183		
Current year	**146**	194		
Prior year		(11)		
Foreign deferred taxation	**(17)**	(124)		
Dividend withholding taxation - current year	**4**	2		
Total taxation	**525**	476		
Reconciliation of effective rate of taxation (%)				
South African normal taxation rate	**28.0**	28.0	**28.0**	28.0
Adjusted for:				
Non-taxable income	**(9.2)**	(3.0)	**(28.0)**	(28.0)
Capital gains tax rate differential	**(1.1)**	(0.5)		
Non-deductible charges and deferred tax assets not recognised in respect of assessed losses	**14.4**	18.0		
Share of profits of associates and joint ventures	**(17.8)**	(19.4)		
Foreign tax rate differential	**(1.1)**	(6.4)		
Prior year adjustments	**0.2**	0.1		
Dividend withholding taxation - current year	**0.1**	0.1		
Effective rate of taxation	**13.5**	16.9	**-**	-

Non-taxable income relates mainly to dividend income and a reversal of impairment of associate in the current year (refer note 5.1), while non-deductible charges relate mainly to impairment charges, share-based payment costs and preference share funding costs (i.e. preference dividends). The foreign tax rate differential relates mainly to earnings generated by subsidiaries of Zeder across various tax jurisdictions.

	GROUP 2020 Rm	GROUP 2019 Rm
37. EARNINGS PER SHARE		
The calculations of earnings per share are based on the following:		
Profit attributable to owners of the parent	**2,462**	1,926
Continuing operations	**2,112**	2,051
Discontinued operation	**350**	(125)
Non-headline earnings (net of non-controlling interests and related tax effect):		
Continuing operations		
Net profit on sale/dilution of interest in associates	**(49)**	(15)
Gross amount	**(130)**	(6)
Non-controlling interests		(9)
Tax effect	**81**	
Profit on sale/deconsolidation of subsidiaries	**(25)**	(8)
Gross amount	**(58)**	(8)
Non-controlling interests	**33**	
Loss on impairment of associates	**142**	58
Gross amount	**323**	59
Non-controlling interests	**(181)**	(1)
Net loss on sale/impairment of intangible assets (including goodwill)	**227**	57
Gross amount	**294**	120
Non-controlling interests	**(65)**	(60)
Tax effect	**(2)**	(3)
Net loss/(profit) on sale/impairment of property, plant and equipment	**77**	-
Gross amount	**209**	(1)
Non-controlling interests	**(102)**	(1)
Tax effect	**(30)**	2
Loss on impairment of biological assets	**1**	-
Gross amount	**2**	
Non-controlling interests	**(1)**	
Non-headline items of associates and joint ventures	**(69)**	(65)
Gross amount	**(75)**	(64)
Non-controlling interests	**6**	(1)
Fair value gain on step-up from associate and joint venture to subsidiary	**(2)**	(2)
Gross amount	**(4)**	(2)
Non-controlling interests	**2**	
Bargain purchase gain	**-**	(14)
Gross amount		(25)
Non-controlling interests		11
Impairment of assets held for sale	**45**	-
Gross amount	**46**	
Non-controlling interests	**(1)**	
Subtotal carried forward	**2,809**	1,937

	GROUP 2020 Rm	GROUP 2019 Rm
37. EARNINGS PER SHARE (continued)		
Subtotal carried over	**2,809**	1,937
Discontinued operation		
(Reversal of)/loss on impairment of associate	**(272)**	272
Gross amount	**(617)**	617
Non-controlling interests	**345**	(345)
Loss/(profit) on dilution of interest in associate	**38**	(6)
Gross amount	**86**	(14)
Non-controlling interests	**(48)**	8
Non-headline items of associate	**8**	(9)
Gross amount	**19**	(17)
Non-controlling interests	**(11)**	8
Headline earnings	**2,583**	2,194
Continuing operations	**2,459**	2,062
Discontinued operation	**124**	132

The non-headline items of associates and joint ventures in the current and prior year related mainly to fair value gains recognised on investment property.

	GROUP 2020 '000	GROUP 2019 '000
The weighted average number of shares and diluted weighted average number of shares were calculated as follows:		
Number of shares at beginning of the year	**218,099**	215,941
Weighted number of shares issued during the year	**46**	308
Weighted movement in treasury shares	**(14)**	779
Weighted number of shares at end of the year	**218,131**	217,028
Number of bonus element shares to be issued in terms of share-based payment arrangements	**111**	656
Diluted weighted number of shares at end of the year	**218,242**	217,684
Basic		
Earnings attributable to ordinary shareholders (Rm)	**2,462**	1,926
Continuing operations	**2,112**	2,051
Discontinued operation	**350**	(125)
Headline earnings (Rm)	**2,583**	2,194
Continuing operations	**2,459**	2,062
Discontinued operation	**124**	132
Weighted average number of ordinary shares in issue	**218,131**	217,028
Attributable earnings per share (R)	**11.29**	8.88
Continuing operations	**9.69**	9.45
Discontinued operation	**1.60**	(0.57)
Headline earnings per share (R)	**11.84**	10.11
Continuing operations	**11.27**	9.50
Discontinued operation	**0.57**	0.61

Diluted

Diluted earnings and diluted headline earnings per share are calculated using earnings and headline earnings adjusted for the effect of all dilutive potential ordinary shares throughout the group, as well as by adjusting the weighted average number of ordinary shares in issue to assume conversion of all dilutive potential ordinary shares at a group level (arising from the share-based payment arrangements set out in notes 18 and 41). A calculation is performed to determine the number of shares that could have been transacted at fair value (determined using the annual volume weighted average JSE-listed share price of the company's shares) based on the monetary value of the share options granted to participants.

	GROUP		COMPANY	
	2020	2019	**2020**	2019
	Rm	Rm	**Rm**	Rm
37. EARNINGS PER SHARE (continued)				
Diluted (continued)				
Diluted earnings attributable to ordinary shareholders	**2,458**	1,907		
Continuing operations	**2,108**	2,039		
Discontinued operation	**350**	(132)		
Diluted headline earnings	**2,578**	2,175		
Continuing operations	**2,454**	2,050		
Discontinued operation	**124**	125		
Diluted weighted average number of ordinary shares in issue ('000)	**218,242**	217,684		
Diluted attributable earnings per share (R)	**11.26**	8.76		
Continuing operations	**9.66**	9.36		
Discontinued operation	**1.60**	(0.60)		
Diluted headline earnings per share (R)	**11.81**	9.99		
Continuing operations	**11.24**	9.42		
Discontinued operation	**0.57**	0.57		
38. DIVIDEND PER SHARE				
Normal dividends	**1,021**	929	**1,087**	994
Interim: R1.64 (2019: R1.52) per share				
Final: R0.75 (2019: R3.04) per share				
Dividends are not accounted for until they have been declared by the company's board.				
39. FUTURE LEASE PAYMENTS AND CAPITAL COMMITMENTS AND OTHER CONTINGENT LIABILITIES				
Lease payments				
Lease payments - land and buildings				
Due within one year	**365**	260		
Due within one to five years	**1,234**	1,076		
Due after more than five years*	**37,864**	595		
	39,463	1,931		
Lease payments - vehicles, office equipment and other				
Due within one year	**45**	30		
Due within one to five years	**63**	48		
Due after more than five years	**2**	1		
	110	79		
Total	**39,573**	2,010		

** Future lease payments reported as at 28 February 2019 included only those which were contractually required to be paid (i.e. excluding renewal options), while those reported as at 29 February 2020 also included payments expected to be made in respect of renewal periods for which the excercise of such renewal periods is reasonably certain. Please refer to note 45 for more detail in this regard.*

	GROUP	
	2020	2019
	Rm	Rm
39. FUTURE LEASE PAYMENTS AND CAPITAL COMMITMENTS AND OTHER CONTINGENT LIABILITIES (continued)		
Capital commitments		
Authorised but not yet contracted		
Property, plant and equipment	**1,086**	2,153
Intangible assets	**101**	82
Biological assets	**43**	22
	1,230	2,257
Contracted		
Property, plant and equipment	**459**	810
Intangible assets	**16**	22
	475	832

Other contingent liabilities

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

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

40. BORROWING POWERS

In terms of the company's memorandum of incorporation, borrowing powers are unlimited. Details of actual borrowings are disclosed in note 23.

The group's short and long-term undrawn borrowing facilities at the reporting date amounted to approximately R0.8bn (2019: R1.5bn) and approximately R1.5bn (2019: R1.6bn), respectively.

41. RELATED-PARTY TRANSACTIONS AND BALANCES

Group

PSG Group and its subsidiaries enter into various financial services transactions with members of the group. These transactions include a range of management, investment, administrative, advisory and corporate services in the normal course of business. Intergroup transactions between PSG Group and subsidiaries (including transactions between subsidiaries) have been eliminated on consolidation. Below is a summary of the most significant related-party transactions and balances. For further information regarding related-party transactions between PSG Konsult and mutual funds managed by itself, please refer to note 33 of PSG Konsult's 2020 annual financial statements available at www.psg.co.za.

Directors and prescribed officers

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

	GROUP	
	2020	2019
	Rm	Rm
Outstanding loans advanced in terms of the PSG Group Ltd Supplementary Share Incentive Trust (refer note 18) to directors in order to exercise share options *	**17**	16
WL Greeff	**4**	4
JA Holtzhausen	**13**	12
Investment in preference shares of a party related to a director of PSG Group **	**28**	65
	45	81

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

41. RELATED-PARTY TRANSACTIONS AND BALANCES (continued)

Directors and prescribed officers (continued)

*** This balance relates to an investment in preference shares issued by a related party of Mr FJ Gouws, a non-executive director of the company. The transaction was accounted for as a straightforward funding arrangement, with the carrying value of R28m (2019: R65m) included under loans and advances per the consolidated statement of financial position. The preference share funding carries a fixed dividend rate of 8.44% (2019: 8.44%) and PSG Konsult ordinary shares with a market value of R245m (2019: R376m) as at 29 February 2020 serve as security. Upon redemption of the preference share funding, should the market value of the security be less than the redemption amount, the counterparty has an option to put aforementioned security to the group at an amount equal to the redemption value. However, the exercise of such a put option by the counterparty seems extremely unlikely given that the security value exceeded the associated debt by R217m (2019: R311m), which also represented a security cover ratio of 8.8 times (2019: 5.8 times). Accordingly, the market value of the PSG Konsult ordinary shares serving as security would have to decline by approximately 89% (2019: 83%) before it would become advantageous for the counterparty to exercise the put option. The repayment date of the remaining outstanding capital and accrued preference share dividends was extended during the year from April 2020 to April 2023; however, since the reporting date, a further R25m was collected by the group on account of this preference share investment. In light of, inter alia, the extent of aforementioned security, the put option carries an insignificant fair value, which has not been accounted for.*

During the 2013 financial year, loans totalling R118m were advanced to related parties of four directors of PSG Group, being Messrs WL Greeff, JA Holtzhausen, PJ Mouton and JF Mouton, in order to each acquire 500,000 JSE-listed PSG Group ordinary shares ("the PSG Group Shares"). The PSG Group Shares served as security for the loans receivable, which carried interest at prime less 1% and were repayable during the 2020 financial year. However, during the 2018 and 2019 financial years, the related parties of aforementioned directors early-settled their respective loans in full. In terms of accounting standards, the loans receivable were eliminated on consolidation and the PSG Group Shares accounted for as treasury shares. The arrangement was accounted for in terms of IFRS 2 Share-based Payments, with the resultant charge to the group's profit or loss for the prior year amounting to R1m. The charge was calculated using a Black-Scholes valuation model with inputs similar to those previously disclosed for the tranche of share options issued on 28 February 2013.

Investment in debt securities of an associate

Mutual funds being consolidated by the group is invested in Capitec debt securities of approximately R105m (2019: R144m).

Company

Related-party transactions consist of dividends received from the company's sole subsidiary (refer note 30), while related-party balances consist of loans to/from its direct and indirect wholly-owned subsidiaries (refer note 4.2).

	GROUP 2020 Rm	GROUP 2019 Rm	COMPANY 2020 Rm	COMPANY 2019 Rm
42. NOTES TO THE STATEMENTS OF CASH FLOWS				
42.1 Cash generated from/(utilised by) operations				
Profit before taxation *	**3,088**	3,102	**1,196**	1,195
Adjusted for:				
Share of profits of associates and joint ventures *	**(2,307)**	(2,042)		
Depreciation and amortisation	**836**	582		
Changes in fair value of biological assets	**(225)**	(194)		
Net profit on sale/dilution of interest in associates *	**(130)**	(6)		
Interest income	**(1,720)**	(1,790)	**(1)**	(1)
Dividend income	**(671)**	(512)	**(1,200)**	(1,200)
Finance costs	**889**	676		
Fair value gains and losses	**1,973**	1,923		
Share-based payment costs	**128**	112		
Other non-cash items (mainly impairment charges as detailed in the income statement and note 34) *	**983**	154		
	2,844	2,005	**(5)**	(6)
Change in working capital	**(198)**	(116)		
Change in insurance contracts	**12**	(1)		
Change in other financial instruments	**(2,181)**	(1,856)		
Additions to biological assets	**(215)**	(169)		
	262	(137)	**(5)**	(6)

** Re-presented for the discontinued operation detailed in note 26.*

	GROUP 2020 Rm	GROUP 2019 Rm
42.2 Taxation paid		
Charged to profit or loss	**(525)**	(476)
Movement in deferred taxation	**(164)**	(223)
Movement in net taxation asset	**199**	6
	(490)	(693)

42.3 Businesses/subsidiaries acquired

2020 acquisitions

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:

GROUP - 2020	GAP Rm	Farm-Ag Rm	Other Rm	Total Rm
Recognised amounts of identifiable assets acquired and liabilities assumed				
Property, plant and equipment	**46**	**67**	**24**	**137**
Intangible assets	**101**		**6**	**107**
Right-of-use assets	**6**			**6**
Investment in ordinary shares of associates	**4**			**4**
Investment in preference shares of/loans granted to associates	**1**			**1**
Investment in ordinary shares of joint ventures		**2**		**2**
Deferred income tax assets	**9**	**1**		**10**
Trade and other receivables	**353**	**205**	**5**	**563**
Inventory	**273**	**38**		**311**
Current income tax assets	**6**			**6**
Cash and cash equivalents	**4**	**55**	**5**	**64**
Deferred income tax liabilities	**(25)**	**(10)**	**(7)**	**(42)**
Borrowings	**(294)**	**(12)**		**(306)**
Lease liabilities	**(11)**			**(11)**
Trade and other payables	**(351)**	**(221)**	**(11)**	**(583)**
Current income tax liabilities		**(4)**		**(4)**
Total identifiable net assets	**122**	**121**	**22**	**265**
Non-controlling interests		**(66)**		**(66)**
Derecognition of existing investment in associate/joint venture at fair value	**(101)**	**(35)**	**(4)**	**(140)**
Goodwill	**89**	**11**	**54**	**154**
Total consideration	**110**	**31**	**72**	**213**

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

42.3 Businesses/subsidiaries acquired (continued)

2020 acquisitions (continued)

GROUP - 2020	GAP Rm	Farm-Ag Rm	Other Rm	Total Rm
Cash consideration paid	75	15	63	153
Deferred consideration	35	16	5	56
Contingent consideration			4	4
Total consideration	110	31	72	213
Cash consideration paid	(75)	(15)	(63)	(153)
Cash and cash equivalents acquired (incl. bank overdrafts included in "borrowings")	(142)	55	5	(82)
	(217)	40	(58)	(235)

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

The aforementioned business combinations' accounting have been finalised and do not contain any 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 consolidated income statement would have reflected additional revenue and profit for the year of approximately R698m and Rnil, respectively.

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

2019 acquisitions

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

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

MBS Education Investments (Pty) Ltd and Milpark Education (Pty) Ltd ("Milpark")

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

Interactive Tutor (Pty) Ltd ("Media Works")

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

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

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

Baobab Primary School operations and properties ("Baobab")

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

Sagewood School operations and properties ("Sagewood")

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

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

42.3 Businesses/subsidiaries acquired (continued)

2019 acquisitions (continued)

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

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

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

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

42.3 Businesses/subsidiaries acquired (continued)

2019 acquisitions (continued)

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

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

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

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

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

42.4.1 First-time consolidation of mutual fund

2020

No mutual fund was consolidated for the first time during the year.

2019

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

42.4.2 Deconsolidation of mutual funds

2020

No mutual fund was deconsolidated during the year.

2019

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

42.5 Subsidiaries sold/deconsolidated

2020

Aggrigate Investments (Pty) Ltd ("Aggrigate")

During August 2019, the group, through Capespan, being a subsidiary of Zeder, disposed of the entire shareholding in Aggregate, a Northern Cape grape farming subsidiary, for proceeds of R36m.

Dormell Properties 485 (Pty) Ltd ("Dormell")

During September 2019, the group, through Capespan, being a subsidiary of Zeder, disposed of the entire shareholding in Dormell, a Northern Cape grape farming subsidiary, for proceeds of R17m.

The amounts of identifiable net assets of the subsidiaries sold can be summarised as follows:

GROUP - 2020	Aggrigate Rm	Dormell Rm	Other Rm	Total Rm
Recognised amounts of identifiable assets and liabilities derecognised				
Property, plant and equipment	**(14)**	**(6)**		**(20)**
Intangible assets			**(2)**	**(2)**
Equity securities	**(1)**			**(1)**
Biological assets	**(18)**	**(11)**		**(29)**
Loans and advances			**(1)**	**(1)**
Trade and other receivables	**(1)**		**(2)**	**(3)**
Inventory	**(1)**		**(33)**	**(34)**
Cash and cash equivalents			**(1)**	**(1)**
Deferred income tax liabilities/(assets)	**1**		**(2)**	**(1)**
Borrowings			**93**	**93**
Identifiable net assets derecognised	**(34)**	**(17)**	**52**	**1**
Non-controlling interests derecognised			**2**	**2**
Profit on disposal of subsidiaries	**(2)**		**(56)**	**(58)**
Cash consideration received	**(36)**	**(17)**	**(2)**	**(55)**
Cash consideration received	**36**	**17**	**2**	**55**
Cash and cash equivalents derecognised			**(1)**	**(1)**
Cash flow from businesses sold	**36**	**17**	**1**	**54**

2019

Provest Group (Pty) Ltd ("Provest")

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

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

42.5 Subsidiaries sold/deconsolidated (continued)

2019 (continued)

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

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

	GROUP 2020 Rm	GROUP 2019 Rm
42.6 Cash and equivalents at end of the year for purposes of the statement of cash flows		
Cash and cash equivalents (note 17)	**1,977**	1,832
Bank overdrafts (note 23)	**(1,382)**	(1,127)
	595	705

43. TRANSACTIONS WITH NON-CONTROLLING INTERESTS

The impact on equity attributable to owners of the parent resulting from transactions with non-controlling interests, as disclosed in the statement of changes in equity, related mainly to losses made following the issue of shares to participants of various share incentive schemes set out in note 18, as well as Stadio increasing its interest in Southern Business School (Pty) Ltd from 74% to 100% during the past year.

44. EVENTS SUBSEQUENT TO THE REPORTING DATE

Except for i) the declaration of PSG Group's final dividend for the year ended 29 February 2020 (refer note 38), ii) the disposal of Zeder's interest in Pioneer Foods (refer note 26), iii) the potential Capitec unbundling (refer below), iv) the COVID-19 pandemic (refer below), and v) the redemption of preference share borrowings (refer note 23), no material event has occurred between the reporting date and the date of approval of these annual financial statements.

Potential Capitec unbundling

During April 2020, PSG Group announced that its board of directors was in process of investigating the potential unbundling of some or all of its shareholding in Capitec, subject to certain conditions being fulfilled. On 27 May 2020, PSG Group announced that it intended to unbundle approximately 28.11% of its shareholding in Capitec at a ratio of 14 Capitec shares for every 100 PSG Group shares held, with such unbundling remaining subject to certain conditions precedent. The implementation date of such unbundling is anticipated to be on or about the end of August 2020.

COVID-19 pandemic

Subsequent to PSG Group'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. In line with these regulations and for the wellbeing of our staff, PSG Group's head office employees have been working remotely since implementation.

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 likely be dire and correlated to the duration of the lockdown.

It is in times like these when increased liquidity and conservative gearing are of paramount importance to help keep businesses afloat when profitability and cashflow generation come under pressure. Being an investment holding company with a long-term focus, PSG Group has always had a conservative gearing policy. At year-end, it had R1bn in debt comprising redeemable prefs repayable over the next three years (with none of its investees' debt having recourse to PSG Group). In addition, PSG Group has JSE-listed perpetual (i.e. non-redeemable) prefs in issue with a market value of approximately R1.1bn at present. Following receipt of the Zeder special dividend (refer note 26), PSG Group is in a healthy liquidity position with approximately R2bn surplus cash (or R1bn net of the redeemable pref debt).

Although most of PSG Group's investments are either i) essential services/foods businesses (Capitec – banking, PSG Konsult – financial services, Zeder – food & agri) that have been allowed to keep trading during the lockdown or ii) able to continue remotely with some of its operations (Curro – basic education continued through online platforms), the reality is that they are all dependent on the degree of economic activity as dictated by consumer liquidity. Considering the significant decline in trading activity with the consumer constrained, the profitability of PSG Group's investees will likely be adversely impacted. However, our businesses are adequately capitalised with acceptable levels of gearing to weather the storm.

All of PSG Group's investees have assessed the immediate impact of COVID-19 on their respective businesses and put contingency and remedial plans in place where possible.

In the meantime, PSG Group and its investees are doing its best to minimise the financial impact of COVID-19 on its clients and employees.

45. ADOPTION OF IFRS 16 *LEASES*

Background

IFRS 16 *Leases,* 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.

Impacts on the financial statements on transition

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. IFRS 16 allows on a lease-by-lease basis for the right-of-use asset to be measured on adoption at either an amount i) equal to the lease liability adjusted by the amount of any prepaid or accrued lease payments relating to that lease as at 28 February 2019, or ii) as if IFRS 16 had always been applied but discounted using the incremental borrowing rate at 1 March 2019. 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 (refer note 3.1)	**987**
Lease liabilities (refer note 3.2)	**(1,283)**
Deferred income tax assets/liabilities (refer note 9)	**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 (refer note 39)	**2,010**
<u>Add</u> : adjustments as a result of different treatment of extension and termination options *	**40,955**
Operating lease commitments as at 1 March 2019	**42,965**
<u>Less</u> : short-term lease commitments	**(18)**
<u>Less</u> : low-value lease commitments	**(38)**
	42,909
<u>Less</u> : discounting effect using the incremental borrowing rate **	**(41,626)**
Lease liabilities recognised as at 1 March 2019	**1,283**

* *Curro leases certain school premises. Rental agreements are typically concluded for an initial fixed period of 5 to 20 years with extension options. Future lease payments reported as at 28 February 2019 included only those payments which Curro are contractually obliged to make in terms of rental agreements. However, IFRS 16 requires, for purposes of determining both the lease term and lease payments, management to consider all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. In this regard, two of Curro's leased school premises contain extension options for various periods up to a maximum lease term of 93 years and management deemed it reasonably certain, given the impracticality of relocating a school, that these extension options would in due course be exercised. Accordingly, such lease payments (although Curro is not contractually obliged thereto at present) have been included in determining the lease payments for purposes of the adoption of IFRS 16. Such lease payments (including in-substance fixed rate annual escalations) contributes significantly to the lease payments set out above and accordingly also the material discounting impact.*

** *The group's weighted average incremental borrowing rate applied to lease liabilities as at 1 March 2019 ranged between 10.2% and 11.8%.*

As a result of the application of IFRS 16, the group's income statement reflected the recognition of depreciation of R222m (refer note 34), finance costs of R148m (refer note 35) and lease expenses of R97m (in respect of low-value items and short-term leases, refer note 34), as opposed to lease expenses of R367m (refer note 34) in the prior year.

Practical expedients applied on transition

The group applied the following practical expedients on transition which are permitted under IFRS 16:

- Applied the exemption not to recognise right-of-use assets and liabilities for leases with a remaining lease term of less than 12 months;
- Accounted for all low-value assets on a straight-line basis over the lease term;
- Relied on previous assessments on whether leases are onerous as an alternative to performing an impairment review;
- Used a single discount rate for a portfolio of leases with reasonably similar characteristics;
- Excluded initial direct costs for the measurement of the right-of-use asset at the date of initial application;
- Applied the practical expedient to apply IFRS 16 only to contracts that were previously identified as leases. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 March 2019; and
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

46. FINANCIAL RISK MANAGEMENT

Financial risk factors

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

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

The largest portion of financial assets and liabilities emanate from the client-related balances set out on page 24.

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

	GROUP		COMPANY	
	2020	2019	**2020**	2019
	Rm	Rm	**Rm**	Rm
CLASSES OF FINANCIAL AND INSURANCE ASSETS				
Loans to subsidiaries			**7,109**	5,900
Investment in preference shares of/loans granted to associates	**42**	178		
Loans granted to joint ventures	**35**	5		
Unlisted but quoted unit-linked investments - own balances	**656**	756		
Unlisted but quoted unit-linked investments - consolidated mutual funds	**25,542**	22,356		
Unlisted but quoted unit-linked investments - investments linked to investment contracts	**23,907**	22,928		
Total unlisted but quoted unit-linked investments	**50,105**	46,040		
Unquoted unit-linked investments - own balances	**26**	20		
Unquoted unit-linked investments - investments linked to investment contracts	**273**	435		
Total unquoted unit-linked investments	**299**	455		
Total unit-linked investments	**50,404**	46,495		
Listed equity securities - own balances	**372**	485		
Listed equity securities - consolidated mutual funds	**112**	160		
Listed equity securities - investments linked to investment contracts	**2,088**	2,177		
Total listed equity securities	**2,572**	2,822		
Unlisted but quoted equity securities - own balances	**2**	2		
Unquoted equity securities - own balances	**37**	172		
Unquoted equity securities - investments linked to investment contracts	**9**			
Total unquoted equity securities	**46**	172		
Total equity securities	**2,620**	2,996		

	GROUP 2020 Rm	GROUP 2019 Rm	COMPANY 2020 Rm	COMPANY 2019 Rm
46. FINANCIAL RISK MANAGEMENT (continued)				
Financial risk factors (continued)				
CLASSES OF FINANCIAL AND INSURANCE ASSETS (continued)				
Listed debt securities - consolidated mutual funds	**867**	876		
Unlisted but quoted debt securities - own balances	**1,847**	1,864		
Unlisted but quoted debt securities - consolidated mutual funds	**3,127**	3,146		
Unlisted but quoted debt securities - investments linked to investment contracts	**371**	310		
Total unlisted but quoted debt securities	**5,345**	5,320		
Unquoted debt securities - own balances		9		
Unquoted debt securities - investments linked to investment contracts		58		
Total unquoted debt securities	**-**	67		
Total debt securities	**6,212**	6,263		
Investment in investment contracts	**16**	16		
Secured loans	**276**	325		
Unsecured loans	**54**	118		
Total loans and advances	**330**	443		
Trade receivables	**3,564**	2,600		
Broker and clearing houses	**1,626**	1,278		
Contract assets from contracts with customers	**50**	32		
Sundry receivables	**307**	366		
Total trade and other receivables	**5,547**	4,276		
Derivative financial assets	**24**	33		
Reinsurance assets	**134**	109		
Cash and cash equivalents	**1,977**	1,832		
Assets held for sale	**7**			
Total financial and insurance assets	**67,348**	62,646	**7,109**	5,900
CLASSES OF FINANCIAL AND INSURANCE LIABILITIES				
Insurance contracts	**554**	543		
Third-party liabilities arising on consolidation of mutual funds	**29,999**	26,715		
Investment contract liabilities	**26,694**	25,932		
Bank overdrafts	**1,382**	1,127		
Redeemable preference shares	**2,555**	2,519		
Unsecured loans	**364**	361		
Secured loans	**4,793**	3,770		
Total borrowings	**9,094**	7,777		
Lease liabilities	**1,453**			
Loan from subsidiary			**1,476**	391
Fixed-for-variable interest rate swaps	**63**	38		
Exchange traded derivatives	**31**	15		
Written put options to non-controlling interests	**23**	25		
Total derivative financial liabilities	**117**	78		
Trade payables and accruals	**4,493**	3,651	**6**	5
Margin accounts	**28**	21		
Subsidiary/associated company purchase consideration payable	**180**	176		
Total trade and other payables	**4,701**	3,848	**6**	5
Reinsurance liabilities	**7**	5		
Liabilities held for sale	**12**			
Total financial and insurance liabilities	**72,631**	64,898	**1,482**	396

46. FINANCIAL RISK MANAGEMENT (continued)

Financial risk factors (continued)

GROUP	Fair value through profit or loss Rm	Measured at amortised cost [1] Rm	Insurance assets Rm	Total Rm
FINANCIAL AND INSURANCE ASSETS BY CATEGORY				
29 February 2020				
Investment in preference shares of/loans granted to associates		**42**		**42**
Loans granted to joint ventures		**35**		**35**
Unit-linked investments	**50,404**			**50,404**
Equity securities	**2,620**			**2,620**
Debt securities	**6,212**			**6,212**
Investment in investment contracts	**16**			**16**
Loans and advances		**330**		**330**
Trade and other receivables		**5,435**	**112**	**5,547**
Derivative financial assets	**24**			**24**
Reinsurance assets			**134**	**134**
Cash and cash equivalents		**1,977**		**1,977**
Assets held for sale	**7**			**7**
	59,283	**7,819**	**246**	**67,348**
28 February 2019				
Investment in preference shares of/loans granted to associates		178		178
Loans granted to joint ventures		5		5
Unit-linked investments	46,495			46,495
Equity securities	2,996			2,996
Debt securities	6,196	67		6,263
Investment in investment contracts	16			16
Loans and advances		443		443
Trade and other receivables		4,165	111	4,276
Derivative financial assets	33			33
Reinsurance assets			109	109
Cash and cash equivalents		1,832		1,832
	55,736	6,690	220	62,646

[1] Carrying value approximates fair value.

GROUP	Fair value through profit or loss Rm	Measured at amortised cost [1] Rm	Insurance liabilities Rm	Total Rm
FINANCIAL AND INSURANCE LIABILITIES BY CATEGORY				
29 February 2020				
Insurance contracts			**554**	**554**
Third-party liabilities arising on consolidation of mutual funds	**29,999**			**29,999**
Investment contract liabilities	**26,694**			**26,694**
Borrowings		**9,094**		**9,094**
Derivative financial liabilities	**117**			**117**
Trade and other payables	**108**	**4,526**	**67**	**4,701**
Reinsurance liabilities			**7**	**7**
	56,918	**13,620**	**628**	**71,166**
28 February 2019				
Insurance contracts			543	543
Third-party liabilities arising on consolidation of mutual funds	26,715			26,715
Investment contract liabilities	25,874	58		25,932
Borrowings		7,777		7,777
Derivative financial liabilities	78			78
Trade and other payables	159	3,596	93	3,848
Reinsurance liabilities			5	5
	52,826	11,431	641	64,898

[1] Carrying value approximates fair value.

46. FINANCIAL RISK MANAGEMENT (continued)

Financial risk factors (continued)

COMPANY	2020 Rm	2019 Rm
FINANCIAL ASSETS BY CATEGORY		
Measured at amortised cost		
Loans to subsidiaries	**7,109**	5,900
FINANCIAL LIABILITIES BY CATEGORY		
Measured at amortised cost		
Loan from subsidiary	**1,476**	391
Trade and other payables	**6**	5
	1,482	396

Market risk

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

Price risk

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

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

	Consolidated mutual funds		**Investments linked to investment contracts**		**Own balances**		**Total**	
Sector composition of unit-linked investments	**2020 Rm**	2019 Rm	**2020 Rm**	2019 Rm	**2020 Rm**	2019 Rm	**2020 Rm**	2019 Rm
Equity funds	**9,977**	8,109	**6,146**	5,189	**9**	7	**16,132**	13,305
Multi-asset funds	**13,899**	13,347	**15,394**	15,691	**530**	633	**29,823**	29,671
Interest-bearing investments	**1,666**	900	**2,326**	1,821	**111**	110	**4,103**	2,831
Other			**314**	662	**32**	26	**346**	688
	25,542	22,356	**24,180**	23,363	**682**	776	**50,404**	46,495

The table below summarises the sensitivity of the group's post-tax net profit for the year as a result of the potential movement in unit-linked investments' fair value. The analysis is based on the assumption that marked-to-market prices increase/decrease by 20% (2019: 20%) at the reporting date, with all other variables (e.g. effective tax rate) held constant.

GROUP	**2020 20% increase Rm**	2019 20% increase Rm	**2020 20% decrease Rm**	2019 20% decrease Rm
Impact on post-tax profit	**27**	30	**(27)**	(30)

	Consolidated mutual funds		**Investments linked to investment contracts**		**Own balances**		**Total**	
Sector composition of equity securities	**2020 Rm**	2019 Rm	**2020 Rm**	2019 Rm	**2020 Rm**	2019 Rm	**2020 Rm**	2019 Rm
Banks, insurance and financial services	**47**	78	**748**	772	**12**	6	**807**	856
Healthcare			**88**	96	**1**	1	**89**	97
Industrial, retail, food & beverage and other sectors	**44**	50	**479**	568	**386**	648	**909**	1,266
Property and construction	**14**	20	**343**	259	**6**	1	**363**	280
Resources, chemicals and oil & gas	**7**	11	**133**	205	**3**	1	**143**	217
Technology, media and telecommunications		1	**306**	277	**3**	2	**309**	280
	112	160	**2,097**	2,177	**411**	659	**2,620**	2,996

The table below summarises the sensitivity of the group's post-tax net profit for the year as a result of the potential movement in equity securities' fair value. The analysis is based on the assumption that marked-to-market prices increase/decrease by 20% (2019: 20%) at the reporting date, with all other variables (e.g. effective tax rate) held constant.

GROUP	**2020 20% increase Rm**	2019 20% increase Rm	**2020 20% decrease Rm**	2019 20% decrease Rm
Impact on post-tax profit	**64**	103	**(64)**	(103)

	Consolidated mutual funds		**Investments linked to investment contracts**		**Own balances**		**Total**	
Sector composition of debt securities	**2020 Rm**	2019 Rm	**2020 Rm**	2019 Rm	**2020 Rm**	2019 Rm	**2020 Rm**	2019 Rm
Banks	**2,923**	3,169	**273**	339	**1,783**	1,446	**4,979**	4,954
Government	**924**	760	**6**		**28**	400	**958**	1,160
Other	**147**	93	**92**	29	**36**	27	**275**	149
	3,994	4,022	**371**	368	**1,847**	1,873	**6,212**	6,263

46. FINANCIAL RISK MANAGEMENT (continued)

Financial risk factors (continued)

Market risk (continued)

Foreign currency risk

The group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Management monitors this exposure and cover is used where appropriate. The group's foreign exchange exposure relates mainly to i) PSG Konsult's access to global markets through foreign-domiciled funds (although mainly client-related balances and largely linked to policyholder and consolidated collective investment scheme investments), ii) CA Sales with operations in various countries in southern Africa and iii) Zaad with operations in various countries in southern Africa, Europe and the Middle East.

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

GROUP	British pound sterling Rm	United States dollar Rm	Euro Rm	Subtotal Rm
At 29 February 2020				
Financial assets				
Unit-linked investments [1)]		8,812		8,812
Equity securities [1)]	35	647	98	780
Investment in investment contracts [1)]		3,636		3,636
Loans and advances	2	2		4
Trade and other receivables	13	434	64	511
Cash and cash equivalents	45	95	42	182
Financial liabilities				
Third-party liabilities arising on consolidation of mutual funds [1)]	(10)	(8,885)		(8,895)
Investment contract liabilities [1)]	(26)	(4,262)	(98)	(4,386)
Borrowings	(2)	(11)		(13)
Lease liabilities		(3)		(3)
Trade and other payables	(5)	(299)	(20)	(324)
	52	166	86	304

GROUP	Subtotal Rm	Botswana pula Rm	Mozambique new metical Rm	Other Rm	Total Rm
At 29 February 2020					
Financial assets					
Loans granted to joint ventures				12	12
Unit-linked investments [1)]	8,812				8,812
Equity securities [1)]	780			68	848
Investment in investment contracts [1)]	3,636				3,636
Loans and advances	4				4
Trade and other receivables	511	410	49	52	1,022
Reinsurance assets		16			16
Cash and cash equivalents	182	76	27	74	359
Financial liabilities					
Insurance contracts		(29)			(29)
Third-party liabilities arising on consolidation of mutual funds [1)]	(8,895)			(15)	(8,910)
Investment contract liabilities [1)]	(4,386)			(53)	(4,439)
Borrowings	(13)	(350)	(19)	(20)	(402)
Lease liabilities	(3)	(18)			(21)
Trade and other payables	(324)	(349)	(37)	(68)	(778)
	304	(244)	20	50	130

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

46. FINANCIAL RISK MANAGEMENT (continued)

Financial risk factors (continued)

Market risk (continued)

Foreign currency risk (continued)

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

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

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

46. FINANCIAL RISK MANAGEMENT (continued)

Financial risk factors (continued)

Market risk (continued)

Foreign currency risk (continued)

The table below shows the sensitivities to a 20% (2019: 20%) appreciation/depreciation in the South African rand exchange rate at year-end, with all other variables (e.g. effective tax rate) held constant.

GROUP	**2020 20% appreciation Rm**	2019 20% appreciation Rm	**2020 20% depreciation Rm**	2019 20% depreciation Rm
Translation of financial assets/liabilities from transaction to functional currency				
Impact on post-tax profit	**(19)**	(33)	**19**	33
United States dollar	**(4)**	(40)	**4**	40
Euro	**(4)**	1	**4**	(1)
Angolan kwanza	**(14)**		**14**	
Chinese yuan renminbi	**4**	5	**(4)**	(5)
Other	**(1)**	1	**1**	(1)
Translation from functional to presentation currency				
Impact on post-tax profit	**(77)**	(13)	**77**	13
British pound sterling	**(11)**	(11)	**11**	11
United States dollar	**(17)**	24	**17**	(24)
Euro	**(18)**	(9)	**18**	9
Botswana pula	**(29)**	(20)	**29**	20
Mozambique new metical	**6**	9	**(6)**	(9)
Other	**(8)**	(6)	**8**	6
Impact on post-tax other comprehensive income (i.e. translation of foreign operations)	**(208)**	(85)	**208**	85
British pound sterling	**9**	18	**(9)**	(18)
United States dollar	**(107)**	(37)	**107**	37
Euro	**(66)**	(28)	**66**	28
Botswana pula	**(64)**	(46)	**64**	46
Mozambique new metical	**18**	4	**(18)**	(4)
Zambian kwacha	**(1)**	(4)	**1**	4
Other	**3**	8	**(3)**	(8)

The company had no exposure to foreign currency risk.

The group has entered into forward currency exchange contracts, which relate to specific foreign commitments in respect of transactions. The details such outstanding contracts at the reporting date are as follows:

	2020			2019		
	Foreign amount m	**Average exchange rate**	**Rand value Rm**	Foreign amount m	Average exchange rate	Rand value Rm
Exports						
British pound sterling	**2**	**18.64**	**40**	1	18.29	11
United States dollar	**3**	**14.59**	**40**	2	14.37	34
Euro	**1**	**16.24**	**20**	1	16.44	10
			100			55
Imports						
United States dollar	**2**	**14.59**	**32**	2	14.34	23
Euro	**1**	**16.24**	**20**	1	16.33	11
			52			34

46. FINANCIAL RISK MANAGEMENT (continued)

Financial risk factors (continued)

Market risk (continued)

Cash flow and fair value interest rate risk (continued)

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

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

	GROUP	
	2020	2019
	Rm	Rm
Loans to and preference share investments in associates and joint ventures		
Floating rate	**11**	142
Fixed rate and non-interest bearing	**66**	41
	77	183
Unit-linked investments		
Floating rate	**112**	100
Fixed rate and non-interest bearing	**50,292**	46,395
	50,404	46,495
Debt securities		
Floating rate	**2,518**	1,759
Fixed rate and non-interest bearing	**3,694**	4,504
	6,212	6,263
Loans and advances		
Floating rate	**217**	266
Fixed rate and non-interest bearing	**113**	177
	330	443
Trade and other receivables		
Floating rate	**326**	218
Fixed rate and non-interest bearing	**5,221**	4,058
	5,547	4,276
Cash and cash equivalents		
Floating rate	**1,745**	1,499
Fixed rate and non-interest bearing	**232**	333
	1,977	1,832
Third-party liabilities arising on consolidation of mutual funds		
Floating rate	**(804)**	(472)
Fixed rate and non-interest bearing	**(29,195)**	(26,082)
	(29,999)	(26,554)
Investment contract liabilities		
Floating rate	**(31)**	(8)
Fixed rate and non-interest bearing	**(26,663)**	(23,731)
	(26,694)	(23,739)
Borrowings		
Floating rate	**(5,156)**	(4,428)
Fixed rate and non-interest bearing	**(3,938)**	(3,349)
	(9,094)	(7,777)
Trade and other payables		
Floating rate	**(52)**	(32)
Fixed rate and non-interest bearing	**(4,649)**	(3,816)
	(4,701)	(3,848)
	(3,717)	(2,426)

46. FINANCIAL RISK MANAGEMENT (continued)

Financial risk factors (continued)

Market risk (continued)

Cash flow and fair value interest rate risk (continued)

	GROUP	
	2020	2019
	Rm	Rm
Floating rate	**(1,114)**	(956)
Own balances	**(1,206)**	(1,057)
Client-related balances	**92**	101
Fixed rate and non-interest bearing	**(2,603)**	(1,470)
Own balances	**(2,528)**	(1,394)
Client-related balances	**(75)**	(76)
	(3,717)	(2,426)

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

• It swapped the floating interest rate for a fixed interest rate on R1.2bn (2019: R1.2bn) out of the R1.7bn (2019: R1.7bn) nominal exposure under the perpetual preference shares in issue:
- 75% (2019: 75%) of prime swapped for a fixed rate of 8.56% (2019: 8.56%) until 31 August 2020; and
- 83.33% (2019: 83.33%) of prime swapped for a fixed rate of 9.81% (2019: 9.81%) until 31 August 2026.

• The group's redeemable preference share borrowings (note 23) carry fixed dividend rates. In addition, the group has significant preference share investments in and loans to group companies, as well as cash balances, as shown in the above table, with coupons linked to floating prime interest rates, thus creating a natural interest rate hedge.

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

The table below summarises the sensitivity of the group's post-tax net profit for the year to interest rate fluctuations. The analysis is based on the assumption that interest rates were 1% (2019: 1%) higher/lower for the full year, with all other variables (e.g. effective tax rate, interest carrying balances) held constant. The sensitivity analysis includes the effect of the interest rate hedge:

	2020	2019	**2020**	2019
	1%	1%	**1%**	1%
	increase	increase	**decrease**	decrease
GROUP	**Rm**	Rm	**Rm**	Rm
Impact on post-tax profit				
Floating rate financial assets and liabilities	**(9)**	(4)	**9**	4

The company had no exposure to interest rate risk.

46. FINANCIAL RISK MANAGEMENT (continued)

Financial risk factors (continued)

Credit risk

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

	2020		2019	
GROUP	**Carrying value Rm**	**Collateral fair value Rm**	Carrying value Rm	Collateral fair value Rm
Investment in preference shares of/loans granted to associates	**42**		178	
Loans granted to joint ventures	**35**		5	
Unit-linked investments	**50,404**		46,495	
Debt securities	**6,212**		6,263	
Investment in investment contracts	**16**		16	
Loans and advances	**330**	**593**	443	866
Trade and other receivables	**5,547**	**320**	4,276	182
Derivative financial assets	**24**		33	
Reinsurance assets	**134**		109	9
Cash and cash equivalents	**1,977**		1,832	
	64,721	**913**	59,650	1,057
Own balances	**8,601**		7,913	
Client balances	**56,120**		51,737	

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

These instruments are impaired by reference to the net asset value of the debtor and/or discounted cash flow calculations. Impairments during the current or prior year in respect of investments in preference shares of/loans granted to associates are detailed in note 5.1.

Unit-linked investments

Client-related balances comprises 98.6% (2019: 98.3%) of these instruments and thus the relevant credit risk is carried by the respective policyholders and third-party mutual fund investors.

Debt securities

Client-related balances comprises 70.3% (2019: 70.1%) of these instruments and thus the relevant credit risk is carried by the respective policyholders and third-party mutual fund investors.

Investment in investment contracts

Client-related balances comprises 100% (2019: 100%) of these instruments and thus the relevant credit risk is carried by the policyholders of the linked investment contracts.

Loans and advances

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

Trade and other receivables

Expected loss allowances are recognised on trade and other receivables as detailed in note 13.

Derivative financial assets

Derivative counterparties are limited to high-credit-quality financial institutions, such as FirstRand Bank Ltd, Absa Bank Ltd, Standard Bank of South Africa Ltd and Nedbank Ltd.

Reinsurance assets

Collateral relates to reinsurers' reserve deposits.

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

	2020		2019	
	Rm	**%**	Rm	%
African RE	**62**	**49%**	51	49%
Santam RE	**59**	**46%**	51	49%
Other	**6**	**5%**	2	2%
	127	**100%**	104	100%
Deferred acquisition costs	**7**		5	
Reinsurance assets	**134**		109	
Amounts due from reinsurers (included in trade and other receivables)				
African RE	**11**	**38%**	16	47%
Santam RE	**11**	**38%**	16	47%
Other	**7**	**24%**	2	6%
	29	**100%**	34	100%

46. FINANCIAL RISK MANAGEMENT (continued)

Financial risk factors (continued)

Credit risk (continued)

Cash and cash equivalents

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

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

GROUP	Investment in preference shares of/ loans to associated companies Rm	Loans granted to joint ventures Rm	Unit-linked investments Rm	Debt securities Rm	Investment in investment contracts Rm	Loans and advances Rm	Subtotal Rm
Government stock				958			958
Aaa				22			22
Aa				2			2
Ba				41			41
P1				4,979			4,979
Unit-linked			50,404				50,404
Other rated				136			136
Other non-rated	42	35		74	16	330	497
	42	35	50,404	6,212	16	330	57,039

GROUP	Subtotal Rm	Trade and other receivables Rm	Derivative financial assets Rm	Reinsurance assets Rm	Cash and cash equivalents Rm	Total 2020 Rm	Total 2019 Rm
Government stock	958					958	1,160
Aaa	22				64	86	23
Aa	2	119			7	128	86
A					3	3	94
Baa		37	1		658	696	637
Ba	41				46	87	72
B					1	1	38
Caa							30
P1	4,979				1,030	6,009	5,632
Unit-linked	50,404					50,404	46,495
Other rated	136	54		123	7	320	403
Other non-rated	497	5,337	23	11	161	6,029	4,980
	57,039	5,547	24	134	1,977	64,721	59,650

The credit risk associated with approximately 91.3% (2019: 91.4%) of unit-linked and other non-rated financial assets are assessed by reference to the investment mandates of linked policyholder investments and consolidated mutual funds, which specifies what type of underlying investments can be purchased. The holders of these contracts bear the credit risk (as well as all other financial risks) arising from these assets.

Other non-rated assets consists mainly of secured and unsecured loans to external parties (refer note 12 for details of the security provided), trade and other receivables and cash and cash equivalents. All trade and other receivables are generally payable within 30 to 90 days. The various group companies assess all counterparties for creditworthiness before transacting, and monitor creditworthiness on a regular basis.

Trade and other receivables relate mainly to PSG Online broker and clearing accounts and CA Sales and Zaad's trade receivables. The counterparty to the PSG Online broker and clearing accounts is the JSE, with a corresponding control account balance included in trade and other payables (refer note 25).

46. FINANCIAL RISK MANAGEMENT (continued)

Financial risk factors (continued)

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, each entity aims to maintain flexibility in funding by keeping committed credit lines available. The group's undrawn borrowing facilities available at the end of the financial year is disclosed in note 40.

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

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

GROUP	Carrying value Rm	Less than 1 year Rm	Between 1 and 5 years Rm	Over 5 years Rm
At 29 February 2020				
Insurance contracts	**554**	**537**	**17**	
Third-party liabilities arising on consolidation of mutual funds *	**29,999**	**29,999**		
Investment contract liabilities **	**26,694**	**2,946**	**23,748**	
Borrowings	**9,094**	**3,344**	**6,480**	**888**
Lease liabilities	**1,453**	**384**	**1,283**	**37,865**
Derivative financial liabilities	**117**	**56**	**109**	**22**
Trade and other payables ***	**4,701**	**4,676**	**38**	
Reinsurance liabilities	**7**	**7**		
Liabilities held for sale	**12**	**5**	**9**	
	72,631	**41,954**	**31,684**	**38,775**
At 28 February 2019				
Insurance contracts	543	524	19	
Third-party liabilities arising on consolidation of mutual funds *	26,715	26,715		
Investment contract liabilities **	25,932	2,946	22,986	
Borrowings	7,777	1,705	6,528	591
Derivative financial liabilities	78	27	60	14
Trade and other payables ***	3,848	3,783	70	
Reinsurance liabilities	5	5		
	64,898	35,705	29,663	605

** Third-party liabilities arising on consolidation of mutual funds are supported by the respective mutual funds' underlying assets. These funds represent demand liabilities of collective investment scheme interests not held by the group arising as a result of consolidation. Maturity analysis is not possible as it is dependent on external unitholders' behaviour outside of the group's control.*

*** With regard to the linked investment policy business, the value of the investment contract liabilities is linked to the value of the underlying matching assets portfolio (refer note 22.2) and it is the group's policy to pay a policyholder only once the amount disinvested has been collected. Accordingly, the underlying assets' maturity profile should approximate that of the investment contracts. The investment contract liabilities listed in the table thus do not expose the group to liquidity risk. The investment policy and mandates take the expected liability cash flow into account. By limiting the cash flow mismatch the risk of premature realisation of assets or reinvestment of excess cash is mitigated. In addition, investment guidelines and limits are used to limit exposure to illiquid assets. With regard to the investment linked to guaranteed investment contracts, these products have very specific guaranteed repayment profiles. The expected liability outflow is matched by assets that provide the required cash flows as and when they become payable.*

**** Included in trade and other payables is the settlement accounts for trades done by clients in the last few days before year-end, with the settlement to the clients taking place within three days after the transaction date (refer note 25). The settlement control account is matched with current assets in the form of the broker and clearing accounts (refer note 13), which reduces the liquidity risk.*

46. FINANCIAL RISK MANAGEMENT (continued)

Financial risk factors (continued)

Liquidity risk (continued)

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

COMPANY	Carrying value Rm	Less than 1 year Rm
At 29 February 2020		
Loan from subsidiary	**1,476**	**1,476**
Trade and other payables	**6**	**6**
	1,482	**1,482**
At 28 February 2019		
Loan from subsidiary	391	391
Trade and other payables	5	5
	396	396

Fair value estimation

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

Level 1

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

Level 2

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

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

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

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

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

46. FINANCIAL RISK MANAGEMENT (continued)

Fair value estimation (continued)

Level 3

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

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

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

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

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

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

The following financial instruments are measured at fair value:

GROUP	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
At 29 February 2020				
Assets				
Unit-linked investments		50,104	300	50,404
Equity securities	2,572	2	46	2,620
Debt securities	867	5,345		6,212
Investment in investment contracts		16		16
Derivative financial assets		24		24
Assets held for sale	7			7
	3,446	55,491	346	59,283
Own balances	379	2,258	64	2,701
Client-related balances	3,067	53,233	282	56,582
	3,446	55,491	346	59,283
Liabilities				
Third-party liabilities arising on consolidation of mutual funds		29,999		29,999
Investment contract liabilities		26,412	282	26,694
Derivative financial liabilities		94	23	117
Trade and other payables			108	108
	-	56,505	413	56,918
Own balances		64	131	195
Client-related balances		56,441	282	56,723
	-	56,505	413	56,918

46. FINANCIAL RISK MANAGEMENT (continued)

Fair value estimation (continued)

GROUP	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
At 28 February 2019				
Assets				
Unit-linked investments		46,040	455	46,495
Equity securities	2,822	143	31	2,996
Debt securities	876	5,320		6,196
Investment in investment contracts		16		16
Derivative financial assets		33		33
	3,698	51,552	486	55,736
Own balances	485	2,168	59	2,712
Client-related balances	3,213	49,384	427	53,024
	3,698	51,552	486	55,736
Liabilities				
Third-party liabilities arising on consolidation of mutual funds		26,715		26,715
Investment contract liabilities		25,439	435	25,874
Derivative financial liabilities		53	25	78
Trade and other payables			159	159
	-	52,207	619	52,826
Own balances		39	184	223
Client-related balances		52,168	435	52,603
	-	52,207	619	52,826

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

	Unit-linked investments Rm	**Equity securities Rm**	**Total Rm**
Assets			
Balance at 1 March 2018	719	679	1,398
Additions	228	2	230
Disposals	(523)	(1,177)	(1,700)
Fair value adjustments	31	473	504
Other movements		54	54
Balance at 28 February 2019	455	31	486
Additions	**121**	**7**	**128**
Disposals	**(306)**	**(6)**	**(312)**
Fair value adjustments	**29**	**16**	**45**
Other movements	**1**	**(2)**	**(1)**
Balance at 29 February 2020	**300**	**46**	**346**

	Investment contract liabilities Rm	**Derivative financial liabilities Rm**	**Trade and other payables Rm**	**Total Rm**
Liabilities				
Balance at 1 March 2018	698	39	45	782
Investment contract receipts and additions	229		83	312
Investment contract benefits paid and settlements	(524)	(15)	(88)	(627)
Losses recognised in profit or loss	31	1	3	35
Other movements			117	117
Balance at 28 February 2019	434	25	160	619
Investment contract receipts and additions	**115**	**3**	**39**	**157**
Investment contract benefits paid and settlements	**(306)**		**(71)**	**(377)**
Losses/(gains) recognised in profit or loss	**39**	**(5)**	**(19)**	**15**
Other movements			**(1)**	**(1)**
Balance at 29 February 2020	**282**	**23**	**108**	**413**

Insurance risk

The group's insurance risk emanates from PSG Life and Western Group Holdings Ltd ("Western"), both being PSG Konsult subsidiaries. PSG Life exposes the group to longevity risk (risk of loss should annuitants live longer than expected) on an annuity book with 55 (2019: 57) policies and a value of R17m (2019: R19m). This annuity book is in process of being run-off. Western issues contracts that transfer insurance risk to the group, with the risk under any one insurance contract being the possibility that the insured event occurs and the resulting claim exceeding the insurance liability. By the very nature of an insurance contract, the materialisation of risk is random and therefore unpredictable.

47. CAPITAL RISK MANAGEMENT

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

PSG Group's capital management is performed at a head office level, giving consideration to, inter alia, gearing levels calculated as a percentage of the group's equity and its sum-of-the-parts value, as well as to the group's interest cover ratio based on free cash flow. When funding is required management will consider PSG Group's capacity for debt, and the various forms of paper available for issue taking into account current market conditions, anticipated trends in market indicators and the financial position of the group at the time. Management will accordingly consider issuing ordinary shares, perpetual preference shares, and short-, medium- or long-term borrowings with variable or fixed rates. Historically the group has fixed the majority of its interest-rate exposure. The directors have shareholder approval until the next annual general meeting to issue ordinary shares of up to 5% of the number of shares in issue (refer note 18).

PSG Group's gearing ratio (calculated based on debt at a head-office level, including PSG Financial Services' perpetual preference shares at its JSE-listed market value) equates to 13% (2019: 13.2%) of its equity. Interest cover based on free cash flow and calculated at a PSG Group head-office level amounts to 3.1 times (2019: 4.8 times).

Certain subsidiaries have regulatory capital adequacy requirements as a result of the respective industries in which they operate. Details regarding the compliance to same are set out below:

PSG Konsult

PSG Konsult remains strongly capitalised, with a capital cover ratio of 191% (2019: 182%) based on the latest insurance group return. PSG Konsult negotiated the early redemption of R100m notes issued under its Domestic Medium-Term Note Programme on 12 July 2019, using surplus cash. Following the aforementioned redemption, PSG Konsult had no remaining interest-bearing debt at year end. PSG Konsult subsidiaries with regulatory capital adequacy requirements include:

- *PSG Life*

PSG Life is required to hold a minimum amount of capital in order to reduce the policyholders' exposure to the company's liquidity risk. The Prudential Authority regularly reviews compliance with these minimum capital requirements as the regulatory authority. PSG Life must maintain funds that will be sufficient to meet obligations in the event of substantial deviations from the main assumptions affecting the company's business. Capital adequacy requirements were covered 1.9 times (2019: 2.0 times) at the reporting date. This ratio is determined in accordance with regulations and the guidelines issued by the Actuarial Society of South Africa.

- *Western*

Western is required to hold a minimum amount of capital in order to meet the requirements set by the various regulators of the jurisdictions in which they operate as short-term insurer, being South Africa, Namibia and Botswana. The entities within Western met their capital requirements as at the reporting dates.

ANNEXURE A - MATERIAL SUBSIDIARIES

for the year ended 29 February 2020

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

Subsidiary	Country of incorporation [1]	Nature of business	Interest held [2] 2020 %	Interest held [2] 2019 %	Carrying value of non-controlling interests 2020 Rm	Carrying value of non-controlling interests 2019 Rm
PSG Financial Services [3]	South Africa	Investment holding	**100.0**	100.0	**1,578**	1,579
PSG Konsult	South Africa	Financial services	**60.5**	60.6	**1,309**	1,182
PSG Alpha	South Africa	Early-stage investing in select growth sectors	**98.1**	98.1	**61**	59
Zeder [4]	South Africa	Investment holding	**43.8**	43.8	**4,481**	4,540
Curro	South Africa	Private basic education	**55.4**	55.4	**2,444**	2,246
Other					**1,970**	2,170
Total					**11,843**	11,776

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

[2] *Represents voting interest held, being equal to economic interest, apart from Zeder's economic interest held being 44.0% (2019: 44.0%).*

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

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

Subsidiary	2020 Dividends paid To non-controlling interests Rm	2020 Dividends paid To the parent Rm	2020 Dividends paid Total Rm	2020 Profit/(loss) attributable to non-controlling interests Rm	2019 Dividends paid To non-controlling interests Rm	2019 Dividends paid To the parent Rm	2019 Dividends paid Total Rm	2019 Profit/(loss) attributable to non-controlling interests Rm
PSG Financial Services	**147**		**147**	**146**	147		147	146
PSG Konsult	**118**	**170**	**288**	**317**	107	156	263	275
PSG Alpha	**45**		**45**	**58**	118		118	168
Zeder	**123**	**82**	**205**	**357**	128	82	210	86
Curro	**20**	**29**	**49**	**64**			-	116
Other			**-**	**(46)**			-	(376)
	453			**896**	500			415

Subsidiary	Assets [1] Non-current 2020 Rm	Current 2020 Rm	Total 2020 Rm	Non-current 2019 Rm	Current 2019 Rm	Total 2019 Rm
PSG Konsult	**53,177**	**10,723**	**63,900**	48,886	10,488	59,374
PSG Alpha	**5,603**	**2,193**	**7,796**	4,540	2,407	6,947
Zeder	**4,815**	**9,332**	**14,147**	9,492	3,300	12,792
Curro	**10,000**	**572**	**10,572**	8,982	356	9,338

Subsidiary	Liabilities [1] Non-current 2020 Rm	Current 2020 Rm	Total 2020 Rm	Non-current 2019 Rm	Current 2019 Rm	Total 2019 Rm
PSG Konsult	**24,134**	**36,181**	**60,315**	23,191	32,969	56,160
PSG Alpha	**875**	**1,930**	**2,805**	499	1,370	1,869
Zeder	**1,580**	**4,249**	**5,829**	2,101	2,280	4,381
Curro	**4,458**	**623**	**5,081**	3,446	497	3,943

Subsidiary	Profitability (100%) [1] Profit for the year 2020 Rm	Other comprehensive profit/(loss) 2020 Rm	Total comprehensive income for the year 2020 Rm	Revenue 2020 Rm	Profit for the year 2019 Rm	Other comprehensive profit/(loss) 2019 Rm	Total comprehensive income for the year 2019 Rm	Revenue 2019 Rm
PSG Konsult	**708**	**11**	**719**	**7,014**	643	12	655	6,172
PSG Alpha	**34**	**(9)**	**25**	**9,245**	343	19	362	7,958
Zeder	**599**	**(389)**	**210**	**7,543**	122	(90)	32	7,731
Curro	**161**	**(13)**	**148**	**2,980**	266	5	271	2,549

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

Restrictions

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

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ANNEXURE B - MATERIAL ASSOCIATES AND JOINT VENTURES

for the year ended 29 February 2020

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

Associate	Country of incorporation [1]	Nature of business	Voting rights 2020 %	Voting rights 2019 %	Carrying value 2020 Rm	Carrying value 2019 Rm	Market value [2] 2020 Rm	Market value [2] 2019 Rm
Capitec	South Africa	Banking	**30.7**	30.7	**9,043**	7,841	**46,130**	46,351
Pioneer Foods [3]	South Africa	Food and beverage producer	**28.6**	27.1		4,689		4,689
Kaap Agri	South Africa	Retail and agriculture	**43.2**	43.0	**723**	782	**723**	959
Other					**906**	1,266		
Total					**10,672**	14,578		

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

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

[3] *During the year under review, Pepsico made an offer to the Pioneer Foods ordinary shareholders (including Zeder) 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 (refer note 26).*

Associate	Dividends received 2020 Rm	Dividends received 2019 Rm
Capitec	**665**	559
Pioneer Foods [1]	**189**	213
Kaap Agri [1]	**37**	35
Other	**78**	83
Total	**969**	890

	Assets					
Associate	**Non-current 2020 Rm**	**Current 2020 Rm**	**Total 2020 Rm**	Non-current 2019 Rm	Current 2019 Rm	Total 2019 Rm
Capitec	**50,396**	**84,172**	**134,568**	32,003	68,425	100,428
Pioneer Foods [1]	**8,113**	**6,551**	**14,664**	7,953	6,588	14,541
Kaap Agri [1]	**1,786**	**3,002**	**4,788**	1,305	2,622	3,927

	Liabilities					
Associate	**Non-current 2020 Rm**	**Current 2020 Rm**	**Total 2020 Rm**	Non-current 2019 Rm	Current 2019 Rm	Total 2019 Rm
Capitec	**19,262**	**89,726**	**108,988**	14,769	63,983	78,752
Pioneer Foods [1]	**2,355**	**3,353**	**5,708**	2,396	3,730	6,126
Kaap Agri [1]	**206**	**2,655**	**2,861**	76	2,102	2,178

	Profitability (100%)							
Associate	**Profit for the year 2020 Rm**	**Other comprehensive income for the year 2020 Rm**	**Total comprehensive income for the year 2020 Rm**	**Revenue 2020 Rm**	Profit for the year 2019 Rm	Other comprehensive income for the year 2019 Rm	Total comprehensive income for the year 2019 Rm	Revenue 2019 Rm
Capitec	**6,251**	**9**	**6,260**	**29,710**	5,295	19	5,314	25,758
Pioneer Foods [1]	**916**	**8**	**924**	**22,273**	1,077	24	1,101	20,152
Kaap Agri [1]	**281**	**2**	**283**	**8,452**	249		249	6,549

	Profitability (group's interest)					
Associate	**Profit for the year 2020 Rm**	**Other comprehensive loss for the year [2] 2020 Rm**	**Total comprehensive income for the year 2020 Rm**	Profit for the year 2019 Rm	Other comprehensive loss for the year [2] 2019 Rm	Total comprehensive income for the year 2019 Rm
Capitec	**1,917**	**(50)**	**1,867**	1,623		1,623
Pioneer Foods [1]	**272**	**(8)**	**264**	325	(7)	318
Kaap Agri [1]	**119**	**(5)**	**114**	108	(4)	104
Other	**186**	**(175)**	**11**	247	(25)	222
	2,494	**(238)**	**2,256**	2,303	(36)	2,267

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

[2] *Other comprehensive loss for the year include the group's share of associates' equity movements.*

ANNEXURE B - MATERIAL ASSOCIATES AND JOINT VENTURES

for the year ended 29 February 2020

	Reconciliation of assets and liabilities reported above to the group's carrying values for associates					
	Capitec		Pioneer Foods		Kaap Agri	
	2020	2019	**2020**	2019	**2020**	2019
	Rm	Rm	**Rm**	Rm	**Rm**	Rm
Total assets reported above	**134,568**	100,428	**14,664**	14,541	**4,788**	3,927
Total liabilities reported above	**(108,988)**	(78,752)	**(5,708)**	(6,126)	**(2,861)**	(2,178)
Net assets reported above	**25,580**	21,676	**8,956**	8,415	**1,927**	1,749
Non-controlling interests	**(72)**	(82)			**(100)**	
Equity attributable to owners of the parent	**25,508**	21,594	**8,956**	8,415	**1,827**	1,749
Group's economic interest in the associate (%)	**30.7**	30.7	**30.3**	31.0	**43.2**	43.0
Group's interest in equity attributable to owners of the parent	**7,831**	6,629	**2,711**	2,609	**789**	752
Deemed goodwill and fair value adjustments included in associates' carrying value [1]	**1,212**	1,212	**2,340**	2,080	**(66)**	30
Transferred to assets held for sale			**(5,051)**			
Associates' carrying value	**9,043**	7,841	**-**	4,689	**723**	782

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

PSG GROUP LIMITED

ANNEXURE C - SEGMENT REPORT

for the year ended 29 February 2020

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 glossary section to these annual financial statements. 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 TLG, Capespan, Zaad and Agrivision Africa, and through Curro.

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 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 internal valuation methods. These values will not necessarily correspond with the values per the consolidated statement of financial position since the latter are measured using the relevant accounting standards which include historical cost and the equity method of accounting.

Approximately 98% of PSG Group'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 internal valuation methods including EBITDA-multiples (for say Energy Partners) 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 Exco) evaluates the following information to assess the segments' performance:

29 February 2020	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
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	(29)		(29)	
Funding and other	32	(90)	(4)	(94)	(1,604)
Total	24,865	2,794	(211)	2,583	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	427				
Non-headline items				(121)	
Earnings attributable to non-controlling interests				896	
Taxation				525	
Profit before taxation				3,883	
Profit before taxation from continuing operations				3,088	
Profit for the year from discontinued operation				795	
Recurring earnings per share (R)		12.81			
SOTP value per share (R)					276.43

PSG GROUP LIMITED

ANNEXURE C - SEGMENT REPORT

for the year ended 29 February 2020

28 February 2019	**Revenue (own balances) Rm**	**Recurring earnings (segment profit) [1] Rm**	**Non-recurring earnings [1] Rm**	**Headline earnings [1] 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	(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				
Revenue earned from 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	
Profit before taxation from continuing operations				3,102	
Loss for the year from discontinued operation				(285)	
Recurring earnings per share (R)		10.86			
SOTP value per share (R)					311.45

[1] *Reported net of non-controlling interests.*

PSG GROUP LIMITED

ANNEXURE D - SHARE ANALYSIS OF PSG GROUP ORDINARY SHARES
for the year ended 29 February 2020

	Shareholders		Shares held	
Unaudited	**Number**	**%**	**Number**	**%**
Range of shareholding				
1 - 500	**17,882**	**67.2**	**3,284,527**	**1.5**
501 - 1,000	**3,464**	**13.0**	**2,588,771**	**1.2**
1,001 - 5,000	**3,689**	**13.9**	**8,107,255**	**3.7**
5,001 - 10,000	**589**	**2.2**	**4,208,765**	**1.9**
10,001 - 50,000	**696**	**2.6**	**14,429,227**	**6.6**
50,001 - 100,000	**115**	**0.4**	**8,093,080**	**3.7**
100,001 - 500,000	**132**	**0.5**	**28,310,830**	**13.0**
500,001 - 1,000,000	**27**	**0.1**	**18,362,397**	**8.4**
Over 1,000,000	**34**	**0.1**	**130,824,632**	**60.0**
	26,628	**100.0**	**218,209,484**	**100.0**
Treasury shares				
Shares held by employee share scheme	**1**		**45,000**	
Shares held by PSG Financial Services (a wholly-owned subsidiary)	**1**		**13,908,770**	
	26,630		**232,163,254**	
Non-public and public shareholding				
Non-public (directors) 1)	**8**		**14,070,776**	**6.4**
Public	**26,620**	**100.0**	**204,138,708**	**93.6**
	26,628	**100.0**	**218,209,484**	**100.0**

Individual shareholders (excluding directors) holding 5% or more of shares in issue (net of treasury shares) as at 29 February 2020		
JF Mouton Familietrust and its subsidiaries (including effective interest held through a joint venture)	**42,269,481**	**19.4**
Public Investment Corporation (including Government Employees Pension Fund)	**25,259,236**	**11.6**
	67,528,717	**31.0**

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

Annexure 6

PART B: The consolidated historical financial information of PSG Group for the financial year ended 28 February 2019 (incorporating the financial year ended 28 February 2018 comparatives)

PSG GROUP LIMITED

ANNUAL FINANCIAL STATEMENTS

for the year ended 28 February 2019

These annual financial statements were compiled under the supervision of the group chief financial officer, Mr WL Greeff, CA(SA), and were audited by the group's external auditor, PricewaterhouseCoopers Inc. These annual financial statements should be read in conjunction with PSG Group Ltd's annual report, which is available on PSG Group Ltd's website at *www.psggroup.co.za* or may be requested and obtained in person, at no charge, at the registered office of PSG Group Ltd during office hours.

CONTENTS

GLOSSARY

- "Capitec"
  Capitec Bank Holdings Ltd, a JSE-listed retail bank, in which PSG Group holds an associate interest of 30.7%. Capitec represents one of PSG Group's seven reportable segments.
- "CA Sales"
  CA Sales Holdings Ltd, a Botswana Stock Exchange-listed fast-moving consumer goods distributor, in which PSG Alpha holds an interest of 47.7%. PSG Group consolidates CA Sales in terms of IFRS 10, in light of, inter alia, its shareholding, board representation and additional voting rights. CA Sales forms part of the PSG Alpha reportable segment, being its second largest investment.
- "Curro"
  Curro Holdings Ltd, a JSE-listed private basic education provider, in which PSG Group holds a subsidiary interest of 55.4%. Curro represents one of PSG Group's seven reportable segments.
- "Dipeo"
  Dipeo Capital (RF) (Pty) Ltd, an unlisted black economic empowerment investment holding company, in which PSG Group holds a subsidiary interest of 49%. PSG Group consolidates Dipeo in terms of IFRS 10, in light of, inter alia, its shareholding, board representation and the extent of preference share funding provided. Dipeo represents one of PSG Group's seven reportable segments.
- "Energy Partners"

  Energy Partners Holdings (Pty) Ltd, an unlisted manufacturer, owner and operator of energy-producing assets (including solar, steam, refrigeration, water and fuel), in which PSG Alpha holds a subsidiary interest of 54.1%.
- "Evergreen"
  Evergreen Retirement Holdings (Pty) Ltd, an unlisted developer and operators of retirement lifestyle villages, in which PSG Alpha holds a joint venture interest of 50%.
- "JSE"
  JSE Ltd, a registered stock exchange in South Africa.
- "PSG Alpha"
  PSG Alpha Investments (Pty) Ltd, an unlisted investment holding company focused on early-stage investments in select growth sectors, thus serving as incubator to find the businesses of tomorrow. PSG Alpha is invested in 13 businesses, including CA Sales, Energy Partners, Evergreen and Stadio. PSG Group holds a subsidiary interest of 98.1% in PSG Alpha. PSG Alpha represents one of PSG Group's seven reportable segments.
- "PSG Corporate"
  Represents the segment comprising PSG Group's wholly-owned subsidiaries, which offer management, administrative, advisory, treasury and corporate services. PSG Corporate represents one of PSG Group's seven reportable segments.
- "PSG Financial Services"
  PSG Financial Services Ltd is a wholly-owned subsidiary of PSG Group and holds the interests in Capitec, Curro, Dipeo, PSG Alpha, PSG Corporate, PSG Konsult and Zeder. PSG Financial Services' cumulative, non-redeemable, non-participating (i.e. perpetual) preference shares are listed on the JSE.
- "PSG Group" or "the group" or "the company"
  PSG Group Ltd, a JSE-listed investment holding company, and its subsidiaries, as the context may require.
- "PSG Konsult"
  PSG Konsult Ltd, a JSE-listed financial services company, in which PSG Group holds a subsidiary interest of 60.6%. PSG Konsult represents one of PSG Group's seven reportable segments.
- "Stadio"
  Stadio Holdings Ltd, a JSE-listed private higher education provider, in which PSG Alpha and Dipeo hold interests of 44.0% and 3.4%, respectively. PSG Group consolidates Stadio in terms of IFRS 10, in light of, inter alia, its shareholding, board representation and management involvement. PSG Alpha's interest in Stadio forms part of the PSG Alpha reportable segment, being its largest investment.
- "Zeder"
  Zeder Investments Ltd, a JSE-listed investment holding company focused on food and related businesses, in which PSG Group holds an interest of 43.8%. PSG Group consolidates Zeder in terms of IFRS 10, in light of its shareholding, board representation and ongoing strategic input being provided by the PSG Group Executive Committee. Zeder represents one of PSG Group's seven reportable segments.

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

REPORT OF THE AUDIT AND RISK COMMITTEE

For the year ended 28 February 2019

The PSG Group Audit and Risk Committee ("the Committee") is an independent statutory committee appointed by the board of directors in terms of section 94 of the Companies Act of South Africa. The Committee also acts as the statutory audit committee of public company wholly-owned subsidiaries that are legally required to have such a committee.

The Committee comprises four independent non-executive directors, namely Mr PE Burton (chairman), Ms AM Hlobo, Ms B Mathews and Mr CA Otto. Mr PE Burton, Ms B Mathews and Mr CA Otto have served as members of the audit and risk committee for 12, two and seven years, respectively. Ms AM Hlobo is a new appointee and has attended one meeting. The committee met twice during the past financial year on 23 April 2018 and 15 October 2018, as well as after financial year-end on 23 April 2019, with all members being present.

The Committee operates in terms of a board-approved charter. It conducted its affairs in compliance with, and discharged its responsibilities in terms of, its charter for the year ended 28 February 2019.

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

- Satisfied itself that the external auditor is independent of PSG Group, as set out in section 94(8) of the Companies Act of South Africa, and suitable for reappointment by considering, inter alia, the information stated in paragraph 22.15(h) of the JSE Listings Requirements;
- Ensured that the appointment of the external auditor complied with the Companies Act of South Africa;
- In consultation with management, agreed to the engagement letter terms, audit plan and budgeted audit fees for the 2019 financial year;
- Approved the nature and extent of non-audit services of the external auditor;
- Nominated for re-election at the annual general meeting, PricewaterhouseCoopers Inc. as the external audit firm;
- Satisfied itself, based on the information and explanations supplied by management and obtained through discussions with the external auditor, that the system of internal financial controls is effective and forms a basis for the preparation of reliable financial statements;
- Satisfied itself, based on the information and explanations supplied by management and obtained through discussions with the external auditor, that PSG Group be regarded as a going concern;
- Reviewed the formal policy for and calculation of PSG Group's ordinary dividend proposed at interim and year-end, and recommended it to the board of directors for approval;

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

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

PE Burton
PSG Group Audit and Risk Committee Chairman

Stellenbosch
5 June 2019

PSG GROUP LIMITED

APPROVAL OF ANNUAL FINANCIAL STATEMENTS

for the year ended 28 February 2019

The directors are responsible for the maintenance of adequate accounting records and to prepare annual financial statements that fairly represent the state of affairs and the results of the company and group. The external auditor is responsible for independently auditing and reporting on the fair presentation of the annual financial statements. Management fulfils this responsibility primarily by establishing and maintaining accounting systems and practices adequately supported by internal accounting controls. Such controls provide assurance that the group's assets are safeguarded, that transactions are executed in accordance with management's authorisations and that the financial records are reliable. The annual financial statements are prepared in accordance with the JSE Listings Requirements; IFRS; the IFRIC interpretations; the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee; the Financial Reporting Pronouncements, as issued by the Financial Reporting Standards Council; and the manner required by the Companies Act of South Africa.

The audit and risk committee of the company meets regularly with the external auditor, as well as senior management, to evaluate matters concerning accounting policies, internal control, auditing and financial reporting. The external auditor has unrestricted access to all records, assets and personnel as well as to the audit and risk committee.

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

The annual financial statements set out on pages 5 to 8 and 16 to 103, were approved by the board of directors of PSG Group and are signed on its behalf by:

PJ Mouton	**WL Greeff**
PSG Group CEO	*PSG Group CFO*

Stellenbosch
5 June 2019

DECLARATION BY THE COMPANY SECRETARY

for the year ended 28 February 2019

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

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

Stellenbosch
5 June 2019

NATURE OF BUSINESS

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

OPERATING RESULTS

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

STATED CAPITAL

Details regarding authorised and issued share capital are set out in note 18 to these annual financial statements.

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

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

DIVIDENDS

Details of dividends appear in note 38 to these annual financial statements.

DIRECTORS

Details of the company's directors at the date of this report are set out below:

Executive

PJ Mouton (42) [1) 2)]
BCom (Mathematics)
PSG Group CEO
Appointed 16 February 2009

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

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

Non-executive

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

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

Independent non-executive

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

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

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

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

CA Otto (69) [3) 4) 5)]
BCom LLB
Director of companies
Appointed 25 November 1995

1) *Member of executive committee*
2) *Member of social and ethics committee*
3) *Member of audit and risk committee*
4) *Member of remuneration committee*
5) *Member of nomination committee*
6) *Lead independent director*

DIRECTORS' EMOLUMENTS

PSG Group's comprehensive remuneration report is included in its annual report available at *www.psggroup.co.za.*

Executive directors

The table below provides information on the total remuneration of PSG Group's executive directors:

Audited R'000	Short-term remuneration: Base salary: Approved	Short-term remuneration: Base salary: Deferred for 12 months [1]	Short-term remuneration: Base salary: Prior year deferral paid out [1]	Short-term remuneration: Base salary: Paid during the year [2]	Short-term remuneration: Discretionary performance-based bonuses [3]	**Total short-term remuneration**	**Long-term remuneration: Non-cash gains from exercise of share options [4]**	**Total remuneration**
For the year ended 28 Feb 2019								
WL Greeff	10 042	(3 013)	3 068	**10 097**		**10 097**	**29 116**	**39 213**
JA Holtzhausen	10 042	(3 013)	3 068	**10 097**	4 000	**14 097**	**29 130**	**43 227**
PJ Mouton	11 627	(3 488)	3 553	**11 692**		**11 692**	**33 260**	**44 952**
	31 711	(9 514)	9 689	**31 886**	4 000	**35 886**	**91 506**	**127 392**
For the year ended 28 Feb 2018								
WL Greeff	9 500	(2 850)		**6 650**		**6 650**		**6 650**
JA Holtzhausen	9 500	(2 850)		**6 650**	6 000	**12 650**		**12 650**
PJ Mouton	11 000	(3 300)		**7 700**		**7 700**		**7 700**
	30 000	(9 000)	-	**21 000**	6 000	**27 000**	**-**	**27 000**

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

2) *Includes all benefits.*

3) *The PSG Group CEO and CFO do not qualify for discretionary bonuses, to help drive long-term focus and decision-making in order to ultimately deliver on PSG Group's stated objective of sustainable long-term value creation for shareholders. PSG Capital's CEO, also serving as an executive director of PSG Group, continues to qualify for a discretionary performance-based bonus in terms of PSG Capital's bonus pool arrangement.*

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

Non-executive directors

The table below provides information on the total remuneration paid to PSG Group's non-executive directors, including fees paid by subsidiaries of PSG Group to non-executive directors for services rendered in either an executive or non-executive capacity:

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

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

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

DIRECTORS' EMOLUMENTS (continued)

The table below provides information on PSG Group's executive directors' unvested share options, awarded in terms of the PSG Group Ltd Supplementary Share Incentive Trust:

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

1) *The executive directors have not yet elected to exercise their right in terms of the provisions of the share incentive scheme to exercise their share options that became exercisable on 28 February 2019. Such right was exercised within the 180-day exercise window on 30 April 2019.*

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

Mr FJ Gouws, being the chief executive officer of PSG Konsult and also a non-executive director of PSG Group, has been awarded PSG Konsult share options in terms of the PSG Konsult Group Share Incentive Trust. Such share options are set out in the table below:

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

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

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

PRESCRIBED OFFICERS

The members of the PSG Group Executive Committee ("Exco") are regarded as being the prescribed officers of the company. The Exco comprises the following PSG Group directors: Messrs PJ Mouton (chief executive officer), WL Greeff (chief financial officer) and JA Holtzhausen (executive). Their remuneration is detailed above. The duties and responsibilities of the Exco are set out in the corporate governance section of the annual report available at *www.psggroup.co.za.*

SHAREHOLDING OF DIRECTORS

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

	Beneficial		Non-beneficial	**Total shareholding 2019**		Total shareholding 2018	
Audited	Direct	Indirect	Indirect	**Number**	**%**	Number	%
PE Burton		197 500	100 000	**297 500**	**0.1**	294 000	0.1
ZL Combi [1)]	354 000			**354 000**	**0.2**	354 000	0.2
WL Greeff	8 124	1 047 497		**1 055 621**	**0.5**	1 178 768	0.6
JA Holtzhausen	611 226	500 000		**1 111 226**	**0.5**	1 234 340	0.6
JJ Mouton [2) 3)]	120 000	1 414 000		**1 534 000**	**0.7**	1 530 675	0.7
PJ Mouton [3)]	54 148	5 349 664		**5 403 812**	**2.5**	5 321 976	2.4
CA Otto	108		3 324 559	**3 324 667**	**1.5**	3 574 667	1.6
Total	1 147 606	8 508 661	3 424 559	**13 080 826**	**6.0**	13 488 426	6.2

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

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

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

COMPANY SECRETARY

The registered and postal addresses of PSG Corporate Services (Pty) Ltd, being PSG Group's appointed company secretary, are set out below:

First floor
Ou Kollege building
35 Kerk Street
Stellenbosch
South Africa
7600

PO Box 7403
Stellenbosch
South Africa
7599

AUDITOR

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

EVENTS SUBSEQUENT TO THE REPORTING DATE

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

Independent auditor's report

To the shareholders of PSG Group Limited

Report on the audit of the consolidated and separate financial statements

Our opinion

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

What we have audited

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

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

Certain required disclosures have been presented elsewhere in the *PSG Group Limited Annual Financial Statements for the year ended 28 February 2019*, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated and separate financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the *Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code)* and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B).

PricewaterhouseCoopers Inc., Capital Place, 15-21 Neutron Avenue, Techno Park, Stellenbosch, 7600
P O Box 57, Stellenbosch, 7599
T: +27 (0) 21 815 3000, F: +27 (0) 21 815 3100, www.pwc.co.za

Our audit approach

Overview

Overall group materiality

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

Group audit scope

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

Key audit matters

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

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and separate financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

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

How we tailored our group audit scope

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

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

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

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

Key audit matters

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

Consolidated financial statements

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

P/E multiples

The key judgements and estimates in determining the inputs are:

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

DCF valuations

The key judgements and estimates in determining the inputs are:

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

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

P/E multiples

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

DCF valuations

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

Equity accounted earnings of Capitec Bank Holdings Limited (Capitec)	
Refer to accounting policy 4.4, note 4.1 to the financial statements and Annexure B in the Group financial statements on pages 99 to 100. The Group's largest investment is a 30.7% interest in Capitec. This investment is equity accounted in the consolidated financial statements under the equity method per International Accounting Standard 28 - Investments in Associates and Joint Ventures (IAS 28). The Group's share of the after-tax profits of Capitec for the year ended 28 February 2019 was R1.62 billion and the Group's share of Capitec's net assets was R6.63 billion as at 28 February 2019. The equity accounting of Capitec's earnings was considered to be a matter of most significance to our current year audit due to its significance to the consolidated financial statements.	We issued audit instructions to the Capitec audit team, which outlined the areas of audit focus necessary for the Group audit, as well as the information required to be reported back to the Group audit team. We obtained the audited financial results of Capitec, evaluated the consistency of its accounting policies with those of the Group and compared the results to the equity accounted results and movements recorded in the consolidated financial statements. We found no exceptions. We maintained continual interaction with the Capitec audit team, and involvement in their work. We evaluated the audit approach applied throughout all phases of the audit process by assessing whether the identified audit risks were addressed, examining working papers and performing review procedures. Based on the work executed by the component team in accordance with our instructions and the procedures noted above, we have determined that the audit work performed and audit evidence obtained were sufficient for our purposes. We obtained an understanding of the significant judgement areas within Capitec and the impact it had on the Group's consolidated financial statements. In the current year Capitec adopted International Financial Reporting Standard 9 - Financial Instruments (IFRS 9) which had a significant impact on the equity accounted earnings of Capitec. As a result we evaluated the work performed on judgements relating to Capitec's assessment of expected credit losses (ECLs) in terms of IFRS 9 by inspecting the testing performed by the Capitec audit team. This included audit procedures on the relevant controls, application of IFRS 9, inputs, assumptions and judgements around recognition and measurement of the ECLs. We found the impact of these judgements and the work performed on them to be sufficient for our purpose of testing the equity accounted earnings of Capitec.

Separate financial statements

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

Other information

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

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated and separate financial statements

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

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

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

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

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

PricewaterhouseCoopers Inc.

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

PSG GROUP LIMITED

STATEMENTS OF FINANCIAL POSITION

as at 28 February 2019

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

PSG GROUP LIMITED

INCOME STATEMENTS

for the year ended 28 February 2019

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

PSG GROUP LIMITED

STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 28 February 2019

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

PSG GROUP LIMITED

STATEMENTS OF CHANGES IN EQUITY
for the year ended 28 February 2019

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

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

PSG GROUP LIMITED

STATEMENTS OF CASH FLOWS

for the year ended 28 February 2019

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

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

[2)] Please refer to page 24 for a detailed discussion on the group's statement of cash flows and the impact of client-related balances thereon.

PSG GROUP LIMITED

EXPLANATORY NOTE OF IMPACT OF CLIENT-RELATED BALANCES

for the year ended 28 February 2019

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

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

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

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

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

PSG GROUP LIMITED

EXPLANATORY NOTE OF IMPACT OF CLIENT-RELATED BALANCES

for the year ended 28 February 2019

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

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

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

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

PSG GROUP LIMITED

EXPLANATORY NOTE OF IMPACT OF CLIENT-RELATED BALANCES

for the year ended 28 February 2019

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

It is important to note that the treasury functions of PSG Group and each of its subsidiaries operate on a decentralised basis and thus independent from one another. All available cash held at a PSG Group-level is invested in the PSG Money Market Fund, while some of the available cash held at a subsidiary-level is invested in the PSG Money Market Fund. Available cash held at a PSG Group-level and invested in the PSG Money Market Fund amounted to R0.3bn (2018: R1bn) at the reporting date.

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

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

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

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

1. BASIS OF PREPARATION

The standalone and consolidated financial statements of PSG Group have been prepared in accordance with the JSE Listings Requirements and the requirements of the Companies Act of South Africa. The JSE Listings Requirements require financial statements to be prepared in accordance with the framework concepts and the recognition and measurement requirements of IFRS; the IFRIC interpretations; the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee; the Financial Reporting Pronouncements, as issued by the Financial Reporting Standards Council, and the manner required by the Companies Act of South Africa.

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

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

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

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

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

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

  Amendments provide temporary measures to address concerns about issues arising from implementing IFRS 9 Financial Instruments before the new insurance contracts standard.
- IFRS 9 Financial Instruments (effective 1 January 2018)

  New standard which replaced IAS 39 Financial Instruments: Recognition and Measurement. The standard, inter alia, replaced the multiple classification and measurement models in IAS 39 with a single model that has only two categories: amortised cost and fair value. The impact of adopting IFRS 9 is detailed in note 45.
- IFRS 15 Revenue from Contracts with Customers (effective 1 January 2018)

  New standard that specifies how and when an entity will recognise revenue, as well as requiring more informative and relevant disclosures. The standard provides a single, five-step principles-based model to be applied to all contracts with customers. The impact of adopting IFRS 15 is detailed in note 45.
- IFRIC 22 Foreign Currency Transactions and Advance Consideration (effective 1 January 2018)

  Interpretation addresses the exchange rate to use in transactions that involve advance purchase consideration paid or received in a foreign currency.
- Annual improvements to IFRSs 2014 - 2016 review cycle

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

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

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

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

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

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

  New standard to replace IAS 17 Leases. The standard specifies how to recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. Amounts payable in terms of leases where the lease term is 12 months or less or the underlying asset has a low value, will be expensed monthly. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from IAS 17.

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

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

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

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

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

  Management is in the process of assessing the impact of IFRS 17 on Capitec and PSG Konsult's insurance businesses and therefore the group.

- IAS 1 Presentation of Financial Statements - Disclosure Initiative (effective 1 January 2020) *
- IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective 1 January 2020) *
- Amendments to IAS 19 Employee Benefits - Plan Amendment, Curtailment or Settlement (effective 1 January 2019) *
- Amendments to IAS 28 Investments in Associates and Joint Ventures - Long-term Interest in Associates and Joint Ventures (effective 1 January 2019) *
- IFRIC 23 Uncertainty over Income Tax Treatments (effective 1 January 2019) *
- Annual improvements to IFRSs 2015 - 2017 review cycle *

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

4. CONSOLIDATION

4.1 Subsidiaries (including consolidated mutual funds)

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

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

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

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

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

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

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

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

4. CONSOLIDATION (continued)

4.1 Subsidiaries (including consolidated mutual funds) (continued)

CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

Classification as subsidiaries

Management concluded that the group controls and therefor consolidates certain entities in which it holds an interest of less than 50%, most notably Zeder (refer pages 1 and 98) and certain mutual funds managed by PSG Konsult (refer page 21). Judgement is required in the assessment of whether the group has control over these entities in terms of the variability of returns from the group's involvement in these entities, the ability to use power to affect those returns and the significance of the group's investment in these entities.

Unconsolidated structured entities

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

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

4.2 Changes in ownership interests in subsidiaries without change of control

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

4.3 Disposal of subsidiaries

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

4.4 Associates

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

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

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

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

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

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

4.5 Joint arrangements

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. PSG Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are equity accounted similarly to associates, as disclosed above.

5. SEGMENT REPORTING

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

6. FOREIGN CURRENCY TRANSLATION

6.1 Functional and presentation currency

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

6.2 Transactions and balances

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

6.3 Group companies

The results and financial position of all group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rates on the various transaction dates);
- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position; and
- All resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the relevant closing rate. Exchange differences arising are recognised in other comprehensive income.

Group entities with functional currencies other than the presentation currency, have mainly the following functional currencies:

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

Exchanges rates used are based on interbank bid rates.

7. PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

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

Gains and losses on disposals of property, plant and equipment are determined by comparing the asset's proceeds with its carrying value and are included in profit or loss.

8. INTANGIBLE ASSETS

8.1 Goodwill

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

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

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

8.2 Trademarks, patents and licences

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

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

8.3 Customer lists

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

8.4 Computer software and other internally generated intangible assets

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

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

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

CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

Recognition of intangible assets

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

9. IMPAIRMENT OF NON-FINANCIAL ASSETS

Goodwill and intangible assets that have indefinite useful lives and are not subject to amortisation, or that are not yet available for use, are tested annually for impairment. Other assets (such as investments in associates and joint ventures) are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recovered. The recoverable amount, being the higher of fair value less costs to sell and value-in-use, is determined for any asset for which an indication of impairment is identified. If the recoverable amount of an asset is less than its carrying value, the carrying value of the asset is reduced to its recoverable amount.

For the purpose of assessing impairment, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely dependent on cash inflows of other assets or groups of assets (the cash-generating unit). An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised as an expense in profit or loss in the period in which they are identified. An impairment loss in respect of goodwill is not reversed. In respect of other assets, reversal of impairment losses is recognised in profit or loss in the period in which the reversal is identified, to the extent that the asset is not increased to a carrying value higher than it would have been had no impairment loss been recognised for the asset in prior years.

CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

Impairment testing of goodwill

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

Impairment testing of investments in associates and joint ventures

Investments in associates and joint ventures are tested for impairment when indicators exist that the carrying value might exceed the recoverable amount, being the higher of fair value less cost to sell or value-in-use. An impairment loss is recognised for the amount by which the carrying value exceeds the investments' recoverable amount.

The directors are satisfied that the group's investment in associates and joint ventures are fairly stated following the recognition of the impairment losses detailed in note 4.1.

10. OFFSETTING FINANCIAL INSTRUMENTS

The group does not have any financial assets or financial liabilities that are currently subject to offsetting in accordance with IAS 32 – Financial instruments: Presentation.

11. FINANCIAL ASSETS

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

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

11.1 Classification

IFRS 9

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

Financial assets at amortised cost

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

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

Financial assets at fair value through other comprehensive income

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

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

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

Financial assets at fair value through profit or loss

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

11. FINANCIAL ASSETS (continued)

11.1 Classification (continued)

IAS 39

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

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

11.2 Recognition and measurement of financial assets

Purchases and sales of financial assets are recognised on trade date – the date on which the group commits to purchase or sell the asset. Financial assets not carried at fair value through profit or loss are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement.

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

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

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

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

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

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

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

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

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

IFRS 9

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

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

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

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

11. FINANCIAL ASSETS (continued)

11.3 Impairment of financial assets

IFRS 9 (continued)

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

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

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

IAS 39

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

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

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

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

11.4 Derecognition of financial assets

Financial assets are derecognised when the right to receive cash flows from the financial asset has expired or has been transferred, and the group has transferred substantially all risks and rewards of ownership. The group also derecognises a financial asset when the group retains the contractual rights of the assets but assumes a corresponding liability to transfer these contractual rights to another party and thereby transfers substantially all the risks and benefits associated with the asset.

11.5 Hedging activities

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

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

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

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

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

12. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash held at call with banks and other short-term highly liquid investments with maturities of three months or less. Investments in money market funds are classified as cash equivalents, since these funds are held to meet short-term cash requirements, are highly liquid investments, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are included within borrowings in the statement of financial position.

13. BIOLOGICAL ASSETS

13.1 Agricultural produce

Agricultural produce are measured on initial recognition and at the end of each reporting period at fair value less cost to sell. Changes in the measurement of fair value less cost to sell are included in profit or loss for the period in which they arise. Costs to sell include all costs that would be necessary to sell the assets, including transportation costs and incremental selling costs, including auctioneers' fees and commission paid to brokers and dealers. All costs incurred in maintaining the assets are included in profit or loss for the period in which they arise. Refer note 9 for further details regarding the valuation of biological assets. Agricultural produce is transferred at the prevailing fair value less cost to sell value to inventory upon harvest.

13.2 Bearer plants

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

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

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

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

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

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

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

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

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

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

14. INVENTORY

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

15. NON-CURRENT ASSETS (OR DISPOSAL GROUPS) HELD FOR SALE

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying value is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying value and fair value less costs to sell.

16. STATED CAPITAL

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax.

Where a subsidiary purchases the holding company's shares (i.e. treasury shares), the consideration paid, including any directly attributable incremental costs, net of income taxes, is deducted from equity attributable to owners of the parent until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold, reissued or otherwise disposed of, any consideration received is included in equity attributable to owners of the parent, net of any directly attributable incremental transaction costs and the related income tax effects.

PSG Financial Services' perpetual preference shares

Cumulative, non-redeemable, non-participating subsidiary preference shares, where the dividend declaration is subject to the discretion of the subsidiary's board, are classified as non-controlling interests.

17. INSURANCE AND INVESTMENT CONTRACTS – CLASSIFICATION

The group issues contracts that transfer insurance risk, financial risk or both.

A distinction is made between investment contract liabilities (which fall within the scope of IFRS 9) and insurance contracts (where the FSV method continues to apply, subject to certain requirements specified in IFRS 4 – Insurance Contracts). A contract is classified as insurance where the group accepts significant insurance risk by agreeing with the policyholder to pay benefits if a specified uncertain future event (i.e. insured event) adversely affects the policyholder or other beneficiary. Significant insurance risk exists where it is expected that, for the duration of the policy or part thereof, policy benefits payable on the occurrence of the insured event will exceed the amount payable on early termination before allowance for expense deductions at early termination. Once a contract has been classified as an insurance contract, the classification remains unchanged for the remainder of its lifetime, even if the insurance risk reduces significantly during this period. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, credit rating, credit index or other variable provided, in the case of a non-financial variable, that the variable is not specific to a party to the contract. Insurance contracts may also transfer some financial risk.

Investment contracts are those contracts that transfer financial risk with no significant insurance risk. These contracts are measured at the fair value of the underlying financial assets. A subsidiary of the group, PSG Life Ltd, is a linked insurance company and issues linked policies to policyholders (where the value of policy benefits is directly linked to the fair value of the underlying assets).

18. INSURANCE CONTRACTS

Policyholder contracts that transfer significant insurance risk are classified as insurance contracts, and further divided into two categories, depending on the duration of or type of insurance risks; namely: short-term and long-term insurance contracts.

18.1 Short-term insurance

Short-term insurance provides benefits under short-term policies, which include property, business interruption, transportation, motor, personal all risk, accident and health, professional indemnity, public liability, marine, employers' liability, group personal accident, natural disasters and miscellaneous. Short-term insurance contracts are further classified into the following categories:

- Personal insurance, consisting of insurance provided to individuals and their personal property; and
- Commercial insurance, providing cover on the assets and liabilities of business enterprises.

Recognition and measurement

i) Gross written premium

Gross premiums exclude value added tax. Premiums are accounted for as income when the risk related to the insurance policy incepts and are spread over the risk period of the contract by using an unearned premium provision. This includes premiums received in terms of inward reinsurance arrangements. All premiums are shown before deduction of commission payable to intermediaries.

ii) Claims incurred

Claims incurred consist of claims and claims handling expenses paid during the financial year and are charged to the income statement as incurred.

iii) Provision for unearned premiums

Premiums are earned from the date the risk attaches, over the indemnity period, based on the pattern of the risk underwritten. Unearned premiums, which represent the proportion of premiums written in the current year, which relate to risks that have not expired by the end of the financial year, are calculated on a time proportionate basis for even risk contracts and other bases that best represent the unearned risk profile for uneven risk contracts.

iv) Provision for unexpired risk

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

v) Provision for claims

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

vi) Provision for claims incurred but not reported

Provision is also made for claims arising from insured events that occurred before the close of the accounting period, but which had not been reported to the group by that date.

vii) Deferred acquisition costs

Commissions that vary with and are related to securing new contracts and renewing existing contracts are deferred over the period in which the related premiums are earned, and recognised as a current asset. All other costs are recognised as expenses when incurred.

18. INSURANCE CONTRACTS (continued)

18.1 Short-term insurance (continued)

viii) Reinsurance contracts held (continued)

Contracts entered into by the group with reinsurers under which the group is compensated for losses on one or more contracts issued by the group and that meet the classification requirements for insurance contracts, are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets. Income received from insurance contracts entered into by the group under which the contract holder is another insurer (inwards reinsurance) is included with premium income.

The benefits to which the group is entitled under its reinsurance contracts held are classified as reinsurance assets. These assets consist of short-term balances due from reinsurers (classified within receivables) as well as longer-term receivables (classified as reinsurance assets) that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Receivables are classified as short-term if the group is aware of claims which will be submitted within the next 12 months.

Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

The reinsurer's share of unearned premiums represents the portion of the current year's reinsurance premiums that relate to risk periods covered by the related reinsurance contracts extending into the following year. The reinsurer's share of unearned premium is calculated using the 365th method.

Income from reinsurance contracts, that varies with and is related to obtaining new reinsurance contracts and renewing existing reinsurance contracts, is deferred over the period of the related reinsurance contract and is recognised as a current liability.

The group assesses its reinsurance assets for impairment on a quarterly basis. If there is objective evidence that the reinsurance asset is impaired, the group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the income statement. The group gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortised cost. The impairment loss is also calculated following the same method used for these financial assets.

ix) Receivables and payables related to insurance contracts

Receivables and payables are recognised when due. These include amounts due to and from agents, intermediaries and insurance contract holders and are included under receivables and trade and other payables.

If there is objective evidence that the insurance receivable is impaired, the group reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the income statement. The group gathers objective evidence that an insurance receivable is impaired using the same process adopted for loans and receivables. The impairment loss is also calculated according to the same method used for these financial assets.

x) Salvage reimbursements

Some insurance contracts permit the group to sell (usually damaged) property acquired in settling a claim (i.e. salvage). The group may also have the right to pursue third parties for payment of some or all costs (i.e. subrogation). Estimates of salvage recoveries are included as an allowance in the measurement of the insurance liability for claims. The allowance is the amount that can reasonably be recovered from the disposal of the property.

Subrogation reimbursements are also considered as an allowance in determining the insurance liability for claims and are recognised in other assets when the liability is settled. The allowance is the assessment of the amount that can be recovered from the action against the liable third party.

18.2 Long-term insurance

These contracts are valued in terms of the financial soundness valuation basis contained in PGN 104 issued by the Actuarial Society of South Africa and are reflected as insurance contract liabilities.

Liabilities are valued as the present value of future cash flows due to benefit payments and administration expenses that are directly related to the contract discounted at the rate of return at year-end on the assets backing the policyholder funds. Future cash flows are projected on a best estimate basis with an allowance for compulsory margins for adverse deviations as prescribed by SAP 104. Best estimate assumptions are required for future investment returns, expenses, persistency, mortality and other factors that may impact the financial position of the group. As per SAP 104, contractual premium increases are allowed for, but future voluntary premium increases are ignored.

In addition certain discretionary margins are created to allow profits to emerge over the lifetime of the policy to reflect the small number of policies and associated volatility. Where the number of policies is small, the prescribed margins alone do not result in an acceptable probability of the total reserve being sufficient to meet all liabilities.

The financial soundness methodology includes allowance for liability adequacy testing to ensure that the carrying amount of technical provisions is sufficient in view of estimated future cash flows. Where a shortfall is identified an additional provision is made.

The group reflects premium income relating to insurance business on a gross basis together with the gross amount of any reinsurance premiums. All premiums are accounted for when they become due and payable.

The group shows the gross amount of policyholder benefit payments in respect of insurance contracts together with the gross reinsurance recoveries and accounts for such transactions when claims are intimated.

18. INSURANCE CONTRACTS (continued)

18.2 Long-term insurance (continued)

Claims on long-term insurance contracts, which include death, disability, maturity, surrender and annuity payments, are charged to income when notified of a claim based on the estimated liability for compensation owed to policyholders. Outstanding claims are recognised in insurance and other payables. Reinsurance recoveries are accounted for in the same period as the related claim.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under circumstances.

19. FINANCIAL LIABILITIES

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another entity.

Financial liabilities include third-party liabilities arising on consolidation of mutual funds, investment contract liabilities, borrowings, derivative financial liabilities and trade and other payables, as well as standalone loans from subsidiaries.

All financial liabilities are initially recognised at fair value. The best evidence of the fair value at initial recognition is the transaction price (i.e. the fair value of the consideration received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets.

Financial liabilities at fair value through profit or loss are subsequently measured at fair value, with any resultant gains and losses recognised in the income statement. The gain or loss recognised in the income statement incorporates any measurement gains or losses and interest expense on the financial liability.

Financial liabilities, or a portion thereof, are derecognised when the obligation specified in the contract is discharged, cancelled or expired. On derecognition, the difference between the carrying amount of the financial liability, including related unamortised costs, and settlement amounts paid are included in the income statement.

Financial liabilities are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

19.1 Third-party liabilities arising on consolidation of mutual funds

Third-party financial liabilities on consolidation of mutual funds are effectively demand deposits of external investors' interests in consolidated mutual funds and are consequently measured at fair value, which is the quoted unit values as derived by the fund administrator with reference to the rules of each particular fund. Fair value gains or losses are recognised in profit or loss.

19.2 Investment contract liabilities

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

19.3 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective-interest method.

Preference shares, which are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised in the income statement as finance cost.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

19.4 Derivative financial liabilities

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

19.5 Trade and other payables

Trade and other payables are recognised initially at fair value, net of transaction costs incurred. Trade and other payables are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period using the effective-interest method.

20. EMPLOYEE BENEFITS

20.1 Short-term benefits

Profit sharing and bonus plans

The group recognises a liability and an expense for bonus plans and profit sharing, where contractually obliged, or where there is a past practice that has created a constructive obligation.

20. EMPLOYEE BENEFITS (continued)

20.1 Short-term benefits (continued)

Annual leave

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the estimated annual leave as a result of services rendered by employees up to reporting date.

20.2 Post-employment benefits

The group operates various post-employment schemes, including both defined benefit and contribution pension and medical schemes.

A defined contribution plan is a plan under which the group pays fixed contributions into a separate entity. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a plan that is not a defined contribution plan.

Typically defined benefit plans define an amount of pension/medical benefits that an employee will receive from retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the statement of financial position in respect of defined benefit plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related obligations. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in profit or loss.

For defined contribution plans, the group pays contributions to publicly or privately administered insurance plans on a mandatory, contractual or voluntary basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

20.3 Share-based compensation

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

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

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

21. CONTINGENT LIABILITIES

A contingent liability is either a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity or a present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability. These contingent liabilities are not recognised in the statement of financial position but disclosed in the notes to the financial statements.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. These contingent assets are not recognised in the statement of financial position but are disclosed in the notes to the financial statements if the inflow of financial benefits is probable.

22. DIVIDEND DISTRIBUTIONS

Dividend distributions to the company's shareholders are recognised as a liability in the period in which the dividends are approved by the company's board of directors.

23. REVENUE RECOGNITION

Revenue comprises the fair value of the consideration received or receivable for goods sold and services rendered in the ordinary course of the group’s activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the group.

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

23. REVENUE RECOGNITION (continued)

23.1 Revenue recognised in accordance with IFRS 15

Revenue type	Description	Recognition and measurement
Revenue from sale of goods	Revenue from sales of goods comprising mainly agricultural produce, fast-moving consumer goods, mining and construction goods, and utilities.	Sales are recognised when control of the products have transferred, being when the products are delivered to the client, the client has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the client's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the client and either the client has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the group has objective evidence that all criteria for acceptance have been satisfied.
Commission, school, net insurance premiums and other fee income		
• Commission and advisory	Revenue from advisory and portfolio management activities (including commission, management fees, performance fees and administration fees)	Commission is recognised as services are rendered. In terms of IFRS 15, these commissions are recognised either at a point in time or over time, depending on when the performance obligations are satisfied. Management fees on assets under management are recognised over the period for which the services are rendered, in accordance with the substance of the relevant agreements. Performance fees are earned, over and above management fees, on superior fund performance which exceeds specific agreed targets (typically market-related benchmarks) and are recognised when the performance obligation has been satisfied. Performance fees include variable consideration and therefore revenue is recognised only to the extent that it is highly probable that no significant revenue reversal will occur. Prior to 1 March 2018, performance fees were recognised when performance exceeded targets and the group was unconditionally entitled to the income. Administration fees are recognised when the services are rendered, in accordance with the substance of the relevant agreements.
• School and tuition fees	Revenue from education-related services rendered (including registration, enrolment and tuition fees).	Registration, enrolment and tuition fees are recognised over the period that tuition is provided to learners/students in accordance with the relevant contract. Registration and enrolment fees are paid to grant access to or to provide a right to use a certain education institution. In some instances, registration and enrolment fees paid by customers are non-refundable. The existence of a non-refundable registration or enrolment fee indicates that the arrangement includes a renewal option for future services at a reduced price (customer renews the agreement without the payment of an additional registration or enrolment fee). By not requiring the customer to pay the registration or enrolment fee again at renewal, the group is effectively providing a discounted renewal rate to the customer.
• Dealing and structuring	Revenue arising from stockbroking activities (including brokerage, custodian fees, settlement fees, income from dealing in listed securities)	Revenue relating to stockbroking activities is recognised as services are rendered, by reference to the completion of the specific transaction. In terms of IFRS 15, revenue is recognised either at a point in time or over time, depending on when the performance obligations are satisfied.

23. REVENUE RECOGNITION (continued)

23.1 Revenue recognised in accordance with IFRS 15 (continued)

Revenue is recognised either when the performance obligation has been satisfied ('point in time') or when control of the goods or service is transferred to the customer ('over time'). This requires an assessment of the group's performance obligations and of when control is transferred to the customer. Where revenue is recognised over time, this is in general due to the group performing and the customer simultaneously receiving and consuming the benefits over the life of the contract as services are rendered. For each performance obligation over time, the group apply a revenue recognition method that faithfully depicts the group's performance in transferring control of the service to the customer. If performance obligations in a contract do not meet the 'over time' criteria, the group recognises revenue at a point in time.

Revenue is measured based on the consideration specified in contracts with customers, excluding amounts collected on behalf of third parties and including an assessment of any variable consideration dependent on the achievement of agreed key performance indicators. Such amounts are only included based on the expected value or most likely outcome method, and only to the extent that it is highly probable that no significant revenue reversal will occur. In assessing whether a significant reversal will occur, the group considers both the likelihood and the magnitude of the potential revenue reversal.

23.2 Revenue recognised in accordance with IAS 18

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

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

Revenue from sale of goods

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

Rendering of services

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

Commission, education and other fee income

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

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

Investment management and initial fees

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

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

23.3 Investment income

Revenue type	Description	Recognition and measurement
Investment income		
• Interest income	Interest income	Recognised using the effective-interest method and included in investment income in the income statement.
• Dividend income	Dividend income	Recognised when the right to receive payment is established and included in investment income in the income statement.

24. LEASES

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

25. TAXATION

25.1 Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the group's subsidiaries, associates and joint ventures operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associated companies, except where the group controls the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

25.2 Dividend withholding tax

Dividend withholding tax is not levied on the company but on the beneficial owner of the share and accordingly does not require recognition in profit or loss. However, the group's share incentive trusts (not being exempt from dividend withholding tax) may incur a dividend withholding tax expense on treasury shares held.

26. EARNINGS PER SHARE

26.1 Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the parent by the weighted average number of outstanding shares ("WANOS") during the year (net of treasury shares), with the WANOS comparative adjusted for bonus elements as provided for in IAS 33 Earnings per Share.

26.2 Diluted earnings per share

Diluted earnings per share is calculated on the same basis as basic earnings per share, adjusted for the impact that the issue/release of potential ordinary shares on an associate, joint venture, subsidiary or holding company level would have on earnings and WANOS.

26.3 Headline and diluted headline earnings per share

Headline and diluted headline earnings per share are calculated on the same basis set out above and in accordance with The South African Institute of Chartered Accountants (SAICA) Circular 4/2018.

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

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

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

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

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

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

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

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

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

Customer lists

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

2. INTANGIBLE ASSETS (continued)

Customer lists (continued)

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

Trademarks, computer software and other

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

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

Goodwill allocation

Goodwill relates to the following reportable segments:

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

2. INTANGIBLE ASSETS (continued)

Goodwill impairment testing

Curro

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

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

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

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

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

PSG Konsult

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

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

PSG Alpha

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

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

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

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

If the terminal growth rate used in Stadio and CA Sales' most notable value-in-use calculations for CGUs had been 1% and 0.7% lower than the respective estimates, the group would not have recognised additional goodwill impairment.

Zeder

The recoverable amounts of CGU's are determined based on the higher of fair value less cost to sell and value-in-use calculations. The fair value less cost to sell was determined based on either applying a price/earnings ratio or assessing net realisable value of the underlying assets (mostly agricultural land). Price/earnings ratios used by management are determined with reference to similar listed companies, adjusted for entity specific considerations. The price/earnings ratios applied ranged between 12 and 14 times (2018: 12 times), while the respective agricultural land was valued at between US$6,178 and US$6,500 (2018: between US$6,178 and US$6,500) per irrigated hectare. Key assumptions used for the value-in-use calculations are as follows:

2. INTANGIBLE ASSETS (continued)

Goodwill impairment testing (continued)

Zeder (continued)

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

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

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

The loans to/from PSG Financial Services and its wholly-owned subsidiaries are unsecured, interest-free and have no fixed terms of repayment. The loans to subsidiaries are measured at amortised cost, fully performing (i.e. stage 1) and, considering forward-looking information, deemed fully recoverable. Accordingly, no expected credit losses have been provided for. Intergroup loan balances are managed at a group level, with PSG Financial Services having been rated by Global Credit Rating Company as having a short-term credit rating of A1 (2018: A1) and long-term credit rating of A+ (2018: A+).

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

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

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

Refer Annexure B for further information regarding material associates.

Additions

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

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

Disposals (including transfers to equity securities)

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

Impairments

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

Other movements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Loss allowances for loans and advances are measured under the general expected credit loss impairment model according to the categories detailed below:

Category	Description
Stage 1	These are loans which are up-to-date with no indication of a significant increase in credit risk as well as loans which are fully secured.
Stage 2	These are loans which have had a significant increase in credit risk, but are not credit impaired. A significant increase in credit risk may result from instances such as: • the PSG Konsult financial advisor's books of business are not performing as expected; or • the counterparty has missed payments.
Stage 3	These are loans which have been assessed to be credit impaired as a result of instances such as: • the PSG Konsult financial advisor no longer being employed by the group; or • legal proceedings have been instituted to try and recover the loan.
Write-off	Loans are written off when there is no reasonable expectation of further recovery.

Loans and advances and the related loss allowances can be analysed as follows applying the aforementioned categories:

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

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

[1)] *Included are insurance receivables due from contract holders and agents, brokers, reinsurers and intermediaries of R111m (2018: R87m), which are accounted for according to IFRS 4.*
[2)] *PSG Securities Ltd's ("PSG Online"), a subsidiary of PSG Konsult, broker- and clearing accounts of R1.3bn (2018: R1.4bn) representing amounts owing by the JSE for trades in the last few days before year-end. These balances fluctuate on a daily basis depending on the activity in the markets. The control account for the settlement of these transactions is included under trade and other payables (refer note 26), with the settlement to the clients taking place within three days after the transaction date. All such balances have subsequently been settled accordingly.*
[3)] *Relates to reimbursive costs incurred by Energy Partners, a subsidiary of PSG Alpha, to fulfil contracts with customers in the ordinary course of its business of constructing energy-related assets.*

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

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

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

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

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

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

Derivatives are classified as financial assets and liabilities at fair value through profit or loss. The fair value of interest rate swaps were determined as the difference between the floating leg and the fixed leg of the swap. The fair value of the fixed leg is the present value of fixed interest payments discounted at the risk-free rate plus a margin. The floating leg was valued by discounting projected floating leg payments using a risk-free rate plus a margin. The fair values of the written put options extended to non-controlling interests were calculated as the contractual put exercise price, discounted at a market-related interest rate. The fair value of the preference share equity-kicker was calculated with reference to the relevant JSE-listed shares' market value.

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

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

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

15. REINSURANCE ASSETS AND LIABILITIES

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

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

	2019 Rm	2018 Rm
Reinsurance liabilities (current)		
Deferred reinsurance acquisition revenue	**5**	3
Balance at beginning of the year	**3**	4
Movement for the year	**2**	(1)

16. CASH AND CASH EQUIVALENTS

	2019 Rm	2018 Rm
Cash at bank	**1 387**	1 391
Short-term liquid investments	**445**	888
	1 832	2 279
Own balances	**1 552**	1 924
Client balances	**99**	86
Consolidated mutual funds	**173**	268
Investments linked to investment contracts	**8**	1
	1 832	2 279

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

Cash and cash equivalents relate mainly to deposits held with the four traditional South African banks and/or their money market funds. Cash and cash equivalents are measured at amortised cost, fully performing (i.e. stage 1) and, considering forward-looking information, deemed fully recoverable. Accordingly, no expected credit losses have been provided for.

17. NON-CURRENT ASSETS HELD FOR SALE

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

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

Unissued shares, limited to 5% of the company's number of shares in issue as at 17 May 2018, have been placed under the control of the directors until the next annual general meeting. The directors are authorised to buy back shares subject to certain limitations and the JSE Listings Requirements.

Share option schemes

PSG Group operates an equity-settled share incentive scheme by means of the PSG Group Ltd Supplementary Share Incentive Trust. In terms of the scheme, share options are granted to executive directors and other employees ("participants"). Furthermore, three material subsidiaries (namely PSG Konsult, Curro and Zeder) also operate share option schemes on similar terms. Other share option schemes operated by subsidiaries include, inter alia, that of Stadio, Capespan, Agrivision Africa, Energy Partners and CA Sales.

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

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

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

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

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

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

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

18. STATED CAPITAL (continued)

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

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

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

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

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

Material subsidiaries' share option schemes

PSG Konsult

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

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

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

18. STATED CAPITAL (continued)

Material subsidiaries' share option schemes (continued)

PSG Konsult (continued)

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

Curro

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

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

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

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

Zeder

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

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

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

18. STATED CAPITAL (continued)

Material subsidiaries' share option schemes (continued)

Zeder (continued)

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

19. OTHER RESERVES

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

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

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

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

Authorised

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

Issued

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

	GROUP 2019 Rm	GROUP 2018 Rm
20. NON-CONTROLLING INTERESTS (continued)		
The discretionary preference dividend is calculated on a daily basis at 83.33%% (2018: 83.33%) of prime on the nominal value of R100 per share and is payable in two semi-annual instalments. Arrear preference dividends accrue interest at prime. All preference dividends have been paid up to date.		
21. INSURANCE CONTRACTS		
Long-term insurance (non-current)	**21**	22
Balance at beginning of the year	**22**	24
Liabilities released for payments on death, surrender and other terminations	**(3)**	(3)
Transfer to policyholder funds	**2**	1
Short-term insurance (current)	**522**	521
Balance at beginning of the year	**521**	520
Claims reported		
In respect of current year	**918**	901
In respect of prior year	**(121)**	(115)
Claims paid	**(762)**	(781)
Movement for the year	**(34)**	(4)
	543	543
22. THIRD-PARTY LIABILITIES ARISING ON CONSOLIDATION OF MUTUAL FUNDS		
Balance at beginning of the year	**23 600**	21 394
Net capital contributions received from third parties	**3 090**	333
Fair value adjustment to third-party liabilities	**1 336**	1 873
First-time consolidation of mutual fund (refer note 42.4.1)	**689**	
Deconsolidation of mutual funds (refer note 42.4.2)	**(2 000)**	
Balance at end of the year (current)	**26 715**	23 600
Third-party liabilities arising on consolidation of mutual funds are represented by the following underlying investments:		
Unit-linked investments	**22 356**	19 979
Equity securities	**160**	111
Debt securities	**4 022**	3 063
Trade and other receivables	**23**	199
Cash and cash equivalents	**173**	268
Trade and other payables	**(19)**	(20)
	26 715	23 600
The group consolidates various mutual funds due to the group's investment therein and PSG Konsult's management of same (refer page 21). Third parties' funds invested in the consolidated mutual funds are included as a liability under "third-party liabilities arising on consolidation of mutual funds".		
23. INVESTMENT CONTRACT LIABILITIES		
Balance at beginning of the year	**24 279**	22 561
Investment contract receipts	**3 708**	4 077
Investment contract benefits paid	**(2 872)**	(3 814)
Commission and administration expenses	**(256)**	(215)
Fair value adjustments to investment contract liabilities	**1 073**	1 670
Balance at end of the year	**25 932**	24 279
Current	**2 946**	4 329
Non-current	**22 986**	19 950

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

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

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

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

24. BORROWINGS (continued)

Secured loans relate mainly to the following:

• Curro's rand-denominated borrowings of R2.9bn (2018: R2.4bn);

• Agrivision Africa, Capespan and Zaad's rand-denominated borrowings of R0.1bn (2018: R0.3bn) and United States dollar-denominated borrowings of R0.2bn (2018: R0.2bn); and

• PSG Alpha subsidiaries' mainly rand-denominated borrowings of R0.5bn (2018: R0.4bn).

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

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

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

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

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

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

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

25. EMPLOYEE BENEFIT ASSETS/(LIABILITIES)

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

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

Short-term benefits

These benefits comprise mainly bonus and leave pay accruals.

Post-employment benefits

Medical benefits

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

Retirement benefits

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

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

	2019			2018		
	Medical benefits Rm	**Retirement benefits Rm**	**Total Rm**	Medical benefits Rm	Retirement benefits Rm	Total Rm
The respective employee defined benefit plan deficits can be analysed as follows:						
Fair value of plan assets		**43**	**43**		39	39
Present value of funded obligations	**(24)**	**(79)**	**(103)**	(25)	(66)	(91)
	(24)	**(36)**	**(60)**	(25)	(27)	(52)
Balance at beginning of the year	**(25)**	**(27)**	**(52)**	(25)	(55)	(80)
Interest expense	**(2)**	**(8)**	**(10)**	(2)	(10)	(12)
Return on plan assets		**8**	**8**		8	8
Gains/(losses) from changes in financial and demographic assumptions	**1**	**(4)**	**(3)**		24	24
Employer contributions	**2**		**2**	2		2
Settlements			**-**		5	5
Exchange differences		**(5)**	**(5)**		1	1
Balance at end of the year	**(24)**	**(36)**	**(60)**	(25)	(27)	(52)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Diluted

Diluted earnings and diluted headline earnings per share are calculated using earnings and headline earnings adjusted for the effect of all dilutive potential ordinary shares throughout the group, as well as by adjusting the weighted average number of ordinary shares in issue to assume conversion of all dilutive potential ordinary shares at a group level (arising from the share-based payment arrangements set out in notes 18 and 41). A calculation is performed to determine the number of shares that could have been transacted at fair value (determined using the annual volume weighted average JSE-listed share price of the company's shares) based on the monetary value of the share options granted to participants.

	GROUP 2019 Rm	GROUP 2018 Rm	COMPANY 2019 Rm	COMPANY 2018 Rm
Diluted earnings attributable to ordinary shareholders	**1 907**	1 896		
Diluted headline earnings	**2 175**	1 940		
Diluted weighted average number of ordinary shares in issue ('000)	**217 684**	217 884		
Diluted attributable earnings per share (R)	**8.76**	8.70		
Diluted headline earnings per share (R)	**9.99**	8.90		
38. DIVIDEND PER SHARE				
Normal dividends	**929**	836	**994**	898
Interim - R1.52 (2018: R1.38) per share				
Final - R3.04 (2018: R2.77) per share				
Dividends are not accounted for until they have been declared by the company's board.				
39. OPERATING LEASE AND CAPITAL COMMITMENTS AND OTHER CONTINGENT LIABILITIES				
Operating lease commitments				
Operating leases - premises				
Due within one year	**260**	244		
Due within one to five years	**1 076**	688		
Due after more than five years	**595**	660		
	1 931	1 592		
Operating leases - office and computer equipment				
Due within one year	**10**	25		
Due within one to five years	**26**	21		
Due after more than five years	**1**			
	37	46		

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

Other contingent liabilities

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

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

40. BORROWING POWERS

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

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

41. RELATED-PARTY TRANSACTIONS AND BALANCES

Group

PSG Group and its subsidiaries enter into various financial services transactions with members of the group. These transactions include a range of management, investment, administrative, advisory and corporate services in the normal course of business. Intergroup transactions between PSG Group and subsidiaries (including transactions between subsidiaries) have been eliminated on consolidation. Below is a summary of the most significant related-party transactions and balances. For further information regarding related-party transactions between PSG Konsult and mutual funds managed by itself, please refer to note 31 of PSG Konsult's 2019 annual financial statements available at *www.psg.co.za* .

Directors and prescribed officers

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

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

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

*** This balance relates to an investment in preference shares issued by a related party of Mr FJ Gouws, a non-executive director of the company. The preference share funding is repayable during April 2020, carries a fixed dividend rate of 8.44% and PSG Konsult ordinary shares with a market value of R376m (2018: R305m) serve as security. Upon redemption of the preference share funding, should the market value of the security be less than the redemption amount, the counterparty has an option to put aforementioned security to the group at an amount equal to the redemption value.*

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

Investment in debt securities of an associate

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

Company

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

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

42.3 Businesses/subsidiaries acquired

2019 acquisitions

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

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

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

MBS Education Investments (Pty) Ltd and Milpark Education (Pty) Ltd ("Milpark")

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

Interactive Tutor (Pty) Ltd ("Media Works")

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

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

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

Baobab Primary School operations and properties ("Baobab")

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

Sagewood School operations and properties ("Sagewood")

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

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

42.3 Businesses/subsidiaries acquired (continued)

2019 acquisitions (continued)

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

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

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

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

42.3 Businesses/subsidiaries acquired (continued)

2019 acquisitions (continued)

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

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

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

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

2018 acquisitions

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

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

Platchro Holdings (Pty) Ltd ("Platchro")

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

CAMI Education business operations ("CAMI")

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

Multistage business operations ("Multistage")

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

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

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

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

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

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

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

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

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

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

42.3 Businesses/subsidiaries acquired (continued)

2018 acquisitions (continued)

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

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

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

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

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

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

42.4.1 First-time consolidation of mutual fund

2019

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

2018

No mutual funds were consolidated for the first time.

42.4.2 Deconsolidation of mutual funds

2019

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

2018

No mutual funds were deconsolidated.

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

42.5 Subsidiaries deconsolidated/sold

2019

Provest Group (Pty) Ltd ("Provest")

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

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

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

2018

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

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

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

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

43. TRANSACTIONS WITH NON-CONTROLLING INTERESTS

2019

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

2018

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

44. EVENTS SUBSEQUENT TO THE REPORTING DATE

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

45. IMPACT OF ADOPTING IFRS 9 and IFRS 15

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

IFRS 9

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

IFRS 15

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

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

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

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

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

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

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

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

46. FINANCIAL RISK MANAGEMENT

Financial risk factors

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

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

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

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

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

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

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

46. FINANCIAL RISK MANAGEMENT (continued)

Financial risk factors (continued)

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

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

[1] Carrying value approximates fair value.

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

[1] Carrying value approximates fair value.

46. FINANCIAL RISK MANAGEMENT (continued)

Financial risk factors (continued)

FINANCIAL AND INSURANCE LIABILITIES BY CATEGORY (continued)

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

Market risk

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

Price risk

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

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

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

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

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

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

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

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

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

46. FINANCIAL RISK MANAGEMENT (continued)

Financial risk factors (continued)

Market risk (continued)

Foreign currency risk

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

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

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

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

46. FINANCIAL RISK MANAGEMENT (continued)

Financial risk factors (continued)

Market risk (continued)

Foreign currency risk (continued)

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

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

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

46. FINANCIAL RISK MANAGEMENT (continued)

Financial risk factors (continued)

Market risk (continued)

Foreign currency risk (continued)

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

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

The company had no exposure to foreign currency risk.

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

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

46. FINANCIAL RISK MANAGEMENT (continued)

Financial risk factors (continued)

Market risk (continued)

Cash flow and fair value interest rate risk (continued)

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

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

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

46. FINANCIAL RISK MANAGEMENT (continued)

Financial risk factors (continued)

Market risk (continued)

Cash flow and fair value interest rate risk (continued)

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

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

- It swapped the floating interest rate for a fixed interest rate on R1.2bn (2018: R1.2bn) out of the R1.7bn (2018: R1.7bn) nominal exposure under the perpetual preference shares in issue:
  - 75% (2018: 75%) of prime swapped for a fixed rate of 8.56% (2018: 8.56%) until 31 August 2020; and
  - 83.33% (2018: 83.33%) of prime swapped for a fixed rate of 9.81% (2018: 9.81%) until 31 August 2026.
- The group’s redeemable preference share borrowings (note 26) carry fixed dividend rates. In addition, the group has significant preference share investments in and loans to group companies, as well as cash balances, as shown in the above table, with coupons linked to floating prime interest rates, thus creating a natural interest rate hedge.

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

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

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

The company had no exposure to interest rate risk.

46. FINANCIAL RISK MANAGEMENT (continued)

Financial risk factors (continued)

Credit risk

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

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

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

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

Unit-linked investments

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

Debt securities

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

Investment in investment contracts

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

Loans and advances

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

Trade and other receivables

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

Derivative financial assets

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

Reinsurance assets

Collateral relates to reinsurers' reserve deposits.

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

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

46. FINANCIAL RISK MANAGEMENT (continued)

Financial risk factors (continued)

Credit risk (continued)

Cash and cash equivalents

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

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

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

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

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

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

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

46. FINANCIAL RISK MANAGEMENT (continued)

Financial risk factors (continued)

Liquidity risk

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

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

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

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

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

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

46. FINANCIAL RISK MANAGEMENT (continued)

Financial risk factors (continued)

Liquidity risk (continued)

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

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

Fair value estimation

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

Level 1

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

Level 2

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

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

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

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

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

46. FINANCIAL RISK MANAGEMENT (continued)

Fair value estimation (continued)

Level 3

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

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

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

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

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

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

The following financial instruments are measured at fair value:

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

46. FINANCIAL RISK MANAGEMENT (continued)

Fair value estimation (continued)

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

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

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

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

Insurance risk

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

47. CAPITAL RISK MANAGEMENT

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

PSG Group's capital management is performed at a head office level, giving consideration to, inter alia, gearing levels calculated as a percentage of the group's equity and its sum-of-the-parts value, as well as to the group's interest cover based on free cash flow. When funding is required management will consider PSG Group's capacity for debt, and the various forms of paper available for issue taking into account current market conditions, anticipated trends in market indicators and the financial position of the group at the time. Management will accordingly consider issuing ordinary shares, perpetual preference shares, and short-, medium- or long-term borrowings with variable or fixed rates. Historically the group has fixed the majority of its interest-rate exposure. The directors have shareholder approval until the next annual general meeting to issue ordinary shares up to 5% of the number of shares in issue (refer note 18).

PSG Group's gearing ratio (calculated based on debt at a head-office level, including PSG Financial Services' perpetual preference shares at its JSE-listed market value) equates to 13.2% (2018: 13%) of its equity. Interest cover based on free cash flow and calculated at a PSG Group head-office level amounts to 4.8 times (2018: 4.7 times).

Certain subsidiaries have regulatory capital adequacy requirements as a result of the respective industries in which they operate. Details regarding the compliance to same are set out below:

PSG Konsult

PSG Konsult is strongly capitalised and complies with the capital requirements of Solvency Assessment and Management ("SAM"). They have minimal interest-bearing debt and a Solvency Capital Requirement ("SCR") ratio of 1.82 based on their latest insurance group return. PSG Konsult subsidiaries with regulatory capital adequacy requirements include:

- *PSG Life*

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

- *Western*

Western is required to hold a minimum amount of capital in order to meet the requirements set by the various regulators of the jurisdictions in which they operate as short-term insurer, being South Africa, Namibia and Botswana. The entities within Western met their capital requirements as at 28 February 2019.

ANNEXURE A - MATERIAL SUBSIDIARIES

for the year ended 28 February 2019

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

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

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

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

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

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

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

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

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

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

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

Restrictions

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

ANNEXURE B - MATERIAL ASSOCIATES AND JOINT VENTURES

for the year ended 28 February 2019

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

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

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

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

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

Profitability (100%)

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

Profitability (group's interest)

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

PSG GROUP LIMITED

ANNEXURE B - MATERIAL ASSOCIATES AND JOINT VENTURES

for the year ended 28 February 2019

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

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

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

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

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

ANNEXURE C - SEGMENT REPORT
for the year ended 28 February 2019

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

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

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

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

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

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

PSG GROUP LIMITED

ANNEXURE C - SEGMENT REPORT

for the year ended 28 February 2019

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

PSG GROUP LIMITED

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

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

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

PRO FORMA FINANCIAL INFORMATION OF PSG GROUP

PRO FORMA FINANCIAL INFORMATION OF THE COMPANY

The *pro forma* financial information of PSG Group is set out below. The *pro forma* consolidated statement of financial position, the *pro forma* consolidated income statement and the *pro forma* consolidated statement of comprehensive income of PSG Group have been prepared for illustrative purposes only to show the *pro forma* financial effects of the Capitec Disposal and PSG Group Unbundling. Due to the nature of the *pro forma* financial information, the *pro forma* consolidated statement of financial position, the *pro forma* consolidated income statement and the *pro forma* consolidated statement of comprehensive income may not fairly present PSG Group's financial position or results of operations after the Capitec Disposal and PSG Group Unbundling have been implemented.

The *pro forma* financial information is presented in a manner that is consistent with the accounting policies of PSG Group, IFRS and the basis on which the audited consolidated historical financial information has been prepared. The *pro forma* financial information has been prepared in accordance with the JSE Listings Requirements and in compliance with the SAICA Guide on *pro forma* Financial Information. The *pro forma* consolidated statement of financial position, the *pro forma* consolidated income statement and the *pro forma* consolidated statement of comprehensive income as set out below should be read in conjunction with the report of the Independent Reporting Accountants which is included as **Annexure 8** to this Circular.

The Board of PSG Group is responsible for the preparation of the *pro forma* financial information.

It has been assumed for the purposes of the *pro forma* financial effects that the Capitec Disposal and PSG Group Unbundling took place with effect from 1 March 2019 for purposes of the *pro forma* consolidated income statement and the *pro forma* consolidated statement of comprehensive income, and on 29 February 2020 for purposes of the *pro forma* consolidated statement of financial position.

PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 29 FEBRUARY 2020

	PSG Group[1] Rm	Capitec Disposal[2] Rm	PSG Group Unbundling[3] Rm	*Pro forma* after[4] Rm
ASSETS				
Property, plant and equipment	12 117			12 117
Intangible assets	4 483			4 483
Right-of-use assets	1 107			1 107
Investment in ordinary shares of associates	10 672	(433)[2.1]	(8 610)[3.2]	1 629
Investment in preference shares of/loans granted to associates	42			42
Investment in ordinary shares of joint ventures	986			986
Loans granted to joint ventures	35			35
Employee benefit assets	42			42
Unit-linked investments	50 404			50 404
Equity securities	2 620		2 927[3.3]	5 547
Debt securities	6 212			6 212
Deferred income tax assets	469			469
Biological assets	585			585
Investment in investment contracts	16			16
Loans and advances	330			330
Trade and other receivables	6 001			6 001
Derivative financial assets	24			24
Inventory	2 038			2 038
Current income tax assets	39			39
Reinsurance assets	134			134
Cash and cash equivalents	1 977	165 [2.2]	(11)[3.4]	2 131
Assets held for sale	5 520			5 520
Total assets	105 853	(268)	(5 694)	99 891
EQUITY				
Ordinary shareholders' equity	19 083	752	(6 296)	13 539
Non-controlling interests	11 843			11 843
Total equity	30 926	752	(6 296)	25 382
LIABILITIES				
Insurance contracts	554			554
Third-party liabilities arising on consolidation of mutual funds	29 999			29 999
Investment contract liabilities	26 694			26 694
Deferred income tax liabilities	975		602 [3.5]	1 577
Borrowings	9 094	(1 020)[2.3]		8 074
Lease liabilities	1 453			1 453
Derivative financial liabilities	117			117
Employee benefit liabilities	598			598
Trade and other payables	5 285			5 285
Reinsurance liabilities	7			7
Current income tax liabilities	135			135
Liabilities held for sale	16			16
Total liabilities	74 927	(1 020)	602	74 509
Total equity and liabilities	105 853	(268)	(5 694)	99 891
Number of shares in issue (m)	232.2			232.2
Number of shares in issue (net of treasury shares) (m)	218.1			218.1
Net asset value per share (R)	87.49			62.07
Net tangible asset value per share (R)	66.94			41.52

Notes and assumptions:

1. Extracted, without adjustment, from the audited results of PSG Group for the year ended 29 February 2020.
2. The implementation of the Capitec Disposal results in the following:
   2.1 Derecognition of the Capitec Disposal Shares (i.e. 1.47% associate interest) at its carrying value of R433 million.
   2.2 Net cash inflow of R165 million comprising proceeds of R1 463 million in respect of the Capitec Disposal Shares, net of associated capital gains tax paid of R278 million and the repayment of borrowings of R1 020 million.
   2.3 Repayment of borrowings of R1 020 million.
3. The implementation of the PSG Group Unbundling results in the following:
   3.1 In terms of the PSG Financial Services Transfer, PSG Group's Wholly-Owned Subsidiary, PSG Financial Services will sell and transfer the Capitec Distribution Shares to PSG Group in terms of section 45 of the Income Tax Act prior to the PSG Unbundling
   3.2 The aggregate of the Capitec Distribution Shares and Capitec Retained Shares being derecognised at its carrying value of R8 610 million as at 29 February 2020 in accordance with i) IFRIC 17 Distributions of Non-cash Assets to Owners requiring the Capitec Distribution Shares to be accounted for at the fair value of the asset to be distributed and the difference between the dividend *in specie* distributed and the carrying amount of the asset distributed to be recognised in profit or loss, and ii) IFRS 9 Financial Instruments requiring the Capitec Retained Shares to be accounted for at fair value.
   3.3 The Capitec Retained Shares as held at the reporting date being recognised at its market value (following reclassification from an associate measured in terms of IAS 28 Investments in Associates and Joint Ventures to a financial asset measured at fair value through profit or loss in terms of IFRS 9 Financial Instruments) of R2 927 million as at 29 February 2020.
   3.4 Transaction costs of R11 million (including value-added tax) assumed paid from cash and cash equivalents.
   3.5 Deferred tax of R602 million being recognised at the effective capital gains tax rate of 22.4% on the Capitec Retained Shares.
4. Represents the *pro forma* financial results after incorporating the adjustments for the Capitec Disposal and PSG Group Unbundling set out above.

***PRO FORMA* CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 29 FEBRUARY 2020**

	PSG Group[1] Rm	Capitec Disposal[2] Rm	PSG Group Unbundling[3] Rm	*Pro forma* after[4] Rm
CONTINUING OPERATIONS				
Revenue from sale of goods	13 502			13 502
Cost of goods sold	(11 339)			(11 339)
Gross profit from sale of goods	2 163	–	–	2 163
Revenue earned from commission, school, net insurance and other fee income	10 861			10 861
Investment income				
Interest income	1 720	12	–	1 732
Interest earned calculated using the effective interest rate	273	12[2.1]		285
Interest income on fair value through profit or loss financial instruments	1 447			1 447
Dividend income	671		61[3.4]	732
	2 391	12	61	2 464
Fair value adjustments and other income				
Changes in fair value of biological assets	225			225
Fair value losses	(122)		(1 291)[3.3]	(1 413)
Fair value adjustment to third-party liabilities arising on consolidation of mutual funds	(1 270)			(1 270)
Fair value adjustment to investment contract liabilities	(507)			(507)
Other operating income	314			314
	(1 360)	–	(1 291)	(2 651)
Expenses				
Insurance claims and loss adjustments, net of recoveries	(663)			(663)
Marketing, administration, impairment losses and other expenses	(11 529)			(11 529)
	(12 192)	–	–	(12 192)
Net income from associates and joint ventures				
Share of profits of associates and joint ventures	2 307	(92)[2.2]	(1 825)[3.1]	390
Loss on impairment of associates	(323)			(323)
Net profit on sale/dilution of interest in associates	130			130
	2 114	(92)	(1 825)	197

	PSG Group[1] Rm	Capitec Disposal[2] Rm	PSG Group Unbundling[3] Rm	*Pro forma* after[4] Rm
Gain from the Capitec Disposal, PSG Group Unbundling and Capitec Retained Shares	–	1 087	36 543	37 630
Fair value gain on Capitec Disposal, PSG Group Unbundling and Capitec Retained Shares		1 087[2.3]	36 665[3.2]	37 752
Recycled share of other comprehensive losses and equity movements of associates			(111)[3.6]	(111)
Transaction costs			(11)[3.7]	(11)
Profit before finance costs and taxation	3 977	1 007	33 488	38 472
Finance costs	(889)	80[2.4]		(809)
Profit before taxation	3 088	1 087	33 488	37 663
Taxation	(525)	(281)[2.5]	(604)[2.5]	(1 410)
Profit for the year from continuing operations	2 563	806	32 884	36 253
DISCONTINUED OPERATIONS				
Profit for the year from discontinued operations	795	–	–	795
Share of profit of associate	264			264
Reversal of impairment of associate	617			617
Loss on dilution of interest in associate	(86)			(86)
Profit for the year	3 358	806	32 884	37 048
Attributable to:				
Owners of the parent	2 462	806	32 884	36 152
Continuing operations	2 112	806	32 884	35 802
Discontinued operations	350			350
Non-controlling interests	896			896
	3 358	806	32 884	37 048

	PSG Group[1] R	*Pro forma* after[4] R
Weighted average number of shares in issue (m)		
Basic	218.1	218.1
Diluted	218.2	218.2
Recurring earnings per share (R)	**12.81**	**5.18**
Headline earnings/(loss) per share (R)	**11.84**	**(0.90)**
Continuing operations	11.27	(1.47)
Discontinued operations	0.57	0.57
Attributable earnings per share (R)	**11.29**	**165.74**
Continuing operations	9.69	164.14
Discontinued operations	1.60	1.60
Diluted headline earnings/(loss) per share (R)	**11.81**	**(0.91)**
Continuing operations	11.24	(1.48)
Discontinued operations	0.57	0.57
Diluted attributable earnings per share (R)	**11.26**	**165.65**
Continuing operations	9.66	164.05
Discontinued operations	1.60	1.60

PRO FORMA CONSOLIDATED HEADLINE EARNINGS RECONCILIATION FOR THE YEAR ENDED 29 FEBRUARY 2020

	PSG Group[1] Rm	Capitec Disposal[2] Rm	PSG Group Unbundling[3] Rm	*Pro forma* after[4] Rm
Profit for the year attributable to owners of the parent	2 462	806	32 884	36 152
Non-headline items	121	(809)	(35 660)	(36 348)
Gross amounts	95	(1 087)	(36 553)	(37 545)
Reversal of impairment of associate	(294)			(294)
Net profit on sale/dilution of interest in associates	(44)			(44)
Profit from subsidiaries sold/deconsolidated	(58)			(58)
Fair value gain on step-up from associate to subsidiary	(4)			(4)
Net loss on sale/impairment of intangible assets (including goodwill)	294			294
Net loss on sale/impairment of property, plant and equipment	209			209
Loss on impairment of biological assets	2			2
Non-headline items of associates and joint ventures	(56)		(10)[3.1]	(66)
Impairment of assets held for sale	46			46
Gain from the PSG Group Unbundling and Capitec Retained Shares				
Fair value gain on PSG Group Unbundling and Capitec Retained Shares		(1 087)[2.3]	(36 665)[3.2]	(37 752)
Recycled share of other comprehensive losses and equity movements of associates			111[3.6]	111
Transaction costs			11[3.7]	11
Non-controlling interests	(23)			(23)
Taxation	49	278	893	1 220
Headline earnings/(loss)	2 583	(3)	(2 776)	(196)
Continuing operations	2 459	(3)	(2 776)	(320)
Discontinued operations	124			124

PRO FORMA **CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 29 FEBRUARY 2020**

	PSG Group[1] Rm	Capitec Disposal[2] Rm	PSG Group Unbundling[3] Rm	*Pro forma* after[4] Rm
Profit for the year	3 358	806	32 884	37 048
Other comprehensive loss for the year, net of taxation	(432)	2	48	(382)
Items that may be subsequently reclassified to profit or loss				
Currency translation adjustments	(181)			(181)
Cash flow hedges	(13)			(13)
Share of other comprehensive losses and equity movements of associates	(238)	2[2.2]	48[3.1]	(188)
Total comprehensive income for the year	2 926	808	32 932	36 666
Attributable to:				
Owners of the parent	2 263	808	32 932	36 003
Continuing operations	2 368	808	32 932	36 108
Discontinued operations	(105)			(105)
Non-controlling interests	663			663
	2 926	808	32 932	36 666

Notes and assumptions:

1 Extracted, without adjustment, from the audited results of PSG Group for the year ended 29 February 2020.

2 The implementation of the Capitec Disposal results in the following:

2.1 Interest income of R12 million being calculated at 7% pre-tax on the R165 million net cash inflow as per the *pro forma* consolidated statement of financial position at 29 February 2020.

2.2 PSG Group's equity accounted earnings of R92 million and other comprehensive losses and equity movements of R2m in respect of the Capitec Disposal Shares being derecognised in accordance with IAS 28 Investments in Associates and Joint Ventures.

2.3 Gain on sale of Capitec Disposal Shares with reference to the proceeds of R1 463 million and the equity accounted carrying value of R376 million.

2.4 Reduction in finance costs of R80 million from the borrowings repaid pursuant to the Capitec Disposal.

2.5 Current income tax of R281 million comprises capital gains tax (at an effective rate of 22.4%) payable of R278 million and income tax (at 28%) payable of R3 million on the aforementioned interest income of R12 million.

3 The implementation of the PSG Group Unbundling results in the following:

3.1 PSG Group's equity accounted earnings of R1 825 million (including a R10 million non-headline loss) and other comprehensive losses and equity movements of R48m in respect of the Capitec Distribution Shares and Capitec Retained Shares being derecognised in accordance with IAS 28 *Investments in Associates and Joint Ventures*.

3.2 IFRIC 17 *Distributions of Non-cash Assets to Owners* requires the PSG Group Unbundling to be accounted for at the fair value of the asset to be distributed and the difference between the dividend *in specie* distributed and the carrying amount of the asset distributed to be recognised in profit or loss. Furthermore, IFRS 9 *Financial Instruments* requires the Capitec Retained Shares as held during the reporting period to be accounted for at fair value. Accordingly, the Capitec Distribution Shares and Capitec Retained Shares was written up by R36 665 million (non-headline) to its fair value as at 1 March 2019 for the subsequent distribution or retention to be accounted for at fair value.

3.3 The Capitec Retained Shares held during the reporting period being marked-to-market as at the Last Practicable Date, with a fair value loss of R1 291 million being recognised based on Capitec's closing share price as at the Last Practicable Date.

3.4 Dividend income of R61 million being recognised in respect of the Capitec Retained Shares held during the reporting period.

3.5 Deferred tax of R604 million being recognised at the effective capital gains tax rate of 22.4% on the Capitec Retained Shares.

3.6 PSG Group's R111 million share of other comprehensive losses and equity movements of Capitec previously accounted for being recycled through profit or loss in accordance with IAS *28 Investments in Associates and Joint Ventures*.

3.7 Transaction costs of R11 million (including value-added tax) being expensed and treated as non-deductible for income tax purposes.

4 Represents the *pro forma* financial results after incorporating the adjustments for the Capitec Disposal and PSG Group Unbundling set out above.

5 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 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.

All adjustments, except for the gain from the Capitec Disposal and PSG Group Unbundling (including the once-off transaction costs), are expected to have a continuing effect on the income statement.

INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON THE *PRO FORMA* FINANCIAL INFORMATION OF PSG GROUP

To the Directors of PSG Group Limited

Report on the Assurance Engagement on the Compilation of *Pro Forma* Financial Information included in a Circular

We have completed our assurance engagement to report on the compilation of the Pro Forma Financial Information of PSG Group Limited ("PSG" or the "Company") by the directors presented in the circular to shareholders to be dated on or about Wednesday, 1 July 2020 (the "Circular"). The *pro forma* financial information, as set out in Annexure 7 of the Circular, consists of the *pro forma* financial effects of the unbundling of the Company's 28.11% interest in Capitec Bank Holdings Limited ("Capitec") ("PSG Group Unbundling") and the disposal of those Capitec shares sold by PSG Group, via its wholly-owned subsidiary, PSG Financial Services ('the Capitec Disposal"), prior to implementation of the PSG Group Unbundling, the *pro forma* consolidated statement of financial position as at 29 February 2020, the *pro forma* consolidated income statement and the *pro forma* consolidated statement of comprehensive income for the year ended 29 February 2020 and related notes (the "Pro Forma Financial Information"). The applicable criteria on the basis of which the directors have compiled the Pro Forma Financial Information are specified in the JSE Limited ("JSE") Listings Requirements, and are as described in Annexure 7 of the Circular.

The *pro forma* financial information has been compiled by the directors to illustrate the impact of the Capitec Disposal and the PSG Group Unbundling (the "Proposed Transaction"). As part of this process, information about the Company's financial position and financial performance has been extracted by the directors from the Company's financial statements for the year ended 29 February 2020.

Directors' responsibility

The directors of the Company are responsible for compiling the *Pro Forma* Financial Information on the basis of the applicable criteria specified in the JSE Listings Requirements and described in Annexure 7 of the Circular.

Our independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Professional Conduct for Registered Auditors*, issued by the Independent Regulatory Board for Auditors' ("IRBA Code"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*.

The firm applies International Standard on Quality Control 1 and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountant's responsibility

Our responsibility is to express an opinion about whether the Pro Forma Financial Information has been compiled, in all material respects, by the directors on the basis of the applicable criteria specified in the JSE Listings Requirements and as described in Annexure 7 of the Circular based on our procedures performed.

We conducted our engagement in accordance with the International Standard on Assurance Engagements ("ISAE") 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the International Auditing and Assurance Standards Board. This standard requires that we plan and perform our procedures to obtain reasonable assurance about whether the *Pro Forma* Financial Information has been compiled, in all material respects, on the basis specified in the JSE Listings Requirements and as described in Annexure 7 of the Circular.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the *Pro Forma* Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the *Pro Forma* Financial Information.

The purpose of *Pro Forma* Financial Information is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the company as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction would have been as presented.

A reasonable assurance engagement to report on whether the *Pro Forma* Financial Information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the *Pro Forma* Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related *pro forma* adjustments give appropriate effect to those criteria; and
- The *Pro Forma* Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgment, having regard to our understanding of the nature of the Company, the event or transaction in respect of which the *Pro Forma* Financial Information has been compiled, and other relevant engagement circumstances.

Our engagement also involves evaluating the overall presentation of the *Pro Forma* Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the *Pro Forma* Financial Information has been compiled, in all material respects, on the basis of the applicable criteria specified by the JSE Listings Requirements and as described in Annexure 7 of the Circular.

PricewaterhouseCoopers Inc.
Director: D de Jager
Registered Auditor
Stellenbosch

25 June 2020

PSG GROUP LIMITED

(Incorporated in the Republic of South Africa)
(Registration number 1970/008484/06)
Share code: PSG ISIN: ZAE000013017
LEI: 378900CD0BEE79F35A34
("**PSG Group**" or "**the Company**")

NOTICE OF GENERAL MEETING

All terms defined in the circular to which this Notice of General Meeting is attached ("Circular"), shall bear the same meanings where used in this Notice of General Meeting.

As a result of the impact of the COVID-19 pandemic and restrictions placed on public gatherings, the General Meeting will be held in electronic format only.

NOTICE IS HEREBY GIVEN that a General Meeting of Shareholders will be held and conducted entirely by electronic communication, at 10h30 on Thursday, 30 July 2020, to consider and, if deemed fit, pass, with or without modification, the resolutions set out hereunder.

Notes:

- *For a special resolution to be approved by Shareholders, it must be supported by at least 75% of the voting rights exercised on such resolution in terms of section 65(9) of the Companies Act and PSG Group's MOI.*
- *For an ordinary resolution to be approved by Shareholders, it must be supported by more than 50% of the voting rights exercised on such resolution.*

SPECIAL RESOLUTION NUMBER 1 – APPROVAL OF THE PSG GROUP UNBUNDLING IN TERMS OF THE COMPANIES ACT

IT IS RESOLVED AS A SPECIAL RESOLUTION that the PSG Group Unbundling, involving the distribution *in specie* of the Capitec Distribution Shares to PSG Group Shareholders *pro* rata to their shareholdings in the Company, be and is hereby approved in terms of section 112 read with section 115 of the Companies Act, on the terms and subject to the conditions set out in the Circular.

Reason for and effect of Special Resolution Number 1

The reason for Special Resolution Number 1 is that the PSG Group Unbundling is deemed to be the disposal of the greater part of the assets or undertaking of PSG Group in terms of section 112 of the Companies Act and therefore requires the approval of the Shareholders by way of a special resolution, in terms of section 115 of the Companies Act.

The effect of Special Resolution Number 1, if passed, will be to grant the necessary approval of the PSG Group Unbundling in terms of section 112 read with section 115 of the Companies Act.

Additional information relating to Special Resolution Number 1 is set out in the Circular.

SPECIAL RESOLUTION NUMBER 2 – APPROVAL FOR THE PAYMENT OF FEES TO THE MEMBERS OF THE INDEPENDENT BOARD

IT IS RESOLVED AS A SPECIAL RESOLUTION that the Company be and is hereby authorised to pay the following fees to the members of the Independent Board for their services rendered as members of the Independent Board in relation to the PSG Group Unbundling:

	PROPOSED ONCE-OFF FEE (excluding value added tax, if applicable)
PE Burton	R120 000
AM Hlobo	R80 000
B Mathews	R80 000

Reason for and effect of Special Resolution Number 2

The reason for and, if passed, the effect of Special Resolution Number 2 is, and will be, to authorise the Company to pay the above proposed fees to the members of the Independent Board for their services rendered as members of the Independent Board in respect of the PSG Group Unbundling, in terms of section 66(9) of the Companies Act.

ORDINARY RESOLUTION NUMBER 1 – DIRECTORS' AUTHORITY

IT IS RESOLVED AS AN ORDINARY RESOLUTION that any Director of PSG Group be and is hereby authorised and empowered to do all such things, sign all such documents and take all such actions as may be necessary for or incidental to give effect to the resolutions set out above in this Notice of General Meeting and anything already done, any documents already signed and action already taken in this respect be and is hereby ratified.

Reason for and effect of Ordinary Resolution Number 1

The reason for and, if passed, the effect of Ordinary Resolution Number 1 is, and will be, to authorise each Director of PSG Group to do all such things and sign all such documents as are deemed necessary or desirable to implement the resolutions set out in the Notice of General Meeting.

RECORD DATES, VOTING AND PROXIES

The date on which Shareholders must have been recorded as such in the Register for purposes of being entitled to receive this notice is Friday, 26 June 2020.

The date on which Shareholders must be recorded in the Register for purposes of being entitled to participate electronically and vote at the General Meeting is Friday, 24 July 2020, with the last day to trade being Tuesday, 21 July 2020.

In terms of section 3(1) of the Companies Act, all General Meeting participants will be required to provide identification reasonably satisfactory to the Transfer Secretaries, as follows:

- participants pre-registering to participate in the General Meeting using the online registration method, by uploading the relevant documentation via the online registration portal; or
- participants pre-registering to participate in the General Meeting by submitting the written application (the form of which is attached to the Notice of General Meeting), by submitting the relevant documentation by post or by e-mail, as the case may be.

The Transfer Secretaries must be reasonably satisfied that the right of that person to participate in, speak and vote at the General Meeting as a Shareholder, as proxy or as a representative of a Shareholder, has been reasonably verified. Accepted forms of identification include original South African drivers' licenses, green barcoded identity documents or barcoded identification smart cards issued by the South African Department of Home Affairs, as well as passports.

Shareholders entitled to participate electronically and vote at the General Meeting may appoint one or more proxies to participate, speak and vote thereat in their stead. A proxy needs not be a Shareholder of PSG Group. A Form of Proxy (*grey*), which sets out the relevant instructions for its completion, is attached to this Circular for use by Certificated Shareholders or Own-Name Dematerialised Shareholders who wish to be represented at the General Meeting. Completion of a Form of Proxy (*grey*) will not preclude such Shareholder from participating electronically and voting (to the exclusion of that Shareholder's proxy) at the General Meeting.

The instrument appointing a proxy and the authority (if any) under which it is signed must reach the Transfer Secretaries, at the addresses given below, to be received by them preferably by no later than 10h30 on Tuesday, 28 July 2020, provided that any Form of Proxy not delivered to the Transfer Secretaries by this time may be emailed to the Transfer Secretaries (who will provide same to the chairman of the General Meeting) at any time before the appointed proxy exercises any Shareholder rights at the General Meeting.

Dematerialised Shareholders, other than Own-Name Dematerialised Shareholders, who wish to participate electronically in the General Meeting, will need to request their CSDP or Broker to provide them with the necessary letter of representation in terms of the custody agreement entered into between such Shareholders and the CSDP or Broker.

Dematerialised Shareholders, other than Own-Name Dematerialised Shareholders, who are unable to participate electronically in the General Meeting and who wish to be represented thereat, must provide their CSDP or Broker with their voting instructions in terms of the custody agreement entered into between themselves and the CSDP or Broker in the manner and time stipulated therein.

Shareholders participating electronically, or represented by proxy or authorised representative shall on a poll have one vote in respect of each Share held.

APPRAISAL RIGHTS

Shareholders are hereby advised of their Appraisal Rights in terms of section 164 of the Companies Act. Their attention is drawn to the provisions of that section which are set out in **Annexure 2** to this Circular.

ELECTRONIC PARTICIPATION

In order to attend the General Meeting and participate electronically thereat Shareholders must pre-register with the Transfer Secretaries by either:

- registering online using the online registration portal at https://www.smartagm.co.za, prior to the commencement of the General Meeting; or
- making a written application (on the Electronic Participation Form) to so participate, by delivering the Electronic Participation Form to the Transfer Secretaries at Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196, or posting it to Private Bag X9000, Saxonwold, 2132 (at the risk of the Shareholder), or sending it by email to proxy@computershare.co.za, so as to be received by the Transfer Secretaries by no later than 10h30 on Tuesday, 28 July 2020, in order for the Transfer Secretaries to arrange such participation for the Shareholder and for the Transfer Secretaries to provide the Shareholder with the details as to how to access the General Meeting by means of electronic participation. Shareholders may still register/apply to participate in and/or vote electronically at the General Meeting after this date, provided, however, that those Shareholders are verified (as required in terms of section 63(1) of the Companies Act) and are registered at the commencement of the General Meeting.

Shareholders will thereafter be required to connect to the General Meeting through https://www.web.lumiagm.com or by downloading the Lumi AGM app from the Apple App Store or Google Playstore and following the relevant prompts. The General Meeting ID is **141-959-471**. Shareholders are referred to the "Electronic Participation Meeting Guide" attached to this Notice of General Meeting for further instructions relating to the electronic participation.

The Transfer Secretaries will by no later than 10h30, Wednesday, 29 July 2020 notify eligible Shareholders of the username and password through which eligible Shareholders can participate electronically in and/or vote at the General Meeting.

In person registration of General Meeting participants will not be permitted.

Shareholders will be liable for their own network charges in relation to electronic participation in and/or voting at the General Meeting. Any such charges will not be for the account of PSG Group and/or the Transfer Secretaries. None of PSG Group and/or the Transfer Secretaries can be held accountable in the case of loss of network connectivity or other network failure due to insufficient airtime, internet connectivity, internet bandwidth and/or power outages which prevent any such Shareholder from participating in and/or voting at the General Meeting.

Electronic voting at the General Meeting

Shareholders connecting to the General Meeting electronically will be able to participate in the General Meeting. Voting will be conducted by poll and Shareholders will be able to cast their vote electronically at the General Meeting.

Shareholders are also encouraged to submit any questions to PSG Group's Company Secretary prior to the General Meeting, by no later than 17h00, Wednesday, 29 July 2020, at cosec@psggroup.co.za. These questions will be addressed at the General Meeting.

All eligible Shareholders will be entitled to participate electronically in the General Meeting and to vote (or abstain from voting) on the resolutions proposed at the General Meeting.

SIGNED ON WEDNESDAY, 1 JULY 2020 BY PE BURTON ON BEHALF OF THE INDEPENDENT BOARD OF PSG GROUP, IN TERMS OF POWERS OF ATTORNEYS SIGNED BY MEMBERS OF THE INDEPENDENT BOARD

PE BURTON

Chairman of the Independent Board

Company Secretary

PSG Corporate Services Proprietary Limited
(Registration number 1996/004840/07)
1st Floor, Ou Kollege
35 Kerk Street
Stellenbosch, 7600
(P O Box 7403, Stellenbosch, 7599)

Transfer Secretaries

Computershare Investor Services Proprietary Limited
(Registration number 2004/003647/07)
Rosebank Towers
15 Biermann Avenue
Rosebank
Johannesburg, 2196
(Private Bag X9000, Saxonwold, 2132)

PSG GROUP LIMITED

ONLINE PSG GROUP SHAREHOLDERS' MEETING GUIDE 2020

Attending the General Meeting electronically

This year we will be conducting a virtual General Meeting at 10h30, Thursday, 30 July 2020, giving you the opportunity to attend the General Meeting and participate online, using your smartphone, tablet or computer.

If you choose to participate online you will be able to view a live webcast of the meeting, ask the board questions and submit your votes in real time and you will need to either:

a) Download the Lumi AGM app from the Apple App or Google Play Stores by searching for Lumi AGM.
b) Visit https://web.lumiagm.com on your smartphone, tablet or computer. You will need the latest versions of Chrome, Safari, Internet Explorer 11, Edge and Firefox. Please ensure your browser is compatible.

Meeting ID: **141-959-471**
To login you must have your Username and password which you can request from proxy@computershare.co.za

Using the General Meeting online facility:

ACCESS

Once you have either downloaded the **Lumi AGM app** or entered **web.lumiagm.com** into your web browser, you'll be prompted to enter the Meeting ID.

You will then be required to enter your:
a) Username; and
b) Password.

You will be able to log into the site on Thursday, 30 July 2020.

To register as a shareholder, select '**I have a login**' and enter your username and password.

If you are a visitor, select '**I am a guest**'
As a guest, you will be prompted to complete all the relevant fields including; title, first name, last name and email address.

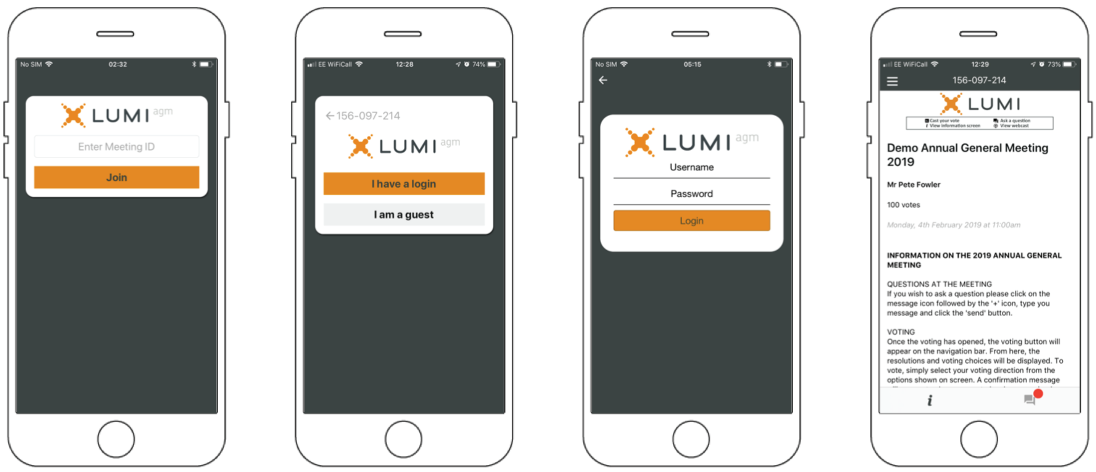
Please note, visitors will not be able vote at the meeting.

NAVIGATION

When successfully authenticated, the info screen will be displayed. You can view company information, ask questions and watch the webcast.

If you would like to watch the **webcast** press the broadcast icon at the bottom of the screen.

If viewing on a computer the webcast will appear at the side automatically once the meeting has started.



PSG GROUP LIMITED

VOTING

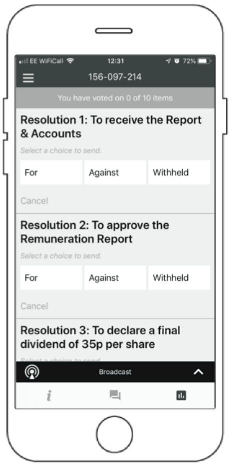
The chairman will open voting on all resolutions at the start of the meeting. Once the voting has opened, the polling icon will appear on the navigation bar at the bottom of the screen. From here, the resolutions and voting choices will be displayed.

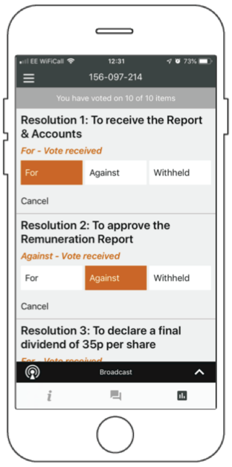
To vote, simply select your voting direction from the options shown on screen. A confirmation message will appear to show your vote has been received. *For - Vote received*

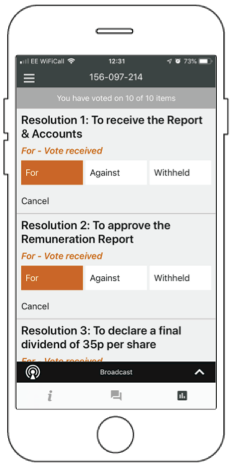
To change your vote, simply select another direction. If you wish to cancel your vote, please press Cancel

Once the chairman has opened voting, voting can be performed at anytime during the meeting until the chairman closes the voting on the resolutions. At that point your last choice will be submitted.

You will still be able to send messages and view the webcast whilst the poll is open.







QUESTIONS

Any PSG Group Shareholder or appointed proxy attending the meeting is eligible to ask questions.

If you would like to ask a question, select the messaging icon

Messages can be submitted at any time during the Q&A session up until the chairman closes the session.

Type your message within the chat box at the bottom of the messaging screen.

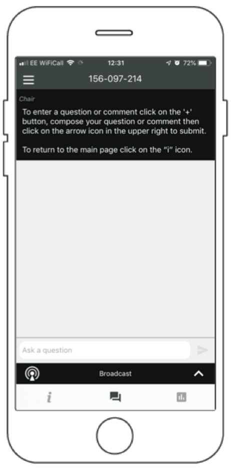
Once you are happy with your message click the send button.

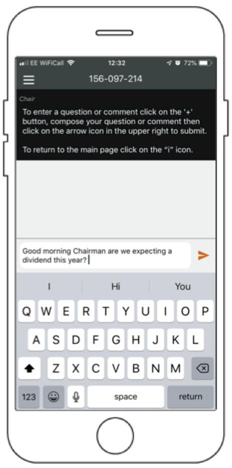
Questions sent via the Lumi AGM online platform will be moderated before being sent to the chairman. This is to avoid repetition and remove any inappropriate language.

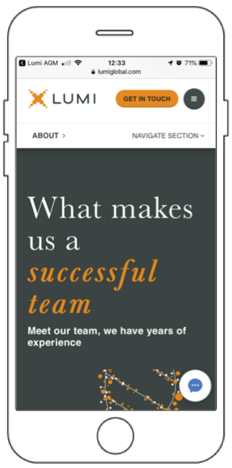
DOWNLOADS

Links are present on the info screen . When you click on a link, the selected document will open in your browser.

Data usage for streaming the annual shareholders' meeting or downloading documents via the General Meeting platform varies depending on individual use, the specific device being used for streaming or download (Android, iPhone, etc) and the network connection (3G, 4G).







ELECTRONIC PARTICIPATION FORM

Participation in the General Meeting via electronic communication: ***For use by PSG Shareholders who do not register to participate and/or vote at the General Meeting using the online portal.***

Capitalised terms used in this Electronic Participation Form shall bear the meanings ascribed thereto in the Circular to which the Notice of General Meeting is attached.

1. Shareholders or their duly appointed proxy(ies) that wish to participate in the General Meeting via electronic communication and who do not register using the online portal at https://www.smartagm.co.za ("Participants"), must apply to Computershare, by delivering this duly completed Electronic Participation Form to:

1.1 Rosebank Towers, 15 Biermann Avenue, Rosebank 2196, or posting it to Private Bag x9000, Saxonwold, 2132 (at the risk of the Participant), or by email to proxy@computershare.co.za so as to be received by Computershare by no later than 10h30 on Tuesday, 28 July 2020, for administrative reasons, in order for the Transfer Secretaries to arrange such participation for the Shareholder and for the Transfer Secretaries to provide the Shareholder with the details as to how to access the General Meeting by means of electronic participation.

1.2 Shareholders may still register/apply to participate in and/or vote electronically at the General Meeting after the aforementioned date, provided, however, that those Shareholders are verified (as required in terms of section 63(1) of the Companies Act) and are registered at the commencement of the General Meeting.

2. Important notice

2.1 The Transfer Secretaries shall, by no later than 10h30 on Wednesday, 29 July 2020, notify Participants that have delivered valid notices in the form of this Electronic Participation Form, by email of the relevant details through which Participants can participate electronically, subject to such Shareholders delivering this Electronic Participation Form by 10h30 on Tuesday, 28 July 2020.

2.2 The cut-off time to participate in the General Meeting via electronic communication will be 10h30 on Thursday, 30 July 2020 provided that those Shareholders wishing to participate are verified (as required in terms of section 63(1) of the Companies Act) and are registered at the commencement of the General Meeting. No late registrations will be accommodated.

Electronic Participation Form		
Full name of Participant:		
ID number:		
Email address:		
Cell number:		
Telephone number:	(code):	(number):
Name of CSDP or broker (if PSG Group Shares are held in dematerialised format):		
Contact number of CSDP/broker:		
Contact person of CSDP/broker:		
Number of share certificate (if applicable):		
Signature:		
Date:		

Terms and conditions for participation in the General Meeting via electronic communication

1. The cost of electronic participation in the General Meeting is for the expense of the Participant and will be billed separately by the Participant's own service provider.
2. The Participant acknowledges that the electronic communication services are provided by a third parties and indemnifies PSG Group and/or the Transfer Secretaries against any loss, injury, damage, penalty or claim arising in any way from the use or possession of the electronic services, whether or not the problem is caused by any act or omission on the part of the Participant or anyone else. In particular, but not exclusively, the Participant acknowledges that he/she will have no claim against PSG Group and/or the Transfer Secretaries, whether for consequential damages or otherwise, arising from the use of the electronic services or any defect in it or from total or partial failure of the electronic services and connections linking the Participant via the electronic services to the General Meeting.
3. The application to participate in the General Meeting electronically will only be deemed successful if this Electronic Participation Form has been completed fully and signed by the Participant.

Participant's name ______________________________

Signature ______________________________ Date ______________

PSG GROUP LIMITED

(Incorporated in the Republic of South Africa)
(Registration number 1970/008484/06)
Share code: PSG ISIN: ZAE000013017
LEI: 378900CD0BEE79F35A34
("**PSG Group**" or "**the Company**")

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

All terms defined in the Circular, to which this Form of Proxy is attached, shall bear the same meanings when used in this Form of Proxy.

I/We

(print names in full)

of (address)

being the registered holder of ordinary Shares, hereby appoint

1. or failing him/her,

2. or failing him/her,

3. the chairman of the General Meeting,

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

		Number of Shares		
		In favour of	**Against**	**Abstain**
1.	**Special Resolution Number 1** Approval of the PSG Group Unbundling			
2.	**Special Resolution Number 2** Approval of fees for Independent Board members			
3.	**Ordinary Resolution Number 1** Granting of Directors' authority			

Please indicate your voting instructions by way of inserting the number of Shares or by a cross in the spaces provided should you wish to vote all of your Shares.

Signed on this day of 2020

Signature(s)

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

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

Please read the notes on the reverse side hereof.

Notes:

1. A Shareholder may insert the name of a proxy or the names of two alternative proxies of the Shareholder's choice in the space(s) provided, with or without deleting "the chairman of the General Meeting". The person whose name appears first on the Form of Proxy and who is present at the General Meeting will be entitled to act as proxy to the exclusion of those whose names follow.
2. A Shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of Shares to be voted on behalf of that Shareholder in the appropriate box provided or by the insertion of a cross if all Shares should be voted on behalf of that Shareholder. Failure to comply with the above will be deemed to authorise the chairman of the General Meeting, if he/she is the authorised proxy, to vote in favour of the resolutions at the General Meeting, or any other proxy to vote or to abstain from voting at the General Meeting as he/she deems fit, in respect of all the Shares concerned. A Shareholder or his/her proxy is not obliged to use all the votes exercisable by the Shareholder or his/her proxy, but the total of the votes cast and in respect whereof abstentions are recorded may not exceed the total of the votes exercisable by the Shareholder or his/her proxy.
3. When there are joint registered holders of any Shares, any one of such persons may vote at the General Meeting in respect of such Shares as if he/she is solely entitled thereto, but, if more than one of such joint holders are present or represented at any General Meeting, that one of the said persons whose name stands first in the Register in respect of such Shares or his/her proxy, as the case may be, shall alone be entitled to vote in respect thereof. Several executors or administrators of a deceased Shareholder, in whose name any Shares are registered, shall be deemed joint holders thereof.
4. Forms of proxy must be completed and lodged at or posted to the Transfer Secretaries (Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 or Private Bag X9000, Saxonwold, 2132), or emailed to proxy@computershare.co.za so as to be received by the Transfer Secretaries by not later than 10h30 on Tuesday, 28 July 2020, provided that any Form of Proxy not delivered to the Transfer Secretaries by this time may be emailed to the Transfer Secretaries (who will provide same to the chairman of the General Meeting), at any time before the appointed proxy exercises any Shareholder rights at the General Meeting.
5. Any alteration or correction made to this Form of Proxy must be initialled by the signatory(ies).
6. Documentary evidence establishing the authority of a person signing this Form of Proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the Transfer Secretaries or waived by the chairman of the General Meeting.
7. The completion and lodging of this Form of Proxy will not preclude the relevant Shareholder from connecting electronically to the General Meeting and speaking and voting electronically, thereat to the exclusion of any proxy appointed in terms hereof, should such Shareholder wish to do so.

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