PSG Financial Services Limited

REVIEWED RESULTS FOR THE YEAR ENDED 28 FEBRUARY 2021

OVERVIEW

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

Since all of PSG's investment activities are conducted through PSGFS, being the sole directly-held asset of PSG, please refer to the commentary section of PSG's reviewed results for the year ended 28 February 2021 for more information regarding the group and its performance, as published on SENS on 20 April 2021.

PREFERENCE SHARE DIVIDEND

The company previously announced the declaration of its preference share dividend in respect of the six months ended 28 February 2021, which was paid on Tuesday, 23 March 2021.

REPURCHASE OF PREFERENCE SHARES

Preference shareholders are advised to take note of the announcement released on SENS on Tuesday, 20 April 2021 whereby the board of PSGFS has resolved to make an offer to repurchase and delist all the preference shares in issue at a clean (i.e. excluding the accrued preference dividend) price of R81 per share, equating to a total cash consideration of R1.41bn, in terms of a scheme of arrangement. Subject to shareholder and regulatory approval, it is envisaged that the repurchase will be implemented in the next three months.

On behalf of the board

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

Stellenbosch
19 April 2021

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

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

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

TRANSFER SECRETARY: Computershare Investor Services (Pty) Ltd, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196; Private Bag X9000, Saxonwold, 2132

SPONSOR: PSG Capital (Pty) Ltd

INDEPENDENT JOINT SPONSOR: UBS South Africa (Pty) Ltd

AUDITOR: PricewaterhouseCoopers Inc

DATE OF ANNOUNCEMENT: 20 April 2021

Introduction to the condensed consolidated financial statements

Basis of presentation and accounting policies

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

The accounting policies applied in the preparation of these condensed consolidated financial statements are in terms of IFRS; however, the accounting policies applied are materially different from those previously applied as detailed below.

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

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

Change in Investment Entity status

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

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

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

- PSGFS, through Zeder, a subsidiary in terms of IFRS 10, disposed of its entire investment in Pioneer Foods, being the second largest associate of the group, for R6.4bn cash ("Pioneer Foods Disposal");
- PSG Group unbundled an effective 30.5m shares (or 26.4% of the 30.7% interest held) in Capitec ("Capitec Unbundling"), thereby retaining a 4.3% shareholding for liquidity purposes and to bolster PSG Group's balance sheet. Such unbundling unlocked significant value for PSG Group ordinary shareholders.
- PSGFS disposed of 3.3m Capitec shares (or 2.9% of the 4.3% Capitec interest retained) for R3.5bn cash.

PSGFS' investment in Capitec represented more than 65% of its total asset portfolio prior to aforementioned unbundling, whereas the investments in Pioneer Foods and Capitec contributed approximately 75% to PSGFS' consolidated *recurring earnings* (as explained in note 7) for the year ended 29 February 2020. Whilst PSGFS' focus on value creation for its shareholders has not changed, the aforementioned disposals and unbundling have necessitated PSGFS to reassess its Investment Entity status in terms of IFRS 10. The performance of its remaining investment portfolio is accordingly measured with reference to the fair value of such investments (i.e. *sum-of-the-parts ("SOTP") value*) rather than the consolidated profitability of PSGFS (i.e. *recurring earnings*) with effect from 1 March 2020 in PSGFS' strive to meet its objective of value creation through capital appreciation, investment income or both. Fair value (i.e. *SOTP value*) is ultimately dependent on a range of factors such as the investee's market rating, growth prospects, operational performance, profitability and marketability.

Accounting treatment for an Investment Entity

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

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

Discontinued operations

Pioneer Foods Disposal

As at 29 February 2020, PSGFS, through Zeder, a subsidiary in terms of IFRS 10, classified its investment in Pioneer Foods, an associate, as a non-current asset held for sale and discontinued operation in its consolidated financial statements for the year ended 29 February 2020.

Capitec Unbundling

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

Preparation

These condensed consolidated financial statements were compiled under the supervision of the group chief financial officer, Mr WL Greeff, CA (SA), and were reviewed by PSGFS' external auditor, PricewaterhouseCoopers Inc, with a copy of their unmodified review conclusion attached hereto.

Any reference to future financial performance included in this announcement, has not been reviewed or reported on by the company's auditor.

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

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

Prior to applying the Investment Entity exception, client-related balances resulted in assets and liabilities of equal value being recognised in the consolidated statement of financial position, although not directly related to PSGFS shareholders. These balances mainly stemmed from:

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

Condensed consolidated statement of financial position	**Reviewed Feb-21 Rm**	Audited Feb-20 Own balances Rm	Audited Feb-20 Client-related balances Rm	Audited Feb-20 Total Rm
Assets				
Investments at FVTPL (note 1.1)	**18 885**			-
Property, plant and equipment	**55**	12 117		12 117
Right-of-use assets	**1**	1 107		1 107
Intangible assets		4 483		4 483
Investment in ordinary shares of associates		10 672		10 672
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		682	49 722	50 404
Equity securities [1)]	**928**	3 033	2 209	5 242
Debt securities (note 1.3)	**715**	1 847	4 365	6 212
Deferred income tax assets	**12**	469		469
Biological assets		585		585
Investment in investment contracts			16	16
Loans and advances [2)]	**2 489**	1 806		1 806
Trade and other receivables	**70**	4 261	1 740	6 001
Derivative financial assets		1	23	24
Inventory		2 038		2 038
Current income tax assets		39		39
Reinsurance assets		134		134
Cash and cash equivalents	**1 646**	1 723	254	1 977
Assets held for sale		5 520		5 520
Total assets	**24 801**	51 622	58 329	109 951
Equity				
Ordinary and preference shareholders' equity	**23 064**	17 025		17 025
Non-controlling interests		10 265		10 265
Total equity	**23 064**	27 290	-	27 290
Liabilities				
Insurance contracts		554		554
Investment contract liabilities			26 694	26 694
Third-party liabilities arising on consolidation of mutual funds			29 999	29 999
Deferred income tax liabilities	**690**	1 535		1 535
Borrowings [3)]	**876**	16 203		16 203
Lease liabilities	**1**	1 453		1 453
Derivative financial liabilities	**42**	87	30	117
Employee benefit liabilities	**25**	598		598
Trade and other payables	**67**	3 744	1 606	5 350
Loans payable [4)]	**36**			-
Reinsurance liabilities		7		7
Current income tax liabilities		135		135
Liabilities held for sale		16		16
Total liabilities	**1 737**	24 332	58 329	82 661
Total equity and liabilities	**24 801**	51 622	58 329	109 951

1) Balance as at 28 February 2021 comprises solely the approximately 13.9m JSE-listed PSG Group (holding company) treasury shares held and which continue to be classified as at fair value through other comprehensive income ("FVTOCI").

2) Balance as at 28 February 2021 comprises mainly a loan receivable by a wholly-owned subsidiary of PSGFS from PSG Group (holding company), being unsecured, interest-free and having no fixed terms of repayment.

3) Balance as at 28 February 2021 relates to a loan payable by a wholly-owned subsidiary of PSGFS to PSG Group (holding company). The loan is unsecured, interest-free and has no fixed terms of repayment.

4) Balance as at 28 February 2021 includes loans payable to subsidiaries and head office-administered Black-Economic Empowerment Trusts not consolidated.

Condensed consolidated income statement	Reviewed Feb-21 Rm	Audited Feb-20 [1] Own balances Rm	Client-related balances Rm	Total Rm
CONTINUING OPERATIONS				
Fair value losses on investments at FVTPL (note 1.1)	**(264)**			-
Investment income (note 1.1)	**3 928**	493	1 964	2 457
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 [2]	**80**	10 936	(75)	10 861
Other income				
Gain upon deemed disposal and reacquisition of subsidiaries at fair value (note 1.1)	**3 945**			-
Changes in fair value of biological assets		225		225
Fair value (losses)/gains	**(6)**	3	(365)	(362)
Fair value adjustment to investment contract liabilities			(507)	(507)
Fair value adjustment to third-party liabilities arising on consolidation of mutual funds			(1 030)	(1 030)
Other operating income		314		314
	3 939	542	(1 902)	(1 360)
Expenses				
Insurance claims and loss adjustments, net of recoveries		(663)		(663)
Reversal of previously recognised impairment loss on debt securities (note 1.3)	**126**			-
Impairment loss on loans and advances	**(33)**			-
Marketing, administration, impairment losses and other expenses [2]	**(122)**	(11 570)	47	(11 523)
	(29)	(12 233)	47	(12 186)
Net income from associates and joint ventures				
Share of profits of associates and joint ventures		648		648
Loss on impairment of associates		(323)		(323)
Profit on sale/dilution of interest in associates (note 1.2)	**3 117**	130		130
	3 117	455	-	455
Profit before finance costs and taxation	**10 771**	2 356	34	2 390
Finance costs	**(138)**	(889)		(889)
Profit before taxation	**10 633**	1 467	34	1 501
Taxation [3]	**(1 083)**	(491)	(34)	(525)
Profit for the year from continuing operations	**9 550**	976	-	976
DISCONTINUED OPERATIONS				
Profit for the year from discontinued operations	**18 369**	2 454	-	2 454
Gain upon unbundling of Capitec interest at fair value (note 1.2)	**18 369**			-
Share of profit of associate		1 923		1 923
Reversal of impairment of associate		617		617
Loss on dilution of interest in associate		(86)		(86)
Profit for the year	**27 919**	3 430	-	3 430
Attributable to:				
Owners of the parent	**27 919**	2 680		
Continuing operations	**9 550**	671		
Discontinued operations	**18 369**	2 009		
Non-controlling interests		750		
	27 919	3 430		

[1] Re-presented for the discontinued operations as detailed in the introduction to these condensed consolidated financial statements, as well as the reclassification detailed in note 8.

[2] Fee income and operating costs pertaining to the wholly-owned head office subsidiaries providing investment-related services to PSGFS.

[3] Comprises mainly the capital gains tax paid or provided for in respect of i) the aforementioned 2.9% Capitec interest sold and ii) the remaining 1.4% Capitec interest.

Condensed consolidated statement of comprehensive income	**Reviewed Feb-21 Rm**	Audited Feb-20 [1] Rm
Profit for the year	**27 919**	3 430
Other comprehensive loss for the year, net of taxation	**(1 329)**	(1 220)
Items that may be subsequently reclassified to profit or loss		
Currency translation adjustments		(181)
Cash flow hedges		(13)
Share of other comprehensive losses and equity movements of associates		(238)
Fair value adjustment to equity securities (PSG Group treasury shares held)	**(1 329)**	(788)
Total comprehensive income for the year	**26 590**	2 210
Attributable to:		
Owners of the parent	**26 590**	1 693
Continuing operations	**8 221**	182
Discontinued operations	**18 369**	1 511
Non-controlling interests		517
	26 590	2 210

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

Condensed consolidated statement of changes in equity	**Reviewed Feb-21 Rm**	Audited Feb-20 Rm
Ordinary and preference shareholders' equity at beginning of the year	**17 025**	16 864
Total comprehensive income	**26 590**	1 693
Share-based payment costs - employees	**33**	80
Transactions with non-controlling interests and other movements	**(4)**	(265)
Dividends paid	**(20 580)**	(1 347)
Ordinary and preference shareholders' equity at end of the year	**23 064**	17 025
Non-controlling interests at beginning of the year	**10 265**	10 061
Total comprehensive income		517
Subsidiaries deconsolidated upon change in status to that of an Investment Entity	**(10 265)**	
Issue of shares		20
Share-based payment costs - employees		48
Subsidiaries acquired		66
Subsidiaries sold		(2)
Transactions with non-controlling interests		(139)
Dividends paid		(306)
Non-controlling interests at end of the year	**-**	10 265
Total equity	**23 064**	27 290

Condensed consolidated statement of cash flows	Reviewed Feb-21 Rm	Audited Feb-20 [1] Own balances Rm	Audited Feb-20 [1] Client-related balances Rm	Audited Feb-20 [1] Total Rm
Net cash flow from operating activities	**1 309**	2 270	74	2 344
Cash generated from/(utilised by) operations (note 3)	**24**	2 190	(1 922)	268
Interest received	**59**	351	1 360	1 711
Dividends received (notes 1.1 and 1.3)				
Continuing operations	**1 992**	290	643	933
Discontinued operations		762		762
Finance costs paid	**(157)**	(840)		(840)
Taxation paid	**(609)**	(483)	(7)	(490)
Net cash flow from investing activities	**1 874**	(1 472)	-	(1 472)
Cash and cash equivalents deconsolidated upon change in status to that of an Investment Entity	**(409)**			-
Additions to investments at FVTPL (note 1.1)	**(1 139)**			-
Disposals of investments at FVTPL (note 1.1)	**3 502**			-
Cash flow from subsidiaries acquired		(235)		(235)
Cash flow from subsidiaries sold		54		54
Acquisition of ordinary shares in associates and joint ventures		(515)		(515)
Acquisition of property, plant and equipment	**(1)**	(1 672)		(1 672)
Other investing activities	**(79)**	896		896
Net cash flow from financing activities	**(2 132)**	(861)	(100)	(961)
Dividends paid to:				
PSGFS ordinary and preference shareholders	**(129)**	(1 347)		(1 347)
Non-controlling interests		(306)		(306)
Borrowings drawn		3 165		3 165
Borrowings repaid [2]	**(2 013)**	(2 057)	(100)	(2 157)
Other financing activities	**10**	(316)		(316)
Net increase/(decrease) in cash and cash equivalents	**1 051**	(63)	(26)	(89)
Exchange losses on cash and cash equivalents		(21)		(21)
Cash and cash equivalents at beginning of the year	**595**	425	280	705
Cash and cash equivalents at end of the year	**1 646**	341	254	595

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

2) Borrowings repaid during the year under review comprise i) R1bn in redeemable preference share debt repaid in full and ii) R1,013m on account of loans payable to PSG Group (holding company).

Notes to the condensed consolidated financial statements	Reviewed Carrying value 29-Feb-20 Rm	Reconciliation of investments at FVTPL from 1 Mar 2020 to 28 Feb 2021 Gain/(loss) upon deemed disposal and reacquisition of subsidiaries at fair value on 01-Mar-20 Rm	Fair value [1] 01-Mar-20 Rm	Transfer from investment in associate Rm	Fair value gains/ (losses) Rm	Capitec unbundling receipt [2] Rm	Additions/ (disposals) [3] Rm	Fair value [1] 28-Feb-21 Rm	Investment (dividend) income [4] Rm
1. Investments									
1.1 Investments at FVTPL									
PSG Konsult	1 964	4 435	**6 399**		883			**7 282**	**186**
Curro	3 034	(430)	**2 604**		(69)		1 053	**3 588**	**23**
Capitec			**-**	3 877	(26)	1 841	(3 502)	**2 190**	
Zeder	3 517	(344)	**3 173**		(1 190)			**1 983**	**1 721**
PSG Alpha	3 111	507	**3 618**		138		86	**3 842**	
Other	223	(223)	**-**		-			**-**	
Total		3 945	**15 794**	3 877	(264)	1 841	(2 363)	**18 885**	**1 930**

Interest income on cash and cash equivalents and loans and advances, as well as preference share dividends accrued on debt securities	**124**
Dividend income from equity securities at FVTOCI (classified as "equity securities" in the statement of financial position)	**1 874**
Ordinary dividend received in cash	**33**
Dividend in specie received pursuant to the Capitec Unbundling [2]	**1 841**
Total investment income	**3 928**

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

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

[3] The disposal of approximately 3.3m Capitec shares during the year raised R3,502m in cash, while a further R1,053m and R86m cash was invested in Curro and PSG Alpha, respectively.

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

	Reviewed Reconciliation of associate from 29 Feb 2020 to 28 Feb 2021 Carrying value 29-Feb-20 Rm	Gain upon remeasuring retained Capitec interest to fair value Rm	Gain upon disposal of Capitec interest at fair value Rm	Transfer to investments at FVTPL Rm	Disposal at fair value to PSG Group Rm	Carrying value 28-Feb-21 Rm
1.2 Investment in associate (Capitec)						
Retained Capitec interest (continuing operations) [1]	**760**	3 117		(3 877)		**-**
Unbundled Capitec interest (discontinued operations) [2]	**8 283**		18 369		(26 652)	**-**
Total	**9 043**	3 117	18 369	(3 877)	(26 652)	**-**

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

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

1.3 Debt securities

Debt securities as at 28 February 2021 relate to PSGFS' investment in Dipeo cumulative, redeemable preference shares. Previously, such investment was eliminated upon consolidation of Dipeo (a subsidiary in terms of IFRS 10), with PSGFS accordingly sharing in the underlying assets of Dipeo. However, following the aforementioned change in status to that of an Investment Entity, Dipeo is no longer consolidated and PSGFS had to accordingly reinstate such debt securities and account therefore at amortised cost. Below is a reconciliation of movement in such debt securities balance for the year under review:

	Reviewed 28-Feb-21 Rm
Reinstatement following change in status to that of an Investment Entity (i.e. opening balance net of previously recognised impairment loss)	**567**
Cash collected	**(29)**
Preference share dividends accrued [1]	**51**
Reversal of previously recognised impairment loss	**126**
Closing balance [2]	**715**

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

[2] The carrying value of the debt securities is supported by Dipeo's investment in JSE-listed Curro (3.6%), Stadio (3.3%) and Kaap Agri (20%), as well as in unlisted Energy Partners (16.6%), and accordingly the remaining carrying value is deemed fully recoverable (i.e. lifetime expected credit losses have been provided for).

	Reviewed Feb-21 Continuing operations Rm	Reviewed Feb-21 Discontinued operations Rm	Reviewed Feb-21 Total Rm	Audited Feb-20 [1] Continuing operations Rm	Audited Feb-20 [1] Discontinued operations Rm	Audited Feb-20 [1] Total Rm
2. Headline earnings, net asset value and dividend per preference share						
Profit for the year attributable to owners of the parent	**9 550**	**18 369**	**27 919**	671	2 009	2 680
Non-headline items	**(5 983)**	**(18 369)**	**(24 352)**	338	(217)	121
Gross amounts	**(7 062)**	**(18 369)**	**(25 431)**	598	(503)	95
Gain upon deemed disposal and reacquisition of subsidiaries at fair value (note 1.1)	**(3 945)**		**(3 945)**			-
Net (profit)/loss on sale/dilution of interest in associates (note 1.2)	**(3 117)**		**(3 117)**	(130)	86	(44)
Loss on/(reversal of) impairment of associates			**-**	323	(617)	(294)
Gain upon unbundling of Capitec interest at fair value (note 1.2)		**(18 369)**	**(18 369)**			-
Profit from subsidiaries sold			**-**	(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			**-**	(84)	28	(56)
Impairment of assets held for sale			**-**	46		46
Non-controlling interests			**-**	(309)	286	(23)
Taxation	**1 079**		**1 079**	49		49
Headline earnings	**3 567**	**-**	**3 567**	1 009	1 792	2 801

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

	Reviewed Feb-21	Audited Feb-20
Number of shares in issue (m)		
Ordinary shares	**599.3**	599.3
Preference shares	**17.4**	17.4
Net asset value attributable to preference shareholders per preference share (R)	**86.47**	86.47
Nominal value per preference share (R)	**100.00**	100.00
Dividend per preference share (R)	**6.15**	8.41
Interim	**3.26**	4.28
Final	**2.89**	4.13

	Reviewed Feb-21 Rm	Audited Feb-20 [1] Own balances Rm	Audited Feb-20 [1] Client-related balances Rm	Audited Feb-20 [1] Total Rm
3. Cash generated from/(utilised by) operations				
Profit before taxation	**10 633**	1 467	34	1 501
Share of profits of associates and joint ventures		(648)		(648)
Depreciation and amortisation	**3**	836		836
Investment income	**(3 928)**	(493)	(1 964)	(2 457)
Finance costs	**138**	889		889
Working capital changes and other non-cash items	**(24)**	269	8	277
Fair value losses on investments at FVTPL (note 1.1)	**264**			-
Gain upon deemed disposal and reacquisition of investments at fair value (note 1.1)	**(3 945)**			-
Profit on sale/dilution of interest in associates (note 1.2)	**(3 117)**	(130)		(130)
Cash generated from/(utilised by) operations	**24**	2 190	(1 922)	268

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

4. Capital commitments and contingencies

PSGFS, as an Investment Entity, has no material capital commitments or contingencies.

5. Events subsequent to the reporting date

No material event has occurred between the reporting date and the date of approval of these condensed consolidated financial statements, except for the group having disposed of a further 282,071 Capitec shares for R399m cash proceeds.

Preference shareholders are advised to take note of the announcement released on SENS on Tuesday, 20 April 2021 whereby the board of PSGFS has resolved to make an offer to repurchase and delist all the preference shares in issue at a clean (i.e. excluding the accrued preference dividend) price of R81 per share, equating to a total cash consideration of R1.41bn, in terms of a scheme of arrangement. Subject to shareholder and regulatory approval, it is envisaged that the repurchase will be implemented in the next three months.

6. Financial instruments

6.1 Financial risk factors

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

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

6.2 Price risk

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

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

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

28 February 2021 (reviewed)	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
Assets				
Investments at FVTPL	**17 002**		**1 883**	**18 885**
Liabilities				
Derivative financial liabilities		**42**		**42**

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

	Reviewed Feb-21 Rm
Opening balance	**346**
Financial assets deconsolidated upon change in status to that of an Investment Entity	**(346)**
Financial assets recognised upon change in status to that of an Investment Entity	**1 860**
Additions	**86**
Unrealised fair value losses included in fair value losses on investments at FVTPL as per the condensed consolidated income statement	**(63)**
Closing balance	**1 883**

Valuation techniques and main inputs used to determine fair value for assets are detailed in Annexure A. The fair value of derivative financial liabilities (being fixed-for-variable interest rate swaps) has been determined by discounting the future contractual cash flows using observable market-related interest rates.

6.3 Credit risk

Debt securities

Debt securities as at 28 February 2021 relate to PSGFS' investment in Dipeo preference shares, as detailed in note 1.3. Dipeo has no external borrowings or funding obligations apart from the preference shares held by PSGFS (also being a 49% ordinary shareholder in Dipeo) and the Dipeo BEE Education Trust (being the remaining 51% shareholder in Dipeo). However, PSGFS holds approximately 94% of Dipeo's total preference share exposure.

As noted in note 1.3, the carrying value of the debt securities is mostly supported by JSE-listed investments at their respective fair values. Such JSE-listed investments (i.e. level 1 fair value measurement) supports approximately 88.1% of the carrying value of the debt securities, with the remainder being supported by unlisted investments.

Cash and cash equivalents

PSGFS' cash and cash equivalents comprise current/call accounts and term deposits (with a maturity of 7 days or less) spread across two South African banks (both rated by Moody's as having short-term and long-term counterparty risk ratings of P-3 and Baa3, respectively).

7. Segment report

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

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

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

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

Year ended 28 February 2021 (reviewed)	Fair value gains/ (losses) on investments at FVTPL Rm	Investment (dividend) income Rm	Other income and expenses [1] Rm	Headline earnings [2] Rm	SOTP value Rm
PSG Konsult	883	186		1 069	7 282
Curro	(69)	23		(46)	3 588
Capitec	(26)		6	(20)	2 190
Zeder	(1 190)	1 721		531	1 983
PSG Alpha	138			138	3 842
Dipeo				-	
PSG Corporate			(42)	(42)	
Funding and other		1 874	63	1 937	888
Cash and cash equivalents					1 646
Preference share investments and net loans receivable					733
Other [3]					(359)
PSG Financial Services perpetual preference shares					(1 132)
Total	**(264)**	**3 804**	**27**	**3 567**	**19 773**
Non-headline items (note 2)				24 352	
Taxation				1 083	
Profit before taxation				**29 002**	
Profit before taxation from continuing operations				10 633	
Profit for the year from discontinued operations				18 369	

1) Comprises all other line items in the condensed consolidated income statement, including fee income, expenses, impairment losses, finance costs and taxation.

2) As detailed in the introduction to the condensed consolidated financial statements, pursuant to the change in status to that of an Investment Entity with effect from 1 March 2020, the accounting policies applied in the preparation of the condensed consolidated financial statements are materially different from those previously applied. Accordingly, PSGFS' headline earnings for the year ended 28 February 2021 reflects its subsidiaries (other than those providing services related to PSGFS' investment activities) being accounted for at FVTPL, while in the prior year such subsidiaries were consolidated.

3) Includes a capital gains tax provision on the retained Capitec interest.

7. Segment report (continued)

Year ended 29 February 2020 (audited)	Revenue (own balances) Rm	Recurring earnings (segment profit) [1] Rm	Non-recurring earnings [1] Rm	Headline earnings [1] Rm	SOTP value Rm
PSG Konsult	4 954	389		389	6 399
Curro	2 980	117	23	140	2 604
Capitec		1 927		1 927	46 130
Zeder	7 543	246	(65)	181	3 173
PSG Alpha	9 245	270	(164)	106	3 618
Dipeo	18	(36)	(1)	(37)	
PSG Corporate	93	(24)		(24)	
Funding and other	98	56	63	119	(1 604)
Total	24 931	2 945	(144)	2 801	60 320
Revenue from contracts with customers					
Revenue from sale of goods	13 502				
Revenue earned from commission, school, net insurance and other fee income	10 936				
Investment income	493				
Non-headline items (note 2)				(121)	
Earnings attributable to non-controlling interests				750	
Taxation				525	
Profit before taxation				3 955	
Profit before taxation from continuing operations [2]				1 501	
Profit for the year from discontinued operations [2]				2 454	

[1] Reported net of non-controlling interests.

[2] Re-presented for the discontinued operations as detailed in the introduction to these condensed consolidated financial statements.

8. Reclassification of prior year reported amounts

PSG Konsult reported a reclassification of prior year amounts owing to client-related balances. Such reclassification had no impact on previously reported profitability, cash flows, assets, liabilities or equity; however, it had the following impact on the condensed consolidated income statement for the year ended 29 February 2020:

	Own balances Rm	Client-related balances Rm	Total Rm
Previously reported			
Fair value (losses)/gains	3	(125)	(122)
Fair value adjustment to third-party liabilities arising on consolidation of mutual funds		(1 270)	(1 270)
	3	(1 395)	(1 392)
Now reported			
Fair value (losses)/gains	3	(365)	(362)
Fair value adjustment to third-party liabilities arising on consolidation of mutual funds		(1 030)	(1 030)
	3	(1 395)	(1 392)
Change			
Fair value (losses)/gains		(240)	(240)
Fair value adjustment to third-party liabilities arising on consolidation of mutual funds		240	240
	-	-	-

ANNEXURE A: PSG GROUP'S *SOTP VALUE*

Investment	Feb-21 Shareholding	Feb-21 Nr of shares held m	Industry	Listed/ unlisted	Classification at Feb-21	*SOTP value* Feb-20 Rm	*SOTP value* Movement Rm	*SOTP value* Feb-21 Rm	Portion	Valuation method	IFRS 13 fair value Categorisation	IFRS 13 fair value R/share
PSG Konsult	61.2%	810.1	Financial services	JSE-listed [1]	Subsidiary	6 399	**883**	**7 282**	35%	Closing JSE-listed share price	Level 1	8.99
Curro	60.0%	358.8	Private education	JSE-listed	Subsidiary	2 604	984	**3 588**	17%	Closing JSE-listed share price	Level 1	10.00
Additions (note 1.1)							(1 053)					
Fair value loss							**(69)**					
Capitec	1.4%	1.6	Banking	JSE-listed	Equity securities	46 130	(43 940)	**2 190**	10%	Closing JSE-listed share price	Level 1	1 338.75
Unbundled interest at fair value on 1 Mar 2020							39 714					
Disposals (note 1.1)							3 502					
Fair value loss on retained interest							**(724)**					
Zeder	48.6%	748.4	Investment holding (food and related business)	JSE-listed	Subsidiary	3 173	**(1 190)**	**1 983**	9%	Closing JSE-listed share price	Level 1	2.65
PSG Alpha	98.3%		Investment holding (early-stage investments)	Unlisted	Subsidiary	3 618	-	**3 842**	18%			
CA&S	48.8%		Route-to-market services for fast-moving consumer goods in Sub-Saharan Africa	Botswana Stock Exchange ("BSE")-listed [2]		1 130	(4)	**1 126**	6%	Closing BSE-listed share price converted from Botswana pula to South African rand at the spot exchange rate	Level 1	5.10
Evergreen	50.0%		Retirement lifestyle villages	Unlisted		975	(106)	**869**	4%	Net asset value, underpinned by investment property subjected to external valuation annually	Level 3	
Stadio	43.2%		Private higher education	JSE-listed		662	203	**865**	4%	Closing JSE-listed share price	Level 1	2.38
Energy Partners	57.2%		Private energy utility	Unlisted		118	187	**305**	1%	6x and 10x multiples applied to annualised recurring EBITDA for the operations and investment businesses, respectively, plus cash and work-in-progress, less all debt	Level 3	
Optimi	92.3%		Innovative and accessible education solutions to schools, tutors, parents and learners	Unlisted		305	(9)	**296**	1%	13.7x price-earnings multiple	Level 3	
Other			Various	Unlisted		499	(53)	**446**	2%	Various	Level 3	
Sub-total						3 689		**3 907**				
Less : minority shareholding held by PSG Alpha management [3]						(71)	6	**(65)**				
Additions (note 1.1)							(86)					
Fair value gain							**138**					
Dipeo	49.0%											
Sub-total						61 924		**18 885**				
Other net assets						879		**2 020**	11%			
Cash and cash equivalents						187		**1 646**				
Preference share investments and net loans receivable						542		**733**				
Other [4]						150		**(359)**				
Total assets						**62 803**		**20 905**	**100%**			
Funding						(2 483)		**(1 132)**				
PSG Financial Services perpetual preference shares		17.4				(1 463)		**(1 132)**		Closing JSE-listed share price	Level 1	65.00
Redeemable preference shares [5]						(1 020)						
Total SOTP value						**60 320**		**19 773**				
SOTP value per share (R)						**276.43**		**94.24**				
Fair value losses on investments at FVTPL (note 1.1)							**(962)**					
Fair value loss from derivative financial instruments							(6)					
Net fair value losses reported in the income statement							**(968)**					

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

[2] Secondary listing on the 4AX Exchange.

[3] PSG Alpha management holds ±1.7% (2020: ±1.9%) in PSG Alpha.

[4] The 28 Feb 2021 balance includes a capital gains tax provision (i.e. deferred income tax liability) in respect of the retained Capitec interest.

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