PSG Group Limited
Incorporated in the Republic of South Africa
Registration number: 1970/008484/06
JSE Ltd (“JSE”) share code: PSG
ISIN code: ZAE000013017
(“PSG Group” or “PSG” or “the company” or “the group”)

PSG Financial Services Limited
Incorporated in the Republic of South Africa
Registration number: 1919/000478/06
JSE share code: PGFP
ISIN code: ZAE000096079
(“PSG Financial Services”)

UNAUDITED RESULTS FOR THE SIX MONTHS ENDED 31 AUGUST 2015

- Recurring headline earnings increased by 42% to 355 cents per share
- Interim dividend increased by 82% to 100 cents per share
- Sum-of-the-parts value of R209.35 per share as at 7 October 2015
- Strong operational performance from all investments

OVERVIEW

PSG is an investment holding company consisting of underlying investments that operate across a diverse range of industries which include banking, education, financial services, food and related business, and private equity. PSG’s market capitalisation (net of treasury shares) is approximately R50bn.

RESULTS

The two key benchmarks which PSG believes to measure performance by are sum-of-the-parts (“SOTP”) value and recurring headline earnings per share.

SOTP

The calculation of the SOTP value is simple and requires limited subjectivity as 83% of the value is calculated using JSE-listed share prices, while other investments are included at market-related valuations. At 31 August 2015, the SOTP value per PSG share was R196.85 (28 February 2015: R163.28). At 7 October 2015, the SOTP value was R209.35 per share.

Asset/Liability	28 Feb 2014 Rm	28 Feb 2015 Rm	31 Aug 2015 Rm	7 Oct 2015 Rm	% of total
Capitec*	5 989	14 549	17 134	19 694	43
Curro*	4 660	6 236	7 515	8 120	18
PSG Konsult*	4 004	5 710	6 635	6 168	14
Zeder*	1 698	3 712	3 797	3 719	8
PSG Private Equity**	949	1 246	1 394	1 380	3
Dipeo (previously Thembeka)**	1 243	603	789	821	2
PSG Corporate (including PSG Capital)***	383	1 398	3 312	3 312	7
Other assets (including cash and pref investments)^	1 122	2 031	2 392	2 373	5
Total assets	20 048	35 485	42 968	45 587	100
Perpetual pref funding*	(1 393)	(1 411)	(1 363)	(1 398)	
Other debt^	(615)	(679)	(1 053)	(1 062)	
Total SOTP value	18 040	33 395	40 552	43 127	
Shares in issue (net of treasury shares) (m)	189.9	204.5	206.0	206.0	
SOTP value per share (R)	95.01	163.28	196.85	209.35	

* Listed on the JSE ** SOTP value *** Valuation ^ Book value

Capitec is PSG's largest investment and at 31 August 2015 comprised 40% (28 February 2015: 41%) of the SOTP value's total assets. Capitec continues to be the major contributor to PSG's recurring headline earnings.

RECURRING HEADLINE EARNINGS

	Year ended	Six months ended		
	Feb-15	Aug-14	Change	Aug-15
	Rm	Rm	%	Rm
Capitec	729	332	36	451
Curro	31	15	93	29
PSG Konsult	214	92	26	116
Zeder*	152	62	21	75
PSG Private Equity	59	16	194	47
Dipeo (previously Thembeka)	45	16	n/a	
PSG Corporate (including PSG Capital)	38	1	>1 000	41
Other	51	20	130	46
Recurring headline earnings before funding	1 319	554	45	805
Funding	(177)	(85)		(84)
Recurring headline earnings	1 142	469	54	721
Non-recurring items	432	113		139
Headline earnings	1 574	582	48	860
Non-headline items	(14)	(13)		2
Attributable earnings	1 560	569	51	862
Weighted average number of shares in issue (net of treasury shares) (m)	192.3	187.9	8	203.4
Earnings per share (cents)				
- Recurring headline	593.6	249.4	42	354.5
- Headline	818.6	309.7	37	422.8
- Attributable/basic	811.3	302.7	40	423.7
Dividend per share (cents)	200.0	55.0	82	100.0

* Restated as set out in note 13 to the condensed interim group financial statements.

Recurring headline earnings for the six months ended 31 August 2015 increased by 42% to 354.5 cents per share, following strong recurring headline earnings per share growth from Capitec (25%) and PSG Konsult (26%) in particular. Although Curro reported a 68% increase in recurring headline earnings per share for the six months ended 30 June 2015, its earnings contribution to the larger PSG Group remains relatively small. However, we remain confident that this investment will make a significant contribution to PSG's earnings in years to come. PSG Private Equity reported a 144% increase in recurring headline earnings per share, albeit from a low base, following challenging trading conditions at select investments during the comparative period in the prior year.

Headline earnings increased by 37% to 422.8 cents per share. The non-recurring headline gains achieved during the period under review mainly comprised marked-to-market profits achieved on Dipeo's portfolio of listed shares.

Attributable earnings increased by 40% to 423.7 cents per share.

SIGNIFICANT TRANSACTIONS

The following significant transactions were undertaken during the period under review:

- PSG raised R267m in cash through the issue of 1.4m ordinary shares by means of a private placement.
- PSG invested R438m in cash in the Curro rights offer to fund further expansion.
- Zeder successfully concluded the Capespan scheme of arrangement valued in excess of R500m

by acquiring the remaining 25% interest held by minority shareholders other than management.
- PSG Private Equity disposed of its manufacturing-related investments in GRW Holdings and Protea Foundry for cash proceeds of R72m and R30m, respectively.

CAPITEC (30.7%)

Capitec is a South African retail bank focused on providing easy and affordable banking services to its clients via the use of innovative technology. Everything Capitec does is based on simplicity, affordability, accessibility and personal service.

Capitec is listed on the JSE and its comprehensive results for the six months ended 31 August 2015 are available at www.capitecbank.co.za.

PSG KONSULT (62%)

PSG Konsult is a leading financial services company, delivering a broad range of financial services and products. It focuses on providing wealth management, asset management and insurance solutions to clients.

PSG Konsult is listed on the JSE and Namibian Stock Exchange and its comprehensive results for the six months ended 31 August 2015 are available at www.psg.co.za.

CURRO (58.5%)

Curro is a provider of private school education.

Curro is listed on the JSE and its comprehensive results for the six months ended 30 June 2015 are available at www.curro.co.za.

ZEDER (32%)

Zeder is an investor in the broad agribusiness industry with a specific focus on the food and beverage sectors. Its largest investment is a 27.1% interest in Pioneer Foods, which comprises 71% of Zeder’s SOTP value.

Both Zeder and Pioneer Foods are listed on the JSE and their respective comprehensive results for the six months ended 31 August 2015 and 31 March 2015 are available at www.zeder.co.za and www.pioneerfoods.co.za.

PSG PRIVATE EQUITY (100%)

PSG Private Equity serves as incubator to find the businesses of tomorrow. Management is continuously refining the existing portfolio and actively searching for exciting new investment opportunities. Given its nature, this portfolio is likely to yield volatile earnings, while providing significant optionality.

DIPEO (49%)

Dipeo, a BEE investment holding company, is 51%-owned by the Stellenbosch BEE Education Trust of which all beneficiaries are black individuals. Dipeo’s most significant investments include shareholdings in Curro (6%), Pioneer Foods (4.4%), Quantum Foods (4%) and Kaap Agri (20%). These are all subject to BEE lock-in periods. The Stellenbosch BEE Education Trust will use their share of the value created from these investments to fund gifted but needy black students’ education.

PROSPECTS

We believe PSG’s investment portfolio should continue yielding above average returns in future.

DIVIDENDS

Ordinary shares

PSG’s policy remains to pay up to 100% of free cash flow as an ordinary dividend, of which one third is payable as an interim and the balance as a final dividend at year-end. The directors have resolved to declare an interim gross dividend of 100 cents (2014: 55 cents) in respect of the six months ended

31 August 2015, representing an 82% increase.

The interim dividend amount, net of South African dividend tax, is 85 cents per share for those shareholders that are not exempt from dividend tax. The number of ordinary shares in issue at the declaration date is 221 778 549, and the income tax number of the company is 9950080714.

The salient dates for this dividend distribution are:

Last day to trade cum dividend	Friday, 30 October 2015
Trading ex dividend commences	Monday, 2 November 2015
Record date	Friday, 6 November 2015
Payment date	Monday, 9 November 2015

Share certificates may not be dematerialised or rematerialised between Monday, 2 November 2015 and Friday, 6 November 2015, both days inclusive.

Preference shares

The directors of PSG Financial Services have declared a gross dividend of 390.79 cents per share in respect of the cumulative, non-redeemable, non-participating preference shares for the six months ended 31 August 2015, which was paid on Monday, 28 September 2015. The detailed announcement in respect hereof was disseminated on the Stock Exchange News Services on 31 August 2015.

UNAUDITED CONDENSED INTERIM GROUP FINANCIAL STATEMENTS

	Unaudited		Audited
	Aug-15	Aug-14	Feb-15
	6 months	6 months	12 months
		Restated	
Condensed group income statement	Rm	Rm	Rm
Revenue from sale of goods	6 677	5 370	10 981
Cost of goods sold	(5 709)	(4 513)	(9 532)
Gross profit from sale of goods	968	857	1 449
Income			
Changes in fair value of biological assets	61	21	144
Investment income (note 7)	464	305	764
Fair value gains and losses (note 7)	740	1 010	1 400
Fair value adjustment to investment contract liabilities (note 7)	(639)	(1 066)	(1 483)
Commission, insurance and other fee income	2 320	1 836	4 309
Other operating income	52	28	95
	2 998	2 134	5 229
Expenses			
Insurance claims and loss adjustments, net of recoveries	(261)	(217)	(424)
Marketing, administration and other expenses	(2 712)	(2 300)	(4 778)
	(2 973)	(2 517)	(5 202)
Income from associates and joint ventures			
Share of profits of associates and joint ventures	720	655	1 448
Loss on impairment of associates and joint ventures	(2)	(3)	(4)
	718	652	1 444
Profit before finance costs and taxation	1 711	1 126	2 920
Finance costs	(230)	(164)	(337)
Profit before taxation	1 481	962	2 583
Taxation	(274)	(142)	(392)
Profit for the period	1 207	820	2 191
Attributable to:			
Owners of the parent	862	569	1 560
Non-controlling interests	345	251	631
	1 207	820	2 191

Earnings per share and number of shares in issue	Change %	Unaudited Aug-15 6 months	Unaudited Aug-14 6 months Restated	Audited Feb-15 12 months
Earnings per share (cents)				
- recurring headline	42	354.5	249.4	593.6
- headline (note 4)	37	422.8	309.7	818.6
- attributable/basic	40	423.7	302.7	811.3
- diluted headline	34	409.7	306.3	807.4
- diluted attributable/basic	37	410.5	299.3	800.2
Number of shares (m)				
- in issue		221.8	218.9	220.4
- in issue (net of treasury shares)		203.9	195.3	202.4
- weighted average		203.4	187.9	192.3
- diluted weighted average		207.4	190.0	195.0

Condensed group statement of comprehensive income	Unaudited Aug-15 6 months Rm	Unaudited Aug-14 6 months Restated Rm	Audited Feb-15 12 months Rm
Profit for the period	1 207	820	2 191
Other comprehensive loss for the period, net of taxation	(97)	(53)	(79)
Items that may be subsequently reclassified to profit or loss			
Currency translation adjustments	(105)	(71)	(18)
Reclassification of currency translation adjustments			(1)
Cash flow hedges	2	(7)	(8)
Reclassification of cash flow hedges	1	24	25
Share of other comprehensive income/(loss) and equity movements of associates	6	5	(59)
Items that will not be reclassified to profit or loss			
Remeasurement of post-employment benefit obligations	(1)	(4)	(18)
Total comprehensive income for the period	1 110	767	2 112
Attributable to:			
Owners of the parent	859	544	1 496
Non-controlling interests	251	223	616
	1 110	767	2 112

Condensed group statement of financial position	Unaudited Aug-15 Rm	Unaudited Aug-14 Restated Rm	Audited Feb-15 Rm
Assets			
Property, plant and equipment	5 299	3 783	4 869
Intangible assets	2 681	2 658	2 647
Biological assets	340	212	274
Investment in ordinary shares of associates and joint ventures	11 266	6 761	10 755
Investment in preference shares of/loans granted to associates and joint ventures	312	388	309
Deferred income tax assets	208	190	179
Financial assets linked to investment contracts (note 7)	17 229	12 761	14 223
Cash and cash equivalents	22	15	27
Other financial assets	17 207	12 746	14 196
Other financial assets	6 506	5 407	5 311
Inventory	1 141	917	1 181
Trade and other receivables (note 8)	5 331	3 929	4 085

Current income tax assets		55	64	49
Cash and cash equivalents		2 336	1 399	1 619
Non-current assets held for sale (note 10)			1	106
Total assets		52 704	38 470	45 607
Equity				
Ordinary shareholders' equity		10 952	8 438	9 999
Non-controlling interests		9 919	6 061	9 097
Total equity		20 871	14 499	19 096
Liabilities				
Insurance contracts		578	503	574
Financial liabilities under investment contracts (note 7)		17 229	12 761	14 223
Borrowings		5 809	3 972	4 756
Other financial liabilities		101	118	137
Third-party liabilities arising on consolidation of mutual funds		2 447	2 611	2 057
Deferred income tax liabilities		701	453	631
Trade and other payables and employee benefit liabilities (note 8)		4 884	3 488	4 078
Current income tax liabilities		84	65	55
Total liabilities		31 833	23 971	26 511
Total equity and liabilities		52 704	38 470	45 607
Net asset value per share (R)		53.71	43.21	49.39
Net tangible asset value per share (R)		40.56	29.60	36.32

		Unaudited		Audited
		Aug-15	Aug-14	Feb-15
		6 months	6 months	12 months
Condensed group statement			Restated	
of changes in equity	Change %	Rm	Rm	Rm
Ordinary shareholders' equity at beginning of the period		9 999	6 862	6 862
Total comprehensive income		859	544	1 496
Issue of shares		264	1 073	2 881
Share buy-back				(1 140)
Share-based payment costs - employees		26	21	46
Net movement in treasury shares		5	39	138
Transactions with non-controlling interests		93	65	(11)
Dividends paid		(294)	(166)	(273)
Ordinary shareholders' equity at end of the period		10 952	8 438	9 999
Non-controlling interests at beginning of the period		9 097	5 607	5 607
Total comprehensive income		251	223	616
Issue of shares		773	459	2 852
Share-based payment costs - employees		8	3	15
Business combinations		(2)	12	346
Transactions with non-controlling interests		(18)	(104)	(105)
Dividends paid		(190)	(139)	(234)
Non-controlling interests at end of the period		9 919	6 061	9 097
Total equity		20 871	14 499	19 096
Dividend per share (cents)				
- interim	82	100.0	55.0	55.0
- final				145.0
		100.0	55.0	200.0

Unaudited Audited

Condensed group statement of cash flows	Aug-15 6 months Rm	Aug-14 6 months Rm	Feb-15 12 months Rm
Net cash flow from operating activities			
Cash generated from/(utilised by) operations (note 5.1)	65	(364)	661
Interest income	296	236	596
Dividend income	371	289	530
Finance costs	(205)	(135)	(327)
Taxation paid	(201)	(142)	(384)
Net cash flow from operating activities before cash movement in policyholder funds	326	(116)	1 076
Cash movement in policyholder funds	(5)	(37)	(24)
Net cash flow from operating activities	321	(153)	1 052
Net cash flow from investing activities	(1 031)	(2 311)	(3 502)
Net cash flow from business combinations (note 5.2)	(242)	(438)	(584)
Net cash flow from consolidation of mutual fund		(1 175)	(1 175)
Acquisition of ordinary shares in associates	(68)	(238)	(350)
Proceeds from disposal of ordinary shares in associates	80	5	20
Acquisition of property, plant and equipment	(447)	(356)	(1 425)
Other investing activities	(354)	(109)	12
Net cash flow from financing activities	1 275	1 222	1 669
Dividends paid to group shareholders	(294)	(166)	(273)
Dividends paid to non-controlling interests	(187)	(139)	(234)
Capital contributions by non-controlling interests	725	259	293
Net disposal to/(acquisition from) non-controlling interests	18	(29)	(508)
Net borrowings drawn	746	193	931
Proceeds from disposal of holding company's treasury shares	3	31	64
Shares issued	264	1 073	1 396
Net increase/(decrease) in cash and cash equivalents	565	(1 242)	(781)
Exchange (losses)/gains on cash and cash equivalents	(7)	(1)	26
Cash and cash equivalents at beginning of the period	826	1 581	1 581
Cash and cash equivalents at end of the period*	1 384	338	826
Cash and cash equivalents consists of:			
Cash and cash equivalents attributable to equity holders	2 231	1 392	1 480
Cash and cash equivalents linked to investment contracts	22	15	27
Other clients' cash and cash equivalents	105	7	139
Cash and cash equivalents attributable to equity holders and included in non-current assets held for sale			3
Bank overdrafts attributable to equity holders (included in borrowings)	(974)	(1 076)	(823)
	1 384	338	826

* In addition to cash and cash equivalents presented as at the latest reporting date, the group holds R1.3bn (31 August 2014: R1.3bn; 28 February 2015: R860m) in highly liquid debt securities that form part of the group's resources for meeting short-term cash requirements.

Notes to the condensed interim group financial statements

1. Basis of presentation and accounting policies

These condensed interim group financial statements have been prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board, including IAS 34 Interim Financial Reporting; the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee; the Financial Reporting Pronouncements, as issued by the Financial Reporting Standards Council; the requirements of the South African Companies Act, 71 of 2008, as amended; and the JSE Ltd Listings Requirements.

The accounting policies applied in the preparation of these condensed interim group financial statements are consistent in all material respects with those used in the prior year's annual financial statements. The group also adopted the various other revisions to IFRS which are effective for its financial year ending 29 February 2016. These revisions have not resulted in material changes to the group's reported results and disclosures in these condensed interim group financial statements.

In preparing these condensed interim group financial statements, the significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the group's annual financial statements for the year ended 28 February 2015.

2. Preparation

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

3. PSG Financial Services

PSG Financial Services is a wholly-owned subsidiary of PSG Group, except for the 17 415 770 (31 August 2014: 17 415 770; 28 February 2015: 17 415 770) perpetual preference shares which are listed on the JSE. These preference shares are included in non-controlling interests in the statement of financial position. No separate financial statements are presented in this announcement for PSG Financial Services as it is the only asset of PSG Group.

	Unaudited		Audited
	Aug-15 6 months	Aug-14 6 months Restated	Feb-15 12 months
	Rm	Rm	Rm
4. Headline earnings			
Profit for the period attributable to owners of the parent	862	569	1 560
Non-headline items			
Gross amounts	8	11	11
Impairment of investments in associates	2	2	4
Net profit on sale/dilution of investments in associates	(20)	(9)	(11)
Fair value gain on step-up from associate to subsidiary		(17)	(45)
Net (profit)/loss on sale/impairment of intangible assets (including goodwill)	(3)	8	38
Non-headline items of associates	33	28	44
Reversal of impairment on property, plant and equipment			(12)
Other	(4)	(1)	(7)
Non-controlling interests	(15)	1	6
Taxation	5	1	(3)
Headline earnings	860	582	1 574

5. Notes to the condensed group statement of cash flows

5.1 Cash generated from/(utilised by) operations

Profit before taxation	1 481	962	2 583
Share of profits of associates and joint ventures	(720)	(655)	(1 448)
Depreciation and amortisation	176	134	295
Investment income	(464)	(305)	(764)
Finance costs	230	164	337
Working capital changes and other non-cash items	(638)	(664)	(342)

	65	(364)	661

5.2 Net cash flow from business combinations

The group's most significant business combinations concluded during the year under review included:

Aspen Logistics (Pty) Ltd ("Aspen Logistics")
During March 2015, the group, through Capespan Group Ltd ("Capespan"), acquired 75% of the issued share capital of Aspen Logistics for a cash consideration of R5m. Capespan South Africa's fruit logistical operations were integrated with Aspen Logistics and subsequently rebranded as Contour Logistics. Contour Logistics is a logistical solutions service provider supporting Capespan's operations. Goodwill arose in respect of, inter alia, synergies pertaining to the integration of the logistical activities.

Novo Packhouse business operations ("Novo Packhouse")
During March 2015, the group, through Capespan, acquired the business operations of Novo Packhouse, including its coldstores, equipment and inventory, for a cash consideration of R120m. Novo Packhouse complements the group's existing coldstore operations in South Africa. No goodwill arose in respect of this business combination.

Theewaterskloof farming operations ("Theewaterskloof")
During March 2015, the group, through Capespan, acquired the farming operations of Theewaterskloof, a pome fruit farm, for a cash consideration of R120m. Theewaterskloof complements the group's existing farming operations in South Africa. No goodwill arose in respect of this business combination.

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

	Aspen Logistics Rm	Novo Packhouse Rm	Theewaters-kloof Rm	Other Rm	Total Rm
Identifiable net (liabilities)/ assets acquired	(7)	120	120		233
Goodwill recognised	10			3	13
Non-controlling interests recognised	2				2
	5	120	120	3	248
Deferred purchase consideration				(3)	(3)
Cash consideration paid	5	120	120	-	245
Cash consideration paid	(5)	(120)	(120)		(245)
Cash and cash equivalents acquired	1			2	3
Net cash outflow from subsidiaries acquired	(4)	(120)	(120)	2	(242)

Goodwill recognised from these business combinations can be attributed to the employee corps, expected synergies, economies of scale and the businesses' growth potential. Transaction costs relating to aforementioned business combinations were insignificant and expensed in the income statement.

The aforementioned business combinations have been provisionally accounted for and do not contain any contingent consideration or indemnification asset arrangements.

6. Corporate action

Apart from the transactions set out in note 5.2, the group's most significant corporate actions included the following:

- The group raised R267m in cash through the issue of 1.4m ordinary shares by means of a private placement.
- The group invested R438m in cash in the Curro rights offer to fund further expansion.

- The group, through Zeder, successfully concluded the Capespan scheme of arrangement valued in excess of R500m by acquiring the remaining 25% interest held by minority shareholders other than management.
- The group, through PSG Private Equity, disposed of its manufacturing-related investments in GRW Holdings (Pty) Ltd ("GRW") and Friedshelf 903 (Pty) Ltd t/a Protea Foundry (both associated companies) for cash proceeds of R72m and R30m, respectively.

7. Linked investment contracts

These represent PSG Life Ltd clients' assets held under investment contracts, which are linked to a corresponding liability. Accordingly, the value of policy benefits payable is directly linked to the fair value of the supporting assets and therefore the group is not exposed to the financial risks associated with these assets and liabilities. The impact on the income statement from the returns on investment contract policy holder assets and liabilities, as well as the investment income earned by the ordinary shareholders of the group, were as follows:

	Investment contract policy holders Rm	Equity holders Rm	Total Rm
Six months ended 31 August 2015 (unaudited)			
Investment income	200	264	464
Fair value gains and losses	441	299	740
Fair value adjustment to investment contract liabilities	(639)		(639)
	2	563	565
Six months ended 31 August 2014 (unaudited)			
Investment income	142	163	305
Fair value gains and losses	925	85	1 010
Fair value adjustment to investment contract liabilities	(1 066)		(1 066)
	1	248	249
Year ended 28 February 2015 (audited)			
Investment income	302	462	764
Fair value gains and losses	1 184	216	1 400
Fair value adjustment to investment contract liabilities	(1 483)		(1 483)
	3	678	681

8. Trade and other receivables and payables

Included under trade and other receivables are PSG Online broker and clearing accounts of which R2.5bn (31 August 2014: R1.6bn; 28 February 2015: R1.9bn) represents amounts owing by the JSE for trades conducted during the last few days before the reporting date. 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, with the settlement to clients taking place within three days after the transaction date.

9. Capital commitments and contingencies

The group's most significant capital commitments in respect of the current financial year relate to Curro's development of eight new schools (six campuses) to the value of R400m, the improvement of existing campuses to the value of R600m and investment in land banking for future growth to the value of R300m.

10. Non-current assets and liabilities held for sale

The non-current assets and liabilities held for sale as at 28 February 2015 comprised mainly PSG Private Equity's interest in GRW (an associate), and Zeder's interest, through Capespan, in Addo Cold Storage (Pty) Ltd (a subsidiary). These assets were disposed of during the period under review.

11. Financial instruments

11.1 Financial risk factors

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

These condensed interim group financial statements do not include all financial risk management information and disclosures set out in the annual financial statements, and therefore they should be read in conjunction with the group's annual financial statements for the year ended 28 February 2015. Risk management continues to be carried out by each major entity within the group under policies approved by the respective boards of directors.

11.2 Fair value estimation

The group, through PSG Life Ltd, issues linked investment contracts where the value of the policy benefits (i.e. liability) is directly linked to the fair value of the supporting assets, and as such does not expose the group to the market risk relating to fair value movements.

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
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.

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. As 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.

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.

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

	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
As at 31 August 2015 (unaudited)				
Assets				
Derivative financial assets		88		88
Equity securities	887	1 630	79	2 596
Debt securities	466	427	90	983
Unit-linked investments		14 642	946	15 588
Investment in investment contracts		384		384
Closing balance	1 353	17 171	1 115	19 639
Liabilities				
Derivative financial liabilities		31	66	97
Investment contracts		15 563	1 026	16 589
Trade and other payables			15	15

Third-party liabilities arising on consolidation of mutual funds		2 447		2 447
Closing balance	-	18 041	1 107	19 148
As at 31 August 2014 (unaudited)				
Assets				
Derivative financial assets		41		41
Equity securities	1 137	106	47	1 290
Debt securities	24	662		686
Unit-linked investments		9 796	1 345	11 141
Investment in investment contracts		227	1	228
Closing balance	1 161	10 832	1 393	13 386
Liabilities				
Derivative financial liabilities		69	47	116
Investment contracts		10 413	1 344	11 757
Trade and other payables			14	14
Third-party liabilities arising on consolidation of mutual funds		2 611		2 611
Closing balance	-	13 093	1 405	14 498
As at 28 February 2015 (audited)				
Assets				
Derivative financial assets		78		78
Equity securities	1 025	1 305	82	2 412
Debt securities	477	154		631
Unit-linked investments		11 333	1 117	12 450
Investment in investment contracts		226	1	227
Closing balance	1 502	13 096	1 200	15 798
Liabilities				
Derivative financial liabilities		69	64	133
Investment contracts		12 283	1 107	13 390
Trade and other payables			13	13
Third-party liabilities arising on consolidation of mutual funds		2 057		2 057
Closing balance	-	14 409	1 184	15 593

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

	Unaudited				Audited	
	Aug-15		Aug-14		Feb-15	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
	Rm	Rm	Rm	Rm	Rm	Rm
Opening balance	1 200	1 184	2 532	2 545	2 532	2 545
Additions	1 850	1 852	3 111	3 114	3 337	3 304
Disposals	(2 034)	(2 038)	(4 387)	(4 392)	(4 764)	(4 763)
Fair value adjustments	99	106	137	138	95	96
Other movements		3				2
Closing balance	1 115	1 107	1 393	1 405	1 200	1 184

Unit-linked investments and debt securities represent the largest portion of the level 3 financial assets and relate to units and debentures 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.

Derivative financial assets, equity securities, debt securities and unit-linked investments are all included in “other financial assets” in the statement of financial position, while “other financial liabilities” comprises mainly derivative financial liabilities.

There have been no significant transfers between level 1, 2 or 3 during the period under review, nor were there any significant changes to the valuation techniques and inputs used to determine fair values. Valuation techniques and main inputs used to determine fair value for financial instruments classified as level 2 can be summarised as follows:

Instrument	Valuation technique	Main inputs
Derivative financial assets and liabilities	Exit price on recognised over-the-counter platforms	Not applicable
Debt securities	Valuation model that uses the market inputs (yield of benchmark bonds)	Bond interest rate curves Issuer credit ratings Liquidity spreads
Unit-linked investments	Quoted put (exit) price provided by the fund manager	Not applicable - prices available publicly
Investment in investment contracts	Prices are obtained from the insurer of the particular investment contract	Not applicable - prices provided by registered long-term insurers
Investment contracts	Current unit price of underlying unitised financial asset that is linked to the liability, multiplied by the number of units held	Not applicable
Third-party liabilities arising on consolidation of mutual funds	Quoted put (exit) price provided by the fund manager	Not applicable - prices available publicly

13. Restatement of prior period figures

The prior period figures of Capespan, a subsidiary of the group through Zeder, have been restated to account for the following:

Agriculture: Bearer plants
Amendments were made to IAS 41 Agriculture and IAS 16 Property, plant and equipment that allow companies to account for bearer plants at cost less accumulated depreciation and impairment losses. Long-term biological assets consist of bearer plants used in the production of agricultural produce and are expected to bear produce for more than one period. Management's intention is to recover the economic benefit of these assets through continued use. During the previous year, management revised its accounting policy to account for bearer plants in accordance with the cost model under IAS 16; however, the results for the period ended 31 August 2014 did not fully incorporate these amendments, while the audited results for the year ended 28 February 2015 did previously incorporate these amendments.

Accounting for the sales and cost of sales of product sold
During the previous year, management reassessed an existing management agreement which was accounted for as management fee income, but concluded it to rather fall within IFRIC 4 Determining whether an Arrangement contains a Lease and therefore applied IAS 17 Leases retrospectively. This resulted in Capespan accounting for this agreement and the related farming operations as principal; however, the results for the period ended 31 August 2014 did not incorporate these amendments, while the audited results for the year ended 28 February 2015 did previously incorporate these amendments.

The effect of these restatements on the group's results are as follows:

	Previously reported Rm	Now reported Rm	Change Rm
Income statement for the six months ended 31 August 2014			
Revenue from sale of goods	5 369	5 370	1
Cost of goods sold	(4 436)	(4 513)	(77)
Changes in fair value of biological assets	15	21	6
Marketing, administration and other expenses	(2 325)	(2 300)	25
Finance costs	(165)	(164)	1
Taxation	(157)	(142)	15
Profit for the period			(29)

Attributable to:			
Owners of the parent	575	569	(6)
Non-controlling interests	274	251	(23)
			(29)
Earnings per share for the six months ended 31 August 2014 (cents)			
Recurring headline	252.7	249.4	(3.3)
Headline	312.9	309.7	(3.2)
Attributable/basic	305.8	302.7	3.1
Statement of financial position as at 31 August 2014			
Biological assets	203	212	9
Trade and other receivables	3 895	3 929	34
			43
Ordinary shareholders’ equity	8 439	8 438	(1)
Non-controlling interests	6 068	6 061	(7)
Deferred income tax liabilities	452	453	1
Trade and other payables and employee benefit liabilities	3 438	3 488	50
			43

14. Segment report

The group’s classification into seven reportable segments, namely: Capitec, Curro, PSG Konsult, Zeder, PSG Private Equity, Dipeo (previously Thembeka), and PSG Corporate, remains unchanged. These segments represent the major investments of the group. The services offered by PSG Konsult consist of financial advice, stock broking, asset management and insurance, while Curro offers private education services. The other segments offer financing, banking, investing and advisory services. All segments operate predominantly in the Republic of South Africa. However, the group has exposure to offshore operations through Zeder’s investments in Capespan, Zaad Holdings Ltd and Agrivision Africa, and PSG Private Equity’s investments in CA Sales Holdings (Pty) Ltd and Entrepo Holdings (Pty) Ltd.

Intersegment income represents income derived from other segments within the group which is recorded at the fair value of the consideration received or receivable for services rendered in the ordinary course of the group’s activities. Intersegment income mainly comprises intergroup management fees charged in terms of the respective management agreements.

Headline earnings comprise recurring and non-recurring headline earnings. Recurring headline earnings are calculated on a proportional basis, and include the proportional headline earnings of underlying investments, excluding marked-to-market adjustments and one-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 headline earnings. Non-recurring headline earnings include one-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’s performance. In determining SOTP, listed assets and liabilities are valued using quoted market prices, whereas unlisted assets and liabilities are valued using appropriate valuation methods. These values will not necessarily correspond with the values per the 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:

Six months ended 31 August 2015 (unaudited)	Income ** Rm	Inter-segment income ** Rm	Recurring headline earnings (segment profit) Rm	Non-recurring headline earnings Rm	Headline earnings Rm	SOTP value^ Rm

	Income ** Rm	Inter-segment income ** Rm	Recurring headline earnings (segment profit) Rm	Non-recurring headline earnings Rm	Headline earnings Rm	SOTP value^ Rm
Capitec*			451		451	17 134
Curro	716		29		29	7 515
PSG Konsult	1 708		116		116	6 635
Zeder	4 878		75	(46)	29	3 797
PSG Private Equity	1 912		47		47	1 394
Dipeo	343			112	112	789
PSG Corporate (including PSG Capital)	243	(178)	41	57	98	3 312
Funding	104	(51)	(84)	16	(68)	(2 416)
Other			46		46	2 392
Total	9 904	(229)	721	139	860	40 552
Non-headline items					2	
Earnings attributable to non-controlling interests					345	
Taxation					274	
Profit before taxation					1 481	

Six months ended 31 August 2014 (unaudited)	Income ** Rm	Inter-segment income ** Rm	Recurring headline earnings (segment profit) Rm	Non-recurring headline earnings Rm	Headline earnings Rm	SOTP value^ Rm
Capitec*			332		332	6 912
Curro	491		15		15	4 795
PSG Konsult	1 488		92	(1)	91	5 219
Zeder	4 367		62	14	76	2 435
PSG Private Equity	1 133		16	(1)	15	1 078
Thembeka*			16	126	142	1 415
PSG Corporate (including PSG Capital)^^	62	(55)	1	(2)	(1)	2 316
Funding^^	28	(10)	(85)	(23)	(108)	(2 071)
Other^^			20		20	51
Total	7 562	(65)	469	113	582	22 150
Non-headline items					(13)	
Earnings attributable to non-controlling interests					251	
Taxation					142	
Profit before taxation					962	

Year ended 28 February 2015 (audited)	Income ** Rm	Inter-segment income ** Rm	Recurring headline earnings (segment profit) Rm	Non-recurring headline earnings Rm	Headline earnings Rm	SOTP value^ Rm
Capitec*			729		729	14 549
Curro	1 013		31		31	6 236
PSG Konsult	2 939		214	(1)	213	5 710
Zeder	8 993		152	(52)	100	3 712
PSG Private Equity	2 919		59	(9)	50	1 246
Dipeo and Thembeka	242		45	432	477	603
PSG Corporate (including PSG Capital)^^	331	(260)	38	87	125	3 190
Funding^^	65	(32)	(177)	(25)	(202)	(2 090)
Other^^			51		51	239
Total	16 502	(292)	1 142	432	1 574	33 395
Non-headline items					(14)	
Earnings attributable to non-controlling interests					631	
Taxation					392	
Profit before taxation					2 583	

	Unaudited		Audited
	Aug-15	Aug-14	Feb-15

	6 months	6 months Restated	12 months
	Rm	Rm	Rm
Reconciliation of segment revenue to IFRS revenue:			
Segment revenue as stated above:			
Income	9 904	7 569	16 502
Intersegment income	(229)	(65)	(292)
Less:			
Changes in fair value of biological assets	(61)	(21)	(144)
Fair value gains and losses	(740)	(1 010)	(1 400)
Fair value adjustment to investment contract liabilities	639	1 066	1 483
Other operating income	(52)	(28)	(95)
IFRS revenue	9 461	7 511	16 054
Non-recurring headline earnings comprised the following:			
Non-recurring items from investments	66	137	370
Net fair value (losses)/gains on liquid investment portfolio		(2)	2
Other gains/(losses)	73	(22)	60
	139	113	432

* Equity method of accounting applied.
** The total of "income" and "intersegment income" comprises the total of "revenue from sale of goods" and "income" per the income statement.
^ SOTP is a key valuation tool used to measure the group's performance, but does not necessarily correspond to net asset value.
^^ Reallocations in respect of recurring headline earnings have been made between "PSG Corporate", "Funding" and "Other" in order to ensure consistent presentation between all periods presented.

15. Related-party transactions

Related-party transactions similar to those disclosed in the group's annual financial statements for the year ended 28 February 2015 took place during the period under review.

16. Events subsequent to the reporting period

No material event has occurred between the end of the reporting period and the date of approval of these condensed interim group financial statements, apart from PSG Konsult's acquisition of a 70% shareholding in DMH Associates, which is a leading independent wealth advisory firm located in Mauritius.

On behalf of the board

Jannie Mouton	Piet Mouton	Wynand Greeff
Chairman	Chief executive officer	Financial director

Stellenbosch
12 October 2015

DIRECTORS:
JF Mouton (Chairman)+, PE Burton^, ZL Combi^, J de V du Toit^, MM du Toit^, FJ Gouws+, WL Greeff (FD)*, JA Holtzhausen*, MJ Jooste^ (Alt: AB la Grange), JJ Mouton+, PJ Mouton (CEO)*, CA Otto^, W Theron+
* Executive   + Non-executive   ^ Independent non-executive

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

TRANSFER SECRETARY:
Computershare Investor Services (Pty) Ltd, 70 Marshall Street, Johannesburg, 2001;
PO Box 61051, Marshalltown, 2107

SPONSOR:
PSG Capital

AUDITOR:
PricewaterhouseCoopers Inc