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 2016

- Recurring headline earnings increased by 16% to 411.8 cents per share
- Sum-of-the-parts value of R228.32 per share as at 7 October 2016
- Interim dividend increased by 25% to 125 cents per share
- R1.7bn cash available for further 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 R46bn.

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 90% of the value is calculated using JSE-listed share prices, while other investments are included at market-related valuations. At 31 August 2016, the SOTP value per PSG share was R206.01 (29 February 2016: R186.67). At 7 October 2016, the SOTP value was R228.32 per share.

Asset/Liability	28 Feb 2015 Rm	29 Feb 2016 Rm	31 Aug 2016 Rm	7 Oct 2016 Rm	% of total
Capitec*	14 549	16 820	20 673	24 183	47
Curro*	6 236	9 773	9 519	10 749	21
PSG Konsult*	5 710	5 441	5 687	5 516	11
Zeder*	3 712	2 815	3 591	5 244	10
PSG Private Equity+	1 246	1 367	1 729	1 766	3
Dipeo+	603	557	689	741	1
PSG Corporate (incl. PSG Capital)++	1 398	1 510	1 418		
Other assets (incl. cash and pref investments)^	2 031	4 358	3 580	3 497	7
Total assets	35 485	42 641	46 886	51 696	100
Perpetual pref funding*	(1 411)	(1 309)	(1 367)	(1 341)	
Other debt^	(679)	(949)	(950)	(958)	
Total SOTP value	33 395	40 383	44 569	49 397	
Shares in issue (net of treasury shares) (m)	204.5	216.3	216.3	216.3	
SOTP value per share (R)	163.28	186.67	206.01	228.32	

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

Note: PSG’s live SOTP is available at www.psggroup.co.za.

Capitec remains PSG’s largest investment comprising 44% (29 February 2016: 39%) of the total SOTP assets as at 31 August 2016. Capitec is also the major contributor to PSG’s recurring headline earnings.

RECURRING HEADLINE EARNINGS

PSG’s consolidated recurring headline earnings is the sum of its effective interest in that of each of its underlying investments. The result is that investments in which PSG holds less than 20% and are generally not equity accountable in terms of accounting standards, are included in the calculation of consolidated recurring headline earnings, whilst once-off (i.e. non-recurring) income and expenses are excluded. This provides management and investors with a more realistic and transparent way of evaluating PSG’s earnings performance.

	Unaudited Six months ended			Audited Year ended
	Aug-15 Rm	Change %	Aug-16 Rm	Feb-16 Rm
Capitec	451		538	989
Curro	29		47	58
PSG Konsult	116		132	254
Zeder	75		79	212
PSG Private Equity	47		49	113
Dipeo			(3)	(28)
PSG Corporate (incl. PSG Capital)	41		38	69
Other (mainly pref div income)	46		51	101
Recurring headline earnings before funding	805	16	931	1 768
Funding (net of interest income)	(84)		(49)	(148)
Recurring headline earnings	721	22	882	1 620
Non-recurring items	139		126	(250)
Headline earnings	860	17	1 008	1 370
Non-headline items	2		16	113
Attributable earnings	862	19	1 024	1 483
Weighted average number of shares in issue (net of treasury shares) (m)	203.4	5	214.2	205.7
Earnings per share (cents)				
- Recurring headline	354.5	16	411.8	787.8
- Headline	422.8	11	470.5	666.2
- Attributable	423.7	13	477.8	721.1
Dividend per share (cents)	100.0	25	125.0	300.0

Recurring headline earnings for the six months ended 31 August 2016 increased by 16% to 411.8 cents per share following satisfactory recurring headline earnings per share growth from the majority of PSG’s core investments.

Headline earnings increased by 11% to 470.5 cents per share. This increase was lower than that of recurring headline earnings per share mainly due to no Zeder performance fee income accrued during the period under review.

SIGNIFICANT TRANSACTIONS

PSG undertook the following significant transactions during the period under review:
- Invested R669m cash in the Curro rights offer to fund further expansion.
- Acquired 19.2m PSG Konsult shares, representing a 1.5% interest, at an average price of R7.14 for a total cash consideration of R137m.
- Successfully concluded the Zeder management fee internalisation, whereby PSG exchanged its rights to the Zeder management agreement for the issue of 207.7m new Zeder shares, representing a 12%

equity interest. All conditions precedent were satisfied during September 2016 and the implementation of the transaction finalised, with PSG's shareholding in Zeder consequently increasing from 34.5% to 42.4%.

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 reported strong results with a 19% increase in headline earnings per share for the period under review.

Capitec is listed on the JSE and its comprehensive results are available at www.capitecbank.co.za.

PSG KONSULT (61.7%)

PSG Konsult is a leading financial services company, focusing on providing wealth management, asset management and insurance solutions to clients.

PSG Konsult reported a commendable 13% increase in recurring headline earnings per share for the period under review.

PSG Konsult is listed on the JSE and Namibian Stock Exchange and its comprehensive results are available at www.psg.co.za.

CURRO (57.7%)

Curro is the largest provider of private school education in Southern Africa.

Curro reported a 51% increase in headline earnings per share for its six months ended 30 June 2016.

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

ZEDER (34.5%)

Zeder is an investor in the broad agribusiness industry. Its largest investment is a 27.2% interest in Pioneer Foods, which comprises 66% of Zeder's total SOTP assets.

Zeder reported a 3% decrease in recurring headline earnings per share for the period under review.

Both Zeder and Pioneer Foods are listed on the JSE and their comprehensive results are available at www.zeder.co.za and www.pioneerfoods.co.za, respectively.

PSG PRIVATE EQUITY (100%)

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

PSG Private Equity reported encouraging results for the period under review with a 13% increase in recurring headline earnings per share.

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 (5.4%), Pioneer Foods (4.3%), Quantum Foods (4%) and Kaap Agri (20%). These are all subject to BEE lock-in periods. The Stellenbosch BEE Education Trust will use its share of the value created from these investments to fund black students' education.

PROSPECTS

We believe PSG's investment portfolio should continue yielding above average returns. PSG currently has R1.7bn cash available for further investments.

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 125 cents (2015: 100 cents) from income reserves for the six months ended 31 August 2016, representing a 25% increase.

The interim dividend amount, net of South African dividend tax of 15%, is 106.25 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 230 778 549, and the income tax number of the company is 9950080714.

The salient dates of this dividend distribution are:

Last day to trade cum dividend	Tuesday, 1 November 2016
Trading ex dividend commences	Wednesday, 2 November 2016
Record date	Friday, 4 November 2016
Payment date	Monday, 7 November 2016

Share certificates may not be dematerialised or rematerialised between Wednesday, 2 November 2016 and Friday, 4 November 2016, both days inclusive.

Preference shares

The directors of PSG Financial Services have declared a gross dividend of 440.11 cents per share in respect of the cumulative, non-redeemable, non-participating preference shares for the six months ended 31 August 2016, which was paid on Monday, 26 September 2016. The detailed announcement in respect hereof was disseminated on the JSE's Stock Exchange News Services.

UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

	Unaudited		Audited
	Aug-16	Aug-15	Feb-16
	6 months	6 months	12 months
Condensed consolidated income statement	Rm	Rm	Rm
Revenue from sale of goods	7 064	6 677	12 964
Cost of goods sold	(5 978)	(5 709)	(11 215)
Gross profit from sale of goods	1 086	968	1 749
Income			
Changes in fair value of biological assets	115	61	244
Investment income (note 7)	957	464	974
Fair value gains and losses (note 7)*	1 912	807	778
Fair value adjustment to investment contract liabilities (note 7)	(1 066)	(639)	(1 439)
Fair value adjustment to third-party liabilities arising on consolidation of mutual funds (note 7)*	(1 089)	(107)	(202)
Commission, net insurance and other fee income	2 678	2 320	5 155
Other operating income*	81	32	98
	3 588	2 938	5 608
Expenses			
Insurance claims and loss adjustments, net of recoveries	(292)	(261)	(519)
Marketing, administration and other expenses*	(3 198)	(2 672)	(5 507)
	(3 490)	(2 933)	(6 026)
Net income from associates and joint ventures			
Share of profits of associates and joint ventures	880	720	1 609
(Loss on impairment)/reversal of impairment of			

associates and joint ventures		(2)	8
Net profit on sale/dilution of interest in associates*	11	20	295
	891	738	1 912
Profit before finance costs and taxation	2 075	1 711	3 243
Finance costs	(251)	(230)	(456)
Profit before taxation	1 824	1 481	2 787
Taxation	(255)	(274)	(584)
Profit for the period	1 569	1 207	2 203
Attributable to:			
Owners of the parent	1 024	862	1 483
Non-controlling interests	545	345	720
	1 569	1 207	2 203

* Reclassified as set out in note 11.

		Unaudited		Audited
	Change	Aug-16	Aug-15	Feb-16
Earnings per share and number of shares in issue	%	6 months	6 months	12 months
Earnings per share (cents)				
- recurring headline	16	411.8	354.5	787.8
- headline (note 4)	11	470.5	422.8	666.2
- attributable/basic	13	477.8	423.7	721.1
- diluted headline	12	458.5	409.7	645.6
- diluted attributable/basic	14	466.0	410.5	698.6
Number of shares (m)				
- in issue		230.8	221.8	230.8
- in issue (net of treasury shares)		214.2	203.9	214.2
- weighted average		214.2	203.4	205.7
- diluted weighted average		217.3	207.4	208.9

	Unaudited		Audited
	Aug-16	Aug-15	Feb-16
	6 months	6 months	12 months
Condensed consolidated statement of comprehensive income	Rm	Rm	Rm
Profit for the period	1 569	1 207	2 203
Other comprehensive loss for the period, net of taxation	(168)	(97)	(73)
Items that may be subsequently reclassified to profit or loss			
Currency translation adjustments	(161)	(105)	(105)
Cash flow hedges	(18)	2	22
Recycling of cash flow hedges		1	
Share of other comprehensive income and equity movements of associates	11	6	2
Recycling of share of other comprehensive income and equity movements of associates upon disposal			(1)
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		(1)	9
Total comprehensive income for the period	1 401	1 110	2 130
Attributable to:			
Owners of the parent	969	859	1 516
Non-controlling interests	432	251	614
	1 401	1 110	2 130

	Unaudited		Audited
	Aug-16	Aug-15	Feb-16
Condensed consolidated statement of financial position	Rm	Rm	Rm
Assets			

Property, plant and equipment*	6 732	5 299	6 193
Intangible assets	2 912	2 681	2 714
Biological assets	399	340	406
Investment in ordinary shares of associates and joint ventures	12 719	11 266	12 061
Investment in preference shares of/loans granted to associates and joint ventures	170	312	105
Deferred income tax assets	202	208	193
Financial assets linked to investment contracts (note 7)	22 033	17 229	19 836
Cash and cash equivalents	41	22	115
Other financial assets	21 992	17 207	19 721
Other financial assets (note 6.2)	23 925	6 506	21 448
Inventory*	1 536	1 334	1 619
Trade and other receivables (note 8)*	4 362	5 174	5 196
Current income tax assets	62	55	40
Cash and cash equivalents	1 614	2 336	1 862
Non-current assets held for sale	76		76
Total assets	76 742	52 740	71 749
Equity			
Ordinary shareholders' equity	14 328	10 952	13 634
Non-controlling interests	10 958	9 919	10 128
Total equity	25 286	20 871	23 762
Liabilities			
Insurance contracts	564	578	607
Financial liabilities under investment contracts (note 7)	22 033	17 229	19 836
Borrowings	5 957	5 809	5 604
Other financial liabilities	93	101	102
Third-party liabilities arising on consolidation of mutual funds (note 6.2)	17 735	2 447	15 729
Deferred income tax liabilities	762	701	618
Trade and other payables and employee benefit liabilities (note 8)*	4 212	4 920	5 286
Current income tax liabilities	100	84	205
Total liabilities	51 456	31 869	47 987
Total equity and liabilities	76 742	52 740	71 749
Net asset value per share (R)	66.88	53.71	63.64
Net tangible asset value per share (R)	53.28	40.56	50.97

* Reclassified as set out in note 11.

Condensed consolidated statement of changes in equity	Change %	Unaudited Aug-16 6 months Rm	Unaudited Aug-15 6 months Rm	Audited Feb-16 12 months Rm
Ordinary shareholders' equity at beginning of the period		13 634	9 999	9 999
Total comprehensive income		969	859	1 516
Issue of shares			264	2 455
Share-based payment costs - employees		31	26	51
Net movement in treasury shares			5	56
Transactions with non-controlling interests		122	93	55
Dividends paid		(428)	(294)	(498)
Ordinary shareholders' equity at end of the period		14 328	10 952	13 634
Non-controlling interests at beginning of the period		10 128	9 097	9 097
Total comprehensive income		432	251	614
Issue of shares		964	773	1 515
Share-based payment costs - employees		18	8	19
Subsidiaries acquired			(2)	6

Transactions with non-controlling interests		(356)	(18)	(820)
Dividends paid		(228)	(190)	(303)
Non-controlling interests at end of the period		10 958	9 919	10 128
Total equity		25 286	20 871	23 762
Dividend per share (cents)				
- interim	25	125.0	100.0	100.0
- final				200.0
		125.0	100.0	300.0

Condensed consolidated statement of cash flows	Unaudited Aug-16 6 months Rm	Unaudited Aug-15 6 months Rm	Audited Feb-16 12 months Rm
Net cash flow from operating activities			
Cash (utilised by)/generated from operations (note 5)	(296)	65	900
Interest income	737	296	861
Dividend income	520	371	680
Finance costs	(241)	(205)	(464)
Taxation paid	(299)	(201)	(446)
Net cash flow from operating activities before cash movement in policyholder funds	421	326	1 531
Cash movement in policyholder funds	(73)	(5)	88
Net cash flow from operating activities	348	321	1 619
Net cash flow from investing activities	(1 051)	(1 031)	(4 181)
Net cash flow from subsidiaries acquired (note 6.1)	(165)	(242)	(274)
Net cash flow from consolidation of mutual funds (note 6.2)	10		96
Acquisition of ordinary shares in associates	(60)	(68)	(62)
Proceeds from disposal of ordinary shares in associates	10	80	111
Acquisition of property, plant and equipment	(593)	(447)	(1 504)
Other investing activities	(253)	(354)	(2 548)
Net cash flow from financing activities	30	1 275	2 754
Dividends paid to group shareholders	(428)	(294)	(498)
Dividends paid to non-controlling interests	(232)	(187)	(303)
Capital contributions by non-controlling interests	756	725	733
Net acquisition (from)/by non-controlling interests	(220)	18	(229)
Borrowings drawn	371	997	1 134
Borrowings repaid	(218)	(251)	(632)
Proceeds from disposal of holding company’s treasury shares	1	3	94
Shares issued		264	2 455
Net (decrease)/increase in cash and cash equivalents	(673)	565	192
Exchange losses on cash and cash equivalents	(27)	(7)	(17)
Cash and cash equivalents at beginning of the period	1 001	826	826
Cash and cash equivalents at end of the period*	301	1 384	1 001
Cash and cash equivalents consists of:			
Cash and cash equivalents per the statement of financial position	1 614	2 336	1 862
Cash and cash equivalents attributable to equity holders	1 513	2 231	1 696
Other clients’ cash and cash equivalents	101	105	166
Cash and cash equivalents linked to investment contracts	41	22	115
Bank overdrafts attributable to equity holders (included in borrowings)	(1 354)	(974)	(976)
	301	1 384	1 001

* Available cash held at a PSG Group head office level is invested in the PSG Money Market Fund. As a result of the group’s consolidation of the PSG Money Market Fund, the cash invested in same is derecognised and all of the fund’s underlying highly liquid debt securities (included in “other financial assets” on the face of the balance sheet) are recognised. Third parties’ cash invested in

the PSG Money Market Fund are recognised as a payable and included under “third-party liabilities arising on consolidation of mutual funds”. Available cash held at a PSG Group head office level and invested in the PSG Money Market Fund amounted to R1.7bn (31 August 2015: R0.8bn; 29 February 2016: R2.9bn) at the reporting date.

Notes to the condensed interim consolidated financial statements

1. Basis of presentation and accounting policies

These condensed interim consolidated 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 Listings Requirements.

The accounting policies applied in the preparation of these condensed interim consolidated financial statements are consistent in all material respects with those used in the prior year’s consolidated annual financial statements. The group also adopted the various other revisions to IFRS which are effective for its financial year ending 28 February 2017. These revisions have not resulted in material changes to the group’s reported results and disclosures in these condensed interim consolidated financial statements.

In preparing these condensed interim consolidated 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 consolidated annual financial statements for the year ended 29 February 2016.

2. Preparation

These condensed interim consolidated 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 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 2015: 17 415 770; 29 February 2016: 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-16 6 months Rm	Aug-15 6 months Rm	Feb-16 12 months Rm
4. Headline earnings			
Profit for the period attributable to owners of the parent	1 024	862	1 483
Non-headline items			
Gross amounts	(10)	8	(283)
Impairment/(reversal of impairment) of investment in associates		2	(8)
Net profit on sale/dilution of investment in associates	(11)	(20)	(295)
Net loss on sale of investment in subsidiaries			2
Fair value gain on step-up from associate to subsidiary			(4)
Net loss/(profit) on sale/impairment of intangible assets (incl. goodwill)	1	(3)	14
Net profit on sale/reversal of impairment of property, plant and equipment	(4)	(4)	(18)
Non-headline items of associates	4	33	29
Bargain purchase gain			(4)

Impairment of available-for-sale financial assets			1
Non-controlling interests	(7)	(15)	166
Taxation	1	5	4
Headline earnings	1 008	860	1 370

5. Cash (utilised by)/generated from operations

Profit before taxation	1 824	1 481	2 787
Share of profits of associates and joint ventures	(880)	(720)	(1 609)
Depreciation and amortisation	208	176	380
Investment income	(957)	(464)	(974)
Finance costs	251	230	456
Working capital changes and other non-cash items	(742)	(638)	(140)
Cash (utilised by)/generated from operations	(296)	65	900

6. Business combinations

6.1 Subsidiaries acquired

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

Windhoek Gymnasium Private School (Pty) Ltd ("Windhoek Gymnasium")
During March 2016, the group, through Curro, acquired 100% of the issued share capital of Windhoek Gymnasium for a cash consideration of R181m, of which R26m has been deferred. Windhoek Gymnasium operates a private school in Windhoek, Namibia, being complementary to Curro's existing operations. Goodwill of R64m arose in respect of, inter alia, the workforce, expected synergies, economies of scale and the business' growth potential.

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

Unaudited	Windhoek Gymnasium Rm	Other Rm	Total Rm
Identifiable net assets acquired	117	3	120
Goodwill recognised	64	10	74
Purchase consideration	181	13	194
Deferred purchase consideration	(26)		(26)
Cash consideration paid	155	13	168
Cash consideration paid	(155)	(13)	(168)
Cash and cash equivalents acquired	1	2	3
Net cash flow from subsidiaries acquired	(154)	(11)	(165)

Transaction costs relating to the 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.

6.2 Consolidation of mutual funds

During the period under review, the group commenced consolidation of the PSG Wealth Income Fund of Funds, being managed by PSG Asset Management. The consolidation of the aforementioned mutual fund resulted in an additional R1.4bn of "other financial assets" and R1.4bn of "third-party liabilities arising on consolidation of mutual funds" being recognised in the statement of financial position. Cash and cash equivalents held by the mutual fund of R10m was recognised upon consolidation.

During the second half of the previous financial year, the group commenced consolidation of the PSG Wealth Enhanced Interest Fund, PSG Wealth Creator Fund of Funds and the PSG Wealth Moderate Fund of Funds, following an increase in policyholder funds (i.e. financial assets linked to investment contracts) invested in same. The consolidation of these mutual funds resulted in R13bn of "other financial assets" and R13bn of "third-party liabilities arising on consolidation of mutual funds" being recognised in the statement of financial position. The aforementioned balances relate to third parties' funds invested in the respective mutual funds. Cash and cash equivalents held by the mutual funds of R96m was recognised upon consolidation.

7. Linked investment contracts and consolidated mutual funds

Linked investment contracts are represented by 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.

As a result of the group's consolidation of mutual funds which it controls in accordance with IFRS 10, the group's investments in these mutual funds have been derecognised and all the funds' underlying assets are 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".

The income statement impact recognised from the assets and liabilities pertaining to the investment contract policy holders and consolidated mutual funds are split from the corresponding income statement line items attributable to the equity holders of the group below:

	Linked investment contracts and consolidated mutual funds Rm	Equity holders Rm	Total Rm
Six months ended 31 August 2016 (unaudited)			
Investment income	723	234	957
Fair value gains and losses	1 489	423	1 912
Fair value adjustment to investment contract liabilities	(1 066)		(1 066)
Fair value adjustment to third-party liabilities arising on consolidation of mutual funds	(1 089)		(1 089)
Other	(57)		(57)
	-		
Six months ended 31 August 2015 (unaudited)			
Investment income	320	144	464
Fair value gains and losses	460	347	807
Fair value adjustment to investment contract liabilities	(639)		(639)
Fair value adjustment to third-party liabilities arising on consolidation of mutual funds	(107)		(107)
Other	(34)		(34)
	-		
Year ended 29 February 2016 (audited)			
Investment income	607	367	974
Fair value gains and losses	1 092	(314)	778
Fair value adjustment to investment contract liabilities	(1 439)		(1 439)
Fair value adjustment to third-party liabilities arising on consolidation of mutual funds	(202)		(202)
Other	(58)		(58)
	-		

8. Trade and other receivables and payables

Included under trade and other receivables are PSG Online broker and clearing accounts of which R1.3bn (31 August 2015: R2.5bn; 29 February 2016: R2.5bn) 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. Corporate actions

Apart from the transactions set out in note 6.1, the group's most significant corporate actions are detailed in the commentary section of this announcement.

10. Financial instruments

10.1 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 consolidated financial statements do not include all financial risk management information and disclosures set out in the consolidated annual financial statements, and therefore they should be read in conjunction with the group's annual consolidated financial statements for the year ended 29 February 2016. Risk management continues to be carried out by each major entity within the group under policies approved by the respective boards of directors.

10.2 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
31 August 2016 (unaudited)				
Assets				
Derivative financial assets		76		76

Equity securities	2 194	1 420	59	3 673
Debt securities	889	1 587		2 476
Unit-linked investments		32 964	1 101	34 065
Investment in investment contracts		29		29
Closing balance	3 083	36 076	1 160	40 319
Liabilities				
Derivative financial liabilities		21	68	89
Investment contracts		20 731	1 089	21 820
Trade and other payables			28	28
Third-party liabilities arising on consolidation of mutual funds		17 735		17 735
Closing balance	-	38 487	1 185	39 672
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
29 February 2016 (audited)				
Assets				
Derivative financial assets		92		92
Equity securities	1 747	1 021	69	2 837
Debt securities	846	1 421	23	2 290
Unit-linked investments		28 407	1 311	29 718
Investment in investment contracts		74		74
Closing balance	2 593	31 015	1 403	35 011
Liabilities				
Derivative financial liabilities		32	65	97
Investment contracts		18 173	1 299	19 472
Trade and other payables			5	5
Third-party liabilities arising on consolidation of mutual funds		15 729		15 729
Closing balance	-	33 934	1 369	35 303

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

	Unaudited				Audited	
	Aug-16		Aug-15		Feb-16	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
	Rm	Rm	Rm	Rm	Rm	Rm
Opening balance	1 403	1 369	1 200	1 184	1 200	1 184
Additions	85	111	1 850	1 852	453	406
Disposals	(351)	(323)	(2 034)	(2 038)	(790)	(785)
Fair value adjustments	23	25	99	106	540	559
Other movements		3		3		5
Closing balance	1 160	1 185	1 115	1 107	1 403	1 369

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 or 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

11. Reclassification of prior period figures

11.1 Presentation in the income statement

Given the extent of the “net profit on sale/dilution of interest in associates” for the year ended 29 February 2016, management decided to disclose same separately on the face of the income statement. The results for the year ended 29 February 2016 were previously presented on this basis, while the comparatives for the six months ended 31 August 2015 have now been reclassified accordingly by removing the R20m profit on sale/dilution of interest in associates from “other income” and including same in “net profit on sale/dilution of interest in associates” on the face of the income statement.

PSG Konsult’s consolidation of additional mutual funds has resulted in an increase in the fair value adjustments made to the third-party liabilities arising on consolidation of mutual funds. Accordingly, management has decided to disclose same separately on the face of the income statement for the sake of transparency. The comparatives for the six months ended 31 August 2015 and for the year ended 29 February 2016 have been reclassified by removing the relevant amounts from “fair value gains and losses” and “marketing, administration and other expenses”, and including same in “fair value adjustment to third-party liabilities arising on consolidation of mutual funds” on the face of the income statement.

These reclassifications had no impact on previously reported assets, liabilities, equity, profitability or cash flows, and the results thereof are:

	Previously reported Rm	Now reported Rm	Change Rm
Income statement for the six months ended 31 August 2015			

Fair value gains and losses	740	807	67
Fair value adjustment to third-party liabilities arising on consolidation of mutual funds		(107)	(107)
Other operating income	52	32	(20)
Marketing, administration and other expenses	(2 712)	(2 672)	40
Net profit on sale/dilution of interest in associates		20	20
			-

Income statement for the year ended 29 February 2016

Fair value gains and losses	643	778	135
Fair value adjustment to third-party liabilities arising on consolidation of mutual funds		(202)	(202)
Marketing, administration and other expenses	(5 574)	(5 507)	67
			-

11.2 Presentation in the statement of financial position

Leasehold improvements made by a subsidiary, Curro, have been reclassified from "property, plant and equipment" to "trade and other receivables" in respect of balances reported at 29 February 2016, since these leasehold improvements are recoverable from the landlord.

Capespan Group Ltd, a subsidiary, has revised the classification of fruit stock on hand in respect of balances reported at 31 August 2015.

These reclassifications had no impact on previously reported equity, profitability or cash flows, and the results thereof are:

	Previously reported Rm	Now reported Rm	Change Rm
Statement of financial position as at 31 August 2015			
Inventory	1 141	1 334	193
Trade and other receivables	5 331	5 174	(157)
Trade and other payables and employee benefit liabilities	4 884	4 920	(36)
			-
Statement of financial position as at 29 February 2016			
Property, plant and equipment	6 233	6 193	(40)
Trade and other receivables	5 156	5 196	40
			-

12. Segment report

The group's classification into seven reportable segments, namely: Capitec, Curro, PSG Konsult, Zeder, PSG Private Equity, Dipeo 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, inter alia, Zeder's investments in Capespan Group Ltd, Zaad Holdings Ltd and Agrivision Africa, and PSG Private Equity's investment in CA Sales 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 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 headline earnings. Non-recurring headline earnings include 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'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:

	Income ** ^^ Rm	Inter-segment income ** Rm	Recurring headline earnings (segment profit) Rm	Non-recurring headline earnings Rm	Headline earnings Rm	SOTP value^ Rm
Six months ended 31 August 2016 (unaudited)						
Capitec*			538		538	20 673
Curro	890		47		47	9 519
PSG Konsult	1 967		132		132	5 687
Zeder	5 073		79	(3)	76	3 591
PSG Private Equity	2 172		49	5	54	1 729
Dipeo	417		(3)	132	129	689
PSG Corporate (incl. PSG Capital)	131	(96)	38		38	1 418
Funding	98		(49)	(8)	(57)	(2 317)
Other			51		51	3 580
Total	10 748	(96)	882	126	1 008	44 569
Non-headline items					16	
Earnings attributable to non-controlling interests					545	
Taxation					255	
Profit before taxation					1 824	
Six months ended 31 August 2015 (unaudited)						
Capitec*			451		451	17 134
Curro	716		29		29	7 515
PSG Konsult	1 668		116		116	6 635
Zeder	4 878		75	(46)	29	3 797
PSG Private Equity	1 892		47		47	1 394
Dipeo	343			112	112	789
PSG Corporate (incl. PSG Capital)	243	(178)	41	57	98	3 312
Funding	63	(10)	(84)	16	(68)	(2 416)
Other			46		46	2 392
Total	9 803	(188)	721	139	860	40 552
Non-headline items					2	
Earnings attributable to non-controlling interests					345	
Taxation					274	
Profit before taxation					1 481	
Year ended 29 February 2016 (audited)						
Capitec*			989		989	16 820
Curro	1 415		58		58	9 773
PSG Konsult	3 385		254	(72)	182	5 441
Zeder	9 606		212	(27)	185	2 815

PSG Private Equity	4 210		113	(2)	111	1 367
Dipeo	(310)		(28)	(170)	(198)	557
PSG Corporate (incl. PSG Capital)	308	(166)	69	21	90	1 510
Funding	136	(12)	(148)		(148)	(2 258)
Other			101		101	4 358
Total	18 750	(178)	1 620	(250)	1 370	40 383
Non-headline items					113	
Earnings attributable to non-controlling interests					720	
Taxation					584	
Profit before taxation					2 787	

	Unaudited Aug-16 6 months Rm	Unaudited Aug-15 6 months Rm	Audited Feb-16 12 months Rm
Reconciliation of segment revenue to IFRS revenue:			
Segment revenue as stated above:			
Income^^	10 748	9 803	18 750
Inter-segment income	(96)	(188)	(178)
Less:			
Changes in fair value of biological assets	(115)	(61)	(244)
Fair value gains and losses^^	(1 912)	(807)	(778)
Fair value adjustment to investment contract liabilities	1 066	639	1 439
Fair value adjustment to third-party liabilities arising on consolidation of mutual funds^^	1 089	107	202
Other operating income^^	(81)	(32)	(98)
IFRS revenue***	10 699	9 461	19 093
Non-recurring headline earnings comprised the following:			
Non-recurring items from investments	134	66	(271)
Other (losses)/gains	(8)	73	21
	126	139	(250)

* 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.
*** IFRS revenue comprises "revenue from sale of goods", "investment income" and "commission, net insurance and other fee income" as 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.
^^ Reclassified as set out in note 11.

13. Capital commitments, contingencies and suretyships

The group's most significant capital commitments continues to be in respect of Curro's expansion and development plans. Its 2016 investment programme includes construction of nine new campuses to the value of R950m, expansion of existing campuses to the value of R500m and actual land banking of R60m, with another R300m in land banking planned for the next six to 12 months.

During February 2016, the National Credit Regulator ("NCR") alleged that Capitec had contravened the National Credit Act and referred the matter to the National Consumer Tribunal. The referral was withdrawn by the NCR on 21 September 2016. There are no more referrals pending between Capitec and the NCR.

Apart from the aforementioned NCR matter being resolved, contingencies and suretyships similar to those disclosed in the group's consolidated annual financial statements for the year ended 29 February 2016 remained in effect during the period under review.

14. Related-party transactions

Related-party transactions similar to those disclosed in the consolidated annual financial statements for the year ended 29 February 2016 took place during the period under review.

15. Events subsequent to the reporting date

No material event, other than the Zeder management fee internalisation detailed in the commentary section of this announcement, occurred between the reporting date and the date of approval of these condensed interim consolidated financial statements.

On behalf of the board

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

Stellenbosch
12 October 2016

DIRECTORS:
JF Mouton (Chairman)+, PE Burton^^, ZL Combi^, FJ Gouws+, WL Greeff (FD)*, JA Holtzhausen*, MJ Jooste+ (Alt: AB la Grange), B Mathews^, JJ Mouton+, PJ Mouton (CEO)*, CA Otto^
* Executive   + Non-executive   ^ Independent non-executive   ^^ Lead independent director

The following changes to the PSG Group board and its sub-committees occurred during the period under review:
- Ms B Mathews was appointed as an independent non-executive director and member of the PSG Group Audit and Risk Committee with effect from 3 May 2016;
- Messrs J de V du Toit, MM du Toit and W Theron retired as directors at the annual general meeting held on 24 June 2016 and did not make themselves available for re-election;
- Mr PE Burton replaced Mr J de V du Toit as lead independent director and chairman of the PSG Group Audit and Risk Committee with effect from 11 July 2016; and
- Mr ZL Combi was appointed as a member of the PSG Group Nomination Committee with effect from 11 July 2016.

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

SPONSOR:
PSG Capital

AUDITOR:
PricewaterhouseCoopers Inc.