

PSG Group Limited  
 Incorporated in the Republic of South Africa  
 Registration number: 1970/008484/06  
 JSE Ltd (“JSE”) share code: PSG  
 ISIN code: ZAE00013017  
 (“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: ZAE00096079  
 (“PSG Financial Services”)

UNAUDITED RESULTS FOR THE SIX MONTHS ENDED 31 AUGUST 2017

- SOTP value of R262.32 per share as at 6 October 2017
- Interim dividend up 10% to 138 cents per share
- Recurring headline earnings stable at 412 cents per share

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 and food and related business, as well as early-stage investments in growth sectors. PSG’s market capitalisation (net of treasury shares) is approximately R54bn.

PERFORMANCE

The two key benchmarks in terms of which PSG measures performance are sum-of-the-parts (“SOTP”) value and recurring headline earnings per share as long-term growth in PSG’s SOTP value and share price will depend on, inter alia, sustained growth in the recurring headline earnings per share of our underlying investments.

SOTP

The calculation of PSG’s SOTP value is simple and requires limited subjectivity as 91% of the value is calculated using JSE-listed share prices, while other investments are included at market-related valuations. At 31 August 2017, the SOTP value per PSG share was R261.05 (28 February 2017: R240.87), representing an 8% increase. At 6 October 2017, it was R262.32 per share. The 5-year compound annual growth rate (“CAGR”) of both PSG’s SOTP value and share price was 31% at 31 August 2017.

Asset/Liability	29 Feb 2016 Rm	28 Feb 2017 Rm	31 Aug 2017 Rm	6 Oct 2017 Rm	Share of total	5-year CAGR#
Capitec*	16 820	25 727	31 954	31 689	53%	35%
Curro (including Stadio)*	9 773	11 180	8 877	9 653	16%	18%
PSG Konsult*	5 441	6 084	7 210	7 250	12%	34%
Zeder*	2 815	5 398	4 607	4 382	7%	17%
PSG Alpha+	1 367	1 909	2 510	2 530	4%	23%
Dipeo+	557	812	546	480	1%	
Other assets						
Cash^	2 895	1 513	1 196	1 163	2%	
Pref investments and loans receivable^	1 335	2 002	2 128	2 120	4%	
PSG Corporate++	1 510					
Other^	128	71	69	59	1%	
Total assets	42 641	54 696	59 097	59 326	100%	
Perpetual pref funding*	(1 309)	(1 350)	(1 358)	(1 304)		
Other debt^	(949)	(949)	(950)	(957)		
Total SOTP value	40 383	52 397	56 789	57 065		

Shares in issue (net of treasury shares) (m)	216.3	217.5	217.5	217.5	
SOTP value per share (R)	186.67	240.87	261.05	262.32	31%
Share price (R)	173.69	251.43	252.60	246.17	31%

\* Listed on the JSE + SOTP value ++ Valuation ^ Carrying value  
# Based on share price/SOTP value per share

Note: PSG's live SOTP is available at [www.psggroup.co.za](http://www.psggroup.co.za)

Capitec remains PSG's largest investment comprising 54% of the total SOTP assets as at 31 August 2017 (28 February 2017: 47%), and the major contributor to PSG's recurring headline earnings.

#### RECURRING HEADLINE EARNINGS

The six-month period under review saw satisfactory recurring headline earnings per share performance from PSG's core investments offset by Zeder's weaker performance, being largely invested in the food and related sectors that were negatively affected by particularly tough conditions. Despite Zeder's performance, PSG's recurring headline earnings per share remained stable at 412 cents.

	Aug-16 Rm	Unaudited Six months ended Change %	Aug-17 Rm	Audited Year ended Feb-17 Rm
Capitec	538		628	1 164
Curro	47		61	96
PSG Konsult	132		147	300
Zeder	79		27	275
PSG Alpha	49		66	133
Dipeo	(3)		(34)	(20)
PSG Corporate	38		(18)	29
Other (mainly pref div income)	51		68	112
Recurring headline earnings before funding	931	1.5	945	2 089
Funding (net of interest income)	(49)		(57)	(104)
Recurring headline earnings	882	0.7	888	1 985
Non-recurring items	126		(107)	160
Headline earnings	1 008	(22.5)	781	2 145
Non-headline items	16		52	17
Attributable earnings	1 024	(18.7)	833	2 162
Non-recurring items comprises:				
- Unrealised fair value gains/(losses) on Dipeo's investment portfolio	132		(98)	187
- Other	(6)		(9)	(27)
	126		(107)	160
Weighted average number of shares in issue (net of treasury shares) (m)	214.2	0.6	215.4	214.2
Earnings per share (cents)				
- Recurring headline	411.8	0.1	412.1	926.6
- Headline	470.5	(22.9)	362.6	1 001.4
- Attributable	477.8	(19.1)	386.4	1 009.0
Dividend per share (cents)	125.0	10.4	138.0	375.0

Headline earnings per share decreased by 22.9% to 362.6 cents following Zeder's lower contribution and unrealised fair value losses incurred on Dipeo's investment portfolio, as opposed to unrealised fair value gains achieved in the comparative period last year.

Attributable earnings per share decreased by a smaller margin than headline earnings per share

mainly due to non-headline gains made on businesses sold during the period under review.

#### SIGNIFICANT TRANSACTIONS

During the period under review, PSG invested a further R62m in PSG Alpha's portfolio of early-stage investments.

During September 2017, PSG Alpha concluded an agreement (subject to regulatory approvals being obtained) to obtain a 50% interest in Evergreen Lifestyle, one of South Africa's leading providers of retirement living, for R675m. This investment marks a significant new focus area for PSG and one of its biggest initial cash investments to date.

Following its recent listing and unbundling from Curro, Stadio, the private tertiary education provider, will undertake a rights offer of R640m later in October 2017 to fund growth, which has been fully underwritten by PSG. Stadio will in future be reported on as part of the PSG Alpha investment portfolio.

#### CAPITEC (30.7%)

Capitec is a South African retail bank focused on delivering simplified banking that is both affordable and easy to access through personal service.

It reported a 17% 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](http://www.capitecbank.co.za).

#### PSG KONSULT (61.4%)

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

It reported a 10% increase in recurring headline earnings per share for the period under review.

PSG Konsult is listed on the JSE and the Namibian Stock Exchange, and its comprehensive results are available at [www.psg.co.za](http://www.psg.co.za).

#### CURRO (55.6%)

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

It reported a 22% increase in headline earnings per share for its six months ended 30 June 2017.

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

#### ZEDER (42.1%)

Zeder is an investor in the broad agribusiness industry. Its largest investment is a 27% interest in Pioneer Foods, comprising 52% of Zeder's total SOTP assets.

It reported a 75% decrease in recurring headline earnings per share for the period under review.

Both Zeder and Pioneer Foods are listed on the JSE and their respective comprehensive results are available at [www.zeder.co.za](http://www.zeder.co.za) and [www.pioneerfoods.co.za](http://www.pioneerfoods.co.za).

#### PSG ALPHA (97.4%)

PSG Alpha serves as incubator to find the businesses of tomorrow. Given its nature, this portfolio is likely to yield volatile earnings, while providing significant optionality.

It reported a 23% increase in recurring headline earnings per share for the period under review, with most of the investments performing to expectation.

#### DIPEO (49%)

Dipeo, a BEE investment holding company, is 51%-owned by the Dipeo BEE Education Trust of which all beneficiaries are black individuals. Dipeo's most significant investments include shareholdings in Curro (5.2%), Pioneer Foods (4.3%), Quantum Foods (4.1%), Kaap Agri (20%) and Energy Partners (15.7%). The latter investment totalling R150m was made during the period under review and all investments, apart from those in Curro and Kaap Agri, remain subject to BEE lock-in periods. The Dipeo BEE Education Trust will use its share of the value created in Dipeo to fund black students' education.

#### PROSPECTS

Although Zeder in particular experienced strong head winds during the period under review, we believe PSG's investment portfolio should continue yielding above-average returns. PSG currently has R1.2bn cash available for further investments.

#### DIVIDENDS

##### Ordinary shares

PSG's policy remains to pay up to 100% of available free cash flow as an ordinary dividend, of which approximately 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 138 cents (2016: 125 cents) per share from income reserves for the six months ended 31 August 2017.

The interim dividend amount, net of South African dividend tax of 20%, is 110.4 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 231 449 404, and the income tax number of the company is 9950080714.

The salient dates for this dividend distribution are:

Last day to trade cum dividend	Tuesday, 31 October 2017
Trading ex dividend commences	Wednesday, 1 November 2017
Record date	Friday, 3 November 2017
Payment date	Monday, 6 November 2017

Share certificates may not be dematerialised or rematerialised between Wednesday, 1 November 2017, and Friday, 3 November 2017, both days inclusive.

##### Preference shares

The directors of PSG Financial Services declared a gross dividend of 438.68 cents per share in respect of the cumulative, non-redeemable, non-participating preference shares for the six months ended 31 August 2017, which was paid on Tuesday, 26 September 2017. 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-17 6 months Rm	Aug-16 6 months Rm	Feb-17 12 months Rm
Condensed consolidated income statement			
Revenue from sale of goods	7 013	7 064	14 429
Cost of goods sold	(5 894)	(5 978)	(12 416)
Gross profit from sale of goods	1 119	1 086	2 013
Income			
Changes in fair value of biological assets	39	115	224
Investment income (note 7)*	984	957	1 851
Fair value gains and losses (note 7)	1 479	1 912	1 540
Fair value adjustment to investment contract liabilities (note 7)	(1 194)	(1 066)	(976)
Fair value adjustment to third-party liabilities arising on consolidation of mutual funds (note 7)	(1 256)	(1 089)	(1 239)

Commission, school, net insurance and other fee income*	2 999	2 678	5 763
Other operating income	198	81	158
	3 249	3 588	7 321
Expenses			
Insurance claims and loss adjustments, net of recoveries	(336)	(292)	(581)
Marketing, administration and other expenses	(3 499)	(3 198)	(6 224)
	(3 835)	(3 490)	(6 805)
Net income from associates and joint ventures			
Share of profits of associates and joint ventures	901	880	1 827
Loss on impairment of associates			(6)
Net (loss)/profit on sale/dilution of interest in associates	(20)	11	10
	881	891	1 831
Profit before finance costs and taxation	1 414	2 075	4 360
Finance costs	(256)	(251)	(474)
Profit before taxation	1 158	1 824	3 886
Taxation	(137)	(255)	(537)
Profit for the period	1 021	1 569	3 349
Attributable to:			
Owners of the parent	833	1 024	2 162
Non-controlling interests	188	545	1 187
	1 021	1 569	3 349

\* Reclassified as set out in note 11.

Earnings per share and number of shares in issue	Change %	Unaudited		Audited
		Aug-17 6 months	Aug-16 6 months	Feb-17 12 months
Earnings per share (cents)				
- Recurring headline	0.1	412.1	411.8	926.6
- Headline (note 4)	(22.9)	362.6	470.5	1 001.4
- Attributable	(19.1)	386.4	477.8	1 009.0
- Diluted headline	(22.6)	354.9	458.5	978.8
- Diluted attributable	(18.9)	377.9	466.0	986.0
Number of shares (m)				
- In issue		231.4	230.8	231.4
- In issue (net of treasury shares)		215.4	214.2	215.4
- Weighted average		215.4	214.2	214.2
- Diluted weighted average		218.3	217.3	216.7
Condensed consolidated statement of comprehensive income				
		Unaudited	Unaudited	Audited
		Aug-17	Aug-16	Feb-17
		6 months	6 months	12 months
		Rm	Rm	Rm
Profit for the period		1 021	1 569	3 349
Other comprehensive loss for the period, net of taxation		(24)	(168)	(519)
Items that may be subsequently reclassified to profit or loss				
Currency translation adjustments		(13)	(161)	(450)
Cash flow hedges		(3)	(18)	(21)
Share of other comprehensive income and equity movements of associates		(21)	11	(44)
Items that may not be subsequently reclassified to profit or loss				
Gains/(losses) from changes in financial and demographic assumptions of post-employment benefit obligations		13		(4)
Total comprehensive income for the period		997	1 401	2 830

Attributable to:

Owners of the parent	795	969	1 974
Non-controlling interests	202	432	856
	997	1 401	2 830

Condensed consolidated statement of financial position	Unaudited		Audited
	Aug-17 Rm	Aug-16 Rm	Feb-17 Rm
<b>Assets</b>			
Property, plant and equipment*	8 363	6 732	7 943
Intangible assets	3 274	2 912	3 108
Biological assets	468	399	486
Investment in ordinary shares of associates and joint ventures	13 917	12 719	13 212
Investment in preference shares of/loans granted to associates and joint ventures	247	170	144
Deferred income tax assets	220	202	194
Financial assets linked to investment contracts (note 7)	24 768	22 033	22 561
Cash and cash equivalents	55	41	14
Other financial assets	24 713	21 992	22 547
Other financial assets (note 7)*	28 246	23 925	26 795
Inventory	1 565	1 536	1 667
Trade and other receivables (note 8)	4 473	4 362	3 838
Current income tax assets	80	62	64
Cash and cash equivalents	2 182	1 614	2 035
Non-current assets held for sale	34	76	14
<b>Total assets</b>	<b>87 837</b>	<b>76 742</b>	<b>82 061</b>
<b>Equity</b>			
Ordinary shareholders' equity	16 392	14 328	15 900
Non-controlling interests	10 943	10 958	10 900
<b>Total equity</b>	<b>27 335</b>	<b>25 286</b>	<b>26 800</b>
<b>Liabilities</b>			
Insurance contracts	525	564	544
Financial liabilities under investment contracts (note 7)	24 768	22 033	22 561
Borrowings	6 236	5 957	5 411
Other financial liabilities	104	93	156
Third-party liabilities arising on consolidation of mutual funds (note 7)	23 645	17 735	21 394
Deferred income tax liabilities	823	762	857
Trade and other payables and employee benefit liabilities (note 8)	4 336	4 212	4 281
Current income tax liabilities	65	100	57
<b>Total liabilities</b>	<b>60 502</b>	<b>51 456</b>	<b>55 261</b>
<b>Total equity and liabilities</b>	<b>87 837</b>	<b>76 742</b>	<b>82 061</b>
Net asset value per share (R)	76.09	66.88	73.81
Net tangible asset value per share (R)	60.89	53.28	59.38

\* Reclassified as set out in note 11.

Condensed consolidated statement of changes in equity	Change %	Unaudited		Audited
		Aug-17 6 months Rm	Aug-16 6 months Rm	Feb-17 12 months Rm
Ordinary shareholders' equity at beginning of the period		15 900	13 634	13 634
Total comprehensive income		795	969	1 974
Issue of shares		1		75
Share-based payment costs - employees		33	31	60

Net movement in treasury shares			21
Transactions with non-controlling interests	203	122	832
Dividends paid	(540)	(428)	(696)
Ordinary shareholders' equity at end of the period	16 392	14 328	15 900
Non-controlling interests at beginning of the period	10 900	10 127	10 127
Total comprehensive income	202	432	856
Issue of shares	345	964	1 415
Share-based payment costs - employees	15	18	27
Subsidiaries acquired			14
Transactions with non-controlling interests	(243)	(355)	(1 188)
Dividends paid	(276)	(228)	(351)
Non-controlling interests at end of the period	10 943	10 958	10 900
Total equity	27 335	25 286	26 800
Dividend per share (cents)			
- Interim	10.4	138.0	125.0
- Final			250.0
		138.0	375.0

	Unaudited Aug-17 6 months Rm	Unaudited Aug-16 6 months Rm	Audited Feb-17 12 months Rm
Condensed consolidated statement of cash flows			
Net cash flow from operating activities			
Cash (utilised by)/generated from operations (note 5)^*	(414)	(296)	302
Interest income*^	803	737	1 431
Dividend income*	544	520	1 078
Finance costs	(208)	(241)	(433)
Taxation paid	(197)	(299)	(553)
Net cash flow from operating activities before cash movement in policyholder funds	528	421	1 825
Cash movement in policyholder funds*	41	(73)	(101)
Net cash flow from operating activities	569	348	1 724
Net cash flow from investing activities	(448)	(1 051)	(1 674)
Cash flow from businesses/subsidiaries acquired (note 6.1)	(147)	(165)	(491)
Cash flow from consolidation of mutual funds		10	32
Cash flow from businesses sold (note 6.2)	27		
Acquisition of ordinary shares in associates	(171)	(60)	(147)
Proceeds from disposal of ordinary shares in associates		10	13
Acquisition of property, plant and equipment	(621)	(593)	(1 631)
Other investing activities	464	(253)	550
Net cash flow from financing activities	(361)	30	76
Dividends paid to group shareholders	(540)	(428)	(696)
Dividends paid to non-controlling interests	(276)	(232)	(351)
Capital contributions by non-controlling interests	204	756	1 183
Acquisition from non-controlling interests	(118)	(220)	(202)
Borrowings drawn	589	371	495
Borrowings repaid	(221)	(218)	(449)
Proceeds from delivery of holding company's share incentive trust treasury shares	1	1	21
Shares issued			75
Net (decrease)/increase in cash and cash equivalents	(240)	(673)	126
Exchange gains/(losses) on cash and cash equivalents	8	(27)	(71)
Cash and cash equivalents at beginning of the period	1 056	1 001	1 001
Cash and cash equivalents at end of the period**	824	301	1 056

Cash and cash equivalents consists of:  
Cash and cash equivalents per the statement of

financial position	2 182	1 614	2 035
Cash and cash equivalents attributable to equity holders	1 939	1 513	1 946
Other clients' cash and cash equivalents	243	101	89
Cash and cash equivalents linked to investment contracts	55	41	14
Bank overdrafts attributable to equity holders (included in borrowings)	(1 413)	(1 354)	(993)
	824	301	1 056

\* These line items are impacted by linked investment contracts and consolidated mutual funds as detailed in note 7.

\*\* Available cash held at a PSG Group-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" in the condensed consolidated statement of financial position) 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-level and invested in the PSG Money Market Fund amounted to R1.2bn (31 August 2016: R1.7bn; 28 February 2017: R1.5bn) at the reporting date.

^ Reclassified as set out in note 11.

## 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 2018. 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 annual financial statements for the year ended 28 February 2017.

### 2. Preparation

These condensed interim consolidated financial statements were compiled under the supervision of the group chief financial officer, Mr WL Greeff, CA (SA), and were not reviewed or audited by 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 company'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 2016: 17 415 770; 28 February 2017: 17 415 770) perpetual preference shares which are listed on the JSE. These preference shares are included in non-controlling interests in the condensed consolidated statement of financial position. No separate financial statements are presented in this announcement for PSG Financial Services as it is the only directly held asset of PSG Group.

Unaudited

Audited



	Aug-17 6 months Rm	Aug-16 6 months Rm	Feb-17 12 months Rm
4. Headline earnings			
Profit for the period attributable to owners of the parent	833	1 024	2 162
Non-headline items			
Gross amounts	(88)	(10)	(8)
Loss on impairment of associates			6
Net loss/(profit) on sale/dilution of interest in associates	20	(11)	(10)
Fair value gain on step-up from associate to subsidiary			(39)
Net profit on sale of businesses (note 6.2)	(80)		
Net loss on sale/impairment of intangible assets (including goodwill)	7	1	5
Net loss/(profit) on sale/impairment of property, plant and equipment	2	(4)	11
Non-headline items of associates	(33)	4	18
Bargain purchase gain	(4)		(15)
Impairment of non-current assets held for sale			16
Non-controlling interests	36	(7)	(10)
Taxation		1	1
Headline earnings	781	1 008	2 145

	Unaudited Aug-17 6 months Rm	Unaudited Aug-16 6 months Rm	Audited Feb-17 12 months Rm
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#### 5. Cash (utilised by)/generated from operations

Profit before taxation	1 158	1 824	3 886
Share of profits of associates and joint ventures	(901)	(880)	(1 827)
Depreciation and amortisation	247	208	433
Investment income*	(984)	(957)	(1 851)
Finance costs	256	251	474
Working capital changes and other non-cash items	(190)	(742)	(813)
Cash (utilised by)/generated from operations*	(414)	(296)	302

\* Reclassified as set out in note 11.

#### 6. Businesses/subsidiaries acquired/sold

##### 6.1 Businesses/subsidiaries acquired

Businesses/subsidiaries acquired by the group during the period under review included:

Platchro Holdings (Pty) Ltd ("Platchro")

During May 2017, the group, through Provest Holdings (Pty) Ltd ("Provest"), being a subsidiary of PSG Alpha Investments (Pty) Ltd ("PSG Alpha"), acquired 100% of the issued share capital of Platchro for a cash consideration of R125m. Platchro is involved in the mining services industry, offering complementary services to Provest's existing operations. Goodwill of R74m arose in respect of, inter alia, the workforce, expected synergies, economies of scale and the business's growth potential.

The amounts of identifiable net assets of businesses/subsidiaries acquired, as well as goodwill recognised from business combinations during the period under review, can be summarised as follows:

	Unaudited Platchro Rm	Unaudited Other Rm	Total Rm
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Identifiable net assets acquired	51	28	79
Goodwill recognised	74	28	102
Gain on bargain purchase		(4)	(4)
Cash consideration paid	125	52	177
Cash consideration paid	(125)	(52)	(177)
Cash and cash equivalents acquired	27	3	30
Cash flow from businesses/subsidiaries acquired	(98)	(49)	(147)

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.

Had the aforementioned businesses combinations been accounted for with effect from 1 March 2017 instead of their respective acquisition dates, the condensed consolidated income statement would have reflected additional revenue of R111m and profit for the period of R8m.

Receivables of R29m are included in the identifiable net assets acquired, which are all considered to be recoverable. The fair value of these receivables approximates its carrying value.

## 6.2 Businesses sold

During July 2017, the group, through Capespan Group Ltd, being a subsidiary of Zeder Investments Ltd (“Zeder”), merged the fruit distribution businesses of two wholly-owned subsidiaries, Capespan Japan Ltd (“Capespan Japan”) and Metspan Hong Kong Ltd (“Metspan”), with that of Joy Wing Mau Asia (“JWM Asia”) in exchange for a 30% equity interest in JWM Asia.

The amounts of identifiable net assets of businesses sold, as well as the remaining interest recognised during the period under review, can be summarised as follows:

	Unaudited		Total Rm
	Capespan Japan Rm	Metspan Rm	
Identifiable net assets derecognised	(76)	(51)	(127)
Recognition of investment in ordinary shares of associate		26	26
Recognition of loans granted to associate	73	49	122
Profit on sale of businesses		(80)	(80)
Cash consideration received	(3)	(56)	(59)
Cash consideration received	3	56	59
Cash and cash equivalents derecognised	(18)	(14)	(32)
Cash flow from businesses sold	(15)	42	27

## 7. Linked investment contracts and consolidated mutual funds

Linked investment contracts are represented by PSG Life Ltd (an existing subsidiary of PSG Konsult 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 have been recognised. Third parties’ funds invested in the respective mutual funds are recognised as a payable and included under “third-party liabilities arising on consolidation of mutual funds”.

The condensed consolidated income statement impact recognised from the assets and liabilities

pertaining to the linked investment contracts and consolidated mutual funds are split from the corresponding condensed consolidated 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 2017 (unaudited)			
Investment income	758	226	984
Fair value gains and losses	1 738	(259)	1 479
Fair value adjustment to investment contract liabilities	(1 194)		(1 194)
Fair value adjustment to third-party liabilities arising on consolidation of mutual funds	(1 256)		(1 256)
Various other line items	(46)		(46)
	-		
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)
Various other line items	(57)		(57)
	-		
Year ended 28 February 2017 (audited)			
Investment income*	1 398	453	1 851
Fair value gains and losses	957	583	1 540
Fair value adjustment to investment contract liabilities	(976)		(976)
Fair value adjustment to third-party liabilities arising on consolidation of mutual funds	(1 239)		(1 239)
Various other line items	(140)		(140)
	-		

\* Reclassified as set out in note 11.

The condensed consolidated statement of cash flows impact recognised from the assets and liabilities pertaining to the linked investment contracts and consolidated mutual funds are split from the corresponding condensed consolidated statement of cash flows line items attributable to the equity holders of the group below:

	Unaudited					
	Aug-17 6 months		Aug-16 6 months			
	Linked investment contracts and consolidated mutual funds Rm	Equity holders Rm	Total Rm	Linked investment contracts and consolidated mutual funds Rm	Equity holders Rm	Total Rm
Cash (utilised by)/ generated from operations	(510)	96	(414)	(684)	388	(296)

Interest income	496	307	803	427	310	737
Dividend income	174	370	544	194	326	520
Finance costs		(208)	(208)		(241)	(241)
Taxation paid	(6)	(191)	(197)	(12)	(287)	(299)
Cash movement in policyholder funds	41		41	(73)		(73)
Net cash flow from operating activities	195	374	569	(148)	496	348
Net cash flow from investing activities		(448)	(448)	11	(1 062)	(1 051)
Net cash flow from financing activities		(361)	(361)		30	30
Net increase/(decrease) in cash and cash equivalents	195	(435)	(240)	(137)	(536)	(673)
Exchange gains/(losses) on cash and cash equivalents		8	8		(27)	(27)
Cash and cash equivalents at beginning of the period	103	953	1 056	281	720	1 001
Cash and cash equivalents at end of the period	298	526	824	144	157	301

Audited  
Feb-17  
12 months

	Linked investment contracts and consolidated mutual funds Rm	Equity holders Rm	Total Rm
Cash (utilised by)/generated from operations*	(1 236)	1 538	302
Interest income*	802	629	1 431
Dividend income	375	703	1 078
Finance costs		(433)	(433)
Taxation paid	(50)	(503)	(553)
Cash movement in policyholder funds	(101)		(101)
Net cash flow from operating activities	(210)	1 934	1 724
Net cash flow from investing activities	32	(1 706)	(1 674)
Net cash flow from financing activities		76	76
Net (decrease)/increase in cash and cash equivalents	(178)	304	126
Exchange losses on cash and cash equivalents		(71)	(71)
Cash and cash equivalents at beginning of the year	281	720	1 001
Cash and cash equivalents at end of the year	103	953	1 056

\* Reclassified as set out in note 11.

#### 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 2016: R1.3bn; 28 February 2017: R1.2bn) 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. All such balances have been settled accordingly.

## 9. Corporate actions

Apart from the transactions set out in notes 6.1 and 6.2, 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 consolidated annual financial statements for the year ended 28 February 2017. Risk management continues to be carried out by each 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 in the supporting assets.

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 for identical assets or liabilities.
- 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 in the statement of financial position can be summarised as follows:

	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
31 August 2017 (unaudited)				
<b>Assets</b>				
Derivative financial assets		45		45
Equity securities	2 876	592	51	3 519
Debt securities	805	2 986		3 791
Unit-linked investments		39 904	947	40 851
Investment in investment contracts		16		16
Closing balance	3 681	43 543	998	48 222
<b>Liabilities</b>				
Derivative financial liabilities		58	42	100
Investment contracts		23 680	935	24 615
Trade and other payables			43	43
Third-party liabilities arising on consolidation of mutual funds		23 645		23 645
Closing balance	-	47 383	1 020	48 403

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

28 February 2017 (audited)

Assets

Derivative financial assets		64		64
Equity securities	2 257	1 606	50	3 913
Debt securities	1 005	1 686		2 691
Unit-linked investments		36 545	1 111	37 656
Investment in investment contracts		16		16
Closing balance	3 262	39 917	1 161	44 340

Liabilities

Derivative financial liabilities		38	114	152
Investment contracts		21 317	1 099	22 416
Trade and other payables			38	38
Third-party liabilities arising on consolidation of mutual funds		21 394		21 394
Closing balance	-	42 749	1 251	44 000

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

	Unaudited				Audited	
	Aug-17		Aug-16		Feb-17	
	Assets Rm	Liabilities Rm	Assets Rm	Liabilities Rm	Assets Rm	Liabilities Rm
Opening balance	1 161	1 251	1 403	1 369	1 403	1 369
Additions	256	277	85	111	193	295
Disposals	(441)	(528)	(351)	(323)	(454)	(449)
Fair value adjustments	22	20	23	25	19	36
Other movements				3		
Closing balance	998	1 020	1 160	1 185	1 161	1 251

Unit-linked investments represent the largest portion of the level 3 financial assets and relate to units held in hedge funds that are priced monthly. The prices are obtained from the asset managers of the particular hedge funds. These are held to match investment contract liabilities, and as such any change in measurement would result in a similar adjustment to investment contract liabilities.

Derivative financial assets, equity securities, debt securities, unit-linked investments and investment in investment contracts are all included in "other financial assets" in the condensed consolidated 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 and liquidity spreads
Unit-linked investments	Quoted exit price provided by the fund manager	Not applicable - daily prices are publicly available
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 exit price provided by the fund manager	Not applicable - daily prices are publicly available

#### 11. Reclassification of prior year figures

##### Leasehold improvements

Leasehold improvements made by a subsidiary, Curro Holdings Ltd, have been reclassified from "other financial assets" to "property, plant and equipment", since these leasehold improvements are not recoverable from the landlord. This reclassification had no impact on previously reported equity, liabilities, profitability or cash flows; however, it had the following impact on the condensed consolidated statement of financial position at 28 February 2017:

	Previously reported Rm	Now reported Rm	Change Rm
Statement of financial position			
Property, plant and equipment	7 703	7 943	240
Other financial assets	27 035	26 795	(240)
			-

##### Fee income

Fees earned by a subsidiary of PSG Konsult Ltd, a subsidiary, have been reclassified from "investment income" to "commission, school, net insurance and other fee income", in order to reflect the nature of the fees earned more accurately. This reclassification had no impact on previously reported assets, equity, liabilities or profitability; however, it had the following impact on the condensed consolidated income statement and condensed consolidated statement of cash flows for the year ended 28 February 2017:

	Previously reported Rm	Now reported Rm	Change Rm
Income statement			
Investment income	1 896	1 851	(45)
Commission, school, net insurance and other fee income	5 718	5 763	45
			-

##### Statement of cash flows

Net cash flow from operating activities			
Cash generated from operations	257	302	45

Interest income	1 476	1 431	(45)
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## 12. Segment report

The group's classification into seven reportable segments, namely: Capitec, Curro, PSG Konsult, Zeder, PSG Alpha, 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 operations outside the Republic of South Africa through, inter alia, Curro, Zeder's investments in Capespan Group Ltd, Zaad Holdings Ltd and Agrivision Africa, and PSG Alpha'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, intergroup advisory fees and interest income.

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 condensed consolidated statement of financial position since the latter are measured using the relevant accounting standards which include historical cost and the equity method of accounting.

The chief operating decision-maker (the PSG Group Executive Committee) evaluates the following information to assess the segments' performance:

Six months ended	Income	Inter-segment income	Recurring headline earnings (segment profit)	Non-recurring headline earnings	Headline earnings	SOTP value^
31 August 2017 (unaudited)	** Rm	** Rm	Rm	Rm	Rm	Rm
Capitec*			628		628	31 954
Curro	1 113		61		61	8 877
PSG Konsult	2 098		147		147	7 210
Zeder	4 627		27	4	31	4 607
PSG Alpha	2 591		66	2	68	2 510
Dipeo	(255)		(34)	(98)	(132)	546
PSG Corporate	35	(7)	(18)		(18)	
Funding	93	(33)	(57)	(15)	(72)	(2 308)
Other			68		68	3 393
Total	10 302	(40)	888	(107)	781	56 789
Non-headline items					52	
Earnings attributable to non-controlling interests					188	
Taxation					137	
Profit before taxation					1 158	

Recurring



Six months ended 31 August 2016 (unaudited)	Income ** Rm	Inter- segment income ** Rm	headline earnings (segment profit) Rm	Non- recurring headline earnings Rm	Headline earnings Rm	SOTP value^ Rm
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 Alpha	2 172		49	5	54	1 729
Dipeo	417		(3)	132	129	689
PSG Corporate	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	

Year ended 28 February 2017 (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*			1 164		1 164	25 727
Curro	1 834		96		96	11 180
PSG Konsult	3 799		300		300	6 084
Zeder	10 522		275	(4)	271	5 398
PSG Alpha	4 781		133	3	136	1 909
Dipeo	594		(20)	187	167	812
PSG Corporate	155	(102)	29	(26)	3	
Funding	193	(26)	(104)		(104)	(2 299)
Other			112		112	3 586
Total	21 878	(128)	1 985	160	2 145	52 397
Non-headline items					17	
Earnings attributable to non-controlling interests					1 187	
Taxation					537	
Profit before taxation					3 886	

	Unaudited Aug-17 6 months Rm	Unaudited Aug-16 6 months Rm	Audited Feb-17 12 months Rm
Reconciliation of segment revenue to IFRS revenue:			
Segment revenue as stated above:			
Income	10 302	10 748	21 878
Intersegment income	(40)	(96)	(128)
Less:			
Changes in fair value of biological assets	(39)	(115)	(224)
Fair value gains and losses	(1 479)	(1 912)	(1 540)
Fair value adjustment to investment contract liabilities	1 194	1 066	976
Fair value adjustment to third-party liabilities arising on consolidation of mutual funds	1 256	1 089	1 239
Other operating income	(198)	(81)	(158)
IFRS revenue***	10 996	10 699	22 043

Non-recurring headline earnings comprises:

Non-recurring items from investments	(92)	134	186
Other losses	(15)	(8)	(26)
	(107)	126	160

\* 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 condensed consolidated income statement.

\*\*\* IFRS revenue comprises "revenue from sale of goods", "investment income" and "commission, school, net insurance and other fee income" as per the condensed consolidated income statement.

^ SOTP is a key valuation tool used to measure the group's performance, but does not necessarily correspond to net asset value.

### 13. Capital commitments, contingencies and suretyships

The group's most significant capital commitments are in respect of:

- Curro's 2017 investment programme, which includes the construction of seven new campuses to the value of R600m and the expansion of existing campuses to the value of R900m;
- Stadio's committed business acquisitions (subject to certain conditions precedent) of R540m and the expansion of existing campuses to the value of R130m; and
- PSG Konsult's conclusion of an agreement during September 2017 to acquire the commercial and industrial insurance brokerage business of Absa Insurance and Financial Advisers (Pty) Ltd, with its business made up of 102 advisers and having in excess of 32,000 clients.

Apart from the aforementioned, contingencies and suretyships similar to those disclosed in the group's annual financial statements for the year ended 28 February 2017 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 28 February 2017 took place during the period under review.

### 15. Events subsequent to the reporting date

No material event, apart from those already disclosed 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 Chairman	Piet Mouton Chief Executive Officer	Wynand Greeff Chief Financial Officer
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Stellenbosch  
11 October 2017

#### DIRECTORS:

JF Mouton (Chairman)+, PE Burton^^, ZL Combi^, FJ Gouws+, WL Greeff (CFO)\*, JA Holtzhausen\*, MJ Jooste+ (Alt: TLR de Klerk), B Mathews^, JJ Mouton+, PJ Mouton (CEO)\*, CA Otto^

\* Executive + Non-executive ^ Independent non-executive ^^ Lead independent director

During October 2017, Mr TLR de Klerk was nominated to serve in Mr AB la Grange's stead as alternate director to Mr MJ Jooste.

#### COMPANY SECRETARY AND REGISTERED OFFICE:

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

#### TRANSFER SECRETARY:

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#### SPONSOR:

PSG Capital

AUDITOR:  
PricewaterhouseCoopers Inc