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")

REVIEWED PRELIMINARY CONSOLIDATED FINANCIAL RESULTS FOR THE YEAR ENDED 28 FEBRUARY 2018

- Recurring earnings up 7% to R9.94 per share
- Sum-of-the-parts value of R252.81 per share as at 20 April 2018
- Dividend for the year up 11% to R4.15 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 selected growth sectors. PSG's market capitalisation (net of treasury shares) is approximately R49bn.

PERFORMANCE

The two key benchmarks used by PSG to measure performance are sum-of-the-parts ("SOTP") value and recurring earnings per share, as long-term growth in PSG's SOTP value and share price should depend on, inter alia, sustained growth in the recurring earnings per share of our underlying investments.

SOTP

The calculation of PSG's SOTP value is simple and requires limited subjectivity as more than 90% of the value is calculated using JSE-listed share prices, while other investments are included at market-related valuations. At 28 February 2018, the SOTP value per PSG share was R255.17 (2017: R240.87), representing a 6% increase. At 20 April 2018, it was R252.81 per share. The five-year compound annual growth rate ("CAGR") of both PSG's SOTP value and share price was 29% at 28 February 2018.

Asset/(liability)	29 Feb 2016 Rm	28 Feb 2017 Rm	28 Feb 2018 Rm	20 Apr 2018 Rm	Share of total	Five-year CAGR^^
Capitec*	16 820	25 727	29 540	30 670	54%	35%
Curro* (including Stadio until unbundling in Oct 2017)	9 773	11 180	7 987	7 079	12%	13%
PSG Konsult*	5 441	6 084	7 048	7 363	13%	25%
Zeder*	2 815	5 398	4 823	4 464	8%	14%
PSG Alpha	1 367	1 909	5 201	4 626	8%	29%
Stadio* (since unbundling from Curro in Oct 2017)			2 379	1 727		
Other investments+	1 367	1 909	2 822	2 899		
Dipeo+	557	812	535	378	1%	
Other assets	5 868	3 586	2 603	2 604	4%	
Cash^	2 895	1 513	1 000	962		
Pref investments and loans receivable^	1 335	2 002	1 558	1 597		
PSG Corporate++	1 510					
Other^	128	71	45	45		
Total assets	42 641	54 696	57 737	57 184	100%	
Perpetual pref funding*	(1 309)	(1 350)	(1 278)	(1 184)		

Other debt^	(949)	(949)	(949)	(1 004)	
Total SOTP value	40 383	52 397	55 510	54 996	
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	255.17	252.81	29%
Share price (R)	173.69	251.43	217.50	226.45	29%

* 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

Capitec remains PSG's largest investment comprising 51% of the total SOTP assets as at 28 February 2018 (2017: 47%), and the major contributor to PSG's recurring earnings.

RECURRING EARNINGS

During the year under review, PSG changed its recurring headline earnings key benchmark to that of recurring earnings, following the first-time inclusion of PSG Alpha's investment in Evergreen, a company that owns and operates retirement villages. Evergreen's financial performance is predominantly measured with reference to the fair value adjustments recognised on its investment property, being excluded from headline earnings in terms of accounting conventions. Being a sizeable investment, it has necessitated PSG to include such fair value adjustments on investment property to provide management with a realistic measure to evaluate the group's earnings performance. Recurring earnings is therefore simply recurring headline earnings as previously reported, plus the after-tax fair value adjustments recognised on Evergreen's investment property portfolio in the current financial year.

PSG's recurring earnings per share increased by 7% following resilient performance from the majority of PSG's core investments during the year under review. This was offset by Zeder's weaker performance, being largely invested in the food and related sectors that were negatively affected by particularly tough conditions.

	29 Feb 2016 Rm	28 Feb 2017 Rm	Change %	28 Feb 2018 Rm
Capitec	989	1 164		1 369
Curro (including Stadio until unbundling in Oct 2017)	58	96		110
PSG Konsult	254	300		348
Zeder	212	275		205
PSG Alpha (including Stadio since unbundling in Oct 2017)	113	133		172
Dipeo	(28)	(20)		(56)
PSG Corporate	69	29		(7)
Other (mainly pref div income)	101	112		136
Recurring earnings before funding	1 768	2 089	9	2 277
Funding (net of interest income)	(148)	(104)		(135)
Recurring earnings	1 620	1 985	8	2 142
Non-recurring items	(250)	160		(186)
Headline earnings	1 370	2 145	(9)	1 956
Non-headline items	113	17		(42)
Attributable earnings	1 483	2 162	(11)	1 914
Non-recurring items comprise:				
- Unrealised fair value (losses)/gains on Dipeo's investment portfolio	(170)	187		(131)
- Other	(80)	(27)		(55)
	(250)	160		(186)

Weighted average number of shares in issue (net of treasury shares) (m)	205.7	214.2	1	215.5
Earnings per share (R)				
- Recurring	7.88	9.27	7	9.94
- Headline	6.66	10.01	(9)	9.08
- Attributable	7.21	10.09	(12)	8.88
Dividend per share (R)	3.00	3.75	11	4.15

PSG's headline and attributable earnings per share decreased by 9% and 12%, respectively, mainly as a result of unrealised fair value losses incurred on Dipeo's investment portfolio, as opposed to unrealised fair value gains achieved in the prior year.

SIGNIFICANT TRANSACTIONS DURING THE YEAR

PSG Alpha obtained a 50% interest in Evergreen, one of South Africa's leading providers of retirement living, for a total investment of R675m, of which R400m has been paid. This investment marks a significant new focus area for PSG and one of its biggest initial cash investments to date.

Following its listing and unbundling from Curro, Stadio, the private higher education provider, undertook a fully-underwritten rights offer of R640m to fund growth. PSG Alpha followed its rights, investing R328m at R2.50 per share.

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 an 18% increase in headline earnings per share for the year under review.

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

PSG KONSULT (61.5%)

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

It reported a 16% increase in headline earnings per share for the year 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.

CURRO (55.4%)

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

Curro's schools-only business (i.e. excluding Stadio's results prior to its unbundling) reported a 17% increase in headline earnings per share for its financial year ended 31 December 2017.

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

ZEDER (43.7%)

Zeder is an investor in the broad agribusiness industry. Its largest investment is a 27% interest in Pioneer Foods, comprising 53% of Zeder's total SOTP assets.

It reported a 35% decrease in recurring earnings per share for the year under review.

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

PSG ALPHA (98%)

PSG Alpha serves as incubator to identify and help build the businesses of tomorrow. Given its nature, this portfolio is likely to yield volatile earnings, while providing optionality. Its major investments include shareholdings in Stadio (45.4%), CA Sales (48.1%), Energy Partners (52.5%) and Evergreen (50%).

PSG Alpha reported a 4% increase in recurring earnings per share for the year 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%), Stadio (3.5%), Pioneer Foods (4.3%), Quantum Foods (4.2%), Kaap Agri (20%) and Energy Partners (15.7%) - the latter investment having been acquired for R150m during the year under review. The investments in Pioneer Foods, Quantum Foods and Energy Partners remain subject to BEE lock-in periods.

Dipeo's SOTP value was R1.09bn (2017: R1.66bn) as at 28 February 2018. Its SOTP value was R0.77bn as at 20 April 2018.

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 a challenging year, we believe PSG's investment portfolio is well positioned to continue yielding above-average returns.

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 a final gross dividend of 277 cents (2017: 250 cents) per share from income reserves for a total gross dividend of 415 cents (2017: 375 cents) per share in respect of the year ended 28 February 2018.

The final dividend amount, net of South African dividends tax of 20%, is 221.6 cents per share for those shareholders that are not exempt from dividends 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, 15 May 2018
Trading ex-dividend commences	Wednesday, 16 May 2018
Record date	Friday, 18 May 2018
Payment date	Monday, 21 May 2018

Share certificates may not be dematerialised or rematerialised between Wednesday, 16 May 2018, and Friday, 18 May 2018, both days inclusive.

Preference shares

The directors of PSG Financial Services declared a gross dividend of 423.56 cents per share in respect of the cumulative, non-redeemable, non-participating preference shares for the six months ended 28 February 2018, which was paid on Monday, 26 March 2018. The detailed announcement in respect hereof was disseminated on the JSE's Stock Exchange News Service.

REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2018

Condensed consolidated income statement	Reviewed Feb-18 Rm	Audited Feb-17 Rm
Revenue from sale of goods	13 956	14 429

Cost of goods sold	(11 934)	(12 416)
Gross profit from sale of goods	2 022	2 013
Income		
Changes in fair value of biological assets	195	224
Investment income (note 7)*	2 059	1 851
Fair value gains and losses (note 7)	1 758	1 540
Fair value adjustment to investment contract liabilities (note 7)	(1 670)	(976)
Fair value adjustment to third-party liabilities arising on consolidation of mutual funds (note 7)	(1 873)	(1 239)
Commission, school, net insurance and other fee income*	6 799	5 763
Other operating income	277	158
	7 545	7 321
Expenses		
Insurance claims and loss adjustments, net of recoveries	(629)	(581)
Marketing, administration and other expenses	(7 283)	(6 224)
	(7 912)	(6 805)
Net income from associates and joint ventures		
Share of profits of associates and joint ventures	1 926	1 827
Loss on impairment of associates	(8)	(6)
Net (loss)/profit on sale/dilution of interest in associates	(14)	10
	1 904	1 831
Profit before finance costs and taxation	3 559	4 360
Finance costs	(516)	(474)
Profit before taxation	3 043	3 886
Taxation	(616)	(537)
Profit for the year	2 427	3 349
Attributable to:		
Owners of the parent	1 914	2 162
Non-controlling interests	513	1 187
	2 427	3 349

* Reclassified as set out in note 11.

Earnings per share and number of shares in issue	Change %	Reviewed Feb-18	Audited Feb-17
Earnings per share (R)			
- Recurring	7	9.94	9.27
- Headline (note 4)	(9)	9.08	10.01
- Attributable	(12)	8.88	10.09
- Diluted headline	(9)	8.90	9.79
- Diluted attributable	(12)	8.70	9.86
Number of shares (m)			
- In issue		231.4	231.4
- In issue (net of treasury shares)		215.9	215.4
- Weighted average		215.5	214.2
- Diluted weighted average		217.9	216.7

Condensed consolidated statement of comprehensive income	Reviewed Feb-18 Rm	Audited Feb-17 Rm
Profit for the year	2 427	3 349
Other comprehensive loss for the year, net of taxation	(92)	(519)
Items that may be subsequently reclassified to profit or loss		
Currency translation adjustments	(106)	(450)
Cash flow hedges	(13)	(21)

Share of other comprehensive income/(losses) and equity movements of associates	7	(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	20	(4)
Total comprehensive income for the year	2 335	2 830
Attributable to:		
Owners of the parent	1 847	1 974
Non-controlling interests	488	856
	2 335	2 830

Condensed consolidated statement of financial position	Reviewed Feb-18 Rm	Audited Feb-17 Rm
Assets		
Property, plant and equipment*	9 310	7 918
Intangible assets*	3 825	3 132
Biological assets	558	486
Investment in ordinary shares of associates and joint ventures	14 318	13 212
Investment in preference shares of/loans granted to associates and joint ventures	149	144
Deferred income tax assets	245	194
Financial assets linked to investment contracts (note 7)	24 279	22 561
Cash and cash equivalents	1	14
Other financial assets	24 278	22 547
Other financial assets (note 7)*	29 147	26 796
Inventory	1 723	1 667
Trade and other receivables (note 8)	4 492	3 838
Current income tax assets	90	64
Cash and cash equivalents	2 278	2 035
Non-current assets held for sale	7	14
Total assets	90 421	82 061
Equity		
Ordinary shareholders’ equity	17 143	15 900
Non-controlling interests	11 729	10 900
Total equity	28 872	26 800
Liabilities		
Insurance contracts	543	544
Financial liabilities under investment contracts (note 7)	24 279	22 561
Borrowings	7 332	5 411
Other financial liabilities	113	156
Third-party liabilities arising on consolidation of mutual funds (note 7)	23 600	21 394
Deferred income tax liabilities	997	857
Trade and other payables and employee benefit liabilities (note 8)	4 630	4 281
Current income tax liabilities	55	57
Total liabilities	61 549	55 261
Total equity and liabilities	90 421	82 061
Net asset value per share (R)	79.39	73.81
Net tangible asset value per share (R)	61.67	59.27

* Reclassified as set out in note 11.

Condensed consolidated statement of changes in equity	Change %	Reviewed Feb-18 Rm	Audited Feb-17 Rm
Ordinary shareholders’ equity at beginning of the year		15 900	13 634
Total comprehensive income		1 847	1 974

Issue of shares		1	75
Share-based payment costs - employees		66	60
Net movement in treasury shares		30	21
Transactions with non-controlling interests		135	832
Dividends paid		(836)	(696)
Ordinary shareholders' equity at end of the year		17 143	15 900
Non-controlling interests at beginning of the year		10 900	10 127
Total comprehensive income		488	856
Issue of shares		1 399	1 415
Share-based payment costs - employees		32	27
Subsidiaries acquired (note 6.1)		47	14
Transactions with non-controlling interests		(723)	(1 188)
Dividends paid		(414)	(351)
Non-controlling interests at end of the year		11 729	10 900
Total equity		28 872	26 800
Dividend per share (R)			
- Interim		1.38	1.25
- Final		2.77	2.50
	11	4.15	3.75

Condensed consolidated statement of cash flows	Reviewed Feb-18 Rm	Audited Feb-17 Rm
Net cash flow from operating activities		
Cash generated from operations (note 5)*^	272	302
Interest income*^	1 615	1 431
Dividend income*	1 202	1 078
Finance costs	(463)	(433)
Taxation paid*	(532)	(553)
Net cash flow from operating activities before cash movement in policyholder funds	2 094	1 825
Cash movement in policyholder funds*	(13)	(101)
Net cash flow from operating activities	2 081	1 724
Net cash flow from investing activities	(2 937)	(1 674)
Cash flow from businesses/subsidiaries acquired (note 6.1)	(428)	(491)
Cash flow from businesses sold (note 6.2)	27	
Cash flow from first-time consolidation of mutual funds		32
Acquisition of ordinary shares in associates and joint ventures	(598)	(147)
Proceeds from disposal of ordinary shares in associates		13
Acquisition of property, plant and equipment	(1 641)	(1 631)
Other investing activities	(297)	550
Net cash flow from financing activities*	784	76
Dividends paid to group shareholders	(836)	(696)
Dividends paid to non-controlling interests	(414)	(351)
Capital contributions by non-controlling interests	804	1 183
Acquisition from non-controlling interests	(429)	(202)
Borrowings drawn	3 406	495
Borrowings repaid	(1 787)	(449)
Proceeds from delivery of holding company's treasury shares	39	21
Shares issued	1	75
Net (decrease)/increase in cash and cash equivalents	(72)	126
Exchange gains/(losses) on cash and cash equivalents	9	(71)
Cash and cash equivalents at beginning of the year	1 056	1 001
Cash and cash equivalents at end of the year**	993	1 056
Cash and cash equivalents consists of:		
Cash and cash equivalents per the statement of financial position	2 278	2 035

Cash and cash equivalents attributable to equity holders	1 924	1 946
Other clients' cash and cash equivalents	354	89
Cash and cash equivalents linked to investment contracts	1	14
Bank overdrafts attributable to equity holders (included in borrowings)	(1 286)	(993)
	993	1 056

* These line items are impacted by linked investment contracts, consolidated mutual funds and other client-related balances 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 therein 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 head office level and invested in the PSG Money Market Fund amounted to R1bn (2017: R1.5bn) at the reporting date.
^ Reclassified as set out in note 11.

Notes to the condensed consolidated financial statements

1. Basis of presentation and accounting policies

These condensed 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 consolidated financial statements are in terms of IFRS and consistent in all material respects with those used in the prior year's consolidated annual financial statements. The group also adopted the various revisions to IFRS which were effective for its financial year ended 28 February 2018. These revisions have not resulted in material changes to the group's reported results and disclosures in these condensed consolidated financial statements.

In preparing these condensed consolidated financial statements, the significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty were materially the same as those that applied to the group's annual financial statements for the year ended 28 February 2017.

2. Preparation

These condensed consolidated preliminary financial statements were compiled under the supervision of the group chief financial officer, Mr WL Greeff, CA (SA), and were reviewed by PSG Group's external auditor, PricewaterhouseCoopers Inc. A copy of their unmodified review opinion is available from PSG Group's registered office. Any reference to future financial performance included in this announcement, has not been reviewed or reported on by the company's auditor.

The auditor's report does not necessarily report on all the information contained in this announcement. Users are therefore advised that in order to get a full understanding of the nature of the auditor's engagement, they should obtain a copy of the auditor's report together with the accompanying financial information from the company's registered office.

3. PSG Financial Services

PSG Financial Services is a wholly-owned subsidiary of PSG Group, except for the 17 415 770 (2017: 17 415 770) perpetual preference shares which are listed on the JSE. These preference shares are included in non-controlling interests in PSG Group's 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.

	Reviewed	Audited

	Feb-18 Rm	Feb-17 Rm
4. Headline earnings		
Profit for the year attributable to owners of the parent	1 914	2 162
Non-headline items		
Gross amounts	30	(8)
Loss on impairment of associates	8	6
Net loss/(profit) on sale/dilution of interest in associates	14	(10)
Profit on sale of businesses (note 6.2)	(85)	
Fair value gain on step-up from associate to subsidiary	(11)	(39)
Net loss on sale/impairment of intangible assets (including goodwill)	153	5
Net loss on sale/impairment of property, plant and equipment	1	11
Non-headline items of associates	(31)	18
Bargain purchase gain	(18)	(15)
(Reversal of impairment)/impairment of non-current assets held for sale	(1)	16
Non-controlling interests	(137)	(10)
Taxation	149	1
Headline earnings	1 956	2 145
Headline earnings per share (R)	9.08	10.01
5. Cash generated from operations		
Profit before taxation	3 043	3 886
Share of profits of associates and joint ventures	(1 926)	(1 827)
Depreciation and amortisation	503	433
Investment income*	(2 059)	(1 851)
Finance costs	516	474
Working capital changes and other non-cash items	195	(813)
Cash generated from operations*	272	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 year under review included:

Expo Africa (Pty) Ltd and related entities (“Expo Africa”)
During April 2017, the group, through CA Sales Holdings Ltd (“CA Sales”), being a subsidiary of PSG Alpha Investments (Pty) Ltd (“PSG Alpha”), acquired 90% of the issued share capital of Expo Africa for a cash consideration of R20m and contingent consideration of R4m. Expo Africa is involved in sales and merchandising throughout Southern Africa, being complementary to CA Sales’ existing operations. Goodwill of R20m arose in respect of, inter alia, the workforce, expected synergies and the business’s growth potential.

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

CAMI Education business operations (“CAMI”)
During November 2017, the group, through FutureLearn Holdings (Pty) Ltd (“FutureLearn”), being a subsidiary of PSG Alpha, acquired the business operations of CAMI for a cash consideration of R18m. CAMI is involved in the creation and distribution of education software to schools and home learners, offering complementary services to FutureLearn’s existing operations. Goodwill of R14m arose in respect of, inter alia, the workforce, expected synergies, economies of scale and the business’s growth potential.

Multistage business operations ("Multistage")
During March 2017, the group, through Energy Partners Holdings (Pty) Ltd ("Energy Partners"), being a subsidiary of PSG Alpha, acquired the business operations of Multistage for a cash consideration of R20m. Multistage is involved in industrial refrigeration, offering complementary services to Energy Partners' existing operations.

The South African School of Motion Picture Medium and Live Performance (Pty) Ltd and associated property-owning companies ("AFDA")
During September 2017, the group, through Stadio Holdings Ltd ("Stadio"), being a subsidiary of PSG Alpha, acquired 100% of the issued share capital of AFDA for a cash consideration of R179m, the issue of Stadio shares worth R120m and contingent consideration of R89m. AFDA is involved in the private higher education sector in South Africa, offering complementary services to Stadio's existing operations. Goodwill of R226m arose in respect of, inter alia, the workforce, expected synergies, economies of scale and the business's growth potential.

Southern Business School (Pty) Ltd ("SBS")
During November 2017, the group, through Stadio, being a subsidiary of PSG Alpha, acquired 74% of the issued share capital of SBS for a cash consideration of R100m and the issue of Stadio shares worth R100m. SBS is involved in the private higher education sector in South Africa and Namibia, offering complementary services to Stadio's existing operations. Goodwill of R144m arose in respect of, inter alia, the workforce, expected synergies, economies of scale and the business's growth potential.

LISOF (Pty) Ltd and associated property-owning companies ("LISOF")
During January 2018, the group, through Stadio, being a subsidiary of PSG Alpha, acquired the entire issued share capital of LISOF for a cash consideration of R63m, the issue of Stadio shares worth R50m and contingent consideration of R14m. LISOF is involved in the private higher education sector in South Africa, offering complementary services to Stadio's existing operations. Goodwill of R70m arose in respect of, inter alia, the workforce, expected synergies, economies of scale and the business's growth potential.

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

Reviewed	Expo Africa Rm	Platchro Rm	CAMI Rm	Multistage Rm	Sub-total Rm
Identifiable net assets acquired	4	51	4	24	83
Goodwill recognised	20	74	14		108
Bargain purchase gain				(4)	(4)
Purchase consideration	24	125	18	20	187
Contingent consideration	(4)				(4)
Cash consideration paid	20	125	18	20	183
Cash consideration paid	(20)	(125)	(18)	(20)	(183)
Cash and cash equivalents acquired		27	1	3	31
Cash flow from businesses/subsidiaries acquired	(20)	(98)	(17)	(17)	(152)

Reviewed	Sub-total Rm	AFDA Rm	SBS Rm	LISOF Rm	Other Rm	Total Rm
Identifiable net assets acquired	83	162	90	57	60	452
Goodwill recognised	108	226	144	70	54	602
Bargain purchase gain	(4)				(14)	(18)
Non-controlling interests recognised			(34)		(13)	(47)
Derecognition of investment in associates at fair value					(41)	(41)
Purchase consideration	187	388	200	127	46	948
Equity securities issued		(120)	(100)	(50)		(270)
Contingent consideration	(4)	(89)		(14)		(107)

Cash consideration paid	183	179	100	63	46	571
Cash consideration paid	(183)	(179)	(100)	(63)	(46)	(571)
Cash and cash equivalents acquired	31	79	41	13	(21)	143
Cash flow from businesses/ subsidiaries acquired	(152)	(100)	(59)	(50)	(67)	(428)

Transaction costs relating to the business combinations were immaterial and expensed in the condensed consolidated income statement.

The aforementioned business combinations' accounting have been finalised and do not contain any contingent consideration or indemnification asset arrangements, unless otherwise stated. Non-controlling interests were measured with reference to their proportionate share of the identifiable net assets acquired.

Had the aforementioned business combinations been accounted for with effect from 1 March 2017 instead of their respective acquisition dates, the condensed consolidated income statement would have reflected additional revenue of R1.2bn and profit for the year of R105m.

Receivables of R155m are included in the identifiable net assets acquired, which are all considered to be recoverable. The fair value of these receivables consequently approximates its carrying value.

6.2 Businesses sold

During July 2017, the group, through Capespan Group Ltd ("Capespan"), 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, a loan receivable and cash consideration of R59m.

The amounts of identifiable net assets/liabilities of the businesses sold, as well as the remaining interest in associate recognised during the year under review, can be summarised as follows:

Reviewed	Capespan Japan Rm	Metspan Rm	Other Rm	Total Rm
Identifiable net (assets)/liabilities derecognised	(76)	(51)	5	(122)
Recognition of investment in associate		26		26
Recognition of loans granted to associate	73	49		122
Profit on sale of businesses		(80)	(5)	(85)
Cash consideration received	(3)	(56)	-	(59)
Cash consideration received	3	56		59
Cash and cash equivalents derecognised	(18)	(14)		(32)
Cash flow from businesses sold	(15)	42	-	27

7. Linked investment contracts, consolidated mutual funds and other client-related balances

Linked investment contracts are represented by PSG Life Ltd (an existing subsidiary of PSG Konsult) 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, consolidated mutual funds and other client-related balances are split from the corresponding condensed consolidated income statement line items attributable to the equity holders of the group below:

	Reviewed Feb-18			Audited Feb-17		
	Client-related balances Rm	Equity holders Rm	Total Rm	Client-related balances Rm	Equity holders Rm	Total Rm
Investment income*	1 601	458	2 059	1 398	453	1 851
Fair value gains and losses	2 037	(279)	1 758	957	583	1 540
Fair value adjustment to investment contract liabilities	(1 670)		(1 670)	(976)		(976)
Fair value adjustment to third-party liabilities arising on consolidation of mutual funds	(1 873)		(1 873)	(1 239)		(1 239)
Various other line items	(95)		(95)	(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, consolidated mutual funds and other client-related balances are split from the corresponding condensed consolidated statement of cash flows line items attributable to the equity holders of the group below:

	Reviewed Feb-18			Audited Feb-17		
	Client-related balances Rm	Equity holders Rm	Total Rm	Client-related balances Rm	Equity holders Rm	Total Rm
Cash (utilised by)/ generated from operations*	(1 240)	1 512	272	(1 236)	1 538	302
Interest income*	1 013	602	1 615	802	629	1 431
Dividend income	421	781	1 202	375	703	1 078
Finance costs		(463)	(463)		(433)	(433)
Taxation paid	(29)	(503)	(532)	(50)	(503)	(553)
Cash movement in policyholder funds	(13)		(13)	(101)		(101)
Net cash flow from operating activities	152	1 929	2 081	(210)	1 934	1 724
Net cash flow from investing activities		(2 937)	(2 937)	32	(1 706)	(1 674)
Net cash flow from financing activities	100	684	784		76	76
Net increase/(decrease) in cash and cash equivalents	252	(324)	(72)	(178)	304	126
Exchange gains/(losses) on cash and cash equivalents		9	9		(71)	(71)
Cash and cash equivalents at beginning of the year	103	953	1 056	281	720	1 001
Cash and cash equivalents at end of the year	355	638	993	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 R1.4bn (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 market.

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 subsequently 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 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 2018. 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 analysis 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 can be summarised as follows:

28 February 2018 (reviewed)	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
Assets				
Derivative financial assets		43		43
Equity securities	2 330	1 312	679	4 321
Debt securities	922	1 501		2 423
Unit-linked investments		41 481	719	42 200
Investment in investment contracts		15		15
Closing balance	3 252	44 352	1 398	49 002
Liabilities				
Derivative financial liabilities		70	39	109
Investment contracts		23 421	698	24 119
Trade and other payables			45	45

	Level 1	Level 2	Level 3	Total
Third-party liabilities arising on consolidation of mutual funds		23 600		23 600
Closing balance	-	47 091	782	47 873

28 February 2017 (audited)	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
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 years:

	Reviewed Feb-18		Audited Feb-17	
	Assets Rm	Liabilities Rm	Assets Rm	Liabilities Rm
Opening balance	1 161	1 251	1 403	1 369
Additions	1 188	542	193	295
Disposals	(915)	(1 029)	(454)	(449)
Fair value adjustments	31	18	19	36
Other movements	(67)			
Closing balance	1 398	782	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, which in turn represent the largest portion of level 3 financial 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” comprise mainly derivative financial liabilities.

There have been no significant transfers between level 1, 2 or 3 during the year 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	Prices are obtained from the	Not applicable - prices

contracts	insurer of the particular investment contract	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 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. Furthermore, computer software previously incorrectly classified as "property, plant and equipment" were reclassified to "intangible assets". These reclassifications 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:

Statement of financial position	Previously reported Rm	Now reported Rm	Change Rm
Property, plant and equipment	7 703	7 918	215
Intangible assets	3 108	3 132	24
Other financial assets	27 035	26 796	(239)
			-

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:

Income statement	Previously reported Rm	Now reported Rm	Change Rm
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)
			-

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, Zaad and Agrivision Africa, and PSG Alpha's investment in CA Sales and Stadio.

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.

Recurring earnings are calculated on a proportional basis, and include the proportional earnings of underlying investments, excluding marked-to-market adjustments and once-off items. The result is that investments in which the group holds less than 20% and which are generally not equity accountable in terms of accounting standards, are equity accounted for the purpose of calculating the consolidated recurring earnings. Non-recurring earnings include 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:

Year ended 28 February 2018 (reviewed)	Income** Rm	Inter-segment income** Rm	Recurring earnings (segment profit) Rm	Non-recurring earnings Rm	Headline earnings Rm	SOTP value^ Rm
Capitec*			1 369		1 369	29 540
Curro	2 145		110	(1)	109	7 987
PSG Konsult	4 188		348		348	7 048
Zeder	8 903		205	(21)	184	4 823
PSG Alpha	6 311		172	(22)	150	5 201
Dipeo	(304)		(56)	(131)	(187)	535
PSG Corporate	196	(47)	(7)		(7)	
Funding	155	(46)	(135)	(11)	(146)	(2 227)
Other			136		136	2 603
Total	21 594	(93)	2 142	(186)	1 956	55 510
Non-headline items					(42)	
Earnings attributable to non-controlling interests					513	
Taxation					616	
Profit before taxation					3 043	

Year ended 28 February 2017 (audited)	Income** Rm	Inter-segment income** Rm	Recurring earnings (segment profit) Rm	Non-recurring 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	(7)	22	
Funding	193	(26)	(104)	(19)	(123)	(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	

Reconciliation of segment revenue to IFRS revenue:	Reviewed Feb-18 Rm	Audited Feb-17 Rm
Segment revenue as stated above:		
Income	21 594	21 878
Intersegment income	(93)	(128)
Less:		
Changes in fair value of biological assets	(195)	(224)
Fair value gains and losses	(1 758)	(1 540)
Fair value adjustment to investment contract liabilities	1 670	976
Fair value adjustment to third-party liabilities arising on consolidation of mutual funds	1 873	1 239
Other operating income	(277)	(158)
IFRS revenue ***	22 814	22 043
Non-recurring earnings comprised the following:		
Non-recurring items from investments	(175)	186
Other losses	(11)	(26)
	(186)	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

Curro continues with its expansion and development of new campuses. At the reporting date, authorised and contracted capital expenditure amounted to R516m (2017: R128m), while authorised but not yet contracted capital expenditure amounted to R1.8bn (2017: R1.9bn).

In addition to the aforementioned and those detailed elsewhere in this announcement, capital commitments, contingencies and suretyships materially similar to those disclosed in the group's annual financial statements for the year ended 28 February 2017 remained in effect during the year under review.

14. Related-party transactions

Related-party transactions similar to those disclosed in the group's annual financial statements for the year ended 28 February 2017 were entered into during the year under review.

15. Events subsequent to the reporting date

During March 2018, the group, through Stadio, being a subsidiary of PSG Alpha, obtained an effective interest of 87.2% in the entities operating Milpark, a registered private higher education institution. Stadio's purchase consideration amounted to R258m, of which R207m was paid in cash and the remainder settled through the issue of Stadio shares.

During March 2018, the group, through CA Sales, being a subsidiary of PSG Alpha, concluded an agreement to acquire warehouse and office properties currently leased by CA Sales in Gaborone and Francistown, being in Botswana. The purchase consideration amounts to approximately P243m (approximately R314m) and will be financed by financial institutions in Botswana and South Africa.

During April 2018, the group, through Curro, concluded an agreement to acquire the entire issued share capital in Cooper College (Pty) Ltd and related entities, which operate a private primary school and crèche in Gauteng, South Africa.

Apart from the aforementioned, no material event has occurred between the reporting date and the date of approval of these condensed consolidated financial statements.

On behalf of the board

Jannie Mouton	Piet Mouton	Wynand Greeff
Chairman	Chief Executive Officer	Chief Financial Officer

Stellenbosch
24 April 2018

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

The following changes took effect during the past year:
- On 2 October 2017, Mr TLR de Klerk replaced Mr AB la Grange as alternate director to Mr MJ Jooste;
- On 6 December 2017, Mr MJ Jooste resigned as director and Mr TLR de Klerk, his alternate, was appointed as director;
- On 9 February 2018, Mr TLR de Klerk resigned as director;
- On 20 February 2018, Mr ZL Combi was appointed chairman of the PSG Group Remuneration Committee, and the PSG Group Social and Ethics Committee was reconstituted to comprise Messrs ZL Combi, PE Burton and PJ Mouton.

COMPANY SECRETARY AND REGISTERED OFFICE:
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SPONSOR:
PSG Capital

AUDITOR:
PricewaterhouseCoopers Inc