

ZEDER INVESTMENTS LIMITED
(Incorporated in the Republic of South Africa)
(Registration number: 2006/019240/06)
JSE Limited ("JSE") share code: ZED
ISIN: ZAE000088431
LEI code: 37890022AF5FD117D649
("Zeder" or "the Company")



CHANGE IN ACCOUNTING POLICY, ADOPTION OF NET ASSET VALUE PER SHARE AS TRADING STATEMENT MEASURE, SUM-OF-THE-PARTS ("SOTP") VALUE AND TRADING STATEMENT

CHANGE IN ACCOUNTING POLICY TO THAT OF AN INVESTMENT ENTITY IN TERMS OF IFRS 10 CONSOLIDATED FINANCIAL STATEMENTS

International Financial Reporting Standards ("IFRS") require that an entity reassess whether it is an investment entity ("**Investment Entity**") if facts and circumstances indicate changes to one or more of the elements making up the definition of an Investment Entity or to the typical characteristics of an Investment Entity.

Zeder recently completed the following major transactions, which have significantly impacted the group's composition and focus areas:

- Zeder disposed of its entire shareholding in Pioneer Foods, its largest investment, for R6.4bn cash; and
- Zeder disposed of its entire shareholding in Quantum Foods (at the time of disposal, its second largest associate) for R308m cash.

Zeder has, as a result of the above disposals, reassessed whether it meets the definition of an Investment Entity in terms of IFRS 10 and the typical characteristics of an Investment Entity and has concluded that it, in fact, did so with effect from 1 March 2020.

Accordingly, Zeder will account for it becoming an Investment Entity prospectively with effect from 1 March 2020 by (i) ceasing to consolidate its subsidiaries (except for subsidiaries providing investment-related services) and (ii) ceasing to equity account its associates. Zeder's investment in Zeder Financial Services Limited, the 100% subsidiary through which it holds its underlying subsidiaries and associates, will be measured at fair value through profit or loss in accordance with IFRS 9 *Financial Instruments*, with relevant fair value disclosures of Zeder's investees being provided, including for the fair value determination of its unlisted investments. The change in accounting policy impacts, *inter alia*, Zeder's attributable earnings, headline earnings, recurring headline earnings and net asset value.

Under the new accounting policy, Zeder's attributable earnings and headline earnings will largely comprise dividend and interest income, fair value gains and losses, less operating expenses, financing costs and tax.

The change in accounting policy was adopted prospectively, with effect from 1 March 2020, and, accordingly, on such date, the Company's investment in Zeder Financial Services Limited was deemed to be disposed of and reacquired at fair value. The results for the interim period ended 31 August 2019 will not be restated (having been prepared in accordance with Zeder's previous accounting policy) and will therefore not be comparable to the results to be published for the period ended 31 August 2020.

The change in accounting policy is expected to provide users of Zeder's financial statements with more relevant financial information to analyse Zeder's performance.

ADOPTION OF NET ASSET VALUE PER SHARE AS TRADING STATEMENT MEASURE

As an Investment Entity, accounting for its investments in subsidiaries and associates at fair value, Zeder has determined that it would be more relevant to adopt net asset value per share ("**NAVPS**") as its measurement criterion for trading statement purposes. The adoption of NAVPS as the relevant trading statement measurement will be effective for the financial year ended 28 February 2021 and thereafter, and will replace the previous measurement criteria of earnings per share ("**EPS**") and headline earnings per share ("**HEPS**"), as well as recurring headline earnings per share ("**RHEPS**"), with the latter having previously been utilised by the Company as an additional measure not required under the JSE Listings Requirements.

SOTP VALUE

Zeder has in the past presented, and will continue to present, its SOTP value per share as a key benchmark by which its performance may be measured.

SOTP provides management and investors with a realistic and transparent way of evaluating Zeder's performance and is calculated using the quoted market prices for JSE-listed investments and internal valuations for unlisted investments.

While SOTP is indicative of the value of Zeder's underlying portfolio of net assets, it does not take into account factors such as adjustments for the size of shareholdings, liquidity of the underlying assets, tax on the potential disposal of underlying assets, head office operating profit/loss and other factors.

TRADING STATEMENT

In terms of the JSE Listings Requirements, a listed company is required to publish a trading statement as soon as it becomes reasonably certain that the financial results for the next period to be reported on will differ by at least 20% from those of the previous corresponding period.

Furthermore, in terms of the JSE Listings Requirements, NAVPS may only be adopted (and EPS and HEPS cease to be utilised) as Zeder's trading statement measure from the financial year ended 28 February 2021 onwards. Accordingly, and notwithstanding Zeder's change in accounting policy to that of an Investment Entity (which occurred prospectively with effect from 1 March 2020), Zeder remains obliged to publish a trading statement, should there be a reasonable degree of certainty that EPS and HEPS for the interim period ended 31 August 2020 will differ by at least 20% from those of the previous corresponding period.

While Zeder has done so below, shareholders and investors are cautioned that EPS and HEPS (as well as NAVPS and RHEPS) for the 6 months ended 31 August 2020 are not comparable to those for the previous interim period ended 31 August 2019, given the change in Zeder's accounting policy to that of an Investment Entity.

Subject to the above, Zeder hereby advises that a reasonable degree of certainty exists that, for the six-month period ended 31 August 2020:

- Headline loss per share will be between 3.3 cents and 3.7 cents, compared to the HEPS of 2.4 cents reported for the six-month period ended 31 August 2019; and

- Attributable EPS will be between 124.8 cents and 130.0 cents, compared to the 25.8 cents reported for the six-month period ended 31 August 2019.

and that, as at 31 August 2020:

- Zeder's SOTP value per share was R3.72; and
- NAVPS will be between 362.6 cents and 382.6 cents, being between 25% and 20% lower than the 481.1 cents reported as at 31 August 2019.

HEPS decreased mainly due to Zeder ceasing to consolidate its subsidiaries and equity account its associates, as a result of the aforementioned change in accounting policy to that of an Investment Entity.

Attributable EPS increased mainly due to the gain on deemed disposal and reacquisition of investment, as a result of the aforementioned change in accounting policy to that of an Investment Entity.

The NAVPS decreased mainly due to the significant special dividend paid to shareholders during the reporting period, countered by the gain on deemed disposal and reacquisition of investment, as a result of the aforementioned change in accounting policy to that of an Investment Entity.

The financial information contained in this announcement has not been reviewed or reported on by the auditor of Zeder. The unaudited results for the six-month period ended 31 August 2020 will be published on or about 7 October 2020.

Stellenbosch
2 October 2020

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