



ZEDER

INVESTMENTS LIMITED

INTERIM RESULTS AUGUST 2020

OVERVIEW

Zeder is an investor in the broad agribusiness and related industries, with a historical focus on the food and beverage sectors. Its underlying investment portfolio was valued at R4.9bn on 31 August 2020.

CORPORATE POSITIONING

Zeder assists with portfolio and investee strategies, while monitoring and overseeing optimal capital allocations to ensure sustainable investment returns, including capital appreciation. Its portfolio consists of strategic interests in leading companies that provide it with a diversified exposure across the agribusiness spectrum, ranging from strategic agri-inputs to fast moving consumer goods while incorporating related logistical and enabling services.

NOTEWORTHY TRANSACTIONS

Category 1 disposal of investment in Pioneer Foods and application of proceeds

In line with the relevant announcements, Zeder disposed of its entire shareholding in Pioneer Foods on 23 March 2020 for a total consideration of R6.41bn. As a result, Zeder has settled all its debt and related obligations and declared a special gross dividend of 230 cents per share (R3.9bn) to shareholders, which was paid on 28 April 2020.

Category 2 disposal of investment in Quantum Foods

In line with the relevant announcements, Zeder disposed of its entire shareholding in Quantum Foods on 12 June 2020, for a total consideration of R308m.

Zeder share repurchases

Zeder invested R262m in the repurchase of shares during the period. The share repurchases were in terms of the general authority granted by shareholders at the relevant AGMs and were funded out of available cash resources. The 110m ordinary shares repurchased have been delisted and cancelled.

BUSINESS ENVIRONMENT

The aforementioned Pioneer Foods and Quantum Foods transactions had a positive impact on Zeder's Sum-of-the-Parts ("SOTP") per share value. The prevailing challenging macro conditions has resulted in continued subdued valuations across the remaining portfolio and Zeder's own share price.

As a result, portfolio valuations are mostly in line with prior year reported numbers, taking the effects of Covid-19 into account.

COVID-19

The financial results reported and business environment reviewed, reflect the six months ended 31 August 2020, as well as subsequent events that transpired prior to the publication of these results. It is, however, important to note that, at the time of producing this report, the uncertainty around the global coronavirus pandemic remains. While the final outcome is unclear, it is anticipated that the negative economic impact in South Africa and around the world will be severe in the short- to medium term, and Zeder and its portfolio companies will not be immune to these challenges.

CHANGE IN ACCOUNTING POLICY

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

As indicated in Zeder's SENS announcement dated 2 October 2020, Zeder has reassessed whether, as a result of the Pioneer Foods disposal, it meets the definition of an Investment Entity and the typical characteristics of an Investment Entity and has concluded that it, in fact, did so with effect from 1 March 2020. This date takes into consideration that the terms and conditions attached to the Pioneer Foods disposal were met in March 2020. Zeder's investment in Zeder Financial Services Limited, the 100% subsidiary through which it holds the investment in 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. Refer to notes 2 and 5 for additional disclosure.

Given that Zeder has met the definition of an Investment Entity from 1 March 2020, the change in accounting policy was adopted prospectively with effect from the aforementioned date. The reported results for the interim period ended 30 August 2019 and the financial year ended 29 February 2020 have therefore not been restated (having been prepared in accordance with Zeder's previous accounting policy) and will therefore not be comparable to the results for the six months 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 the financial performance of Zeder.

CONDENSED UNAUDITED INTERIM RESULTS

FOR THE SIX MONTHS ENDED 31 AUGUST 2020 CONTINUED

FINANCIAL RESULTS

The key benchmark which Zeder believes its performance should be measured by is *SOTP value* per share.

Sum-of-the Parts ("SOTP")

Zeder's *SOTP value* per share, calculated using the quoted market prices for all JSE-listed investments and internal valuations for unlisted investments, decreased during the reporting period to R3.72, as at 31 August 2020. The decrease is mainly due to the payment of the R2.30 per share special gross dividend on 28 April 2020 out of cash reserves. At the close of business on Wednesday, 30 September 2020, Zeder's *SOTP value* per share was R3.73.

Company	29 Feb 2020		31 Aug 2020		30 Sep 2020	
	Interest (%)	Rm	Interest (%)	Rm	Interest (%)	Rm
Pioneer Foods	28.6	6 348				
Zaad	95.7	2 034	95.7	2 034	95.7	2 034
The Logistics Group	98.6	1 028	98.5	1 028	98.5	1 028
Capespan	96.7	999	96.0	999	96.0	999
Kaap Agri	41.0	723	42.3	626	42.3	642
Agrivision Africa	56.0	242	56.0	155	56.0	155
Quantum Foods	32.1	188				
Other		19		31		24
Total investments		11 581		4 873		4 882
Cash and cash equivalents		83		1 050		1 050
Other net assets		40		31		32
Debt funding		(1 500)				
SOTP value		10 204		5 954		5 964
Number of shares in issue (<i>net of treasury shares</i>) (million)		1 710		1 600		1 600
SOTP value per share (rand)		5.97		3.72		3.73

Note: Zeder's live SOTP is available at www.zeder.co.za.

The SOTP valuations of Zeder's unlisted investments have been based on the respective investee companies' latest financial results. Such valuation methodologies are consistent with those applied in previous years.

The wide-spread impact of Covid-19 on the global economy and financial markets is already evident. The short- to medium term severity thereof and consequent impact on the profitability and valuation of our investments, however, remain uncertain, although they have been considered.

While the SOTP calculation 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.

PERFORMANCE OF PORTFOLIO COMPANIES

It is worth noting that many of Zeder's portfolio companies fell within the "essential services" classification under the Covid-19 regulations and were accordingly permitted to continue certain operations during the government-imposed lock-down. As a result, and also due to pro-active portfolio management interventions, we are pleased with the portfolio companies' performance during the reporting period.

The interim reporting period traditionally represents the lesser half of the portfolio's annual earnings as this period reflects the annual input-cost cycle associated with many of its agriculture investments, as well as the softer half of the annual consumer sales and spending cycles associated with its other investments. Year-on-year comparisons at the interim stage of reporting may therefore reflect seasonal variances.

Zaad

Zaad is a strategic holding company that invests and operates in the specialised agri-inputs industry with a focus on emerging markets, especially Africa. Through acquisitions and organic growth, it has aggregated and developed attractive businesses and currently owns, develops, imports and distributes a broad range of agricultural seeds in Africa, Europe and other international emerging markets.

For its 6-month reporting period ended 31 July 2020, Zaad reported recurring headline earnings of R23m, an improvement from the prior comparative period loss of R9m.

During the period, Zaad, through its subsidiary Klein Karoo Seed, has concluded an agreement to establish a joint venture in South Africa dedicated to field seeds, particularly corn. This joint venture groups together all the South African field seed activities of Klein Karoo Seed, Vilmorin & Cie and Seed Co SA Proprietary Limited. The joint venture combines the strengths of the three companies and will be able to capitalise on high level of synergies, in terms of research, production, product portfolio, sales organisation and marketing, within the three well-known brands.

The specialised agri-inputs market, and particularly the proprietary hybrid seed segment, remains attractive and Zaad is well positioned to benefit from it.

Further information can be viewed at www.zaad.co.za or at www.zeder.co.za/investor-centre

The Logistics Group

The Logistics Group ("TLG") has been successfully positioned to continue operating its existing strategic logistical and terminal assets in South Africa and expand its service offering and capabilities to a broader customer and market base in Southern Africa.

For its 6-month reporting period ended 30 June 2020, TLG reported recurring headline earnings of R31m, a decrease of 35.3% per share from the prior comparative period. This decrease is mainly as a result of the negative effects of Covid-19 and the resultant lower volumes on the mining commodity side of the business. These negative effects were, however, of a short-term nature and a good recovery, with additional growth prospects, is anticipated.

Further information can be viewed at www.tlg.co.za or at www.zeder.co.za/investor-centre

Capespan

Capespan is a vertically integrated fruit producer with global marketing, sales and distribution capabilities that can service and supply growers and customers in key international markets. The interim reporting period traditionally represents the lesser half of the portfolio's annual earnings as this period reflects the annual input cost cycle.

For its 6-month reporting period ended 30 June 2020, Capespan reported a recurring headline loss of R27m, an improvement from the prior comparative period loss of R89m. The improved results were largely due to better performance within the South African and Namibian farming divisions. The better production volumes and improved market pricing impacted positively on the Group results, as did the more stream-lined global marketing business, with resultant lower costs. As a result of the softer farming input cycle, coinciding with the main Covid-19 period, the effects on Capespan has to date not been significant.

Further information can be viewed at www.capespan.com or at www.zeder.co.za/investor-centre

Kaap Agri

With an agricultural foundation, Kaap Agri has mainly retail characteristics, augmented by a dedicated retail fuel strategy. It supplies a variety of products and services to the agri sector and the general public. With its strategic footprint, infrastructure, facilities and client network, the group follows a differentiated market approach, bolstering the core retail business with financial, grain handling and agency services.

Kaap Agri delivered satisfactory results with recurring headline earnings per share increasing by 7.5% for its 6-month reporting period ended 31 March 2020. Its voluntary trading update released on 23 July 2020, indicates a solid trading performance during Q3 and therefore throughout the main Covid-19 pandemic period.

Kaap Agri is listed on the JSE and its results can be viewed at www.kaapagri.co.za.

Agrivision Africa

Agrivision Africa currently owns and operates two large-scale commercial farming operations and a milling business in Zambia. It has developed extensive irrigated productive farmland since 2011. After rapid expansion, the focus during the past years has been on achieving acceptable operational efficiencies, while navigating an extremely volatile and challenging phase in the macro and business cycle of Zambia. Initiatives are underway to address underperforming assets and divisions, however Agrivision Africa has a small bearing on Zeder's business, contributing less than 3% of Zeder's SOTP.

PROSPECTS AND OUTLOOK

The climatic cycle within which our companies operate has improved, with good winter rainfall in the Western Cape and above normal summer rains expected. These positive changes should contribute to improved conditions in the short- to medium term and Zeder's portfolio companies are well positioned to benefit from same.

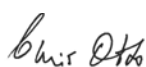
The successful disposal of its investments in Pioneer Foods and Quantum Foods and the declaration of the substantial special dividend are considered in a positive light from a Zeder shareholder's perspective. These transactions understandably also represent a material change to the size and composition of Zeder and its portfolio as they resulted in the disposal and distribution of a substantial portion of the underlying value of the Group.

As a result, the Zeder board has decided to reconsider the strategy of Zeder. The board is currently investigating whether to change the Zeder strategy, including to one of value unlocking in a responsible way. Zeder will in due course communicate in more detail to the market.

DIVIDEND

Zeder's dividend policy remains to pay dividends conditional on the Group having sufficient reserves to fund its operations, investments, and growth plans. The board continues to maintain a conservative dividend policy during the Covid-19 recovery period and has taken the decision not to declare an interim dividend for the six-month period ended 31 August 2020, also in view of the recent special dividend paid.

Signed on behalf of the board



Chris Otto
Chairman



Johann le Roux
Acting chief executive officer and financial director

Stellenbosch
7 October 2020

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 31 AUGUST 2020

	Unaudited		Audited
	Aug 20 6 months Rm	Aug 19 ¹ 6 months Rm	Feb 20 12 months Rm
Net fair value (loss) on investment	(80)		
Revenue		3 152	7 492
Cost of sales		(2 524)	(5 623)
Gross profit	(80)	628	1 869
Income			
Change in fair value of biological assets		37	225
Investment income	43	31	51
Gain on deemed disposal and reacquisition of subsidiary (note 5)	891		
Net fair value gains		1	79
Other operating income	3	32	40
Total income	937	101	395
Expenses			
Marketing, administration and other expenses	(25)	(942)	(2 078)
Net monetary gain			118
Total expenses	(25)	(942)	(1 960)
Net income from associates and joint ventures			
Share of profits of associates and joint ventures		138	247
Impairment of associates and joint ventures		(33)	(298)
Net (loss) on dilution of interest in associates		(8)	(1)
Net income/(loss) from associates and joint ventures		97	(52)
Profit/(loss) before finance costs and taxation	832	(116)	252
Finance costs	(47)	(160)	(351)
Profit/(loss) before taxation	785	(276)	(99)
Taxation	(13)	31	(97)
Profit/(loss) for the period from continued operations	772	(245)	(196)
Profit for the period from discontinued operations	1 357	651	795
Gain on deemed disposal and reacquisition of subsidiary (note 5)	1 297		
Net fair value gain on investment	60		
Profit for the period	2 129	406	599
Attributable to:			
Owners of the parent	2 129	439	561
Continued operations	772	(212)	(234)
Discontinued operations	1 357	651	795
Non-controlling interests		(33)	38
	2 129	406	599

¹ Re-presented for the discontinued operation.

EARNINGS PER SHARE

FOR THE SIX MONTHS ENDED 31 AUGUST 2020

	Unaudited		Audited
	Aug 20 6 months Rm	Aug 19 ¹ 6 months Rm	Feb 20 12 months Rm
DILUTIVE EARNINGS, EARNINGS PER SHARE AND NUMBER OF SHARES IN ISSUE			
Dilutive earnings (Rm)			
Headline	(122)	35	403
Attributable	2 066	434	560
Earnings per share (cents)			
Headline (basic)	(3.5)	2.4	23.7
Continued operations	(7.1)	(4.3)	7.1
Discontinued operations	3.6	6.7	16.6
Headline (diluted)	(7.3)	2.1	23.7
Continued operations	(10.9)	(4.3)	7.1
Discontinued operations	3.6	6.4	16.6
Attributable (basic)	127.4	25.8	32.9
Continued operations	46.2	(12.5)	(13.8)
Discontinued operations	81.2	38.3	46.7
Attributable (diluted)	123.3	25.5	32.9
Continued operations	42.3	(12.5)	(13.8)
Discontinued operations	81.0	38.0	46.7
Number of shares (million)			
In issue	1 605	1 715	1 715
In issue (<i>net of treasury shares</i>)	1 592	1 702	1 702
Weighted average	1 671	1 702	1 702
Diluted weighted average	1 675	1 702	1 702

¹ Re-presented for the discontinued operation.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31 AUGUST 2020

	Unaudited		Audited
	Aug 20 6 months Rm	Aug 19 ¹ 6 months Rm	Feb 20 12 months Rm
Profit for the year	2 129	406	599
Other comprehensive income for the year, net of taxation		(27)	(389)
Items that may be reclassified to profit or loss			
Currency translation adjustments including hyperinflation effect		(117)	(201)
Share of other comprehensive income of associates and joint ventures		94	(188)
Items that may not be reclassified to profit or loss			
Losses from changes in financial and demographic assumptions of post-employment benefit obligations		(4)	
Total comprehensive income for the year	2 129	379	210
Attributable to:			
Owners of the parent	2 129	455	218
Continued operations	772	365	457
Discontinued operations	1 357	90	(239)
Non-controlling interests		(76)	(8)
	2 129	379	210

¹ Re-presented for the discontinued operation.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 AUGUST 2020

	Unaudited		Audited
	Aug 20 6 months Rm	Aug 19 6 months Rm	Feb 20 12 months Rm
Assets			
Non-current assets	4 954	10 518	4 815
Property, plant and equipment		1 521	1 599
Right-of-use assets		429	425
Intangible assets		681	805
Biological assets (bearer plants)		403	413
Biological assets (agricultural produce)		15	15
Investment in ordinary shares of associates and joint ventures		6 997	1 272
Investment held at fair value through profit/loss (Note 5)	4 873	26	31
Loans to associates and joint ventures		162	
Deferred income tax assets		177	140
Employee benefits		41	42
Loans and advances	81	66	73
Current assets	1 065	3 083	3 862
Biological assets (agricultural produce)		88	158
Derivative financial assets			1
Loans to associates and joint ventures		19	40
Loans and advances		22	16
Trade and other receivables	14	1 422	1 814
Inventories		1 194	1 413
Current income tax assets	1	64	9
Cash, money market investments and other cash equivalents	1 050	274	411
Non-current assets held for sale			5 470
Total assets	6 019	13 601	14 147
Equity and liabilities			
Ordinary shareholders' equity	5 931	8 188	7 974
Non-controlling interests		224	344
Total equity	5 931	8 412	8 318
Non-current liabilities	3	2 710	1 445
Deferred income tax liabilities	3	85	121
Borrowings		1 936	646
Lease liabilities		557	556
Derivative financial liabilities		25	24
Employee benefits		107	98
Current liabilities	85	2 479	4 368
Borrowings		1 370	2 870
Lease liabilities		77	76
Trade and other payables	80	951	1 309
Employee benefits	5	59	70
Current income tax liabilities		22	43
Non-current liabilities held for sale			16
Total liabilities	88	5 189	5 829
Total equity and liabilities	6 019	13 601	14 147
Net asset value per share (cents)	372.6	481.1	468.5
Tangible asset value per share (cents)	372.6	441.1	421.2

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 AUGUST 2020

	Unaudited		Audited
	Aug 20 6 months Rm	Aug 19 6 months Rm	Feb 20 12 months Rm
Ordinary shareholders' equity at beginning of the year	7 974	7 918	7 918
Previously reported	7 974	8 096	8 096
Adjustment due to initial application of IFRS16		(178)	(178)
Total comprehensive income for the year	2 129	455	218
Net movement in treasury shares		1	1
Transactions with non-controlling interests		(6)	(8)
Zeder shares bought back and cancelled	(262)		
Other movements	15	8	33
Dividends paid	(3 925)	(188)	(188)
Ordinary shareholders' equity at end of the year	5 931	8 188	7 974
Non-controlling interests at beginning of the year		311	311
Previously reported	344	316	316
Adjustment due to initial application of IFRS 16		(5)	(5)
(Loss) on deemed disposal and reacquisition of subsidiary	(344)		
Total comprehensive income for the year		(76)	(8)
Shares issued			3
Transactions with non-controlling interests		4	54
Other movements			1
Dividends paid		(15)	(17)
Non-controlling interests at end of the year		224	344
Total equity	5 931	8 412	8 318
Special dividend per share (cents) - declared on 1 April 2020, paid on 28 April 2020	230.0		

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 31 AUGUST 2020

	Unaudited		Audited
	Aug 20 6 months Rm	Aug 19 6 months Rm	Feb 20 12 months Rm
Cash (utilised by)/generated from operations (note 4)	(17)	43	337
Investment income	42	128	314
Finance cost and taxation paid	(49)	(213)	(393)
Cash flow from operating activities	(24)	(42)	258
Acquisition of subsidiary			(32)
Proceeds from disposal of subsidiaries			53
Proceeds from disposal of investment held at fair value through profit and loss (note 5)	6 716		
Additions to investment held at fair value through profit and loss	(28)		
Net loans granted to investments	(80)	(5)	(9)
Additions to property, plant and equipment		(109)	(202)
Proceeds from disposal of property, plant and equipment		20	27
Additions to intangible assets		(47)	(112)
Proceeds from disposal of equity securities		3	6
Other		12	51
Cash flow from investing activities	6 608	(126)	(218)
Treasury shares sold		1	1
Dividends paid to group shareholders	(3 855)	(188)	(188)
Dividends paid to non-controlling interests		(15)	(17)
Borrowings repaid	(1 500)	(280)	(630)
Borrowings drawn		518	894
Lease liabilities		(27)	(73)
Zeder shares bought back and cancelled	(262)		
Other		(1)	(20)
Cash flow from financing activities	(5 617)	8	(33)
Net increase/(decrease) in cash and cash equivalents	967	(160)	7
Exchange differences on cash and cash equivalents including hyperinflation effect		1	(29)
Cash and cash equivalents at beginning of the period	83	433	433
Cash and cash equivalents at beginning of the period	411		
Cash relating to previously consolidated subsidiary (note 2)	(328)		
Cash and cash equivalents at end of the period	1 050	274	411

1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

These condensed consolidated interim financial statements are prepared in accordance with the requirements of the Companies Act of South Africa and the JSE Listings Requirements for interim reports. The JSE Listings Requirements require interim reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board, SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 Interim Financial Reporting.

The accounting policies applied in the preparation of these condensed consolidated interim financial statements are in terms of IFRS; however, the accounting policies applied are materially different, as detailed in paragraph 2 below.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty related mainly to those detailed in paragraph 2 below and, in particular, determining the fair value of investments as detailed in note 5.

2. APPLICATION OF THE INVESTMENT ENTITY EXCEPTION IN TERMS OF IFRS 10 CONSOLIDATED FINANCIAL STATEMENTS

2.1 Change in Investment Entity status

An Investment Entity is typically an entity that i) obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services, ii) commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both, and iii) measures and evaluates the performance of substantially all of its investments on a fair value basis. Zeder previously measured and evaluated investment performance with reference to investments' contribution to both Zeder's sum-of-the-parts ("SOTP") value (i.e. quoted market prices of JSE-listed investments and internal valuations of unaudited investments) and recurring earnings (i.e. profitability) per share.

During the period under review, the Group undertook the following major corporate actions, which significantly impacted the Group's composition and focus areas going forward:

- 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.

The investments in Pioneer Foods and Quantum Foods contributed approximately 64% to Zeder's consolidated recurring earnings for the year ended 29 February 2020 and, as a result of such investments' disposals, the Group became more focussed on measuring and evaluating the performance of its investments on a fair value basis, rather than from both a fair value and profitability perspective. Fair value is ultimately representative of a range of factors, including the investee's growth prospects, market rating, marketability, operational performance, profitability and the like.

Following in particular the anticipated disposal of the Pioneer Foods Group, the focus has changed from the assessment of the earnings capacity of the Group, to primarily the growth in the fair value of the portfolio of investments.

IFRS 10 lists typical characteristics of an Investment Entity as being i) it has more than one investment, ii) it has more than one investor, iii) it has investors that are not related parties of the entity; and iv) it has ownership interests in the form of equity or similar interests. Zeder strongly exhibits all of these characteristics of an Investment Entity.

2.2 Accounting treatment of Investment Entities

IFRS 10 contains special accounting requirements for Investment Entities. Where an entity meets the definition of an Investment Entity, it does not consolidate its subsidiaries, but rather measures subsidiaries at fair value through profit or loss ("FVTPL"). However, an Investment Entity is still required to consolidate a subsidiary where that subsidiary provides services that relate to the Investment Entity's investment activities (i.e. entities comprising Zeder's head office operations).

2.3 Impact of applying the Investment Entity exception

IFRS 10 requires a parent that becomes an Investment Entity to account for the change in its status prospectively from the date at which the change in status occurred, therefore prior period reported numbers have not been restated. Having considered various factors and the timeline of aforementioned disposals, Zeder's application of the Investment Entity exception has been accounted for with effect from 1 March 2020 and, accordingly, on such date Zeder Investments Limited's investment in Zeder Financial Services Limited was deemed to be disposed of and reacquired at fair value, with the resultant gain or loss being recognised as a non-headline gain or loss through profit or loss. This investment in the subsidiary was subsequently measured at fair value through profit/loss.

3. HEADLINE EARNINGS

	Unaudited		Audited
	Aug 20 6 months Rm	Aug 19 6 months Rm	Feb 20 12 months Rm
Profit for the period attributable to owners of the parent	2 129	439	561
Non-headline items	(2 188)	(398)	(157)
Gross amounts			
Profit on disposal of subsidiaries' operations		(11)	(2)
Net fair value gain resulting from disposal of subsidiary and step up of associate and joint venture to subsidiary			(58)
Impairment of associates and joint ventures		33	298
Net loss on dilution of interest in associates		8	1
Non-headline items of associates and joint ventures		4	(8)
Non-headline items of discontinued operations		(537)	(512)
Net loss on sale and impairment of property, plant and equipment		111	108
Impairment of intangible assets and goodwill		26	46
Gain on deemed disposal and reacquisition of subsidiary (note 5)			
Continued operations	(891)		
Discontinued operations	(1 297)		
Other		1	3
Non-controlling interests		(20)	(20)
Taxation		(13)	(13)
Headline earnings	(59)	41	404
Continued operations	(119)	(74)	121
Discontinued operations	60	115	283

During the period under review, the change in the aforementioned accounting policy resulted in the non-headline item of R2.2bn, relating to the fair value adjustment to the investment, with effect from 1 March 2020. Refer to investments note 5, for a reconciliation.

4. CASH GENERATED FROM/(UTILISED BY) OPERATIONS

	Unaudited		Audited
	Aug 20 6 months Rm	Aug 19 6 months Rm	Feb 20 12 months Rm
Profit/(loss) before taxation	785	(276)	(99)
Investment income	(43)	(31)	(51)
Finance costs	47	160	351
Depreciation and amortisation		142	297
Changes in fair value of biological assets		(37)	(225)
Net fair value gains		(2)	(11)
Profit on disposal of subsidiaries' operations		(11)	(2)
Net fair value gain resulting from disposal of subsidiary and step up of associate and joint venture to subsidiary			(58)
Gain on deemed disposal and reacquisition of subsidiary	(891)		
Net fair value loss on investment	80		
Share of profits of associates and joint ventures		(138)	(247)
Impairment of associates and joint ventures		33	298
Net loss on dilution of interest in associates		8	1
Net loss on sale and impairment of property, plant and equipment		111	108
Impairment of intangible assets and goodwill		26	46
Impairment of loans to associates			89
Impairment of trade and other receivables			46
Net harvest short-term biological assets		98	98
Net monetary gain			(70)
Other non-cash items	10	24	(68)
	(12)	107	503
Changes in working capital and other financial instruments	(5)	49	49
Additions to biological assets		(113)	(215)
Cash (utilised by)/generated from operations	(17)	43	337

5. INVESTMENTS

It was concluded that, with effect from 1 March 2020, Zeder had qualified as an investment entity per the IFRS 10 criteria. As a result, at this date, Zeder lost control of its underlying subsidiary and immediately reacquired Zeder Financial Services as a single investment entity which is measured at fair value through profit/loss in accordance with IFRS 9. Zeder designates the majority of its financial assets as at FVTPL as the Group is managed on a fair value basis, with any resultant gain or loss recognised in investment valuation gains/losses. Fair value is determined in accordance with IFRS 13.

Statement of financial position items carried at fair value include investments in equity instruments. The Group applies a number of valuation methodologies of underlying investments of Zeder Financial Services to determine and assess the reasonableness of the fair value, which may include the following: price/earnings or EV/EBITDA multiples; market related net asset values supported by third party valuations or most recently quoted listed share prices.

The primary valuation models utilised for valuing unlisted portfolio investments are the price/earnings multiple model and the market-related net asset value of investee companies. The applicable price/earnings multiple used is determined by considering the multiples of comparable companies and adjusting the multiple for company specific factors.

Company	Unaudited		
	Aug 20 6 months Rm	Aug 19 6 months Rm	Feb 20 12 months Rm
Pioneer Foods		6 145	6 348
Zaad	2 034	2 243	2 034
The Logistics Group	1 028	1 028	1 028
Capespan	999	1 081	999
Kaap Agri	626	865	723
Agrivision Africa	155	398	242
Quantum Foods		228	188
Other	31	15	19
Total Investment Value	4 873	12 003	11 581

Additional details on level 1 valuation inputs, per IFRS 13 Fair Value disclosure:

As at 31 August 2020, Kaap Agri was valued using its JSE listed closing share price valuation (previously Pioneer Foods and Quantum Foods were also valued on the same basis).

Additional details on level 3 valuation inputs in respect of the underlying investment of Zeder Financial Services, per IFRS 13 Fair Value disclosure:

31 August 2020	Zaad ¹	TLG ²	Capespan ³	Agrivision ⁴
Total fair value (Rm)	2 034	1 028	999	155
Valuation methodology and inputs:				
Price/earnings ratio ranges*				
Seed business	12 – 15			
Chemical business	7 – 9			
Logistics business		7 – 9		
Net asset value[#]				
Mainly South African farming assets (Rm)			999	
Mainly non-South African farming and milling assets (Rm)				155

* Price/earnings ratio's of underlying components, adjusted for company specific factors.

[#] Valuations based on market-related net asset values of underlying assets, adjusted for company specific factors.

¹ Zaad is a cyclical business that cannot be assessed on an interim earnings basis, since most of the profits are earned towards the end of the financial year in December/January. It is therefore appropriate to assess the considerations given to the 29 February 2020 valuation, taking into account the current trading environment and market conditions and to determine if any material reasons exist to adjust the prior reported valuation. Zaad is earnings generative and thus valued on a price/earnings multiple, comparable to other similar companies, adjusted for company specific factors. The Group consists of two divisions which operate on a global scale namely a Seed and Chemical business.

² The Logistics Group owns and operates various strategic port assets and warehouses in South Africa and Mozambique. TLG is earnings and cash generative and thus valued on a price/earnings multiple, comparable to other similar companies, adjusted for company specific factors.

³ Capespan is an asset-heavy business with large Southern African fruit farming operations and an international fruit marketing capability. Capespan has an asset value under-pin, given the number of farms that it owns. Given the asset intense investment and lack of consistent earnings, it remains appropriate to value Capespan on a market-related net asset value basis (fair value less cost to sell). These valuations are supported by third party valuations or comparable sales.

⁴ Agrivision is an asset-heavy farming and milling business in Zambia. Given the asset intense investment and lack of consistent earnings, it remains appropriate to value Agrivision on a market related net asset value basis (fair value less cost to sell). These valuations are supported by appropriate third party valuations or by comparable sales. As a result of the constrained operating environment and very few comparable farm sales, a significant discount was applied to the market-related net asset value calculation.

5. INVESTMENTS CONTINUED

Gains/(losses) on deemed disposal and reacquisition of subsidiary

Investment	Unaudited		
	29 Feb 20 Carrying value Rm	1 March 20 Fair value Rm	Fair value gains/(losses) Rm
Continued operations			
Zaad	1 557	2 034	477
The Logistics Group	1 325	1 028	(297)
Capespan	367	999	632
Kaap Agri	723	723	
Agrivision Africa	163	242	79
Quantum Foods	188	188	
Other	19	19	
	4 342	5 233	891
Discontinued operations			
Pioneer Foods	5 051	6 348	1 297
	9 393	11 581	2 188

Net fair value gain

Investment	Unaudited				
	1 March 20 Fair value Rm	Additional investments Rm	31 Aug 20 Fair value at disposal date Rm	Fair value gains/(losses) Rm	Fair value at 31 Aug 2020 Rm
Continued operations					
Zaad	2 034				2 034
The Logistics Group	1 028				1 028
Capespan	999				999
Kaap Agri	723	24		(121)	626
Agrivision Africa	242			(87)	155
Quantum Foods	188		(308)	120	
Other	19	4		8	31
	5 233	28	(308)	(80)	4 873
Discontinued operations					
Pioneer Foods	6 348		(6 408)	60	
	11 581	28	(6 716)	(20)	4 873

5. INVESTMENTS CONTINUED

Investments disposed of during the current year

Pioneer Foods

On 23 March 2020, Zeder disposed of the entire shareholding held by it in Pioneer Food Group Limited, representing 28.21% of the total voting interest, to Pepsi Co, resulting in an aggregate sale amount of R6.41 billion.

The carrying value of the investment in Pioneer prior to disposal was R5.05 billion, resulting in a gain of R1.4 billion upon disposal.

Quantum Foods

On 12 June 2020, Zeder disposed of the entire shareholding held by it in Quantum Foods Holdings Limited, representing 32.1% of that company's issued share capital, to Country Bird Holdings Proprietary Limited, resulting in an aggregate sale amount of R308 million.

The carrying value of the investment in Quantum prior to its disposal was R188 million, resulting in a gain of R120 million upon disposal.

	Proceeds Rm	Unaudited Carrying Value Rm	Gains on disposal ¹ Rm
Continued operations			
Quantum Foods	308	188	120
Discontinued operations			
Pioneer Foods	6 408	5 051	1 357
	6 716	5 239	1 477

¹ This gain on disposal represents an additional fair value gain of R120m on Quantum Foods and R60m on Pioneer Foods over and above the fair value gain for these investments as reflected in note 5 on the date of transition.

Financial risk factors

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

The condensed consolidated interim 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 consolidated annual financial statements for the year ended 29 February 2020. Risk management continues to be carried out throughout the Group under policies approved by the respective boards of directors.

Fair value estimation

The information below analyses financial assets and financial liabilities, which are carried at fair value, by level of hierarchy as required by IFRS 13.

The different levels in the hierarchy are defined below:

Level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price.

Level 2

Financial instruments that trade in markets that are not considered to be active, but are valued (using valuation techniques) based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. These include over-the-counter traded financial instruments. As level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information. If all significant inputs in determining an instrument's fair value are observable, the instrument is included in level 2.

Level 3

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. Investments classified within level 3 have significant unobservable inputs, as they trade infrequently.

There have been no significant transfers between level 1, 2 or 3 during the period under review and the valuation techniques and inputs used to determine fair values are similar to those disclosed in the consolidated annual financial statements for the period ended 29 February 2020.

5. INVESTMENTS CONTINUED

The fair 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:

Unaudited	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
31 August 2020				
Assets				
Cash and cash equivalents	1 050	–	–	1 050
Investment held at fair value	626	–	4 247	4 873
	1 676	–	4 247	5 923
Opening balance			29	
Change in accounting policy to investment entity			4 293	
Fair value gains/(losses)			(79)	
Additions to investment held/acquisition of investments			4	
Liabilities				
Derivative financial liabilities	–	–	–	–
Opening balance			24	
Change in accounting policy to investment entity			(24)	
Unaudited	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
31 August 2019				
Assets				
Cash and cash equivalents – money market fund	71	–	–	71
Equity securities	–	2	24	26
	71	2	24	97
Opening balance			29	
Disposals			(3)	
Currency translation adjustments			(1)	
Disposal of subsidiaries			(1)	
Liabilities				
Derivative financial liabilities	–	–	25	25
Opening balance			25	
Fair value gains			(1)	
Finance cost			1	

Audited	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
29 February 2020				
Assets				
Cash and cash equivalents – money market fund	82	–	–	82
Derivative financial assets	–	1	–	1
Equity securities	–	2	29	31
	82	3	29	114
Opening balance			29	
Disposals			(6)	
Fair value gains			7	
Disposal of subsidiaries			(1)	
Liabilities				
Derivative financial liabilities	–	–	24	24
Opening balance			25	
Fair value gains			(4)	
Finance cost			3	

6. SEGMENTAL REPORTING

The Group is organised into five reportable segments, namely i) food, beverages and related services, ii) logistical services, iii) agri-related retail, trade and services, iv) agri-inputs and v) agri-production. The segments represent different sectors in the broad agribusiness and related industries.

SOTP is a valuation tool used to measure Zeder's performance. The *SOTP value* is calculated using the quoted market prices for all JSE-listed investments, and internal valuations for unlisted investments.

The chief operating decision-maker (executive committee) evaluates the following information to assess the segments' performance:

	Unaudited		Audited
	Aug 20 6 months Rm	Aug 19 ¹ 6 months Rm	Feb 20 12 months Rm
<i>SOTP</i> segmental analysis:			
Segments			
Food, beverages and related services ¹	999	7 454	7 535
Continued operations	999	1 309	1 187
Discontinued operations		6 145	6 348
Logistical services ¹	1 028	1 028	1 028
Agri-related retail, trade and services	657	880	742
Agri-inputs	2 034	2 243	2 034
Agri-production	155	398	242
Cash and cash equivalents	1 050	72	83
Other net assets	31	119	40
Debt funding		(1 500)	(1 500)
<i>SOTP value</i>	5 954	10 694	10 204
<i>SOTP value per share (rand)</i>	3.72	6.25	5.97

¹ Zeder has restated the 31 August 2019 segmental information to reflect the discontinued operations effect, as well as the Capespan unbundling of its logistical division in the prior period. The restatement had no impact on previously reported income statements and statements of financial position, comprehensive income, changes in equity and cash flows for the period then ended.

6. SEGMENTAL REPORTING CONTINUED

	Unaudited		Audited
	Aug 20 6 months Rm	Aug 19 ¹ 6 months Rm	Feb 20 12 months Rm
Profit/(loss) before tax from continued operations segmental analysis:			
Segments			
Food, beverages and related services ¹	2 109	(29)	716
Continued operations	752	(680)	(79)
Discontinued operations	1 357	651	795
Logistical services ¹	(297)	82	179
Agri-related retail, trade and services	(113)	56	114
Agri-inputs	477	(41)	264
Agri-production	(8)	(99)	(48)
Management fees and other income and expenses (including impairment/impairments reversals)	(26)	406	(529)
Profit before tax	2 142	375	696
Loss/(profit) for the period from discontinued operations	(1 357)	(651)	(795)
Profit/(loss) before tax from continued operations	785	(276)	(99)

¹ Zeder has restated the 31 August 2019 segmental information to reflect the discontinued operations effect, as well as the Capespan unbundling of its logistical division in the prior period. The restatement had no impact on previously reported income statements and statements of financial position, comprehensive income, changes in equity and cash flows for the period then ended.

7. CAPITAL COMMITMENTS, CONTINGENCIES AND SURETYSHIPS

Capital commitments, contingencies and suretyships similar to those disclosed in the consolidated annual financial statements for the year ended 29 February 2020 remained in effect during the period under review.

8. RELATED-PARTY TRANSACTIONS

Related-party transactions similar to those disclosed in the consolidated annual financial statements for the year ended 29 February 2020 took place during the period under review, although they will not impact the fair value basis that these financials were compiled on.

9. EVENTS SUBSEQUENT TO THE REPORTING DATE

No material event occurred between the end of the reporting period and the date of approval of these condensed consolidated interim financial statements.

10. PREPARATION

The condensed consolidated interim financial statements were compiled under the supervision of the Group financial director, Mr JH le Roux, CA (SA), and were not reviewed or audited by the Group's external auditor, PricewaterhouseCoopers Inc. Any reference to future financial performance included herein, has not been reviewed or reported on by the company's auditor.

ZEDER INVESTMENTS LIMITED

Incorporated in the Republic of South Africa

(Registration number: 2006/019240/06)

JSE Ltd ("JSE") share code: ZED

LEI: 37890022AF5FD117D649

ISIN number: ZAE000088431

("Zeder", "Company" or "the Group")

DIRECTORS

CA Otto[#] (Chairman), JH le Roux* (Acting CEO and FD), GD Eksteen[#], RM Jansen[#], WL Greeff, ASM Karaan[#], NS Mjoli-Mncube[#], PJ Mouton, N Celliers (resigned with effect from 1 October 2020)

* *executive*

[#] *independent non-executive*

COMPANY SECRETARY AND REGISTERED OFFICE

Zeder Corporate Services Proprietary Limited

2nd Floor, Ou Kollege, 35 Kerk Street, Stellenbosch, 7600

PO Box 7403, Stellenbosch, 7599

TRANSFER SECRETARY

Computershare Investor Services Proprietary Limited

Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196

Private Bag X9000, Saxonwold, 2132

SPONSOR

PSG Capital Proprietary Limited

INDEPENDENT JOINT SPONSOR

UBS South Africa Proprietary Limited

AUDITOR

PricewaterhouseCoopers Inc.