ZEDER
INVESTMENTS LIMITED

INTERIM RESULTS AUGUST 2018

OVERVIEW

Zeder is an investor in the broad agribusiness industry, with a specific focus on the food and beverage sectors. Its underlying investment portfolio was valued at R12,52bn on 31 August 2018. Zeder's 27,0% interest in Pioneer Foods remains its largest investment, representing 49,1% (28 February 2018: 53,9%) of the portfolio.

STRATEGY

Zeder is a long-term investor that owns large, strategic interests in companies and plays an active role therein. It assists with the determination of appropriate long-term strategies, optimal allocation of capital and ongoing measurement and monitoring of performance. During the period under review, it dedicated most of its efforts to existing investments while evaluating select new and adjacent opportunities. Zeder continues to drive for additional growth from its existing investment platforms while aiming to add to its portfolio when opportune.

PERFORMANCE OF PORTFOLIO COMPANIES

A significant recovery in earnings was delivered by the majority of Zeder's investee companies during the period under review despite continuing to trade under challenging macro conditions. Apart from Agrivision Africa, all portfolio companies managed to stabilise or reverse the corresponding lower levels of profitability reported in the results for the previous interim period. In addition to the strong improvement in recurring headline earnings, a substantial increase in headline earnings was recorded as a result of the upward fair value adjustment relating to Capespan's interest in its Chinese investment, Joy Wing Mau (previously known as Golden Wing Mau).

From a valuation point of view, the share prices of Zeder and its investee companies were suppressed during the period under review resulting in a decline in Sum-of-the-Parts (''SOTP'') valuations. The overall market sentiment towards Zeder and the sector it operates in continues to be negative following the volatile and challenging trading conditions previously reported on. While challenges remain, Zeder believes the underlying operating environment will continue to improve.

The first six months of Zeder's earnings traditionally represents the lesser half of its 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.

FINANCIAL RESULTS

The two key benchmarks which Zeder believes to measure performance by are *SOTP value* per share and *recurring* headline earnings per share.

SOTP

Zeder's *SOTP value* per share, calculated using the quoted market prices for all JSE-listed investments, and market-related valuations for unlisted investments, decreased by 15,0% during the reporting period to R6,67 as at 31 August 2018. At the close of business on Monday, 1 October 2018, Zeder's *SOTP value* per share was R6,23.

	28 Feb 2018		31 Aug 2018		1 Oct 2018	
Company	**Interest (%)**	**Rm**	**Interest (%)**	**Rm**	**Interest (%)**	**Rm**
Pioneer Foods	27,0	7 660	**27,0**	**6 145**	**27,0**	**5 428**
Capespan	97,5	2 259	**96,9**	**2 167**	**96,9**	**2 167**
Zaad	93,2	2 043	**93,5**	**2 235**	**93,5**	**2 235**
Kaap Agri	40,9	1 376	**40,9**	**1 198**	**40,9**	**1 183**
Agrivision Africa	56,0	591	**56,0**	**493**	**56,0**	**493**
Quantum Foods	27,7	246	**29,3**	**259**	**29,3**	**259**
Other		33		**23**		**21**
Total investments		14 208		**12 520**		**11 786**
Cash and cash equivalents		111		**272**		**266**
Other net assets		108		**111**		**117**
Debt funding		(1 000)		**(1 500)**		**(1 510)**
SOTP value		13 427		**11 403**		**10 659**
Number of shares in issue (*net of treasury shares*) (million)		1 710		**1 710**		**1 710**
***SOTP value* per share (rand)**		7,85		**6,67**		**6,23**

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

Recurring headline earnings

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

	Audited	Unaudited		
	28 Feb 18 12 months Rm	31 Aug 17 6 months Rm	*Change %*	31 Aug 18 6 months Rm
Recurring headline earnings from investments	576	115		**231**
Net interest, taxation and other income and expenses	(102)	(50)		**(64)**
Recurring headline earnings	474	65	*157*	**167**
Non-recurring headline earnings	(49)	9		**348**
Headline earnings	425	74	*596*	**515**
Non-headline items	(171)	53		**(51)**
Attributable earnings	254	127	*265*	**464**
Weighted average number of shares in issue (*net of treasury shares*) (million)	1 717	1 722		**1 702**
Recurring headline earnings per share (cents)	27,6	3,8	*158*	**9,8**
Headline earnings per share (cents)	24,8	4,3	*605*	**30,3**
Attributable earnings per share (cents)	14,8	7,4	*269*	**27,3**

Recurring headline earnings per share increased by 158% to 9,8 cents mainly due to a strong recovery in earnings from most of its underlying investee companies compared to the previous period.

Headline earnings per share increased by 605% to 30,3 cents mainly as a result of the above and due to the upward fair value adjustment of the investment in Joy Wing Mau.

Attributable earnings per share increased by 269% to 27,3 cents, a lower percentage than headline earnings per share, mainly due to an impairment in Agrivision Africa goodwill in the current period in contrast to a non-headline profit on disposal of underlying business operations at a subsidiary level during the previous period.

NOTEWORTHY TRANSACTIONS

As detailed on the JSE Limited's Stock Exchange News Service ("SENS") on 21 September 2018, Capespan Group Limited, a subsidiary of Zeder, has entered into share transfer agreements for the sale of its entire shareholding in the Joy Wing Mau Group in China for an aggregate purchase consideration of ¥566m, amounting to approximately R1,18bn, at exchange rates at the time. If the disposal is implemented as anticipated, this would represent a very successful investment that would enable Zeder to inject growth capital into the core fruit and logistics divisions of Capespan, improving debt levels while also providing Zeder with improved cash resources at a group level.

PROSPECTS AND OUTLOOK

The climatic cycle within which our companies operate has improved but the South African and regional economies and investment climate remains constrained. The recent positive changes should contribute to improved conditions in the medium term. Zeder remains committed and actively involved with its underlying portfolio of companies. It continues to invest in organic growth opportunities within while actively seeking new investments to compliment the portfolio. We believe that, despite inevitable cyclicality, investing in the agribusiness industry should offer attractive long-term returns and the strength of our companies and management teams, combined with a defensive portfolio mix, should contribute to the continued sustainability of results. We believe that the company and its shareholders will benefit from same.

DIVIDEND

It is currently Zeder's policy to only declare a final dividend at year-end.

Signed on behalf of the board

Jannie Mouton
Chairman

Norman Celliers
Chief executive officer

Stellenbosch
9 October 2018

CONDENSED CONSOLIDATED INCOME STATEMENT

	Unaudited		Audited
	Aug 18 6 months Rm	**Aug 17 6 months Rm**	**Feb 18 12 months Rm**
Revenue	**3 408**	4 440	8 485
Cost of sales	**(2 760)**	(3 863)	(6 996)
Gross profit	**648**	577	1 489
Income			
Change in fair value of biological assets	**31**	39	195
Investment income	**42**	33	77
Net fair value gains	**479**	17	45
Other operating income	**12**	98	116
Total income	**564**	187	433
Expenses			
Marketing, administration and other expenses	**(826)**	(738)	(1 671)
Total expenses	**(826)**	(738)	(1 671)
Net income from associates and joint ventures			
Share of profits of associates and joint ventures	**324**	226	472
Impairment of associates and joint ventures (note 2)			(1)
Net loss on dilution of interest in associates (note 2)	**(10)**	(20)	(29)
Net income from associates and joint ventures	**314**	206	442
Profit before finance costs and taxation	**700**	232	693
Finance costs	**(150)**	(144)	(289)
Profit before taxation	**550**	88	404
Taxation	**(88)**	26	(196)
Profit for the period	**462**	114	208
Profit attributable to:			
Owners of the parent	**464**	127	254
Non-controlling interests	**(2)**	(13)	(46)
	462	114	208
EARNINGS PER SHARE AND NUMBER OF SHARES IN ISSUE			
Earnings per share (cents)			
Recurring headline	**9,8**	3,8	27,6
Headline (basic) (note 2)	**30,3**	4,3	24,8
Headline (diluted)	**29,2**	3,8	23,7
Attributable (basic)	**27,3**	7,4	14,8
Attributable (diluted)	**26,2**	6,8	14,0
Number of shares (million)			
In issue	**1 715**	1 731	1 715
In issue *(net of treasury shares)*	**1 702**	1 725	1 702
Weighted average	**1 702**	1 722	1 717
Diluted weighted average	**1 703**	1 724	1 719

	Unaudited		Audited
	Aug 18 6 months Rm	Aug 17 6 months Rm	Feb 18 12 months Rm
Profit for the period	**462**	114	208
Other comprehensive income for the period, net of taxation	**57**	33	(16)
Items that may be reclassified to profit or loss			
Currency translation adjustments	**109**	(11)	(100)
Share of other comprehensive income of associates and joint ventures	**(48)**	31	64
Items that may not be reclassified to profit or loss			
(Losses)/gains from changes in financial and demographic assumptions of post-employment benefit obligations	**(4)**	13	20
Total comprehensive income for the period	**519**	147	192
Attributable to:			
Owners of the parent	**504**	167	257
Non-controlling interests	**15**	(20)	(65)
	519	147	192

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited		Audited
	Aug 18 Rm	**Aug 17 Rm**	**Feb 18 Rm**
Assets			
Non-current assets	**10 020**	10 392	10 298
Property, plant and equipment	**1 704**	1 624	1 626
Intangible assets	**638**	675	606
Biological assets (bearer plants)	**413**	397	406
Biological assets (agricultural produce)	**11**		
Investment in ordinary shares of associates and joint ventures	**6 812**	7 180	6 636
Loans to associates and joint ventures	**170**	235	136
Equity securities	**38**	45	688
Loans and advances	**80**	113	100
Deferred income tax assets	**112**	85	61
Employee benefits	**42**	38	39
Current assets	**3 845**	3 537	3 103
Biological assets (agricultural produce)	**70**	71	152
Inventories	**1 367**	1 160	1 286
Loans and advances	**47**	28	38
Trade and other receivables	**1 849**	1 836	1 274
Current income tax assets	**27**	38	27
Cash, money market investments and other cash equivalents	**485**	404	326
Non-current assets held for sale (note 5)	**1 185**	19	7
Total assets	**15 050**	13 948	13 408
Equity and liabilities			
Ordinary shareholders' equity	**8 561**	8 311	8 269
Non-controlling interests	**342**	370	327
Total equity	**8 903**	8 681	8 596
Non-current liabilities	**2 987**	1 265	2 276
Deferred income tax liabilities	**359**	83	222
Borrowings	**2 500**	1 039	1 939
Derivative financial liabilities	**26**	42	24
Employee benefits	**102**	101	91
Current liabilities	**3 160**	4 002	2 536
Borrowings	**1 779**	2 669	1 428
Derivative financial liabilities	**14**		15
Trade and other payables	**1 268**	1 247	994
Current income tax liabilities	**32**	27	34
Employee benefits	**67**	59	65
Total liabilities	**6 147**	5 267	4 812
Total equity and liabilities	**15 050**	13 948	13 408
Net asset value per share (cents)	**503,0**	481,8	485,8
Tangible asset value per share (cents)	**465,5**	442,7	450,2

	Unaudited		Audited
	Aug 18 6 months Rm	Aug 17 6 months Rm	Feb 18 12 months Rm
Ordinary shareholders' equity at beginning of the period	**8 247**	8 291	8 291
Previously reported	**8 269**	8 291	8 291
Adjustment due to initial application of IFRS 9 (note 1.1)	**(22)**		
Total comprehensive income for the period	**504**	167	257
Shares purchased and cancelled			(94)
Net movement in treasury shares		2	(23)
Transactions with non-controlling interests	**(11)**	37	18
Other movements	**9**	4	10
Dividends paid	**(188)**	(190)	(190)
Ordinary shareholders' equity at end of the period	**8 561**	8 311	8 269
Non-controlling interests at beginning of the period	**325**	407	407
Previously reported	**327**	407	407
Adjustment due to initial application of IFRS 9 (note 1.1)	**(2)**		
Total comprehensive income for the period	**15**	(20)	(65)
Shares issued	**10**	10	8
Transactions with non-controlling interests	**13**	(12)	(5)
Other movements		2	2
Dividends paid	**(21)**	(17)	(20)
Non-controlling interests at end of the period	**342**	370	327
Total equity	**8 903**	8 681	8 596
Dividend per share (cents)			11,0

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited		Audited
	Aug 18 6 months Rm	Aug 17 6 months Rm	Feb 18 12 months Rm
Cash (utilised by)/generated from operations (note 3)	**(246)**	(232)	267
Investment income	**121**	108	342
Finance cost and taxation paid	**(178)**	(132)	(297)
Cash flow from operating activities	**(303)**	(256)	312
Acquisition of subsidiary (note 4)	**(41)**		
Cash acquired from acquisition of subsidiary			1
Proceeds from disposal of subsidiaries/subsidiaries' operations	**4**	27	27
Acquisition of associates and joint ventures		(172)	(183)
Loans granted to associates and joint ventures	**(31)**	(3)	(52)
Additions to property, plant and equipment	**(81)**	(94)	(213)
Proceeds from disposal of property, plant and equipment	**1**	2	25
Additions to intangible assets	**(34)**	(36)	(97)
Acquisition of equity securities			(6)
Proceeds from disposal of equity securities	**5**		9
Other	**58**	16	76
Cash flow from investing activities	**(119)**	(260)	(413)
Capital contributions by non-controlling interests	**1**	4	4
Shares purchased and cancelled			(94)
Purchase of treasury shares			(27)
Treasury shares sold		2	5
Dividends paid to group shareholders	**(188)**	(190)	(190)
Dividends paid to non-controlling interests	**(21)**	(17)	(20)
Borrowings repaid	**(183)**	(160)	(1 333)
Borrowings drawn	**962**	869	1 660
Other		(17)	(10)
Cash flow from financing activities	**571**	491	(5)
Net increase/(decrease) in cash and cash equivalents	**149**	(25)	(106)
Exchange differences on cash and cash equivalents	**10**	7	10
Cash and cash equivalents at beginning of the period	**326**	422	422
Cash and cash equivalents at end of the period	**485**	404	326

1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

These condensed consolidated interim 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 Listings Requirements of the JSE.

The condensed consolidated interim financial statements do not include all of the information required for full consolidated annual financial statements and should be read in conjunction with the consolidated annual financial statements for the year ended 28 February 2018.

The accounting policies applied in the preparation of these condensed consolidated interim 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 and includes the adoption of the new standard IFRS 9 *Financial Instruments* (refer note 1.1). The group adopted other various revisions to IFRS which were effective for its financial year ending 28 February 2019 however, these revisions have not resulted in material changes to the group's reported financial interim results or disclosures.

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 were similar to those disclosed in the consolidated annual financial statements for the year ended 28 February 2018.

1.1 Adoption of IFRS 9 *Financial Instruments*

IFRS 9 *Financial Instruments* is the new standard governing the classification, recognition and measurement of financial instruments, and replaces IAS 39 *Financial Instruments: Recognition and Measurement*. The six-month period ended 31 August 2018 is the first period during which IFRS 9 was applied, thus the group transitioned to IFRS 9 on 1 March 2018. IFRS 9 was generally adopted without restating comparative information, thus any differences in the carrying amounts of financial instruments will be made to opening retained earnings as at the start of the current financial year, in accordance with the new standard's transitional arrangements. The reclassifications and the adjustments arising from the new impairment rules are therefore not reflected in the statement of financial position as at 28 February 2018, but are recognised in the opening statement of financial position on 1 March 2018.

Classification and recognition:

IFRS 9, *inter alia*, replaces the multiple classification and measurement models in IAS 39 with a single model that has only two categories: amortised cost and fair value. On 1 March 2018 (the date of initial application of IFRS 9), the group's management has assessed which business models apply to the financial assets and financial liabilities held by the group and has classified its financial instruments into the appropriate IFRS 9 categories. There were no effects with regards to the changes in categories of financial assets and financial liabilities.

Change in measurement:

IFRS 9 establishes a new approach for loans and receivables, including trade and other receivables - an "expected loss" model that focuses on the risk that a loan or trade debtor will default rather than whether a loss has been incurred. The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all loans and receivables.

The group has four types of financial assets that are subject to IFRS 9's new expected credit loss model: loans to associates and joint ventures; loans and advances; trade and other receivables; and cash and cash equivalents. The group was required to revise its impairment methodology under IFRS 9 for each of these classes of assets. The impact of the change in impairment methodology on the group's retained earnings and equity is disclosed in the table below. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

The following table shows the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided.

Statement of financial position *(extract)*	Previously reported 28 Feb 18 Rm	Adjustment due to initial application of IFRS 9 Rm	Restated 1 Mar 18 Rm
Assets			
Investment in ordinary shares of associates and joint ventures[1]	6 636	(3)	6 633
Loans to associates and joint ventures	136	(2)	134
Loans and advances	138	(1)	137
Deferred income tax assets	61	4	65
Trade and other receivables	1 274	(22)	1 252
Total assets	8 245	(24)	8 221
Equity and liabilities			
Ordinary shareholders' equity	8 269	(22)	8 247
Non-controlling interests	327	(2)	325
Total equity	8 596	(24)	8 572

[1] *IFRS 9 also has an impact on the financial assets and liabilities of the group's underlying associates and joint ventures. The equity method of accounting applied in terms of IAS 28* Investments in Associates and Joint Ventures *requires the group to account for its share of post-acquisition movements in other comprehensive income and other equity movements are recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. Due to the aforementioned, an estimation calculation was performed on the adjustment due to the initial application of IFRS 9 on the underlying associates and joint ventures financial assets and liabilities.*

2. HEADLINE EARNINGS

	Unaudited		Audited
	Aug 18 6 months Rm	Aug 17 6 months Rm	Feb 18 12 months Rm
Profit for the period attributable to owners of the parent	**464**	127	254
Non-headline items	**51**	(53)	171
Gross amounts			
Profit on disposal of subsidiaries' operations		(80)	(85)
Net loss on dilution of interest in associates	**10**	20	29
Impairment of associates and joint ventures			1
Fair value gain resulting from transfer of associate to equity security			(15)
Non-headline items of associates and joint ventures	**(9)**	(7)	7
Impairment of intangible assets and goodwill	**52**	7	123
Net loss on sale and impairment of property, plant and equipment	**(1)**	4	10
Other	**(1)**	1	(1)
Non-controlling interests		2	(49)
Taxation			151
Headline earnings	**515**	74	425

During the period under review, Zeder impaired the goodwill relating to the investment in Agrivision Africa as a result of tough trading conditions in Zambia. During the previous period under review, the impairment related to computer software at a restructured United Kingdom operation, intellectual property at Klein Karoo Seed Marketing, where there is no foreseeable future commercialisation of the specific seed line, and goodwill at Mpongwe Milling, following two consecutive loss-making years.

During the previous period under review, the group, through Capespan Group Limited ("Capespan") merged its Asian operations with Golden Wing Mau to form JWM Asia and therefore 70% of its business operations were sold to JWM Asia and Capespan retained a 30% shareholding in JWM Asia.

3. CASH (UTILISED BY)/GENERATED FROM OPERATIONS

	Unaudited		Audited
	Aug 18 6 months Rm	Aug 17 6 months Rm	Feb 18 12 months Rm
Profit before taxation	**550**	88	404
Investment income	**(42)**	(33)	(77)
Finance costs	**150**	144	291
Depreciation and amortisation	**102**	98	203
Changes in fair value of biological assets	**(31)**	(39)	(195)
Net fair value gains	**(474)**		(43)
Profit on disposal of subsidiaries' operations		(80)	(85)
Share of profits of associates and joint ventures	**(324)**	(226)	(472)
Impairment of associates and joint ventures			1
Net loss on dilution of interest in associates	**10**	20	29
Net loss on sale and impairment of property, plant and equipment	**(1)**		10
Impairment of intangible assets and goodwill	**52**		123
Net harvest short-term biological assets	**105**	60	60
Other non-cash items	**(11)**	(3)	(7)
	86	29	242
Changes in working capital and other financial instruments	**(246)**	(154)	204
Additions to biological assets	**(86)**	(107)	(179)
Cash (utilised by)/generated from operations	**(246)**	(232)	267

4. SUBSIDIARIES' ACQUIRED

Hygrotech Properties Proprietary Limited

During August 2018, Zaad Holdings Limited ("Zaad"), acquired 100% of the shareholding in Hygrotech Properties Proprietary Limited ("Hygrotech") for a cash consideration of R44m. Goodwill of R1m arose in respect of, *inter alia*, synergies pertaining to the integration of the current operations within the Zaad group of companies. Accounting for the Hygrotech business combination has not been finalised.

The summarised assets and liabilities recognised at the acquisition date was:

	Unaudited Hygrotech Rm	Total Rm
Identifiable net assets acquired	**43**	**43**
Goodwill recognised	**1**	**1**
Cash purchase consideration	**44**	**44**
Cash consideration paid	**(44)**	**(44)**
Cash and cash equivalents acquired	**3**	**3**
Cash flow for subsidiary acquired	**(41)**	**(41)**

The aforementioned business combination does not contain any contingent consideration or indemnification asset arrangements and the acquisition-related costs expensed were insignificant.

Had Hygrotech been consolidated with effect from 1 March 2018 instead of its acquisition date, the consolidated income statement would have reflected additional revenue of R89m and loss after tax of R12m.

5. NON-CURRENT ASSETS HELD FOR SALE

As at 31 August 2018, non-current assets held for sale comprise mainly Capespan's investment in Joy Wing Mau amounting to R1,18bn (transferred on 31 August 2018 from equity securities to non-current assets held for sale). As reported on SENS on 21 September 2018, Zeder is in the process of disposing of its investment in Joy Wing Mau. In the current period it also includes property, plant and equipment within the Capespan UK operations, amounting to R3m (31 August 2017: R12m) (28 February 2018: R7m), following the adoption of a plan to sell the assets in the previous period.

6. FINANCIAL INSTRUMENTS

6.1 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 group's annual financial statements for the year ended 28 February 2018. Risk management continues to be carried out throughout the group under policies approved by the respective boards of directors.

6.2 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 year ended 28 February 2018.

6. FINANCIAL INSTRUMENTS CONTINUED

6.2 Fair value estimation 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 31 August 2018	**Level 1 Rm**	**Level 2 Rm**	**Level 3 Rm**	**Total Rm**
Assets				
Equity securities	**9**		**29**	**38**
Opening balance			**679**	
Fair value gains			**490**	
Disposals			**(5)**	
Transfer to non-current assets held for sale (note 5)			**(1 182)**	
Currency translation adjustments			**47**	
Liabilities				
Derivative financial liabilities		**1**	**39**	**40**
Opening balance			**39**	
Fair value gains			**(1)**	
Finance cost			**1**	

Unaudited 31 August 2017	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
Assets				
Equity securities		–	45	45
Opening balance		1	44	
Transfer between levels		(1)	1	
Liabilities				
Derivative financial liabilities			42	42
Opening balance			94	
Transactions with non-controlling interests			(50)	
Fair value gains			(7)	
Finance cost			5	

Audited 28 February 2018	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
Assets				
Equity securities	9		679	688
Opening balance			44	
Transfer from associates to equity securities			700	
Disposals			(7)	
Fair value gains			8	
Exchange differences			(66)	
Liabilities				
Derivative financial liabilities			39	39
Opening balance			94	
Disposals			(47)	
Fair value gains			(15)	
Finance cost			7	

7. SEGMENTAL REPORTING

The group is organised into four reportable segments, namely i) food, beverages and related services, ii) agri – related retail, trade and services, iii) agri – inputs and iv) agri – production. The segments represent different sectors in the broad agribusiness industry.

Headline earnings comprise *recurring* and *non-recurring* headline earnings. *Recurring* headline earnings (being a measure of segment profit) is calculated on a see-through basis. Zeder's *recurring* headline earnings is the sum of its effective interest in each of its underlying investments. The result is that investments which Zeder does not equity account or consolidate in terms of accounting standards, are included in the calculation of *recurring* headline earnings.

Non-recurring headline earnings include the elimination of equity securities' see-through *recurring* headline earnings not equity accounted, the related net fair value gains/losses and investment income (as recognised in the income statement). Associates' and subsidiaries' once-off gains and losses are excluded from *recurring* headline earnings and included in *non-recurring* headline earnings.

Segmental income comprises revenue and investment income, as per the income statement.

SOTP is a key valuation tool used to measure Zeder's performance. The *SOTP value* is calculated using the quoted market prices for all JSE-listed investments, and market-related valuations for unlisted investments. These values will not necessarily correspond with the values per the statement of financial position since the latter are measured using the relevant accounting standards which include historical cost and the equity accounting method.

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

	Unaudited		Audited
	Aug 18 6 months Rm	Aug 17 6 months Rm	Feb 18 12 months Rm
Recurring headline earnings segmental analysis:			
Segments			
Food, beverages and related services	**187**	85	394
Agri-related retail, trade and services	**58**	50	102
Agri-inputs	**10**	(6)	110
Agri-production	**(24)**	(14)	(30)
Recurring headline earnings from investments	**231**	115	576
Net interest, taxation and other income and expenses	**(64)**	(50)	(102)
Recurring headline earnings	**167**	65	474
Non-recurring headline items	**348**	9	(49)
Headline earnings	**515**	74	425
Non-headline items (note 2)	**(51)**	53	(171)
Attributable earnings	**464**	127	254
***SOTP* segmental analysis:**			
Segments			
Food, beverages and related services	**8 575**	9 853	10 169
Agri-related retail, trade and services	**1 217**	1 602	1 405
Agri-inputs	**2 235**	2 043	2 043
Agri-production	**493**	614	591
Cash and cash equivalents	**272**	75	111
Other net assets	**111**	101	108
Debt funding	**(1 500)**	(977)	(1 000)
SOTP value	**11 403**	13 311	13 427
***SOTP value* per share (rand)**	**6,67**	7,72	7,85

7. SEGMENTAL REPORTING CONTINUED

	Unaudited		Audited
	Aug 18 6 months Rm	Aug 17 6 months Rm	Feb 18 12 months Rm
Profit before tax segmental analysis:			
Segments			
Food, beverages and related services	**661**	172	479
Agri-related retail, trade and services	**57**	46	93
Agri-inputs	**(5)**	(27)	102
Agri-production	**(44)**	(39)	(156)
Management fees and other income and expenses	**(119)**	(64)	(114)
Profit before tax	**550**	88	404
IFRS revenue (revenue and investment income) segmental analysis:			
Segments			
Food, beverages and related services	**2 762**	3 729	6 672
Revenue	**2 739**	3 710	6 621
Investment income	**23**	19	51
Agri-inputs	**501**	503	1 412
Revenue	**493**	495	1 398
Investment income	**8**	8	14
Agri-production	**176**	235	467
Revenue	**176**	235	466
Investment income			1
Unallocated investment income (mainly head office interest income)	**11**	6	11
IFRS revenue	**3 450**	4 473	8 562

8. CAPITAL COMMITMENTS, CONTINGENCIES AND SURETYSHIPS

Capital commitments, contingencies and suretyships similar to those disclosed in the consolidated annual financial statements for the year ended 28 February 2018 remained in effect during the period under review.

9. RELATED-PARTY TRANSACTIONS

Related-party transactions similar to those disclosed in the consolidated annual financial statements for the year ended 28 February 2018 took place during the period under review.

10. 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.

11. PREPARATION

These condensed consolidated interim financial statements were compiled under the supervision of the financial director, Mr JH le Roux, CA (SA), and were not reviewed or audited by the group's external auditor, PricewaterhouseCoopers Inc.

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

DIRECTORS
JF Mouton (Chairman), N Celliers* (CEO), JH le Roux* (FD), GD Eksteen#, WL Greeff, ASM Karaan#, NS Mjoli-Mncube#, PJ Mouton, CA Otto#
* *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
PO Box 61051, Marshalltown, 2107

SPONSOR
PSG Capital Proprietary Limited

AUDITOR
PricewaterhouseCoopers Inc.