PSG GROUP LIMITED

ANNUAL REPORT
2012

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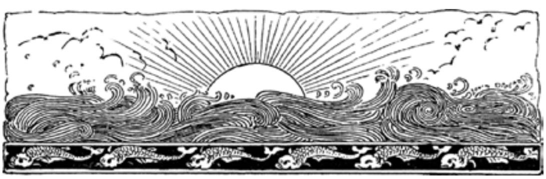
Published on behalf of the PSG Group by
GREYMATTER & FINCH
98 Dorp Street, Stellenbosch 7600
Website: www.greymatterfinch.com

Printed in South Africa



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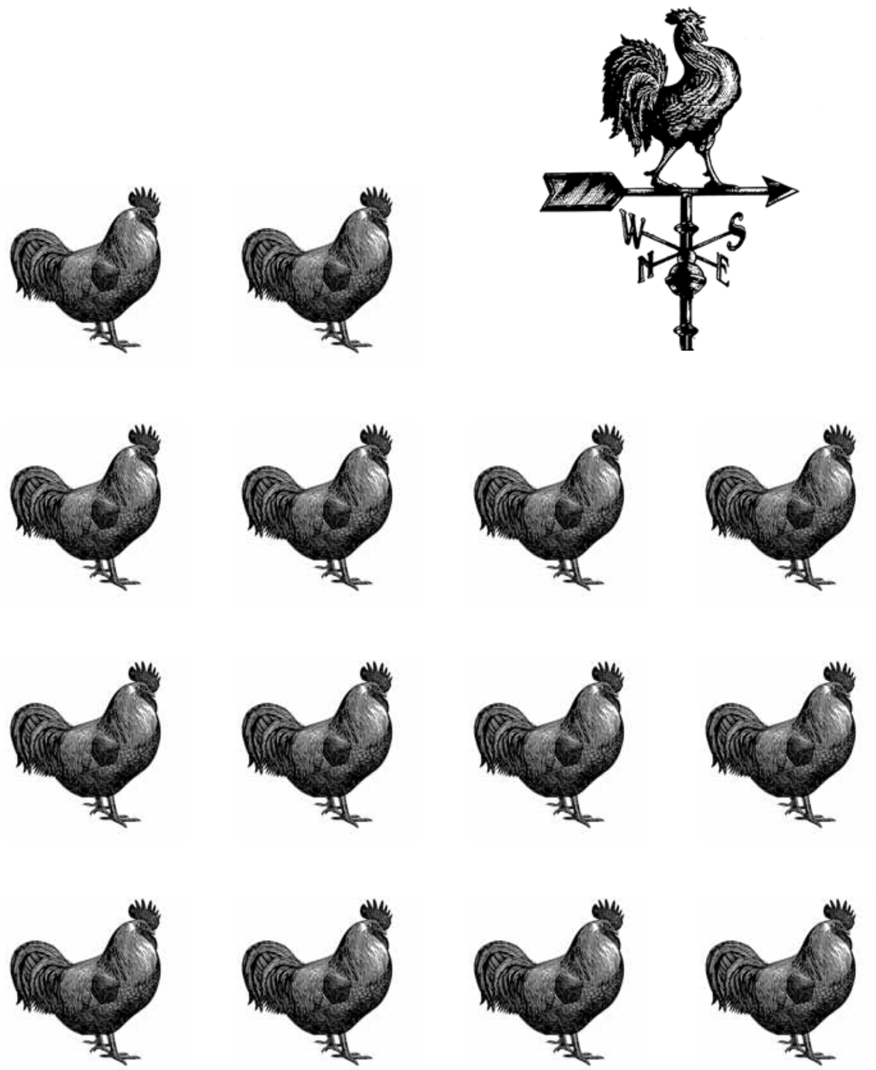
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Chairman's letter

Who are we?

PSG Group Ltd ("PSG") is an investment holding company consisting of 39 underlying investments that operate across industries which include financial services, banking, private equity, agriculture and education. PSG's market capitalisation is approximately R10,7bn, with our largest investment being a 32,5% interest in Capitec Bank. The companies in the group have a combined market capitalisation of R71bn.

Management has defined *seven main business units* on which we report:

- Capitec Bank (banking)
- PSG Konsult, including PSG Asset Management with effect from 1 March 2011 (wealth planning, asset management and stockbroking)
- Zeder Investments (investments in agriculture, food and beverage sectors)
- PSG Private Equity, previously known as Paladin Capital (investments in sectors other than agriculture, food and beverages)
- Curro Holdings (private school education)
- Thembeka Capital (BEE investment holding company)
- PSG Corporate (investment management and treasury services), including PSG Capital (corporate finance)

Our main objective

To create wealth for our shareholders through a combination of share price appreciation and the payment of dividends.

How have we performed?

We continue to use the following two measures to evaluate our performance:

- Total Return Index
- Recurring headline earnings per share

Total Return Index (TRI)

In our opinion performance should not be measured in terms of the size of a company, but rather on the return that an investor receives over time. As we are all PSG shareholders, we prefer to focus on *per share* wealth creation.

The TRI is the compounded annual growth rate (CAGR) of an investment, and is calculated by taking cognisance of both share price appreciation and dividends and other distributions paid. This is a sound measure of wealth creation and a means of benchmarking different companies.

If you bought R100 000 worth of PSG shares in November 1995 and:

- reinvested all the dividends that you received in PSG; and
- held onto the Capitec shares that you received in terms of its unbundling in 2003 and reinvested the dividends received from those shares into Capitec,

then your R100 000 would be worth approximately R136m today. This translates into a TRI of 55%, which is the highest of any listed company on the JSE over the 16-year period since PSG's establishment.

We acknowledge that it is improbable that we shall achieve this level of performance over the next 16 years. Although we cannot predict the future, we remain confident that we shall continue to deliver superior returns for our shareholders.

Recurring headline earnings

International Financial Reporting Standards (IFRS) have made our financial statements too complex and also difficult to use as a measure of our performance. We consequently introduced the *recurring headline earnings* concept as the predominant measure of the group's financial performance from an earnings perspective.

Consolidated *recurring headline earnings* is calculated on a see-through basis throughout the group and is the sum of PSG's effective interest in that of each strategic investment. The result is that investments in which PSG or an underlying company holds less than 20% and is generally not equity accountable in terms of accounting standards, are included in the calculation of our consolidated *recurring headline earnings*. Marked-to-market fluctuations and one-off items are excluded. This provides management and investors with a more realistic and simplistic way of evaluating PSG's earnings performance.

Recurring headline earnings per share increased by 27,6% to 308,6 cents. This represents a CAGR of 24,2% since we introduced this measure of performance in 2008.

The increase in *recurring headline earnings per share* was predominantly the result of Capitec's continued stellar performance in the past year.

Recurring headline earnings	28 Feb 2009 Rm	28 Feb 2010 Rm	28 Feb 2011 Rm	**29 Feb 2012 Rm**	Growth y-o-y %	CAGR 3 years %
PSG Konsult	102	92	94	**108**	15	2
Zeder Investments	71	84	109	**115**	5	18
PSG Private Equity (previously Paladin)	76	75	37	**32**	(12)	(25)
Thembeka Capital		2	9	**19**	120	
Curro Holdings		1	2	**(5)**	n/a	
PSG Corporate (including PSG Capital)	6	15	21	**20**	(3)	54
Other	38	20	18	**19**	2	(20)
Recurring headline earnings excluding Capitec Bank	293	289	290	**308**	6	2
Capitec Bank	104	151	223	**362**	63	51
Recurring headline earnings before funding	397	440	513	**670**	31	19
Funding	(104)	(81)	(109)	**(134)**	23	9
Recurring headline earnings	293	359	404	**536**	33	22
Non-recurring items	(183)	72	108	**31**	(72)	n/a
Headline earnings	110	431	512	**567**	11	73
Earnings per share (cents)						
– Recurring headline	174	207	242	**309**	28	21
– Headline	65	249	307	**326**	6	71

Headline earnings increased by 6,4% to 326,2 cents per share, whereas *attributable earnings* decreased by 4,6% to 404,4 cents per share. The lower increase in *headline earnings* as opposed to *recurring headline earnings per share* was predominantly as a result of a marked-to-market loss of R29,8m incurred on PSG Financial Services' interest rate hedge as opposed to a marked-to-market profit of R4,9m in the prior year, and less marked-to-market profits achieved in Thembeka's investment portfolio of listed shares during the current financial year.

The CAGR in Capitec's contribution to PSG's *recurring headline earnings* over the last three years amounted to 51%, while that of the remainder of our portfolio was a mere 2%. The latter is simply not good enough – an increase in PSG's *sum-of-the-parts (SOTP) value per share* will ultimately depend on the sustained growth in the profitability of all our underlying investments.

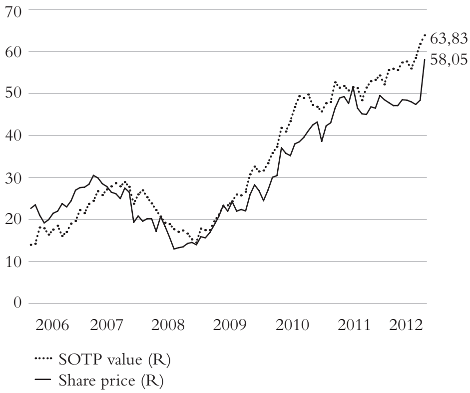
How to value PSG

As PSG is an investment holding company, a key valuation tool to measure PSG's performance by is the growth in its *SOTP value per share*. The calculation is simple and requires limited subjectivity as 82% of the *SOTP value* is calculated using quoted market prices, whilst the unlisted investments are valued using market-related multiples.

It is evident from the graph below that PSG's share price tracks its *SOTP value*.

At 29 February 2012, the *SOTP value* per PSG share was R55,92, which equated to a 54% CAGR over the last three years, and a CAGR of 34% since November 2005 when our *SOTP value* was R9,43 per share. At 25 April 2012, the *SOTP value* was R63,83 per share.

PSG share price vs *SOTP value* (25 April 2012)



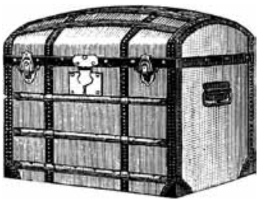
PSG's *SOTP value* is made up as follows:

Asset/liability	28 Feb 2009 Rm	28 Feb 2010 Rm	28 Feb 2011 Rm	**29 Feb 2012 Rm**	Of total assets %	Growth y-o-y %	CAGR 3 years %
PSG Konsult**	873	948	1 206	**1 483**	12	23	19
Zeder Investments*	342	742	1 069	**1 067**	9	0	46
PSG Private Equity (previously Paladin)†	413	834	1 242	**728**	6		
Thembeka Capital†				**570**	5	95	80
Curro Holdings*				**1 118**	9		
PSG Corporate (including PSG Capital)††	216	361	350	**338**	3	(3)	16
Other investments††	745	400	548	**684**	6	25	(3)
Total assets excluding Capitec Bank	2 589	3 285	4 415	**5 988**	50	36	32
Capitec Bank*	857	2 367	5 138	**5 978**	50	16	91
Total assets	3 446	5 652	9 553	**11 966**	100	25	51
Perpetual pref funding*	(486)	(541)	(1 028)	**(1 188)**			
Debt††	(350)	(539)	(507)	**(463)**			
SOTP value	2 610	4 572	8 018	**10 315**		29	58
SOTP value per share (R)	15,31	26,61	46,81	**55,92**		19	54

* *Listed on the JSE*
** *Over-the-counter*
† *SOTP value*
†† *Valuation*

Our investment strategy and philosophy

- We invest in companies with uncomplicated business models operating in industries with attractive growth prospects and led by talented, hard-working and passionate people.
- We believe in co-investing with management – management as owners are generally focused and dedicated to continuously grow their businesses.
- A culture of good corporate governance is instilled at board level and is applicable to the entire organisation. It remains a cornerstone of the way we do business. In our opinion, however, good corporate governance is not necessarily represented by set rules, policies or codes, committees or meetings. It is rather relevant, transparent, timely, accurate and succinct information provided to those charged with oversight who, by their nature, are trustworthy and ambitious to act in the best interest of the company.
- We are long-term strategic investors with no pre-defined exit strategy.
- We add value by challenging management to innovate and grow their businesses, both organically and by means of acquisitions. We provide funding when needed.
- A company can only grow when its customer base increases. A focus on client satisfaction thus remains vitally important for our continued success.
- Funding remains critically important and integral to what we do.



Funding

- PSG is a long-term investor and the challenge is to fund our investments with long-term capital. The use of ordinary share capital as funding instrument is, as a rule, expensive. We therefore believe that a healthy combination of ordinary share capital and debt is necessary to optimise shareholder returns. Being an investment holding company, we do not always control the cash flows from our underlying investments which calls for a conservative approach to gearing. We view PSG's interest cover (i.e. the number of times that PSG's free cash flow covers its debt obligations) as the most important measure of responsible borrowing and have set a minimum target of 2 times. As a further limit, PSG's gearing, inclusive of the cumulative, non-redeemable, non-participating (perpetual) preference shares in issue, should not exceed 40% of its balance sheet net asset value (NAV). We base our gearing calculation on NAV instead of PSG's *SOTP value* or market capitalisation, as NAV is less sensitive to movements in market prices. At the end of February 2012, our interest cover was 2,2 times and net gearing 35%. Excluding the perpetual preference shares, this figure is 10%.
- Perpetual preference shares are a great funding mechanism. It is essentially a cheaper form of permanent capital and reduces the refinancing risk associated with debt. We listed this instrument in 2004 and issued a further 1,5m perpetual preference shares for a cash consideration of R132m during the past year. We now have a nominal total of R1,34bn in perpetual preference share funding. Prior to the introduction of dividend withholding tax (DWT) and the abolishment of secondary tax on companies (STC) with effect from 1 April 2012, the perpetual preference shareholders received a dividend calculated at 75% of the prime interest rate. The board of directors has subsequently resolved to pass the future STC saving on to the perpetual preference shareholders by increasing the dividend rate to 83,33% of prime.
- Given the uncertainties surrounding interest rates, management adopted a strategy of fixing the cost of PSG's perpetual preference shares by means of an interest rate hedge. R440m has been fixed at 8,87% per annum until 31 August 2016 and R780m at 8,56% per annum until 31 August 2020. This in essence provides us with a hurdle rate when making investments with the proceeds from same.
- During the year, PSG raised R377m in cash through the issue of 8,2m ordinary shares at an average price of R46,09 per share. The issue was done at an opportune time when PSG's shares were trading at a small discount to its *SOTP value*.

Let me tell you about our major operating companies:

Capitec Bank

Capitec has without a doubt had the best share price performance of any JSE-listed company since listing in 2002. Its TRI is an impressive 67%.

Capitec, which represents 50% of PSG's total assets, continues to grow and provides us with superior returns. Capitec reported *headline earnings* of R1,08bn for the financial year ended 29 February 2012, with *headline earnings* per share having increased by 49% to R11,25.

Capitec has grown into a sizeable business with over 7 000 employees, 507 branches and a market capitalisation in excess of R22bn.

Contrary to a couple of years ago, Capitec is now considered a serious competitor to the big banks with its innovative, cost-effective solutions and increasing market share. Capitec has managed to add 877 000 new clients during the past year to bring the total number of active clients to 3,7m. Despite the fact that Capitec did not increase its fees, transaction fee income grew by 57% to R836m.

The big banks are all venturing into unsecured lending, resulting in increased competition. Much has been written about the growth in the unsecured lending market and whether there is potentially a risk of a credit bubble forming. There seems to have been a structural change in the market with unsecured lending taking the place of secured lending. New unsecured loans advanced, as reported by the National Credit Regulator, include a substantial amount of debt consolidations which overstate the actual growth in unsecured lending. We support the view of Capitec's management that the growth in unsecured lending will continue and that there is not a significant threat to the market as long as affordability and client behaviour are considered when granting credit. We also take comfort from Capitec's prudent provisioning policy, and its continued drive to improve net transaction fee income, making Capitec less dependent on growth in the unsecured credit market.

The Capitec management team has over the years demonstrated the importance of relentless *focus*. Although they were presented with various other opportunities, they remained focused on their single, easy-to-understand product strategy. This serves as an important lesson to all of us at PSG.

We continue to support Riaan Stassen and his team and we are proud to be associated with Capitec Bank.

PSG Konsult

PSG Konsult saw a reasonable improvement in its results for the year ended 29 February 2012 after three years of little earnings growth. *Recurring headline earnings* per share increased by 15,6% to 14,1 cents, or R151,3m, and *headline earnings* per share by 21,6% to 15,2 cents.

The PSG Konsult group received a number of accolades during the past year:

- The PSG Equity Fund and PSG Flexible Fund won *Raging Bull* awards.
- The PSG Konsult Moderate Fund of Funds won the *Morningstar* award for Moderate Allocations.
- PSG Online was voted Stockbroker of the Year by *Business Day Investors Monthly.*
- PSG Konsult was voted National Broker of the Year: Commercial Lines and Agriculture by *Santam.*

PSG Konsult to a large extent represents the PSG brand in the minds of the South African public. It is the largest independent financial intermediary in the country offering a one-stop solution for holistic financial planning to more than 150 000 clients. Its 694 (2011: 642) financial planners, stockbrokers and short-term insurance brokers operate out of 224 (2011: 216) offices countrywide.

Effective 1 March 2011, **PSG Asset Management** successfully merged with PSG Konsult. The key is now to manage more of PSG Konsult clients' assets, whilst maintaining the independence that is so important to our advisors. With PSG Konsult's countrywide distribution network and the top performance achieved by the PSG Asset Management team, we are confident that it is achievable going forward.

We support and share Willem Theron's vision to build PSG Konsult into a fully fledged financial services company.

Curro

Curro was listed on the JSE (AltX) on 2 June 2011. People we interact with constantly want to ask and talk about Curro – more so than with any other company I have been involved with. Housewives, business people, professionals, educators – everybody wants to make a contribution and a suggestion as to where we should open schools and how we should run them. The business is simple to understand and management has a clear plan of how they want to build the business.

Curro's business model revolves around the development, acquisition and management of private schools in South Africa. It has decided to expand its original affordable schools model to include three additional market segments, being:

- the high-end/elite private school market;
- a private community school initiative market known as *Meridian Private Schools*, focusing on the lower end of the market; and
- the baby care/crèche market that will be known as *Curro Junior Academy.*

When we identified the Curro opportunity in 2009, the company had three schools and management had a plan to build an additional seven schools over time. We convinced them of our dream to accelerate the growth to 15 schools. At the time of listing last year, the vision was expanded to 40 schools by 2020. However, judging by the number of opportunities that we currently see, this number could well be closer to 80 schools!

Curro now has 19 schools and its number of learners has increased from about 2 000 in 2009 to more than 11 800 at present.

Approximately once a month, Chris van der Merwe (CEO) and Bernardt van der Linde (FD) visit the PSG Exco to bring us up to date with the most recent developments at Curro. It is always exciting hearing about their progress and, more importantly, the extent of the opportunities they come across. Curro reported a loss as a result of its infrastructure investment in catering for future growth, as well as its investment in startup schools which will only turn profitable once they have a sufficient number of learners.

Despite not making profits yet, Curro seems to be well on its way to becoming a success story. We continue to support the team and shall invest extensively to build capacity for future growth. The Curro story is inspirational and we commend what Chris and his team are achieving.

Zeder

Zeder was listed on the JSE six years ago to house the agri, food and beverage interests of the PSG Group and to look for new opportunities in these sectors. The two main investment strategies at that stage were the 'arbitrage opportunity' and the so-called 'agri-evolution'.

- The **arbitrage opportunity** was the buying of quality listed companies at a discount when investing in unlisted agriculture companies such as Kaap Agri (Pioneer) and KWV (Distell). We have made a concerted effort to unlock these discounts over the last number of years, and have been successful in doing so.
- The **agri-evolution** refers to the transition whereby the old agricultural co-operatives (co-ops) are converted to companies with a profit motive as its primary objective. Pioneer Foods is a good example of a successful agri-evolution. However, in many other co-ops we have found that it may still take a long time for them to become more shareholder orientated.

The recent transactions announced by Zeder indicate an additional strategy for the company. Zeder has historically only taken non-controlling strategic stakes in businesses in its chosen sector. The acquisition of controlling interests in both Agricol and Chayton will allow Zeder to play a more active role in determining strategy and to help expand the respective businesses.

The new opportunities, together with a solid investment base in the likes of Pioneer Foods and Distell, bode well for Zeder's future.

**PSG Private Equity
(previously Paladin Capital)**

Paladin Capital was listed on the JSE (AltX) in September 2009. Our main objective with listing the business was to use its listed shares as currency when making investments. This, however, did not work:

- After we invested in Curro, we did not want to dilute our interest by issuing Paladin shares because of the vast growth potential that we saw in the private school education sector.
- We also found that the sellers of a business almost always prefer payment in cash as opposed to shares.

As a result, Paladin's holding in Curro was unbundled and PSG bought out the 18,7% minority shareholders in Paladin. Although the Paladin listing did not turn out as originally anticipated, it still provided shareholders with a compounded annual return of 43% since listing.

Recurring headline earnings from Paladin's current investment portfolio increased by 51% to R30,9m. Total *recurring headline earnings*, however, decreased from R45m to R37m, mainly due to the loss of earnings from CIC which had been sold. Paladin management invested a significant amount of time in the past year to restructure or turn investments around that have previously disappointed. We look forward to improved earnings from these investments going forward. Paladin's overall internal rate of return (IRR) across its portfolio (excluding the unbundled Curro) is currently 15%. Management's target remains an IRR in excess of 25%.

Paladin Capital has subsequently been rebranded *PSG Private Equity*. The investment mandate of PSG Private Equity remains unchanged. Zeder continues to invest in agri, food and beverage opportunities, and PSG Private Equity in the rest.

Thembeka Capital

Thembeka Capital is a BBBEE investment company in which we own 49%. BEE remains an important aspect of doing business in South Africa and we do not expect the rules and charters to be relaxed any time in the near future. Thembeka has a R1,6bn investment portfolio and is well positioned to make investments that are often inaccessible to PSG.

PSG Corporate, including PSG Capital

PSG Corporate is a profit centre and is managed by the PSG Exco. It acts as PSG Group treasurer, allocates capital and determines and monitors the group's gearing. PSG Corporate made a *recurring headline earnings* contribution of R20,4m (2011: R21m).

PSG Capital is the corporate finance arm of PSG Group and provides a complete range of corporate finance and advisory services to a broad spectrum of clients. PSG Capital is a JSE-registered sponsor and designated advisor. They advise on mergers and acquisitions, fairness opinions and valuations, capital raisings and listings, JSE and regulatory advisory, private equity, BEE, management and leveraged transactions, corporate recovery and restructuring, as well as debt and strategic advice. PSG Capital is the sponsor and designated advisor to 33 JSE-listed companies, and has an extensive list of unlisted clients. Since establishment in 1998, PSG Capital has advised on publicly announced transactions in excess of R73bn. PSG Capital plays an important advisory role at various companies within the group.

New developments

Education

We are concerned about the state of education in South Africa. The future success of our country depends on a quality educational system. We continue to see education as a substantial business opportunity in South Africa. Whilst Curro is well positioned in the private school market, we continue to evaluate other education opportunities. During the year under review, PSG Private Equity invested in *Impak Onderwysdiens,* a provider of correspondence learning to schoolchildren. Impak is still small, but we are cautiously optimistic about the potential it holds.

Africa

Africa has been called many things, but it is no longer viewed as the "dark continent". Instead, it is nowadays seen as the "land of opportunity" with investment into Africa being topical around the world. With gloomy outlooks in many developed countries, investors and businesses are looking at developing markets, and specifically Africa, for growth. We have always said that there are enough investment opportunities in South Africa at much lower risk. However, we have realised that we cannot afford to miss out on the vast opportunities that Africa presents. As South Africans, I believe we might be better positioned to compete in Africa than some of our counterparts elsewhere in the world.

To date, we have made the following investments in Africa:

- Zeder acquired an 81% interest in Chayton Africa, a commercial farming business in Zambia.
- PSG Private Equity acquired a 60% interest in CA Sales, a fast-moving consumer goods distributor based in Botswana. We understand the business model and we have brought an experienced management team on board to build out this company.

We shall continue to remain cautious whilst exploring and evaluating what Africa has to offer.

Our people

The PSG Group is fortunate to employ some of the best people in the business. We strive to be a workplace of choice and believe in ultimate empowerment through trust: *Choose competent people, place them in key positions and trust their judgment implicitly* – Conrad Hilton.

Our people are given responsibility and are encouraged to be entrepreneurial, creative, and to come up with ideas.

The year under review again saw PSG involved in numerous transactions. We are proud of achieving this with a small, energetic team of 14 professionals working alongside PSG Capital's 12 corporate financiers. I have faith in the leadership and business acumen of the PSG Group senior executives, Piet Mouton (CEO), Wynand Greeff (FD) and Johan Holtzhausen (CEO: PSG Capital). Considering the core management team, together with the extent of talent within the wider group, I am excited about the future of PSG.

Incentivisation

We attempt to align incentive structures across the group with the interests of shareholders. If a business does well, management should share in the upside, and vice versa. I am often surprised by the exorbitant bonuses that are paid by some companies, locally and abroad, even when shareholders are worse off compared to five years ago. Shareholders must evaluate performance on a *per share* basis and management should be rewarded accordingly.

The PSG Exco

The PSG Exco meets at least twice a month, and comprises myself as chairman, Piet Mouton, Wynand Greeff, Johan Holtzhausen, Chris Otto and Dries Mellet (secretary). The PSG Exco:

- Is responsible for determining and implementing the PSG strategy, as approved by the PSG Group board of directors
- Acts as the PSG investment committee
- Is the appointed manager to Zeder
- Manages PSG Private Equity
- Acts as the PSG group treasurer, monitors and manages the capital requirements, gearing and liquidity of the group, and allocates and invests the group's resources
- Monitors the group's performance and provides strategic input and direction to the underlying companies
- Is the custodian of good corporate governance throughout the group
- Assumes overall responsibility for growth and performance of PSG

The PSG Private Equity and Zeder investment teams form part of the Excos of their respective business units. Nico de Waal leads the *PSG Private Equity* team and is supported by Alex Volkwyn, Willem Kitshoff and Gerrit van Deventer, whilst the *Zeder* team consists of Willem Meyer, Albert Basson and newly appointed Norman Celliers. Antonie Jacobs recently resigned as Zeder CEO to join Agricol on a full-time basis.

Board of directors

The PSG Group board of directors comprises three executives and nine non-executive directors. I serve as the non-executive chairman of the board. Although our directors may not all appear to be independent as defined in terms of the King Code on Corporate Governance, I can assure you that all of the non-executive directors are independent of thought and action - they care about our company and our shareholders. I have little time for the so-called "professional independent" non-executives who do not bother to read their board packs, who do not contribute, and who only drink tea and eat cookies.

We believe that all directors should own shares in the company they look after, and it is no different with PSG Group. A director's interests should be aligned with those of the shareholders that he/she represents. At 29 February 2012, the directors owned 36,4% in the issued share capital of PSG, net of treasury shares.

During the past year, Markus Jooste and Christo Wiese exchanged their PSG shares for Steinhoff International Holdings (Steinhoff) shares. In so doing, Steinhoff acquired a 20% interest in PSG. We are fortunate to have them as a strategic shareholder in PSG, as it is a global company with a sizeable balance sheet, should the need arise for further capital.

Our contribution to the wider economy

There is often much said about capitalists and how companies should do more. A profitable company makes a large contribution to society – it employs people, provides training, makes donations and other contributions, pays taxes, etc. We need to applaud entrepreneurs and businesses, and government should give them due credit for their contribution.

Last year, the PSG group of companies donated more than R34m to a range of worthy causes and made more than R13m available for study bursaries. We paid R7,6bn in salaries to more than 39 000 people throughout the group, and taxes exceeding R4,5bn. Capitec alone created 1 863 new jobs during the past year. This serves to confirm our belief of making a contribution to the wider South African economy by creating jobs and paying taxes.

PSG subscribes to social upliftment through BEE. We have provided *Thembeka Capital* with more than R500m in funding for BEE investments, which has enabled broad-based black groups to acquire shares at virtually no cost. Thembeka has created R580m in value for its more than 500 direct and thousands of indirect black shareholders over the last seven years – we are proud of our association with this company.

Corporate social investment

PSG Group's formal donation policy reads as follows:

"PSG Group is an investment holding company with 39 different underlying businesses. The majority of the income that we earn comprises dividends from these investments. As such, we decided long ago that it makes more sense for the underlying businesses to make donations to their relevant communities as opposed to us. To put it in a different perspective: It is a bit like asking a unit trust to donate money – they will never do so. It is up to the individual investor instead to decide how to make his/her personal social contribution. PSG is essentially the same as a unit trust, but with a different corporate structure."

We therefore do not make donations or give sponsorships, except for our support to the following initiatives in education:

- The *PSG Group Bursary Loan Scheme* at the University of Stellenbosch has since our donation of 100 000 PSG shares supported a number of gifted but needy students. Their fields of study include medicine, actuarial science, accounting and science. We also committed to donate a further R100 000 per year to increase the number of students we can help.
- PSG continues to financially support *Akkerdoppies*, a pre-primary school, which is part of the Sibusisiwe charity. Akkerdoppies is committed to early childhood development, and provides essential education and skills to children from the needy communities of Stellenbosch. The school is attended by 160 (2011: 118) children, and now employs 15 (2011: 12) people. We are committed to a long-term relationship with this initiative and anticipate a significant positive contribution to the community.
- We continue to invest in *Curro* that currently operates 19 private schools. Through offering affordable private education, Curro plays an important role in educating South Africa. Arguably the biggest advantage of having a Curro is that government can now direct its focus on areas where the conditions of education are particularly poor and, in so doing, provide proper educational facilities to the disadvantaged.
- PSG committed R6m to a greenfields venture, *Siyavula Education*. Siyavula has, through the assistance of volunteers and the Shuttleworth Foundation, compiled Grade 10-12 science and maths textbooks that are made available for free. The Department of Basic Education has printed 2,5m copies of these books at a fraction of the cost of normal text books, and distributed it to schools across the country free of charge.
- During the year we founded the *Stellenbosch BEE Education Trust*. We funded the trust with R2m to buy shares in Thembeka Capital. We hope that this trust will over time assist many previously disadvantaged students to obtain a quality education.

Our future

Despite uncertainties in the world economy, all our companies have plans in place to grow their businesses over the next few years. We continually meet with the respective management teams to discuss their dreams and strategies.

Our focus remains to create wealth for our shareholders by increasing both PSG's *recurring headline earnings* and *SOTP value* per share. We remain committed to uphold our reputation as a company that provides superior returns.

A word of thanks

At PSG I work with great people in a stimulating environment. I still come to the office every day and I hope to contribute to PSG for years to come.

I would like to thank my fellow directors, members of the PSG Exco and colleagues throughout the greater PSG Group – I enjoy working with you and appreciate your hard work. Also a special word of thanks to Kleintjie Bellinghan and Christo Wiese who both retired from the PSG board during the past year. I sincerely thank you for your contribution and devotion during your years of service, and wish you well with your future endeavours.

Lastly, to our clients, our shareholders and to all other stakeholders in PSG – thank you for your loyal support over the past year.

Jannie Mouton
Stellenbosch
15 May 2012

PSG GROUP LIMITED

Invitation

Annual general meetings (AGMs) and investor presentations

You are invited to our PSG Group Investor Day on which the various AGMs will be held and presentations made by our group companies on Friday, 22 June 2012 at Webersburg, Annandale Road, Stellenbosch.

The timetable is as follows:

09:00	PSG Konsult Ltd
09:45	Zeder Investments Ltd
10:30	Curro Holdings Ltd
11:15	Tea
11:45	Thembeka Capital Ltd
12:15	PSG Group Ltd

Lunch will be served after the PSG Group Ltd presentation. Kindly confirm your attendance with Sharon October at: E-mail: sharono@psggroup.co.za Fax: 021 887 9619 Telephone: 021 887 9602

Board of directors

The boards of directors of PSG Group Ltd and PSG Financial Services Ltd are identical.

EXECUTIVE

WL (Wynand) Greeff (42)
BCompt (Hons), CA(SA)
Financial director
Appointed 13 October 2008

JA (Johan) Holtzhausen (41)
BIuris, LLB, HDip Tax
Chief executive officer – PSG Capital
Appointed 13 May 2010

PJ (Piet) Mouton (35)
BCom (Mathematics)
Chief executive officer
Appointed 16 February 2009

NON-EXECUTIVE

MJ (Markus) Jooste (51)[2]
BAcc, CA(SA)
Chief executive officer – Steinhoff International Holdings Ltd
Appointed 25 February 2002

JF (Jannie) Mouton (65)
BCom (Hons), CA(SA), AEP
Non-executive chairman
Appointed 25 November 1995

JJ (Jan) Mouton (37)
BAcc (Hons), CA(SA), MPhil (Cantab)
Manager – PSG Flexible Fund
Appointed 18 April 2005

W (Willem) Theron (60)
BCompt (Hons), CA(SA)
Chief executive officer – PSG Konsult Ltd
Appointed 2 March 2006

INDEPENDENT NON-EXECUTIVE

PE (Patrick) Burton (59)[1, 2]
BCom (Hons), PG Dip Tax
Financial director – Snoek Wholesalers (Pty) Ltd
Appointed 19 March 2001

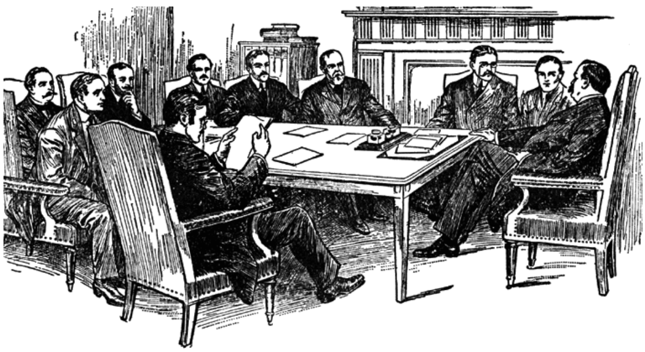
ZL (KK) Combi (60)
Diploma in Public Relations
Executive chairman – Thembeka Capital Ltd
Appointed 14 July 2008

J de V (Jaap) du Toit (58)[1]
BAcc, CA(SA), CFA
Director of companies
Appointed 30 January 1996

MM (Thys) du Toit (53)[2]
BSc, MBA
Chief executive officer – Rootstock Investment Management (Pty) Ltd
Appointed 29 September 2009

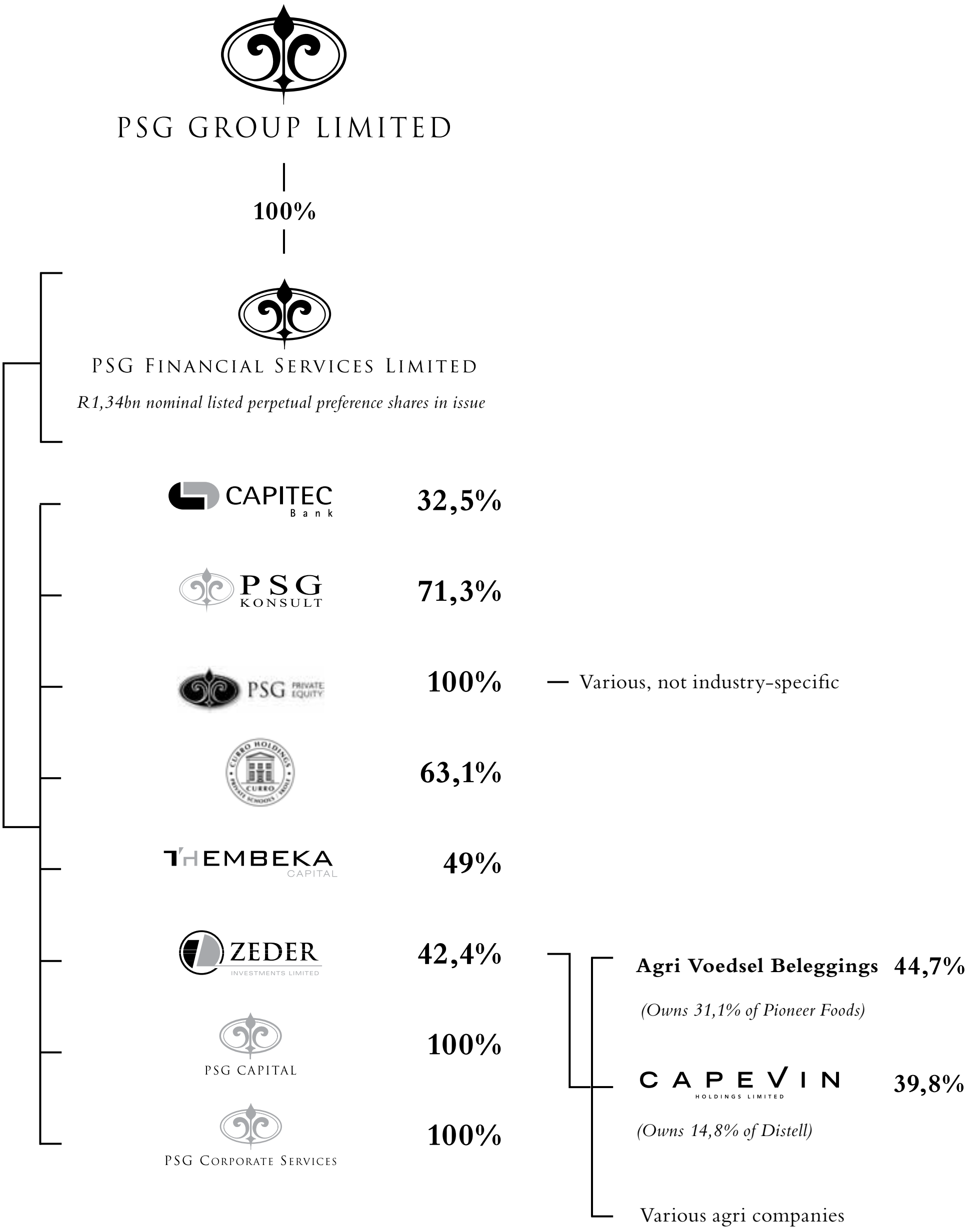
CA (Chris) Otto (62)[1, 2]
BCom, LLB
Director of companies
Appointed 25 November 1995

[1] Member of audit and risk committee
[2] Member of remuneration committee

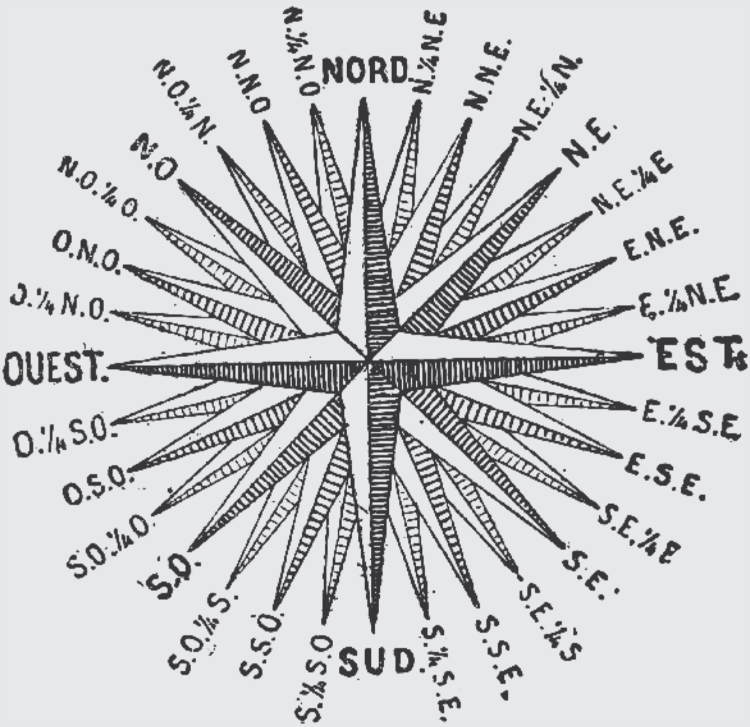


Group structure

as at 29 February 2012



Review of operations



PSG GROUP LIMITED

RECURRING HEADLINE EARNINGS

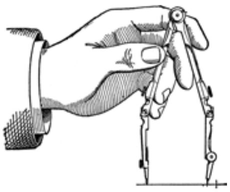
	28 Feb 2010 Rm	Change %	28 Feb 2011 Rm	Change %	**29 Feb 2012 Rm**
Capitec Bank	151,7	47	223,0	63	**362,4**
PSG Konsult	91,9	2	93,9	15	**107,9**
PSG Private Equity (previously Paladin Capital)	74,8	(51)	36,5	(12)	**32,0**
Curro Holdings	1,1	73	1,9	n/a	**(5,2)**
Thembeka Capital	1,5	467	8,5	120	**18,7**
Zeder Investments	83,6	31	109,4	5	**115,4**
PSG Corporate (including PSG Capital)	15,3	37	21,0	(3)	**20,4**
Other	19,8	(4)	19,0	2	**19,3**
Recurring headline earnings before funding	439,7	17	513,2	31	**670,9**
Funding	(80,7)	35	(109,1)	23	**(134,4)**
Recurring headline earnings	359,0	13	404,1	33	**536,5**
Non-recurring items	72,4	50	108,3	(72)	**30,6**
Headline earnings	431,4	19	512,4	11	**567,1**
Non-headline items	(40,5)	n/a	196,0	(31)	**135,9**
Attributable earnings	390,9	81	708,4	(1)	**703,0**
Earnings per share (cents)					
– Recurring headline	207,4	17	241,9	28	**308,6**
– Headline	249,2	23	306,7	6	**326,2**
– Attributable	225,8	88	424,1	(5)	**404,4**
Dividend per share (cents)	42,0	60	67,0	22	**82,0**

PSG continues to use the *recurring headline earnings* method to provide management and investors with a more realistic and simplistic way of evaluating PSG's earnings performance. Consolidated *recurring headline earnings* is calculated on a see-through basis throughout the group and is the sum of PSG's effective interest in that of each strategic investment. The result is that investments in which PSG or an underlying company holds less than 20% and is generally not equity accountable in terms of accounting standards, are included in the calculation of our consolidated *recurring headline earnings*. Marked-to-market fluctuations and one-off items are excluded.

Recurring headline earnings per share increased by 27,6% to 308,6 cents during the year under review. Capitec again accounted for most of the growth with its continued exceptional performance, while the majority of the remaining investments reported moderate earnings growth.

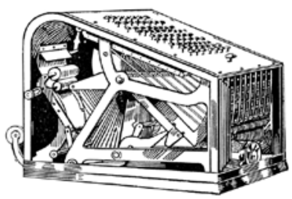
Headline earnings increased by 6,4% to 326,2 cents per share, whereas *attributable earnings* decreased by 4,6% to 404,4 cents per share. The lower increase in *headline earnings* as opposed to *recurring headline earnings* per share was predominantly as a result of a marked-to-market loss of R29,8m incurred on PSG Financial Services' interest rate hedge as opposed to a marked-to-market profit of R4,9m in the prior year, and less marked-to-market profits achieved in Thembeka's investment portfolio of listed shares during the current financial year.

The decrease in *attributable earnings* per share was mainly as a result of the *non-headline* profits achieved on the disposal of Paladin's investment in CIC Holdings and Zeder's investment in KWV Holdings in the prior year.



MATERIAL PSG GROUP CORPORATE ACTION AND INVESTING

- Raised R377m in cash through the issue of 8,2m PSG ordinary shares at an average price of R46,09 per share.
- Raised R132m in cash through the issue of 1,5m PSG Financial Services perpetual preference shares, the cost of which was fixed at 8,67% per annum until 31 August 2020 by means of an interest rate hedge.
- Paladin's 77,6% interest in Curro was unbundled to Paladin shareholders with effect from August 2011. PSG, as a result, now holds a 63,1% direct interest in Curro.
- Effective October 2011, PSG acquired the remaining 18,7% minority shareholding for a 100% interest in Paladin, following which Paladin was delisted from the JSE (AltX). The purchase consideration was settled through the issue of 4,3m PSG ordinary shares at a price of R47,27 per share, and R2m in cash.
- Subsequent to year-end, PSG acquired a 60% interest in CA Sales Holdings (a Botswana-based FMCG distributor) for R202m.



CAPITEC BANK (32,5%)	
Chief executive officer	Riaan Stassen
Financial director	André du Plessis
Capitec is a South African retail bank focused on providing easy and affordable banking services to its clients via the use of innovative technology. Everything Capitec does is based on simplicity, affordability, accessibility and personal service.	

Financial results

Year ended February	2010	2011	**2012**
Headline earnings (Rm)	437	640	**1 078**
HEPS (cents)	527	757	**1 125**
Growth in HEPS (%)	44	44	**49**
Dividend per share (cents)	210	290	**425**
Dividend cover ratio	2,5x	2,6x	**2,6x**
Return on equity (%)	32	34	**29**
Gross loans and advances (Rm)	5 607	10 916	**18 408**
Value of loans advanced (Rm)	8 645	14 318	**19 393**
Net loan impairment expense (Rm)	548	988	**1 604**
Impairment as percentage of loans and advances	9,8	9,1	**8,7**
Net transaction fee income (Rm)	295	532	**836**
Fee income as percentage of operating expenses	21,6	29,3	**33,6**
Number of active clients ('000)	2 122	2 829	**3 706**
Number of branches	401	455	**507**
Number of employees	4 154	5 331	**7 194**

PSG is proud of its investment in Capitec. It has grown into a sizeable business with over 7 000 employees, 507 branches and a market capitalisation in excess of R22bn. During the past year Capitec created 1 863 jobs.

Capitec added 877 000 new clients to bring the total number of active clients to 3,7m. They are successful at encouraging clients to use more of their products and services. Despite the fact that Capitec did not increase its fees in 2011, transaction fee income grew by 57% to R836m.

In November 2011, Capitec raised R787m in cash by means of a private placement of ordinary shares, which resulted in PSG's interest in Capitec diluting from 34,2% to 32,5%. Despite the increased capital in the business, Capitec still managed to deliver a return on ordinary shareholders' equity of 29% (2011: 34%). *Headline earnings* for the financial year ended 29 February 2012 increased by 68% to R1,08bn, whilst *headline earnings* per share increased by 49% to R11,25.

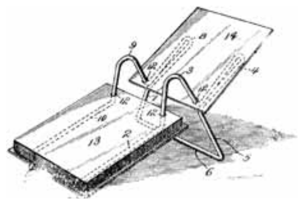
Retail deposits (the total of savings accounts and fixed deposits) have grown to R10bn, a 66% increase year on year. The average retail call savings balance grew by 12% to over R1 800. Competitive fixed deposit rates have seen fixed deposits grow by 73% to R4bn during the last year.

The term of credit granted has also continued to lengthen. During the 2012 financial year, loans with terms longer than three years advanced by Capitec grew to R8,9bn and totalled 46% of all loans advanced (2011: 25%). The granting of longer-term, higher-value loans did not have a negative impact on the quality of Capitec's loan book. The gross loan book grew by R7,5bn to R18,4bn. Arrears grew by R306m and arrears to loans and advances was 5,1% compared to 5,7% in 2011 (2010: 6,2%). This is because longer-term loans are granted to better rated clients with lower credit risk.

The gross loan impairment expense (before recoveries) grew by R692m (64%) as a result of the growth in the size of Capitec's loan book, and not as a result of higher risk.

Capitec is attracting more and more high income clients and its management team remains confident that they will be able to continue growing the business.

Capitec's comprehensive results are available at *www.capitec.co.za*.



PSG KONSULT (71,3%)	
CHIEF EXECUTIVE OFFICER	Willem Theron
FINANCIAL DIRECTOR	Helgardt Lindes

PSG Konsult is an integrated, independent financial services company:

PSG Konsult Financial Planning offers independent advice regarding all aspects of financial planning to individuals.

PSG Konsult Corporate focuses on the financial planning and advisory needs, risk and retirement management, employee health and wealth benefits of employers in the SME, institutional and public sector markets.

PSG Online is a web portal that provides clients with the ability to trade, invest, insure and plan for their financial well-being.

PSG Asset Management offers investors a comprehensive range of local and international unit trust funds, multi-manager solutions and retirement products.

PSG Insure includes PSG Konsult's short-term insurance administrator and related short-term insurance activities with leading insurers.

Financial results

Year ended February	2010	2011	**2012**
Headline earnings (Rm)	117,2*	132,0*	**162,3**
HEPS (cents)	12,2	12,5	**15,2**
Increase/(decrease) in HEPS (%)	(8)	3	**22**
Funds under management (Rbn)	39,0*	48,6*	**51,2**
Funds under administration (Rbn)	51,6*	72,4*	**87,8**
Short-term premiums on annualised basis (Rm)	1 450	1 600	**1 600**
Number of offices	209	216	**224**
Number of advisors	548	642	**694**

* *Restated to include PSG Asset Management's figures for comparative purposes*

PSG Konsult, now also incorporating the PSG Asset Management group, reported positive results for the financial year ended 29 February 2012. *Recurring headline earnings* per share increased by 15,6% to 14,1 cents, and *headline earnings* per share by 21,6% to 15,2 cents. Turnover, consisting of commission and other operating income, increased by 40% to R1,4bn (largely as a result of the acquisition of the PSG Asset Management group), while short-term premiums administered amounted to R1,6bn on an annualised basis. Funds under management and administration increased to R139bn.

The PSG Konsult group received a number of accolades during the past year:

- The PSG Equity Fund and PSG Flexible Fund won *Raging Bull* awards.
- The PSG Konsult Moderate Fund of Funds won the *Morningstar* award for Moderate Allocations.
- PSG Online was voted Stockbroker of the Year by *Business Day Investors Monthly*.
- PSG Konsult was voted National Broker of the Year: Commercial Lines and Agriculture by *Santam*.

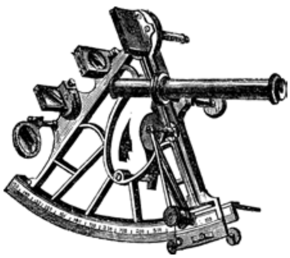
Acquisitions

- Effective 1 March 2011, **PSG Asset Management** was amalgamated with PSG Konsult. The transaction was structured in the form of a share swap on an equal price/earnings ratio.
- Effective 1 May 2011, PSG Konsult acquired **Equinox**, an online unit trust trading platform. The transaction added 9 000 clients with assets under management of about R1,9bn to PSG Konsult's client base.

- Effective 1 May 2011, PSG Konsult Corporate acquired **Pleroma**, a short-term insurance broker and administrator. The transaction added approximately R100m in premiums and 5 000 clients.

At year-end, PSG Konsult had 224 (2011: 216) offices with 694 (2011: 642) financial planners, portfolio managers, stockbrokers and asset managers. The professional associates (accountants and attorneys) totalled 362 (2011: 378).

PSG Konsult's comprehensive results are available at *www.psgkonsult.co.za*.

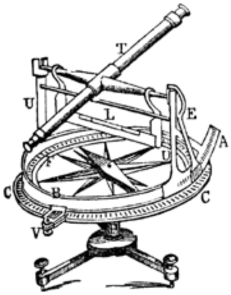


PSG PRIVATE EQUITY
***(previously Paladin Capital)* (100%)**

MANAGED BY THE PSG EXCO

Paladin is PSG's private equity investment vehicle in sectors other than agriculture, food and beverages.

Paladin will in future be branded as *PSG Private Equity*. Paladin was delisted from the JSE (AltX) in the year under review following its unbundling of Curro and the subsequent buy-out of the Paladin minority shareholders by PSG. Paladin minority shareholders realised a compounded annual return of 43% since listing in 2009. As a wholly owned subsidiary of PSG, Paladin continues focusing on new business opportunities.



Financial results

Year ended February	Interest %	2011 Rm	**2012 Rm**
Current investments		20,4	**30,9**
Spirit Capital	28,0	1,5	**3,8**
African Unity Insurance	43,2	4,5	**12,6**
Erbacon	12,7	(11,3)	**(21,0)**
Petmin	12,4	10,2	**12,0**
Precrete	21,2	9,7	**10,4**
Topfix	29,1	1,1	**(1,3)**
GRW	39,6	(0,6)	**7,0**
Propell	34,5	0,1	**1,7**
Protea Gietery	49,9	5,2	**6,0**
Energy Partners	45,0		**(0,2)**
SNC	21,5		**(0,1)**
Impak*	50,0		
Sold investments		22,3	**1,3**
CIC Holdings		16,5	
Lesotho Milling		1,3	
IQuad		4,5	**1,3**
Operating (expenses)/income		(0,1)	**1,1**
Net funding income		1,5	**1,3**
Management fee		(16,7)	**(8,9)**
Preference share funding income		17,5	**11,4**
Total recurring headline earnings		44,9	**37,1**

* *Earnings from this investment will only be accounted for with effect from 1 March 2012, given that it is accounted for two months in arrears*

Recurring headline earnings from Paladin's current investment portfolio increased by 51% to R30,9m. Total *recurring headline earnings*, however, decreased from R45m to R37m mainly due to the loss of earnings from CIC which had been sold. African Unity Insurance experienced strong earnings growth and GRW has returned to profitability. Paladin's investments in the construction industry continued to disappoint – Erbacon in particular suffered a significant loss. The remainder of Paladin's investments performed in line with or better than in the prior year.

Paladin management invested a significant amount of time in the past year to restructure or turn investments around that have previously disappointed, and we look forward to improved earnings from these investments going forward.

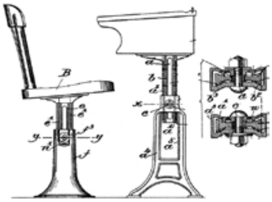
Further corporate action at Paladin included:

- Invested R262m in Curro prior to its unbundling.
- Acquired a 50% interest in *Impak Onderwysdiens* (provider of alternative and distance education services aimed at school level) for R35m.
- Sold its 44% interest in IQuad for R30m.
- Early-stage investments in *Energy Partners* (provider of energy saving solutions) and *Stellenbosch Nanofiber Company (SNC)* (provider of nanofiber technology solutions), the latter in partnership with the University of Stellenbosch.
- Subsequent to year-end, Top Fix (in which Paladin holds a 29% stake) reached an agreement to sell its scaffolding business which has traditionally been loss-making. The transaction is subject to shareholder approval.

At 29 February 2012, Paladin had 13 investments across the economic spectrum:

Investment	% held	Description	Feb 10 Rm	Feb 11 Rm	**Feb 12 Rm**
Precrete*	21,2	Mine safety and support services	163,0	199,3	**161,4**
Petmin	12,4	Diversified miner	120,0	190,8	**241,8**
Spirit	28,0	Leveraged buy-outs	15,0	23,4	**46,0**
African Unity	43,2	Life and related insurance	17,0	30,1	**70,9**
GRW	39,6	Tanker manufacturer	49,0	56,1	**62,8**
Protea	49,9	Non-ferrous foundry	33,0	38,1	**37,7**
Erbacon	12,7	Construction	100,0	59,8	**14,2**
Top Fix	29,1	Construction support services	48,0	23,2	**31,9**
Impak	50,0	Correspondence learning			**21,2**
Propell	34,5	Levy finance	11,9	16,0	**17,9**
Energy Partners	45,0	Energy saving			**13,6**
SNC	32,5	Nanofiber technology			**8,2**
Sold investments			275,0	35,5	
Total assets			831,9	672,3	**727,6**
* Valuation includes preference share investment of			97,0	104,5	**83,2**

Paladin's overall internal rate of return (IRR) across its portfolio (excluding the unbundled Curro) is currently 15%. Management's target remains an IRR in excess of 25%.



CURRO (63,1%)	
Chief executive officer	Chris van der Merwe
Financial director	Bernardt van der Linde
Curro is a provider of private school education.	

Curro was listed on the JSE (AltX) on 2 June 2011. Its business model revolves around the development, acquisition and management of private schools in South Africa. Curro has decided to expand its original affordable schools model to include three additional market segments, being:

- the high-end/elite private school market;
- a private community school initiative market known as *Meridian Private Schools*, focusing on the lower end of the market; and
- the baby care/crèche market that will be known as *Curro Junior Academy*.

Since 2009, Curro has expanded its countrywide network of private schools from 3 to 19. The number of learners has increased from about 2 000 in 2009 to more than 11 800 at present.

Financial results

Year ended December	2009	2010	2011	**2012***
Headline earnings (Rm)	1,8	5,2	(7,5)	
Number of campuses	3	5	12	**19**
Number of learners	2 059	3 083	5 557	**11 823**
Number of educators	201	247	446	**862**
Learner/teacher ratio	10,2	12,5	12,4	**13,7**
Total building size (m^2)	33 000	44 500	75 000	**100 400**

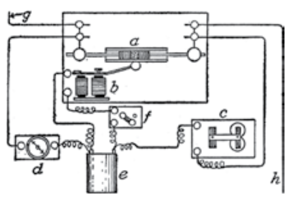
* *As at April 2012*

During the year under review, Curro invested R142m in the establishment of four new main campuses, and R80m to expand capacity and to upgrade facilities at the existing campuses. Curro also acquired and expanded four schools with established campuses.

On a comparative basis, Curro's turnover has increased by 125% to R166,3m for the financial year ended 31 December 2011. Curro made a *headline loss* of R7,5m for the year ended 31 December 2011, compared to a R5,2m profit in the previous year. This was as a result of its infrastructure spend to cater for future growth, as well as its investment in startup schools which will only turn profitable once they have a sufficient number of learners. We expect Curro to continue yielding low returns whilst expanding.

The potential of the private schools market and the rapidly increasing demand for private education bode well for Curro's growth strategy. Curro will therefore, in addition to adding capacity to existing schools, continue to aggressively expand its network of schools across South Africa. We are confident that this strategy will yield attractive returns in the long term, albeit that it will be capital intensive and costly over the short to medium term. In order to provide Curro with additional capital to finance the rapid expansion of its network of schools and to take advantage of new opportunities that the market currently presents, Curro has announced a renounceable rights offer whereby it will raise R348m at R6 per share during June 2012.

Curro's comprehensive results are available at *www.curro.co.za*.



THEMBEKA CAPITAL (49%)	
Executive chairman	KK Combi
Financial director	Shameema Cassiem
Thembeka is a black-owned and controlled investment company in which PSG holds a 49% interest.	

At year-end, Thembeka's investment portfolio of R1,6bn consisted of Capitec Bank, PSG Group, Kaap Agri, Overberg Agri, MTN Zakhele and several other unlisted investments. Thembeka's *recurring headline earnings* increased by 57% to R72m for the year under review, whereas its *intrinsic value* (post CGT) increased by 5% to R72,92 per share since 28 February 2011.

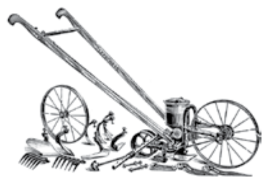
Corporate action at Thembeka included:

- The disposal of its interest in the JSE Ltd, realising a profit of R261m, representing an IRR of 44%.
- The disposal of its smaller investments in IQuad, MGK and BKB, realising IRRs of between 17% and 53%.
- Increased its interest in Kaap Agri from 15% to 20%.
- The Thembeka Agri Fund acquired an 11% interest in NWK.

Subsequent to year-end, Thembeka, as the lead BEE partner in the Pioneer BEE deal, acquired a 4,4% interest in Pioneer Food Group Ltd for R514m. Thembeka's cash contribution to this transaction was R52m, with the balance being funded by a third party.

Thembeka is confident that its portfolio of investments will continue to deliver good returns over the long term.

For more information, refer to *www.thembekacapital.com*.



ZEDER INVESTMENTS (42,4%)
Managed by the PSG Exco
Zeder is a listed investment holding company in the agriculture, food, beverage and related sectors.

Financial results

Year ended February	2010	2011	**2012**
Headline earnings (Rm)	152,0	184,8	**299,9**
Recurring headline earnings (Rm)	208,1	264,7	**273,0**
HEPS (cents)	17,3	18,9	**30,7**
Recurring HEPS (cents)	23,6	27,1	**27,9**
Sum-of-the-parts value per share (cents)*	211	274	**315**
Intrinsic value per share (cents)**	268	314	**336**
Dividend per share (cents)	4,0	4,0	**4,0**

* *Calculated using the quoted market prices for all OTC-traded unlisted investments*

** *Calculated using the see-through market prices for Zeder's indirect investments in Pioneer Foods and Distell, quoted market prices for all other OTC-traded unlisted investments and, where applicable, appropriate valuation multiples for unquoted investments*

The current value of its investment portfolio amounts to R3,1bn, of which its investments in Agri Voedsel Beleggings (with its interest of 31,1% in Pioneer Foods) and Capevin Holdings (with its effective interest of 14,8% in Distell) represent 62,4%. During the year under review, Zeder invested R338m to increase its interest in existing investments.

Recurring headline earnings per share increased by 3,1% to 27,9 cents, and *headline earnings* per share by 62,3% to 30,7 cents. The significant increase in *headline earnings* mainly relates to the prior year impact of Pioneer Foods' Competition Commission settlement. During the year under review, Zeder's *SOTP value* per share (calculated using quoted market prices) increased by 15% to R3,15.

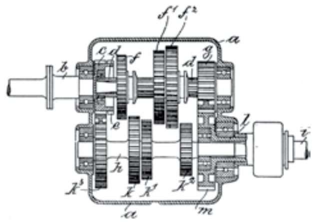
Significant corporate action included:

- Zeder made an offer to acquire the entire issued share capital of Capespan at R2,25 per share in cash. Through the offer and market purchases, Zeder managed to increase its shareholding in Capespan from 22,7% to 40,9%.
- Subsequent to year-end, Zeder acquired the remaining 74,9% shareholding in Agricol for a purchase consideration of R150,4m. Zeder views its acquisition of Agricol as an important phase in its investment strategy and plans to use this vehicle to drive a South African and African expansion in the seed business.
- Subsequent to year-end, Zeder acquired an 81% interest in Chayton, a large-scale commercial farming operation in Zambia. The initial investment was USD9,7m, with a further USD37m to be invested as and when acquisition opportunities have been identified by Chayton. The investment in Chayton will further contribute to Zeder's reach and will create new opportunities for its current South African-based investments.

Zeder has historically only taken non-controlling strategic stakes in businesses in its chosen sector. The acquisition of controlling interests in both Agricol and Chayton will allow Zeder to play a more active role in determining strategy and to help expand the respective businesses.

Zeder is positive about the role that Africa, with its vast agricultural potential and resources, could play in addressing the growing global demand for food.

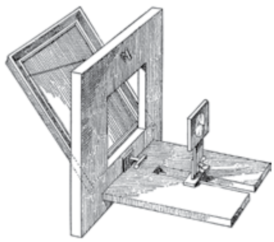
Zeder's comprehensive results are available at *www.zeder.co.za*.



PSG CAPITAL (100%)	
Chief executive officer	Johan Holtzhausen
Corporate finance	

PSG Capital is the corporate finance arm of PSG Group and provides a complete range of corporate finance and advisory services to a broad spectrum of clients. PSG Capital is a JSE-registered sponsor and designated advisor. They advise on mergers and acquisitions, fairness opinions and valuations, capital raisings and listings, JSE and regulatory advisory, private equity, BEE, management and leveraged transactions, corporate recovery and restructuring, as well as debt and strategic advice. PSG Capital is the sponsor and designated advisor to 33 JSE-listed companies, and has an extensive list of unlisted clients. Since establishment in 1998, PSG Capital has advised on publicly announced transactions in excess of R73bn.

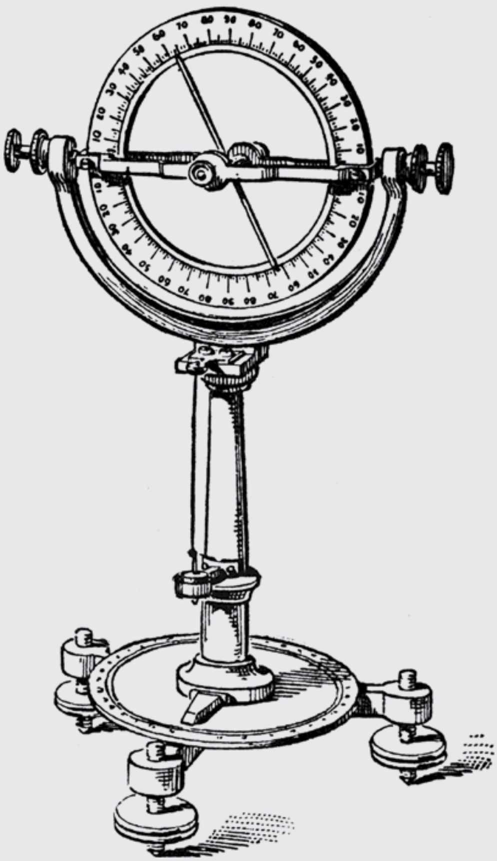
PSG Capital's services are available at *www.psgcapital.com*.



PSG CORPORATE (100%)	
Chief executive officer	Piet Mouton
Financial director	Wynand Greeff
Investment management and treasury services	

PSG Corporate is a profit centre. It acts as PSG Group treasurer, allocates capital and determines and monitors the group's gearing. PSG Corporate made a *recurring headline earnings* contribution of R20,4m (2011: R21m) during the year under review.

Our financial performance



PSG GROUP LIMITED

Stock exchange performance

Year ended February	2012	2011	2010	2009	2008	2007	2006	2005
Market price (cents)								
– High for the year	**5 365**	4 400	2 749	2 100	3 050	2 925	2 300	705
– Low for the year	**3 799**	2 215	1 302	1 215	1 900	1 570	620	253
– Closing price	**4 700**	4 320	2 205	1 456	2 085	2 720	2 266	700
– Average	**4 619**	3 274	2 100	1 692	2 714	2 257	1 060	428
Closing price/earnings	**14,4**	14,1	8,8	22,3	7,1	5,2	6,4	7,8
Volume of shares traded ('000)	**13 210**	20 127	21 326	18 290	43 409	37 787	13 933	48 528
Value of shares traded (R'000)	**610 142**	658 940	447 802	309 415	1 178 129	853 000	147 660	207 742
Volume/weighted average shares (%)	**7,6**	12,0	12,3	10,9	26,5	30,1	13,7	45,1

Our track record

Year ended February	2012	2011	2010	2009	2008	2007	2006	2005
Headline earnings per share (cents)	**326,2**	306,7	249,2	65,3	295,1	519,3	351,8	90,0
Headline earnings (Rm)	**567,1**	512,4	431,4	109,9	482,5	651,4	358,4	96,7
Recurring headline earnings per share (cents)	**308,6**	241,9	207,4	174,3	129,5			
Recurring headline earnings (Rm)	**536,5**	404,1	359,0	293,4	211,8			
Distribution per share (cents)								
– Normal	**82,0**	67,0	42,0	57,0	112,5	90,0	67,5	45,0
– Special				200,0				
Ordinary shareholders' funds (Rm)	**4 760**	3 585	2 947	2 755	3 295	2 373	719	362
Net worth per share (cents)	**2 650**	2 156	1 765	1 640	1 948	1 585	704	356
Total assets (Rm)	**20 961**	17 410	14 686	14 127	14 206	5 501	1 833	2 794
Market capitalisation (Rm)	**9 528**	8 219	4 211	2 760	3 953	4 621	2 701	834
Number of shares ('000)								
– Issued	**202 724**	190 262	190 953	189 579	189 579	169 885	119 195	119 195
– Treasury shares	**23 111**	24 001	23 959	21 559	20 386	20 133	17 015	17 619
– Net	**179 613**	166 261	166 994	168 020	169 193	149 752	102 180	101 576
– Weighted average	**173 872**	167 055	173 113	168 352	163 505	125 446	101 888	107 519
ROE (%)	**13,6**	15,7	15,1	3,6	17,0	42,1	66,3	27,7

2004	2003	2002	2001	2000	1999	1998	1997	1996
520	650	885	986	1 585	1 900	1 550	510	300
255	375	440	527	800	495	445	210	20
385	520	476	660	1 000	1 170	1 530	470	225
460	512	675	685	1 114	1 172	966	401	78
5,0	7,4	3,4	4,4	8,3	13,6	32,3	17,9	16,4
56 204	42 636	47 775	49 009	45 265	30 219	23 443	14 120	22 210
258 285	218 168	322 493	335 512	504 273	354 050	226 564	56 557	17 238
50,3	35,5	38,5	36,8	33,1	31,7	32,2	35,7	101,8

2004	2003	2002	2001	2000	1999	1998	1997	1996
76,3	70,7	141,0	150,3	120,6	85,9	47,3	25,5	14,4
85,2	84,8	175,2	200,2	164,7	82,0	34,5	10,1	3,1
30,0	20,0	50,0	45,0	36,0	25,0			
70,0	200,0							
336	993	1 218	1 141	1 085	638	535	78	7
320	828	1 015	899	778	669	617	147	34
2 384	2 594	4 477	3 416	3 474	2 543	1 258	233	25
443	624	571	838	1 395	1 117	1 325	249	49
115 000	120 000	120 000	126 900	139 500	95 445	86 611	52 930	21 818
10 000								
105 000	120 000	120 000	126 900	139 500	95 445	86 611	52 930	21 818
111 700	120 000	124 204	133 200	136 613	95 445	72 869	39 588	21 818
12,8	7,7	14,9	18,0	19,1	14,0	11,3	23,8	88,6

Value added statement

for the year ended 29 February 2012

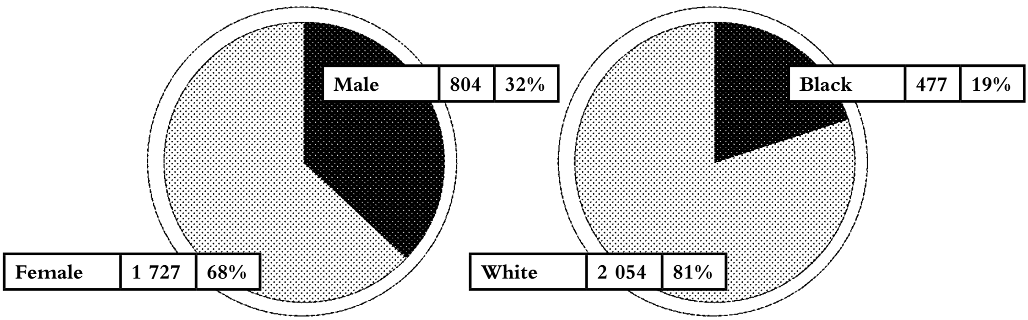
	2012 R'000	%	2011 R'000	%
VALUE ADDED				
Total income	**2 051 910**		1 891 829	
Dividend income/capital reductions – associated companies	**190 918**		180 915	
Total expenses excluding employee costs and depreciation	**(910 107)**		(756 535)	
	1 332 721		1 316 209	
Non-recurring items				
Profit on sale/dilution of subsidiaries and associated companies	**(174 587)**		(366 053)	
Impairment charges	**11 519**		3 870	
Other	**3 198**		3 345	
	1 172 851		957 371	
VALUE ALLOCATED				
To employees				
Salaries, wages and other benefits	**526 314**	**45**	391 223	41
To providers of capital	**362 859**	**31**	279 378	29
Finance costs	**109 620**	**9**	90 681	9
Dividends – own shareholders	**126 708**	**11**	82 401	9
– outside shareholders	**126 531**	**11**	106 296	11
To government				
Normal tax and secondary tax on companies	**101 384**	**9**	139 034	15
To expansion and growth	**182 294**	**15**	147 736	15
Depreciation	**19 628**	**2**	14 893	2
Retained income – own shareholders	**(33 041)**	**(3)**	(84 800)	(9)
– outside shareholders	**195 707**	**16**	217 643	22
	1 172 851	**100**	957 371	100

Group employee statistics

as at 29 February 2012

GENDER	Number	%
Male	804	32
Female	1 727	68
RACE		
Black	477	19
White	2 054	81
EDUCATION		
Up to grade 11	181	7
Grade 12	1 188	48
Post grade 12 (e.g. diploma/certificate)	309	12
University degree	514	20
Post-graduate degree or professional qualification	339	13
HIERARCHY		
Executive directors (including CEOs and MDs)	28	1
Senior management	71	3
Middle/Junior management	400	16
Operational	785	31
Support	1 247	49
TOTAL NUMBER OF EMPLOYEES (excluding associated companies)	**2 531**	

Black refers to African Black, Coloured and Indian



Corporate governance

The PSG Group is committed to the principles of transparency, integrity, fairness and accountability as also advocated in the King Code of Governance Principles ("King III"). Accordingly, PSG Group's corporate governance policies have in all respects been appropriately applied during the period under review. The board does not consider application of all principles contained within King III appropriate for the PSG Group. Where specific principles have not been applied, explanations for these are contained within this section of the annual report.

The group's major subsidiaries and associated companies are similarly committed having, inter alia, their own audit, risk and remuneration committees.

BOARD OF DIRECTORS

Details of PSG Group's directors are provided on page 11 of this annual report.

The board met four times during the past year. The attendance of these meetings is set out in the table below.

PSG Group's memorandum of incorporation requires one third of the non-executive directors of the company to retire by rotation and to offer themselves for re-election by shareholders at the annual general meeting. In accordance with the company's memorandum of incorporation, Messrs PE Burton, ZL Combi and W Theron retire by rotation.

Executive directors are appointed by the board, with the assistance of the nomination committee, for periods as the board deems fit, and on such further terms as are set out in their letters of appointment. Where appropriate, the chief executives and executive directors of subsidiary companies have entered into service contracts with that subsidiary.

PSG Group is a financial services company with little day-to-day operations. There is a clear division of responsibilities at board level to ensure a balance of power and authority, such that no one individual has unfettered powers of decision making, with the majority of directors being non-executive. King lll recommends that the majority of non-executive directors be independent. Although only certain of the non-executive directors are independent as defined by King III, all of the non-executive directors are independent of thought and action. Having considered the matter, the board is accordingly satisfied, as stated previously, that the current composition of its board ensures a balance of power and authority.

Mr JF Mouton fills the role of non-executive chairman and Mr PJ Mouton the role of CEO. Mr JF Mouton is not classified as independent in terms of King III because of his substantial indirect shareholding in PSG Group. Consideration will be given to the appointment of a lead independent director in due course.

The PSG Group nomination committee considers and recommends appropriate appointments of directors to the board. The final appointment of directors is a matter for the board as a whole and is conducted in a formal and transparent manner. The induction of

Director	18 Apr 2011	11 Jul 2011	10 Oct 2011	23 Feb 2012
L van A Bellingan*	√			
PE Burton	√	√	√	√
ZL Combi	X	√	√	√
J de V du Toit	√	X	√	√
MM du Toit	√	√	X	√
WL Greeff	√	√	√	√
JA Holtzhausen	√	√	√	√
MJ Jooste	√	X	√	√
JF Mouton (Chairman)	√	√	√	√
JJ Mouton	√	√	√	√
PJ Mouton	√	√	√	√
CA Otto	√	√	√	√
W Theron	√	√	√	√
CH Wiese**	√	√	√	

√ *Present*
X *Absent with apology*
* *Retired by rotation with effect from 15 June 2011*
** *Retired with effect from 23 February 2012*

directors is not conducted through a formal process. This has not been necessary to date as new appointees have been familiar with the group's operations and the environment in which we operate. Consideration will be given to an induction programme for future appointees.

The board does not conduct regular appraisals of its members and committees. Consideration will be given to same going forward.

All the directors are shareholders or representatives of shareholders in the company.

The board's key roles and responsibilities are:

- Promoting the interests of stakeholders
- Formulation and approval of strategy
- Retaining effective control
- Ultimate accountability and responsibility for the performance and affairs of the company

The board has appointed the following committees to assist it in the performance of its duties:

- Executive committee
- Remuneration committee
- Nomination committee
- Audit and risk committee
- Social and ethics committee

EXECUTIVE COMMITTEE

The PSG executive committee ("Exco") comprises Messrs JF Mouton (non-executive chairman), PJ Mouton (CEO), WL Greeff (financial director), JA Holtzhausen (executive), CA Otto (independent non-executive) and A Mellet (secretary). This committee meets regularly, at least twice a month, and is primarily responsible for the allocation and investing of the group's resources, including capital.

The major operating subsidiaries and associated companies all operate on similar principles.

REMUNERATION COMMITTEE

The remuneration committee comprises Messrs MJ Jooste (chairman), PE Burton, MM du Toit and CA Otto, following the retirement of Messrs L van A Bellingan and CH Wiese as members of the committee during the past financial year. Three of these members are independent non-executive directors. The committee met once during the past year and all members were present.

Each major group subsidiary has its own remuneration committee chaired by Mr CA Otto.

This committee operates according to a board-approved charter and is primarily responsible for overseeing the remuneration and incentives of the executive directors as well as providing strategic guidance to the other remuneration committees in the group. It takes cognisance of both local and international best remuneration practices in order to ensure that such total remuneration is fair and reasonable to both the employee and the company.

Due to the limited number of individuals employed at a group level, disclosure of the remuneration of the three most highly paid employees who are not directors is not deemed to be appropriate as such information is sensitive to peer review and adds no value to stakeholders.

NOMINATION COMMITTEE

The nomination committee comprises Messrs JF Mouton (chairman), PE Burton, J de V du Toit, MM du Toit, MJ Jooste and CA Otto, being non-executive directors, with the majority being independent. The committee met once during the past year and all members were present.

As stated previously, the nomination committee is responsible for assisting the board with the appointment of directors by making appropriate recommendations in this regard.

AUDIT AND RISK COMMITTEE

The audit and risk committee comprises three independent non-executive directors, namely Messrs J de V du Toit (chairman), PE Burton and CA Otto.

Mr MM du Toit was appointed to the audit and risk committee during the past financial year following Mr L van A Bellingan's retirement. Subsequent to year-end, Mr CA Otto replaced Mr MM du Toit as member.

The committee met twice during the past financial year:

Director	15 Apr 2011	7 Oct 2011
L van A Bellingan*	√	
J de V du Toit (Chairman)	√	√
PE Burton	√	√
MM du Toit**		X

√ *Present*
X *Absent with apology*
* *Retired as member with effect from 15 June 2011*
** *Appointed as member with effect from 15 June 2011; resigned with effect from 1 March 2012*

A report by the PSG Group Ltd audit and risk committee has been provided on page 31 of this annual report.

The audit and risk committee operates according to a board-approved charter. Once a year the members of the audit and risk committee attend a training course presented by the external auditor regarding any new legal, regulatory and/or financial developments which affect their roles and responsibilities.

Mr J de V du Toit has been the chairman of the audit and risk committee for the past three years, while Mr Burton has served as a member for five years.

SOCIAL AND ETHICS COMMITTEE

The PSG Exco has also been tasked as the committee with the responsibility of monitoring the company's activities having regard to any relevant legislation, legal requirements and prevailing codes of best practice with matters relating to:

- Social and economic development
- Good corporate citizenship
- The environment, health and public safety
- Consumer relationships
- Labour and employment

The committee is satisfied with the social and ethical matters relating to PSG Group and its subsidiaries.

EXECUTIVE DIRECTORS' REMUNERATION

The remuneration of the executive directors of PSG Group is dealt with in the directors' report.

RISK MANAGEMENT AND INTERNAL CONTROL

The board acknowledges that it is accountable for the process of risk management and the system of internal control of the group.

Each group company has its own board of directors who is responsible for the risk management and internal control of that company and its business. Detailed risk assessments and management plans have been implemented throughout the group to ensure that risk is properly managed. The board, on recommendation by the audit and risk committee, concluded that the system of internal control and the risk management process were effective for the financial year under review.

The group operates in a highly regulated environment. Compliance officers have been appointed at each of the group's key operating subsidiary and associated company levels to ensure adherence to the various Acts and Codes that govern the group's day-to-day operations.

INTERNAL AUDIT

On the recommendation of the audit and risk committee, the board has decided not to establish an internal audit function at group level given that the board has satisfied itself that where appropriate, subsidiary and associated companies have their own internal audit departments and that the current system of internal control and risk management processes for the group are effective.

GOVERNANCE OF INFORMATION TECHNOLOGY

PSG Group has an appointed information technology ("IT") manager who is responsible for IT governance at group level. All the major subsidiary and associated companies are responsible for IT governance in their respective business environments.

As IT does not play a significant role in the sustainability of our business at a group level due to its nature and size, the investment and expenditure in IT at group level are insignificant. The board is accordingly satisfied that the current systems of IT governance at group level are appropriate.

INTEGRATED REPORTING AND DISCLOSURE

PSG Group is a passive investment holding company that rarely gets involved in the management of its underlying investments. Part of our philosophy is to invest in companies with strong management. We therefore rely on them to apply the principles of King III regarding sustainability reporting and disclosure, to the extent appropriate to their business.

PSG Group applies the principles of integrated reporting at group level to the extent that such principles are considered appropriate.

SUSTAINABILITY

Stakeholder relations

PSG Group subscribes to the principles of objective, honest, timeous, balanced, relevant and understandable communication of financial and non-financial information to stakeholders.

PSG Group has a dedicated team addressing enquiries from stakeholders.

The group acknowledges the task and responsibility of regulators, and our relationships with them are maintained in a businesslike manner – frank, open and with mutual respect.

Safety, health and environment

PSG Group is committed to ensuring that employees work in a safe, healthy and clean environment. Our activities do not have an adverse effect on the environment.

The group recognises that South Africa is facing an HIV/Aids epidemic of considerable proportions. Although our healthcare system will bear (and is already bearing) the brunt of the epidemic, there is little doubt that it is affecting every aspect of our society. We encourage all our people to act responsibly at all times.

Social responsibility

PSG's social responsibility areas of endeavour are socio-economic, the youth and education in a wide sense. The long-term aim is to make a contribution to the advancement of stability in South Africa. Education is one of the most basic needs of society. We thoroughly believe that an educated community will sustainably improve the long-term well-being of society. PSG has therefore directed its Corporate Social Investment efforts at supporting education on various levels. PSG also subscribes to social upliftment through black economic empowerment (BEE), and supports same having invested in various BEE initiatives. PSG furthermore pays all its taxes regularly and encourages government to spend its receipts responsibly.

PSG has no political affiliations or any exposure in this regard.

Refer to the chairman's letter for more details regarding PSG's Corporate Social Investments.

Human resources

PSG Group regards its people as the most important element of its business. It is therefore important to make the best use of the human capital we have available.

All employees are encouraged and motivated to better themselves through training and study. Training programmes initiated by companies in the group are regarded as an essential element of PSG Group's investment in human capital.

Employee participation

In order to retain and attract entrepreneurs, the group has a philosophy of encouraging management and key employees in the group to acquire a meaningful interest in the group and/or in its underlying businesses. A significant percentage of employees are shareholders in the company, participants in the share incentive schemes and shareholders in subsidiary and associated companies. Employees are co-owners of the business and are treated as such, with transparent communication a priority.

Employment equity

The group is a New South Africa company and is representative of all the people in South Africa. PSG Group subscribes to the principle of equal opportunity. Group companies have set their own targets and specific action plans.

Ethics

PSG Group's code of ethics commits the group to maintaining high ethical and moral codes of conduct in its professional and social dealings. This is ingrained in the culture of the group.

Products and product development

PSG Group acts as investor for own account, as financier and finance conduit for the group. Group companies develop their own specialist product ranges such as insurance, investment, broking, multi-management, financial training, asset management and investor support products.

The group also provides legal, financial and regulatory support and advice to listed and non-listed clients.

Distribution

In the main, each company has its own distribution channel. These channels are based on one-to-one, one-to-many, internet, or professional intermediary network according to its products and client profile.

A meaningful volume of cross-selling into the various client bases is already taking place and continues to be a priority for growth.

Financial Sector Charter

The group endorses the principles of the Financial Sector Charter and the implementation enjoys the attention of senior management in the group.

Financial reporting

PSG Group provides financial reports to its shareholders twice a year. Details regarding significant transactions undertaken are reported as required by the JSE Listings Requirements.

Annual financial statements PSG Group Limited

Contents

Report of the audit and risk committee

The audit and risk committee ("the committee") reports that it has considered the matters set out in the Companies Act, 71 of 2008, as amended, and is satisfied with the independence and objectivity of the external auditor, PricewaterhouseCoopers Inc. The committee has considered and recommended the fees payable to the external auditor and is satisfied with the extent of non-audit-related services performed.

This committee also acted as the statutory audit committee of those public company subsidiaries that are legally required to have such a committee.

The committee has satisfied itself that the financial function, including the financial director, has the appropriate expertise, experience and resources, and is satisfied that the internal financial controls of the company are working effectively.

A board-approved audit and risk committee charter stipulating, inter alia, the committee's composition, duties and responsibilities, has been adopted. The committee is satisfied that it complied with the responsibilities as set out in the audit and risk committee charter as well as relevant legal and regulatory responsibilities.

Based on the information and explanations given by management and discussions with the independent external auditor regarding the results of their audit, the committee is satisfied that there was no material breakdown in the internal financial controls during the financial year under review.

The committee has evaluated the financial statements of PSG Group Ltd and the group for the year ended 29 February 2012 and, based on the information provided to the committee, considers that the group complies, in all material respects, with the requirements of the Companies Act, 71 of 2008, as amended, and International Financial Reporting Standards.

J de V du Toit
Chairman

15 May 2012
Stellenbosch

Approval of annual financial statements

The directors are responsible for the maintenance of adequate accounting records and to prepare annual financial statements that fairly represent the state of affairs and the results of the group. The external auditor is responsible for independently auditing and reporting on the fair presentation of these annual financial statements. Management fulfils this responsibility primarily by establishing and maintaining accounting systems and practices adequately supported by internal accounting controls. Such controls provide assurance that the group's assets are safeguarded, that transactions are executed in accordance with management's authorisations and that the financial records are reliable. The annual financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), including the AC 500 standards, the manner required by the Companies Act of South Africa and the JSE Listings Requirements, and incorporate full and reasonable disclosure. Appropriate and recognised accounting policies are consistently applied.

The audit and risk committee of the group meets regularly with the external auditor, as well as senior management, to evaluate matters concerning accounting policies, internal control, auditing and financial reporting. The external auditor has unrestricted access to all records, assets and personnel as well as to the audit and risk committee.

The financial statements are prepared on the going concern basis, since the directors have every reason to believe that the group has adequate resources to continue for the foreseeable future.

The annual financial statements set out on pages 33 to 117 were approved by the board of directors of PSG Group Ltd and are signed on its behalf by:

JF Mouton
Chairman

WL Greeff
Financial director

15 May 2012
Stellenbosch

Report of the independent auditor

to the members of PSG Group Ltd

We have audited the group annual financial statements and annual financial statements of PSG Group Ltd, which comprise the consolidated and separate statements of financial position as at 29 February 2012, and the consolidated and separate income statements, statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the directors' report, as set out on pages 33 to 117.

Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the consolidated and separate financial position of PSG Group Ltd as at 29 February 2012, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.

PricewaterhouseCoopers Inc

PricewaterhouseCoopers Inc
Director: NH Döman
Registered auditor

15 May 2012
Stellenbosch

Declaration by the company secretary

We declare that, to the best of our knowledge, the company has lodged with the Registrar all such returns as are required of a public company in terms of the Companies Act and that all such returns are true, correct and up to date.

Wessels

PSG Corporate Services (Pty) Ltd
Per A Wessels
Company secretary

15 May 2012
Stellenbosch

Directors' report

NATURE OF BUSINESS

The company's subsidiaries and associated entities offer diversified financial services.

OPERATING RESULTS

The operating results and the state of affairs of the company and the group are fully set out in the attached income statements, statements of financial position and notes thereto. The group's headline earnings attributable to shareholders amounted to R567,1m (2011: R512,4m). Attributable earnings amounted to R703,0m (2011: R708,4m).

SHARE CAPITAL

Details of the authorised and issued share capital appear in note 14 to the financial statements.

During the year under review, the number of shares in issue changed as follows:

	Number of shares	
	2012	2011
At beginning of year	**190 261 563**	190 952 820
Less: Treasury shares		
Held by a subsidiary company	**(13 873 895)**	(13 873 895)
Held by the PSG Group Share Incentive Trust	**(1 140 000)**	(2 095 000)
Held by the PSG Group Supplementary Share Incentive Trust	**(3 961 527)**	(3 089 614)
Held by associated companies	**(5 024 768)**	(4 900 000)
Net shares in issue at beginning of year	**166 261 373**	166 994 311
General issue for cash at R43,00 per share	**2 300 000**	
General issue for cash at R46,00 per share	**3 979 306**	
General issue for cash at R50,00 per share	**1 900 000**	
Issued in terms of a scheme of arrangement to acquire all of the issued ordinary shares in Paladin Capital Ltd not already held by PSG Group (through PSG Financial Services Ltd) at a ratio of 4 ordinary shares for each 100 Paladin Capital Ltd shares	**4 283 541**	
Repurchased and cancelled		(691 257)
Movement in treasury shares		
Shares sold/(acquired) by Thembeka Capital Ltd, an associated company	**172 617**	(124 768)
Shares acquired by the PSG Group Supplementary Share Incentive Trust	**(230 000)**	(871 913)
Shares released to participants of the PSG Group Share Incentive Trust	**429 000**	955 000
Shares released to participants of the PSG Group Supplementary Share Incentive Trust	**517 325**	
Net shares in issue at end of year	**179 613 162**	166 261 373

DIVIDENDS

Details of dividends appear in note 32 to the financial statements.

DIRECTORS

The directors of the company at the date of this report appear on page 11. Since the date of the previous report, Messrs L van A Bellingan and CH Wiese retired from the board with effect from 15 June 2011 and 23 February 2012 respectively.

Directors' report *(continued)*

DIRECTORS' EMOLUMENTS

The following directors' emoluments have been incurred by the company and its subsidiaries for the year ended 29 February 2012:

CASH-BASED REMUNERATION

	Fees R'000	Basic salary R'000	Company contributions R'000	Performance-related R'000	**Total 2012 R'000**	Total 2011 R'000
Executive						
WL Greeff		1 979	21	2 000	**4 000**	3 456
JA Holtzhausen		1 979	21	3 500	**5 500**	5 184
PJ Mouton		1 982	18	2 000	**4 000**	3 154
Non-executive						
L van A Bellinghan[1]	59				**59**	146
PE Burton	167				**167**	151
ZL Combi	100[2]				**100**	90
J de V du Toit	525[3]				**525**	1 200
MM du Toit	134				**134**	96
MJ Jooste	107[4]				**107**	96
JF Mouton[5]	200	2 282	18	1 500	**4 000**	3 500
JJ Mouton[6, 7]	100[8]	1 200	31	100	**1 431**	6 982
CA Otto	1 250[9]				**1 250**	1 250
W Theron[6]	100[10]	2 978		1 577	**4 655**	6 332
CH Wiese[11]	107				**107**	96
	2 849	12 400	109	10 677	**26 035**	31 733

1 *Retired with effect from 15 June 2011.*
2 *Paid to AE Empowerment Services (Pty) Ltd, a subsidiary of Thembeka Capital Ltd, an associated company.*
3 *R165 000 (2011: R140 000) in respect of directors' fees, the balance representing fees received at subsidiary level.*
4 *Paid to Steinhoff International Holdings Ltd.*
5 *Mr JF Mouton is no longer involved in the day-to-day running of PSG. He, however, remains the leading strategist and generator of ideas, and plays an integral part in the success of the group. He is accordingly rewarded for same.*
6 *Executive of subsidiary company.*
7 *Effective 1 March 2011, the business of PSG Tanzanite (Pty) Ltd, in which Mr JJ Mouton owned a 40% interest, was sold resulting in Mr JJ Mouton receiving 24,7m PSG Konsult Ltd shares as consideration. The prior year figure includes dividend income from PSG Tanzanite (Pty) Ltd of R3,64m, which has been grossed up with taxation for comparative purposes.*
8 *Paid to PSG Asset Management (Pty) Ltd, a subsidiary.*
9 *R106 600 (2011: R96 000) in respect of directors' fees, the balance representing fees received at subsidiary level.*
10 *Paid to PSG Konsult Management Services (Pty) Ltd, a subsidiary.*
11 *Retired with effect from 23 February 2012.*

Directors' report *(continued)*

EQUITY-BASED REMUNERATION

PSG Group Share Incentive Trust

	Number of shares as at 28 Feb 2011	Number of scheme shares during year Granted	Vested	Average market price per share on vesting date R	Vesting price per share R	Date granted	**Number of shares as at 29 Feb 2012**
PSG Group Ltd shares							
Equity-settled							
Executive							
JF Mouton	30 000		(18 000)	47,71	20,16	26/10/2006	**12 000**
	700 000		(250 000)	42,78	17,81	21/04/2008	**450 000**
	730 000	–	(268 000)				**462 000**
Non-executive							
J de V du Toit	30 000		(18 000)	47,71	20,16	26/10/2006	**12 000**
	30 000	–	(18 000)				**12 000**
CA Otto	30 000		(18 000)	47,71	20,16	26/10/2006	**12 000**
	350 000		(125 000)	42,78	17,59	23/04/2008	**225 000**
	380 000	–	(143 000)				**237 000**
Total PSG Group Share Incentive Trust	1 140 000	–	(429 000)				**711 000**

PSG Group Supplementary Share Incentive Trust

	Number of share options as at 28 Feb 2011	Number of share options during year Granted	Vested	Average market price per share on vesting date R	Vesting price per share R	Date granted	**Number of share options as at 29 Feb 2012**
PSG Group Ltd share options							
Equity-settled							
Executive							
WL Greeff	172 197		(43 049)	43,05	15,52	20/04/2009	**129 148**
	196 819		(49 205)	45,09	18,77	28/08/2009	**147 614**
	26 686		(6 672)	47,16	22,09	28/02/2010	**20 014**
	245 184				39,61	28/02/2011	**245 184**
		90 718			47,39	28/02/2012	**90 718**
	640 886	90 718	(98 926)				**632 678**
JA Holtzhausen	131 454		(32 864)	43,05	15,52	20/04/2009	**98 590**
	171 156		(42 789)	45,09	18,77	28/08/2009	**128 367**
	154 982		(38 746)	47,16	22,09	28/02/2010	**116 236**
	197 770				39,61	28/02/2011	**197 770**
		99 791			47,39	28/02/2012	**99 791**
	655 362	99 791	(114 399)				**640 754**

Directors' report *(continued)*

EQUITY-BASED REMUNERATION *(continued)*
PSG Group Supplementary Share Incentive Trust *(continued)*

	Number of share options as at 28 Feb 2011	Number of share options during year: Granted	Number of share options during year: Vested	Average market price per share on vesting date R	Vesting price per share option R	Date granted	**Number of share options as at 29 Feb 2012**
Executive (continued)							
PJ Mouton	140 935		(35 234)	43,05	15,52	20/04/2009	**105 701**
	163 309		(40 827)	45,09	18,77	28/08/2009	**122 482**
	151 086		(37 772)	47,16	22,09	28/02/2010	**113 314**
	301 859				39,61	28/02/2011	**301 859**
		112 842			47,39	28/02/2012	**112 842**
	757 189	112 842	(113 833)				**756 198**
Non-executive							
JF Mouton	511 521				26,16	22/04/2010	**511 521**
	201 952				39,61	28/02/2011	**201 952**
		204 056			47,39	28/02/2012	**204 056**
	713 473	204 056	–				**917 529**
Total PSG Group Supplementary Share Incentive Trust	2 766 910	507 407	(327 158)				**2 947 159**
Total equity-settled	3 906 910	507 407	(756 158)				**3 658 159**

PRESCRIBED OFFICERS

The members of the PSG Group executive committee ("Exco") are regarded as the prescribed officers of the company. Messrs JF Mouton (non-executive chairman), PJ Mouton (CEO), WL Greeff (financial director), JA Holtzhausen (executive) and CA Otto (independent non-executive) are all directors of PSG Group Ltd, and their remuneration is detailed above. The duties and responsibilities of the PSG Exco are set out in the chairman's letter and corporate governance section of this annual report.

Directors' report *(continued)*

SHAREHOLDING OF DIRECTORS

The shareholding of directors, excluding the participation in the share incentive schemes, in the issued share capital of the company as at 29 February 2012 was as follows:

	Beneficial		Non-beneficial		**Total shareholding 2012**		Total shareholding 2011	
	Direct	Indirect	Direct	Indirect	**Number**	**%**	Number	%
PE Burton				100 000	**100 000**	**0,1**	100 000	0,1
J de V du Toit				3 828 000	**3 828 000**	**2,1**	3 810 000	2,2
MM du Toit		5 079 454			**5 079 454**	**2,8**	5 000 000	2,9
WL Greeff	93 357	135 569			**228 926**	**0,1**	120 000	0,1
JA Holtzhausen	296 099				**296 099**	**0,2**	10 000	0,0
MJ Jooste[1]						**0,0**	20 000 000	11,7
JF Mouton	3 885 847			43 976 769	**47 862 616**	**25,9**	46 614 616	27,2
JJ Mouton	115 000	1 343 600			**1 458 600**	**0,8**	1 425 000	0,8
PJ Mouton	54 148	4 144 933			**4 199 081**	**2,3**	3 963 648	2,3
CA Otto	108			3 655 433	**3 655 541**	**2,0**	3 522 541	2,1
W Theron	5 000			157 502	**162 502**	**0,1**	155 000	0,1
L van A Bellingan[2]							20 000	0,0
CH Wiese[1,2]							15 500 000	9,0
	4 449 559	10 703 556	–	51 717 704	**66 870 819**	**36,4**	100 240 805	58,5

[1] *Messrs Jooste and Wiese exchanged their PSG Group shares for Steinhoff International Holdings Ltd shares during the year under review.*

[2] *Retired during the year under review.*

Subsequent to year-end:

- Messrs JF Mouton and CA Otto obtained a further 200 000 and 100 000 PSG Group ordinary shares respectively having taken delivery of same in terms of the PSG Group Share Incentive Trust.
- Messrs WL Greeff, JA Holtzhausen, JF Mouton and PJ Mouton exercised 43 049, 32 864, 127 880 and 35 234 share options respectively in terms of the PSG Group Supplementary Share Incentive Trust.
- Associate entities in which Messrs WL Greeff, JA Holtzhausen, JF Mouton and PJ Mouton individually have a direct/indirect interest, each acquired 250 000 PSG Group ordinary shares.

There were no other changes to the directors' shareholding between 29 February 2012 and the date of this report.

SUBSIDIARIES

Details of the company's interest in subsidiaries are set out in Annexure A.

Directors' report *(continued)*

SPECIAL RESOLUTIONS OF SUBSIDIARIES

Details of special resolutions passed by subsidiaries during the year under review, which are material to the group, are as follows:

PSG Financial Services Ltd

The board of the company be authorised, in terms of section 45(3)(a)(ii) of the Companies Act of 2008, to approve any direct or indirect financial assistance that the board may deem fit to any company that is related or inter-related to the company on the terms and conditions and for amounts that the board of the company may determine.

The company be authorised to repurchase its own issued shares, upon such terms and conditions as the directors of the company may determine, but subject to the provisions of sections 46 and 48 of the Companies Act of 2008, the memorandum of incorporation of the company, the Listings Requirements of the JSE Ltd and the requirements of any other stock exchange on which the shares of the company may be quoted or listed.

The company approved the acquisition by any subsidiary of the company of shares issued by such subsidiary and/or by the company upon such terms and conditions that the directors of such subsidiary may determine, but subject to the provisions of sections 46 and 48 of the Companies Act of 2008, the memorandum of incorporation of the company, the Listings Requirements of the JSE Ltd (if listed) and the requirements of any other stock exchange on which the shares of the subsidiary may be quoted or listed.

Paladin Capital Ltd

The company be authorised to remunerate its directors for their services as directors.

The board of the company be authorised, in terms of section 45(3)(a)(ii) of the Companies Act of 2008, to approve any direct or indirect financial assistance that the board may deem fit to any company that is related or inter-related to the company on the terms and conditions and for amounts that the board of the company may determine.

The company be authorised to repurchase its own issued shares, upon such terms and conditions as the directors of the company may determine, but subject to the provisions of sections 46 and 48 of the Companies Act of 2008, the memorandum of incorporation of the company, the Listings Requirements of the JSE Ltd and the requirements of any other stock exchange on which the shares of the company may be quoted or listed.

The company approved the acquisition by any subsidiary of the company of shares issued by such subsidiary and/or by the company upon such terms and conditions that the directors of such subsidiary may determine, but subject to the provisions of sections 46 and 48 of the Companies Act of 2008, the memorandum of incorporation of the company, the Listings Requirements of the JSE Ltd (if listed) and the requirements of any other stock exchange on which the shares of the subsidiary may be quoted or listed.

Zeder Investments Ltd

The company be authorised to remunerate its directors for their services as directors.

The board of the company be authorised, in terms of section 45(3)(a)(ii) of the Companies Act of 2008, to approve any direct or indirect financial assistance that the board may deem fit to any company that is related or inter-related to the company on the terms and conditions and for amounts that the board of the company may determine.

The company be authorised to repurchase its own issued shares, upon such terms and conditions as the directors of the company may determine, but subject to the provisions of sections 46 and 48 of the Companies Act of 2008, the memorandum of incorporation of the company, the Listings Requirements of the JSE Ltd and the requirements of any other stock exchange on which the shares of the company may be quoted or listed.

The company approved the acquisition by any subsidiary of the company of shares issued by such subsidiary and/or by the company upon such terms and conditions that the directors of such subsidiary may determine, but subject to the provisions of sections 46 and 48 of the Companies Act of 2008, the memorandum of incorporation of the company, the Listings Requirements of the JSE Ltd (if listed) and the requirements of any other stock exchange on which the shares of the subsidiary may be quoted or listed.

Directors' report *(continued)*

SPECIAL RESOLUTIONS OF SUBSIDIARIES *(continued)*

Curro Holdings Ltd

The company converted from a private to a public company, increased its authorised share capital and adopted a new memorandum and articles of association.

The company, and any subsidiary of the company, be authorised to repurchase any of the shares issued by the company, upon such terms and conditions and in such amounts as the directors of the company, or the subsidiary as the case may be, may from time to time determine, but subject to the provisions of sections 85 to 89 of the Companies Act of 1973, the articles of association of the company and the Listings Requirements of the JSE Ltd (if applicable).

The company approved the acquisition by any subsidiary of the company of shares issued by such subsidiary upon such terms and conditions and in such amounts as the directors of such subsidiary may from time to time decide, but subject to the provisions of sections 85 to 89 of the Companies Act of 1973, the articles of association of the company, and the Listings Requirements of the JSE Ltd (if applicable).

PSG Konsult Ltd

The company be authorised to remunerate its directors for their services as directors.

The board of the company be authorised, in terms of section 45(3)(a)(ii) of the Companies Act of 2008, to approve any direct or indirect financial assistance that the board may deem fit to any company that is related or inter-related to the company on the terms and conditions and for amounts that the board of the company may determine.

The company and/or its subsidiaries be authorised to repurchase its own shares upon such terms as the directors may determine, but subject to the provisions of sections 46 and 48 of the Companies Act of 2008, and the memorandum of incorporation of the company.

PSG Fund Management group

In terms of the PSG Fund Management/PSG Konsult merger effective 1 March 2011, various special resolutions were passed to amalgamate companies within the PSG Fund Management group in terms of section 228, and to distribute a dividend in specie in terms of section 90 of the Companies Act of 1973.

PSG Fund Management (Pty) Ltd changed its name to PSG Asset Management Group Services (Pty) Ltd, and PSG Fund Management Holdings (Pty) Ltd changed its name to PSG Asset Management (Pty) Ltd. A new holding company was established, PSG Asset Management Holdings (Pty) Ltd.

SECRETARY

The secretary of the company is PSG Corporate Services (Pty) Ltd. The business and postal addresses are shown on page 163.

Statements of financial position

as at 29 February 2012

		GROUP		COMPANY	
		2012	2011	**2012**	2011
	Notes	**R'000**	R'000	**R'000**	R'000
ASSETS					
Property, plant and equipment	1	**654 745**	410 865		
Intangible assets	2	**1 114 296**	1 025 260		
Investment in subsidiary	3			**2 531 857**	1 955 886
Investment and loans in associated companies	4	**6 117 615**	5 212 345		
Deferred income tax	5	**51 289**	48 425		
Derivative financial instruments	6	**10 159**	10 569		
Equity securities	7	**1 410 841**	1 128 371		
Debt securities	8	**1 866 121**	2 085 349		
Unit-linked investments	9	**5 422 475**	5 008 029		
Investment in investment contracts	10	**1 003 885**	1 108 686		
Loans and receivables	11	**85 726**	42 508		
Receivables	12	**2 491 454**	193 809	**8**	170
Current income tax assets		**6 456**	5 366		
Cash and cash equivalents	13	**725 657**	1 130 695	**127**	92
Total assets		**20 960 719**	17 410 277	**2 531 992**	1 956 148
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	14	**1 787**	1 663	**2 027**	1 903
Share premium		**2 374 253**	1 797 783	**2 374 253**	1 797 783
Treasury shares		**(303 213)**	(299 784)		
Other reserves	15	**32 739**	40 996		
Retained earnings		**2 654 340**	2 044 140	**153 620**	154 503
		4 759 906	3 584 798	**2 529 900**	1 954 189
Non-controlling interest	16	**3 187 638**	3 025 828		
Total equity		**7 947 544**	6 610 626	**2 529 900**	1 954 189
LIABILITIES					
Insurance contracts	17	**29 949**	29 896		
Deferred income tax	5	**139 913**	126 437		
Borrowings	18	**890 896**	811 854		
Derivative financial instruments	6	**45 261**	5 988		
Investment contracts	19	**9 144 681**	9 112 357		
Third-party liabilities arising on consolidation of mutual funds	20	**16 008**	37 054		
Accruals for other liabilities and charges	21	**21 112**	20 776		
Trade and other payables	22	**2 708 379**	642 913	**2 092**	1 959
Current income tax liabilities		**16 976**	12 376		
Total liabilities		**13 013 175**	10 799 651	**2 092**	1 959
Total equity and liabilities		**20 960 719**	17 410 277	**2 531 992**	1 956 148

Income statements

for the year ended 29 February 2012

	Notes	GROUP 2012 R'000	GROUP 2011 R'000	COMPANY 2012 R'000	COMPANY 2011 R'000
INCOME					
Investment income	23	**387 894**	492 183	**144 000**	93 300
Net fair value gains and losses on financial assets	24	**533 729**	379 419		
Adjustments to investment contract liabilities	19	**(624 103)**	(650 158)		
Commission and other fee income	25	**1 527 572**	1 290 162		
Other operating income	27	**226 818**	380 223		
Total income		**2 051 910**	1 891 829	**144 000**	93 300
EXPENSES					
Insurance claims and loss adjustments	26	**279**	(218)		
Marketing, administration and other expenses	28	**(1 456 328)**	(1 162 433)	**(1 672)**	(1 407)
Total expenses		**(1 456 049)**	(1 162 651)	**(1 672)**	(1 407)
Share of profits of associated companies	4	**684 087**	560 938		
Loss on impairment of associated companies	4	**(40 954)**	(36 130)		
		643 133	524 808	**–**	–
Profit before finance costs and taxation		**1 238 994**	1 253 986	**142 328**	91 893
Finance costs	29	**(109 620)**	(90 681)		
Profit before taxation		**1 129 374**	1 163 305	**142 328**	91 893
Taxation	30	**(104 051)**	(130 963)		
Profit for the year		**1 025 323**	1 032 342	**142 328**	91 893
Profit attributable to:					
Owners of the parent		**703 085**	708 403	**142 328**	91 893
Non-controlling interest		**322 238**	323 939		
		1 025 323	1 032 342	**142 328**	91 893
Earnings per share (cents)	31				
Basic		**404,4**	424,1		
Diluted		**400,3**	420,2		

Statements of comprehensive income

for the year ended 29 February 2012

	GROUP		COMPANY	
	2012	2011	**2012**	2011
	R'000	R'000	**R'000**	R'000
Profit for the year	**1 025 323**	1 032 342	**142 328**	91 893
Other comprehensive income for the year, net of taxation	**(19 257)**	26 210	**–**	–
Currency translation adjustments	**340**	(1 165)		
Fair value gains on investments	**484**	447		
Share of other comprehensive income of associated companies	**42 839**	16 977		
Recycling of share of associated company's other comprehensive income on disposal	**(62 920)**	10 099		
Other		(148)		
Total comprehensive income for the year	**1 006 066**	1 058 552	**142 328**	91 893
Attributable to:				
Owners of the parent	**683 731**	722 480	**142 328**	91 893
Non-controlling interest	**322 335**	336 072		
	1 006 066	1 058 552	**142 328**	91 893

Statements of changes in equity

for the year ended 29 February 2012

GROUP	Share capital and premium R'000	Treasury shares R'000	Other reserves R'000	Retained earnings R'000	Non-controlling interest R'000	Total R'000
Balance at 1 March 2010	1 819 423	(309 361)	20 899	1 416 015	2 263 401	5 210 377
Comprehensive income						
Profit for the year				708 403	323 939	1 032 342
Other comprehensive income	–	–	14 016	61	12 133	26 210
Currency translation adjustments			(873)		(292)	(1 165)
Fair value gains/(losses) on investments			781		(334)	447
Share of other comprehensive income of associated companies			9 744		7 233	16 977
Disposal of investment in associated company			4 212		5 887	10 099
Other			152	61	(361)	(148)
Total comprehensive income	–	–	14 016	708 464	336 072	1 058 552
Transactions with owners	(19 977)	9 577	6 081	(80 339)	426 355	341 697
Share buy-back	(19 977)					(19 977)
Issue of preference shares					501 526	501 526
Share-based payment costs – employees			6 081			6 081
Treasury shares sold		9 577				9 577
Acquisition of subsidiary					39 660	39 660
Transactions with non-controlling interest				2 062	(5 381)	(3 319)
Capital reduction by subsidiary					(3 154)	(3 154)
Dividend paid				(82 401)	(106 296)	(188 697)
Balance at 28 February 2011	1 799 446	(299 784)	40 996	2 044 140	3 025 828	6 610 626
Comprehensive income						
Profit for the year				**703 085**	**322 238**	**1 025 323**
Other comprehensive income	**–**	**–**	**(19 354)**	**–**	**97**	**(19 257)**
Currency translation adjustments			**242**		**98**	**340**
Fair value gains on investments			**345**		**139**	**484**
Share of other comprehensive income of associated companies			**42 979**		**(140)**	**42 839**
Recycling of share of associated company's other comprehensive income on disposal			**(62 920)**			**(62 920)**
Total comprehensive income	**–**	**–**	**(19 354)**	**703 085**	**322 335**	**1 006 066**
Transactions with owners	**576 594**	**(3 429)**	**11 097**	**(92 885)**	**(160 525)**	**330 852**
Issue of shares	**576 594**				**201 495**	**778 089**
Share-based payment costs – employees			**11 097**		**655**	**11 752**
Treasury shares acquired		**(19 242)**				**(19 242)**
Treasury shares sold		**15 813**				**15 813**
Acquisition of subsidiary					**4 777**	**4 777**
Transactions with non-controlling interest				**33 823**	**(240 921)**	**(207 098)**
Dividend paid				**(126 708)**	**(126 531)**	**(253 239)**
Balance at 29 February 2012	**2 376 040**	**(303 213)**	**32 739**	**2 654 340**	**3 187 638**	**7 947 544**

Statements of changes in equity *(continued)*

for the year ended 29 February 2012

COMPANY	Share capital and premium R'000	Retained earnings R'000	Total R'000
Balance at 1 March 2010	1 819 663	156 039	1 975 702
Comprehensive income			
Profit for the year		91 893	91 893
Transactions with owners			
Repurchase of shares	(19 977)		(19 977)
Dividend paid		(93 429)	(93 429)
Balance at 28 February 2011	1 799 686	154 503	1 954 189
Comprehensive income			
Profit for the year		**142 328**	**142 328**
Transactions with owners			
Issue of ordinary shares	**576 594**		**576 594**
Dividend paid		**(143 211)**	**(143 211)**
Balance at 29 February 2012	**2 376 280**	**153 620**	**2 529 900**

Statements of cash flows

for the year ended 29 February 2012

		GROUP		COMPANY	
			Restated*		
		2012	2011	**2012**	2011
	Notes	**R'000**	R'000	**R'000**	R'000
Cash flows from operating activities					
Cash generated/(utilised) by operating activities	36.1	**(239 947)**	272 796	**(1 377)**	(1 485)
Interest income		**225 846**	375 822		
Dividend income		**352 966**	78 285	**144 000**	93 300
Finance costs		**(118 038)**	(65 029)		
Taxation paid	36.2	**(97 920)**	(133 714)		
Net cash flow from operating activities		**122 907**	528 160	**142 623**	91 815
Cash flows from investing activities					
Acquisition of subsidiaries	36.3	**(75 734)**	(131 965)		
Acquisition of associated companies		**(346 327)**	(673 863)		
Proceeds from sale of associated companies		**75 875**	737 067		
Repayment of loans/redemption of preference shares by associated companies		**30 875**	(50 298)		
Acquisition of equity securities		**(315 329)**	(54 357)		
Proceeds from sale of book of business		**40 645**	23 435		
Proceeds from sale of subsidiaries	36.4	**5 457**	(1 532)		
Proceeds from disposal of property, plant and equipment		**1 525**	827		
Proceeds from the sale of equity securities		**57 959**	64 395		
Purchases of property, plant and equipment		**(263 863)**	(96 579)		
Purchase of book of business		**(79 423)**	(56 425)		
Repayments/(advances) of loans and receivables		**(43 218)**	26 137		
Capital (granted to)/repaid by subsidiary company				**(371 394)**	20 998
Net cash flow from investing activities		**(911 558)**	(213 158)	**(371 394)**	20 998
Cash flows from financing activities					
Dividends paid to group shareholders		**(126 708)**	(82 401)	**(143 211)**	(93 429)
Dividends paid to non-controlling interest		**(126 531)**	(109 450)		
Capital contributions by non-controlling interest		**201 495**	45 409		
Acquired from non-controlling interest		**(16 103)**	(48 770)		
Acquired by non-controlling interest		**5 496**			
Increase in borrowings		**130 000**	73 935		
Borrowings repaid		**(143 354)**			
Purchase of holding company's treasury shares by subsidiary company		**(19 242)**	(33 932)		
Holding company's treasury shares sold by subsidiary company		**12 714**			
Issue of preference shares			501 526		
Shares issued		**374 153**	9 577	**372 017**	
Repurchase of shares			(19 977)		(19 977)
Net cash flow from financing activities		**291 920**	335 917	**228 806**	(113 406)
Net (decrease)/increase in cash and cash equivalents		**(496 731)**	650 919	**35**	(593)
Cash and cash equivalents at beginning of year		**1 127 323**	476 404	**92**	685
Cash and cash equivalents at end of year	36.5	**630 592**	1 127 323	**127**	92

* *Details regarding the restatement are set out in note 39.*

Accounting policies

for the year ended 29 February 2012

The principal accounting policies applied in the preparation of these consolidated and stand-alone financial statements are set out below. These policies have been consistently applied to all the years presented.

BASIS OF PREPARATION

The consolidated and stand-alone financial statements of PSG Group Ltd have been prepared in accordance with International Financial Reporting Standards (IFRS) and the manner required by the Companies Act of South Africa. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) classified as 'at fair value through profit or loss' and insurance contract liabilities that are measured in terms of the financial soundness valuation (FSV) basis.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed further on in the accounting policies.

STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS AND AMENDMENTS THAT ARE EFFECTIVE FOR THE FIRST TIME IN 2012

New and amended standards, interpretations and amendments adopted by the group

- Amendment to IFRS 7 Financial Instruments (effective 1 January 2011)*
  Amendment clarifies the intended interaction between qualitative and quantitative disclosures of the nature and extent of risks arising from financial instruments and removed some disclosure items which were seen to be superfluous or misleading. The effect of the amendment was minor changes to financial instrument disclosures.

- Amendment to IAS 1 Presentation of Financial Instruments (effective 1 January 2011)*
  Entities may present either in the statement of changes in equity or within the notes an analysis of the components of other comprehensive income by item. The group currently presents such analysis within the statement of changes in equity.

- Amendments to IAS 24 Related Party Disclosures (effective 1 January 2011)
  Simplification of the disclosure requirements for government-related entities and clarification of the definition of a related party. The amended definition of a related party did not cause any additional related-party transactions/balances to be disclosed by the group.

- Amendments to IAS 34 Interim Financial Reporting (effective 1 January 2011)*
  Clarification of disclosure requirements around significant events and transactions, including financial instruments. The group applies this amendment to the presentation of its interim financial reports.

New and amended standards, interpretations and amendments not currently relevant to the group's operations

- Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards (effective 1 July 2010)*
- Amendments to IFRS 3 Business Combinations (effective 1 January 2011)*
- Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates (effective 1 July 2010)
- Amendments to IAS 27 Consolidated and Separate Financial Statements (effective 1 July 2010)*
- Amendments to IAS 28 Investments in Associates (effective 1 July 2010)*
- Amendments to IAS 31 Interests in Joint Ventures (effective 1 July 2010)*
- Amendments to IFRIC 13 Customer Loyalty Programmes (effective 1 January 2011)
- Amendments to IFRIC 14 Prepayments of a Minimum Funding Requirement (effective 1 January 2011)
- Revision to AC 504: IAS 19 (AC 116) – The Limit of a Defined Benefit Asset, Minimum Funding Requirements and their Interaction in the South African Pension Fund Environment (effective 1 January 2011)
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective 1 April 2010)

* *Improvements to IFRSs 2010*

Accounting policies *(continued)*

for the year ended 29 February 2012

These standards, interpretations and amendments have no impact on measurements of assets and liabilities or disclosures in the current or prior years.

STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS AND AMENDMENTS THAT ARE NOT YET EFFECTIVE

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the group's accounting periods beginning on or after 1 March 2012 or later periods, but which the group has not early adopted, are as follows:

- Amendments to IFRS 7 Financial Instruments: Disclosures (effective 1 July 2011)*
- IFRS 9 Financial Instruments (effective 1 January 2013)^
  New standard that is the first part of a three-part project to replace IAS 39 Financial Instruments: Recognition and Measurement. The standard replaces the multiple classification and measurement models in IAS 39IAS 39 with a single model that has only two classifications categories: amortised cost and fair value.
- IFRS 10 Consolidated Financial Statements (1 January 2013)^
  New standard that replaces the consolidation requirements in SIC-12 Consolidation – Special Purpose Entities and IAS 27 Consolidated and Separate Financial Statements. Standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company and provides additional guidance to assist in the determination of control where this is difficult to assess.
- IFRS 12 Disclosure of Interests in Other Entities (1 January 2013)^
  New and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special-purpose vehicles and other off balance sheet vehicles.
- IFRS 13 Fair Value Measurement (1 January 2013)^
  Standard explains how to measure fair value and aims to enhance fair value disclosures.
- Amendments to IAS 1 Presentation of Financial Statements (effective 1 July 2012)^
  New requirements to group together items within other comprehensive income that may be reclassified to the profit or loss section of the income statement in order to facilitate the assessment of their impact on the overall performance of an entity.
- Amendments to IAS 12 Income Taxes (effective 1 January 2012)*
- Amendments to IAS 19 Employee Benefits (effective 1 January 2013)*
- Amendments to IAS 27 Consolidated and Separate Financial Statements (effective 1 January 2013)*
- Amendments to IAS 28 Investments in Associates (effective 1 January 2013)*

* *Management has assessed the impact of these standards, interpretations and amendments on the reported results of the group and company and does not foresee any impact.*

^ *Management is in the process of assessing the impact of these standards, interpretations and amendments on the reported results of the group and company.*

GROUP FINANCIAL STATEMENTS

The group annual financial statements comprise those of the company, its subsidiaries, associated companies and the share incentive trusts ("share trusts").

Subsidiaries

Subsidiaries are all entities (including special-purpose entities and collective investment schemes) over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group and are no longer consolidated from the date on which control ceases. Special-purpose entities (SPEs) are also consolidated where the substance of the relationship indicates that the SPE is controlled by the group.

The group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration

Accounting policies *(continued)*

for the year ended 29 February 2012

arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Investments in subsidiaries in the company's stand-alone financial statements are accounted for at cost less impairment. These investments include any intergroup loans receivable, which represent by nature a further investment in the subsidiary. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. In addition, unrealised losses are considered to be an indicator of impairment. Accounting policies of subsidiaries have been changed, where necessary, to ensure consistency with the policies adopted by the group.

Shares in the company held by the share trusts have been consolidated into the financial results of the group, as the group has effective control over these shares.

Transactions and non-controlling interests

The group treats transactions with non-controlling interests as transactions with equity owners of the group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Mutual funds

Mutual funds, in which the group has greater than 50% economic interest resulting in effective control, are consolidated. The consolidation principles applied are consistent with those applied to consolidated subsidiary companies.

Associated companies

Associated companies are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associated companies are accounted for by the equity method of accounting and are initially recognised at cost. The group's investment in associated companies includes goodwill identified on acquisition (refer note 2), net of any accumulated impairment loss.

Where equity securities are transferred to investment in associated companies upon gaining significant influence ("step acquisition"), the investment is transferred at its fair value. Goodwill is calculated at each stage of step acquisitions.

Certain associated companies have year-ends that differ from that of the group. The results of associated companies are accounted for according to the equity method, based on their most recent published audited financial statements or latest management information. Equity accounting involves recognising the group's share of its associated companies' post-acquisition profits or losses in the income statement, and its share of post-acquisition movements in other comprehensive income and movements in other reserves, in the statement of comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the group's share of losses in an associated company equals or exceeds its interest in the associated company,

Accounting policies *(continued)*

for the year ended 29 February 2012

including any other unsecured receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associated company.

Unrealised gains on transactions between the group and its associated companies are eliminated to the extent of the group's interest in the associated companies. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Cross-holdings between the group and its associates are eliminated in accordance with normal consolidation procedure. Associates' accounting policies have been changed, where necessary, to ensure consistency with the policies adopted by the group.

Dilution gains and losses arising in investment in associated companies are recognised in the income statement.

After applying the equity method, investments in associated companies are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

If the ownership interest in an associated company is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

Loans and preference shares to associated companies are disclosed as part of the carrying amount of the investment.

The company accounts for investment in associated companies at cost less provision for impairment.

SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive committee that makes strategic decisions.

FOREIGN CURRENCY TRANSLATION

Functional and presentation currency

Items included in the financial statements of each of the company entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency").

The consolidated financial statements are presented in South African rand, which is the company's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement as part of net fair value gains and losses on financial instruments.

Translation differences on non-monetary financial assets and liabilities, such as equity securities held at fair value through profit or loss, are recognised in the income statement as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equity securities classified as available-for-sale, are recognised in the statement of comprehensive income and included in the fair value reserve in equity.

Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions).

Accounting policies *(continued)*

for the year ended 29 February 2012

- Assets and liabilities are translated at closing exchange rates.
- All resulting exchange differences are recognised in the statement of comprehensive income and as a separate component of equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as the foreign entity's assets and liabilities and are translated at the closing rate.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation is calculated on the straight-line method at rates considered appropriate to reduce book values to estimated residual values over the useful lives of the assets, as follows:

Buildings	25 – 50 years
Motor vehicles	5 years
Plant	15 years
Office equipment	5 years
Computer equipment	3 years

Land is not depreciated.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

INTANGIBLE ASSETS

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary/associated company undertaking at the date of acquisition. Goodwill is reported in the statement of financial position as an intangible asset. Goodwill on acquisition of associated companies is included in investments in associated companies. Goodwill is tested annually for impairment and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The groups of cash-generating units are not larger than operating segments.

An excess of the acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities arises where the net assets of a subsidiary or associate at the date of acquisition, fairly valued, exceed the cost of the acquisition. This excess arising on acquisitions is taken directly to income.

Accounting policies *(continued)*

for the year ended 29 February 2012

Trademarks

Acquired patents, trademarks and licences are shown at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method over their estimated useful lives, which vary from 5 to 20 years and are reassessed annually. The carrying amount of each cash-generating unit is reviewed for impairment when an impairment indicator is identified.

Customer lists

Acquired customer lists are shown at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method over their estimated useful lives ranging between 5 and 20 years, which reflect the expected life of the customer lists acquired. The carrying amount of each cash-generating unit is reviewed for impairment when an impairment indicator is identified.

Deferred acquisition costs (DAC)

Commissions, fees and other incremental costs that vary with and are related to securing new contracts and renewing existing contracts are capitalised as a deferred acquisition cost intangible asset, since these costs relate to future economic benefits being generated beyond one year. Subsequent changes to the deferred acquisition costs payable are reversed/capitalised against the relevant intangible asset. The DAC is subsequently amortised over the expected life of the contracts. All other costs are recognised as expenses when incurred.

An impairment test is conducted annually at reporting date on the DAC balance to ensure that the amount will be recovered from future revenue generated by the applicable remaining investment management contracts.

Computer software

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use.
- Management intends to complete the software product and use or sell it.
- There is an ability to use or sell the software product.
- It can be demonstrated how the software product will generate probable future economic benefits.
- Adequate technical, financial and other resources to complete the development and to use or sell the software product are available.
- The expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised using the straight-line method over their estimated useful lives, which do not exceed two years.

IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

FINANCIAL INSTRUMENTS

Financial instruments recognised on the statement of financial position include financial assets, consisting of equity securities, debt securities, unit-linked investments, investment in investment contracts, loans and receivables, derivative financial assets, receivables, cash and cash equivalents, as well as financial liabilities, consisting of borrowings, derivative financial liabilities, third-party liabilities arising

Accounting policies *(continued)*

for the year ended 29 February 2012

on consolidation of mutual funds, accruals for other liabilities and charges and trade and other payables. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

OFFSETTING FINANCIAL INSTRUMENTS

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

FINANCIAL ASSETS

The group classifies its financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Classification

Financial assets at fair value through profit or loss

This category has two subcategories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Financial assets designated at fair value through profit or loss at inception are those that are managed and whose performance is evaluated on a fair value basis. Information about these financial assets is provided internally on a fair value basis to the group's key management personnel. Derivatives are categorised as held for trading.

Financial assets designated as at fair value through profit or loss at inception relating to the group's linked insurance company, PSG Asset Management Life, are those that are held in internal funds to match insurance and investment contract liabilities that are linked to the changes in fair value of these assets. The designation of these assets to be at fair value through profit or loss eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities – other than those that meet the definition of loans and receivables – that the group's management has the positive intention and ability to hold to maturity.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the group intends to sell in the short term.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories.

Recognition and measurement of financial assets

Purchases and sales of financial assets are recognised on trade date – the date on which the group commits to purchase or sell the asset. Financial assets not carried at fair value through profit or loss, are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in other comprehensive income. When securities classified as

Accounting policies *(continued)*

for the year ended 29 February 2012

available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investment activities.

Interest on available-for-sale securities calculated using the effective-interest method is recognised in the income statement as part of investment income. Dividends on available-for-sale equity instruments are recognised in the income statement as part of investment income when the group's right to receive payment is established.

The fair values of quoted financial assets are based on current bid prices. If the market for a financial asset is not active, the group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, and discounted cash flow analysis refined to reflect the issuer's specific circumstances.

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.

Held-to-maturity investments are measured at amortised cost using the effective-interest method less any impairment, with revenue recognised on such basis.

Loans and receivables are carried at amortised cost using the effective-interest method. Specific provisions are made against identified doubtful receivables.

Loans advanced to associated companies and subsidiaries, which are interest-free with no repayment terms, are carried at amortised cost using the effective-interest method.

The group does not apply hedge accounting.

Impairment of financial assets

The group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

Loans and receivables are considered impaired if, and only if, there is objective evidence of impairment as a result of events that occurred after initial asset recognition (known as loss events) and these loss events have an adverse impact on the assets' estimated future cash flows that can be reliably measured. Objective evidence that loans and receivables may be impaired, includes breach of contract, such as a default or delinquency in interest or principal payments. In this regard instalments past due date are considered in breach of contract. The amount of the impairment loss is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Impairment losses are recognised in the income statement, and reversed through the income statement.

Held-to-maturity investments are considered impaired when there is objective evidence that the group will not be able to collect all amounts due according to the original contract terms. Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the investment is impaired. The amount of the impairment provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The movement in the amount of the provision is recognised in the income statement.

Investment in investment contracts

These are valued at fair value, if issued by an independent credible party, or at fair values of the underlying investments supporting the investment contract policy adjusted for applicable liquidity or credit risk.

Accounting policies *(continued)*

for the year ended 29 February 2012

DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are recognised initially at fair value on the date on which a derivative contract is entered into. Subsequent to initial recognition, derivative financial instruments are measured at fair value through profit and loss. Fair values of over-the-counter derivatives are obtained using valuation techniques, including discounted cash flow models and option pricing models.

The best evidence of fair value of a derivative at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique whose variables include only observable market data.

RECEIVABLES

Receivables are initially measured at fair value and subsequently recognised at amortised cost using the effective-interest method, less provision for impairment. A provision for impairment is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The movement in the amount of the provision is recognised in the income statement.

CONTRACTS FOR DIFFERENCE (CFD)

The group enters into contracts for difference with clients whereby the company provides leveraged exposure to equities specified by the client. The client pays a margin of between 15% and 17,5% of the value of the equities. Margin calls are made for the full value of any decrease in value of the equities.

CFD positions with clients are funded with equal and opposite CFD positions with other financial institutions. External funding is only used on an intra-day basis to purchase the underlying equity positions which are then delivered to the financial institution, at the end of each business day, for settlement of the intra-day funding provided. The CFD positions are classified as financial assets or liabilities at fair value through profit or loss.

The group is contractually bound to pay out or recover any fair value adjustments from the parties entering into the contracts for difference, based on the fair value movement of the specified listed equities invested in for the client.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, other deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are included within borrowings on the statement of financial position.

SHARE CAPITAL

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax.

Where any group company purchases the company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold, reissued or otherwise disposed of, any consideration received is included in equity attributable to the company's equity holders, net of any directly attributable incremental transaction costs and the related income tax effects.

Subsidiary preference shares

Cumulative, non-redeemable, non-participating subsidiary preference shares, where the dividend declaration is subject to the discretion of the subsidiary's board, are classified as equity.

Accounting policies *(continued)*

for the year ended 29 February 2012

Treasury shares

The cost of treasury shares acquired are debited to the 'treasury share' reserve, and upon disposal of such shares, the reserve is credited with the weighted average calculated cost attributable to the shares disposed of.

INSURANCE AND INVESTMENT CONTRACTS – CLASSIFICATION

A distinction is made between investment contracts (which fall within the scope of IAS 39 Financial Instruments: Recognition and Measurement) and insurance contracts (where the financial soundness valuation (FSV) method continues to apply, subject to certain requirements specified in IFRS 4 Insurance Contracts). A contract is classified as insurance where the group accepts significant insurance risk by agreeing with the policyholder to pay benefits if a specified uncertain future event (the insured event) adversely affects the policyholder or other beneficiary. Significant insurance risk exists where it is expected that for the duration of the policy or part thereof, policy benefits payable on the occurrence of the insured event will exceed the amount payable on early termination before allowance for expense deductions at early termination. Once a contract has been classified as an insurance contract, the classification remains unchanged for the remainder of its lifetime, even if the insurance risk reduces significantly during this period.

Investment contracts are those contracts that transfer financial risk with no significant insurance risk. These contracts are measured at the fair value of the corresponding financial assets.

A subsidiary of the group, PSG Asset Management Life, is a linked insurance company and issues linked policies to policyholders (where the value of policy benefits is directly linked to the fair value of the supporting assets).

INSURANCE CONTRACTS

Policyholder contracts that transfer significant insurance risk are classified as insurance contracts. These contracts are valued in terms of the financial soundness valuation basis contained in PGN 104 issued by the Actuarial Society of South Africa and are reflected as "Insurance contracts" liabilities.

Liabilities are valued at the present value of future cash flows due to benefit payments and administration expenses that are directly related to the contract discounted at the rate of return at year-end on the assets backing the policyholder funds. Future cash flows are projected on a best estimate basis with an allowance for compulsory margins for adverse deviations as prescribed by PGN 104. Best estimate assumptions are required for future investment returns, expenses, persistency, mortality and other factors that may impact on the financial position of the group. As per PGN 104, contractual premium increases are allowed for, but future voluntary premium increases are ignored.

In addition certain discretionary margins are created to allow profits to emerge over the lifetime of the policy to reflect the small number of policies and associated volatility. Where the number of policies is small the prescribed margins alone do not result in an acceptable probability of the total reserve being sufficient to meet all liabilities.

The financial soundness valuation methodology includes allowance for liability adequacy testing to ensure that the carrying amount of technical provisions is sufficient in view of estimated future cash flows. Where a shortfall is identified an additional provision is made.

The group reflects premium income relating to insurance business on a gross basis together with the gross amount of any reinsurance premiums. All premiums are accounted for when they become due and payable.

The group shows the gross amount of policyholder benefit payments in respect of insurance contracts together with the gross reinsurance recoveries and accounts for such transactions when claims are intimated.

FINANCIAL LIABILITIES

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another entity.

Financial liabilities include borrowings, derivative financial liabilities, investment contracts, third-party liabilities arising on consolidation of mutual funds, accrual for other liabilities and charges, and trade and other payables. The group issues investment contracts without fixed terms (unit-linked) and with fixed and guaranteed terms (fixed interest rate).

Accounting policies *(continued)*

for the year ended 29 February 2012

Financial liabilities are initially recognised at fair value less transaction costs that are directly attributable to the raising of the funds, for all financial liabilities carried at amortised cost. All financial liabilities measured at fair value through profit or loss are initially recognised at fair value. The best evidence of the fair value at initial recognition is the transaction price (i.e. the fair value of the consideration received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets.

Investment contracts

The fair value of a unit-linked financial liability is determined using the current unit price reflecting the fair values of the financial assets contained within the company's unitised investment funds linked to the financial liability, multiplied by the number of units attributed to the policyholder at a reporting date. No initial profit is recognised immediately as any profit on initial recognition is amortised in line with cash flow projections over the life of the contract.

For investment contracts with fixed and guaranteed terms, the amortised cost basis is used. In this case, the liability is initially measured at its fair value less transaction costs that are incremental and directly attributable to the acquisition or issue of the contract.

Subsequent measurement of investment contracts at amortised cost uses the effective-interest method. This method requires the determination of an interest rate (the effective interest rate) that exactly discounts to the net carrying amount of the financial liability, the estimated future cash payments or receipts through the expected life of the financial instrument.

The liability under investment contracts is derecognised when the contract expires, is discharged or is cancelled by the policyholder. For a contract that can be cancelled by the policyholder, the fair value cannot be less than the surrender value.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective-interest method.

Preference shares, which are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised in the income statement as interest expense.

Trade and other payables

Trade and other payables are recognised initially at fair value, net of transaction costs incurred. Trade and other payables are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit and loss over the period using the effective-interest method.

DEFERRED REVENUE LIABILITY (DRL)

Service fee income on investment management contracts is recognised on an accrual basis as and when the services are rendered. A DRL is recognised in respect of upfront fees, which are directly attributable to a contract that is charged for securing the investment management service contract. The DRL is then amortised to revenue when the services are provided, over the expected duration of the contract on a straight-line basis. Refer to accounting policy for the company and group's revenue recognition policy.

TAXATION

Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the group's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Accounting policies *(continued)*

for the year ended 29 February 2012

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associated companies, except where the group controls the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Secondary tax on companies (STC)

Until 31 March 2012, South African resident companies are subject to a dual corporate tax system, one part of the tax being levied on taxable income and the other, a secondary tax, on distributed income. A company incurs STC charges on the declaration or deemed declaration of dividends (as defined under tax law) to its shareholders. STC is not a withholding tax on shareholders, but a tax on companies. From 1 April 2012, a new dividends tax (DT) will apply. The new DT will be a tax on the recipient shareholder.

The STC tax consequence of dividends is recognised as a taxation charge in the income statement in the same period that the related dividend is accrued as a liability. The STC liability is reduced by dividends received during the dividend cycle. Where dividends declared exceed the dividends received during a cycle, STC is payable at the current STC rate on the net amount. Where dividends received exceed dividends declared within a cycle, there is no liability to pay STC. The potential tax benefit related to excess dividends is carried forward to the next dividend cycle as an STC credit. Deferred tax assets are recognised on unutilised STC credits to the extent that it is probable that the group will declare dividends in the following year to utilise such STC credits.

EMPLOYEE BENEFITS

Pension obligations

The group only has defined-contribution plans. A defined-contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Other post-retirement benefits

The group offers no other post-retirement benefits.

Share-based compensation

The group operates four equity-settled share-based compensation schemes, two relating to PSG Group Limited and two relating to subsidiaries.

For the compensation schemes, the fair value of the employee services received in exchange for the grant of the scheme shares/share options, less the amount paid by the employee, is recognised as an expense. The total amount to be expensed over the vesting period, which is between three and five years, is determined by reference to the fair value of the scheme shares/share options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of scheme shares/share options that are expected to become exercisable. At each reporting date, the entity revises its estimates of the

Accounting policies *(continued)*

for the year ended 29 February 2012

number of scheme shares/share options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period.

If the group cancels or settles a grant of equity instruments during the vesting period, the group accounts for the cancellation or settlement of the grant and recognises immediately the amount that otherwise would have been recognised for services received over the remainder of the vesting period.

The share-based payment costs are recognised in the income statement and a share-based payment reserve is recognised as part of equity and represents the fair value at grant date of the shares/share options that will be delivered on vesting.

Annual leave

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the estimated annual leave as a result of services rendered by employees up to reporting date.

Profit-sharing and bonus plans

The group recognises a liability and an expense for bonus plans and profit-sharing, where contractually obliged, or where there is a past practice that has created a constructive obligation.

PROVISIONS AND CONTINGENT LIABILITIES

Provisions

Provisions are recognised when:

- the group has a present legal or constructive obligation as a result of past events;
- it is more likely than not that an outflow of resources will be required to settle the obligation; and
- the amount has been reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as an interest expense.

Contingent liabilities

A contingent liability is either a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the company or a present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability. These contingent liabilities are not recognised in the statement of financial position but disclosed in the notes to the financial statements.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. These contingent assets are not recognised in the statement of financial position but are disclosed in the notes to the financial statements if the inflow of financial benefits is probable.

LEASES

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

DIVIDEND DISTRIBUTIONS

Dividend distributions to the company's shareholders are recognised as a liability in the period in which the dividends are approved by the company's board of directors.

Accounting policies *(continued)*

for the year ended 29 February 2012

REVENUE RECOGNITION

Revenue comprises the fair value of the consideration received or receivable for services rendered in the ordinary course of the group's activities, as well as interest and dividend income. The group's activities include financial advice, stockbroking, fund management, financing, banking, investing, corporate finance and private education services.

Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the group.

The group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the group's activities as described below. The group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

If circumstances arise that may change the original estimates of revenues, costs or extent of progress toward completion of services, estimates are revised. These revisions may result in increases or decreases in estimated revenues or costs and are reflected in income in the period in which the circumstances that give rise to the revision became known by management.

Rendering of services

Fee income is recognised when the relevant company is unconditionally entitled thereto. No profit is recognised when the outcome of a transaction cannot be estimated reliably. Fee income from the rendering of services can be summarised as follows:

Commissions, dealings and fees

Revenue arising from advisory, stockbroking, portfolio management and education services is recognised in the accounting period in which the services are rendered with reference to completion of the specific transaction.

Investment management and initial fees

Charges for asset management services are paid by its customers using the following different approaches:

- Front-end fees are charged to the client on inception. This approach is used particularly for single-premium contracts. The consideration received is deferred as a liability and recognised over the life of the contract on a straight-line basis.
- Regular fees are charged to the customer by making a deduction from invested funds. Regular charges billed in advance are recognised on a straight-line basis over the billing period; fees charged at the end of the period are accrued as a receivable that is offset against the financial liability in respect of customer investments, when charged to the customer.

Interest income

Interest income is recognised using the effective-interest method. When a receivable is impaired, the group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument and continues unwinding discount as interest income. Interest income is included as part of investment income in the income statement.

Dividend income

Dividend income is recognised when the right to receive payment is established. Dividend income is included as part of investment income in the income statement.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under circumstances.

Accounting policies *(continued)*

for the year ended 29 February 2012

Estimated impairment of goodwill

The group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy on goodwill. The recoverable amounts of cash-generating units have been determined based on value-in-use and fair value less cost to sell calculations. These calculations require the use of estimates (see note 2 for further detail and disclosure of estimates used).

Fair value of derivatives and other unlisted financial instruments

The fair value of financial instruments that are trading on recognised over-the-counter (OTC) platforms is based on the closing price and classified as quoted instruments. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques as disclosed in the policy relating to financial assets. Refer to accounting policy regarding derivative financial instruments for further detail regarding fair value valuation techniques.

Impairment of investment in associated companies

An impairment of investment in associated companies is considered when the fair value is below its carrying value. In determination of whether the decline is significant or prolonged, the following factors may be considered: normal volatility in share price, the financial health of the investee, sector performance, changes in operational and financing cash flow.

An impairment loss is recognised for the amount by which the investment in associated company's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The value in use is calculated with reference to the assumptions set out below.

An asset's fair value less costs to sell is determined with reference to its market price, and its value in use is determined with reference to assessing the fair value of underlying investments, published net asset values or valuation techniques. Valuation techniques used include applying a market-related price/earnings ratio, ranging between 2 and 10 (2011: between 4 and 8), to operational earnings or performing discounted cash flow models to the expected cash flows. The following assumptions are used in performing discounted cash flow models:

Assumptions	**2012 Range**	2011 Range
Weighted average cost of capital (discount rate)	**14% – 20%**	14% – 20%
Growth rate	**0% – 25%**	0% – 25%
Terminal growth rate	**4% – 5%**	5%
Risk-free rate	**6,6%**	8,8%

The directors are satisfied that the group's investment in associated companies are fairly stated. Refer to note 4 for further detail.

Acquisition of associated companies

Details regarding significant new investments in associated companies are disclosed in note 4. Furthermore, the group's interest in certain already existing associated companies were also increased. In accounting for these transactions management had to apply judgement in allocating the purchase price to the identifiable assets and liabilities of the associated companies acquired, or the portion acquired when an additional interest was acquired.

Investment contracts

The group issues a significant number of investment contracts that are designated as at fair value through profit or loss. These financial instruments are not quoted in active markets, and their fair values are determined by using valuation techniques. Such techniques (for example, valuation models) are validated and periodically reviewed by qualified personnel independent of the area that created them. All models are validated before they are used and calibrated to ensure that outputs reflect actual experience and comparable market prices. The investment contract liabilities held at fair value are fully matched with the underlying assets. As such the fair value of the investment contract liabilities is determined with reference to the fair value of the underlying asset. The carrying amount of the investment contract liabilities are R9 144 681 000 (2011: R9 112 357 000).

Accounting policies *(continued)*

for the year ended 29 February 2012

Recognition of intangible assets

With a business combination all identifiable assets are recognised at their respective fair values in the consolidated financial statements. The fair values of intangible assets acquired through business combinations are determined by using a discounted cash flow valuation method. The discount rate is based on the long-term risk-free rate with risk premiums added for market and other company and asset-specific risks. Intangible assets acquired through business combinations were valued using a discount rate of between 15,0% and 23,0% (2011: 18,5% and 22,5%).

Trademarks and customer lists acquired through business combinations or acquisitions are valued on acquisition using discounted cash flow methodology based on assumptions and estimates regarding future revenue growth, weighted cost of capital, marketing costs and other economic factors affecting the value in use of these intangible assets. These assumptions reflect management's best estimates but are subject to inherent uncertainties, which may not be controlled by management.

The cost of the trademarks and customer lists are amortised over their estimated useful lives. The remaining useful lives of intangible assets are re-assessed annually. If the estimate of the remaining useful lives changes, the remaining carrying values are amortised prospectively over that revised remaining useful life.

The main assumptions used in the valuation of key customer lists are the useful lives of these assets and the future profitability and cancellation rate of the underlying revenue streams. The useful life of a key customer list is estimated based on the cancellation experience of the existing business and the useful life of customer lists of other players in the market. For the key customer lists recognised at 29 February 2012 a useful life of 20 years (2011: 20 years) and an average cancellation rate of 11% (2011: 11%) were assumed.

If a useful life of 15 years were applied, the asset value would have been R406 000 (2011: R824 000) lower and if a useful life of 25 years were applied, the asset would have been R252 000 (2011: R340 000) higher. Future profit margins, used in determining customer contracts and relationships values, were consistent with the margins applied in determining the fair value of the related investment.

Refer to the intangible asset accounting policy and note 2 for further detail.

Recognition of property, plant and equipment

The cost of property, plant and equipment is depreciated over their estimated useful lives to their estimated residual values. The remaining useful lives and residual values of property, plant and equipment are re-assessed annually. If the estimates of the remaining useful lives or residual values change, the remaining carrying values are depreciated prospectively, taking into account the revised estimates. Refer to the property, plant and equipment accounting policy and note 1 for further detail.

Notes to the annual financial statements

for the year ended 29 February 2012

GROUP	Land R'000	Buildings R'000	Vehicles and plant R'000	Office equipment R'000	Computer equipment R'000	Total R'000
1. PROPERTY, PLANT AND EQUIPMENT						
As at 29 February 2012						
Cost	**152 458**	**431 542**	**31 457**	**51 007**	**60 356**	**726 820**
Accumulated depreciation		**(1 308)**	**(7 032)**	**(26 546)**	**(37 189)**	**(72 075)**
Balance at end of year	**152 458**	**430 234**	**24 425**	**24 461**	**23 167**	**654 745**
Reconciliation						
Balance at beginning of year	**142 949**	**217 679**	**10 098**	**23 681**	**16 458**	**410 865**
Additions	**9 509**	**212 792**	**17 196**	**7 571**	**16 795**	**263 863**
Disposals			**(126)**	**(961)**	**(171)**	**(1 258)**
Depreciation		**(237)**	**(2 743)**	**(6 189)**	**(10 459)**	**(19 628)**
Subsidiaries acquired				**547**	**631**	**1 178**
Subsidiaries sold				**(188)**	**(87)**	**(275)**
Balance at end of year	**152 458**	**430 234**	**24 425**	**24 461**	**23 167**	**654 745**
As at 28 February 2011						
Cost	142 949	218 709	13 694	43 332	45 232	463 916
Accumulated depreciation		(1 030)	(3 596)	(19 651)	(28 774)	(53 051)
Balance at end of year	142 949	217 679	10 098	23 681	16 458	410 865
Reconciliation						
Balance at beginning of year		5 499	7 486	16 427	8 547	37 959
Additions		76 571	1 348	6 250	12 410	96 579
Disposals		(133)	(189)	(320)	(255)	(897)
Depreciation		(239)	(1 121)	(6 029)	(7 504)	(14 893)
Subsidiaries acquired	142 949	135 981	2 574	7 353	3 260	292 117
Balance at end of year	142 949	217 679	10 098	23 681	16 458	410 865

Details of land and buildings are available at the registered offices of the relevant group companies.

The market value of land and buildings at 29 February 2012, as determined by the directors of the relevant property-owning group companies, amounted to R641 781 000 (2011: R373 251 000).

Notes to the annual financial statements

for the year ended 29 February 2012

GROUP	Deferred acquisition costs R'000	Customer lists R'000	Trademarks and other R'000	Goodwill R'000	Total R'000
2. INTANGIBLE ASSETS					
As at 29 February 2012					
Cost	**9 467**	**425 887**	**60 134**	**729 269**	**1 224 757**
Accumulated amortisation	**(5 605)**	**(82 485)**	**(22 194)**	**(177)**	**(110 461)**
Balance at end of year	**3 862**	**343 402**	**37 940**	**729 092**	**1 114 296**
Reconciliation					
Balance at beginning of year	**4 122**	**325 740**	**34 606**	**660 792**	**1 025 260**
Additions	**1 989**	**41 317**	**10 884**	**10 229**	**64 419**
Disposals		**(26 603)**	**(734)**	**(10 258)**	**(37 595)**
Subsidiaries acquired		**29 987**	**2 005**	**74 639**	**106 631**
Subsidiaries sold		**(27)**	**(570)**	**(716)**	**(1 313)**
Impairment		**(5 925)**		**(5 594)**	**(11 519)**
Amortisation	**(2 249)**	**(21 087)**	**(8 251)**		**(31 587)**
Balance at end of year	**3 862**	**343 402**	**37 940**	**729 092**	**1 114 296**
As at 28 February 2011					
Cost	8 164	396 784	50 698	660 183	1 115 829
Accumulated amortisation	(4 042)	(71 044)	(16 092)	609	(90 569)
Balance at end of year	4 122	325 740	34 606	660 792	1 025 260
Reconciliation					
Balance at beginning of year	3 474	224 819	30 890	521 737	780 920
Additions	2 376	39 345	18 150	526	60 397
Disposals		(11 571)	(6 439)	(9 397)	(27 407)
Subsidiaries acquired		92 882	2 809	153 418	249 109
Derecognised on acquisition of subsidiary		(1 479)	(4 462)	(1 897)	(7 838)
Impairment		(275)		(3 595)	(3 870)
Amortisation	(1 728)	(17 981)	(6 342)		(26 051)
Balance at end of year	4 122	325 740	34 606	660 792	1 025 260

Notes to the annual financial statements

for the year ended 29 February 2012

GROUP

2. INTANGIBLE ASSETS *(continued)*

Intangible assets other than goodwill

Included in other intangibles is computer software to the value of R20 717 000 (2011: R9 091 000).

Included in customer lists are the following material individual intangible assets and their respective remaining amortisation period:

Customer lists originating from the purchase of:	Remaining amortisation period 2012	Remaining amortisation period 2011	Carrying value 2012 R'000	Carrying value 2011 R'000
Multinet Makelaars	**14 years and 1 month**	15 years and 1 month	**55 591**	59 527
Diagonal Street Financial Services	**18 years and 6 months**	19 years and 6 months	**21 803**	22 982
Tlotlisa Securities (T-Sec)	**17 years and 2 months**	18 years and 2 months	**20 600**	21 800
Topexec Management Bureau	**14 years and 2 months**	15 years and 2 months	**18 995**	20 335
PSGK Insurance Solutions	**18 years**	19 years	**15 840**	16 720
			132 829	141 364

Goodwill allocation

Goodwill is allocated to cash-generating units identified according to the operating segments. A segment level summary of goodwill allocation is as follows:

	2012 R'000	2011 R'000
Capitec Bank*	**186 620**	186 620
Thembeka Capital*	**67 408**	67 408
Paladin Capital		30 290
Curro Holdings	**61 366**	
PSG Konsult	**413 698**	376 474
	729 092	660 792

* *Goodwill originally arose with the acquisition of a subsidiary, which held interests in, inter alia, Capitec Bank and Thembeka Capital. The amounts of goodwill have been included in the respective carrying amounts of Capitec Bank and Thembeka Capital, as set out in Annexure A.*

Notes to the annual financial statements

for the year ended 29 February 2012

GROUP

2. INTANGIBLE ASSETS *(continued)*

Capitec Bank, Thembeka Capital and Paladin Capital

The recoverable amount is determined based on the higher of fair value less cost to sell and value-in-use calculations. Since the fair value less cost to sell exceeded the aggregate carrying value of the investment in the associated company and related allocated goodwill, no value-in-use calculations were considered necessary.

Curro Holdings

The recoverable amounts of the cash-generating units (CGUs), which are mostly represented by schools or campuses, are determined using value-in-use calculations. The key assumptions for the value-in-use calculations are as follows:

	2012	2011
Risk-free rate	**7,70%**	8,16%
Tax rate	**28,00%**	28,00%
Terminal growth rate (estimated growth in enrolment numbers)	**10,00%**	9,00%
Discount rate	**15,00%**	15,00%

The directors were satisfied that there were no impairment indicators.

PSG Konsult

When goodwill is tested for impairment, the recoverable amount of the CGU is determined based on the fair value less cost to sell basis. As there is no active market, the fair value was determined based on the price/earning ratio basis, whereby a calculated price/earnings ratio is multiplied by the current year earnings of the CGU. Price/earnings ratios used by management are determined with reference to similar listed companies as well as recent transactions that occurred within the PSG Konsult Group. The average price/earnings ratio applied was 7,5 (2011: 7,5).

Trademarks were evaluated for impairment using the most recent price/earnings ratios for similar transactions in the market. The price/earnings ratios used vary from 2 to 10 with an average of 7,5 (2011: 4 to 12, with an average of 7,5 – 9,5). The recoverable amount of a CGU is therefore determined based on a fair value less cost to sell basis.

Customer lists were evaluated for impairment using the most recent price/earnings ratios for similar transactions in the market. The range of price/earnings ratios used vary from 2 to 10, with an average of 7,5 (2011: 4 to 12, with an average of 7,5 – 9,5). The recoverable amount of a CGU is therefore determined based on a fair value less cost to sell basis.

Key assumptions used for the value-in-use calculations are as follows:

	2012	2011
Risk-free rate	**6,60%**	7,77%
Tax rate	**28,00%**	28,00%
Terminal growth rate	**4,00%**	4,00%
Discount rate	**16,48%**	16,00% – 17,00%

Included under the impairment charge for the year was an amount of R2 084 000 (2011: R3 870 000) as a result of the profit guarantee not being met and the adjustment was made to the income statement in terms of IFRS 3 revised as the acquisition was recorded after 1 March 2010, as well as an amount of R7 859 000 (2011: Rnil) due to the restructuring of a CGU within a subsidiary.

Notes to the annual financial statements

for the year ended 29 February 2012

2. INTANGIBLE ASSETS *(continued)*

PSG Konsult *(continued)*

Further information regarding impairment testing

Where fair value information is easily accessible (i.e. quoted prices available), the group calculates the recoverable amount of CGUs based on 'fair value less cost to sell'.

	COMPANY	
	2012	2011
	R'000	R'000
3. INVESTMENT IN SUBSIDIARY		
Unlisted shares at cost less provision for impairment	**1 012 759**	808 182
Amount due by PSG Financial Services Ltd	**1 519 098**	1 147 704
	2 531 857	1 955 886

The loan to PSG Financial Services Ltd has no fixed repayment terms and is interest-free.

The increase in the loan account is the result of new shares that were issued by PSG Group Ltd for which the cash was received by the subsidiary.

Refer to Annexure A for further information.

Notes to the annual financial statements

for the year ended 29 February 2012

	GROUP	2012 R'000	2011 R'000
4.	**INVESTMENT AND LOANS IN ASSOCIATED COMPANIES**		
	Carrying value of ordinary share investments		
	Listed	**2 456 945**	2 105 496
	Unlisted	**3 214 549**	2 629 853
		5 671 494	4 735 349
	Preference share investments – Unlisted	**374 512**	370 710
	Thembeka Capital Ltd		
	"A" preference shares	**165 285**	149 577
	The preference shares are unsecured and carry a dividend rate of prime plus 1%. Capital and accrued dividends are redeemable on 1 December 2015.		
	"B" preference shares	**59 838**	54 939
	The preference shares are unsecured and carry a dividend rate of 95% of prime. Capital and accrued dividends are redeemable on 1 December 2015.		
	Thembeka OVB Holdings (Pty) Ltd	**66 101**	61 659
	The preference shares are unsecured and carry a dividend rate of prime. Capital and accrued dividends are redeemable on 3 March 2016.		
	Thembeka Crete Holdings (Pty) Ltd	**83 288**	104 535
	The preference shares are secured and carry a dividend rate of prime plus 4%. Capital and accrued dividends are redeemable on 1 December 2012. During the year under review an impairment provision of R29,2 million (2011: Rnil) was raised against the carrying value due to a decline in the fair value of the underlying security.		
	Ordinary and preference share investments	**6 046 006**	5 106 059
	Loans	**71 609**	106 286
	GRW Holdings (Pty) Ltd	**4 936**	7 537
	Unsecured loan bearing interest at prime and is repayable within 12 months.		
	Propell Group Holdings (Pty) Ltd	**21 194**	28 500
	Unsecured loan bearing interest at prime plus 5% and is repayable within 12 months.		
	AIC Holding Company (Pty) Ltd	**6 257**	8 617
	Unsecured loan, no interest and with no fixed repayment terms.		
	Spirit Capital (Pty) Ltd	**1 552**	1 891
	Unsecured loan bearing interest at prime plus 4% and is repayable within 12 months.		
	Spirit Capital Corporate Finance (Pty) Ltd (a subsidiary of Spirit Capital (Pty) Ltd)		
	Loan secured by unlisted equity shares, bearing interest at prime plus 4% and is repayable within 12 months.		20 000
	Loan secured by unlisted equity shares, bearing interest at prime plus 6% and is repayable within 12 months.		14 742

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for the year ended 29 February 2012

GROUP	2012 R'000	2011 R'000
4. INVESTMENT AND LOANS IN ASSOCIATED COMPANIES *(continued)*		
Loans (continued)		
Loan secured by unlisted equity shares, bearing interest at 20% and is repayable by 30 April 2013.	**8 468**	14 724
Erbacon	**14 238**	
Unsecured loan bearing interest at prime plus 5% and is repayable by 31 August 2012.		
Other associated companies	**14 964**	10 275
Unsecured loans bearing interest ranging from interest-free to 8,82%, which are all repayable within 12 months.		
	6 117 615	5 212 345
Loans and preference shares – Unlisted		
Current portion	**146 429**	91 562
Non-current portion	**299 692**	385 434
	446 121	476 996
Reconciliation		
Carrying value at beginning of year	**4 735 349**	4 025 995
Share of profit after tax	**684 087**	560 938
Impairment charges	**(40 954)**	(36 130)
Movement in investment value		
Dividends received	**(190 918)**	(180 915)
Acquisitions	**346 327**	672 029
Disposal of associated companies	**(76 043)**	(373 376)
Net dilution gain of interest in associated companies	**174 587**	15 040
Transfer to subsidiaries	**(2 090)**	(49 370)
Transfer from equity securities at fair value	**61 120**	56 060
Share of movement in other comprehensive income of associated companies*	**(20 081)**	16 977
Other movements	**110**	28 101
Carrying value at end of year	**5 671 494**	4 735 349
Market value of listed investments	**6 278 004**	5 447 723

Notes to the annual financial statements

for the year ended 29 February 2012

GROUP

4. INVESTMENT AND LOANS IN ASSOCIATED COMPANIES *(continued)*

Acquisitions

Significant acquisitions during the current year included increasing the group's already existing interest in NWK Ltd by investing a further R117,6 million. Furthermore, the group also invested an additional R114,1 million in Capespan Group Ltd, R21,2 million in Impak Onderwysdiens and R29,6 million in Petmin Ltd.

Significant acquisitions during the previous year included further investments in Capitec Bank Ltd and Kaap Agri Ltd, to the amount of R424,1 million and R72,2 million, respectively. A further investment was also made in Capevin Holdings Ltd, to the amount of R37,7 million.

Disposals

Significant disposals during the current year included the group's interests in MGK Business Investments Ltd and IQuad Group Ltd.

Significant disposals during the previous year included the group's interests in CIC Holdings Ltd and KWV Holdings Ltd.

Impairments

The impairment charges recognised on the investment in associated companies were calculated on the basis set out in the accounting policy, and making use of the assumptions set out in the critical accounting estimates and judgements note.

During the year under review the carrying value of the investment in Erbacon Investment Holdings Ltd, a construction company which was severely affected by the economic recession, was impaired by R37,1 million (2011: R34,7 million) with the balance of the current year group impairment charge relating to the investment in IQuad Group Ltd which was disposed of during the year.

The impairment charges recognised on the investment in associated companies can be allocated to the operating segments as follows:

	2012 R'000	2011 R'000
Paladin Capital	**(40 954)**	(34 686)
Zeder Investments		(1 444)
	(40 954)	(36 130)

Refer to Annexure A for further information regarding investments in associated companies.

	2012 R'000	2011 R'000
5. DEFERRED INCOME TAX		
Deferred income tax assets	**51 289**	48 425
Deferred income tax liabilities	**(139 913)**	(126 437)
Net deferred income tax liabilities	**(88 624)**	(78 012)
Deferred income tax assets		
To be recovered within 12 months	**31 742**	27 882
To be recovered after 12 months	**19 547**	20 543
	51 289	48 425
Deferred income tax liabilities		
To be recovered within 12 months	**(52 726)**	(13 719)
To be recovered after 12 months	**(87 187)**	(112 718)
	(139 913)	(126 437)

Notes to the annual financial statements

for the year ended 29 February 2012

GROUP	Provisions R'000	Tax losses and STC R'000	Unrealised profits R'000	Intangible assets and other differences R'000	Total R'000
5. DEFERRED INCOME TAX *(continued)*					
The movement in the deferred tax asset and liabilities during the year was as follows:					
At 1 March 2010	4 641	4 928	(34 016)	(45 968)	(70 415)
Credit/(charges) to profit and loss	3 879	(1 652)	(8 327)	14 234	8 134
Credit/(charges) to other comprehensive income	(37)	(2)	838		799
Release to investment contract liabilities			21 880		21 880
Subsidiaries acquired		1 088	(12 234)	(27 264)	(38 410)
At 28 February 2011	8 483	4 362	(31 859)	(58 998)	(78 012)
Credit/(charges) to profit and loss	**(227)**	**18 526**	**(7 854)**	**(13 066)**	**(2 621)**
Credit/(charges) to other comprehensive income			**(49)**		**(49)**
Subsidiaries acquired	**214**	**5 128**	**(328)**	**(24 601)**	**(19 587)**
Subsidiaries sold	**(101)**	**(1 797)**		**232**	**(1 666)**
Other movement	**(32)**		**10 508**	**2 835**	**13 311**
At 29 February 2012	**8 337**	**26 219**	**(29 582)**	**(93 598)**	**(88 624)**

The STC liability, should all distributable reserves be paid out, amounts to R211 023 000 (2011: R174 178 000).

Deferred tax on temporary differences relating to financial assets that are measured at fair value through profit or loss, which form part of the group's long-term investment strategy, is calculated using the capital gains tax rate.

The deferred income tax assets and liabilities were calculated on all temporary differences under the liability method using an effective tax rate of 28% (2011: 28%). For STC credits a rate of 10% (2011: 10%) was used.

The recoverability of the deferred income tax assets were assessed as set out in the accounting policies.

	2012 R'000	2011 R'000
6. DERIVATIVE FINANCIAL INSTRUMENTS		
Derivative financial assets	**10 159**	10 569
Derivative financial liabilities	**(45 261)**	(5 988)
Net derivative financial instruments	**(35 102)**	4 581
Derivative financial assets		
Current portion	**10 159**	10 569
Non-current portion		
Derivative financial liabilities		
Current portion	**(33 569)**	(5 988)
Non-current portion	**(11 692)**	
	(35 102)	4 581
Analysis of net derivative balance		
Equity/index contracts		
Fixed-for-variable interest rate swap (refer note 38)	**(36 803)**	4 546
Contracts for difference	**1 701**	35
	(35 102)	4 581

Trading derivatives are classified as current financial assets and liabilities valued at fair value through profit or loss. The fair value of the financial instruments that are trading on recognised over-the-counter (OTC) platforms is based on the closing price and classified as quoted instruments. The value of the CFD assets, as reflected on the statement of financial position, is derived from and corresponds directly to the closing JSE equity market price of the CFD's underlying listed instruments that clients hold. The fair value of interest rate swaps was determined as the difference between the floating leg and the fixed leg of the swap. The fair value of the fixed leg is set equally to the present value of fixed interest payments discounted at the risk-free rate plus a margin. The floating leg was valued by discounting projected floating leg payments using a risk-free rate plus a margin.

Notes to the annual financial statements

for the year ended 29 February 2012

GROUP

6. **DERIVATIVE FINANCIAL INSTRUMENTS** *(continued)*

The fair value adjustments on derivative financial instruments included in Net fair value gains and losses on financial assets (note 24 to the annual financial statements) amounts to R108 045 365 (2011: R116 283 681).

This includes a fair value loss of R66 696 000 (2010: R123 052 001) relating to the linked investment contracts. A corresponding fair value gain, to the same amount, earned from the assets backing the investment contract liabilities, is also included in the Net fair value gains and losses on financial assets.

	2012 R'000	2011 R'000
7. EQUITY SECURITIES		
Direct equity investments	**545 489**	271 850
Quoted	**370 487**	161 947
Unquoted	**175 002**	109 903
Investments linked to investment contracts (refer note 19)	**865 352**	856 521
Quoted	**865 352**	856 521
Unquoted		
	1 410 841	1 128 371

Included in quoted equity securities are listed investments to the value of R1 235 836 000 (2011: R921 344 000).

	Available-for-sale R'000	Fair value through profit or loss R'000	Total R'000
Reconciliation			
Carrying amount at 1 March 2010	1 789	1 003 072	1 004 861
Additions	105	569 257	569 362
Disposals	(1 549)	(518 541)	(520 090)
Subsidiaries acquired		64 799	64 799
Disposal of subsidiaries		(13 268)	(13 268)
Transfer to investment in associated companies at fair value		(56 060)	(56 060)
Unrealised fair value net gains and reinvestments		78 767	78 767
Carrying amount at 28 February 2011	345	1 128 026	1 128 371
Additions	**740**	**437 319**	**438 059**
Disposals	**(264)**	**(235 970)**	**(236 234)**
Subsidiaries acquired		**39 239**	**39 239**
Disposal of subsidiaries		**(64 799)**	**(64 799)**
Transfer to investment in associated companies at fair value		**(61 120)**	**(61 120)**
Unrealised fair value net gains and reinvestments		**167 325**	**167 325**
Carrying amount at 29 February 2012	**821**	**1 410 020**	**1 410 841**

The unquoted equity securities relate to advances which are linked to equity instruments. In terms of these agreements, the group is entitled to the majority of the increase in the market value of the underlying equity securities and the dividends received on these securities. The advances are impaired to the value of the underlying instruments should the market value of the instruments fall below the current carrying value of the advances.

	2012 R'000	2011 R'000
Current portion	**511 930**	380 086
Non-current portion	**898 911**	748 285
	1 410 841	1 128 371

Notes to the annual financial statements

for the year ended 29 February 2012

	GROUP	2012 R'000	2011 R'000
8.	**DEBT SECURITIES**		
	Direct investments	**29 255**	29 235
	Quoted	**29 255**	29 235
	Unquoted		
	Investments linked to investment contracts (refer note 19)	**1 836 866**	2 056 114
	Quoted	**1 836 866**	2 056 114
	Unquoted		
		1 866 121	2 085 349

Included in quoted debt securities are listed investments to the value of R82 057 000 (2011: R307 552 000).

	Held-to-maturity R'000	Fair value through profit or loss R'000	Total R'000
Reconciliation			
Carrying amount at 1 March 2010	477 771	1 170 900	1 648 671
Additions	256 238	387 406	643 644
Disposals		(355 549)	(355 549)
Unrealised fair value net gains and reinvestments		101 205	101 205
Finance income	80 458		80 458
Subsidiaries sold		(17 348)	(17 348)
Maturity	(15 732)		(15 732)
Carrying amount at 28 February 2011	798 735	1 286 614	2 085 349
Additions	**155 182**	**128 610**	**283 792**
Subsidiaries acquired		**11 626**	**11 626**
Disposals		**(691 466)**	**(691 466)**
Maturity	**(1 204)**		**(1 204)**
Unrealised fair value net gains and reinvestments	**432**	**58 079**	**58 511**
Finance income	**119 513**		**119 513**
Carrying amount at 29 February 2012	**1 072 658**	**793 463**	**1 866 121**

	2012 R'000	2011 R'000
Current portion	**92 639**	123 624
Non-current portion	**1 773 482**	1 961 725
	1 866 121	2 085 349

The fair value of the unquoted debt securities is stated at directors' valuation based on discounted cash flow valuation methodologies using market interest rates and the risk premium specific to the unquoted securities or is determined by comparing it to the value of the underlying investments.

Notes to the annual financial statements

for the year ended 29 February 2012

	GROUP	2012 R'000	2011 R'000
9.	**UNIT-LINKED INVESTMENTS**		
	Direct investments	**191 662**	251 599
	Quoted	**190 058**	228 371
	Unquoted	**1 604**	23 228
	Investments linked to investment contracts (refer note 19)	**5 230 813**	4 756 430
	Quoted	**3 538 631**	3 193 488
	Unquoted	**1 692 182**	1 562 942
		5 422 475	5 008 029

R13 873 000 (2011: R140 952 000) of the quoted unit-linked investments are listed.

	Fair value through profit or loss R'000	Total R'000
Reconciliation		
Carrying amount at 1 March 2010	4 960 221	4 960 221
Additions	1 687 496	1 687 496
Disposals	(2 140 369)	(2 140 369)
Disposal of subsidiaries	(34 934)	(34 934)
Unrealised fair value net gains and reinvestments	535 615	535 615
Carrying amount at 28 February 2011	5 008 029	5 008 029
Additions	**4 195 170**	**4 195 170**
Disposals	**(4 117 917)**	**(4 117 917)**
Subsidiaries acquired	**1 674**	**1 674**
Subsidiaries sold	**(19 983)**	**(19 983)**
Derecognised on acquisition of subsidiary	**(79 151)**	**(79 151)**
Unrealised fair value net gains and reinvestments	**434 653**	**434 653**
Carrying amount at 29 February 2012	**5 422 475**	**5 422 475**

	2012 R'000	2011 R'000
Current portion	**1 870 753**	1 097 856
Non-current portion	**3 551 722**	3 910 173
	5 422 475	5 008 029

Fair value of the unit-linked investments are determined by reference to the underlying assets, taking into account any relevant credit risk associated with the underlying assets.

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for the year ended 29 February 2012

	GROUP	2012 R'000	2011 R'000
10.	**INVESTMENT IN INVESTMENT CONTRACTS**		
	Reconciliation		
	Balance at beginning of year	**1 108 686**	975 001
	Investment contract premiums paid	**65 829**	328 846
	Investment contracts benefits received	**(247 979)**	(247 453)
	Fair value adjustment/finance income charged to investment contracts	**77 349**	52 292
	Balance at end of year	**1 003 885**	1 108 686
	Current portion	**376 694**	342 375
	Non-current portion	**627 191**	766 311
		1 003 885	1 108 686
	Held at fair value through profit or loss	**535 385**	727 627
	Held-to-maturity	**468 500**	381 059
		1 003 885	1 108 686

Fair value of the investment in investment contracts is determined by reference to the underlying assets and all these investments are linked to investment contract liabilities (refer note 19). All the underlying assets have quoted prices which are used in the fair value determination.

		2012 R'000	2011 R'000
11.	**LOANS AND RECEIVABLES**		
	Direct investments		
	Secured loans*	**18 197**	
	Unsecured loans**	**67 529**	42 508
		85 726	42 508
	Current portion	**49 051**	32 124
	Non-current portion	**36 675**	10 384
		85 726	42 508

* *Collateral in the form of ordinary shares in Precrete Holdings (Pty) Ltd and Curro Holdings Ltd was offered for the loans receivable.*

** *An amount of R3 776 000 (2011: R7 529 000) is included under unsecured loans and is due from various financial advisors with PSG Konsult. Repayments commenced on 1 November 2008 in 60 equal monthly instalments and accrue interest at a rate of prime less 1%. The remaining balance of the unsecured loans is also due from financial advisors and is made up as follows: R51 878 000 (2011: R23 406 000) is repayable in monthly instalments and the effective interest rates applied range between 7% and 11% (2011: 7,63% and 11,63%), R217 000 (2011: Rnil) is repayable in monthly instalments with a fixed interest of 10,5% and R11 190 000 (2011: R10 180 000) is interest-free and repayable on demand. The remaining unsecured loans are interest-free and repayable on demand.*

The effective interest rates applied to calculate the carrying values ranged from 5% to 11% (2011: 6% to 12%).

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for the year ended 29 February 2012

		GROUP		COMPANY	
		2012	2011	**2012**	2011
		R'000	R'000	**R'000**	R'000
12.	**RECEIVABLES**				
	Trade receivables	**83 381**	97 049		
	Broker and clearing houses**	**2 252 659**	68 786		
	Contracts for differences	**21 469**	16 846		
	Prepayments and sundry debtors*	**133 945**	11 128	**8**	170
	Total trade and other receivables	**2 491 454**	193 809	**8**	170
	Current portion	**2 488 778**	190 979	**8**	170
	Non-current portion	**2 676**	2 830		
		2 491 454	193 809	**8**	170

* *Includes non-financial assets of R10 043 000 (2011: R7 985 000).*

** *Included under receivables are PSG Online broker and clearing accounts of which R2,3 billion represents amounts owing by the JSE for trades in the last few days before year-end. These balances fluctuate on a daily basis depending on the activity in the markets. The group does not carry any credit risk on these clearing accounts. The control account for the settlement of these transactions is included under trade and other payables (refer note 22), with the settlement to the clients taking place within three days after the transaction date.*

		GROUP		COMPANY	
		2012	2011	**2012**	2011
		R'000	R'000	**R'000**	R'000
13.	**CASH AND CASH EQUIVALENTS**				
	Cash at bank and money market funds	**725 597**	1 127 865	**127**	92
	Short-term deposits	**60**	2 830		
		725 657	1 130 695	**127**	92

The effective interest rate on short-term deposits was 5,5% (2011: 5,5%). These deposits have an average maturity of 30 days or less.

Cash and cash equivalents included above relating to investment contract liabilities amounted to R97 218 000 (2011: R224 028 000).

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	GROUP		COMPANY	
	2012	2011	**2012**	2011
	R'000	R'000	**R'000**	R'000
14. SHARE CAPITAL				
Authorised				
400 000 000 shares with a par value of 1 cent each (2011: 400 000 000)	**4 000**	4 000	**4 000**	4 000
Issued				
202 724 410 shares with a par value of 1 cent each (2011: 190 261 563)	**2 027**	1 903	**2 027**	1 903
13 873 895 shares held by a subsidiary company (2011: 13 873 895)	**(147)**	(139)		
4 852 151 shares held by associated companies (2011: 5 024 768)	**(49)**	(50)		
4 385 202 shares held by share incentive trusts (2011: 5 101 527)	**(44)**	(51)		
	1 787	1 663	**2 027**	1 903

Unissued shares, limited to 5% of the number of the company's shares in issue at 28 February 2011, are placed under the control of the directors until the next annual general meeting. The directors are authorised to buy back shares subject to certain limitations and JSE Listings Requirements.

Share schemes

During the current and prior year PSG Group had two equity-settled share incentive schemes, being the deferred delivery and supplementary share schemes. In terms of these schemes, shares/share options are granted to executive directors, senior and middle management. In addition to above two subsidiaries granted share options to executive directors and executive management, both effective for the first time during the current year.

For the share incentive schemes the shares/share options are allocated to participants at grant date at market price. The settlement of the purchase consideration payable by the employee in terms of the shares granted occurs on delivery/vesting.

The weighted average fair value of the shares/share options issued in terms of the equity-settled share schemes during the year under review, calculated using the Black-Scholes valuation model, was R10,24 (2011: R10,48) per share.

The assumptions made regarding share options issued are set out as part of the PSG Group Supplementary Share Incentive Trust disclosures in this note.

The total share-based payment costs recognised in the income statement was R11 752 000 (2011: R6 081 000). A share-based payment reserve of R41 387 000 (2011: R30 290 000) was recognised as part of equity and represents the fair value of the shares and share options determined at grant date, being recognised over the respective vesting periods.

PSG Group Share Incentive Trust

The PSG Group Share Incentive Trust currently holds 711 000 (2011: 1 140 000) PSG Group Ltd shares which have been allocated to participants at a total consideration of R12,7 million (2011: R20,4 million). The maximum number of shares which may be offered to participants is 10% of the issued share capital of the company at any time.

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	PSG Group Ltd shares **2012**	2011
14. SHARE CAPITAL *(continued)*		
Number of shares allocated at beginning of year	**1 140 000**	2 095 000
Number of shares released to participants during the year	**(429 000)**	(955 000)
Number of shares allocated at end of year	**711 000**	1 140 000

The weighted average market share price of the shares released during the year amounted to R43,21 (2011: R29,05).

Granting of shares occurred as follows:	Number of shares	Price R
26 October 2006	36 000	20,16*^
21 April 2008	450 000	17,81^
23 April 2008	225 000	17,59^
	711 000	

* *In October 2006, PSG Group undertook a rights offer whereby 1 rights offer share was allocated for every 12 PSG Group shares held. As a result, the PSG Group Share Incentive Trust was allocated 315 343 rights offer shares. At the time, the ruling price of a rights offer share amounted to R5,25 per share. The vesting price of each PSG Group deferred delivery share tranche was consequently reduced by 43,75 cents per share. In August 2008, PSG Group paid a special dividend. The vesting price of each PSG Group deferred delivery share tranche was consequently reduced by 200 cents per share.*

^ *In September 2009, Paladin Capital Ltd, a subsidiary company, conducted a renounceable rights issue in terms of which PSG Group renounced 64% of its Paladin rights in favour of PSG Group shareholders. In terms of the PSG Group Share Incentive Trust deed, the vesting price of outstanding scheme shares needed to be adjusted to give effect to same. The vesting price of each outstanding PSG Group share was consequently reduced by the 21,362 cents volume weighted average traded price per Paladin right during the time of the rights issue, which equated to 8,972 cents per PSG Group share on the basis of 1 rights offer share for every 2,381 PSG Group shares held.*

Vesting of shares occurs as follows:	%
2 years after grant date	30
3 years after grant date	25
4 years after grant date	20
5 years after grant date	15
6 years after grant date	10
	100

Analysis of outstanding scheme shares by year of maturity:	**2012** Weighted average strike price (R)	**2012** Number	2011 Weighted average strike price (R)	2011 Number
Financial year-end				
2011/12			18,04	429 000
2012/13	**18,00**	**336 000**	18,00	336 000
2013/14	**17,74**	**225 000**	17,74	225 000
2014/15	**17,74**	**150 000**	17,74	150 000
		711 000		1 140 000

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14. SHARE CAPITAL *(continued)*

PSG Group Supplementary Share Incentive Trust

The PSG Group Supplementary Share Incentive Trust currently holds 3 674 202 (2011: 3 961 527) PSG Group Ltd shares, of which 3 518 844 (2011: 3 892 759) have been allocated as share options to participants at a total consideration of R86,3 million (2011: R103,6 million). The maximum number of shares which may be offered to participants is 10% of the issued share capital of the company at any time.

	PSG Group Ltd shares 2012	PSG Group Ltd shares 2011
Number of shares allocated at beginning of year	**3 892 759**	2 457 448
Number of shares cancelled during the year	**(463 226)**	(388 158)
Number of shares vested during the year	**(517 328)**	
Number of shares allocated during the year	**606 639**	1 823 469
Number of shares allocated at end of year	**3 518 844**	3 892 759

Granting of shares occurred as follows:	**Number of shares**	Price R	Volatility used %	Dividend yield %	Risk-free rate %	Fair value R
20 April 2009	**445 290**	15,52^	37,2	2,6	8,1	4,83
28 August 2009	**528 898**	18,77^	35,7	2,1	8,0	5,84
28 February 2010	**310 924**	22,09	33,6	2,3	8,1	6,54
10 June 2010	**511 521**	26,16	31,2	1,9	7,8	7,56
28 February 2011	**1 115 572**	39,61	26,4	1,7	7,6	10,48
29 February 2012	**606 639**	47,39	21,0	1,7	6,5	10,24
	3 518 844					

^ In September 2009, Paladin Capital Ltd, a subsidiary company, conducted a renounceable rights issue in terms of which PSG Group renounced 64% of its Paladin rights in favour of PSG Group shareholders. In terms of the PSG Group Supplementary Share Incentive Trust deed, the vesting price of outstanding share options needed to be adjusted to give effect to same. The vesting price of each outstanding PSG Group share option was consequently reduced by the 21,362 cents volume weighted average traded price per Paladin right during the time of the rights issue, which equated to 8,972 cents per PSG Group share on the basis of 1 rights offer share for every 2,381 PSG Group shares held.

Vesting of shares occurs as follows:	%
2 years after grant date	25
3 years after grant date	25
4 years after grant date	25
5 years after grant date	25
	100

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for the year ended 29 February 2012

14. SHARE CAPITAL *(continued)*

Analysis of outstanding scheme shares by year of maturity:	**2012** Weighted average strike price (R)	**2012** Number	2011 Weighted average strike price (R)	2011 Number
Financial year-end				
2011/12			18,45	517 323
2012/13	**26,70**	**835 143**	26,59	973 190
2013/14	**29,88**	**986 804**	26,59	973 190
2014/15	**29,88**	**986 804**	26,59	973 190
2015/16	**38,64**	**558 433**	35,84	455 866
2016/17	**47,39**	**151 660**		
		3 518 844		3 892 759

Share incentive schemes of subsidiaries

PSG Konsult

Effective 1 March 2011, the subsidiary granted share options to executive directors and executive management, replacing the phantom share incentive scheme as used before.

For the share incentive schemes the share options are allocated to participants at grant date at market price. The settlement of the purchase consideration payable by the employee in terms of the shares granted occurs on delivery/vesting.

The assumptions made regarding share options issued are set out in this note.

The total share-based payment costs recognised in the income statement was R2 283 000. The scheme vests over a five-year period commencing 1 March 2013. The share-based payment cost expensed during the year was recognised as part of equity.

The total fair value of the 27 761 084 share options granted is R7 226 861 and was determined using the Black-Scholes valuation model. The maximum number of shares which may be offered to participants is 5% of the issued share capital of the company at any time.

Vesting of shares occurs as follows:	%
2 years after grant date	25
3 years after grant date	25
4 years after grant date	25
5 years after grant date	25
	100

Granting of shares occurred as follows:	**Number of shares**	Price R	Volatility used %	Dividend yield %	Risk-free rate %	Fair value R
1 March 2011	**27 761 084**	1,54	4,75	5,65	7,89	1,75

Notes to the annual financial statements

for the year ended 29 February 2012

14. SHARE CAPITAL *(continued)*

Analysis of outstanding scheme shares by year of maturity:	2012 Weighted average strike price (R)	2012 Number
Financial year-end		
2012/13	**1,54**	**6 940 271**
2013/14	**1,54**	**6 940 271**
2014/15	**1,54**	**6 940 271**
2015/16	**1,54**	**6 940 271**
		27 761 084

Curro

Curro has established a share incentive scheme for certain key members of management.

Each employee's share option converts into one ordinary share of the company on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights.

Options may be exercised at any time from the date of vesting to the date of their expiry.

The following awards have been made in terms of the share incentive scheme:

Vesting of shares occurs as follows:	%
2 years after grant date	25
3 years after grant date	25
4 years after grant date	25
5 years after grant date	25
	100

Granting of shares occurred as follows:

Vesting year	Number of options issued	Price R	Fair value R	Grant date share price R	Volatility used %	Risk-free rate %
29 September 2013	**1 065 426**	5,93	1,59	5,89	39,45	6,56
29 September 2014	**1 065 426**	5,93	2,00	5,89	39,45	6,56
29 September 2015	**1 065 426**	5,93	2,35	5,89	39,45	6,56
29 September 2016	**1 065 426**	5,93	2,65	5,89	39,45	6,56
Total	**4 261 704**					

No share options were exercised during the year.

The share options outstanding at the end of the year had an exercise price of R5,93 and a weighted average remaining contractual life of 1 279 days.

Notes to the annual financial statements

for the year ended 29 February 2012

GROUP	Available-for-sale R'000	Foreign currency translation R'000	Share-based payment R'000	Other* R'000	Total R'000
15. OTHER RESERVES					
Balance as at 1 March 2010	(1 675)	(967)	24 209	(668)	20 899
Share-based payment costs – employees			6 081		6 081
Share of other comprehensive income of associated companies				9 744	9 744
Disposal of investment in associated company				4 212	4 212
Currency translation adjustments		(873)			(873)
Fair value gains on investments	781				781
Other				152	152
Balance as at 28 February 2011	(894)	(1 840)	30 290	13 440	40 996
Share-based payment costs – employees			**11 097**		**11 097**
Share of other comprehensive income of associated companies				**42 979**	**42 979**
Recycling of share of associated company's other comprehensive income on disposal				**(62 920)**	**(62 920)**
Currency translation adjustments		**242**			**242**
Fair value gains on investments	**345**				**345**
Balance as at 29 February 2012	**(549)**	**(1 598)**	**41 387**	**(6 501)**	**32 739**

* *Relates mainly to other comprehensive income attributable to associated companies.*

	2012 R'000	2011 R'000
16. NON-CONTROLLING INTEREST		
Non-controlling interest – Other than subsidiary preference shares	**1 953 471**	1 967 685
Non-controlling interest – Cumulative, non-redeemable, non-participating preference shares of subsidiary company	**1 234 167**	1 058 143
	3 187 638	3 025 828

Cumulative, non-redeemable, non-participating preference shares of subsidiary company

Authorised

20 000 000 (2011: 20 000 000) cumulative, non-redeemable, non-participating preference shares of R1,00 (2011: R1,00) each.

Issued

13 419 479 (2011: 11 885 206) cumulative, non-redeemable, non-participating preference shares of R1,00 (2011: R1,00) each.

The discretionary preference dividend is calculated on a daily basis at 83,33% (2011: 75%) of the prime interest rate and is payable in two semi-annual instalments. Arrear preference dividends shall accrue interest at the prime overdraft rate.

Notes to the annual financial statements

for the year ended 29 February 2012

	GROUP	2012 R'000	2011 R'000
17.	**INSURANCE CONTRACTS**		
	Balance at beginning of year	**29 896**	30 344
	Liabilities released for payments on death, surrender and other terminations for the year	**(3 277)**	(3 237)
	Fees deducted from account balances	**(226)**	(230)
	Transfer to policyholder funds	**3 556**	3 019
	Balance at end of year	**29 949**	29 896
18.	**BORROWINGS**		
	Non-current		
	Redeemable preference shares	**132 688**	160 000
	Unsecured loans	**222 200**	199 239
	Secured loans	**339 183**	182 337
	Total non-current borrowings	**694 071**	541 576
	Current		
	Bank overdrafts and CFD facilities	**95 065**	3 372
	Unsecured loans	**62 813**	126 350
	Unsecured bonds		114 520
	Secured loans	**38 947**	26 036
	Total current borrowings	**196 825**	270 278
	Total borrowings	**890 896**	811 854

The carrying value of current and non-current borrowings approximates their fair value.

The secured loans and redeemable preference shares are secured by the pledge of listed shares, to the value of R5 005 339 216 (2011: R4 432 956 000), and the shareholding in a subsidiary, PSG Online (Pty) Ltd. In terms of the surety agreements, the value of security provided could be increased or reduced should there be a significant change in the market value of the listed shares pledged.

The effective interest rates applied to borrowings range between 9,5% and 12,4% (2011: 7,5% and 13%).

A subsidiary listed a bond (PSG01 with a nominal issue value of R110 000 000) on the Bond Exchange of South Africa during 2007. The bond was redeemed on 12 October 2011 and carried interest at a fixed rate of 10,79%. Accrued interest at the previous reporting date amounted to R4 520 000.

Notes to the annual financial statements

for the year ended 29 February 2012

	GROUP	2012 R'000	2011 R'000
19.	**INVESTMENT CONTRACTS**		
	Balance at beginning of year	**9 112 357**	8 215 825
	Investment contract receipts	**1 291 953**	1 788 009
	Investment contract benefits paid	**(1 838 620)**	(1 523 019)
	Commission and administration expenses	**(45 112)**	(18 616)
	Adjustments to investment contract liability	**624 103**	650 158
	Balance at end of year	**9 144 681**	9 112 357
	Current portion	**1 713 541**	1 770 977
	Non-current portion	**7 431 140**	7 341 380
		9 144 681	9 112 357
	Held at fair value through profit or loss	**7 479 781**	7 774 639
	At amortised cost	**1 664 900**	1 337 718
		9 144 681	9 112 357
	Investment contracts are represented by the following investments:		
	Equity securities	**865 352**	856 521
	Debt securities	**1 947 413**	2 166 692
	Debt securities as per note 8	**1 836 866**	2 056 114
	Debt securities eliminated on consolidation	**110 547**	110 578*
	Unit-linked investments	**5 230 813**	4 756 430
	Investment in investment contracts	**1 003 885**	1 108 686
	Cash and cash equivalents	**97 218**	224 028*
		9 144 681	9 112 357

* *An amount of R110 578 000 was reclassified from Cash and cash equivalents to Debt securities. This restatement had no impact on previously reported items of profit, loss or equity.*

	GROUP	2012 R'000	2011 R'000
20.	**THIRD-PARTY LIABILITIES ARISING ON CONSOLIDATION OF MUTUAL FUNDS**		
	Balance at beginning of year	**37 054**	71 715
	Capital contributions received		10 396
	Fair value adjustment to third-party liabilities	**(38)**	306
	Redemptions		(3 978)
	Consolidation of mutual fund	**16 008**	26 346
	Deconsolidation of mutual fund	**(37 016)**	(67 731)
	Balance at end of year	**16 008**	37 054
	Current portion		10 708
	Non-current portion	**16 008**	26 346
		16 008	37 054

Notes to the annual financial statements

for the year ended 29 February 2012

	GROUP	Employee benefits R'000	Other R'000	Total R'000
21.	**ACCRUALS FOR OTHER LIABILITIES AND CHARGES**			
	As at 29 February 2012			
	Balance at beginning of year	**20 776**		**20 776**
	Additional accruals	**21 112**		**21 112**
	Utilised during the year	**(20 776)**		**(20 776)**
	Balance at end of year	**21 112**	**–**	**21 112**
	As at 28 February 2011			
	Balance at beginning of year	11 702	2 064	13 766
	Additional accruals	20 503		20 503
	Utilised during the year	(11 429)	(2 064)	(13 493)
	Balance at end of year	20 776	–	20 776

	2012 R'000	2011 R'000
Current portion	**21 112**	20 776
Non-current portion		
	21 112	20 776

The movement in accruals for other liabilities and charges was charged to the income statement.

The employee benefits accrual relates to performance-based remuneration.

		GROUP		COMPANY	
		2012 R'000	2011 R'000	**2012 R'000**	2011 R'000
22.	**TRADE AND OTHER PAYABLES**				
	Trade payables*,**	**2 577 588**	497 406	**2 092**	1 959
	Contracts for difference	**31 336**	23 255		
	Deferred revenue*	**21 727**	14 288		
	Subsidiary/associated company purchase consideration payable	**75 848**	102 619		
	Investment policy benefits payable	**1 880**	5 345		
		2 708 379	642 913	**2 092**	1 959
	Current portion	**2 691 256**	589 931	**2 092**	1 959
	Non-current portion	**17 123**	52 982		
		2 708 379	642 913	**2 092**	1 959

* *Includes non-financial liabilities of R26 000 000 (2011: R20 509 000).*

** *Included under receivables (refer note 12) are PSG Online broker and clearing accounts of which R2,3 billion represents amounts owing by the JSE for trades in the last few days before year-end. These balances fluctuate on a daily basis depending on the activity in the markets. The control account for the settlement of these transactions is included under trade and other payables, with the settlement to the clients taking place within three days after the transaction date.*

Notes to the annual financial statements

for the year ended 29 February 2012

		GROUP		COMPANY	
		2012	2011	**2012**	2011
		R'000	R'000	**R'000**	R'000
23.	**INVESTMENT INCOME**				
	Interest income				
	Loans and receivables	**12 302**	18 834		
	Equity securities – at fair value through profit or loss	**16 777**	17 112		
	Debt securities – at fair value through profit or loss	**36 165**	198 770		
	Unit-linked investments – at fair value through profit or loss	**121 431**	99 369		
	Cash and short-term funds	**39 171**	41 737		
		225 846	375 822		
	Dividend income				
	Equity securities – at fair value through profit or loss	**122 225**	69 910		
	Equity securities – available-for-sale	**2 059**	1 765		
	Preference shares – debt securities	**37 764**	44 686		
	Dividend income from subsidiary company			**144 000**	93 300
		162 048	116 361	**144 000**	93 300
	Investment income	**387 894**	492 183	**144 000**	93 300
	Rnil interest income (2011: Rnil) was earned on impaired financial assets during the year.				
24.	**NET FAIR VALUE GAINS AND LOSSES ON FINANCIAL ASSETS**				
	Foreign exchange gains	**1 505**	427		
	Foreign exchange losses	**(689)**	(771)		
	Net fair value gains/(losses) on financial assets and financial liabilities at fair value through profit or loss:				
	Unrealised fair value gains/(losses)				
	– fair value through profit or loss	**145 583**	125 285		
	– held-for-trading		6 988		
	Realised fair value gains/(losses)				
	– fair value through profit or loss	**387 945**	246 645		
	– held-for-trading	**1 043**	(570)		
	Net realised gains on available-for-sale financial assets:				
	Equity securities	**(1 658)**	1 415		
		533 729	379 419		
25.	**COMMISSION AND OTHER FEE INCOME**				
	Commissions and fees	**1 325 961**	1 112 133		
	Dealing and structuring	**201 611**	178 029		
		1 527 572	1 290 162		
26.	**INSURANCE INCOME AND EXPENSES**				
	Insurance claims and loss adjustments				
	Individual life long-term insurance contracts – death, maturity, surrender and sick leave benefits and transfers to policyholder liabilities	**279**	(218)		

Notes to the annual financial statements

for the year ended 29 February 2012

		GROUP		COMPANY	
		2012	2011	**2012**	2011
		R'000	R'000	**R'000**	R'000
27.	**OTHER OPERATING INCOME**				
	Other operating income	**52 231**	14 170		
	Profit on sale/dilution of interest in associated companies (refer note 4)	**174 587**	366 053		
		226 818	380 223		
28.	**MARKETING, ADMINISTRATION AND OTHER EXPENSES**				
	Expenses by nature				
	Depreciation	**19 628**	14 893		
	Buildings	**237**	239		
	Vehicles and plant	**2 743**	1 121		
	Office equipment	**6 189**	6 029		
	Computer equipment	**10 459**	7 504		
	Amortisation of intangible assets	**31 587**	26 051		
	Operating lease rentals	**51 225**	42 631		
	Properties	**44 204**	39 446		
	Other	**7 021**	3 185		
	Auditor's remuneration	**11 791**	12 323		
	Audit services				
	– current year	**11 263**	11 201		
	– prior year	**(177)**	591		
	Tax services	**40**	107		
	Other services	**665**	424		
	Employee benefit expenses	**526 314**	391 223		
	Salaries, wages and allowances	**475 435**	350 030		
	Termination benefits	**2 906**	4 880		
	Social security costs (e.g. UIF, medical benefits)	**17 457**	13 114		
	Equity-settled share-based payment costs	**11 752**	6 081		
	Pension costs – defined-contribution plans	**18 764**	17 118		
	Impairment of intangible assets	**11 519**	3 870		
	Impairment of loans	**29 238**			
	Loss on sale of property, plant and equipment		70		
	Loss on sale of intangible assets	**373**			
	Other expenses	**283 636**	226 605	**1 672**	1 407
	Management and administration fees	**66 571**	88 689		
	Marketing	**24 285**	15 159		
	Professional fees	**8 277**	7 936		
	Other administration costs	**184 503**	114 821		
	Expenses for acquisition of insurance and investment contracts		22 093		
	Fair value adjustment to third-party liabilities	**(38)**	306		
	Commission paid	**491 055**	422 368		
		1 456 328	1 162 433	**1 672**	1 407

Refer to directors' report for detail of directors' remuneration.

Notes to the annual financial statements

for the year ended 29 February 2012

		GROUP		COMPANY	
		2012	2011	**2012**	2011
		R'000	R'000	**R'000**	R'000
29.	**FINANCE COSTS**				
	Bank overdrafts and CFD facilities	**11 667**	25 511		
	Redeemable preference shares	**11 459**	15 306		
	Secured loans	**33 550**	28 430		
	Unsecured loans	**31 318**	11 905		
	Derivative financial instruments	**21 626**	9 529		
		109 620	90 681		
30.	**TAXATION**				
	Current taxation				
	Current year	**92 718**	132 442		
	Prior year	**1 462**	(1 645)		
		94 180	130 797		
	Deferred taxation				
	Current year	**2 941**	(11 370)		
	Prior year	**(2 110)**	587		
		831	(10 783)		
	Foreign taxation				
	Current year	**46**	63		
	Prior year				
		46	63		
	Secondary tax on companies				
	Current taxation	**7 204**	8 237		
	Deferred taxation	**1 790**	2 649		
		8 994	10 886		
	Total taxation	**104 051**	130 963		
		%	%	**%**	%
	Reconciliation of rate of taxation				
	South African normal taxation rate	**28,0**	28,0	**28,0**	28,0
	Adjusted for:				
	Non-taxable income	**(18,2)**	(3,3)	**(28,0)**	(28,4)
	Capital gains tax differential in rates	**(2,3)**	(4,3)		
	Non-deductible charges	**21,9**	3,2		0,4
	Income from associated companies	**(21,0)**	(13,0)		
	Secondary tax on companies	**0,8**	0,7		
	Effective rate of taxation	**9,2**	11,3	**–**	–
		R'000	R'000		
	Unutilised STC credits				
	STC credits available within the group	**326 635**	130 439		
	Deferred tax asset provided for	**(53)**	(566)		
	Available for future utilisation	**326 582**	129 873		
	Tax charge relating to components of other comprehensive income				
	Fair value (gains)/losses on available-for-sale investments	**(7 964)**	799		

Notes to the annual financial statements

for the year ended 29 February 2012

	GROUP	2012 R'000	2011 R'000
31.	**EARNINGS PER SHARE**		
	The calculations of earnings per share are based on the following:		
	Total earnings attributable to ordinary shareholders	**703 085**	708 403
	Adjustments (net of non-controlling interest):		
	Net loss/(profit) on sale/dilution of associated companies	**(177 551)**	(243 326)
	Gross amount	**(174 587)**	(366 053)
	Non-controlling interest	**(5 367)**	80 731
	Tax effect	**2 403**	41 996
	Impairment of associated companies	**36 332**	28 818
	Gross amount	**40 954**	36 130
	Non-controlling interest	**(4 622)**	(7 312)
	Tax effect		
	Impairment of intangible assets (incl. goodwill)	**6 953**	2 738
	Gross amount	**11 519**	3 870
	Non-controlling interest	**(1 374)**	(1 290)
	Tax effect	**(3 192)**	158
	Non-headline items of associated companies	**(722)**	18 141
	Gross amount	**(23 678)**	17 307
	Non-controlling interest	**22 952**	834
	Tax effect	**4**	
	Other	**(961)**	(2 409)
	Gross amount	**(3 198)**	(3 023)
	Non-controlling interest	**466**	354
	Tax effect	**1 771**	260
	Headline earnings	**567 136**	512 365

The profit on sale or dilution related mainly to the profit on dilution of Capitec, as well as a loss on dilution of interest in Kaap Agri. The impairment of associated companies related mainly to Erbacon Investment Holding Ltd, as disclosed in more detail in note 4.

During the prior year, the profit on disposal of associated companies related mainly to Paladin Capital's disposal of CIC Holdings Ltd, as well as Zeder Investments' disposal of KWV Holdings Ltd. The impairment of associated companies related mainly to Erbacon Investment Holding Ltd, as disclosed in more detail in note 4.

Notes to the annual financial statements

for the year ended 29 February 2012

	GROUP Number of shares 2012 '000	Number of shares 2011 '000
31. EARNINGS PER SHARE *(continued)*		
The calculation of the weighted average number of shares and diluted weighted average number of shares is as follows:		
Number of shares at beginning of year	**166 261**	166 994
Weighted number of shares issued during the year	**7 783**	
Net movement in treasury shares	**(172)**	61
Weighted number of shares at end of year	**173 872**	167 055
Number of bonus element shares to be issued in terms of share purchase scheme	**1 777**	1 522
Diluted weighted number of shares at end of year	**175 649**	168 577
Basic		
Earnings attributable to ordinary shareholders (R'000)	**703 085**	708 403
Headline earnings (R'000)	**567 136**	512 365
Weighted average number of ordinary shares in issue	**173 872**	167 055
Attributable earnings per share (cents)	**404,4**	424,1
Headline earnings per share (cents)	**326,2**	306,7

Diluted

Diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the volume weighted average annual market share price of the company's shares) based on the monetary value of the equity-settled shares granted to participants. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the vesting of all equity-settled scheme shares.

	GROUP 2012 R'000	GROUP 2011 R'000	COMPANY 2012 R'000	COMPANY 2011 R'000
Earnings attributable to ordinary shareholders	**703 085**	708 403		
Headline earnings	**567 136**	512 365		
Diluted weighted average number of ordinary shares in issue ('000)	**175 649**	168 577		
Diluted attributable earnings per share (cents)	**400,3**	420,2		
Diluted headline earnings per share (cents)	**322,9**	303,9		
32. DIVIDEND PER SHARE				
Normal dividend	**126 708**	82 401	**143 211**	93 429

Interim

26 cents per share (2011: 20 cents)

Final

56 cents per share (2011: 47 cents)

Dividends are not accounted for until they have been approved by the company's board.

Notes to the annual financial statements

for the year ended 29 February 2012

GROUP	2012 R'000	2011 R'000
33. CAPITAL COMMITMENTS AND CONTINGENCIES		
Operating lease commitments		
Operating leases – equipment		
Due within one year	**2 194**	2 021
One to five years	**4 032**	5 192
	6 226	7 213
Operating leases – premises		
Due within one year	**32 195**	28 312
One to five years	**32 370**	40 097
	64 565	68 409
Capital commitments		
Contracted or authorised, but not yet incurred capital expenditure	**109 041**	2 958

34. BORROWING POWERS

In terms of the company's articles of association, borrowing powers are unlimited. Details of actual borrowings are disclosed in note 18 to the financial statements.

35. RELATED-PARTY TRANSACTIONS

PSG Group Ltd and its subsidiaries enter into various financial services transactions with members of the group. These transactions include a range of investment, administrative, advisory and corporate services in the normal course of business. All intergroup transactions have been eliminated on consolidation.

During the prior year, the group received an underwriting fee of R9,6 million, net of elimination, from Capitec Bank Holdings Ltd.

For details of the intergroup loan account between PSG Group Ltd and PSG Financial Services Ltd, refer to note 3.

A subsidiary of the group and a company, in which Mr MM du Toit, a director, has an interest, remain co-investors in an agricultural commodity business. No benefit has realised from this relationship during the current or prior year.

The shareholding of directors and the directors' remuneration are set out in the directors' report.

Compensation of prescribed officers

The prescribed officers comprise the PSG Exco, the members of which are all directors of PSG Group Ltd. Their remuneration has been disclosed in the directors' report.

Loans to directors

	2012 R'000	2011 R'000
Loans advanced to directors from the PSG Group Ltd Supplementary Share Incentive Trust	**7 890**	
Other	**7 722**	
	15 612	–

During the year under review, PSG Group acquired the entire issued share capital of Paladin Capital Ltd ("Paladin") not already held by PSG Group (through PSG Financial Services Ltd) in terms of a scheme of arrangement. Paladin minority shareholders received 4 PSG Group ordinary shares for each 100 Paladin shares held. The following PSG Group directors directly/indirectly obtained PSG Group shares in exchange for their Paladin shares:

Notes to the annual financial statements

for the year ended 29 February 2012

35. RELATED-PARTY TRANSACTIONS *(continued)*

	Number of PSG Group shares
MM du Toit	79 454
WL Greeff	10 000
JA Holtzhausen	171 700
JF Mouton	880 000
JJ Mouton	21 945
PJ Mouton	121 600
W Theron	7 502

Company

Related-party transactions consist of dividends received from the subsidiary (refer note 23).

Balances with related parties consist of a loan granted to the subsidiary. Refer to note 3 for the balance and terms of the loan.

	GROUP		COMPANY	
		Restated		
	2012	2011	**2012**	2011
	R'000	R'000	**R'000**	R'000
36. NOTES TO THE STATEMENTS OF CASH FLOWS				
36.1 Cash generated/(utilised) by operating activities				
Profit before taxation	**1 129 374**	1 163 305	**142 328**	91 893
Adjusted for:				
Non-cash items	**(1 028 368)**	(235 665)		
Interest income	**(225 846)**	(375 822)		
Dividend income	**(162 048)**	(116 361)	**(144 000)**	(93 300)
Finance costs	**109 620**	90 681		
	(177 268)	526 138	**(1 672)**	(1 407)
Change in working capital	**(152 997)**	125 365	**295**	(78)
Change in insurance contracts	**53**	(448)		
Change in other financial instruments	**90 265**	(378 259)		
	(239 947)	272 796	**(1 377)**	(1 485)

	2012	2011
	R'000	R'000
36.2 Taxation paid		
Charge to profit and loss	**(104 051)**	(130 963)
Movement in deferred taxation	**2 621**	(8 134)
Movement in net taxation liability	**3 510**	5 383
	(97 920)	(133 714)

36.3 Acquisition of subsidiaries

2012 acquisitions

Pleroma Insurance Brokers Group

On 1 May 2011 the group, through PSG Konsult Corporate Ltd, acquired 100% of the business of Pleroma Insurance Brokers Group ("Pleroma") for a total consideration of R30 725 583. Pleroma is involved in the financial services industry. The business contributed total income of R15 834 000 and net profit of R2 975 000 for the period from 1 June 2011 to 29 February 2012.

Notes to the annual financial statements

for the year ended 29 February 2012

36. NOTES TO THE STATEMENTS OF CASH FLOWS *(continued)*

36.3 Acquisition of subsidiaries *(continued)*

EFS Investment Solutions

On 1 May 2011 the group, through PSG Online Solutions (Pty) Ltd and PSG Asset Management Holdings, acquired 100% of the share capital of EFS Investment Solutions ("Equinox") for a total consideration of R26 919 000. Equinox is involved in the financial services industry. The business contributed total income of R29 034 000 and net profit of R7 319 000 for the period from 1 June 2011 to 29 February 2012.

Collective investment schemes

On 29 February 2012 the group, through PSG Konsult Corporate Ltd, acquired 97,9% in PSG Stable Fund for a total consideration of R21 956 000, 100% in PSG Income Fund for a total consideration of R41 281 000 and 50,6% interest in Orange Prime Fund for a total consideration of R15 951 000.

Other

Other business combinations included, amongst others, the acquisition of a further 31% of the share capital of iHound (Pty) Ltd, increasing the group's interest in iHound (Pty) Ltd from 20% to 51%, the acquisition of 100% of the business of Agri Wilson Makelaars CC, Triumviri Financial Advisors (Pty) Ltd and Only Income Stream (3%) of Stanford Asset Management/Pretoria East.

GROUP	Pleroma 2012 R'000	Equinox 2012 R'000	Collective investment schemes 2012 R'000	Other 2012 R'000	Total 2012 R'000
Recognised amounts of identifiable assets acquired and liabilities assumed					
Property, plant and equipment		**350**		**828**	**1 178**
Intangible assets	**13 938**	**6 965**		**11 088**	**31 991**
Equity securities			**39 239**		**39 239**
Debt securities			**11 626**		**11 626**
Unit-linked investments		**1 674**			**1 674**
Receivables		**714**	**1 111**	**6 848**	**8 673**
Cash and cash equivalents		**3 757**	**43 437**	**5 974**	**53 168**
Third-party liabilities arising on consolidation of mutual funds			**(16 008)**		**(16 008)**
Deferred income tax	**(3 902)**	**3 870**		**(19 555)**	**(19 587)**
Trade and other payables		**(1 004)**	**(217)**	**(7 523)**	**(8 744)**
Current income tax liabilities		**(301)**			**(301)**
Total identifiable net assets	**10 036**	**16 025**	**79 188**	**(2 340)**	**102 909**
Non-controlling interest				**(2 928)**	**(2 928)**
Re-recognition of investment in associate				**(2 090)**	**(2 090)**
Previously held equity securities				**895**	**895**
Goodwill	**20 690**	**10 894**		**43 055**	**74 639**
Total consideration	**30 726**	**26 919**	**79 188**	**36 592**	**173 425**
Consideration					
Cash	**15 500**	**24 195**		**33 807**	**73 502**
Investment derecognised			**79 188**		**79 188**
Deferred consideration	**15 226**	**2 724**		**2 785**	**20 735**
Total consideration	**30 726**	**26 919**	**79 188**	**36 592**	**173 425**
Cash consideration paid	**(15 500)**	**(24 195)**		**(33 807)**	**(73 502)**
Cash and cash equivalents acquired		**3 757**	**43 437**	**5 974**	**53 168**
Prior year's deferred purchase consideration paid				**(55 400)**	**(55 400)**
	(15 500)	**(20 438)**	**43 437**	**(83 233)**	**(75 734)**

Notes to the annual financial statements

for the year ended 29 February 2012

36. NOTES TO THE STATEMENTS OF CASH FLOWS *(continued)*

36.3 Acquisition of subsidiaries *(continued)*

Goodwill recognised from these business combinations can be attributed to the synergies expected to be obtained. Transaction costs relating to these business combinations were insignificant and expensed through the income statement.

Had Pleroma and Equinox been consolidated with effect from 1 March 2011 instead of their respective acquisition dates, the group income statement would have shown total income of R2 105 812 000 and net profit of R1 038 040 000.

Deferred purchase consideration of R1 768 064 relating to other acquisitions are dependent on profit warranties. At the reporting date, it is estimated that the full profit warranty will be met and therefore the fair value is considered equal to the carrying value.

2011 acquisitions

Curro

On 1 July 2009 the group, through Paladin Capital, acquired 50% of the share capital of Curro Holdings Ltd ("Curro"), a provider of private schooling, for R50 000 000 and classified the investment as an investment in an associated company. On 1 July 2010 the group acquired a further 26% of the share capital for R52 050 000 cash consideration to gain control of Curro. The carrying value and fair value of Curro immediately preceding the acquisition of the controlling stake amounted to R52 200 000 and R75 000 000, respectively. This resulted in a R22 800 000 profit on the previously held interest to fair value which was recognised in the income statement. The acquired subsidiary contributed total income of R38 800 000 and net profit of R3 400 000 to the group for the period from 1 July 2010 to 28 February 2011. The non-controlling interest was calculated based on their interest in the fair value of the net identifiable assets.

Aurora

On 1 January 2011 the group, through Paladin Capital's investment in Curro, acquired 100% of the share capital of Aurora College (Pty) Ltd and Plot 100 Bush Hill (Pty) Ltd (collectively referred to as "Aurora") for a total consideration of R42 000 000. Aurora is principally involved in the private school industry. The acquired subsidiaries contributed no income or profit to the group for the period from 1 January 2011 to 28 February 2011.

Diagonal

On 1 September 2010 the group, as part of PSG Konsult's strategy to grow through acquisitions, acquired the entire business of Diagonal Street Financial Services (Pty) Ltd and Wescol Brokers (Pty) Ltd (collectively referred to as "Diagonal"), a short-term insurance broker and administrator, for R71 762 000, of which R33 165 000 was still payable at the reporting date. The acquired business contributed total income of R13 011 000 and net profit of R5 348 000 to the group for the period from 1 September 2010 to 28 February 2011.

Other

Other business combinations included, amongst others, the acquisition of 100% of the share capital of Bouwer Collins Insurance Brokers (Pty) Ltd, increasing the group's interest in Multinet Insurance Administrators (Pty) Ltd from 50% to 65% and increasing the group's interest in PSG Konsult Corporate Ltd from 49% to 74%. The total purchase consideration amounted to R55 328 000, which included aggregate goodwill recognised of R76 687 000.

Notes to the annual financial statements

for the year ended 29 February 2012

36. NOTES TO THE STATEMENTS OF CASH FLOWS *(continued)*

36.3 Acquisition of subsidiaries *(continued)*

	Curro 2011 R'000	Aurora 2011 R'000	Diagonal 2011 R'000	Other 2011 R'000	Total 2011 R'000
Recognised amounts of identifiable assets acquired and liabilities assumed					
Property, plant and equipment	(226 174)	(45 553)	(580)	(19 810)	(292 117)
Intangible assets	(20 533)	(7 482)	(23 572)	(44 104)	(95 691)
Equity securities				(64 799)	(64 799)
Loans and receivables				(4 268)	(4 268)
Receivables	(3 206)	(590)		(4 255)	(8 051)
Cash and cash equivalents	(2 494)			(5 661)	(8 155)
Third-party liabilities arising on consolidation of mutual funds				26 346	26 346
Deferred income tax	14 436		6 600	17 374	38 410
Borrowings	90 623			30 260	120 883
Trade and other payables	9 234	11 625	438	28 829	50 126
Current income tax liabilities				413	413
Total identifiable net assets	(138 114)	(42 000)	(17 114)	(39 675)	(236 903)
Non-controlling interest	33 147			6 513	39 660
Previously held interest at fair value	75 000			4 517	79 517
Previously held equity securities				42 167	42 167
Previously held intangible asset				7 838	7 838
Goodwill	(22 083)		(54 648)	(76 687)	(153 418)
Total consideration	(52 050)	(42 000)	(71 762)	(55 327)	(221 139)
Consideration					
Cash	52 050		38 597	27 873	118 520
Deferred purchase consideration outstanding		42 000	33 165	27 454	102 619
Total consideration	52 050	42 000	71 762	55 327	221 139
Cash consideration paid	(52 050)		(38 597)	(27 873)	(118 520)
Cash and cash equivalents acquired	2 494			5 661	8 155
Prior year's deferred purchase consideration paid				(21 600)	(21 600)
	(49 556)	–	(38 597)	(43 812)	(131 965)

Goodwill recognised from these business combinations can be attributed to the employee corps of the respective businesses and synergies expected to be obtained. Transaction costs relating to these business combinations were insignificant and expensed through the income statement.

Had Curro, Aurora and Diagonal been consolidated with effect from 1 March 2010 instead of their respective acquisition dates, the group income statement would have shown total income of R1 930 696 000 and net profit of R1 039 909 000.

Deferred purchase consideration of R15 500 000 relating to other acquisitions are dependent on profit warranties. At the reporting date, it is estimated that the full profit warranty will be met and therefore the fair value is considered equal to the carrying value.

Notes to the annual financial statements

for the year ended 29 February 2012

36. NOTES TO THE STATEMENTS OF CASH FLOWS *(continued)*

36.4 Disposal of subsidiaries

2012 disposals

Due to disinvestments during the year, the group have deconsolidated two mutual funds, being the Alphen Equity Builder Fund and the PSG Multi-Strategy Fund.

Other disposals included the sale of the group's interest in PSG Active Fund Services Ltd (Guernsey) and PSG Absolute Investments to minority shareholders.

	Mutual funds 2012 R'000	Other 2012 R'000	Total 2012 R'000
Net assets of subsidiaries sold			
Property, plant and equipment		**275**	**275**
Intangible assets		**1 313**	**1 313**
Equity securities	**64 799**		**64 799**
Unit-linked investments	**10 670**	**9 313**	**19 983**
Receivables	**4 083**	**4 446**	**8 529**
Cash and cash equivalents	**127**	**2 214**	**2 341**
Non-controlling interest		**(5 327)**	**(5 327)**
Deferred income tax		**1 666**	**1 666**
Third-party liabilities arising on consolidation of mutual funds	**(37 016)**		**(37 016)**
Provisions for other liabilities and charges		**(704)**	**(704)**
Trade and other payables	**(4 529)**	**(5 668)**	**(10 197)**
	38 134	**7 528**	**45 662**
Transfer to Unit-linked investments	**(38 134)**		**(38 134)**
Loss on sale of subsidiaries		**270**	**270**
Cash proceeds on sale	**–**	**7 798**	**7 798**
Cash and cash equivalents of subsidiaries	**(127)**	**(2 214)**	**(2 341)**
Net cash flow on disposal of subsidiaries	**(127)**	**5 584**	**5 457**

2011 disposals

Due to disinvestments during the year, the group deconsolidated two mutual funds, being the AB & A Balanced Moderate Fund of Funds and the Orange Absolute Return Fund.

Notes to the annual financial statements

for the year ended 29 February 2012

	Mutual funds 2011 R'000	Total 2011 R'000
36. NOTES TO THE STATEMENTS OF CASH FLOWS *(continued)*		
36.4 Disposal of subsidiaries *(continued)*		
Net assets of subsidiaries sold		
Equity securities	13 268	13 268
Debt securities	17 348	17 348
Unit-linked investments	142 064	142 064
Receivables	877	877
Cash and cash equivalents	1 532	1 532
Third-party liabilities arising on consolidation of mutual funds	(67 731)	(67 731)
Trade and other payables	(228)	(228)
	107 130	107 130
Transfer to Unit-linked investments	(107 130)	(107 130)
Cash proceeds on sale	–	–
Cash and cash equivalents of subsidiaries	(1 532)	(1 532)
Net cash flow on disposal of subsidiaries	(1 532)	(1 532)

	GROUP		COMPANY	
	2012 R'000	2011 R'000	**2012 R'000**	2011 R'000
36.5 Cash and cash equivalents at end of year				
Cash and short-term funds	**725 657**	1 130 695	**127**	92
Bank overdrafts and CFD facilities	**(95 065)**	(3 372)		
	630 592	1 127 323	**127**	92

Notes to the annual financial statements

for the year ended 29 February 2012

	Shareholders Number	Shareholders %	Shares held Number	Shares held %
37. SHARE ANALYSIS				
Ordinary shares				
Range of shareholding				
1 – 50 000	**8 206**	**97,9**	**21 392 639**	**11,5**
50 001 – 100 000	**58**	**0,7**	**3 964 636**	**2,2**
100 001 – 500 000	**78**	**0,9**	**17 093 632**	**9,3**
500 001 – 1 000 000	**17**	**0,2**	**10 999 244**	**6,0**
Over 1 000 000	**22**	**0,3**	**130 898 753**	**71,0**
	8 381	**100,0**	**184 348 904**	**100,0**
Employee share schemes	**2**		**4 501 611**	
Treasury shares	**1**		**13 873 895**	
	8 384		**202 724 410**	
Public and non-public shareholding				
Non-public				
Directors	**11**	**0,1**	**66 870 819**	**36,4**
Thembeka Capital Ltd (associated company)	**1**	**0,0**	**9 902 349**	**5,4**
Directors of subsidiaries	**13**	**0,2**	**1 668 314**	**0,9**
Public	**8 356**	**99,7**	**105 907 422**	**57,3**
	8 381	**100,0**	**184 348 904**	**100,0**
Individual shareholders holding 5% net of treasury shares or more as at 29 February 2012				
JF Mouton Family Trust			**23 500 000**	**12,8**
Steinhoff International Group			**37 265 781**	**20,2**
			60 765 781	**33,0**

Preference shares of subsidiary

Refer to note 18 of the financial statements of PSG Financial Services Ltd for the share analysis of the cumulative, non-redeemable, non-participating preference shares as issued by the subsidiary.

Notes to the annual financial statements

for the year ended 29 February 2012

GROUP

38. FINANCIAL RISK MANAGEMENT

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 group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance.

Risk management is carried out by each major entity within the group under policies approved by the respective boards of directors. Each entity identifies, evaluates and utilises economic hedges to hedge financial risks as appropriate. Each major entity's board of directors provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments and investment of excess liquidity.

Financial instruments are grouped into the following classes in order to facilitate effective financial risk management and disclosure in terms of IFRS 7 Financial Instruments: Disclosures. The sensitivity analyses presented below are based on reasonable possible changes in market variables for equity prices, interest rates and foreign exchange rates for the group.

	2012 R'000	2011 R'000
CLASSES OF FINANCIAL ASSETS		
Other quoted equity securities	**370 487**	161 947
Investments linked to investment contracts	**865 352**	856 521
Total quoted equity securities	**1 235 839**	1 018 468
Unquoted equity securities	**175 002**	109 903
Total unquoted equity securities	**175 002**	109 903
Total equity securities	**1 410 841**	1 128 371
Direct debt securities – quoted	**29 255**	29 235
Debt securities linked to investment contracts	**1 836 866**	2 056 114
Total quoted debt securities	**1 866 121**	2 085 349
Total debt securities	**1 866 121**	2 085 349
Direct unit-linked investments – quoted	**190 058**	228 371
Investments linked to investment contracts – quoted	**3 538 631**	3 193 488
Total quoted unit-linked investments	**3 728 689**	3 421 859
Direct unit-linked investments – unquoted	**1 604**	23 228
Investments linked to investment contracts – unquoted	**1 692 182**	1 562 942
Total unquoted unit-linked investments	**1 693 786**	1 586 170
Total unit-linked investments	**5 422 475**	5 008 029
Investment in investment contracts	**1 003 885**	1 108 686

Notes to the annual financial statements

for the year ended 29 February 2012

		GROUP		COMPANY	
		2012	2011	**2012**	2011
		R'000	R'000	**R'000**	R'000
38.	**FINANCIAL RISK MANAGEMENT** *(continued)*				
	CLASSES OF FINANCIAL ASSETS				
	Secured loans	**18 197**			
	Unsecured loans	**67 529**	42 508		
	Total loans and receivables	**85 726**	42 508		
	Exchange traded derivatives	**10 159**	10 569		
	Total derivative financial assets	**10 159**	10 569		
	Trade receivables	**83 381**	97 049	**8**	170
	Broker and clearing houses	**2 252 659**	68 786		
	Contracts for difference	**21 469**	16 846		
	Sundry debtors	**123 902**	3 143		
	Total receivables	**2 481 411**	185 824	**8**	170
	Loans to and preference share investments in associated companies	**446 121**	476 996		
	Cash and cash equivalents	**725 657**	1 130 695	**127**	92
	Total financial assets – IFRS 7	**13 452 396**	11 177 027	**135**	262
	CLASSES OF FINANCIAL LIABILITIES				
	Bank overdrafts and CFD facilities	**95 065**	3 372		
	Redeemable preference shares	**132 688**	160 000		
	Loans and bonds	**663 143**	648 482		
	Total borrowings	**890 896**	811 854		
	Fixed-for-variable interest rate swap	**37 430**			
	Exchange traded derivatives	**7 831**	5 988		
	Total derivative financial instruments	**45 261**	5 988		
	Investment contracts	**9 144 681**	9 112 357		
	Third-party liabilities arising on consolidation of mutual funds	**16 008**	37 054		
	Accounts payable and accruals	**2 573 315**	491 185	**2 092**	1 959
	Contracts for difference	**31 336**	23 255		
	Subsidiary/associate purchase consideration payable	**75 848**	102 619		
	Investment policy benefits payable	**1 880**	5 345		
	Total trade and other payables	**2 682 379**	622 404	**2 092**	1 959
	Total financial liabilities – IFRS 7	**12 779 225**	10 589 657	**2 092**	1 959

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for the year ended 29 February 2012

GROUP 29 February 2012	Held-to-maturity R'000	Loans and receivables R'000	Assets at fair value through profit or loss R'000	Available-for-sale R'000	Total R'000
38. FINANCIAL RISK MANAGEMENT *(continued)*					
FINANCIAL INSTRUMENTS BY CATEGORY					
Assets as per statement of financial position					
Equity securities			**1 410 020**	**821**	**1 410 841**
Debt securities**	**1 072 658**		**793 463**		**1 866 121**
Unit-linked investments			**5 422 475**		**5 422 475**
Investment in investment contracts**	**468 500**		**535 385**		**1 003 885**
Loans and receivables*		**85 726**			**85 726**
Loans to and preference share investments in associated companies*		**446 121**			**446 121**
Derivative financial instruments			**10 159**		**10 159**
Receivables*		**2 481 411**			**2 481 411**
Cash and cash equivalents*		**725 657**			**725 657**
	1 541 158	**3 738 915**	**8 171 502**	**821**	**13 452 396**

	Liabilities at fair value through profit or loss R'000	Liabilities measured at amortised cost R'000	Total R'000
Liabilities as per statement of financial position			
Borrowings*		**890 896**	**890 896**
Derivative financial instruments	**45 261**		**45 261**
Investment contracts*	**7 479 781**	**1 664 900**	**9 144 681**
Third-party liabilities arising on consolidation of mutual funds	**16 008**		**16 008**
Trade and other payables*	**66 809**	**2 615 570**	**2 682 379**
	7 607 859	**5 171 366**	**12 779 225**

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GROUP 28 February 2011	Held-to-maturity R'000	Loans and receivables R'000	Assets at fair value through profit or loss R'000	Available-for-sale R'000	Total R'000
38. FINANCIAL RISK MANAGEMENT *(continued)*					
FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*					
Assets as per statement of financial position					
Equity securities			1 128 026	345	1 128 371
Debt securities**	798 735		1 286 614		2 085 349
Unit-linked investments			5 008 029		5 008 029
Investment in investment contracts**	381 059		727 627		1 108 686
Loans and receivables*		42 508			42 508
Loans to and preference share investments in associated companies*		476 996			476 996
Derivative financial instruments			10 569		10 569
Receivables*		185 824			185 824
Cash and cash equivalents*		1 130 695			1 130 695
	1 179 794	1 836 023	8 160 865	345	11 177 027

	Liabilities at fair value through profit or loss R'000	Liabilities measured at amortised cost R'000	Total R'000
Liabilities as per statement of financial position			
Borrowings*		811 854	811 854
Derivative financial instruments	5 988		5 988
Investment contracts*	7 774 639	1 337 718	9 112 357
Third-party liabilities arising on consolidation of mutual funds	37 054		37 054
Trade and other payables*	71 848	550 556	622 404
	7 889 529	2 700 128	10 589 657

* *Carrying value approximates fair value.*

** *Financial assets not presented on the statement of financial position at fair value, for which their carrying values do not approximate their fair values:*

	2012 **R'000** Carrying value	**2012** **R'000** Fair value	2011 R'000 Carrying value	2011 R'000 Fair value
Debt securities – held to maturity	**1 072 658**	**1 179 114**	798 735	798 735
Investment in investment contracts	**468 500**	**486 849**	381 059	381 059

Notes to the annual financial statements

for the year ended 29 February 2012

COMPANY	Loans and receivables 2012 R'000	2011 R'000
38. FINANCIAL RISK MANAGEMENT *(continued)*		
FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*		
Assets as per statement of financial position		
Loans and receivables	**8**	170
Cash and cash equivalents	**127**	92
	135	262

	Liabilities measured at amortised cost 2012 R'000	2011 R'000
Liabilities as per statement of financial position		
Trade and other payables	**2 092**	1 959

Investment contracts

A subsidiary of the group, PSG Asset Management Life, is a linked insurance company and issues linked policies to policyholders (where the value of policy benefits is directly linked to the fair value of the supporting assets), and as such does not expose the business to the market risk of fair value adjustments on the financial asset as this risk is assumed by the policyholder. Investment contracts included within financial liabilities on the statement of financial position are therefore fully matched by investments as analysed in note 19.

Market risk

Market risk is the risk of adverse financial impact due to changes in fair values or future cash flows of financial instruments from fluctuations in interest rates, equity prices and foreign currency exchange rates.

Price risk

The group is exposed to price risk due to changes in the market values of its quoted and unquoted equity securities and unit-linked investments held by the group and classified on the consolidated statement of financial position either as available-for-sale or at fair value through profit or loss.

Included in the group quoted equity securities are those equity securities relating to:

- investments in linked investment contracts amounting to R865 352 000 (2011: R856 521 000); and
- equity securities relating to third-party liabilities arising on consolidation of mutual funds amounting to R16 008 000 (2011: R26 346 000).

The price risk of these instruments is carried by the policyholders of the linked investment contracts and the third-party mutual fund investors, respectively.

Notes to the annual financial statements

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COMPANY

38. FINANCIAL RISK MANAGEMENT *(continued)*

Although the group follows a policy of diversification, some concentration of price risk towards certain sectors does exist and is analysed in the following table including those equity securities listed in the previous paragraph:

Sector composition of quoted equity securities	2012 R'000	2011 R'000
Agriculture	**43 381**	96 884
Banks	**36 825**	39 108
Basic resources	**118 372**	115 897
Chemicals	**7 664**	8 567
Construction & materials	**804**	8 722
Financial services	**30 158**	33 683
Food & beverages	**23 205**	18 735
Healthcare	**9 803**	19 105
Industrial goods & services	**32 878**	37 820
Insurance	**27 450**	29 694
Media	**574**	1 510
Oil & gas	**31 818**	40 204
Other		2 325
Personal & household goods	**46 722**	29 009
Property	**62 036**	77 674
Retail	**44 863**	48 169
Satrix 40	**345 086**	330 251
Technology	**323 223**	7 962
Telecommunications	**40 795**	59 410
Travel & leisure	**10 182**	13 739
	1 235 839	1 018 468

Included in unit-linked investments are investments linked to investment contracts amounting to approximately R5 230 813 000 (2011: R4 756 430 000) and third-party liabilities relating to consolidation of unit trusts of Rnil (2011: R10 708 000), of which the price risk is also carried by the policyholders of the linked investment contracts. Therefore a movement in the individual share prices of the aforementioned investments would not have an impact on the group's profit after taxation but would decrease or increase the corresponding liabilities with the same amount.

The table below summarises the sensitivity of the group's post-tax net profit for the year as a result of market price fluctuations. The analysis is based on the assumption that marked-to-market prices increase/decrease by 20% (2011: 20%) with all other variables held constant.

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	GROUP	2012 20% increase R'000	2011 20% increase R'000	2012 20% decrease R'000	2011 20% decrease R'000
38.	**FINANCIAL RISK MANAGEMENT** *(continued)*				
	Impact on post-tax profit	**86 071**	45 071	**(86 071)**	(45 071)
	Impact on equity	**2 257**	45	**(2 257)**	(45)

Foreign exchange risk

The group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Management monitors this exposure and cover is used where appropriate.

The group's financial assets and liabilities denominated in foreign currency are analysed in the following table:

	Africa R'000	UK R'000	US R'000	Euro R'000	Asia R'000	Total R'000
At 29 February 2012						
Financial assets						
Equity securities*		**1 624**	**1 157**	**1 067**		**3 848**
Debt securities*			**1 459**	**332**	**12 305**	**14 096**
Unit-linked investments*	**338**	**20 619**	**178 211**	**24 456**	**5 325**	**228 950**
Loans and receivables		**2 021**				**2 021**
Receivables		**9 662**	**2 805**	**305**		**12 772**
Cash and cash equivalents		**175**	**789**	**276**		**1 240**
Financial liabilities						
Trade and other payables	**(15)**	**(169)**	**(1 651)**	**(250)**		**(2 085)**
Borrowings	**(1 002)**					**(1 002)**
	(679)	**33 932**	**182 770**	**26 186**	**17 630**	**259 840**
At 28 February 2011						
Financial assets						
Equity securities*		7 255				7 255
Debt securities*		7 863	38 364	324		46 551
Unit-linked investments*		10 624	343 087	16 694	14 566	384 971
Investment in investment contracts*		9 131	63 504	3 970		76 605
Loans and receivables		1 518				1 518
Receivables		128	1 560	445		2 133
Cash and cash equivalents	4	733	1 292	648		2 677
Financial liabilities						
Trade and other payables	(499)	(556)	(639)	(83)		(1 777)
Borrowings	(1 003)	(2 389)				(3 392)
	(1 498)	34 307	447 168	21 998	14 566	516 541

* *Linked to policyholder investments and as such does not directly expose the group to foreign currency risk.*

The table below shows the sensitivity of post-tax profits of the group to a 20% (2011: 20%) move in the rand exchange rates (representing the rand strengthening or weakening against the foreign currency).

Notes to the annual financial statements

for the year ended 29 February 2012

GROUP	**2012 20% increase R'000**	2011 20% increase R'000	**2012 20% decrease R'000**	2011 20% decrease R'000
38. FINANCIAL RISK MANAGEMENT *(continued)*				
Impact on post-tax profit	**2 919**	1 357	**(2 919)**	(1 357)

The company had no exposure to foreign exchange risk.

Cash flow and fair value interest rate risk

The group's interest rate risk arises from interest-bearing investments and receivables, long-term borrowings and variable rate preference shares issued to non-controlling interest. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the group to fair value interest rate risk.

	2012 R'000	2011 R'000
Loans to and preference share investments in associated companies		
Floating rate	**419 791**	443 380
Fixed rate	**26 330**	33 616
	446 121	476 996
Debt securities*		
Floating rate	**449 833**	960 368
Fixed rate	**1 416 288**	1 124 981
	1 866 121	2 085 349
Loans and receivables		
Floating rate	**74 543**	37 130
Fixed rate	**217**	582
	74 760	37 712
Receivables		
Floating rate		567
Fixed rate		3 526
	–	4 093
Cash and cash equivalents**		
Floating rate	**725 657**	1 130 695
Borrowings		
Floating rate	**(475 026)**	(423 893)
Fixed rate	**(415 870)**	(387 961)
	(890 896)	(811 854)
Total		
Floating rate	**982 090**	2 148 247
Fixed rate	**1 026 965**	761 938
	2 009 055	2 910 185

* *Debt securities of R1 836 866 000 (2011: R2 056 114 000) are linked to policyholder investments and as such do not directly expose the group to interest rate market risk.*

** *Cash and cash equivalents of R97 218 000 (2011: R224 028 000) are linked to policyholder investments and as such do not directly expose the group to interest rate market risk.*

The group manages its cash flow interest rate risk by monitoring interest rates on a regular basis. Consideration is given to hedging options which will be utilised if viable. The variable rate preference shares are classified as equity and therefore excluded from the table above and sensitivity analysis below. In order to mitigate the cash flow interest rate risk, management has entered into interest rate swap agreements, with a nominal value of R440 000 000 (2011: R440 000 000) hedged at 8,87% p.a. NACS until 31 August 2016 and R780 000 000 (2011: R650 000 000) hedged at 8,56% p.a NACS until 31 August 2020. This means that the preference dividend rate, which is calculated on a daily basis as 75% of the prime interest rate, on R1 220 000 000 (2011: 1 090 000 000) out of the R1 341 947 900 (2011: R1 190 000 000) preference shares in issue is fixed at 8,67% (2011: 8,71%) p.a. NACS. In addition, the group has preference share investments in associated companies, as shown in the above table, with coupons linked to prime interest rates, thus creating a natural further hedge. The combination of the aforementioned means that the group's listed perpetual preference shares are fully hedged against interest rate fluctuations.

Notes to the annual financial statements

for the year ended 29 February 2012

GROUP

38. FINANCIAL RISK MANAGEMENT *(continued)*

Based on simulations performed, the impact on post-tax profit of a 1% (2011: 2%) shift in interest rates is analysed in the following table and includes the effect of the interest rate hedge:

	2012 1% increase R'000	2011 2% increase R'000	**2012 1% decrease R'000**	2011 2% decrease R'000
Impact on post-tax profit	**6 399**	15 452	**(6 399)**	(15 452)

The company had no exposure to foreign exchange risk.

Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments, loans and receivables, investments in debt securities and receivables. Derivative counterparties and cash transactions are limited to high-credit-quality financial institutions. In the case of loans and receivables, management would take or insist on collateral or other form of securitisation as they deem fit.

The table below shows the group's maximum exposure to credit risk by class of asset.

	2012		2011	
	Balance R'000	**Collateral fair value R'000**	Balance R'000	Collateral fair value R'000
Debt securities*	**1 866 121**	**554 420**	2 085 349	695 974
Investment in investment contracts	**1 003 885**		1 108 686	
Loans and receivables**	**85 726**	**18 197**	42 508	
Derivative financial instruments	**10 159**		10 569	
Receivables	**2 481 411**		185 824	
Loans to and preference share investments in associated companies***	**446 121**	**91 756**	476 996	163 430
Cash and cash equivalents	**725 657**		1 130 695	
Unit-linked investments	**5 422 475**		5 008 029	
	12 041 555	**664 373**	10 048 656	859 404

Loans to and preference share investments in associated companies with a face value of R29 238 000 (2011: Rnil) have been fully impaired. Loans are impaired by reference to the net asset value of the debtor and/or discounted cash flow calculations.

Receivables are tested for impairment using a variety of techniques, including assessing credit risk and monthly monitoring of individual debtors. At 29 February 2012 receivables with a face value of approximately R1 863 000 (2011: Rnil) were found to be impaired and accordingly fully provided for.

Investments in investment contracts are linked to investment contracts and thus credit risk is carried by the policyholders of the linked investment contracts. Debt securities of R1 836 866 000 (2011: R2 056 114 000) and cash and cash equivalents of R97 218 000 (2011: R224 028 000) are linked to investment contracts and thus credit risk is carried by the policyholders of the linked investment contracts.

* *As part of the structured product offering to policyholders, promissory notes are held with Propell, Paladin and Thembeka. Due to the risk profile of these entities collateral was offered in the form of cash, securities and guarantees.*

** *Collateral in the form of ordinary shares in Precrete Holdings (Pty) Ltd and Curro Holdings Ltd was offered for the loans receivable.*

*** *The nature of the collateral offered for the loans to and preference share investments in associated companies is disclosed in note 4.*

Notes to the annual financial statements

for the year ended 29 February 2012

GROUP

38. FINANCIAL RISK MANAGEMENT *(continued)*

The credit quality of financial assets can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

	Unit-linked investments R'000	Debt securities R'000	Investment in investment contracts R'000	Loans and receivables R'000	Derivative financial instruments R'000	Receivables R'000	Loans to and preference share investments in associated companies R'000	Cash and cash equivalents R'000	**Total 29 Feb 2012 R'000**	Total 28 Feb 2011 R'000
Government stock		**50 234**							**50 234**	50 367
Aa1		**3 252**							**3 252**	53 610
Aa2		**223 623**							**223 623**	241 301
Aa3		**139 960**							**139 960**	
A1		**52 257**	**411 470**						**463 727**	432 122
A2		**723 231**				**6 592**			**729 823**	334 587
A3		**67 086**						**287 121**	**354 207**	93 103
P1								**511**	**511**	
P2								**339 681**	**339 681**	
Unit-linked	**5 422 475**								**5 422 475**	5 008 029
Other non-rated assets		**606 478**	**592 415**	**84 477**	**10 159**	**2 470 703**	**446 121**	**98 344**	**4 308 697**	3 829 692
Past due or impaired assets				**1 249**		**4 116**			**5 365**	5 845
	5 422 475	**1 866 121**	**1 003 885**	**85 726**	**10 159**	**2 481 411**	**446 121**	**725 657**	**12 041 555**	10 048 656

The credit risk associated with 66,8% (2011: 91,4%) of non-rated financial assets and unit-linked assets is assessed by reference to the investment mandates of linked policyholder investments which specify what type of underlying investments can be purchased. The holders of these contracts bear the credit risk (as well as all other financial risks) arising from these assets.

Other non-rated assets consist of secured and unsecured loans from external parties (refer to note 11 for details of the security provided), derivative financial instruments, loans and preference shares relating to investments in associates (refer to note 4 for details of which loans carry security) and other receivables. All other receivables are payable on demand (refer note 12). The group assesses all counterparties for creditworthiness before transacting, and monitors creditworthiness on a regular basis.

The unrated cash and cash equivalents relate to the group's investment in PSG Money Market Fund of which the underlying instruments are rated in terms of the Collective Investment Schemes Control Act. The mandate of the fund is to invest in cash deposits and highly liquid, fixed-interest securities with a weighted average maturity of less than 90 days. A spread of investments in top-quality financial instruments and institutions moderates the risk through diversification.

The table below gives an age analysis of receivables that are past due but not impaired. The other classes of financial assets do not contain assets that are past due but not impaired.

	Total R'000	0 – 2 months R'000	2 – 6 months R'000	6 – 12 months R'000
At 29 February 2012	**5 310**	**2 033**	**1 959**	**1 318**
At 28 February 2011	5 845	1 239	1 790	2 816

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, each entity aims to maintain flexibility in funding by keeping committed credit lines available.

With regard to the linked investment policy business it is the group's policy to pay a policyholder only once the amount disinvested has been collected.

The table below analyses the group's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Notes to the annual financial statements

for the year ended 29 February 2012

GROUP	Carrying value R'000	Less than 1 year R'000	Between 1 and 5 years R'000	Over 5 years R'000
38. FINANCIAL RISK MANAGEMENT *(continued)*				
At 29 February 2012				
Borrowings	**890 896**	**196 825**	**694 071**	
Derivative financial instruments	**45 261**	**33 569**	**26 100**	**(14 408)**
Investment contracts	**9 144 681**	**1 713 541**	**7 431 140**	
Third-party liabilities arising on consolidation of mutual funds	**16 008**		**16 008**	
Trade and other payables	**2 682 379**	**2 665 256**	**17 123**	
	12 779 225	**4 609 191**	**8 184 442**	**(14 408)**
At 28 February 2011				
Borrowings	811 854	202 833	609 021	
Derivative financial instruments	5 988	5 988		
Investment contracts	9 112 357	1 770 977	7 341 380	
Third-party liabilities arising on consolidation of mutual funds	37 054	10 708	26 346	
Trade and other payables	622 404	569 422	52 982	
	10 589 657	2 559 928	8 029 729	–

The table below analyses the company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

COMPANY	Carrying value R'000	Less than 1 year R'000
At 29 February 2012		
Trade and other payables	**2 092**	**2 092**
At 28 February 2011		
Trade and other payables	1 959	1 959

Insurance risk

The group did not have any significant insurance risk at the reporting date.

Fair value estimation

Financial instruments that are measured in the statement of financial position at fair value are disclosed by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Investments classified within level 3 have significant unobservable inputs, as they trade infrequently. Level 3 instruments relate to hedge funds and are priced monthly. The prices are obtained from the asset managers of the particular hedge funds.

All of the financial instrument assets contained in level 3 are held to match investment contract liabilities, and as such any change in measurement would result in a similar adjustment to investment contract liabilities. The company's overall profit or loss is therefore not sensitive to the inputs of the models applied to derive fair value.

Notes to the annual financial statements

for the year ended 29 February 2012

	GROUP	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
38.	**FINANCIAL RISK MANAGEMENT** *(continued)*				
	The following financial instruments are measured at fair value:				
	At 29 February 2012				
	Assets				
	Financial assets at fair value through profit or loss				
	Trading derivatives		**10 159**		**10 159**
	Equity securities	**1 235 860**	**174 160**		**1 410 020**
	Debt securities		**793 463**		**793 463**
	Unit-linked investments	**13 873**	**3 425 503**	**1 983 099**	**5 422 475**
	Investment in investment contracts		**535 385**		**535 385**
	Available-for-sale				
	Equity securities			**821**	**821**
		1 249 733	**4 938 670**	**1 983 920**	**8 172 323**
	Liabilities				
	Financial liabilities at fair value through profit or loss				
	Trading derivatives		**45 261**		**45 261**
	Investment contracts		**5 498 287**	**1 981 494**	**7 479 781**
	Trade and other payables			**66 809**	**66 809**
	Third-party liabilities arising on consolidation of mutual funds		**16 008**		**16 008**
		–	**5 559 556**	**2 048 303**	**7 607 859**
	At 28 February 2011				
	Assets				
	Financial assets at fair value through profit or loss				
	Trading derivatives		10 569		10 569
	Equity securities	1 018 228	109 798		1 128 026
	Debt securities		1 286 614		1 286 614
	Unit-linked investments	140 952	3 562 480	1 304 597	5 008 029
	Investment in investment contracts		727 627		727 627
	Available-for-sale				
	Equity securities			345	345
		1 159 180	5 697 088	1 304 942	8 161 210
	Liabilities				
	Financial liabilities at fair value through profit or loss				
	Trading derivatives		5 988		5 988
	Investment contracts		6 470 042	1 304 597	7 774 639
	Trade and other payables			71 848	71 848
	Third-party liabilities arising on consolidation of mutual funds		37 054		37 054
		–	6 513 084	1 376 445	7 889 529

Notes to the annual financial statements

for the year ended 29 February 2012

GROUP

38. FINANCIAL RISK MANAGEMENT *(continued)*

The following tables presents the changes in level 3 financial instruments during the reporting periods under review:

	Unit-linked investments R'000	Equity securities R'000	Total R'000
Assets			
Carrying amount at 1 March 2010	1 336 329	240	1 336 569
Additions	266 812	105	266 917
Disposals	(474 110)		(474 110)
Gains recognised in profit and loss	175 566		175 566
Carrying amount at 28 February 2011	1 304 597	345	1 304 942
Additions	**1 790 167**	**476**	**1 790 643**
Disposals	**(1 236 400)**		**(1 236 400)**
Gains recognised in profit and loss	**124 735**		**124 735**
Carrying amount at 29 February 2012	**1 983 099**	**821**	**1 983 920**

	Trade and other payables R'000	Investment contracts R'000	Total R'000
Liabilities			
Carrying amount at 1 March 2010		1 336 329	1 336 329
Investment contract receipts	71 848	266 812	338 660
Investment contract benefits paid		(474 110)	(474 110)
Gains recognised in profit and loss		175 566	175 566
Carrying amount at 28 February 2011	71 848	1 304 597	1 376 445
Investment contract receipts	**65 109**	**1 762 109**	**1 827 218**
Investment contract benefits paid	**(63 537)**	**(1 210 192)**	**(1 273 729)**
Gains recognised in profit and loss	**(2 750)**	**124 980**	**122 230**
Interest accrued and other movement not through profit and loss	**(3 861)**		**(3 861)**
Carrying amount at 29 February 2012	**66 809**	**1 981 494**	**2 048 303**

CAPITAL RISK MANAGEMENT

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The group's capital comprises total equity as shown in the consolidated statement of financial position plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents as shown in the consolidated statement of financial position. When funding is required management will consider the various forms of paper available for issue taking into account current market conditions, anticipated trends in market indicators and the financial position of the group at the time. Management will accordingly consider issuing ordinary shares by the group's holding company, perpetual preference shares, short, long or medium-term borrowings with variable or fixed rates. Historically the group's long and medium-term paper have been issued at fixed rates of interest. The directors have authority to issue ordinary shares up to 5% of the number of shares in issue as at the previous year-end.

Notes to the annual financial statements

for the year ended 29 February 2012

GROUP

38. FINANCIAL RISK MANAGEMENT *(continued)*

CAPITAL RISK MANAGEMENT *(continued)*

Certain subsidiaries have regulatory capital adequacy requirements as a result of the respective industries in which they operate. PSG Asset Management Life is required to hold a minimum amount of capital in order to reduce the policyholders' exposure to the company's liquidity risk. The Financial Services Board regularly reviews compliance with these minimum capital requirements as the regulatory authority. The company must maintain shareholders' funds that will be sufficient to meet obligations in the event of substantial deviations from the main assumptions affecting the company's business. Capital adequacy requirements were covered 1,86 times at 29 February 2012 (2011: 2,2 times). This ratio is determined in accordance with regulations and the guidelines issued by the Actuarial Society of South Africa.

39. RESTATEMENT OF PRIOR YEAR FIGURES

During the year, management re-examined the classification of cash flows in order to ensure that cash flow information is continuously presented on a consistent, transparent and easily understandable basis. In prior periods all movements in investments in equity securities and movements in loans and advances were treated as operating cash flows; however, there is a growing proportion thereof that actually relates to investing activities and which should not be aggregated with the net cash flows from linked investment contracts in the insurance business. Movement in such is now presented as part of investing activities on the face of the cash flow statement.

The impact of the restatements on the cash flow statement, and notes thereto, can be summarised as follows:

	Previously reported R'000	Restated R'000	Change R'000
For the year ended 28 February 2011			
Cash flows from operating activities			
Cash generated by operating activities	308 971	272 796	36 175
Cash flows from investing activities			
Acquisition of equity securities		(54 357)	54 357
Proceeds from the sale of equity securities		64 395	(64 395)
Movements in loans and advances		26 137	(26 137)
			–

This restatement had no impact on previously reported items of profit, loss, assets, liabilities or equity. All cash flows are presented on a consistent basis.

Equity accounted earnings and impairment losses incurred on associated companies have previously been presented as a net amount in the income statement and as two separate lines in the note dealing with the group's investment in associated companies. These amounts are now also presented separately in the income statement. This restatement had no impact on previously reported items of profit, loss, assets, liabilities or equity. The comparatives are presented on a consistent basis.

Notes to the annual financial statements

for the year ended 29 February 2012

GROUP

40. SUBSEQUENT TO REPORTING DATE EVENTS

A final dividend of 56 cents per share was declared to shareholders recorded at the close of business on 1 March 2012 and was paid on 2 April 2012.

The South African Minister of Finance has announced as part of the Budget 2012 tax proposals that the effective capital gains tax rates for all disposals of qualifying assets will increase with effect from 1 March 2012. The inclusion rate for PSG Group will increase to 66,6% (previously 50%), raising the effective rate to 18,7% (previously 14%).

Business combinations

Agricol Holdings Ltd ("Agricol")

At the reporting date, the group held 25,1% in the issued share capital of Agricol. Agricol is a seed company, whose activities include plant breeding, production, international trade, processing and distribution of seed.

On 29 March 2012 an agreement became effective whereby the group, through Zeder Investments Ltd, increased its interest in Agricol to 100%. The purchase consideration of such additional investment amounted to R150,4 million and was funded through existing cash resources and the unutilised borrowing facility.

At the date of approving these annual financial statements, the allocation of the cost of acquiring this business to identifiable assets, liabilities and contingent liabilities, is still to be determined.

CA Sales

On 1 March 2012 the group acquired a 60% interest in CA Sales whose activities include the distribution of key brands in the fast-moving consumable goods industry.

The purchase consideration amounted to R198 million and was funded through existing cash resources and unutilised borrowing facilities.

At the date of approving these annual financial statements, the allocation of the cost of acquiring this business to identifiable assets, liabilities and contingent liabilities, is still to be determined.

Annexure A – Investments

for the year ended 29 February 2012

INTEREST IN SUBSIDIARIES

Company	Proportion held directly or indirectly by holding company 2012 %	2011 %	Issued share capital 2012 R'000	2011 R'000
PSG Financial Services Ltd	**100**	100	**47 005**	45 872
PSG Konsult Ltd	**71**	74	**10 723**	7 331
PSG Corporate Services (Pty) Ltd	**100**	100	**10**	10
Ou Kollege Beleggings Ltd	**100**	100	**4**	4
Zeder Investments Ltd	**42**	42	**9 781**	9 781
Paladin Capital Ltd	**100**	81	**58**	58
Curro Holdings Ltd	**63**	76	**2**	1

* *Zeder Investments Ltd's results have been consolidated as PSG Group Ltd exercises control over its operations through its 42% (2011: 42%) shareholding, board representation and a management agreement in terms of which PSG Corporate Services (Pty) Ltd provides management and administration services to the company.*

In addition to the company's contribution to attributable earnings to owners of the parent, R704 757 000 (2011: R709 810 000) was contributed by subsidiaries in the group.

Information is only disclosed in respect of subsidiaries of which the financial position or results are material. All of the above are incorporated in the Republic of South Africa. Details of the nature of activities of each of the above subsidiaries are disclosed in the front section of this annual report. Further details of investments are available at the registered offices of the relevant group companies.

	COMPANY 2012 R'000	2011 R'000
Directors' valuation of investments in subsidiaries	**4 395 400**	1 955 886

INVESTMENT IN ASSOCIATED COMPANIES

Company	Nature of business	Proportion held directly or indirectly by holding companies 2012 %	2011 %	Group carrying value 2012 R'000	2011 R'000
Listed					
Capitec Bank Holdings Ltd	Retail banking	**33**	35	**2 423 275**	1 981 573
Erbacon Investment Holdings Ltd	Construction and tool hire	**27**	27		70 480
IQuad Group Ltd	Incentive and treasury services		44		33 699
Top Fix Holdings Ltd	Scaffolding	**29**	29		23 600
Petmin Ltd	General mining	**12***	11*	**220 290**	182 764
				2 643 565	2 292 116

* *Significant influence exercised through, inter alia, board representation. Refer to related accounting policy.*

Annexure A – Investments *(continued)*

as at 29 February 2012

INVESTMENT IN ASSOCIATED COMPANIES *(continued)*

Company	Nature of business	Proportion held directly or indirectly by holding companies **2012** %	2011 %	Group carrying value **2012** R'000	2011 R'000
Unlisted					
Thembeka Capital Ltd	Private equity	**49**	49	**464 198**	441 673
Agri investments				**2 567 104**	2 081 948
Agricol Holdings Ltd	Agricultural	**25**	25		
Capevin Holdings Ltd	Investment company	**40**	40		
Kaap Agri Ltd	Agricultural	**33**	44		
MGK Business Investments Ltd	Agricultural		27		
NWK Ltd	Agricultural	**20**			
Agri Voedsel Beleggings Ltd	Investment holding	**45**	44		
Capespan Group Ltd	Transport of fresh produce	**41**	23		
Suidwes Investments Ltd	Agricultural	**24**	22		
Thembeka OVB Holdings (Pty) Ltd	Investment holding	**49**	49		
Precrete Nozala (Pty) Ltd*	Mining services	**21**	22	**61 495**	54 418
Propell Group Holdings (Pty) Ltd	Bridge financing	**35**	35	**17 913**	16 169
GRW Holdings (Pty) Ltd	Tank container manufacturer	**40**	40	**49 124**	41 191
NRGP Holdings (Pty) Ltd	Energy saving solutions	**45**		**11 575**	
Friedshelf 903 (Pty) Ltd t/a Protea Foundry	Non-ferrous casting	**50**	49	**23 233**	20 190
African Unity Insurance Ltd	Insurance	**43**	43	**21 218**	9 460
Spirit Capital (Pty) Ltd	Corporate finance	**28**	24	**28 286**	20 098
Stellenbosch Nanofiber Company (Pty) Ltd	Nanofiber technology	**22**		**8 171**	
Impak Onderwysdiens (Pty) Ltd	Distance learning	**50**		**21 222**	
Other				**8 418**	12 114
				3 281 957	2 697 261

* *At 29 February 2012 Paladin Capital Ltd held a 31,9% (2011: 31,9%) stake in Thembeka Mining (Pty) Ltd, which owned 39,4% (2011: 41%) in Precrete Holdings (Pty) Ltd. Paladin Capital thus owned an effective 12,6% (2011: 13,1%) in Precrete Nozala through Thembeka Mining at year-end. Paladin Capital also has a direct interest in Precrete Holdings (Pty) Ltd of 8,6% (2011: 9%), resulting in a total effective interest in Precrete Holdings (Pty) Ltd of 21,2% (2011: 22,1%).*

Information is only disclosed in respect of associates of which the financial position or results are material. All of the above are incorporated in the Republic of South Africa. Further details of investments are available at the registered offices of the relevant group companies.

FINANCIAL INFORMATION IN RESPECT OF PRINCIPAL ASSOCIATED COMPANIES

	Assets R'000	Liabilities R'000	Revenues R'000	Profits R'000
2012				
Capitec Bank Holdings Ltd	**23 622 000**	**18 436 000**	**9 890 348**	**1 094 340**
Thembeka Capital Ltd	**2 007 627**	**846 948**		**132 042**
Agri investments**	**5 292 064**	**901 310**	**4 610 088**	**621 050**
Petmin Ltd*	**1 831 017**	**496 022**	**216 328**	**47 023**
	32 752 708	**20 680 280**	**14 716 764**	**1 894 455**
2011				
Capitec Bank Holdings Ltd	14 439 517	10 989 004	5 185 277	656 024
Thembeka Capital Ltd	1 864 518	796 343		438 004
Agri investments**	4 647 208	757 322	4 236 678	422 620
Petmin Ltd*	1 596 337	354 916	489 354	107 717
	22 547 580	12 897 585	9 911 309	1 624 365

* *Year-end 30 June*

** *Principal associated agri investment companies comprise Kaap Agri Ltd (year-end 30 September), Agri Voedsel Beleggings Ltd and Capevin Holdings Ltd (year-end 30 June). The financial information presented are based on the principal associated companies' most recent published results.*

Annexure B – Segment report

for the year ended 29 February 2012

The group is organised into seven reportable segments, namely: Capitec, Zeder, Paladin, Thembeka Capital, Curro, PSG Konsult (including PSG Asset Management, following its amalgamation) and PSG Corporate. These segments represent the major investments of the group. The services offered by PSG Konsult consist of financial advice, stockbroking and fund management, while Curro offers private education services. The other segments offer financing, banking, investing and corporate finance services. All segments predominantly operate in the Republic of South Africa.

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. The majority of the segmental income comprises intergroup management fees charged in terms of the respective management agreements.

Headline earnings comprise recurring and non-recurring headline earnings. Recurring headline earnings are calculated on a proportional basis, and include the proportional headline earnings of underlying investments, excluding marked-to-market adjustments and one-off items. The result is that investments in which the group holds less than 20% and which are generally not equity accountable in terms of accounting standards, are equity accounted for the purpose of calculating the consolidated recurring headline earnings. Non-recurring headline earnings include one-off gains and losses and marked-to-market fluctuations as well as the resulting taxation charge on these items. Sum-of-the-parts (SOTP) is the key valuation tool 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 Statement of Financial Position since the latter are measured using the appropriate Accounting Standards which include historical cost and equity accounting methods.

Annexure B – Segment report *(continued)*

for the year ended 29 February 2012

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

GROUP	Income R'000	Intersegment income R'000	Recurring headline earnings R'000	Non-recurring headline earnings R'000	Headline earnings (segment profit) R'000	Sum-of-the-parts value R'000
For the year ended 29 February 2012						
Capitec*	**182 443**		**362 405**		**362 405**	**5 978 269**
Zeder	**55 962**		**115 425**	**11 557**	**126 982**	**1 067 004**
Paladin	**17 216**		**32 017**	**(32 374)**	**(357)**	**727 737**
Thembeka Capital*			**18 718**	**4 420**	**23 138**	**570 284**
Curro	**170 335**		**(5 171)**		**(5 171)**	**1 118 006**
PSG Konsult (incl. PSG Asset Management)	**1 461 315**		**107 855**	**7 825**	**115 680**	**1 482 888**
PSG Corporate	**212 274**	**(60 426)**	**41 032**	**68 555**	**109 587**	**1 070 939**
Net fee income**			**20 424**		**20 424**	**338 250**
Unit trust, hedge fund and share investments				**68 555**	**68 555**	**507 566**
BEE investments			**20 608**		**20 608**	**225 123**
Reconciling items						
Funding	**14 294**	**(1 503)**	**(134 435)**	**(29 771)**	**(164 206)**	**(1 650 228)**
Other			**(1 342)**	**420**	**(922)**	**(49 156)**
Total	**2 113 839**	**(61 929)**	**536 504**	**30 632**	**567 136**	**10 315 743**
	***	***				
Non-headline					**135 949**	
Earnings attributable to non-controlling interest					**322 238**	
Taxation					**104 051**	
Profit before taxation					**1 129 374**	

	2012 R'000
Reconciliation of segment revenue to IAS revenue:	
Segment revenue as stated above	
Income	**2 113 839**
Intersegment income	**(61 929)**
Less:	
Net fair value gains and losses on financial instruments	**(533 729)**
Fair value adjustment to investment contract liabilities	**624 103**
Other operating income	**(226 818)**
IAS revenue	**1 915 466**
Non-recurring headline earnings comprised the following:	
Non-recurring items	**(8 572)**
Net fair value gains	**41 824**
Other	**(2 620)**
	30 632

Annexure B – Segment report *(continued)*

for the year ended 29 February 2012

GROUP	Income R'000	Intersegment income R'000	Recurring headline earnings R'000	Non-recurring headline earnings R'000	Headline earnings (segment profit) R'000	Sum-of-the-parts value R'000	Net asset value R'000
For the year ended 28 February 2011							
Capitec*	22 042		223 005		223 005	5 138 403	1 981 553
Zeder	135 510		109 448	(33 137)	76 311	1 068 678	1 073 097
Paladin	332 867		36 483	(168)	36 315	1 242 119	1 019 165
Thembeka Capital*			8 494	93 606	102 100		
Curro			1 851		1 851		103 909
PSG Konsult	1 283 690		93 853	6 405	100 258	1 205 494	480 880
PSG Corporate	168 074	(61 267)	40 042	24 313	64 355	703 889	372 366
Net fee income**			21 048		21 048	350 000	22 956
Unit trust, hedge fund and share investments			(865)	24 313	23 448	149 373	144 894
BEE investments			19 859		19 859	204 516	204 516
Reconciling items							
Funding	17 277	(6 364)	(109 121)	6 768	(102 353)	(1 535 356)	(1 484 211)
Other				10 523	10 523	194 611	38 039
Total	1 959 460	(67 631)	404 055	108 310	512 365	8 017 838	3 584 798
	***	***				****	****
Non-headline					196 038		
Earnings attributable to non-controlling interest					323 939		
Taxation					130 963		
Profit before taxation					1 163 305		

	2011 R'000
Reconciliation of segment revenue to IAS revenue:	
Segment revenue as stated above	
Income	1 959 460
Intersegment income	(67 631)
Less:	
Net fair value gains and losses on financial instruments	(379 419)
Fair value adjustment to investment contract liabilities	650 158
Other operating income	(380 223)
IAS revenue	1 782 345
Non-recurring headline earnings comprised the following:	
Non-recurring items	66 706
Net fair value gains	31 081
Other*****	10 523
	108 310

* *Equity accounted*

** *Net fee income is after the deduction of salaries, operating expenses and taxation.*

*** *The total of income and intersegment income comprises the total income per the Income Statement.*

**** *Since SOTP is the key valuation tool to measure the group's performance, SOTP will be presented in the future instead of net asset value (NAV).*

***** *Other items in the previous year relate mainly to Capitec underwriting fee.*

Notice of annual general meeting

Notice is hereby given of the annual general meeting of shareholders of PSG Group Ltd ("**PSG Group**" or "**the company**") to be held at Webersburg, Webersburg Wines, Annandale Road, Stellenbosch, on Friday, 22 June 2012, at 12:15 ("the AGM").

Purpose
The purpose of the meeting is to transact the business set out in the agenda below. For the avoidance of doubt, the memorandum and articles of association of the company are referred to as the memorandum of incorporation in accordance with the terminology used in the new Companies Act 2008 (Act 71 of 2008), as amended ("the Companies Act"), which became effective on 1 May 2011.

Agenda

1. Presentation of the audited annual financial statements of the company, including the reports of the directors and the audit committee for the year ended 29 February 2012. The annual report, of which this notice forms part, contains the complete audited annual financial statements and the aforementioned reports.

2. To consider and, if deemed fit, approve, with or without modification, the following ordinary resolutions:

Note:
For any of the ordinary resolutions numbers 1 to 9 to be adopted, more than 50% of the voting rights exercised on each such ordinary resolution must be exercised in favour thereof. For ordinary resolution number 10 to be adopted, at least 75% of the voting rights exercised on such ordinary resolution must be exercised in favour thereof.

2.1 Retirement and re-election of directors

2.1.1 Ordinary resolution number 1
"Resolved that Mr ZL Combi, who retires by rotation in terms of the memorandum of incorporation of the company and, being eligible and offering himself for re-election, be and is hereby re-elected as director."

Summary *curriculum vitae* of Mr ZL Combi
Mr Combi is the executive chairman of Thembeka Capital Ltd. He holds a diploma in public relations and was awarded the Ernst & Young South African Entrepreneur of the Year award in 2000, as well as the World Entrepreneur of the Year in Managing Change award in 2001. Mr Combi is a member of the Institute of Directors and sits on various listed and unlisted companies' boards, as well as the Absa Bank Advisory Committee (Western Cape).

2.1.2 Ordinary resolution number 2
"Resolved that Mr W Theron, who retires by rotation in terms of the memorandum of incorporation of the company and, being eligible and offering himself for re-election, be and is hereby re-elected as director."

Summary *curriculum vitae* of Mr W Theron
Mr Theron obtained his BCom degree at the University of Stellenbosch and BCompt (Hons) through Unisa. In 1976, he qualified as Chartered Accountant (SA). He started the chartered accountancy firm Theron du Plessis, in 1976, in Middelburg Eastern Cape, which in 1998 had 10 offices in the Western and Eastern Cape. In 1998, he was the founder of PSG Konsult and has since been in his current position as chief executive officer.

2.1.3 Ordinary resolution number 3
"Resolved that Mr PE Burton, who retires by rotation in terms of the memorandum of incorporation of the company and, being eligible and offering himself for re-election, be and is hereby re-elected as director."

Notice of annual general meeting *(continued)*

Summary *curriculum vitae* of Mr PE Burton
Mr Burton obtained a BCom (Hons) Financial Management and post-graduate Diploma in Tax Law from the University of Cape Town.

He was one of the founding members of Siphumelele Investments Ltd, a black economic empowerment company established in 1995, with a shareholder base representing in excess of 150 000 previously disadvantaged individuals. His experience as a director includes executive and non-executive positions in fishing, telecommunications, media and entertainment, technology and financial services. He is a member of the audit committees of PSG Group Ltd, Johnnic Holdings Ltd and Siphumelele Investments Ltd.

The reason for ordinary resolution numbers 1 to 3 (inclusive) is that the memorandum of incorporation of the company and, to the extent applicable, the Companies Act, require that a component of the non-executive directors rotate at the AGM and, being eligible, may offer themselves for re-election as directors.

2.2 Re-appointment of the members of the audit and risk committee of the company

Note:
For avoidance of doubt, all references to the audit and risk committee of the company is a reference to the audit committee as contemplated in the Companies Act.

2.2.1 Ordinary resolution number 4
"Resolved that Mr PE Burton, being eligible, be and is hereby re-appointed as a member of the audit and risk committee of the company, as recommended by the board of directors of the company, until the next annual general meeting of the company."

A summary curriculum vitae of Mr PE Burton is set out in paragraph 2.1.3 above.

2.2.2 Ordinary resolution number 5
"Resolved that Mr CA Otto, being eligible, be and is hereby re-appointed as a member of the audit and risk committee of the company, as recommended by the board of directors of the company, until the next annual general meeting of the company."

Summary *curriculum vitae* of Mr CA Otto
Mr Otto was educated at the University of Stellenbosch (BCom LLB).

He has been an executive director of PSG Group since its formation in 1995 until March 2009 and is a co-founder of PSG.

Mr Otto has been directly involved in the establishment of PSG's investment in micro-finance and subsequent establishment of Capitec Bank Holdings Ltd of which he has been a director since inception. He has also been responsible for the establishment of PSG's investments in the agri sector which culminated in the formation of Zeder Investments Ltd of which he remains a director. Mr Otto serves on various boards as a non-executive director, including PSG Financial Services Ltd, Capevin Investments Ltd, Zeder Investments Ltd, Kaap Agri Ltd, Agri Voedsel Beleggings Ltd and Distell Group Ltd.

2.2.3 Ordinary resolution number 6
"Resolved that Mr J deV du Toit, being eligible, be and is hereby re-appointed as a member of the audit and risk committee of the company, as recommended by the board of directors of the company, until the next annual general meeting of the company."

Notice of annual general meeting *(continued)*

Summary *curriculum vitae* of Mr J de V du Toit

Mr Du Toit completed his studies at Stellenbosch and Cape Town. He qualified as a Chartered Accountant (SA) and later obtained his CFA.

In 1988, he joined SMK as financial director and later as portfolio manager. Mr Du Toit is a co-founder of PSG Group.

The reason for ordinary resolution numbers 4 to 6 (inclusive) is that the company, being a public listed company, must appoint an audit committee and the Companies Act requires that the members of such audit committee be appointed, or re-appointed, as the case may be, at each annual general meeting of a company.

2.3 Re-appointment of auditor

Ordinary resolution number 7

"Resolved that PricewaterhouseCoopers Inc be and is hereby re-appointed as auditor of the company for the ensuing year on the recommendation of the audit and risk committee of the company."

The reason for ordinary resolution number 7 is that the company, being a public listed company, must have its financial results audited and such auditor must be appointed or re-appointed each year at the AGM of the company as required by the Companies Act.

2.4 Auditor's remuneration

Ordinary resolution number 8

"Resolved that the auditor's remuneration for the year ended 29 February 2012 as determined by the audit and risk committee of the company be and is hereby confirmed."

The reason for ordinary resolution number 8 is that the memorandum of incorporation of the company requires that the remuneration of the auditor be considered at the AGM.

2.5 Unissued shares placed under control of the directors

Ordinary resolution number 9

"Resolved that the unissued shares in the company, limited to 5% of the number of shares in issue at 29 February 2012, be and are hereby placed under the control of the directors until the next annual general meeting and that they be and are hereby authorised to issue any such shares as the directors may deem fit, subject to the Companies Act of 2008 (Act 71 of 2008), as amended, the memorandum of incorporation of the company, and the provisions of the Listings Requirements of the JSE Ltd, save that the aforementioned 5% limitation shall not apply to any shares issued in terms of a rights offer."

The reason for ordinary resolution number 9 is that the board requires authority from shareholders in terms of its memorandum of incorporation to issue shares in the company. This general authority, once granted, allows the board from time to time, when it is appropriate to do so, to issue ordinary shares as may be required, inter alia, in terms of capital raising exercises, to maintain a healthy capital adequacy ratio and to issue such shares to the Share Incentive Trust that may be required from time to time when participants exercise their options to subscribe for shares in the company. This general authority is subject to the restriction that it is limited to 5% of the number of shares in issue at 29 February 2012 on the terms more fully set out in ordinary resolution number 9 and subject to the further restrictions set out in ordinary resolution number 10 below.

2.6 General authority to issue shares for cash

Ordinary resolution number 10

"Resolved that the directors of the company be and are hereby authorised by way of a general authority, to allot and issue any of its unissued shares for cash placed under their control as they in their discretion may deem fit, without restriction, subject to the provisions of the Listings Requirements of the JSE Ltd ("the JSE"), and subject to the proviso that the aggregate number of ordinary shares able to be allotted and issued in terms of this resolution, shall be limited to 5% of the issued share capital at 29 February 2012, provided that:

Notice of annual general meeting *(continued)*

- the approval shall be valid until the date of the next annual general meeting of the company, provided it shall not extend beyond fifteen months from the date of this resolution;
- a paid press announcement giving full details, including the impact on net asset value and earnings per share, will be published after any issue representing, on a cumulative basis within any one financial year, 5% or more of the number of shares in issue prior to such issue;
- the general issues of shares for cash in the aggregate in any one financial year may not exceed 5% of the applicant's issued share capital (number of securities) of that class. For purposes of determining whether the aforementioned 5% has been or will be reached, the securities of a particular class will be aggregated with the securities that are compulsorily convertible into securities of that class and, in the case of the issue of compulsorily convertible securities, aggregated with the securities of that class into which they are compulsorily convertible. The number of securities of a class which may be issued shall be based on the number of securities of that class in issue at the date of such application less any securities of the class issued during the current financial year, provided that any securities of that class to be issued pursuant to a rights issue (announced and irrevocable and underwritten) or acquisition (concluded up to the date of application) may be included as though they were securities in issue at the date of application;
- in determining the price at which an issue of shares will be made in terms of this authority the maximum discount permitted will be 10% of the weighted average traded price of such shares, as determined over the 30 trading days prior to the date that the price of the issue is agreed between the issuer and the party subscribing for the securities. The JSE should be consulted for a ruling if the securities have not traded in such 30 business day period;
- any such issue will only be made to public shareholders as defined in 4.25 to 4.27 of the Listings Requirements of the JSE and not to related parties; and
- any such issue will only be securities of a class already in issue or, if this is not the case, will be limited to such securities or rights that are convertible into a class already in issue."

For listed entities wishing to issue shares for cash, it is necessary for the board not only to obtain the prior authority of the shareholders as may be required in terms of their memorandum of incorporation contemplated in ordinary resolution number 9 above, but it is also necessary to obtain the prior authority of shareholders in accordance with the Listings Requirements of the JSE. The reason for ordinary resolution number 10 is accordingly to obtain a general authority from shareholders to issue shares for cash in compliance with the Listings Requirements of the JSE.

At least 75% of the shareholders present in person or by proxy and entitled to vote at the AGM must cast their vote in favour of this resolution.

3. To consider and, if deemed fit, pass, with or without modification, the following special resolutions:

Note:
For the special resolutions to be adopted, at least 75% of the voting rights exercised on each special resolution must be exercised in favour thereof.

3.1 Remuneration of directors
Special resolution number 1
"Resolved in terms of section 66(9) of the Companies Act of 2008 (Act 71 of 2008), as amended, that the company be and is hereby authorised to remunerate its directors for their services as directors on the basis set out below and on any other basis as may be recommended by the remuneration committee and approved by the board of directors, provided that this authority will be valid until the next annual general meeting:

Notice of annual general meeting *(continued)*

	Proposed annual remuneration[1]				
	Board	Committee member			
	member	Audit	Remcom	PSG BEE Trust	Total
	R	R	R	R	R
PE Burton[2]	108 000	59 400	7 128	5 940	**180 468**
ZL Combi*	108 000				**108 000**
MM du Toit	108 000		7 128		**115 128**
JF Mouton[3]	216 000				**216 000**
J de V du Toit[4]	108 000	70 200			**178 200**
MJ Jooste [5]*	108 000		7 560		**115 560**
W Theron*	108 000				**108 000**
JJ Mouton*	108 000				**108 000**
CA Otto	108 000	59 400	7 128		**174 528**
TOTAL	**1 080 000**	**189 000**	**28 944**	**5 940**	**1 303 884**

Notes:
[1] With effect from 1 March 2012
[2] Chairman of the PSG BEE Trust
[3] Chairman of the PSG Group board
[4] Chairman of the PSG Group audit and risk committee
[5] Chairman of the PSG Group remuneration committee."
** Payable to the company by which the director is employed.*

The reason for special resolution number 1 is for the company to obtain the approval of shareholders by way of special resolution for the payment of remuneration to its non-executive directors in accordance with the requirements of the Companies Act.

The effect of special resolution number 1 is that the company will be able to pay its non-executive directors for the services they render to the company as directors without requiring further shareholder approval until the next AGM.

3.2 Inter-company financial assistance

3.2.1 Special resolution number 2: Inter-company financial assistance

"Resolved in terms of section 45(3)(a)(ii) of the Companies Act of 2008 (Act 71 of 2008), as amended ("the Companies Act"), as a general approval, that the board of the company be and is hereby authorised to approve that the company provides any direct or indirect financial assistance ("financial assistance" will herein have the meaning attributed to it in section 45(1) of the Companies Act) that the board of the company may deem fit to any company or corporation that is related or inter-related ("related" or "inter-related" will herein have the meaning attributed to it in section 2 of the Companies Act) to the company, on the terms and conditions and for amounts that the board of the company may determine, provided that the aforementioned approval shall be valid until the date of the next annual general meeting of the company."

The reason for and effect of special resolution number 2 is to grant the directors of the company the authority until the next AGM to provide direct or indirect financial assistance to any company or corporation which is related or inter-related to the company. This means that the company is, inter alia, authorised to grant loans to its subsidiaries and to guarantee the debt of its subsidiaries.

Notice of annual general meeting *(continued)*

3.2.2 Special resolution number 3: Financial assistance for acquisition of shares in a related or inter-related company

"Resolved that in terms of section 44(3)(a)(ii) of the Companies Act, as a general approval, that the board of the company be and is hereby authorised to approve that the company provides any direct or indirect financial assistance ("financial assistance" will herein have the meaning attributed to it in sections 44(1) and 44(2) of the Companies Act), that the board of the company may deem fit to any company or corporation that is related or inter-related to the company ("related" or "inter-related" will herein have the meaning attributed to it in section 2 of the Companies Act), on the terms and conditions and for amounts that the board of the company may determine for the purpose of, or in connection with the subscription of any option, or any shares or other securities, issued or to be issued by a related or inter-related company, or for the purchase of any shares or securities of a related or inter-related company, provided that the aforementioned approval shall be valid until the date of the next annual general meeting of the company.

The reason for and effect of special resolution number 3 is to grant the directors the authority until the next AGM to provide financial assistance to any company or corporation which is related or inter-related to the company for the purpose of or in connection with the subscription or purchase of options, shares or other securities in any such related or inter-related company or corporation. This means that the company is authorised, inter alia, to grant loans to its subsidiaries and to guarantee and furnish security for the debt of its subsidiaries where any such financial assistance is directly or indirectly related to a party subscribing for options, shares or securities in its subsidiaries. A typical example of where the company may rely on this authority is where a subsidiary raised funds by way of issuing preference shares and the third-party funder requires the company to furnish security, by way of a guarantee or otherwise, for the obligations of its subsidiary to the third-party funder arising from the issue of the preference shares. The company has no immediate plans to use this authority and is simply obtaining same in the interests of prudence and good corporate governance should the unforeseen need arise to use the authority.

3.3 Share repurchases by the company and its subsidiaries

3.3.1 Special resolution number 4: Share buy-back by PSG Group

"Resolved as a special resolution that the company be and is hereby authorised, as a general approval, to repurchase any of the shares issued by the company, upon such terms and conditions and in such amounts as the directors may from time to time determine, but subject to the provisions of sections 46 and 48 of the Companies Act of 2008 (Act 71 of 2008), as amended ("the Companies Act"), the memorandum of incorporation of the company, the Listings Requirements of the JSE Ltd ("the JSE") and the requirements of any other stock exchange on which the shares of the company may be quoted or listed, including, inter alia, that:

– the general repurchase of the shares may only be implemented on the open market of the JSE and done without any prior understanding or arrangement between the company and the counterparty;
– this general authority shall only be valid until the next annual general meeting of the company, provided that it shall not extend beyond fifteen months from the date of this resolution;
– an announcement must be published as soon as the company has acquired shares constituting, on a cumulative basis, 3% of the number of shares in issue prior to the acquisition, pursuant to which the aforesaid 3% threshold is reached, containing full details thereof, as well as for each 3% in aggregate of the initial number of shares acquired thereafter;
– the general authority to repurchase is limited to a maximum of 20% in the aggregate in any one financial year of the company's issued share capital at the time the authority is granted;
– a resolution has been passed by the board of directors approving the purchase, that the company has satisfied the solvency and liquidity test as defined in the Companies Act and that since the solvency and liquidity test was applied there have been no material changes to the financial position of the group;
– the general repurchase is authorised by the company's memorandum of incorporation;
– repurchases must not be made at a price more than 10% above the weighted average of the market value of the shares for five business days immediately preceding the date that the transaction is effected. The JSE should be consulted for a ruling if the applicant's securities have not traded in such five business day period;
– the company may at any point in time only appoint one agent to effect any repurchase(s) on the company's behalf;

Notice of annual general meeting *(continued)*

- the company may not effect a repurchase during any prohibited period as defined in terms of the Listings Requirements of the JSE unless there is a repurchase programme in place as contemplated in terms of 5.72(g) of the Listings Requirements of the JSE; and
- the company must ensure that its sponsor provides the JSE with the required working capital letters before it commences the repurchase of any shares."

The reason for and effect of special resolution number 4 is to grant the directors a general authority in terms of its memorandum of incorporation and the Listings Requirements of the JSE for the acquisition by the company of shares issued by it on the basis reflected in the special resolution.

In terms of the Listings Requirements of the JSE any general repurchase by the company must, inter alia, be limited to a maximum of 20% of the company's issued share capital in any one financial year of that class at the time the authority is granted.

3.3.2 Special resolution number 5: Share buy-back by subsidiaries of PSG Group

"Resolved as a special resolution that the company, insofar as it may be necessary to do so, hereby approves, as a general approval, and authorises the acquisition by any subsidiary of the company ("the subsidiary" or "the acquiree") of shares issued by such subsidiary and/or shares issued by the company, upon such terms and conditions and in such amounts as the directors of any such subsidiary may from time to time determine, but subject to the provisions of sections 46 and 48 of the Companies Act of 2008 (Act 71 of 2008), as amended ("the Companies Act"), the memorandum of incorporation of the company, the Listings Requirements of the JSE Ltd ("the JSE") and the requirements of any other stock exchange on which the shares of the subsidiary may be quoted or listed, including, inter alia, that:

- the general repurchase of shares may only be implemented on the open market of the JSE and done without any prior understanding or arrangement between the acquiree and the other counterparty;
- this general authority shall only be valid until the next annual general meeting of the company, provided that it shall not extend beyond fifteen months from the date of this resolution;
- an announcement must be published as soon as the acquiree has acquired shares constituting, on a cumulative basis, 3% of the number of shares of the acquiree company in issue prior to the acquisition, pursuant to which the aforesaid 3% threshold is reached, containing full details thereof, as well as for each 3% in aggregate of the initial number of shares acquired thereafter;
- this general authority to repurchase is limited to a maximum of 20% in the aggregate in any one financial year of the acquiree's issued share capital at the time the authority is granted, subject to a maximum of 10% in the aggregate in the event that it is the company's share capital that is repurchased by a subsidiary;
- a resolution has been passed by the board of directors approving the purchase, that the company has satisfied the solvency and liquidity test as defined in the Companies Act and that since the solvency and liquidity test was applied there have been no material changes to the financial position of the group;
- the general purchase is authorised by the company's memorandum of incorporation;
- repurchases must not be made at a price more than 10% above the weighted average of the market value of the shares for the five business days immediately preceding the date that the transaction is effected. The JSE should be consulted for a ruling if the securities have not traded in such five business day period;
- the company and/or subsidiary may at any point in time only appoint one agent to effect any repurchase(s) on the subsidiary company's behalf;
- the subsidiary company may not effect a repurchase during any prohibited period as defined in terms of the Listings Requirements of the JSE unless there is a repurchase programme in place as contemplated in terms of 5.72(g) of the Listings Requirements of the JSE; and
- the company must ensure that its sponsor provides the JSE with the required working capital letters before it commences the repurchase of any shares."

The reason for and effect of special resolution number 5 is to grant the board of directors of any subsidiary of the company a general authority in terms of the Listings Requirements of the JSE to acquire shares issued by such subsidiary and/or to acquire shares issued by the company on the basis reflected in the special resolution.

Notice of annual general meeting *(continued)*

In terms of the Listings Requirements of the JSE, any general purchase by a subsidiary of shares must, inter alia, be limited to a maximum of 20% of the issued share capital of the acquiree company in any one financial year of that class at the time the authority is granted, subject to a maximum of 10% in the event that it is the company's share capital that is repurchased by a subsidiary.

3.4 Special resolution number 6: Adoption of a new memorandum of incorporation

"Resolved in terms of section 60(1)(c)(ii) of the Companies Act of 2008 (Act 71 of 2008), as amended ("the Companies Act") that the company hereby approves and adopts in terms of section 60(5)(a) of the Companies Act, a new memorandum of incorporation (MOI), a copy of which has been tabled at this annual general meeting and initialled by the chairman of the annual general meeting for identification purposes, in substitution for the existing memorandum of incorporation. The date on which the MOI becomes effective will be the date that this special resolution approving the MOI is adopted, irrespective of the date of filing thereof with the Companies and Intellectual Properties Commission."

The reason for special resolution number 6 is to obtain the approval of the shareholders of the company to replace the existing memorandum of incorporation (previously known as the memorandum of incorporation and articles of association) with a new memorandum of incorporation which is aligned with the requirements of the Companies Act. In terms of Schedule 5 of the Companies Act every pre-existing company has until 1 May 2013 to amend its memorandum of incorporation in harmony with the Companies Act. A copy of the memorandum of incorporation proposed for adoption, in terms of special resolution number 6, is available for inspection from 22 May 2012 up to 21 June 2012 at the registered office of the company at Ou Kollege Building, 35 Kerk Street, Stellenbosch, 7600.

The effect of this special resolution will be that the company will adopt a new memorandum of incorporation in compliance with the Companies Act.

4. Other business

To transact such other business as may be transacted at an AGM or raised by shareholders with or without advance notice to the company.

Information relating to the special resolutions

1. The directors of the company or its subsidiaries will only utilise the general authority to purchase shares of the company and/or the subsidiary as set out in special resolutions numbers 4 and 5 to the extent that the directors, after considering the maximum shares to be purchased, are of the opinion that the position of the company and its subsidiaries ("PSG group") would not be compromised as to the following:

   – the PSG group's ability in the ordinary course of business to pay its debts for a period of 12 months after the date of this AGM and for a period of 12 months after the purchase;
   – the consolidated assets of the PSG group will at the time of the AGM and at the time of making such determination be in excess of the consolidated liabilities of the PSG group. The assets and liabilities should be recognised and measured in accordance with the accounting policies used in the latest audited annual financial statements of the PSG group;
   – the ordinary capital and reserves of the PSG group after the purchase will remain adequate for the purpose of the business of the PSG group for a period of 12 months after the AGM and after the date of the share purchase; and
   – the working capital available to the PSG group after the purchase will be sufficient for the PSG group's requirements for a period of 12 months after the date of the notice of the annual general meeting

   and the directors have passed a resolution authorising the repurchase, resolving that the company or the subsidiary, as the case may be, has satisfied the solvency and liquidity test as defined in the Companies Act and resolving that since the solvency and liquidity test had been applied, there have been no material changes to the financial position of the PSG group.

   General information in respect of directors, major shareholders, directors' interest in securities and material changes and the share capital of the company is contained in the annual report of the company for the financial year ending 29 February 2012 ("the annual report") which has been delivered to the ordinary shareholder with this notice.

Notice of annual general meeting *(continued)*

2. The company is not involved in any legal or arbitration proceedings, nor are any proceedings pending or threatened of which the company is aware that may have or have had in the previous 12 months, a material effect on the company's financial position.

3. The directors, whose names appear on page 11 of the annual report of which this notice forms part, collectively and individually accept full responsibility for the accuracy of the information given and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts that have been made and that the notice contains all information required by the Listings Requirements of the JSE.

4. Special resolution numbers 2, 4 and 5 are renewals of resolutions taken at the previous annual general meeting on 15 June 2011.

VOTING

1. The date on which shareholders must be recorded as such in the share register maintained by the transfer secretaries of the company ("the Share Register") for purposes of being entitled to receive this notice is Friday, 18 May 2012.

2. The date on which shareholders must be recorded in the Share Register for purposes of being entitled to attend and vote at this meeting is Friday, 15 June 2012, with the last day to trade being Friday, 8 June 2012.

3. Meeting participants will be required to provide proof of identification to the reasonable satisfaction of the chairman of the AGM and must accordingly bring a copy of their identity document, passport or driver's licence to the AGM. If in doubt as to whether any document will be regarded as satisfactory proof of identification, meeting participants should contact the transfer secretaries for guidance.

4. Shareholders entitled to attend and vote at the AGM may appoint one or more proxies to attend, speak and vote thereat in their stead. A proxy need not be a member of the company. A form of proxy, in which are set out the relevant instructions for its completion, is enclosed for the use of a certificated shareholder or own-name registered dematerialised shareholder who wishes to be represented at the annual general meeting. Completion of a form of proxy will not preclude such shareholder from attending and voting (in preference to that shareholder's proxy) at the AGM.

5. The instrument appointing a proxy and the authority (if any) under which it is signed must reach the transfer secretaries of the company at the address given below by not later than 12:00 on Wednesday, 20 June 2012.

6. Dematerialised shareholders, other than own-name registered dematerialised shareholders, who wish to attend the AGM in person will need to request their Central Securities Depository Participant (CSDP) or broker to provide them with the necessary authority in terms of the custody agreement entered into between such shareholders and the CSDP or broker.

7. Dematerialised shareholders, other than own-name registered dematerialised shareholders, who are unable to attend the annual general meeting and who wish to be represented thereat, must provide their CSDP or broker with their voting instructions in terms of the custody agreement entered into between themselves and the CSDP or broker in the manner and time stipulated therein.

8. Shareholders present in person, by proxy or by authorised representative shall, on a show of hands, have one vote each and, on a poll, will have one vote in respect of each share held.

By order of the board

PSG Corporate Services (Pty) Ltd
Company secretary

15 May 2012
Stellenbosch

PSG GROUP LIMITED

(Incorporated in the Republic of South Africa)
(Registration number 1970/008484/06)
JSE share code: PSG
ISIN code: ZAE000013017
("PSG Group" or "the company")

FORM OF PROXY – FOR USE BY CERTIFICATED AND OWN-NAME DEMATERIALISED SHAREHOLDERS ONLY

For use at the annual general meeting of ordinary shareholders of the company to be held at 12:15 at Webersburg, on Friday, 22 June 2012.

I/We (Full name in print) ____________________

of (address) ____________________

being the registered holder of ____________________ ordinary shares hereby appoint:

1. ____________________ or failing him/her,

2. ____________________ or failing him/her,

3. the chairman of the meeting,

as my proxy to vote for me/us at the annual general meeting for purposes of considering and, if deemed fit, passing, with or without modification, the special resolutions and ordinary resolutions to be proposed thereat and at each adjournment thereof and to vote for and/or against the resolutions and/or abstain from voting in respect of the shares registered in my/our name(s) in accordance with the following instructions (see Notes):

		Number of shares		
		In favour of	Against	Abstain
1.	To accept the presentation of the audited annual financial statements			
2.1.1	Ordinary resolution number 1: To re-elect Mr ZL Combi as director			
2.1.2	Ordinary resolution number 2: To re-elect Mr W Theron as director			
2.1.3	Ordinary resolution number 3: To re-elect Mr PE Burton as director			
2.2.1	Ordinary resolution number 4: To re-appoint Mr PE Burton as a member of the audit and risk committee			
2.2.2	Ordinary resolution number 5: To re-appoint Mr CA Otto as a member of the audit and risk committee			
2.2.3	Ordinary resolution number 6: To re-appoint Mr J de V du Toit as a member of the audit and risk committee			
2.3	Ordinary resolution number 7: To re-appoint PricewaterhouseCoopers Inc as the auditor			
2.4	Ordinary resolution number 8: To confirm the auditor's remuneration			
2.5	Ordinary resolution number 9: Unissued shares placed under control of the directors			
2.6	Ordinary resolution number 10: General authority to issue shares for cash			
3.1	Special resolution number 1: Remuneration of non-executive directors			
3.2.1	Special resolution number 2: Inter-company financial assistance			
3.2.2	Special resolution number 3: Financial assistance for acquisition of shares in a related or inter-related company			
3.3.1	Special resolution number 4: Share buy-back by PSG Group			
3.3.2	Special resolution number 5: Share buy-back by subsidiaries of PSG Group			
3.4	Special resolution number 6: Adoption of new memorandum of incorporation			

Please indicate your voting instruction by way of inserting the number of shares or by a cross in the space provided.

Signed at ____________________ on this __________ day of __________ 2012.

Signature(s)

Assisted by (*where applicable) (state capacity and full name)*

Each PSG Group shareholder is entitled to appoint one or more proxy(ies) (who need not be a shareholder(s) of the company) to attend, speak and vote in his/her stead at the annual general meeting.

NOTES

1. A PSG Group shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space(s) provided, with or without deleting "the chairman of the annual general meeting". The person whose name appears first on the form of proxy and who is present at the meeting will be entitled to act as proxy to the exclusion of those whose names follow.

2. A PSG Group shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of shares to be voted on behalf of that shareholder in the appropriate box provided. Failure to comply with the above will be deemed to authorise the chairman of the annual general meeting, if he/she is the authorised proxy, to vote in favour of the resolutions at the meeting, or any other proxy to vote or to abstain from voting at the meeting as he/she deems fit, in respect of all the shares concerned. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholder or his/her proxy, but the total of the votes cast and in respect whereof abstentions are recorded may not exceed the total of the votes exercisable by the shareholder or his/her proxy.

3. When there are joint registered holders of any shares, any one of such persons may vote at the meeting in respect of such shares as if he/she was solely entitled thereto, but, if more than one of such joint holders be present or represented at any meeting, that one of the said persons whose name stands first in the register in respect of such shares or his/her proxy, as the case may be, shall alone be entitled to vote in respect thereof. Several executors or administrators of a deceased member, in whose name any shares stand, shall be deemed joint holders thereof.

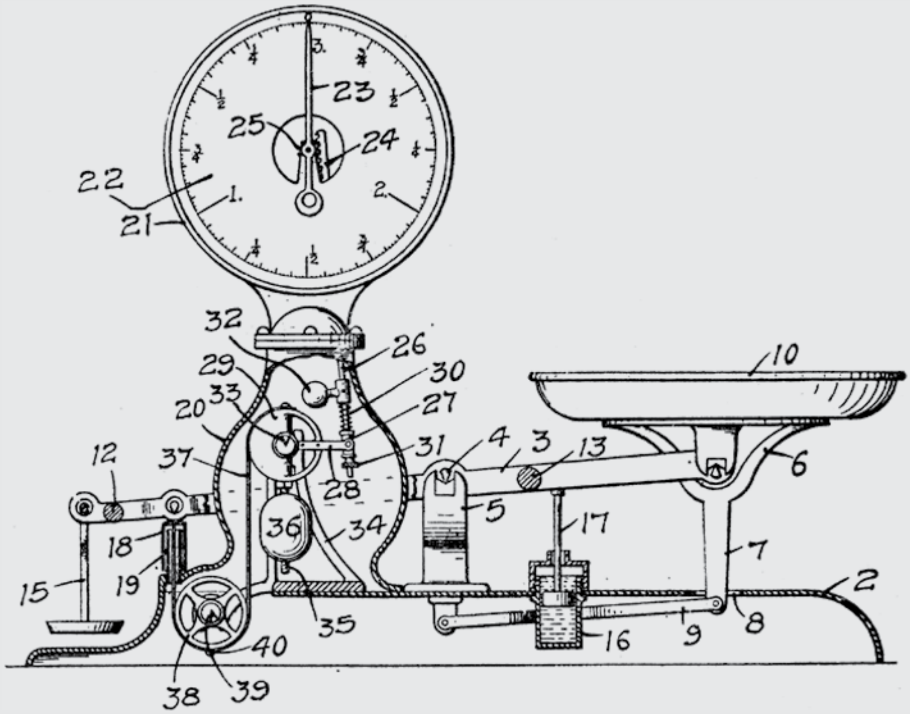
4. Forms of proxy must be completed and returned to be received by the transfer secretaries of the company, Computershare Investor Services (Pty) Ltd (PO Box 61051, Marshalltown, 2107), by not later than 12:00 on Wednesday, 20 June 2012.

5. Any alteration or correction made to this form of proxy must be initialled by the signatory(ies).

6. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the company's transfer secretaries or waived by the chairman of the annual general meeting.

7. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so.

PSG Financial Services



PSG Financial Services Limited

Annual financial statements PSG Financial Services Limited

Contents

Approval of annual financial statements

The directors are responsible for the maintenance of adequate accounting records and to prepare annual financial statements that fairly represent the state of affairs and the results of the company. The external auditor is responsible for independently auditing and reporting on the fair presentation of these annual financial statements. Management fulfils this responsibility primarily by establishing and maintaining accounting systems and practices adequately supported by internal accounting controls. Such controls provide assurance that the company's assets are safeguarded, that transactions are executed in accordance with management's authorisations and that the financial records are reliable. The annual financial statements are prepared in accordance with International Financial Reporting Standards and the manner required by the Companies Act of South Africa, and incorporate full and reasonable disclosure. Appropriate and recognised accounting policies are consistently applied.

The company has not appointed an audit committee since the functions in terms of section 94 of the Companies Act are performed on its behalf by the audit committee of its holding company, PSG Group Ltd. The audit committee of PSG Group Ltd has confirmed to the directors of the company that these functions have been performed without any exceptions noted in relation to the financial statements and that they are satisfied that the auditor was independent of the company.

The audit committee of PSG Group Ltd, the company's holding company, meets regularly with the external auditor, as well as senior management, to evaluate matters concerning accounting policies, internal control, auditing and financial reporting. The external auditor has unrestricted access to all records, assets and personnel as well as to the PSG Group Ltd audit committee.

The annual financial statements are prepared on the going concern basis, since the directors have every reason to believe that the company has adequate resources to continue for the foreseeable future.

The financial statements set out on pages 133 to 151 were approved by the board of directors of PSG Financial Services Ltd and are signed on its behalf by:

JF Mouton
Chairman

WL Greeff
Financial director

15 May 2012
Stellenbosch

Independent auditor's report

to the members of PSG Financial Services Ltd

We have audited the annual financial statements of PSG Financial Services Ltd, which comprise the statement of financial position as at 29 February 2012, and the income statement, statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the directors' report, as set out on pages 133 to 151.

Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of PSG Financial Services Ltd as at 29 February 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.

PricewaterhouseCoopers Inc

PricewaterhouseCoopers Inc
Director: NH Döman
Registered auditor

15 May 2012
Stellenbosch

Declaration by the company secretary

We declare that, to the best of our knowledge, the company has lodged with the Registrar all such returns as are required of a public company in terms of the Companies Act and that all such returns are true, correct and up to date.

Wessels

PSG Corporate Services (Pty) Ltd
Per A Wessels
Company secretary

15 May 2012
Stellenbosch

Directors' report

NATURE OF BUSINESS

The company's subsidiaries and associated entities offer diversified financial services.

OPERATING RESULTS

The operating results and state of affairs of the company are fully set out in the attached income statement and statements of financial position, comprehensive income, cash flows, changes in equity and notes thereto. The company's profit after taxation amounted to R452,8 million (2011: R156,4 million).

SHARE CAPITAL

Details of the authorised and issued share capital appear in note 8 to the financial statements.

DIVIDENDS

Ordinary

Dividends paid during the year amounted to R144 million (2011: R93,3 million).

Preference

The directors have declared the following dividends in respect of the cumulative, non-redeemable, non-participating preference shares for the year ended 29 February 2012:

Cents per share	**2012**	2011
Interim	**340,3**	380,7
Final	**334,7**	343,8
Total	**675,0**	724,5

DIRECTORS

The directors of the company at the date of this report appear on page 11. Messrs L van A Bellingan and C Wiese resigned during the year under review.

HOLDING COMPANY

The company is a wholly owned subsidiary of PSG Group Ltd, except for the 13 419 479 (2011: 11 885 206) preference shares which are listed on the JSE Ltd.

SHAREHOLDING OF DIRECTORS

The shareholding of directors in the preference share capital of the company as at 29 February 2012 was as follows::

	Beneficial		Non-beneficial		**Total shareholding 2012**		Total shareholding 2011	
	Direct	Indirect	Direct	Indirect	**Number**	**%**	Number	%
L van A Bellingan							75 528	0,6
J de V du Toit							52 632	0,5
	–	–	–	–	**–**	**–**	128 160	1,1

There were no changes to directors' shareholding since the year-end and the date of this report. Mr L van A Bellingan resigned during the year under review.

SECRETARY

The secretary of the company is PSG Corporate Services (Pty) Ltd. The business and postal addresses are shown on page 163.

Statement of financial position

as at 29 February 2012

	Notes	2012 R'000	2011 R'000
ASSETS			
Investment in subsidiaries	1	**2 215 710**	2 297 210
Investment in associated companies	2	**1 455 072**	1 455 072
Equity securities	3	**648 605**	591 722
Deferred income tax	6	**10 305**	
Loans and receivables	4	**412 205**	568 471
Derivative financial instruments	5	**627**	4 546
Receivables	7	**13 728**	6
Current income tax receivable			498
Total assets		**4 756 252**	4 917 525
CAPITAL AND RESERVES			
Share capital	8		
Ordinary share capital		**47 005**	45 872
Preference share capital		**13 419**	11 885
Share premium			
Ordinary share capital		**295 277**	92 175
Preference share capital		**1 193 693**	1 064 122
Other reserves	9	**473 410**	424 491
Retained earnings		**515 379**	287 459
Total equity		**2 538 183**	1 926 004
LIABILITIES			
Borrowings	10	**2 059 083**	2 881 088
Derivative financial instruments	5	**37 430**	
Deferred income tax	6	**75 990**	69 299
Trade and other payables	11	**45 077**	41 134
Current income tax payable		**489**	
Total liabilities		**2 218 069**	2 991 521
Total liabilities and shareholders' funds		**4 756 252**	4 917 525

Income statement

for the year ended 29 February 2012

	Notes	2012 R'000	2011 R'000
Income			
Investment income	12	**639 661**	211 113
Gain on write-off of related-party borrowings	13	**536 011**	
Unrealised fair value gains on financial assets	13		6 768
Total income		**1 175 672**	217 881
Expenses			
Unrealised fair value losses on financial assets	13	**(37 814)**	
Impairment of investment in subsidiaries	13	**(641 483)**	(16 569)
Marketing, administration and other expenses		**(448)**	(121)
Total expenses		**(679 745)**	(16 690)
Results of operating activities		**495 927**	201 191
Finance cost		**(53 743)**	(43 451)
Profit before taxation		**442 184**	157 740
Taxation	14	**10 699**	(1 345)
Net profit for the year		**452 883**	156 395

Statement of comprehensive income

for the year ended 29 February 2012

	2012 R'000	2011 R'000
Net profit for the year	**452 883**	156 395
Other comprehensive income		
Fair value gains on investments	**56 883**	285 801
Taxation effect of fair value gains	**(7 964)**	(40 012)
Total comprehensive income for the year, net of taxation	**501 802**	402 184

Statement of changes in equity

for the year ended 29 February 2012

	Ordinary shares		Preference shares				
	Share capital R'000	Share premium R'000	Share capital R'000	Share premium R'000	Other reserves R'000	Retained earnings R'000	Total R'000
Balance at 1 March 2010	45 872	92 175	6 080	578 369	178 702	287 252	1 188 450
Comprehensive income							
Net profit for the year						156 395	156 395
Other comprehensive income							
Fair value gains on investments					245 789		245 789
Transactions with owners	–	–	5 805	485 753	–	(156 188)	335 370
Issue of preference shares			5 805	487 444			493 249
Share issue costs				(1 691)			(1 691)
Dividend – ordinary shares						(93 300)	(93 300)
Dividend – preference shares						(62 888)	(62 888)
Balance at 28 February 2011	45 872	92 175	11 885	1 064 122	424 491	287 459	1 926 004
Comprehensive income							
Net profit for the year						**452 883**	**452 883**
Other comprehensive income							
Fair value gains on investments					**48 919**		**48 919**
Transactions with owners	**1 133**	**203 102**	**1 534**	**129 571**	**–**	**(224 963)**	**110 377**
Issue of ordinary shares	**1 133**	**203 102**					**204 235**
Issue of preference shares			**1 534**	**130 183**			**131 717**
Share issue costs				**(612)**			**(612)**
Dividend – ordinary shares						**(144 000)**	**(144 000)**
Dividend – preference shares						**(80 963)**	**(80 963)**
Balance at 29 February 2012	**47 005**	**295 277**	**13 419**	**1 193 693**	**473 410**	**515 379**	**2 538 183**

Statement of cash flows

for the year ended 29 February 2012

	Notes	2012 R'000	2011 R'000
Cash retained from operating activities			
Cash generated by operating activities	16.1	**202 571**	171 405
Taxation paid	16.2	**108**	575
Net cash flow from operating activities		**202 679**	171 980
Cash utilised in investing activities			
Additional investment in subsidiaries		**(187 387)**	(34 473)
Acquisition of/additional investment in associated companies			(428 045)
Increase/(decrease) in loan from holding company		**371 394**	(20 998)
Increase in loans from subsidiaries		**(617 833)**	(92 246)
(Decrease)/increase in borrowings		**(39 555)**	22 055
Decrease in loans to intergroup companies		**156 266**	29 241
Net cash flow from investment activities		**(317 115)**	(524 466)
Cash flows from financing activities			
Issue of ordinary shares		**204 235**	
Issue of preference shares		**131 105**	491 558
Dividend paid to ordinary shareholders	16.3	**(144 000)**	(93 300)
Dividend paid to preference shareholders	16.4	**(76 904)**	(45 772)
Net cash flow from financing activities		**114 436**	352 486
Net movement in cash and cash equivalents		**–**	–
Cash and cash equivalents at beginning of year			
Cash and cash equivalents at end of year		**–**	–

Accounting policies

The principal accounting policies applied in the preparation of these financial statements are the same as those of PSG Group Ltd, as set out in the accounting policies of the PSG Group Ltd consolidated financial statements. These policies have been consistently applied to all the years presented.

BASIS OF PREPARATION

The company has presented these stand-alone financial statements only, as the company is the only significant asset of PSG Group Ltd. The consolidated financial statements of the company are therefore very similar to PSG Group Ltd's consolidated financial statements which are included on pages 33 to 117.

The company has also prepared consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) for the company and its subsidiaries (the "PSL Group"). In the consolidated financial statements, subsidiary undertakings – those companies in which the PSL Group, directly or indirectly, has an interest of more than half of the voting rights or otherwise has power to exercise control over the operations – have been fully consolidated. The consolidated financial statements can be obtained from the company's registered office.

Users of these standalone financial statements should read them together with PSG Group Ltd's or PSL Group's consolidated financial statements for the year ended 29 February 2012 in order to obtain full information on the financial position and results of operations of the PSL Group as a whole.

Notes to the annual financial statements

for the year ended 29 February 2012

		2012 R'000	2011 R'000
1.	**INVESTMENT IN SUBSIDIARIES**		
	Shares at cost	**2 857 193**	2 313 779
	Impairment charge	**(641 483)**	(16 569)
		2 215 710	2 297 210
	Refer Annexure A		
2.	**INVESTMENT IN ASSOCIATED COMPANIES**		
	Listed shares at cost	**1 439 387**	1 439 387
	Unlisted shares at cost	**15 685**	15 685
		1 455 072	1 455 072
	Reconciliation		
	Carrying value at beginning of year	**1 455 072**	1 027 027
	Acquisitions		428 045
	Carrying value at end of year	**1 455 072**	1 455 072
	Market value of listed investments	**5 978 269**	5 138 403
	Directors' valuation of unlisted investments	**15 685**	15 685
	Refer Annexure A		
3.	**EQUITY SECURITIES**		
	Listed	**648 605**	591 722

	Available-for-sale R'000	Total R'000
Reconciliation of movements		
Carrying amount at 1 March 2010	305 919	305 919
Fair value adjustment	285 803	285 803
Carrying amount at 28 February 2011	591 722	591 722
Fair value adjustment	**56 883**	**56 883**
Carrying amount at 29 February 2012	**648 605**	**648 605**

	2012 R'000	2011 R'000
Current portion		
Non-current portion	**648 605**	591 722
	648 605	591 722

The listed equity securities are PSG Group Ltd, the company's holding company, shares.

Notes to the annual financial statements

for the year ended 29 February 2012

		2012 R'000	2011 R'000
4.	**LOANS AND RECEIVABLES**		
	Unsecured loans to subsidiaries		
	PSG Corporate Services (Pty) Ltd	**158 617**	268 617
	PSG Channel Holdings Ltd		27 216
	PSG Capital (Pty) Ltd	**1 894**	1 894
	Ou Kollege Beleggings Ltd	**26 571**	11 571
	Channel Life Holdings (Pty) Ltd		54 657
	Preference shares in associated companies of a subsidiary	**225 123**	204 516
		412 205	568 471
	Current portion	**187 082**	363 955
	Non-current portion	**225 123**	204 516
		412 205	568 471

All loans are interest-free with no specific repayment terms, unless otherwise indicated.

At the prior reporting date, the loan to PSG Corporate Services (Pty) Ltd included a loan of R110 000 000 bearing interest at a rate of 10,79% which was repaid on 12 October 2011. Other advances bear interest at rates ranging from 12,5% to 12,65% NACS which are repayable between October 2013 and December 2013.

The preference shares in associated companies of a subsidiary are redeemable within three years (2011: four years) and carry dividend rates that are linked to the prime overdraft rate.

		2012 R'000	2011 R'000
5.	**DERIVATIVE FINANCIAL INSTRUMENTS**		
	Derivative financial assets		
	Current portion	**627**	4 546
	Derivative financial liabilities	**(37 430)**	–
	Current portion	**(25 738)**	
	Non-current portion	**(11 692)**	
		(36 803)	4 546
	Analysis of net derivative balance		
	Equity contracts		
	Fixed-for-variable interest rate swap	**(36 803)**	4 546
		(36 803)	4 546

Notes to the annual financial statements

for the year ended 29 February 2012

		2012 R'000	2011 R'000
6.	**DEFERRED INCOME TAX**		
	Deferred income tax assets		
	Current portion	**10 305**	
	Deferred income tax liabilities		
	Non-current portion	**(75 990)**	(69 299)
		(65 685)	(69 299)

The movement in the deferred tax liabilities during the year is as follows:

	Unrealised marked-to-market R'000	Total R'000
At 1 March 2010	(27 390)	(27 390)
Debited to income statement	(1 895)	(1 895)
Debited to other comprehensive income	(40 014)	(40 014)
At 28 February 2011	(69 299)	(69 299)
Debited to income statement	**11 578**	**11 578**
Debited to other comprehensive income	**(7 964)**	**(7 964)**
At 29 February 2012	**(65 685)**	**(65 685)**

		2012 R'000	2011 R'000
7.	**RECEIVABLES**		
	Restricted cash		
	Current portion	**13 728**	6

The restricted cash relate to the derivative financial instruments (refer note 5).

		2012 R'000	2011 R'000
8.	**SHARE CAPITAL**		
	Ordinary share capital		
	Authorised		
	1 000 000 000 shares of 8 cents each (2011: 1 000 000 000 shares)	**80 000**	80 000
	Issued		
	587 560 456 shares of 8 cents each (2011: 573 401 094 shares)	**47 005**	45 872

The unissued shares in the company are placed under the control of the directors until the next annual general meeting. The directors are authorised to buy back shares subject to certain limitations and JSE requirements.

Notes to the annual financial statements

for the year ended 29 February 2012

		2012 R'000	2011 R'000
8.	**SHARE CAPITAL** *(continued)*		
	Preference share capital		
	Authorised		
	20 000 000 shares of R1 each (2011: 20 000 000 shares)	**20 000**	20 000
	Issued		
	13 419 479 shares of R1 each (2011: 11 885 206 shares)	**13 419**	11 885

The preference shares are cumulative, non-redeemable, non-participating preference shares of R1 each. The preference dividend is calculated on a daily basis at 75% of the prime interest rate on a R100 nominal value and is payable in two semi-annual instalments. Arrear preference dividends shall accrue interest at the prime interest rate.

		Available-for-sale R'000	Other R'000	Total R'000
9.	**OTHER RESERVES**			
	At 1 March 2010	172 087	6 615	178 702
	Fair value gains on investments	245 789		245 789
	At 28 February 2011	417 876	6 615	424 491
	Fair value gains on investments	**48 919**		**48 919**
	At 28 February 2012	**466 795**	**6 615**	**473 410**

		2012 R'000	2011 R'000
10.	**BORROWINGS**		
	Non-current		
	Unsecured promissory notes	**218 899**	193 945
	Current		
	Unsecured loan from holding company	**1 519 098**	1 147 704
	Unsecured loans from subsidiaries	**271 075**	1 424 919
	Unsecured bonds		114 520
	Unsecured loan from Standard Bank of South Africa	**50 011**	
		1 840 184	2 687 143
	Total borrowings	**2 059 083**	2 881 088

Non-current borrowings consist of unsecured promissory notes bearing fixed interest at rates ranging between 12,15% to 12,65% NACS and are repayable between October 2013 and December 2013.

The unsecured loans from the holding and subsidiary companies are interest-free and have no fixed repayment terms.

The unsecured bond at the previous reporting date consisted of PSG01 Bond, nominal value R110 000 000 and accrued interest of R4 520 000. The bond carried fixed interest at 10,79% p.a. and matured on 12 October 2011.

The unsecured loan from Standard Bank of South Africa carries interest at prime less 1% and is repayable on demand.

Notes to the annual financial statements

for the year ended 29 February 2012

		2012 R'000	2011 R'000
11.	**TRADE AND OTHER PAYABLES**		
	Trade payables	**158**	274
	Shareholders for dividends – preference shares	**44 919**	40 860
		45 077	41 134
	Current portion	**45 077**	41 134
	Non-current portion		
		45 077	41 134
12.	**INVESTMENT INCOME**		
	Interest income		
	Preference dividend income	**20 608**	19 859
	Loans and receivables	**32 510**	34 034
	Dividend income		
	Equity securities – available-for-sale	**10 128**	6 798
	Dividend from subsidiaries	**469 776**	80 334
	Dividend from associated companies	**106 639**	70 088
		639 661	211 113
13.	**FAIR VALUE GAINS/(LOSSES)**		
	Fair value gains/(losses) on financial assets at fair value through profit or loss		
	Unrealised fair value gains/(losses)	**(37 814)**	6 768
	Gain on write-off of related-party borrowings	**536 011**	
	Impairment of investment in subsidiaries	**(641 483)**	(16 569)
		(143 286)	(9 801)
14.	**TAXATION**		
	Current taxation		
	Current year	**(489)**	(107)
	Prior years	**(390)**	657
		(879)	550
	Deferred taxation		
	Current year	**11 578**	(1 895)
		10 699	(1 345)

The components of other comprehensive income carried a tax charge of R7 964 000 (2011: R41 014 000).

STC credits available within the company and unutilised amounted to R2 337 000 (2011: R17 752 000).

Notes to the annual financial statements

for the year ended 29 February 2012

		2012 %	2011 %
14.	**TAXATION** *(continued)*		
	Reconciliation of income tax charge		
	South African normal tax rate	**28,0**	28,0
	Adjusted for:		
	Non-taxable income	**(72,6)**	(32,6)
	Non-deductible expenses	**44,7**	4,7
	Prior years' overprovision	**0,1**	(0,4)
	Capital gains tax rate differential	**(2,6)**	1,2
	Effective rate of tax	**(2,4)**	0,9

15. RELATED-PARTY TRANSACTIONS

The company is a wholly owned subsidiary of PSG Group Ltd. Related-party transactions exist with companies within the group. Transactions with related parties comprise intergroup loan accounts and investment in preference shares (detailed in notes 4 and 10) as well as an investment in the ordinary shares of PSG Group Ltd (refer note 3). For details of interest and dividends received on these investments refer to note 12.

		2012 R'000	2011 R'000
16.	**NOTES TO THE STATEMENT OF CASH FLOWS**		
16.1	**Cash generated by operating activities**		
	Net profit before taxation	**442 184**	157 740
	Adjusted for:		
	Unrealised fair value (gains)/losses	**41 349**	(6 768)
	Gain on write-off of related-party borrowings	**(536 011)**	
	Impairment of investment in subsidiaries	**641 483**	16 569
	Non-cash flow dividend income	**(372 596)**	
	Other non-cash items	**(13 838)**	3 864
		202 571	171 405
16.2	**Taxation refunded**		
	Charge in income statement	**(879)**	550
	Movement in current tax receivable/payable	**987**	25
		108	575
16.3	**Dividends paid – ordinary shares**		
	Dividends paid for the year	**(144 000)**	(93 300)

Notes to the annual financial statements

for the year ended 29 February 2012

		2012 **R'000**	2011 R'000
16.	**NOTES TO THE STATEMENT OF CASH FLOWS** *(continued)*		
16.4	**Dividends paid – preference shares**		
	Provision for payment to shareholders at beginning of year	**(40 860)**	(23 744)
	Preference dividends accrued for the year	**(80 963)**	(62 888)
	Provision for payment to shareholders at end of year	**44 919**	40 860
		(76 904)	(45 772)

17. FINANCIAL RISK MANAGEMENT

The company's activities expose it to a variety of financial risks: market risk (including fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The company is not exposed to foreign exchange risk. The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance.

Risk management is carried out under policies approved by PSG Group's board of directors. PSG Group's board provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Financial instruments by category

The financial instruments are grouped into the following categories:

	Assets at fair value through profit or loss R'000	Loans and receivables R'000	Available-for-sale R'000	Total R'000
29 February 2012				
Assets				
Equity securities			**648 605**	**648 605**
Loans and receivables		**412 205**		**412 205**
Derivative financial instruments	**627**			**627**
Receivables		**13 728**		**13 728**
	627	**425 933**	**648 605**	**1 075 165**

	Liabilities measured at amortised cost R'000	Other financial liabilities R'000	Total R'000
Liabilities			
Borrowings	**2 059 083**		**2 059 083**
Derivative financial instruments		**37 430**	**37 430**
Trade and other payables	**45 077**		**45 077**
	2 104 160	**37 430**	**2 141 590**

Notes to the annual financial statements

for the year ended 29 February 2012

	Assets at fair value through profit or loss R'000	Loans and receivables R'000	Available-for-sale R'000	Total R'000
17. FINANCIAL RISK MANAGEMENT *(continued)*				
Financial instruments by category *(continued)*				
28 February 2011				
Assets				
Equity securities			591 722	591 722
Loans and receivables		568 471		568 471
Derivative financial instruments	4 546			4 546
Receivables		6		6
	4 546	568 477	591 722	1 164 745

	Liabilities measured at amortised cost R'000	Other financial liabilities R'000	Total R'000
Liabilities			
Borrowings	2 881 088		2 881 088
Trade and other payables	41 134		41 134
	2 922 222	–	2 922 222

The sensitivity analyses presented below are based on reasonable possible changes in market variables for equity prices, interest rates and foreign exchange rates for the company.

Market risk

Price risk

The company is exposed to equity securities price risk because of investments held by the company and classified on the statement of financial position either as available-for-sale or at fair value through profit or loss. The table below summarises the sensitivity of the company's equity as a result of market price fluctuations. The analysis is based on the assumption that marked-to-market prices increase/decrease by 20% (2010: 20%) with all other variables held constant.

	2012 20% increase R'000	2011 20% increase R'000	**2012 20% decrease R'000**	2011 20% decrease R'000
Impact on equity	**111 560**	101 776	**(111 560)**	(101 776)

The company has a concentration of price risk towards the general financial sector of the JSE Ltd with all of its equity investments invested in this sector. The company is not exposed to commodity price risk.

Notes to the annual financial statements

for the year ended 29 February 2012

17. FINANCIAL RISK MANAGEMENT *(continued)*

Market risk *(continued)*

Cash flow and fair value interest rate risk

The company's interest rate risk arises from interest-bearing investments (disclosed in note 4) and borrowings (disclosed in note 10). The variable rate preference shares in issue are classified as equity on the statement of financial position and are therefore excluded from the sensitivity analysis below. Borrowings and investments bearing interest at variable rates expose the company to cash flow interest rate risk. Borrowings issued at fixed rates expose the company to fair value interest rate risk.

The company manages its cash flow interest rate risk through various hedging strategies and by monitoring interest rates on a regular basis.

Based on simulations performed, the impact on post-tax profit of a 1% (2011: 2%) shift in interest rates is analysed in the following table:

	2012 1% increase R'000	2011 2% increase R'000	**2012 1% decrease R'000**	2011 2% decrease R'000
Impact on post-tax profit	**1 751**	4 090	**(1 751)**	(4 090)

Credit risk

The company has no significant concentrations of credit risk to external parties. Credit risk arises from derivative financial instruments, loans and receivables, and receivables. Derivative counterparties and cash transactions are limited to high-credit-quality financial institutions. The credit risk associated with loans and receivables, and receivables are considered to be minimal as they are all intergroup. PSG Group Ltd, the company's holding company, has group policies in place that limit the amount of credit exposure to any financial institution.

The table below shows the company's maximum exposure to credit risk by class of asset.

	2012 R'000	2011 R'000
Loans and receivables	**412 205**	568 471
Receivables	**13 728**	6
Derivative financial instruments	**627**	4 546
	426 560	573 023

No receivables were past due.

Notes to the annual financial statements

for the year ended 29 February 2012

17. FINANCIAL RISK MANAGEMENT *(continued)*

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

The table below analyses the company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Carrying value R'000	Less than 1 year R'000	Between 1 and 5 years R'000
29 February 2012			
Borrowings	**2 059 083**	**1 840 184**	**218 899**
Derivative financial instruments	**37 430**	**37 430**	
Trade and other payables	**45 077**	**45 077**	
	2 141 590	**1 922 691**	**218 899**
28 February 2011			
Borrowings	2 881 088	2 687 143	193 945
Trade and other payables	41 134	41 134	
	2 922 222	2 728 277	193 945

Capital risk management

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The company is mainly funded by ordinary share capital, variable rate perpetual preference shares, fixed rate long-term borrowings and interest-free intergroup borrowings.

Fair value estimation

Financial instruments that are measured in the statement of financial position at fair value are disclosed by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

Notes to the annual financial statements

for the year ended 29 February 2012

	2012 R'000	2011 R'000
17. FINANCIAL RISK MANAGEMENT *(continued)*		
The following financial instruments are measured at fair value:		
Assets		
Level 1 – Equity securities	**648 605**	591 722
Level 2 – Derivative financial instruments	**627**	4 546
	649 232	596 268
Liabilities		
Level 2 – Derivative financial instruments	**37 430**	–

The company had no level 3 financial instruments.

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the company is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The company uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. These methods are more fully disclosed in the accounting policy relating to financial assets. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

The carrying value less impairment provision of receivables and payables are assumed to approximate their fair values. The fair value of borrowings for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate.

Notes to the annual financial statements

for the year ended 29 February 2012

	Shareholders Number	Shareholders %	Shares held Number	Shares held %
18. PREFERENCE SHARE ANALYSIS				
Range of shareholding				
1 – 500	**734**	**24,9**	**223 768**	**1,7**
501 – 1 000	**585**	**19,8**	**472 136**	**3,5**
1 001 – 5 000	**1 187**	**40,3**	**2 768 025**	**20,6**
5 001 – 10 000	**231**	**7,8**	**1 665 587**	**12,4**
Over 10 000	**211**	**7,2**	**8 289 963**	**61,8**
	2 948	**100,0**	**13 419 479**	**100,0**
Public and non-public shareholding				
Non-public				
PSG Asset Management Life	**1**	**0,0**	**208 559**	**1,6**
Public	**2 947**	**100,0**	**13 210 920**	**98,4**
	2 948	**100,0**	**13 419 479**	**100,0**

No individual shareholder holds 5% or more of issued shares as at 29 February 2012.

Annexure A – Investments

for the year ended 29 February 2012

INVESTMENT IN SUBSIDIARIES

Company	Proportion held directly 2012 %	Proportion held directly 2011 %	Issued share capital 2012 R'000	Issued share capital 2011 R'000	Carrying value 2012 R'000	Carrying value 2011 R'000
Channel Life Holdings (Pty) Ltd	**100**	100	**4**	4		11 709
Arch Equity Corporate Services (Pty) Ltd	**100**	100				
Curro Holdings Ltd*					**265 797**	
Ou Kollege Beleggings Ltd	**100**	100	**4**	4	**48 209**	48 209
PSG Capital (Pty) Ltd	**100**	100	**1**	1	**3 595**	3 595
PSG Channel Holdings Ltd	**100**	100	**370**	370	**12 531**	12 531
PSG Corporate Services (Pty) Ltd	**100**	100	**10**	10	**52 315**	52 315
Zeder Investments Ltd***	**42**	42	**9 781**	9 781	**737 868**	719 834
Paladin Capital Ltd	**81**	81	**58**	58	**627 831**	689 128
35 Kerkstraat Beleggings Ltd	**100**	100	**42**	42		542 888
PSG Invest (Pty) Ltd	**100**		**1**			
(trading as PSG Asset Management)**		81		1		86 887
PSG Konsult Ltd	**71**	74	**10 723**	7 331	**467 561**	130 111
Other					**3**	3
					2 215 710	2 297 210

* *At the prior reporting date, Curro Holdings Ltd was a subsidiary of Paladin Capital Ltd.*

** *At the reporting date, PSG Asset Management is a wholly owned subsidiary of PSG Konsult Ltd.*

*** *Zeder Investments Ltd is a subsidiary of the company through its 42% (2011: 42%) shareholding, board representation and a management agreement in terms of which PSG Corporate Services (Pty) Ltd provides management and administrative services to a subsidiary of Zeder Investments Ltd.*

All of the above subsidiaries are incorporated in the Republic of South Africa. Details of the nature of activities of significant subsidiaries are disclosed in the front section of this annual report. Further details of investments are available at the registered offices of the relevant group companies.

INVESTMENT IN ASSOCIATED COMPANIES

Company	Nature of business	Proportion held directly 2012 %	Proportion held directly 2011 %	Carrying value 2012 R'000	Carrying value 2011 R'000
Listed					
Capitec Bank Holdings Ltd	Retail banking	**33**	35	**1 439 387**	1 439 387
Unlisted					
Propell Group Holdings (Pty) Ltd (formerly Baedex Ltd)	Bridge financing	**35**	35	**15 685**	15 685
				1 455 072	1 455 072

FINANCIAL INFORMATION IN RESPECT OF PRINCIPAL ASSOCIATED COMPANIES

	Assets R'000	Liabilities R'000	Revenues R'000	Profit R'000
2012				
Capitec Bank Holdings Ltd	**23 622 000**	**18 436 000**	**9 890 348**	**1 094 340**
2011				
Capitec Bank Holdings Ltd	14 439 517	10 989 004	5 185 277	656 024

Information is only disclosed in respect of associated companies of which the financial position or results are material. All of the above companies are incorporated in the Republic of South Africa. Further details of investments are available at the registered offices of the relevant group companies.

Notice of annual general meeting

Notice is hereby given of the annual general meeting of shareholders of PSG Financial Services Ltd ("PSG Financial Services" or "the company") to be held in the boardroom, 1st Floor, Ou Kollege Building, 35 Kerk Street, Stellenbosch, on Thursday, 21 June 2012, at 08:30 ("the AGM").

PURPOSE

The purpose of the meeting is to transact the business set out in the agenda below. For the avoidance of doubt, the memorandum and articles of association of the company are referred to as the memorandum of incorporation in accordance with the terminology used in the new Companies Act 2008 (Act 71 of 2008), as amended ("the Companies Act"), which became effective on 1 May 2011.

AGENDA

1. Presentation of the audited annual financial statements of the company, including the reports of the directors and the audit committee for the year ended 29 February 2012.

2. To consider and, if deemed fit, approve, with or without modification, the following ordinary resolutions:

2.1 Re-election of directors
Ordinary resolution number 1
"Resolved that Messrs ZL Combi, W Theron and PE Burton, who retire by rotation in terms of the memorandum of incorporation of the company and, being eligible and offering themselves for re-election, be and are hereby re-elected as director."

The ordinary shareholder has been furnished with copies of the curricula vitae of Messrs ZL Combi, W Theron and PE Burton.

2.2 Re-appointment of auditor
Ordinary resolution number 2
"Resolved that PricewaterhouseCoopers Inc be and is hereby re-appointed as auditor of the company for the ensuing year on the recommendation of the audit and risk committee of the company."

2.3 Auditor's remuneration
Ordinary resolution number 3
"Resolved that the auditor's remuneration for the year ended 29 February 2012 as determined by audit and risk committee of the company be and is hereby confirmed."

2.4 Unissued shares placed under control of the directors
Ordinary resolution number 4
"Resolved that the unissued ordinary shares in the company and the unissued cumulative, non-redeemable, non-participating preference shares in the company, be and are hereby placed under the control of the directors until the next annual general meeting and that the directors be and are hereby authorised to issue any such shares as they may deem fit, subject to the Companies of 2008 (Act 71 of 2008), as amended, the memorandum of incorporation of the company, and the provisions of the Listings Requirements of the JSE Ltd."

3. To consider and, if deemed fit, pass, with or without modification, the following special resolutions:

3.1 Inter-company financial assistance

3.1.1 Special resolution number 1

"Resolved in terms of section 45(3)(a)(ii) of the Companies Act of 2008 (Act 71 of 2008), as amended ("the Companies Act"), as a general approval, that the board of the company be and is hereby authorised to approve that the company provides any direct or indirect financial assistance ("financial assistance" will herein have the meaning attributed to it in section 45(1) of the Companies Act) that the board of the company may deem fit to any director or prescribed officer of the company, or to any director or prescribed officer of a company or corporation that is related or inter-related to the company, or to such related or inter-related company or corporation, or to any shareholder of such related or inter-related

Notice of annual general meeting *(continued)*

company as contemplated in sections 45(1) and 45(2) of the Companies Act (with "related" or "inter-related" having the meaning attributed to it in section 2 of the Companies Act), on the terms and conditions and for amounts that the board of the company may determine, provided that the aforementioned approval shall be valid until the date of the next annual general meeting of the company."

The reason for and effect of special resolution number 1 is to grant the directors of the company the authority until the next AGM to provide direct or indirect financial assistance as contemplated in sections 45(1) and 45(2) of the Companies Act. This means that the company is, inter alia, authorised to grant loans to its directors, subsidiaries and to guarantee the debt of its subsidiaries.

3.1.2 Special Resolution Number 2

"Resolved that in terms of section 44(3)(a)(ii) of the Companies Act, as a general approval, that the board of the company be and is hereby authorised to approve that the company provides any direct or indirect financial assistance ("financial assistance" will herein have the meaning attributed to it in sections 44(1) and 44(2) of the Companies Act), that the board of the company may deem fit to any company or corporation that is related or inter-related to the company ("related" or "inter-related" will herein have the meaning attributed to it in section 2 of the Companies Act), on the terms and conditions and for amounts that the board of the company may determine for the purpose of, or in connection with the subscription of any option, or any shares or other securities, issued or to be issued by a related or inter-related company, or for the purchase of any shares or securities of a related or inter-related company, provided that the aforementioned approval shall be valid until the date of the next annual general meeting of the company."

The reason for and effect of special resolution number 2 is to grant the directors the authority until the next AGM to provide financial assistance to any company or corporation which is related or inter-related to the company for the purpose of or in connection with the subscription or purchase of options, shares or other securities in any such related or inter-related company or corporation. This means that the company is authorised, inter alia, to grant loans to its subsidiaries and to guarantee and furnish security for the debt of its subsidiaries where any such financial assistance is directly or indirectly related to a party subscribing for options, shares or securities in its subsidiaries. A typical example of where the company may rely on this authority is where a subsidiary raised funds by way of issuing preference shares and the third-party funder requires the company to furnish security, by way of a guarantee or otherwise, for the obligations of its subsidiary to the third-party funder arising from the issue of the preference shares.

3.2 Share repurchases by the company and its subsidiaries

3.2.1 Special resolution number 3

"Resolved as a special resolution that the company be and is hereby authorised, as a general approval, to repurchase any of the shares issued by the company, upon such terms and conditions and in such amounts as the directors may from time to time determine, but subject to the provisions of sections 46 and 48 of the Companies Act of 2008 (Act 71 of 2008), as amended ("the Companies Act"), the memorandum of incorporation of the company, the Listings Requirements of the JSE Ltd ("the JSE"), to the extent applicable, and the requirements of any other stock exchange on which the shares of the company may be quoted or listed, namely that:

- the general repurchase of the shares may only be implemented on the open market of the JSE and done without any prior understanding or arrangement between the company and the counterparty;
- this general authority shall only be valid until the next annual general meeting of the company, provided that it shall not extend beyond fifteen months from the date of this resolution;
- an announcement must be published as soon as the company has acquired shares constituting, on a cumulative basis, 3% of the number of shares in issue prior to the acquisition, pursuant to which the aforesaid 3% threshold is reached, containing full details thereof, as well as for each 3% in aggregate of the initial number of shares acquired thereafter;
- the general authority to repurchase is limited to a maximum of 20% in the aggregate in any one financial year of the company's issued share capital at the time the authority is granted;

Notice of annual general meeting *(continued)*

- a resolution has been passed by the board of directors approving the purchase, that the company has satisfied the solvency and liquidity test as defined in the Companies Act and that since the solvency and liquidity test was applied there have been no material changes to the financial position of the group;
- the general repurchase is authorised by the company's memorandum of incorporation;
- repurchases must not be made at a price more than 10% above the weighted average of the market value of the shares for five business days immediately preceding the date that the transaction is effected. The JSE should be consulted for a ruling if the applicant's securities have not traded in such five business day period;
- the company may at any point in time only appoint one agent to effect any repurchase(s) on the company's behalf;
- the company may not effect a repurchase during any prohibited period as defined in terms of the Listings Requirements of the JSE unless there is a repurchase programme in place as contemplated in terms of 5.72(g) of the Listings Requirements of the JSE; and
- the company must ensure that its sponsor provides the JSE with the required working capital letters before it commences the repurchase of any shares."

The reason for and effect of special resolution number 3 is to grant the directors a general authority in terms of its memorandum of incorporation and the Listings Requirements of the JSE for the acquisition by the company of shares issued by it on the basis reflected in the special resolution.

In terms of the Listings Requirements of the JSE any general repurchase by the company must, inter alia, be limited to a maximum of 20% of the company's issued share capital in any one financial year of that class at the time the authority is granted.

3.2.2 Special resolution number 4

"Resolved as a special resolution that the company, insofar as it may be necessary to do so, hereby approves, as a general approval, and authorises the acquisition by any subsidiary of the company ("the subsidiary" or "the acquiree") of shares issued by such subsidiary and/or shares issued by the company, upon such terms and conditions and in such amounts as the directors of any such subsidiary may from time to time determine, but subject to the provisions of sections 46 and 48 of the Companies Act of 2008 (Act 71 of 2008), as amended ("the Companies Act"), the memorandum of incorporation of the company, the Listings Requirements of the JSE Ltd ("the JSE"), to the extent applicable, and the requirements of any other stock exchange on which the shares of the subsidiary may be quoted or listed, including, inter alia, that:

- the general repurchase of shares may only be implemented on the open market of the JSE and done without any prior understanding or arrangement between the acquiree and the other counterparty;
- this general authority shall only be valid until the next annual general meeting of the company, provided that it shall not extend beyond fifteen months from the date of this resolution;
- an announcement must be published as soon as the acquiree has acquired shares constituting, on a cumulative basis, 3% of the number of shares of the acquiree company in issue prior to the acquisition, pursuant to which the aforesaid 3% threshold is reached, containing full details thereof, as well as for each 3% in aggregate of the initial number of shares acquired thereafter;
- this general authority to repurchase is limited to a maximum of 20% in the aggregate in any one financial year of the acquiree's issued share capital at the time the authority is granted, subject to a maximum of 10% in the aggregate in the event that it is the company's share capital that is repurchased by a subsidiary;
- a resolution has been passed by the board of directors approving the purchase, that the company has satisfied the solvency and liquidity test as defined in the Companies Act and that since the solvency and liquidity test was applied there have been no material changes to the financial position of the group;
- the general purchase is authorised by the company's memorandum of incorporation;
- repurchases must not be made at a price more than 10% above the weighted average of the market value of the shares for the five business days immediately preceding the date that the transaction is effected. The JSE should be consulted for a ruling if the securities have not traded in such five business day period;
- the company and/or subsidiary may at any point in time only appoint one agent to effect any repurchase(s) on the subsidiary company's behalf;

Notice of annual general meeting *(continued)*

- the subsidiary company may not effect a repurchase during any prohibited period as defined in terms of the Listings Requirements of the JSE unless there is a repurchase programme in place as contemplated in terms of 5.72(g) of the Listings Requirements of the JSE; and
- the company must ensure that its sponsor provides the JSE with the required working capital letters before it commences the repurchase of any shares."

The reason for and effect of special resolution number 4 is to grant the board of directors of any subsidiary of the company a general authority in terms of the Listings Requirements of the JSE to acquire shares issued by such subsidiary and/or to acquire shares issued by the company on the basis reflected in the special resolution.

In terms of the Listings Requirements of the JSE, any general purchase by a subsidiary of shares must, inter alia, be limited to a maximum of 20% of the issued share capital of the acquiree company in any one financial year of that class at the time the authority is granted, subject to a maximum of 10% in the event that it is the company's share capital that is repurchased by a subsidiary.

3.3 Special resolution number 5: Adoption of a new memorandum of incorporation

"Resolved in terms of section 60(1)(c)(ii) of Companies Act of 2008 (Act 71 of 2008), as amended ("the Companies Act") that the company hereby approves and adopts in terms of section 60(5)(a) of the Companies Act, a new memorandum of incorporation (MOI), a copy of which has been tabled at this annual general meeting and initialled by the chairman of the annual general meeting for identification purposes, in substitution for the existing memorandum of incorporation. The date on which the MOI becomes effective will be the date that this special resolution approving the MOI is adopted, irrespective of the date of filing thereof with the companies and Intellectual Properties Commission."

The reason for special resolution number 5 is to obtain the approval of the shareholders of the company to replace the existing memorandum of incorporation (previously known as the memorandum of incorporation and articles of association) with a new memorandum of incorporation which is aligned with the requirements of the Companies Act. In terms of Schedule 5 of the Companies Act, every pre-existing company has until 1 May 2013 to amend its memorandum of incorporation in harmony with the Companies Act. A copy of the memorandum of incorporation proposed for adoption in terms of special resolution number 5 has been made available to the ordinary shareholder and is available for inspection from 22 May 2012 up to 20 June 2012 at the registered office of the company at Ou Kollege Building, 35 Kerk Street, Stellenbosch, 7600.

The effect of this special resolution will be that the company will adopt a new memorandum of incorporation in compliance with the Companies Act.

Information relating to the special resolutions

1. The directors of the company or its subsidiaries will only utilise the general authority to purchase shares of the company and/or the subsidiary as set out in special resolutions numbers 3 and 4 to the extent that the directors, after considering the maximum shares to be purchased, are of the opinion that the position of the company and its subsidiaries ("the group") would not be compromised as to the following:

   - the group's ability in the ordinary course of business to pay its debts for a period of 12 months after the date of this AGM and for a period of 12 months after the purchase;
   - the consolidated assets of the group will at the time of the AGM and at the time of making such determination be in excess of the consolidated liabilities of the group. The assets and liabilities should be recognised and measured in accordance with the accounting policies used in the latest audited annual financial statements of the group;
   - the ordinary capital and reserves of the group after the purchase will remain adequate for the purpose of the business of the group for a period of 12 months after the AGM and after the date of the share purchase; and
   - the working capital available to the group after the purchase will be sufficient for the group's requirements for a period of 12 months after the date of the notice of the annual general meeting

Notice of annual general meeting *(continued)*

and the directors have passed a resolution authorising the repurchase, resolving that the company has satisfied the solvency and liquidity test as defined in the Companies Act and resolving that since the solvency and liquidity test had been applied, there have been no material changes to the financial position of the group.

General information in respect of directors, major shareholders, directors' interest in securities and material changes and the share capital of the company is contained in the annual report of the company for the financial year ending 29 February 2012 ("the annual report") which has been delivered to the ordinary shareholder with this notice.

2. The company is not involved in any legal or arbitration proceedings, nor are any proceedings pending or threatened of which the company is aware that may have or have had in the previous 12 months, a material effect on the company's financial position.

3. The directors, whose names appear in the annual report, collectively and individually accept full responsibility for the accuracy of the information given and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts that have been made and that the notice contains all information required by the Listings Requirements of the JSE, to the extent applicable.

4. Special resolutions 1, 3 and 4 are renewals of resolutions taken at the previous annual general meeting on 14 June 2011.

VOTING

The ordinary shareholder may appoint one or more proxies to attend, speak and vote at the AGM in its stead. A proxy need not be a member of the company. A form of proxy, in which are set out the relevant instructions for its completion, may be obtained from the company secretary.

By order of the board

PSG Corporate Services (Pty) Ltd
Company secretary

15 May 2012
Stellenbosch

Notice of annual general meeting *(continued)*

Registered office
PSG Financial Services Ltd
Ou Kollege
35 Kerk Street
Stellenbosch, 7600
(PO Box 7403, Stellenbosch, 7599)

Transfer secretaries
Computershare Investor Services (Pty) Ltd
Ground Floor
70 Marshall Street
Johannesburg, 2001
(PO Box 61051, Marshalltown, 2107)

Sponsor
PSG Capital
Ou Kollege
35 Kerk Street
Stellenbosch, 7600
(PO Box 7403, Stellenbosch, 7599)

Notice of general meeting

Notice is hereby given of the general meeting of preference shareholders of PSG Financial Services Ltd ("PSG Financial Services" or "the company") to be held in the boardroom, 1st Floor, Ou Kollege, 35 Kerk Street, Stellenbosch, on Thursday, 21 June 2012, at 09:00 ("the general meeting").

PURPOSE

The purpose of the meeting is to transact the business set out in the agenda below. For the avoidance of doubt, the memorandum and articles of association of the company are referred to as the memorandum of incorporation in accordance with the terminology used in the new Companies Act 2008 (Act 71 of 2008), as amended ("the Companies Act"), which became effective on 1 May 2011.

AGENDA

1. To consider and, if deemed fit, approve, with or without modification, the following ordinary resolutions:

Note:
For the ordinary resolutions to be adopted, at least 75% of the voting rights exercised on each such ordinary resolution must be exercised in favour thereof, as required in terms of the memorandum of incorporation of the company and by the Listings Requirements of the JSE Ltd ("the JSE").

1.1 Unissued cumulative, non-redeemable, non-participating preference shares placed under control of the directors
Ordinary resolution number 1

"Resolved that the unissued cumulative, non-redeemable, non-participating preference shares in the company ("the preference shares") be and are hereby placed under the control of the directors until the next annual general meeting of the ordinary shareholder of the company and that the directors be and are hereby authorised to issue any such preference shares as they may deem fit provided that any preference shares issued pursuant to this authority shall rank *pari passu* with the existing issued preference shares and such authority shall be limited to issuing such number of preference shares which, when taken together, do not exceed a cumulative clean subscription price of R300 million (i.e. the cumulative subscription payable for the preference shares less accrued dividends on such preference shares), subject to the Companies Act of 2008 (Act 71 of 2008), as amended, the memorandum of incorporation of the company, and the provisions of the Listings Requirements of the JSE Ltd, save that the aforementioned R300 million limitation shall not apply to any preference shares issued in terms of a rights offer."

The reason for ordinary resolution number 1 is that the board requires authority from the preference shareholders in terms of its memorandum of incorporation and in terms of the Listings Requirements of the JSE to issue further listed preference shares from its existing unissued preference share capital. This general authority, once granted, allows the board from time to time, when it is appropriate to do so, to issue listed preferences shares as may be required, inter alia, in terms of capital raising exercises and to maintain a healthy capital adequacy ratio. This general authority is subject to the restriction that it is limited to issuing such number of preference shares which, when taken together, do not exceed a cumulative clean subscription price of R300 million, that preference shares issued in terms thereof shall rank *pari passu* in all respects with the listed preference shares already in issue and that it shall only be valid until the next annual general meeting of the ordinary shareholder(s) of the company.

1.2 General authority to issue shares for cash
Ordinary resolution number 2

"Resolved that, to the extent required by the Listings Requirements of the JSE Ltd ("the JSE"), if applicable, the directors of the company be and are hereby authorised by way of a general authority, to allot and issue any of its unissued cumulative, non-redeemable, non-participating preference shares in the company placed under their control for cash as they in their discretion may deem fit, without restriction, subject to the provisions of the Listings Requirements of the JSE, to the extent applicable, including, that:

– the approval shall be valid until the date of the next annual general meeting of the company, provided it shall not extend beyond fifteen months from the date of this resolution;
– a paid press announcement giving full details, including the impact on net asset value and earnings per share, will be published after any issue representing, on a cumulative basis within any one financial year, 5% or more of the number of shares in issue prior to such issue;

Notice of general meeting *(continued)*

- the general issues of shares for cash in the aggregate in any one financial year may not exceed 15% of the applicant's issued share capital (number of securities) of that class. For purposes of determining whether the aforementioned 15% has been or will be reached, the securities of a particular class will be aggregated with the securities that are compulsorily convertible into securities of that class and, in the case of the issue of compulsorily convertible securities, aggregated with the securities of that class into which they are compulsorily convertible. The number of securities of a class which may be issued shall be based on the number of securities of that class in issue at the date of such application less any securities of the class issued during the current financial year, provided that any securities of that class to be issued pursuant to a rights issue (announced and irrevocable and underwritten) or acquisition (concluded up to the date of application) may be included as though they were securities in issue at the date of application;
- in determining the price at which an issue of shares will be made in terms of this authority the maximum discount permitted will be 10% of the weighted average traded price of such shares, as determined over the 30 trading days prior to the date that the price of the issue is agreed between the issuer and the party subscribing for the securities. The JSE should be consulted for a ruling if the securities have not traded in such 30 business day period;
- any such issue will only be made to public shareholders as defined in 4.25 to 4.27 of the Listings Requirements of the JSE and not to related parties; and
- any such issue will only be securities of a class already in issue or, if this is not the case, will be limited to such securities or rights that are convertible into a class already in issue

and it being resolved, for the avoidance of doubt, that the company shall not be required to comply with the provisions of the authority contained in this resolution should same not be required by the Listings Requirements of the JSE."

For listed entities wishing to issue listed ordinary shares for cash, it is necessary for the board not only to obtain the prior authority of the ordinary shareholders as may be required in terms of their memorandum of incorporation but also to obtain the prior authority of ordinary shareholders in accordance with the Listings Requirements of the JSE. It is not clear whether the JSE will apply this requirement to the issue of listed preference shares for cash. The reason for this resolution is that in the interests of prudence and good corporate governance, the company is obtaining, to the extent required, the approval of its preference shareholders for general issues of preference shares for cash in the event that such authority is deemed to be a requirement in terms of the Listings Requirements. Should it transpire that such authority is not required, the company will naturally not be bound to adhere to the terms of the authority granted in terms of this resolution.

Note:
For the special resolution to be adopted, at least 75% of the voting rights exercised on the special resolution must be exercised in favour thereof.

2. Special resolution number 1 (non-binding)

"Resolved that, as a non-binding special resolution, the company be and is hereby authorised to adopt a new memorandum of incorporation (MOI) in terms of section 60(1)(c)(ii) of Companies Act of 2008, as amended, which new MOI incorporates the terms and conditions of the preference shares of the company, a copy whereof has been tabled at this general meeting and initialled by the chairman of the general meeting for identification purposes, in substitution for the existing memorandum of incorporation. The date on which the MOI becomes effective will be the date that the special resolution approving the MOI is adopted by the ordinary shareholder of the company at the annual general meeting to be held on Friday, 22 June 2012, irrespective of the date of filing thereof with the Companies and Intellectual Properties Commission."

In terms of Schedule 5 of the Companies Act every pre-existing company has until 1 May 2013 to amend its memorandum of incorporation in harmony with the Companies Act. The terms and conditions of the preference shares as incorporated within the new MOI remain unchanged and, for the avoidance of doubt, no approval is accordingly required from preference shareholders for the adoption of the new MOI. The reason for special resolution number 1 is that, in the interests of transparency and good corporate governance, the company is affording the preference shareholders the opportunity to consider and vote on this non-binding special resolution in terms whereof it is proposed that the existing memorandum of incorporation (previously known as the memorandum of incorporation and articles of association) be replaced with a new memorandum of incorporation which is in alignment with the requirements of the Companies Act and which incorporates the existing terms of the preference shares.

Notice of general meeting *(continued)*

A copy of the memorandum of incorporation proposed for adoption in terms of special resolution number 1 is available for inspection from 22 May 2012 up to 20 June 2012 at the registered office of the company at 1st Floor, Ou Kollege, 35 Kerk Street, Stellenbosch, 7600.

VOTING

1. The date on which preference shareholders ("preference shareholders" or "shareholders") must have been recorded as such in the preference share register maintained by the transfer secretaries of the company ("the Share Register") for purposes of being entitled to receive this notice is Friday, 18 May 2012.

2. The date on which shareholders must be recorded in the Share Register for purposes of being entitled to vote to attend and vote at this meeting is Friday, 15 June 2012, with the last day to trade being Friday, 8 June 2012.

3. Meeting participants will be required to provide proof of identification to the reasonable satisfaction of the chairman of the general meeting and must accordingly bring a copy of their identity document, passport or driver's licence to the general meeting. If in doubt as to whether any document will be regarded as satisfactory proof of identification, meeting participants should contact the transfer secretaries for guidance.

4. Shareholders entitled to attend and vote at the general meeting may appoint one or more proxies to attend, speak and vote thereat in their stead. A proxy need not be a member of the company. A form of proxy, in which are set out the relevant instructions for its completion, is enclosed for the use of a certificated shareholder or own-name registered dematerialised shareholder who wishes to be represented at the general meeting. Completion of a form of proxy will not preclude such shareholder from attending and voting (in preference to that shareholder's proxy) at the general meeting.

5. The instrument appointing a proxy and the authority (if any) under which it is signed must reach the transfer secretaries of the company at the address given below by not later than 09:00 on Tuesday, 19 June 2012.

6. Dematerialised shareholders, other than own-name registered dematerialised shareholders, who wish to attend the general meeting in person will need to request their Central Securities Depository Participant (CSDP) or broker to provide them with the necessary authority in terms of the custody agreement entered into between such shareholders and the CSDP or broker.

7. Dematerialised shareholders, other than own-name registered dematerialised shareholders, who are unable to attend the general meeting and who wish to be represented thereat, must provide their CSDP or broker with their voting instructions in terms of the custody agreement entered into between themselves and the CSDP or broker in the manner and time stipulated therein.

8. Shareholders present in person, by proxy or by authorised representative shall, on a show of hands, have one vote each and, on a poll, will have one vote in respect of each share held.

By order of the board

PSG Corporate Services (Pty) Ltd
Company secretary

15 May 2012
Stellenbosch

PSG FINANCIAL SERVICES LIMITED

(Incorporated in the Republic of South Africa)
(Registration number 1919/000478/06)
(a wholly owned subsidiary of PSG Group Ltd)
JSE share code: PGFP
ISIN code: ZAE000096079
("PSL" or "the company")

FORM OF PROXY – FOR USE BY CERTIFICATED AND OWN-NAME DEMATERIALISED SHAREHOLDERS ONLY

For use at the general meeting of preference shareholders of the company to be held on Thursday, 21 June 2012, at 09:00 ("the general meeting") in the boardroom, 1st Floor, Ou Kollege, 35 Kerk Street, Stellenbosch.

I/We (Full name in print) ____

of (address) ____

being the registered holder of ______________________________ preference shares hereby appoint:

1. ____ or failing him/her,

2. ____ or failing him/her,

3. the chairman of the meeting,

as my proxy to vote for me/us at the general meeting for purposes of considering and, if deemed fit, passing, with or without modification, the ordinary resolutions to be proposed thereat and at each adjournment thereof and to vote for and/or against the resolutions and/or abstain from voting in respect of the preference shares registered in my/our name(s) in accordance with the following instructions (see Notes):

		Number of preference shares		
		In favour of	Against	Abstain
1.1	Ordinary resolution number 1: Unissued preference shares placed under control of the directors			
1.2	Ordinary resolution number 2: General authority to issue preference shares for cash			
2.	Special resolution number 1: Adoption of memorandum of incorporation			

Please indicate your voting instruction by way of inserting the number of preference shares or by a cross in the space provided.

Signed at ______________________________ on this ____________ day of __________ 2012.

Signature(s) ____

Assisted by *(where applicable) (state capacity and full name)*

____

Each PSG Financial Services preference shareholder is entitled to appoint one or more proxy(ies) (who need not be a preference shareholder(s) of the company) to attend, speak and vote in his/her stead at the general meeting.

NOTES

1. A PSG Financial Services preference shareholder ("the shareholder" or "PSG Financial Services shareholder") may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space(s) provided, with or without deleting "the chairman of the general meeting". The person whose name appears first on the form of proxy and who is present at the meeting will be entitled to act as proxy to the exclusion of those whose names follow.

2. A PSG Financial Services shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of preference shares to be voted on behalf of that shareholder in the appropriate box provided. Failure to comply with the above will be deemed to authorise the chairman of the general meeting, if he/she is the authorised proxy, to vote in favour of the resolutions at the meeting, or any other proxy to vote or to abstain from voting at the meeting as he/she deems fit, in respect of all the shares concerned. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholder or his/her proxy, but the total of the votes cast and in respect whereof abstentions are recorded may not exceed the total of the votes exercisable by the shareholder or his/her proxy.

3. When there are joint registered holders of any preference shares, any one of such persons may vote at the meeting in respect of such preference shares as if he/she was solely entitled thereto, but, if more than one of such joint holders be present or represented at any meeting, that one of the said persons whose name stands first in the register in respect of such preference shares or his/her proxy, as the case may be, shall alone be entitled to vote in respect thereof. Several executors or administrators of a deceased member, in whose name any preference shares stand, shall be deemed joint holders thereof.

4. Forms of proxy must be completed and returned to be received by the transfer secretaries of the company, Computershare Investor Services (Pty) Ltd (PO Box 61051, Marshalltown, 2107), by not later than 09:00 on Tuesday, 19 June 2012.

5. Any alteration or correction made to this form of proxy must be initialled by the signatory(ies).

6. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the company's transfer secretaries or waived by the chairman of the general meeting.

7. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so.

Administration

Details of PSG Group Ltd
Registration number 1970/008484/06
Share code: PSG
ISIN code: ZAE000013017

Secretary and registered office
PSG Corporate Services (Pty) Ltd
Registration number 1996/004840/07
Ou Kollege
35 Kerk Street
Stellenbosch 7600
PO Box 7403
Stellenbosch 7599
Telephone +27 21 887 9602
Facsimile +27 21 887 9619

Transfer secretaries
Computershare Investor Services (Pty) Ltd
Ground Floor
70 Marshall Street
Johannesburg, 2001
(PO Box 61051, Marshalltown, 2107)

Details of PSG Financial Services Ltd
Registration number 1919/000478/06
Share code: PGFP
ISIN code: ZAE000096079

Corporate advisor and sponsor
PSG Capital

Broker
PSG Online

Auditor
PricewaterhouseCoopers Inc

Principal banker
FirstRand Ltd

Website address
www.psggroup.co.za

Shareholders' diary

	2012
Financial year-end	29 February
Profit announcement	16 April
Annual general meetings	
– PSG Financial Services Ltd	21 June
– PSG Group Ltd	22 June
General meeting of PSG Financial Services Ltd preference shareholders	21 June
Interim report	8 October