

# **INTERIM RESULTS** (UNAUDITED) FOR THE SIX MONTHS ENDED 31 AUGUST 2011

### Recurring headline earnings increased by 21,7% to 135,5 cents per share | Interim dividend increased by 30% to 26 cents per share Sum-of-the-parts value increased by 11,8% to R52,34 per share as at 31 August 2011

	Unaudited		Unaudited	Audited
	31 Aug		31 Aug	28 Feb
	2011 Rm	Change %	2010 Rm	2011 Rm
Income		70	KIII	KIII
Investment income and net fair				
value adjustments to financial				
instruments	14,3		90,2	221,4
Commission and other fee income	757,9	30,0	583,2	1 290,2
Other operating income	20,2	50,0	42,3	380,2
Total income	792,4	10,7	715,7	1 891,8
Expenses				
Insurance claims and loss				
adjustments	(0,5)		(2,4)	(0,2)
Operating expenses	(698,6)		(557,9)	(1 162,4)
Total expenses	(699,1)	24,8	(560,3)	(1 162,6)
Change of another of a second at the				
Share of profits of associated companies	249,0		267,3	524,8
Results of operating activities	342,3	(19,0)	422,7	1 254,0
Finance costs	(59,5)		(46,2)	(90,7)
Profit before taxation	282,8	(24,9)	376,5	1 163,3
Taxation	(30,5)		(54,0)	(131,0)
Profit for the period	252,3	(21,8)	322,5	1 032,3
Attributable to:				
Owners of the parent	148,1		208,9	708,4
Non-controlling interest	104,2		113,6	323,9
	252,3		322,5	1 032,3
Attributable to owners of the parent	148,1		208,9	708,4
Non-headline items (note 2)	26,9		200,5	(196,0)
Headline earnings	175,0	(23,6)	229,1	512,4
		(23/0)	223/1	512/1
Earnings per share (cents)				
Attributable	87,4	(30,1)	125,0	424,1
Headline ("HEPS")	103,3	(24,6)	137,0	306,7
Diluted attributable	86,4	(30,3)	124,0	420,2
Diluted headline	102,2	(24,9)	136,0	303,9
Recurring headline	135,5	21,7	111,3	241,9
Dividend per share (cents)				
Interim	26,0		20,0	20,0
Final				47,0
	26,0	30,0	20,0	67,0
Number of charter (withten)				
Number of shares (million)				
In issue (net of treasury shares)	175,2		167,0	166,3
Weighted average	169,5		167,2	167,1
Diluted weighted average	171,3		168,5	168,6

	Unaudited		Audited
	31 Aug	31 Aug	28 Feb
	2011 Rm	2010 Rm	2011 Rm
Assets	KIII	KIII	KIII
Property, plant and equipment	507,8	304,9	410,9
Intangible assets	1 111,4	919,2	1 025,3
Investments in associated companies	5 446,2	4 740,5	5 212,3
Deferred income tax	64,3	19,8	48,4
Financial assets linked to investment	04,5	19,0	40,4
contracts (note 4)	8 915,9	8 534,9	9 112,4
Other financial assets	612,8	721,5	605,7
Receivables	188,1	217,1	193,7
Current income tax assets	4,1		5,4
Cash and cash equivalents	698,0	347,9	796,1
Non-current asset held for sale	31,0		
Total assets	17 579,6	15 805,8	17 410,2
Equity			
Ordinary shareholders' equity	4 020,5	3 132,0	3 584,8
Non-controlling interest	3 117,8	2 519,9	3 025,8
Total equity	7 138,3	5 651,9	6 610,6
Liabilities			
Insurance liabilities	30,3	31,0	29,9
Financial liabilities under investment contracts (note 4)	8 915,9	8 534,9	9 112,4
Other financial liabilities	845,0	1 019,5	854,9
Deferred income tax	133,5	133,6	126,4
Payables and provisions	496,7	428,9	663,6
Current income tax liabilities	19,9	6,0	12,4
Total liabilities	10 441,3	10 153,9	10 799,6
Total equity and liabilities	17 579,6	15 805,8	17 410,2
forat equity and trabitities			
Net asset value per share (cents)	2 295	1 875	2 156

CONDENSED GROUP STATEMENT OF FINANCIAL POSITION

CONDENSED GROUP STATEMENT OF CASH FLOWS				
	Una	udited	Audited	
	31 Aug 2011 Rm	31 Aug 2010 Rm	28 Feb 2011 Rm	
Net cash flow from operating activities	(316,3)	(8,5)	564,3	
Net cash flow from investment activities	(307,4)	(267,4)	(249,3)	
Net cash flow from financing activities	278,2	184,3	335,9	
Net (decrease)/increase in cash and cash equivalents	(345,5)	(91,6)	650,9	
Cash and cash equivalents at beginning of period	1 127,3	476,4	476,4	
Cash and cash equivalents at end of period*	781,8	384,8	1 127,3	
* Include the following:				
Bank overdrafts		(15,9)	(3,4)	
Clients' cash linked to investment contracts	83,8	52,8	334,6	

#### OVERVIEW

COMMENTARY

PSG is an investment holding company consisting of 33 underlying investments, with a combined market capitalisation of R74bn, that operate across industries that include financial services, banking, agriculture, education, construction, manufacturing, mining and energy saving

#### SUM OF THE PARTS ("SOTP")

Our key valuation tool used to determine PSG's performance is the growth in its SOTP value per share. The calculation is simple and requires limited subjectivity as 95% of the SOTP value is calculated using quoted market prices, whilst the unlisted investments are valued using market-related multiples. At 31 August 2011, the SOTP value per PSG share was R52,34, which was 11,8% higher than at 28 February 2011. At 30 September 2011, the SOTP value was R53,22 per share.

Asset/liability	28 Feb 2009 Rm	28 Feb 2010 Rm	28 Feb 2011 Rm	31 Aug 2011 Rm	% of total assets
Capitec Bank*	857	2 367	5 138	6 090	55,7%
PSG Konsult**	873	948	1 206	1 177	10,8%
Paladin Capital*	413	834	1 242	841	7,7%
Curro Holdings*				580	5,3%
Zeder Investments*	342	742	1 069	1 013	9,3%
Management fees/agreements*	216	361	350	350	3,2%
Other investments (Thembeka prefs, cash, etc.)*	745	400	548	878	8,0%
Total assets	3 446	5 652	9 553	10 929	100,0%
Perpetual pref funding*	(486)	(541)	(1 028)	(1 013)	
Other debt*	(350)	(539)	(507)	(481)	
Total SOTP value	2 610	4 572	8 018	9 435	
Number of shares (million)	170,5	171,8	171,3	180,2	
SOTP value per share (rand)	15,31	26,60	46,81	52,34	

\* Listed on the JSE Ltd \*\* Over the counter + Valuation

#### RESULTS

A continued increase in PSG's SOTP value over the long term will depend on sustained growth in the profitability of our underlying investments. PSG thus continues to use the recurring headline earnings method to provide management and investors with a more realistic and transparent way of evaluating PSG's earnings performance. PSG's consolidated recurring headline earnings represent the sum of PSG's effective interest in the recurring headline earnings of each investment. The result is that investments in which PSG or an underlying company holds less than 20% and are generally not equity accountable in terms of accounting standards, are included in the calculation of our consolidated recurring headline earnings. Marked-to-market fluctuations are excluded

	Year	Year ended		6 months ended	
Recurring headline earnings (Rm)	28 Feb 2010	28 Feb 2011	31 Aug 2010	31 Aug 2011	
Capitec Bank	151,7	223,0	99,1	167,9	
PSG Konsult	91,9	93,9	41,7	42,5	
Paladin Capital	76,1	44,8	25,1	22,7	
Curro Holdings	1,1	1,9	1,2	(5,1)	
Zeder Investments	83,6	109,4	50,9	53,8	
PSG Corporate (incl. PSG Capital)	15,3	21,0	10,3	7,8	
Other	20,0	19,2	9,9	10,6	
Recurring headline earnings before funding	439,7	513,2	238,2	300,2	
Funding	(80,7)	(109,1)	(52,1)	(70,5)	
Recurring headline earnings	359,0	404,1	186,1	229,7	
Non-recurring items	72,4	108,3	43,0	(54,7)	
Headline earnings	431,4	512,4	229,1	175,0	
Non-headline items	(40,5)	196,0	(20,2)	(26,9)	
Attributable earnings	390,9	708,4	208,9	148,1	
Earnings per share (cents)					
- Recurring headline	207,4	241,9	111,3	135,5	
– Headline	249,2	306,7	137,0	103,3	
– Attributable	225,8	424,1	125,0	87,4	

At 31 August 2011, PSG Konsult had 222 offices (28 February 2011: 216) with 674 financial planners, short-term insurance brokers, stockbrokers and asset/portfolio managers (28 February 2011: 642).

In September 2011, PSG Online won the Business Day Investors Monthly Stockbroker of the Year award. We are proud of this achievement.

PSG Konsult's comprehensive results for the six months ended 31 August 2011 are available at www.psgkonsult.co.za.

#### PALADIN CAPITAL (81,3%)

Paladin is PSG's private equity investment company in sectors other than agriculture food and beverages. As a wholly owned subsidiary, Paladin will continue to focus on new business opportunities following the aforementioned unbundling of Curro and buy-out of Paladin minority shareholders.

Paladin's recurring headline earnings (excluding Curro which is reported on below) decreased by 9,6% to R22,7m, mainly due to losses in its investment in the construction industry. The majority of the remaining investments in Paladin's portfolio, however, showed an improvement in performance compared to the corresponding period last year.

#### Further corporate action at Paladin included:

- Invested R262m in Curro's rights issue, prior to its unbundling.
- Early-stage investment in Energy Partners which delivers energy savings solutions. Energy Partners has turned profitable and we are excited about the opportunities in this industry
- Sold its 44% interest in IQuad for R2,57 per share.

#### CURRO HOLDINGS (63,1%)

Curro is a provider of affordable, guality private school education in South Africa. Curro listed on the JSE AltX on 2 June 2011 to improve its access to capital and funding. The listing furthermore raised the profile of the company and enhanced the credibility of the Curro brand name. The company concluded a one-for-one rights issue during July whereby R322,4m was raised. This has strengthened Curro's balance sheet and, in so doing, created gearing capacity to further expand the school operations in South Africa.

Curro now hosts more than 5 500 learners at its 12 campuses and continues to see a range of opportunities in private school education. The market is immense and we anticipate continued growth in this industry. The company's strategic intent is to establish a group of at least 40 campuses with 45 000 learners by 2020.

Although Curro's turnover increased by 117% to R79.3m, it made a headline loss of R7,7m for the six months ended 30 June 2011. This is as a result of new greenfield schools making losses in the initial years until such time that they have sufficient learners. We are comfortable with Curro's growth profile (J-curve) and remain excited about Curro's prospects.

For further information on Curro and for their comprehensive interim results, refer to www.curro.co.za.

#### ZEDER INVESTMENTS (42,4%)

Zeder invested a further R194,3m to increase its shareholding in existing investments during the period under review. Its investment portfolio now amounts to R2,7bn of which Kaap Agri and Capevin Holdings represent 70,8% (28 February 2011: 78,5%).

Zeder's two largest indirect investments, namely Distell and Pioneer Foods, have shown little or no earnings growth. Zeder's recurring headline earnings and recurring headline earnings per share consequently increased by a modest 2,7% to R127,8m and 13,1 cents respectively.

Pioneer Foods' results were also negatively affected as a result of the delayed price increase in the implementation of the gross profit reductions as agreed with the Competition Commission as part of the settlement reached in November 2010. The negative impact of same on Zeder's headline earnings was R20,6m.

Zeder's SOTP value per share, calculated using the quoted market prices for all over-thecounter ("OTC") traded unlisted investments, was R2,77 per share at 31 August 2011.

During the period under review. 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 has to date managed to increase its shareholding in Capespan from 22,7% to more than 40%.

Share of other comprehensive income and equity movements of associated companies	(7,8)	25,4	17,0
Disposal of associated company's share of other comprehensive income			10,1
Other	(2,9)	(0,4)	(0,9)
Total comprehensive income for the period	241,6	347,5	1 058,5
Attributable to:			
Owners of the parent	143,3	239,5	722,5
Non-controlling interest	98,3	108,0	336,0
	241,6	347,5	1 058,5

Profit for the period

Other comprehensive

income for the period

Unaudited

31 Aug

2010

322,5

25.0

Rm

31 Aug

2011

252,3

(10,7)

Rm

Audited

28 Feb

1 032,3

2011

Rm

26.2

	Una	udited	Audited
	31 Aug	31 Aug	28 Feb
	2011 Rm	2010 Rm	2011 Rm
Ordinary shareholders' equity at beginning of period	3 584,8	2 947,0	2 947,0
Total comprehensive income for the period	143,3	239,5	722,5
Shares issued	376,0		
Share buy-back		(20,0)	(20,0)
Net movement in treasury shares	16,7	4,3	9,6
Share-based payment costs	1,6	3,3	6,1
Transactions with non-controlling interest	(22,0)	6,4	2,0
Dividends paid	(79,9)	(48,5)	(82,4)
Ordinary shareholders' equity at end of period	4 020,5	3 132,0	3 584,8
Non-controlling interest	3 117,8	2 519,9	3 025,8
Beginning of period	3 025,8	2 263,5	2 263,5
Total comprehensive income for the period	98,3	108,0	336,0
Shares issued	71,0		
Preference shares issued		202,9	501,5
Transactions with non-controlling interest	0,4	(35,4)	(5,4)
Acquisition of subsidiaries		39,7	39,7
Dividends and capital distributions paid	(36,8)	(35,1)	(57,7)
Preference dividend paid	(40,9)	(23,7)	(51,8)
Total equity at end of period	7 138,3	5 651,9	6 610,6

NOTES TO THE CONDENSED GROUP FINANCIAL ST	ATEMENT	ł
---	---------	---

#### . Basis of presentation and accounting policies

The condensed interim group financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting and should be read in conjunction with the annual financial statements for the year ended 28 February 2011, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as well as the AC 500 standards, the requirements of the South African Companies Act of 2008, as amended, and the Listings Requirements of the JSE Ltd. The accounting policies applied in the preparation of these condensed interim group financial statements are consistent with those used in the previous financial year No new standards, interpretations or amendments, which are relevant to the group's operations, became effective during the period.

The complete IAS 34-compliant report has been released on the Securities Exchange News Service ("SENS") and is also available at www.psggroup.co.za.

#### 2. Non-headline items

	Unaudited		Audited	
	31 Aug 2011 Rm	31 Aug 2010 Rm	28 Feb 2011 Rm	
Net of taxation and non-controlling interest				
Impairment of investments in associated companies	(20,2)	(13,8)	(28,8)	
Net profit on sale/dilution of investments in associated companies	3,0	15,0	243,3	
Non-headline items of associated companies	(9,9)	(22,9)	(18,1)	
Other	0,2	1,5	(0,4)	
	(26,9)	(20,2)	196,0	

#### 3. Commitments and contingent liabilities Operating lease commitments 81,2 74,6

#### 4. Linked investment contracts

These represent PSG Asset Management Administration Services (previously PSG FutureWealth) clients' assets held under investment contracts, which are linked to a corresponding liability.

#### 5. PSG Financial Services Ltd

The company is a wholly owned subsidiary of PSG Group Ltd, except for the 11 885 206 preference shares which are listed on the JSE Ltd. No separate financial statements are presented for the company as it is the only asset of PSG Group Ltd.

## These results are available at www.psggroup.co.za

PSG's recurring headline earnings per share increased by 21,7% to 135,5 cents for the period ended 31 August 2011. This was once again primarily as a result of Capitec's exceptional performance. PSG Konsult and Zeder managed to marginally improve on their performance in the prior year, whereas the balance of our investments had mixed fortunes.

Headline earnings decreased by 24,6% to 103,3 cents per share, and attributable earnings by 30,1% to 87,4 cents per share. This was mainly as a result of a markedto-market loss of R40.5m incurred on PSG Financial Services Ltd's interest rate hedge during the past six months as opposed to marked-to-market profits of R66,9m achieved in Thembeka's investment portfolio of listed shares during the same period last year.

#### CORPORATE ACTION AND INVESTING

- Raised R377m in cash through the issue of 8,2m PSG Group Ltd ordinary shares at an average price of R46,09 per share.
- · We increased our interest in Zeder to 42,4% having invested a further R18m at an average price of R2,48 per share.
- Paladin's 77.6% interest in Curro was unbundled to Paladin shareholders with effect from 22 August 2011. PSG as a result now holds a 63.1% direct interest in Curro.
- Paladin shareholders have approved the transaction whereby PSG will acquire the entire issued share capital of Paladin not already owned by PSG, being an 18,7% interest, in exchange for PSG Group Ltd ordinary shares or cash on 24 October 2011, following which Paladin will be delisted from the JSE.

#### CAPITEC BANK (34,2%)

Capitec's unique positioning and innovative approach to retail banking gives clients control through transparent pricing and simplified products. This approach has seen the number of active clients banking with Capitec grow to 3,2m.

Capitec's retail footprint increased by 19 branches to 474 since February 2011 and another 36 new branches are planned for the remainder of the financial year. Increases in loan revenue to R2,6bn and net transaction fee income to R361m, along with an improvement in the cost-to-income ratio to 46%, resulted in earnings of R488m, a 72% year-on-year increase. Headline earnings per share increased by 53% to 520 cents as a result of the rights issue earlier in the year.

Capitec's comprehensive results for the six months ended 31 August 2011 are available at www.capitec.co.za.

#### PSG KONSULT (71,3%)

75,6

PSG Konsult, now also incorporating the PSG Asset Management group, managed to marginally increase its recurring headline earnings by 7,8% to R59,6m during the period under review. Turnover, consisting of commission and other operating income, increased by 16,5% to R675,3m, while short-term premiums administered amounted to R1,55bn on an annualised basis. Funds under administration and management increased by 18.8% to R121bn.

The PSG Konsult group made a number of acquisitions during the six months under review:

- Effective 1 March 2011, PSG Asset Management, which previously consisted of PSG Fund Management, PSG Alphen, PSG Tanzanite, PSG Absolute Investments and PSG FutureWealth, was amalgamated with PSG Konsult. In so doing, synergies have been created and PSG Konsult now offers a more comprehensive range of financial services.
- Effective 1 May 2011, PSG Konsult acquired Equinox, an online unit trust trading platform. The transaction added approximately 9 000 clients, with assets under management of R1.9hn
- 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.

We believe that the agriculture, food and beverage sectors offer rewarding long-term investment opportunities

Zeder's comprehensive results for the six months ended 31 August 2011 are available at www.zeder.co.za.

#### PSG CAPITAL (100%)

PSG Capital is the corporate finance arm of PSG Group. It is a JSE-registered sponsor and designated advisor and was ranked third in the category Sponsors Transaction and Deal Flow at the 2010 Deal Makers General Corporate Finance Annual Awards. PSG Capital advises on mergers and acquisitions, listings, restructurings, capital raisings, BEE transactions, and performs valuations and fair and reasonable opinions. It currently has 33 JSE-listed and numerous other unlisted clients. PSG Capital's services are available at www.psgcapital.com.

#### PSG CORPORATE (100%)

PSG Corporate acts as PSG Group treasurer, allocates capital and determines and monitors the group's gearing. It is also the appointed manager to both Zeder and Paladin. The management fees earned from these two companies during the period under review amounted to R32,9m (2010: R29,5m). PSG Corporate's recurring headline earnings contribution amounted to R11m (2010: R10m).

Cash and facilities available for reinvestment amount to R700m.

#### PROSPECTS

Our focus remains to create wealth for our shareholders by increasing both PSG's SOTP value per share and recurring headline earnings. We remain committed to providing superior investment returns.

#### DIVIDENDS

#### **Ordinary shares**

PSG Group's policy remains to pay up to 100% of free cash flow as an ordinary dividend, of which one third is payable as an interim and the balance as a final dividend at year-end. The directors have consequently resolved to declare an interim dividend of 26 cents (2010: 20 cents) per share.

The following are the salient dates for the payment of the interim dividend:

Last day to trade cum dividend	Friday, 28 October 2011
Trading ex dividend commences	Monday, 31 October 2011
Record date	Friday, 4 November 2011
Day of payment	Monday, 7 November 2011

Share certificates may not be dematerialised or rematerialised between Monday, 31 October 2011, and Friday, 4 November 2011, both days inclusive.

#### **PSG Financial Services preference shares**

The directors of PSG Financial Services Ltd have declared a dividend of 340.27 cents per share in respect of the cumulative, non-redeemable, non-participating preference shares for the six months ended 31 August 2011, which was paid on 26 September 2011.

On behalf of the board

Jannie Mouton

14 October 2011

Stellenbosch

Chairman

Nymin

Wynand Greeff Financial director



PSG GROUP LIMITED **PSG FINANCIAL SERVICES LIMITED** Registration number 1919/000478/06 JSE share code: PGFP ISIN code: ZAE000096079

DIRECTORS JF Mouton (Chairman), PE Burton^, ZL Combi^, J de V du Toit^, MM du Toit^, WL Greeff\*, JA Holtzhausen\*, MJ Jooste, JJ Mouton, PJ Mouton\*, CA Otto, W Theron, CH Wiese \*Executive ^Independent SECRETARIES AND REGISTERED OFFICE PSG Corporate Services (Pty) Ltd, 1st Floor, Ou Kollege, 35 Kerk Street, Stellenbosch, 7600, PO Box 7403, Stellenbosch, 7599 TRANSFER SECRETARIES Computershare Investor Services (Pty) Ltd, 70 Marshall Street, Johannesburg, 2001, PO Box 61051, Marshalltown, 2107 SPONSOR PSG Capital