



PSG GROUP LIMITED

Condensed results for the year ended 28 February 2010

- **Headline earnings increased by 281,6% to 249,2 cents per share**
- **Recurring headline earnings increased by 19,0% to 207,4 cents per share**

Commentary

FINANCIALS

In the spirit of consistent, clear and unambiguous communication to stakeholders, PSG introduced the *recurring headline earnings* concept as the predominant measure of the Group's financial performance a few years ago. At the time, *recurring headline earnings* was defined as reportable headline earnings in terms of accounting standards, excluding any marked-to-market movements and one-off items.

During the past year we revisited and fine-tuned this methodology by now measuring *recurring headline earnings* on a *see-through basis* throughout the Group. PSG's *recurring headline earnings* is the sum of its effective interest in that of each of its underlying investees, regardless of its percentage shareholding. The result is that investments in which PSG or an investee holds less than 20% and is not allowed to equity account in terms of accounting standards, are now included in the calculation of our *consolidated recurring headline earnings*. This provides management and investors with a more realistic and simple way of evaluating PSG's financial performance.

Recurring headline earnings increased by 19,0% to 207,4 cents per share for the year ended 28 February 2010. Capitec's stellar performance was the main reason for the positive growth as some of our investments did not escape the negative impact of the economic recession. Having said that, we have seen positive signs lately, pointing to an upturn which should benefit the businesses throughout our group.

Reportable headline earnings increased by 281,6% to 249,2 cents per share, and *attributable earnings* by 645,2% to 225,8 cents per share. This was mainly as a result of *marked-to-market profits* following the recovery in global stock markets.

CORPORATE ACTION

- Issue of 3 million PSG Group shares at R14,40 per share and 4,7 million PSG Group shares at R16,23 per share to strategic shareholders for a cash consideration of R43,2 million and R76,7 million respectively during the first half of the financial year when risks in financial markets were significantly higher.
- JSE listing of, and R150 million renounceable rights issue by Paladin Capital. PSG invested R52,2 million.
- Zeder rights issue, underwritten by PSG, in terms of which R495 million was raised. PSG invested R211,6 million.
- Split of KWV's own operational business from the Distell investment, driven by Zeder as major shareholder.
- PSG Konsult's acquisition of T-Sec's private client stockbroking division for a consideration of R54,7 million.
- Merger of PSG Fund Management with PSG FutureWealth.
- Sale of 18% interest in MiWay Finance for R25 million.
- Raised R200 million by means of a 4-year redeemable preference share.
- Repurchase of 6,4 million PSG Group shares at an average price of R22,06 per share for a consideration of R140,9 million when PSG's share price was trading at an attractive discount to its intrinsic value during January and February 2010.

CAPITEC BANK (34,8%)

Capitec's client-centric niche focus in a growth market continued to render excellent results. Headline earnings increased by 45% to R437 million, while return on equity increased from 27% to 32%.

Capitec's conservative approach to conducting business has, however, not been compromised. Borrowers were subjected to even stricter lending criteria which, inter alia, decreased the bad debt ratio from 14,5% to 9,8%.

Despite the financial crisis, Capitec managed to more than double its funding from R3 billion to R7 billion. As in the past, Capitec had been able to repay all call deposits on demand.

Operationally, Capitec opened its 401st branch and has more than 4 000 employees serving its 2,1 million clients. For the year, Capitec advanced more than 3,8 million loans, an average of 12 000 per working day. The total value of loans granted increased by 38% to R8,6 billion. Capitec's total loans outstanding at year-end increased by 73% to R5,6 billion as more clients moved to longer-term loans. The longest term for a loan has been increased to 48 months, with the maximum size of a loan now at R100 000.

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

PSG KONSULT (73,5%)

PSG Konsult's turnover increased by 10,3% to R834 million as a result of both organic and acquisitive growth. Operational profit before tax was R133,7 million, 2% higher than the previous year. Both headline earnings and headline earnings per share, however, decreased by 7,7% to R89,4 million and 12,2 cents respectively, mainly as a result of a higher effective tax rate in the current year.

Improved market conditions saw headline earnings increasing from R39,5 million for the first half of

the financial year to R49,9 million in the second half. Funds under administration increased to R72,3 billion (2009: R43,6 billion), mainly as a result of the acquisition of the T-Sec client base and the market recovery in the latter part of the financial year. Short-term premiums administered on an annualised basis remained in line with the prior year at R1 450 million.

Effective 1 March 2010, PSG Online Securities acquired 100% of PSG Prime, resulting in all the Group's stock broking activities now being housed under PSG Konsult.

At year-end, PSG Konsult had 197 offices (2009: 197) and our financial planners, stockbrokers and short-term insurance brokers increased to 572 (2009: 506).

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

PSG FUND MANAGEMENT (95,1%)

On a comparable basis PSG Fund Management's *recurring headline earnings* decreased by 4,5% to R27,8 million. The challenging investment environment, particularly during the first half of the financial year, impacted negatively on the traditional PSG Fund Management business.

Notwithstanding the challenging investment environment, assets under administration increased by 14% to R23,4 billion. Local collective investments had net inflows of R2,1 billion, up from R558 million in the previous financial year. Managed assets increased by 22% to R11,9 billion, which included a net inflow of R747 million, with the balance attributed to stronger equity markets.

Effective 1 March 2010, PSG Fund Management acquired the remaining 20% minority interests in PSG FutureWealth and in the process formed a combined product licencing platform called PSG Wealth.

Also effective 1 March 2010, PSG Fund Management's asset management capabilities were combined. Research and analyst functions are now pooled together creating a single PSG branded asset management business with a simplified holistic product range covering the full investment risk spectrum.

Mention should be made of the PSG Tanzanite Flexible Fund, managed by Jan Mouton. It has been a consistent top decile performing fund over various periods during the past 5 years, and is an ideal building block in any client's investment portfolio. In addition, the PSG Alphen Growth Fund, managed by Shaun le Roux, was ranked the best performing general equity fund in 2009.

PALADIN CAPITAL (80,6%)

Paladin, PSG's private equity investment company in sectors other than agriculture, food and beverages, listed on the JSE in September 2009 and raised R150 million by means of a renounceable rights issue to PSG shareholders shortly thereafter. Paladin currently has 13 investments across a number of industries.

Paladin's *recurring headline earnings* increased by 22,1% to R95,5 million. This is predominantly due to an increase in earnings from investee companies and the first time inclusion of Petmin's results. Paladin's *reportable headline earnings* increased to R217,3 million as opposed to an R18 million loss in the prior year. This increase is mainly as a result of *marked-to-market profits* incurred in Thembeke's investment portfolio of listed shares in the JSE Limited, PSG Group and Capitec.

Significant investments made by Paladin during the past year included 50% in Curro, a private school group for R50 million, 9,4% in Petmin (previously owned by PSG) by means of a share swap for a consideration of R92 million, 20,4% in Spirit Capital, a leveraged buy-out specialist, and the acquisition of an additional 17,5% stake in Topfix increasing its interest to 28,2%. Paladin also disposed of its interests in Mainfin for R17,4 million and Axon for R4 million.

- Paladin has initiated the following since year-end:
 - Raised R100 million by means of a 5-year, fixed-rate preference share with dividend and capital payable on maturity.
 - Purchased an additional 26% interest for a controlling stake in Curro (subject to regulatory approval) for a total consideration of R52 million.

Paladin's comprehensive results are available at www.paladincapital.co.za.

ZEDER INVESTMENTS (40,6%)

Zeder successfully concluded a rights issue in terms of which R495 million was raised at R1,35 per share in June 2009. Its current portfolio of some R2,2 billion comprises agri, food and beverage related investments in 13 companies, of which Kaap Agri, Capevin and KWV represent more than 80%.

Recurring headline earnings increased by 6,2% to R208,1 million, while *recurring headline earnings per share* decreased by 26,7% to 23,6 cents. *Reportable headline earnings per share* decreased by 31,3% to 17,3 cents. The main reasons for the decrease are:

- The majority of the cash raised in terms of the aforementioned rights issue was only invested in the latter part of the financial year;

- A reduced effective interest in Distell coupled with a significantly lower return on the investment in KWV's own operational business; and
- A R350 million *non-recurring* provision by Pioneer Foods for its potential fine to the Competition Commission, of which Zeder's effective share amounted to R43,9 million.

The newly constituted Pioneer Foods board has committed to amicably resolve the pending Competition Commission matter at hand.

Zeder's current cash of R120 million, together with an existing R300 million funding facility, will provide it with sufficient capital to pursue attractive identified investment opportunities.

Zeder's comprehensive results 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. PSG Capital advises on mergers and acquisitions, listings, restructurings, capital raisings, and BEE transactions, and performs valuations and fair and reasonable opinions. It currently has 32 JSE-listed and numerous unlisted clients.

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 net increase in the listed share prices of our strategic and non-strategic investments accounted for the *non-recurring marked-to-market profits* achieved during the year under review.

PROSPECTS

We will continue to invest in assets and sectors that offer attractive growth prospects and returns.

DIVIDENDS

Ordinary shares
Based on its stated dividend policy to pay 75% of free cash flow within PSG Group Limited as a dividend, the directors of PSG Group Limited have resolved to declare a final dividend of 29 cents (2009: 38 cents) per share, which brings the total dividend for the financial year to 42 cents (2009: 257 cents, incl. 200 cents special dividend) per share.

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

Last day to trade cum dividend	Friday, 7 May 2010
Trading ex dividend commences	Monday, 10 May 2010
Record date	Friday, 14 May 2010
Date of payment	Monday, 17 May 2010

Share certificates may not be dematerialised or rematerialised between Monday, 10 May 2010, and Friday, 14 May 2010, both days inclusive.

Preference shares

The directors of PSG Financial Services Limited have declared a dividend of 390,5 cents per share in respect of the cumulative, non-redeemable, non-participating preference shares for the six months ended 28 February 2010, which was paid on 29 March 2010.

Conversion of Secondary Tax on Companies (STC) to Dividends Tax

During his 2010 budget speech, the South African Minister of Finance indicated that, although all the relevant taxation treaties had been renegotiated, a number of issues required further refinement. It appears as if the completion of the Dividends Tax system may be postponed until 2011.

Accordingly, preference shareholders are advised that, until such time as all the legislative amendments have been refined, finalised and promulgated and legal opinion obtained, it remains impossible to determine what exactly the impact will be on the company, and consequently on the cumulative, non-redeemable, non-participating preference shares issued by PSG Financial Services. However, should the company benefit from the aforementioned changes to tax legislation in respect of dividends, such benefit will be passed onto shareholders.

ANNUAL GENERAL MEETING

The PSG Group Annual General Meeting will be held at 12h00 on Friday, 18 June 2010 at Webersburg, Annandale Road, Stellenbosch.

On behalf of the board

Jannie Mouton **Wynand Greeff**
Chairman *Financial Director*

19 April 2010
Stellenbosch

These results are available on our website at www.psggroup.co.za

Condensed income statement		
	28 Feb 2010 Rm	28 Feb 2009 Rm
Income		
Investment income and net fair value adjustments to financial instruments	226,7	132,3
Commission and other fee income	1 060,8	979,7
Other operating income	44,6	62,5
Total income	1 332,1	1 174,5
Expenses		
Insurance claims	1,2	43,2
Operating expenses	981,9	958,8
Total expenses	983,1	1 002,0
Net income from operating activities	349,0	172,5
Finance costs	(93,8)	(93,2)
Share of profits of associated companies	411,8	233,0
Net income before taxation	667,0	312,3
Taxation	(103,3)	(48,0)
Net income of the group	563,7	264,3
Attributable to:		
Minority interests	172,7	213,2
Equity holders of the company	391,0	51,1
	563,7	264,3
Attributable to equity holders of the company	391,0	51,1
Non-headline items (note 2)	40,4	58,8
Headline earnings	431,4	292,5
Earnings per share (cents)		
- attributable	225,8	645,2
- headline ("HEPS")	249,2	281,6
- diluted attributable	224,5	643,4
- diluted headline	247,8	281,8
Dividend per share (cents)		
- interim	13,0	19,0
- final	29,0	38,0
- special		200,0
	42,0	257,0
Number of shares (million)		
- in issue (net of treasury shares)	167,0	168,0
- weighted average	173,1	168,4
- diluted weighted average	174,1	169,3

Condensed statement of changes in owners' equity		
	28 Feb 2010 Rm	28 Feb 2009 Rm
Ordinary shareholders' equity at beginning of period	2 755,4	3 295,4
Shares issued	119,8	
Share buy-back	(140,9)	
Net movement in treasury shares	(102,1)	(38,1)
Share-based payment costs	5,3	8,6
Total comprehensive income	398,2	(0,1)
Dividends paid	(88,7)	(510,4)
Ordinary shareholders' equity at end of period	2 947,0	2 755,4
Minority interests	2 263,5	1 863,6
Beginning of period	1 863,6	1 773,6
Total comprehensive income	165,8	220,1
Dividends and capital distributions paid	(58,0)	(112,9)
Interest acquired from minority shareholders	(4,8)	(16,0)
Additional interest obtained by minority shareholders	357,8	
Acquisition of subsidiaries		65,6
Preference dividend paid	(60,9)	(66,8)
Total equity at end of period	5 210,5	4 619,0

Condensed statement of cash flows		
	28 Feb 2010 Rm	28 Feb 2009 Rm
Net cash flow from operating activities *	799,2	190,0
Net cash flow from investment activities	(349,9)	31,7
Net cash flow from financing activities	258,2	(559,6)
Net increase/(decrease) in cash and cash equivalents	687,5	(337,9)
Cash and cash equivalents at beginning of period	(211,3)	126,6
Cash and cash equivalents at end of period * #	476,2	(211,3)
* Include bank overdrafts and CFD financing of	(61,1)	(915,5)
* Include clients' cash linked to investment contracts of	176,6	225,1
# During 2010 the CFD facilities were restructured which resulted in the CFD financial assets and related funding now being accounted for by the relevant funding institution. The effect of same is reflected by the decrease in CFD funding and the related financial assets.		

Notes to the condensed financial statements

1. Basis of presentation and accounting policies

The condensed financial statements have been prepared in terms of IAS 34 - *Interim Financial Reporting* and should be read in conjunction with the annual financial statements for the year ended 28 February 2009, which have been prepared in accordance with IFRS. The complete IAS 34 compliant financial statements and notes thereto can be viewed at www.psggroup.co.za.

The accounting policies used in the preparation of the condensed financial statements are consistent with those used in the previous financial year, except for the following standards which are effective for the financial year beginning 1 March 2009:

- IAS 1 (revised) - *Presentation of Financial Statements*, and
- IFRS 8 - *Operating Segments*.

The adoption of these standards has no material effect on the results, nor has it required any restatement.

2. Non-headline items		
	28 Feb 2010 Rm	28 Feb 2009 Rm
<i>After taxation and minority interests</i>		
Impairment of investments in associated companies	(49,1)	(28,7)
Net loss on sale/dilution of investments in subsidiaries	(7,6)	(9,1)
Net loss on sale/dilution of investments in associated companies	(0,5)	(9,3)
Negative goodwill on acquisition of subsidiaries	18,1	19,3
Profit on sale/(impairment) of available-for-sale assets	5,4	(20,0)
Impairment of intangible assets (incl. goodwill)	(0,7)	(12,7)
Impairment of shareholders' loans	(4,8)	(4,2)
Non-headline items of associated companies	(2,0)	6,8
Other investment activities	0,8	(0,9)
	(40,4)	(58,8)

3. Investments in associated companies

Carrying value		
	28 Feb 2010 Rm	28 Feb 2009 Rm
- listed	1 696,8	1 503,3
- unlisted	2 755,9	2 065,5
	4 452,7	3 568,8
Market and directors' valuation		
- listed	2 870,6	1 163,5
- unlisted	2 920,2	2 123,0
	5 790,8	3 286,5

4. Commitments

Operating lease commitments

PSG Group is not exposed to market movements in PSG FutureWealth's clients' assets held under investment contracts, as any movement in the market price of the investment is linked to a corresponding adjustment to the liability.

6. PSG Financial Services Limited

The company is a wholly owned subsidiary of PSG Group Limited, except for the 6 079 738 preference shares which are listed on the JSE Limited. No separate financial statements are presented for the company as it is the only asset of PSG Group Limited.

Condensed statement of comprehensive income		
	28 Feb 2010 Rm	28 Feb 2009 Rm
Net income of the group	563,7	264,3
Share of other comprehensive income of associated companies	3,3	(12,2)
Currency translation adjustments and fair value (losses)/gains	(3,0)	5,4
Step acquisition of associated company		(162,8)
Reversal of previous fair value gains on equity securities		125,3
Revaluation of assets and liabilities of associated company		125,3
Total comprehensive income for the period	564,0	220,0
Attributable to:		
Minority interests	165,8	220,1
Equity holders of the company	398,2	(0,1)
	564,0	220,0

Condensed statement of financial position		
	28 Feb 2010 Rm	28 Feb 2009 Rm
Assets		
Property, plant and equipment	38,0	32,9
Intangible assets	780,9	736,4
Investments in associated companies (note 3)	4 452,7	3 568,8
Financial assets linked to investment contracts (note 5)	8 215,8	7 717,0
Other financial assets	696,5	898,9
Deferred income tax	4,1	28,6
Receivables	137,6	665,0
Cash and cash equivalents	360,7	479,1
Total assets	14 686,3	14 126,7
Equity		
Ordinary shareholders' equity	2 947,0	2 755,4
Minority interests	2 263,5	1 863,6
Total equity	5 210,5	4 619,0
Liabilities		
Insurance liabilities	30,3	30,8
Financial liabilities under investment contracts (note 5)	8 215,8	7 717,0
Other financial liabilities	795,5	1 317,9
Deferred income tax	74,5	67,7
Payables and provisions	358,1	342,7
Current income tax liabilities	1,6	31,6
Total liabilities	9 475,8	9 507,7
Total equity and liabilities	14 686,3	14 126,7
Net asset value per share (cents)	1 765	1 640
Net tangible asset value per share (cents)	1 297	1 202