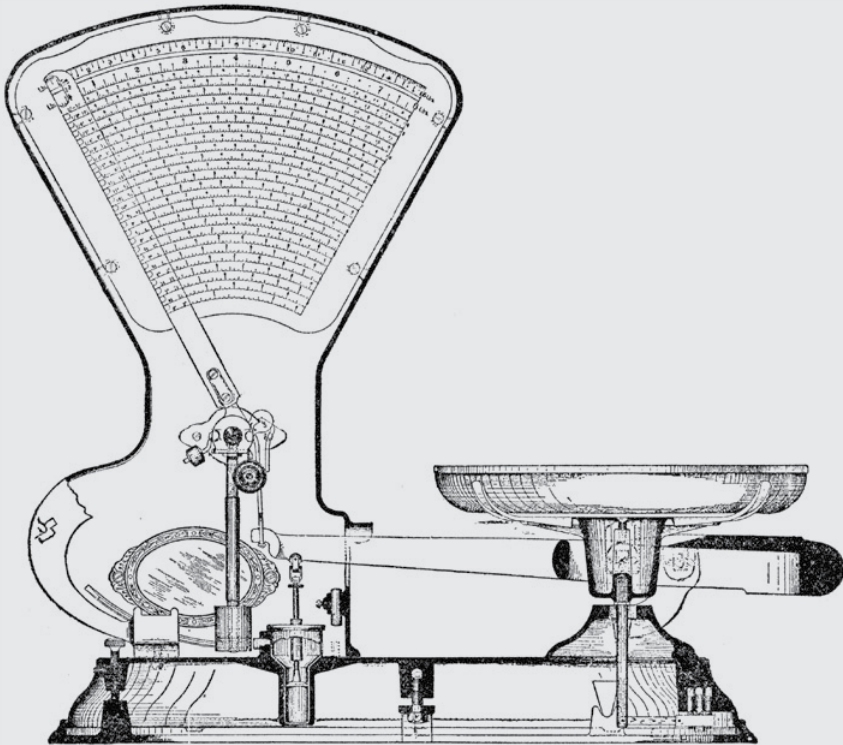


# PSG Financial Services Limited



PSG FINANCIAL SERVICES LIMITED

# Annual financial statements

## PSG Financial Services Limited

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# Approval of annual financial statements

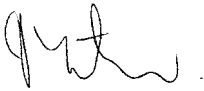
The directors are responsible for the maintenance of adequate accounting records and to prepare annual financial statements that fairly represent the state of affairs and the results of the company. The external auditor is responsible for independently auditing and reporting on the fair presentation 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 (IFRS) and incorporate full and reasonable disclosure. Appropriate and recognised accounting policies are consistently applied.

The external auditor has unrestricted access to all records, assets and personnel of the company.

The company is classified as a widely held company in terms of the Companies Act, but has not appointed an audit committee since the functions in terms of section 270A(1) of the Act are performed on its behalf by the audit committee of its holding company. The audit committee of the holding company 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 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 109 to 127 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*

13 May 2011  
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 28 February 2011, 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 109 to 127.

## *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*

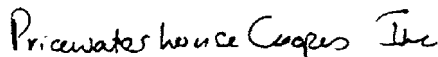
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether 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 28 February 2011, 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**

**Director: HD Nel**

*Registered auditor*

13 May 2011

Cape Town

# 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.



**PSG Corporate Services (Pty) Ltd**

**Per A Wessels**

*Company secretary*

13 May 2011

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 and changes in equity and notes thereto. The company's profit after taxation amounted to R156,4 million (2010: R250,4 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 R93,3 million (2010: R99 million).

### Preference

The directors have declared the following dividends in respect of the cumulative, non-redeemable, non-participating preference shares for the year ended 28 February 2011:

Cents per share	2011	2010
Interim	380,7	450,4
Final	343,8	390,5
Total	724,5	840,9

## DIRECTORS

The directors of the company at the date of this report appear on page 12. There were no changes to the board of directors since the date of the previous report.

## HOLDING COMPANY

The company is a wholly owned subsidiary of PSG Group Ltd, except for the 11 885 206 (2010: 6 079 738) 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 28 February 2011 was as follows:

	Beneficial		Non-beneficial		Total shareholding 2011		Total shareholding 2010	
	Direct	Indirect	Direct	Indirect	Number	%	Number	%
L van A Bellingan		50 000		25 528	75 528	0,6	80 000	1,3
J de V du Toit				52 632	52 632	0,5	52 632	0,9
MJ Jooste							350 000	5,8
	–	50 000	–	78 160	128 160	1,1	482 632	8,0

There were no changes to directors' shareholding since the year-end and the date of this report.

## SECRETARY

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

## AFTER REPORTING DATE EVENT

PSG Konsult and PSG Asset Management (formerly PSG Fund Management) concluded a deal which will result in PSG Konsult acquiring 100% of the shares in PSG Asset Management plus asset managers' shares in their respective businesses, with the exception of the non-controlling shareholders in the PSG Asset Management's hedge fund business, PSG Absolute Investment. Such shareholdings will be acquired with effect from 1 March 2011 by way of a share swap scheme of arrangement transaction.

# Statement of financial position

as at 28 February 2011

	Notes	2011 R000	2010* R000
<b>ASSETS</b>			
Investment in subsidiaries	1	2 297 210	2 279 306
Investment in associated companies	2	1 455 072	1 027 027
Equity securities	3	591 722	305 919
Loans and advances	4	568 471	597 712
Derivative financial instruments	5	4 546	
Receivables	7	6	3 602
Current income tax receivable		498	523
<b>Total assets</b>		<b>4 917 525</b>	<b>4 214 089</b>
<b>CAPITAL AND RESERVES</b>			
Share capital	8		
Ordinary share capital		45 872	45 872
Preference share capital		11 885	6 080
Share premium			
Ordinary share capital		92 175	92 175
Preference share capital		1 064 122	578 369
Other reserves	9	424 491	178 702
Retained earnings		287 459	287 252
<i>Total equity</i>		<b>1 926 004</b>	<b>1 188 450</b>
<b>LIABILITIES</b>			
Borrowings	10	2 881 088	2 972 277
Derivative financial instruments	5		2 222
Deferred income tax	6	69 299	27 390
Trade and other payables	11	41 134	23 750
<i>Total liabilities</i>		<b>2 991 521</b>	<b>3 025 639</b>
<b>Total liabilities and shareholders' funds</b>		<b>4 917 525</b>	<b>4 214 089</b>

\* Reclassified as set out in note 18 to the financial statements.

# Income statement

for the year ended 28 February 2011

	Notes	2011 R000	2010 R000
<b>Income</b>			
Investment income	12	211 113	281 209
Profit on sale of investment in associated companies			22 031
Profit on sale of equity securities			2 585
Unrealised fair value gains on financial assets	13	6 768	
<b>Total income</b>		<b>217 881</b>	<b>305 825</b>
<b>Expenses</b>			
Fair value losses	13		
Unrealised fair value losses on financial assets			6 248
Loss on impairment of subsidiaries		16 569	17 094
Marketing, administration and other expenses		121	129
<b>Total expenses</b>		<b>16 690</b>	<b>23 471</b>
<b>Results of operating activities</b>			
Finance cost		(43 451)	(33 735)
<b>Profit before taxation</b>		<b>157 740</b>	<b>248 619</b>
Taxation	14	(1 345)	1 750
<b>Net profit for the year</b>		<b>156 395</b>	<b>250 369</b>

# Statement of comprehensive income

for the year ended 28 February 2011

	Notes	2011 R000	2010 R000
<b>Net profit for the year</b>		<b>156 395</b>	<b>250 369</b>
<b>Other comprehensive income</b>			
Fair value gains on investments		245 789	91 873
<b>Total comprehensive income for the year, net of taxation</b>	14	<b>402 184</b>	<b>342 242</b>

# Statement of changes in equity

for the year ended 28 February 2011

	Ordinary shares		Preference shares		Other reserves	Retained earnings	Total
	Share capital	Share premium	Share capital	Share premium			
	R000	R000	R000	R000	R000	R000	R000
<b>Balance at 1 March 2009</b>	45 872	92 175	6 080	578 369	86 829	187 009	996 334
<b>Comprehensive income</b>							
Net profit for the year						250 369	250 369
<b>Other comprehensive income</b>							
Fair value gains on investments					91 873		91 873
<b>Transactions with owners</b>							
Dividend – ordinary shares						(99 000)	(99 000)
Dividend – preference shares						(51 126)	(51 126)
<b>Balance at 28 February 2010</b>	45 872	92 175	6 080	578 369	178 702	287 252	1 188 450
<b>Comprehensive income</b>							
Net profit for the year						156 395	156 395
<b>Other comprehensive income</b>							
Fair value gains on investments					245 789		245 789
<b>Transactions with owners</b>							
Issue of preference shares	–	–	5 805	485 753	–	(156 188)	335 370
Share issue costs			5 805	487 444			493 249
				(1 691)			(1 691)
Dividend – ordinary shares						(93 300)	(93 300)
Dividend – preference shares						(62 888)	(62 888)
<b>Balance at 28 February 2011</b>	45 872	92 175	11 885	1 064 122	424 491	287 459	1 926 004

# Statement of cash flows

for the year ended 28 February 2011

	Notes	2011 R000	2010* R000
<b>Cash retained from operating activities</b>			
Cash generated by operating activities	16.1	171 405	216 571
Taxation paid	16.2	575	(588)
<i>Net cash flow from operating activities</i>		<b>171 980</b>	215 983
<b>Cash utilised in investing activities</b>			
Additional investment in subsidiaries		(34 473)	(1 022 777)
Acquisition of additional investment in associated companies		(428 045)	(18 190)
Disposal of equity securities			22 575
Decrease in loan from holding company		(20 998)	(22 226)
(Decrease)/increase in loans from subsidiaries		(92 246)	510 389
Increase in borrowings		22 055	30 227
Decrease in loans and advances		29 241	444 667
<i>Net cash flow from investment activities</i>		<b>(524 466)</b>	(55 335)
<b>Cash flows from financing activities</b>			
Issue of preference shares		491 558	
Dividend paid to ordinary shareholders	16.3	(93 300)	(99 000)
Dividend paid to preference shareholders	16.4	(45 772)	(61 648)
<i>Net cash flow from financing activities</i>		<b>352 486</b>	(160 648)
<b>Net movement in cash and cash equivalents</b>		–	–
<b>Cash and cash equivalents at beginning of year</b>			
<b>Cash and cash equivalents at end of year</b>		–	–

\* Reclassified as set out in note 18 to the financial statements.

# 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 28 to 104.

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 stand-alone financial statements should read them together with PSG Group Ltd's or PSL Group's consolidated financial statements for the year ended 28 February 2011 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 28 February 2011

	2011 R000	2010 R000
<b>1. INVESTMENT IN SUBSIDIARIES</b>		
Shares at cost	2 330 873	2 296 400
Impairment charge	(33 663)	(17 094)
	<b>2 297 210</b>	<b>2 279 306</b>
Refer Annexure A		
<b>2. INVESTMENT IN ASSOCIATED COMPANIES</b>		
Listed shares at cost	1 439 387	1 015 245
Unlisted shares at cost	15 685	11 782
	<b>1 455 072</b>	<b>1 027 027</b>
<b>Reconciliation</b>		
Carrying value at beginning of year	1 027 027	1 008 846
Disposals		(9)
Acquisitions	428 045	18 190
Carrying value at end of year	<b>1 455 072</b>	<b>1 027 027</b>
Market value of listed investments	<b>5 138 403</b>	2 175 571
Directors' valuation of unlisted investments	<b>15 685</b>	11 782
Refer Annexure A		
<b>3. EQUITY SECURITIES</b>		
Listed	<b>591 722</b>	305 919
	Available- for-sale R000	Total R000
<b>Reconciliation of movements</b>		
Carrying amount at 1 March 2009	219 080	219 080
Fair value adjustment	106 829	106 829
Disposals	(19 990)	(19 990)
Carrying amount at 28 February 2010	305 919	305 919
Fair value adjustment	<b>285 803</b>	<b>285 803</b>
Carrying amount at 28 February 2011	<b>591 722</b>	<b>591 722</b>
	<b>2011 R000</b>	2010 R000
Current portion		
Non-current portion	<b>591 722</b>	305 919
	<b>591 722</b>	305 919

The listed equity securities are PSG Group Ltd, the company's holding company, shares.

# Notes to the annual financial statements

for the year ended 28 February 2011

	2011 R000	2010 R000
<b>4. LOANS AND ADVANCES</b>		
Unsecured loans to subsidiaries		
PSG Corporate Services (Pty) Ltd	268 617	268 617
PSG Channel Holdings Ltd	27 216	27 216
PSG Capital (Pty) Ltd	1 894	1 894
Ou Kollege Beleggings Ltd	11 571	7 971
PSG Investment Services (Pty) Ltd		52 677
Channel Life Holdings (Pty) Ltd	54 657	54 657
Preference shares in associated companies of a subsidiary	204 516	184 657
Other		23
	<b>568 471</b>	<b>597 712</b>
Current portion	<b>363 955</b>	303 055
Non-current portion	<b>204 516</b>	294 657
	<b>568 471</b>	<b>597 712</b>

All loans are interest-free with no specific repayment terms, unless otherwise indicated.

The loan to PSG Corporate Services (Pty) Ltd includes a loan of R110 000 000 (2010: R110 000 000) bearing interest at a rate of 10,79% which is repayable on 12 October 2011, as well as several advances bearing 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 four years (2010: five years) and carry dividend rates that are linked to the prime overdraft rate.

	2011 R000	2010 R000
<b>5. DERIVATIVE FINANCIAL INSTRUMENTS</b>		
Derivative financial assets/(liabilities)	<b>4 546</b>	(2 222)
Derivative financial assets/(liabilities)		
Current portion	<b>4 546</b>	(2 222)
Non-current portion		
	<b>4 546</b>	(2 222)
<b>Analysis of net derivative balance</b>		
Equity contracts		
Fixed-for-variable interest rate swap	<b>4 546</b>	(2 222)
	<b>4 546</b>	(2 222)

# Notes to the annual financial statements

for the year ended 28 February 2011

	2011 R000	2010 R000
<b>6. DEFERRED INCOME TAX</b>		
Deferred income tax liabilities		
Current portion		
Non-current portion	(69 299)	(27 390)
	<b>(69 299)</b>	<b>(27 390)</b>

The movement in the deferred tax liabilities during the year is as follows:

	Secondary tax on companies R000	Unrealised marked-to- market R000	Total R000
<b>At 1 March 2009</b>	(588)	(14 184)	(14 772)
Taxation paid	588		588
Credited to income statement		1 750	1 750
Debited to other comprehensive income		(14 956)	(14 956)
<b>At 28 February 2010</b>	–	(27 390)	(27 390)
Debited to income statement		(1 895)	(1 895)
Debited to other comprehensive income		(40 014)	(40 014)
<b>At 28 February 2011</b>	–	<b>(69 299)</b>	<b>(69 299)</b>

	2011 R000	2010 R000
<b>7. RECEIVABLES</b>		
Sundry debtors	6	3 602
Current portion	6	3 602
Non-current portion	6	3 602
<b>8. SHARE CAPITAL</b>		
<b>Ordinary share capital</b>		
<i>Authorised</i>		
1 000 000 000 shares of 8 cents each (2010: 1 000 000 000 shares)	80 000	80 000
<i>Issued</i>		
573 401 094 shares of 8 cents each (2010: 573 401 094 shares)	45 872	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 28 February 2011

	2011 R000	2010 R000
<b>8. SHARE CAPITAL</b> <i>(continued)</i>		
<b>Preference share capital</b>		
<b>Authorised</b>		
20 000 000 shares of R1 each (2010: 10 000 000 shares)	<b>20 000</b>	10 000
<b>Issued</b>		
11 885 206 shares of R1 each (2010: 6 079 738 shares)	<b>11 885</b>	6 080

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 and is payable in two semi-annual instalments. Arrear preference dividends shall accrue interest at the prime interest rate.

	Available- for-sale R000	Other R000	Total R000
<b>9. OTHER RESERVES</b>			
<b>At 1 March 2009</b>	80 214	6 615	86 829
Fair value losses on investments	91 873		91 873
<b>At 28 February 2010</b>	172 087	6 615	178 702
Fair value gains on investments	<b>245 789</b>		<b>245 789</b>
<b>At 28 February 2011</b>	<b>417 876</b>	<b>6 615</b>	<b>424 491</b>

	2011 R000	2010 R000
<b>10. BORROWINGS</b>		
<b>Non-current</b>		
Unsecured promissory notes (2010: bonds and promissory notes)	<b>193 945</b>	281 890
<b>Current</b>		
Unsecured loan from holding company – PSG Group Ltd	<b>1 147 704</b>	1 168 702
Unsecured loans from subsidiaries	<b>1 424 919</b>	1 517 165
Unsecured bonds	<b>114 520</b>	4 520
	<b>2 687 143</b>	2 690 387
<b>Total borrowings</b>	<b>2 881 088</b>	2 972 277

The unsecured loans from the holding and subsidiary companies are interest-free and have no fixed repayment terms. The loans from subsidiaries include R536 004 (2010: R536 004) payable to 35 Kerkstraat Beleggings Ltd and R888 915 (2010: 981 161) payable to PSG Corporate Services (Pty) Ltd.

The current unsecured bond consists of PSG01 Bond, nominal value R110 000 000 (2010: R110 000 000). The maturity date is 12 October 2011 and the bond bears interest at a rate of 10,79% p.a. fixed. Accrued interest amounts to R4 520 000 (2010: R4 520 000).

Non-current borrowings consists of promissory notes bearing fixed interest rates ranging from 12,15% to 12,65% NACS and repayable between October 2013 and December 2013.

# Notes to the annual financial statements

for the year ended 28 February 2011

	2011 R000	2010 R000
<b>11. TRADE AND OTHER PAYABLES</b>		
Trade payables	274	6
Shareholders for dividends – preference shares	40 860	23 744
	<b>41 134</b>	<b>23 750</b>
Current portion	41 134	23 750
Non-current portion	<b>41 134</b>	<b>23 750</b>
<b>12. INVESTMENT INCOME</b>		
<b>Interest income</b>		
Preference dividend income	19 859	20 591
Loans and advances	34 034	31 764
<b>Dividend income</b>		
Equity securities – available-for-sale	6 798	7 076
Dividend from subsidiaries	80 334	174 165
Dividend from associated companies	70 088	47 613
	<b>211 113</b>	<b>281 209</b>
<b>13. FAIR VALUE GAINS/(LOSSES)</b>		
Fair value gains/(losses) on financial assets at fair value through profit or loss		
Unrealised fair value gains/(losses)	6 768	(6 248)
Impairment of investment in subsidiaries	(16 569)	(17 094)
	<b>(9 801)</b>	<b>(23 342)</b>
<b>14. TAXATION</b>		
Current taxation		
Current year	(107)	
Prior years	657	
	<b>550</b>	<b>–</b>
Deferred taxation		
Current year	(1 895)	1 750
	<b>(1 345)</b>	<b>1 750</b>

The components of other comprehensive income carried a tax charge of R40 014 000 (2010: R14 956 000).

STC credits available within the company and unutilised amounted to R17 752 000 (2010: R26 684 000).

# Notes to the annual financial statements

for the year ended 28 February 2011

	2011 %	2010 %
<b>14. TAXATION (continued)</b>		
<b>Reconciliation of income tax charge</b>		
Reconciliation of rate of taxation		
South African normal tax rate	28,0	28,0
Adjusted for:		
Non-taxable income	(32,6)	(28,1)
Non-deductible expenses	4,7	2,9
Prior years' overprovision	(0,4)	
Capital gains tax rate differential	1,2	(3,5)
Effective rate of tax	<b>0,9</b>	<b>(0,7)</b>
<b>15. RELATED-PARTY TRANSACTION BALANCES</b>		
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 (note 3). For details of interest and dividends received on these investments refer to note 12.		
	2011 R000	2010* R000
<b>16. NOTES TO THE STATEMENT OF CASH FLOWS</b>		
<b>16.1 Cash generated by operating activities</b>		
Net profit before taxation	157 740	248 619
Adjusted for:		
Unrealised fair value (gains)/losses	(6 768)	6 248
Impairment of investment in subsidiaries	16 569	17 094
Other non-cash items	3 864	(30 774)
Profit on sale of investment in associated companies		(22 031)
Profit on sale of equity securities		(2 585)
	<b>171 405</b>	<b>216 571</b>
<b>16.2 Taxation paid</b>		
Credit in income statement	550	
Movement in current tax receivable/payable	25	(588)
	<b>575</b>	<b>(588)</b>
<b>16.3 Dividends paid – ordinary shares</b>		
Dividends paid for the year	<b>(93 300)</b>	<b>(99 000)</b>

# Notes to the annual financial statements

for the year ended 28 February 2011

	2011 R000	2010 R000
<b>16. NOTES TO THE STATEMENT OF CASH FLOWS</b> <i>(continued)</i>		
<b>16.4 Dividends paid – preference shares</b>		
Provision for payment to shareholders at beginning of year	(23 744)	(34 266)
Preference dividends accrued for the year	(62 888)	(51 126)
Provision for payment to shareholders at end of year	40 860	23 744
	<b>(45 772)</b>	<b>(61 648)</b>

## 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 R000	Loans and receivables R000	Available- for-sale R000	Total R000
<b>28 February 2011</b>				
Assets				
Equity securities			591 722	591 722
Loans and advances		568 471		568 471
Derivative financial instruments	4 546			4 546
Receivables		6		6
	<b>4 546</b>	<b>568 477</b>	<b>591 722</b>	<b>1 164 745</b>
		Liabilities measured at amortised cost R000	Other financial liabilities R000	Total R000
Liabilities				
Borrowings		2 881 088		2 881 088
Trade and other payables			41 134	41 134
		<b>2 881 088</b>	<b>41 134</b>	<b>2 922 222</b>

# Notes to the annual financial statements

for the year ended 28 February 2011

	Loans and receivables R000	Available- for-sale R000	Total R000
<b>17. FINANCIAL RISK MANAGEMENT</b> (continued)			
<b>Financial instruments by category</b> (continued)			
28 February 2010			
Assets			
Equity securities		305 919	305 919
Loans and advances*	597 712		597 712
Receivables*	3 602		3 602
	<u>601 314</u>	<u>305 919</u>	<u>907 233</u>

\* Reclassified as set out in note 18 to the financial statements.

	Liabilities measured at amortised cost R000	Other financial liabilities R000	Total R000
Liabilities			
Borrowings	2 972 277		2 972 277
Derivative financial instruments		2 222	2 222
Trade and other payables		23 750	23 750
	<u>2 972 277</u>	<u>25 972</u>	<u>2 998 249</u>

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 as available-for-sale. 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.

	2011 20% increase R000	2010 20% increase R000	2011 20% decrease R000	2010 20% decrease R000
Impact on equity	<u>101 776</u>	52 618	<u>(101 776)</u>	(52 618)

The company has a concentration of price risk towards PSG Group Ltd's share price with all of its equity investments invested in this share. The company is not exposed to commodity price risk.

# Notes to the annual financial statements

for the year ended 28 February 2011

## 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 2% (2010: 1%) shift in interest rates is analysed in the following table:

	<b>2011</b> 2% <b>increase</b> R000	2010* 1% increase R000	<b>2011</b> 2% <b>decrease</b> R000	2010* 1% decrease R000
Impact on post-tax profit	<b>4 090</b>	1 847	<b>(4 090)</b>	(1 847)

\* Reclassified as set out in note 18 to the financial statements.

### Credit risk

The company has no significant concentrations of credit risk to external parties. Credit risk arises from derivative financial instruments, loans and advances, and receivables. Derivative counterparties and cash transactions are limited to high-credit-quality financial institutions. The credit risk associated with loans and advances 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.

	<b>2011</b> R000	2010 R000
Loans and advances*	<b>568 471</b>	597 712
Receivables*	<b>6</b>	3 602
Derivative financial instruments	<b>4 546</b>	
	<b>573 023</b>	601 314

\* Reclassified as set out in note 18 to the financial statements.

No receivables were past due.

# Notes to the annual financial statements

for the year ended 28 February 2011

## 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
<b>28 February 2011</b>			
Borrowings	2 881 088	2 687 143	269 795
Trade and other payables	41 134	41 134	
	<b>2 922 222</b>	<b>2 728 277</b>	<b>269 795</b>
<b>28 February 2010</b>			
Borrowings	2 972 277	2 690 387	378 129
Derivative financial instruments	2 222	2 222	
Trade and other payables	23 750	23 750	
	<b>2 998 249</b>	<b>2 716 359</b>	<b>378 129</b>

### 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 28 February 2011

	2011 R000	2010 R000
<b>17. FINANCIAL RISK MANAGEMENT</b> <i>(continued)</i>		
The following financial instruments are measured at fair value:		
<b>Assets</b>		
Level 1 – Equity securities	591 722	305 919
Level 2 – Derivative financial instruments	4 546	
	<b>596 268</b>	
<b>Liabilities</b>		
Level 2 – Derivative financial instruments		2 222

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.

## 18. RECLASSIFICATION OF PRIOR YEAR FIGURES

At the previous reporting date accrued dividends on the investment in preference shares of an associated company of a subsidiary was disclosed as part of receivables. This amount was reallocated to loans and advances in order to present the accrued dividends together with the capital investment. The impact of the said reclassification on the statement of financial position and cash flow statements was:

	Previously reported	Currently reported	Difference
<b>Statement of financial position at 28 February 2010</b>			
Loans and advances			
Preference shares in associated companies of a subsidiary	160 139	184 657	24 518
Receivables	28 120	3 602	(24 518)
			–
<b>Cash flow statement for the year ended 28 February 2010</b>			
Cash retained from operating activities	232 010	216 571	(15 439)
Cash utilised in investing activities	(70 774)	(55 335)	15 439
			–

The reclassification had no impact on the profit reported for the year.

# Notes to the annual financial statements

for the year ended 28 February 2011

	Shareholders		Shares held	
	Number	%	Number	%
<b>19. PREFERENCE SHARE ANALYSIS</b>				
<b>Range of shareholding</b>				
1 – 500	653	25,7	193 048	1,6
501 – 1 000	480	18,9	398 457	3,4
1 001 – 5 000	1 032	40,7	2 401 608	20,2
5 001 – 10 000	190	7,5	1 366 880	11,5
Over 10 000	182	7,2	7 525 213	63,3
	<b>2 537</b>	<b>100,0</b>	<b>11 885 206</b>	<b>100,0</b>
<b>Public and non-public shareholding</b>				
Non-public				
Directors	2	0,1	128 160	1,1
PSG FutureWealth	1		208 559	1,7
Public	2 534	99,9	11 548 487	97,2
	<b>2 537</b>	<b>100,0</b>	<b>11 885 206</b>	<b>100,0</b>
<b>Individual shareholders holding 5% or more as at 28 February 2011</b>				
Coronation U/T Capital Plus Fund			627 910	5,3

# Annexure A – Investments

for the year ended 28 February 2011

## INVESTMENT IN SUBSIDIARIES

Company	Proportion held directly		Issued share capital		Carrying value	
	2011 %	2010 %	2011 R000	2010 R000	2011 R000	2010 R000
Channel Life Holdings (Pty) Ltd	100	100	4	4	11 709	11 709
Arch Equity Corporate Services (Pty) Ltd	100	100				4 522
Ou Kollege Beleggings Ltd	100	100	4	4	48 209	48 209
PSG Capital (Pty) Ltd	100	100	1	1	3 595	15 641
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
PSG Investment Services (Pty) Ltd*		100		2 269		97 351
Zeder Investments Ltd**	42	41	9 781	9 781	719 834	698 346
Paladin Capital Ltd	81	81	58	57	689 128	710 356
35 Kerkstraat Beleggings Ltd	100	100	42	42	542 888	500 914
PSG Invest (Pty) Ltd (formerly PSG Fund Management Group (Pty) Ltd, now trading as PSG Asset Management)*	81		1		86 887	
PSG Konsult Ltd	74	73	7 331	7 331	130 111	127 409
Other					3	3
					<b>2 297 210</b>	<b>2 279 306</b>

\* At the previous reporting date the interest in PSG Invest (Pty) Ltd was held through the wholly owned subsidiary, PSG Investment Services (Pty) Ltd. PSG FutureWealth Ltd is in turn a wholly owned (2010: 80% owned) subsidiary of PSG Invest (Pty) Ltd.

\*\* Zeder Investments Ltd is a subsidiary of the company through its 42% (2010: 41%) shareholding, board representation and a management agreement in terms of which PSG Corporate Services (Pty) Ltd provides management and administrative services to the company.

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		Carrying value	
		2011 %	2010 %	2011 R000	2010 R000
<b>Listed</b>					
Capitec Bank Holdings Ltd	Retail banking	35	35	1 439 387	1 015 245
<b>Unlisted</b>					
Propell Group Holdings (Pty) Ltd (formerly Baedex Ltd)	Bridge financing	35	33	15 685	11 782
				<b>1 455 072</b>	<b>1 027 027</b>

## FINANCIAL INFORMATION IN RESPECT OF PRINCIPAL ASSOCIATED COMPANIES

	Assets R000	Liabilities R000	Revenues R000	Profit R000
<b>2011</b>				
Capitec Bank Holdings Ltd	<b>14 439 517</b>	<b>10 989 004</b>	<b>5 185 277</b>	<b>656 024</b>
<b>2010</b>				
Capitec Bank Holdings Ltd	9 488 223	7 760 246	3 519 475	449 224

Information is only disclosed in respect of associated companies of which the financial position or results are material. Both 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.



PSG GROUP LIMITED

## Invitation

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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 15 June 2011 at Webersburg, Annandale Road, Stellenbosch.

The timetable is as follows:

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09:00	PSG Konsult Ltd
09:30	Zeder Investments Ltd
10:00	Paladin Capital Ltd
10:30	Thembeke Capital Ltd
11:00	Tea
11:30	Curro Holdings Ltd
12:00	PSG Group Ltd

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

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# 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 adviser and sponsor**

PSG Capital

## **Broker**

PSG Online Securities Ltd

## **Auditor**

PricewaterhouseCoopers Inc

## **Principal banker**

FirstRand Ltd

## **Website address**

[www.psggroup.co.za](http://www.psggroup.co.za)

# Shareholders' diary

	<b>2011</b>
Financial year-end	28 February
Profit announcement	18 April
Annual general meetings	
– PSG Financial Services Ltd	14 June
– PSG Group Ltd	15 June
General meeting of PSG Financial Services Ltd preference shareholders	14 June
Interim report	10 October