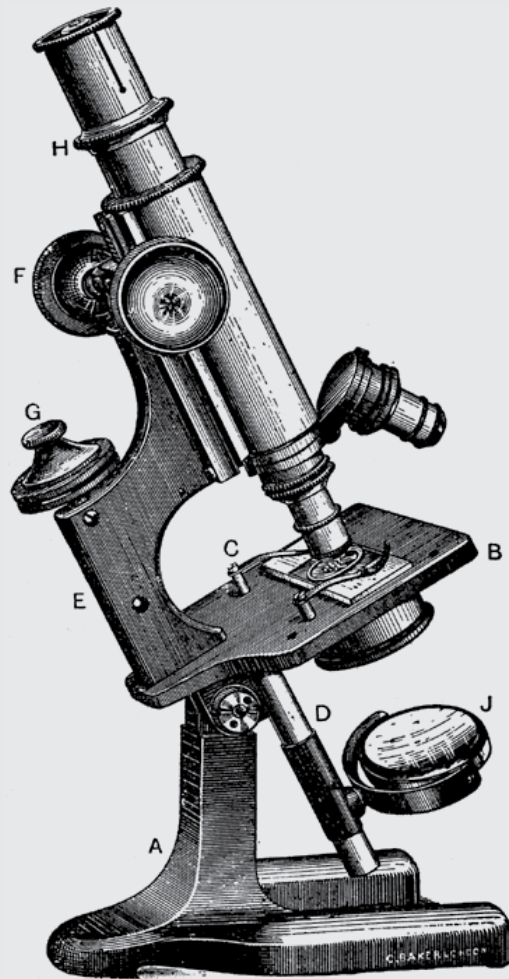


Review of operations



PSG GROUP LIMITED

RECURRING HEADLINE EARNINGS

	Headline earnings		Number of shares	Net asset value	
	28 Feb 2011	28 Feb 2010		28 Feb 2011	28 Feb 2010
	Rm	Rm	m	Rm	Rm
Recurring headline earnings	404,1	359,0		3 439,9	2 766,7
Capitec Bank	223,0	151,7	32,3	1 981,6	1 383,9
PSG Konsult	66,0	65,5	538,5	324,7	296,1
PSG Fund Management	27,9	26,4	15,6	156,1	149,2
Paladin Capital	46,7	77,2	472,3	1 123,1	859,6
Zeder Investments	109,4	83,6	407,9	1 073,1	925,9
PSG Corporate (incl. PSG Capital)				22,9	26,9
Management and other fee income	92,4	66,6			
Operating costs	(61,9)	(43,2)			
Taxation	(9,5)	(8,1)			
BEE pref share investments	19,9	20,6		204,5	184,8
Funding					
Perpetual pref share funding	(72,4)	(53,1)		(1 058,1)	(551,3)
Net interest	(36,7)	(27,6)		(426,1)	(513,9)
Other	(0,7)	(0,6)		38,1	5,5
Non-recurring headline earnings	108,3	72,4		144,9	180,3
PSG Konsult	1,2				
PSG Fund Management	5,2				
Paladin Capital	93,4	89,8			
Zeder Investments	(33,1)	(23,0)			
PSG Corporate (net of tax)					
Marked-to-market profit	31,1	26,2		144,9	138,6
Deferred tax assets written off		(20,7)			
Other	10,5	0,1			
m Cubed Holdings					41,7
Total headline earnings	512,4	431,4		3 584,8	2 947,0
Statistics			Change		
Weighted average number of shares in issue (million)	167,1	173,1			
Recurring HEPS (cents)	241,9	207,4	16,6%		
HEPS (cents)	306,7	249,2	23,1%		

PSG 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. *Recurring headline earnings* represent the sum of PSG's effective interest in that of each investment, regardless of our percentage shareholding. 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.

Recurring headline earnings per share increased by 16,6% to 241,9 cents during the year under review. Capitec and Zeder were the best performers, while Paladin's investments in the construction and manufacturing sectors have not escaped the aftermath of the economic recession as yet. We, however, remain confident that these businesses will improve their performance in the near future.

Headline earnings increased by 23,1% to 306,7 cents per share, which is 26,8% more than the recurring headline earnings per share, and attributable earnings by 87,8% to 424,1 cents per share. The significant increase in attributable earnings per share was mainly as a result of the non-headline profit on Paladin's sale of CIC and Zeder's sale of KWV Holdings.

PSG GROUP CORPORATE ACTION AND INVESTING

- We raised R502m in cash through the issue of 5,8m PSG Financial Services Ltd perpetual preference shares. We now have a nominal total of R1,19bn in perpetual preference share funding. R440m has been fixed at a cost of 8,87% per annum until 31 August 2016 and R650m at 8,6% per annum until 31 August 2020 by means of an interest rate hedge.
- We invested R489,2m in our core portfolio. This has created R145,8m in value for shareholders when measured using market prices at 28 February 2011:
 - R424,1m in Capitec at an average price of R122,81 per share, of which R367,2m related to its rights issue
 - R20,9m in Paladin at an average price of R2,31 per share
 - R21,5m in Zeder at an average price of R1,95 per share
 - R2,7m in PSG Konsult at R1,41 per share
 - Reinvested R20m in PSG Group through the repurchase of 691 257 PSG Group shares at an average price of R28,88 per share
- The investment in m Cubed Holdings (30%) was realised during the year after total distributions of 23 cents per share were returned to shareholders. All matters with the relevant Regulators were settled and the life assurance licence cancelled.



CAPITEC BANK (34,6%)	
CHIEF EXECUTIVE OFFICER	Riaan Stassen
Capitec is a retail bank that provides innovative transacting, saving and unsecured lending products to serve the needs of all South Africans.	

Financial results

Year ended February	2009	2010	2011
Headline earnings (Rm)	302	437	640
HEPS (cents)	364	527	757
Growth in HEPS (%)	41	44	44
Dividend per share (cents)	140	210	290
Dividend cover ratio	2,6x	2,5x	2,6x
Return on equity (%)	27	32	34
Gross loans and advances (Rm)	3 238	5 607	10 916
Value of loans advanced (Rm)	6 273	8 645	14 318
Net loan impairment expense (Rm)	468	548	988
Impairment as percentage of loans and advances	14,5	9,8	9,1
Net transaction fee income (Rm)	160	295	532
Fee income as percentage of operating expenses	15,0	21,6	29,3
Number of active clients (000)	1 545	2 122	2 829
Number of branches	363	401	455
Number of employees	3 414	4 154	5 331

Capitec has since its establishment 10 years ago become a sizeable company with a headline profit of R640m and a market capitalisation of almost R16bn. It has created 5 331 new jobs, of which 1 177 were in the past year.

Capitec again delivered impressive results with headline earnings increasing by 44% to 757 cents per share during the year under review. Capitec granted 5,5m individual loans totalling R14bn during this period, which is 66% more than last year. The total net value of loans outstanding at year-end amounted to R10bn. Capitec opened a further 54 branches, growing its network to 455 branches.

Unsecured lending is a growth segment of the South African banking industry. Although it remains risky, Capitec took preventative measures when it tightened its lending criteria back in 2008. Despite the increase in loans granted, the actual bad debt rate has been on a declining trend. Capitec is risk sensitive when granting long-term credit – the higher the risk, the shorter the term of the loans offered. Its provisioning policy, whereby all loans which are more than three months in arrears are written off, remains conservative. The average loan at Capitec Bank in February 2007 was R1 180 with an average outstanding term of 10 months. Today it is R2 617 and 36 months. Net transaction fee income has grown by at least 80% in each of the last three years. This reduces Capitec's reliance on the income from loans.

In January 2011, Capitec raised R1,05bn in new ordinary capital to fund future growth. Capitec's 38% capital adequacy ratio as well as its liquidity philosophy remains conservative – at year-end it would have been possible to repay all deposits due immediately and on an average throughout the year, within three days. Management was pleased to have doubled fixed retail savings to R2bn.

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



PSG KONSULT (73,5%)	
CHIEF EXECUTIVE OFFICER	Willem Theron
PSG Konsult is an independent financial services company. Its financial planners, portfolio managers, short-term insurance brokers and stockbrokers offer a unique one-stop integrated service, offering advice and appropriate financial and related products.	

Financial results

Year ended February	2009	2010	2011
Turnover (Rm)	756	834	982
Growth in turnover (%)	4	10	18
Headline earnings (Rm)	96,8	89,4	91,5
Increase/(decrease) in headline earnings (%)	11	(8)	3
HEPS (cents)	13,2	12,2	12,5
Increase/(decrease) in HEPS (%)	10	(8)	3
Funds under management and administration (Rbn)	43,6	72,4	97,3
Short-term premiums on annualised basis (Rm)	1 400	1 450	1 600
Number of offices	197	209	216
Number of advisors	506	548	642

PSG Konsult managed to marginally increase headline earnings to R91,5m during the year under review.

The PSG Konsult group made a number of acquisitions during the year to build capacity for future growth. These included:

- 100% of PSG Prime from PSG Asset Management for R16,7m, resulting in all PSG's stockbroking activities now being housed under PSG Konsult.

- Bouwer Collins for R16m. The company is an independent short-term insurance intermediary with an Eastern Cape client base.
- The business activities of Diagonal Insurance ("Diagonal") effective 1 September 2010 for R71,8m. Diagonal is a national short-term insurance broker and administrator. It has five marketing offices and an administration platform servicing 12 000 clients. Annual premium income amounts to R175m.
- PSG Konsult's BEE subsidiary, PSG Konsult Corporate, concluded various small to medium-sized acquisitions specialising in healthcare brokerage.
- The merger of PSG Konsult and PSG Asset Management with effect from 1 March 2011. The combined business will promote the sharing of resources and skills with the goal of improved service delivery.

Other highlights included the establishment of the e-Business segment operating under PSG Online. This platform serves as a single gateway to all PSG Konsult's products, including share trading, short-term insurance, investments and financial planning.

Funds under administration and management increased by 34,4% to R97,3bn, while short-term premiums administered increased to R1,6bn per annum (2010: R1,45bn).

At year-end, PSG Konsult had 216 offices (2010: 209) and its financial planners, stockbrokers and short-term insurance brokers increased to 642 (2010: 548).

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



PSG ASSET MANAGEMENT (81,3%)	
CHIEF EXECUTIVE OFFICER	Wayne Waldeck
The operations of PSG Fund Management, PSG Alphen, PSG Tanzanite, PSG Absolute Investments and PSG FutureWealth were amalgamated to form PSG Asset Management ("PSGAM"). PSGAM, as a consolidated unit, is able to offer investors a simple, yet comprehensive range of investment products under one umbrella brand.	

Following the merger, PSGAM will have one chief investment officer. The adoption by the team of a 'house view' will mean that investors will be able to enjoy a greater degree of consistency across the range of the PSG unit trusts and portfolios. The interests of all the investment managers are now aligned being shareholders in the holding company.

Financial results

Year ended February	2009	2010	2011
Recurring headline earnings (Rm)	29,1	27,8	34,1
Funds under administration (Rbn)	20,4	23,4	30,8
Funds under management (Rbn)	7,0	11,9	12,9

PSGAM's *headline earnings* increased by 46% to R40,5m, while *recurring headline earnings* increased by 23% to R34,1m and *recurring headline earnings per share* by 4,9% to R1,79. Funds under administration increased by 32% to R30,8bn and funds under management by 8% to R12,9bn.

On 7 December 2010, the FSB awarded a category III LISP licence to PSGAM, which enabled it to launch an integrated LISP platform on 1 March 2011.

Special mention should be made of the *PSG Flexible Fund*, which recently won two Raging Bull awards, being 1st in its sector over three years and best risk-adjusted fund over five years. The *PSG Equity Fund* is currently ranked 1st in the general equity sector, both over one and two years, while the *PSG Balanced Fund* has delivered top quartile performance over three years and is currently ranked 1st in its sector over one year.

PSGAM's comprehensive results are available at www.psgam.co.za.



PALADIN CAPITAL (81,3%)	
MANAGED BY	PSG Exco
Paladin is PSG Group's listed private equity investment company in sectors other than agriculture, food and beverages.	

Financial results

Year ended February	2009	2010	2011
Recurring headline earnings (Rm)	78,2	95,5	69,8
Recurring HEPS (cents)	20,0	19,3	12,1
Headline (loss)/earnings (Rm)	(18,0)	217,3	199,9
HEPS (cents)	(4,6)	43,9	34,5
Sum-of-the-parts value (Rm)	486	1 167	1 736
Sum-of-the-parts value per share (cents)	123	203	299

Paladin had a year of mixed fortunes with a strong increase in its *sum-of-the-parts* (SOTP) valuation and market price, while *recurring headline earnings* decreased significantly.

- The 47,3% increase in Paladin's SOTP value to R2,99 per share was supported by the R208m profit that was realised on the sale of CIC, and the substantial increase in the value of both Curro and Thembeke.
- The 37,3% decline in Paladin's *recurring headline earnings* to 12,1 cents per share was mainly attributable to its investments in the cyclical construction and manufacturing sectors that were negatively affected by the economic recession. However, the management of Erbacon, Top Fix and GRW has introduced measures to improve profitability in the near future. A substantial portion of the proceeds on the disposal of CIC was subsequently invested in Curro, which is currently yielding returns consistent with a venture that is in a growing phase.

Paladin sold its 50% investment in CIC to Imperial for R364m during the year under review. Having invested R67m originally and receiving R24m in dividends, CIC was an extraordinary investment with a compounded return of 64,8% over the four-year period. Paladin also disposed of its investment in Lesotho Milling for R26m.

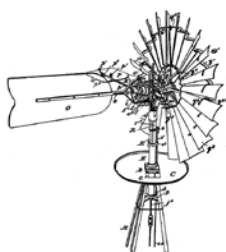
Paladin now owns 76% in Curro, having acquired an additional 26% for R52m. Curro is expanding according to plan. Due to the substantial capital required to fuel growth, the Curro board has decided to list the business and undertake a major rights issue shortly thereafter. Paladin intends to follow its rights. Paladin also increased its interest in Petmin, Erbacon and Spirit Capital during the past year. Subsequent to year-end, Paladin acquired a 45% interest in Energy Partners, a provider of energy saving solutions. We view this as an exciting entry into the emerging energy sector.

At 28 February 2011, Paladin had 12 investments across the economic spectrum:

Industry/ company	Description	% Held
Investment companies		
Thembeke	BEE investment company	49%
Spirit	Leveraged buy-outs	24%
Services		
IQuad	Outsourcing services	44%
African Unity	Life and related insurance	43%
Mining, construction and related services		
Precrete	Mine safety and support services	22%
Green Square	Mining subcontractor	19%
Petmin	Diversified miner	11%
Erbacon	Construction	27%
Top Fix	Construction support services	28%
Manufacturing		
GRW	Tank manufacturer	40%
Protea Gieterij	Non-ferrous foundry	50%
Education		
Curro	Private school education	76%

We are optimistic about the prospects of Paladin's portfolio which contains a good mix of stable earners, businesses that have been restructured to extract more value from the current environment and then those with the potential to develop into something really significant.

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



ZEDER INVESTMENTS (41,7%)

CHIEF EXECUTIVE OFFICER | Antonie Jacobs

Zeder is a listed investment company in the agriculture, food and beverage sectors.

Financial results

Year ended 28 February	2009	2010	2011
Headline earnings (Rm)	153,4	152,1	184,8
Recurring headline earnings (Rm)	196,0	208,1	264,7
HEPS (cents)	25,2	17,3	18,9
Recurring HEPS (cents)	32,2	23,6	27,1
Sum-of-the-parts value per share (cents)*	192	211	274
Intrinsic value per share (cents)**	285	268	314
Dividend per share (cents)	7,0	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

Zeder's current portfolio of some R2,5bn comprises agriculture, food and beverage related investments, of which Kaap Agri (with its 31,2% interest in Pioneer Foods) and Capevin Holdings (with its 14,8% effective interest in Distell) represent 78%. During the year under review, Zeder invested R211,8m to increase its interest in existing investments trading at attractive values. Zeder disposed of its 35,3% interest in KWV Holdings Ltd during February 2011 for R286m cash. This, combined with the current market value of the retained interest in Capevin Holdings and dividends received over the investment period, represents a compounded annual rate of return of 18,8%.

Recurring headline earnings increased by 27,2% to R264,7m and recurring headline earnings per share by 14,8% to 27,1 cents for the year under review. Headline earnings per share increased by 9,2% to 18,9 cents, and attributable earnings per share by 89,3% to 26,5 cents. The significant increase in attributable earnings per share was mainly as a result of the R65,6m non-headline profit on the aforementioned disposal of KWV Holdings.

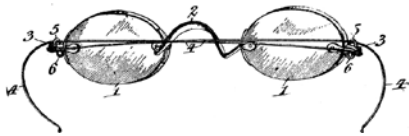
During November 2010, Pioneer Foods and the Competition Commission announced the final penalty settlement amounting to R855m emanating from the investigation into bread and milling price irregularities. Zeder's share of the penalty for the current year amounted to R40,5m, which had a negative impact on both headline and attributable earnings. This matter has been resolved and Zeder remains positive about Pioneer Foods' future.

Current cash and funding resources of R456m provide Zeder with the necessary means to continue pursuing attractive investment opportunities.

As at 28 February 2011, Zeder's investment portfolio comprised:

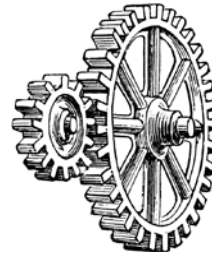
Kaap Agri Ltd	43,9%
Agricol Holdings Ltd	25,1%
Capevin Holdings	39,5%
Tuinroete Agri Ltd	9,7%
OVK Operations Ltd	9,3%
Capespan Group Ltd	22,7%
NWK Ltd	8,8%
Suidwes Investments Ltd	21,8%
MGK Business Investments Ltd	26,7%

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



PSG CAPITAL (100%)	
CHIEF EXECUTIVE OFFICER	Johan Holtzhausen
<p>PSG Capital is the corporate finance arm of PSG Group and provides a complete suite 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, JSE Listings Requirements, capital raisings and listings, private equity investments and BEE transactions and they perform valuations including fair and reasonable opinions. It currently has 32 JSE-listed and numerous unlisted clients.</p>	

PSG Capital was recently ranked third by finance journal DealMakers in its 2010 DealMakers General Corporate Finance Annual Awards in the categories Sponsors Transaction Flow and Sponsors Deal Flow.



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 recurring management fees earned from these two companies during the year under review amounted to R61,3m (2010: R40,8m). PSG Corporate's recurring headline earnings contribution increased by 37,3% to R21m.

Cash and facilities available for reinvestment amount to R400m.

