

# RESULTS FOR THE YEAR ENDED 29 FEBRUARY 2012



PSG GROUP LIMITED

**RECURRING HEADLINE EARNINGS** increased by 27,6% to 308,6 cents per share  
**SUM-OF-THE-PARTS VALUE** increased by 19,5% to R55,92 per share as at 29 February 2012  
**DIVIDEND FOR THE YEAR** increased by 22,4% to 82 cents per share

## OVERVIEW

PSG Group Ltd (PSG) is an investment holding company consisting of 39 underlying investments that operate across industries which include financial services, banking, private equity, agriculture and education. PSG's market capitalisation is approximately R9,5bn, with its largest investment being a 32,5% interest in Capitec Bank.

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

A key valuation tool to measure PSG's performance by is the growth in its SOTP value per share. The calculation is simple and requires limited subjectivity as 82% of the SOTP value is calculated using quoted market prices, while the unlisted investments are valued using market-related multiples. At 29 February 2012, the SOTP value per PSG share was R55,92, which equated to a 54% compounded annual growth rate over the last three years. At 5 April 2012, the SOTP value was R61,66 per share.

Asset/Liability	28 Feb 2009	28 Feb 2010	28 Feb 2011	29 Feb 2012	% of total assets
Capitec Bank*	857	2 367	5 138	5 978	50,0
PSG Konsult**	873	948	1 206	1 483	12,4
PSG Private Equity (previously Paladin Capital) <sup>1</sup>	413	834	1 242	728	6,1
Curro Holdings*				1 118	9,3
Thembeke Capital <sup>1</sup>				570	4,8
Zeder Investments*	342	742	1 069	1 067	8,9
PSG Corporate (incl. PSG Capital) <sup>1</sup>	216	361	350	338	2,8
Other investments (EOH, pref share investments, cash, etc.) <sup>1</sup>	745	400	548	684	5,7
<b>Total assets</b>	<b>3 446</b>	<b>5 652</b>	<b>9 553</b>	<b>11 966</b>	<b>100,0</b>
Perpetual pref funding*	(486)	(541)	(1 028)	(1 188)	
Other debt <sup>1</sup>	(350)	(539)	(507)	(463)	
<b>Total SOTP value</b>	<b>2 610</b>	<b>4 572</b>	<b>8 018</b>	<b>10 315</b>	
Number of shares (million)	170,5	171,8	171,3	184,5	
<b>SOTP value per share (rand)</b>	<b>15,31</b>	<b>26,60</b>	<b>46,81</b>	<b>55,92</b>	

\* Listed on the JSE Ltd \*\* Over-the-counter <sup>1</sup> 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 continues using the recurring headline earnings method to provide management and investors with a more realistic and transparent way of evaluating PSG's earnings performance. Consolidated recurring headline earnings represent the sum of PSG's effective interest in that of each strategic 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. Market-to-market fluctuations and one-off items are excluded.

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

Recurring headline earnings per share increased by 27,6% to 308,6 cents during the year under review. Capitec again accounted for most of the growth with its continued exceptional performance, while the majority of the remaining investments reported moderate earnings growth. Paladin's performance was negatively impacted by the losses that were suffered by its investments in the construction sector. Curro reported a loss as a result of its infrastructure spend to cater for future growth, as well as its investment in startup schools which will only turn profitable once they have a sufficient number of learners.

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

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

## MATERIAL CORPORATE ACTION AND INVESTING

- Raised R377m in cash through the issue of 8,2m PSG ordinary shares at an average price of R46,09 per share.
- Raised R132m in cash through the issue of 1,5m PSG Financial Services Ltd perpetual preference shares. We now have a nominal total of R1,34bn in perpetual preference share funding, of which the majority of the cost has been fixed by means of an interest rate hedge - R440m at 8,87% per annum until 31 August 2016, and R780m at 8,56% per annum until 31 August 2020.

- Paladin's 77,6% interest in Curro was unbundled to Paladin shareholders with effect from August 2011. PSG, as a result, now holds a 63,1% direct interest in Curro.
- Effective October 2011, PSG acquired the remaining 18,7% minorities shareholding for a 100% interest in Paladin, following which Paladin was delisted from the JSE (AltX). The purchase consideration was settled through the issue of 4,3m PSG ordinary shares at a price of R47,27 per share, and R2m in cash.
- Subsequent to year-end, PSG acquired a 60% interest in CA Sales Holdings (Pty) Ltd (a Botswana-based FMC distributor) for R202m.

## CAPITEC BANK (32,5%)

PSG is proud of its investment in Capitec. It has grown into a sizeable business with over 7 000 employees, 507 branches and a market capitalisation in excess of R20bn. During the past year, Capitec appointed 2 694 employees and created 1 863 jobs.

Capitec focuses on making banking easier and more cost-effective for its clients. It acquires new clients and encourages existing clients to use more of its products and services. Capitec added 877 000 new clients during the past year to bring the total number of active clients to 3,7m.

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

Capitec has changed banking in South Africa with its simplicity and innovation, and is attracting more and more high income clients. The core management team has been with the bank since its inception and remains confident that they will be able to continue growing Capitec's client base.

Capitec's comprehensive results are available at [www.capitec.co.za](http://www.capitec.co.za).

## PSG KONSULT (71,3%)

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

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

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

At year-end, PSG Konsult had 224 (2011: 216) offices with 694 (2011: 642) financial planners, portfolio managers, stockbrokers and asset managers.

PSG Konsult's comprehensive results are available at [www.psgkonsult.co.za](http://www.psgkonsult.co.za).

## PSG PRIVATE EQUITY (PREVIOUSLY PALADIN CAPITAL) (100%)

Paladin will in future be branded as PSG Private Equity.

At 29 February 2012, Paladin had 13 investments across the economic spectrum. Paladin invests in sectors other than agriculture, food and beverages.

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

Recurring headline earnings decreased by 17% to R37m, mainly due to losses suffered by its investments in the construction industry. African Unity Insurance experienced strong earnings growth and GRW has returned to profitability, while the remainder of Paladin's investments performed in line with or better than in the prior year. Paladin management invested a significant amount of time in the past year to restructure or turn investments around that have previously disappointed, and we look forward to improved earnings from these investments going forward.

Further corporate action at Paladin included:

- Invested R262m in Curro prior to its unbundling.
- Acquired a 50% interest in Impak Onderwysdiens (provider of alternative and distance education services aimed at level 3 for R35m).
- Sold its 44% interest in IQuad for R30m.
- Early stage investments in Energy Partners (provider of energy saving solutions) and Stellenbosch Nanofibre Company (provider of nanofibre technology solutions), the latter in partnership with the University of Stellenbosch.
- Subsequent to year-end, Top Fix (in which Paladin holds a 29% stake) reached an agreement to sell its scaffolding business which has traditionally been loss making. The transaction is subject to shareholder approval.

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

## CURRO (63,1%)

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

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

Since 2009, Curro has expanded its countrywide network of private schools from 3 to 16. The number of learners has increased fivefold from 2 000 in 2009 to more than 10 500 at present.

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

On a comparative basis, Curro's turnover has increased by 125% to R166,3m for the financial year ended 31 December 2011. Curro made a headline loss of R7,5m for the year ended 31 December 2011, compared to a R5,2m profit in the previous year due to the high initial costs associated with new schools. We expect Curro to continue yielding low returns while expanding rapidly.

The potential of the private schools market and the rapidly increasing demand for private education bode well for Curro's growth strategy. Curro will therefore, in addition to adding capacity to existing schools, continue aggressively expanding its network of schools across South Africa. We are confident that this strategy will yield attractive returns in the long term, albeit that it will be capital intensive and costly over the short to medium term.

In order to provide Curro with additional capital to finance the rapid expansion of its network of schools and to take advantage of new opportunities that the market currently presents, Curro has announced a renounceable rights offer whereby it will raise R348m at R6 per share during April 2012.

Curro's comprehensive results are available at [www.curro.co.za](http://www.curro.co.za).

## THEMBEKA CAPITAL (49%)

Thembeke Capital, a BEE investment company, was previously held by Paladin Capital and is now separately reported on under PSG Group. At year-end, Thembeke's portfolio of R1,6bn consisted of investments in Capitec Bank, PSG Group, Kaap Agri, Overberg Agri, MTN Zakhele and several other unlisted investments. Thembeke's recurring headline earnings increased by 57% to R72m for the year under review, whereas its intrinsic value (after CGT) increased by 5% to R72,92 per share since 28 February 2011.

Corporate action at Thembeke included:

- Sold its entire interest in the JSE Ltd, realising a profit of R261m, representing an IRR of 44%.
- Sold its smaller investments in IQuad, MGK and BKB, realising IRRs of between 17% and 51%.
- Increased its interest in Kaap Agri from 15% to 20%.
- The Thembeke Agri Fund acquired an 11% interest in NWK.

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

Thembeke is confident that its portfolio of investments will continue delivering good returns over the long term.

## ZEDER INVESTMENTS (42,4%)

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

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

Corporate action at Zeder included:

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

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

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

Zeder's comprehensive results are available at [www.zeder.co.za](http://www.zeder.co.za).

## PSG CAPITAL (100%)

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

PSG Capital's services are available at [www.psgcapital.com](http://www.psgcapital.com).

## PSG CORPORATE (100%)

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

## PROSPECTS

Our focus remains on the creation of 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.

## REVIEWED FINANCIAL RESULTS

PSG's reviewed financial results have been released on the Securities Exchange News Services (SENS) of the JSE and are also available at [www.psggroup.co.za](http://www.psggroup.co.za).

## 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. On 1 March 2012, the directors declared a final dividend of 56 cents (2011: 47 cents) per share, which brings the total dividend for the financial year ended 29 February 2012 to 82 cents (2011: 67 cents). The final dividend was paid to shareholders on 2 April 2012.

### Preference shares

The directors of PSG Financial Services Ltd have declared a dividend of 334,73 cents per share in respect of the cumulative, non-redeemable, non-participating preference shares ("perpetual preference shares") for the six months ended 29 February 2012, which was paid on 26 March 2012.

Following the finalisation of the amendments to the Income Tax Act regarding the taxation of dividends, the directors of PSG Financial Services Ltd announced on 4 April 2012 that the dividend rate of the perpetual preference shares will be increased from 75% to 83,33% of the prime interest rate with effect from 1 April 2012.

On behalf of the board

Jannie Mouton  
Chairman

16 April 2012  
Stellenbosch

Wynand Greeff  
Financial Director

These results are available on our website at [www.psggroup.co.za](http://www.psggroup.co.za)



PSG GROUP LIMITED

Registration number 1970/008484/06 JSE share code: ESM ISIN code: ZAE000013017

PSG FINANCIAL SERVICES LIMITED

Registration number 1919/000478/06 JSE share code: PGFF ISIN code: ZAE000096079

**DIRECTORS** JF Mouton (Chairman)<sup>+</sup>, PE Burton<sup>+</sup>, ZL Combi<sup>+</sup>, J de V du Toit<sup>+</sup>, MM du Toit<sup>+</sup>, WL Greeff<sup>+</sup>, JA Holtzhausen<sup>+</sup>, MJ Jooste<sup>+</sup>, JJ Mouton<sup>+</sup>, PJ Mouton<sup>+</sup>, CA Otto<sup>+</sup>, W Theron<sup>+</sup>  
<sup>+</sup>Executive <sup>+</sup>Non-executive <sup>+</sup>Independent non-executive

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**SPONSOR** PSG Capital