

PSG GROUP LIMITED

PSG Group Limited

(Incorporated in the Republic of South Africa)

(Registration number 1970/008484/06)

Share code: PSG, ISIN: ZAE000013017

("PSG")

PROSPECTUS

PREPARED IN TERMS OF THE COMPANIES ACT

The interpretations and definitions commencing on page 2 of this Prospectus apply *mutatis mutandis* throughout this Prospectus, including on this cover page.

This Prospectus is issued in compliance with the Companies Act, for the purpose of providing information with regard to PSG. This Prospectus has been prepared on the assumption that the Proposed Transaction will be implemented.

At the date of this Prospectus:

- the authorised share capital of PSG comprises 400 000 000 ordinary shares of no par value;
- the issued share capital of PSG comprises 218 873 454 ordinary shares of no par value;
- 13 908 770 PSG Shares are held in treasury;
- the total value of the stated capital account in respect of the PSG Shares is R3 774 429 000, excluding treasury shares; and
- all PSG Shares in issue rank *pari passu* with each other in all respects, including in respect of voting rights and dividends.

If the Proposed Transaction is implemented, a maximum of 11 696 080 Consideration Shares will be issued at R97.56 per share. The Consideration Shares will rank *pari passu* with the existing PSG Shares in all respects, including in respect of voting rights and dividends.

The Directors, whose names appear on page 4 of this Prospectus, accept, collectively and individually, full responsibility for the accuracy of the information given herein and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement herein false or misleading, and that they have made all reasonable enquiries to ascertain such facts and that this document contains all information required by law.

All advisors whose names and/or reports are contained in this Prospectus have consented in writing to act in the capacity stated and to their names being included in this Prospectus and, if applicable, to the inclusion of their respective reports in this Prospectus in the form and context in which they appear and have not withdrawn their written consents prior to publication hereof.

This Prospectus is not an invitation to the public to subscribe for shares in PSG. It is issued in compliance with the Companies Act for the purpose of giving information regarding PSG, including to Thembeke Shareholders who, in terms of the Scheme, can dispose of their Thembeke Shares to PSG in return for the PSG Shares.

A copy of this Prospectus, in English, accompanied by the documents referred to under "Documents available for inspection" as set out in paragraph 28 of this Prospectus, was registered by the CIPC on Friday, 10 October 2014 in terms of the Companies Act.

Transaction Advisor and Sponsor



PSG CAPITAL

Legal Advisor



Auditors



Date of issue: Wednesday, 15 October 2014

This Prospectus is available in English only. Copies may be obtained from PSG, the Transaction Advisor and Sponsor or the Transfer Secretaries, at the addresses set out in the "Corporate Information and Advisors" section of this Prospectus during normal office hours from the date of issue of this Prospectus until Thursday, 13 November 2014 (both days inclusive).

CORPORATE INFORMATION AND ADVISORS

Company Secretary and Registered Office of PSG

PSG Corporate Services Proprietary Limited
(Registration number 1996/004840/07)
1st Floor, Ou Kollege
35 Kerk Street
Stellenbosch, 7600
(PO Box 7403, Stellenbosch, 7599)

Date of incorporation of PSG

26 June 1970

Place of Incorporation of PSG

South Africa

Transaction Advisor and Sponsor of PSG

PSG Capital Proprietary Limited
(Registration number 2006/015817/07)
1st Floor, Ou Kollege
35 Kerk Street
Stellenbosch, 7600
(PO Box 7403, Stellenbosch, 7599)

and at:

1st Floor, Building 8
Inanda Greens Business Park
54 Wierda Road West
Wierda Valley
Sandton, 2196
(PO Box 987, Parklands, 2121)

Transfer Secretaries

Computershare Investor Services Proprietary Limited
(Registration number 2004/003647/07)
Ground Floor
70 Marshall Street
Johannesburg, 2001
(PO Box 61051, Marshalltown, 2107)

Transactional Bankers of PSG

FirstRand Bank Limited
(Registration number 1929/001225/06)
25th Floor, Portside Building
5 Buitengracht Street
Cape Town, 8001
(PO Box 911, Cape Town, 8000)

and:

Absa Capital, a division of Absa Bank Limited
(Registration number 1986/004794/06)
Tygerberg Office Park, 163 Uys Krige Drive, Platteklouf, 7500
(Postal address as per physical address)

Legal Advisor

Cliffe Dekker Hofmeyr Incorporated
(Registration number 2008/018923/21)
11 Buitengracht Street
Cape Town, 8001
(PO Box 695, Cape Town, 8000)

Auditors

PricewaterhouseCoopers Incorporated
(Registration number 1998/012055/21)
Capital Place
15 – 21 Neutron Avenue
Technopark, Stellenbosch, 7600
(PO Box 57, Stellenbosch, 7599)

and at:

No. 1 Waterhouse Place
Century City
7441
(PO Box 2799, Cape Town, 8000)

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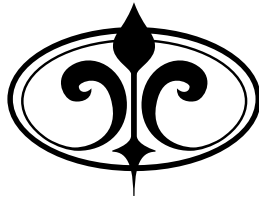
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DEFINITIONS

In this Prospectus and the annexures hereto, unless the context indicates otherwise, references to the singular include the plural and *vice versa*, words denoting one gender include the others, expressions denoting natural persons include juristic persons and associations of persons and vice versa, and the words in the first column have the meanings stated opposite them in the second column, as follows:

“Auditors”	PricewaterhouseCoopers Incorporated (registration number 1998/012055/21), a personal liability company incorporated under the laws of South Africa, full details of which are set out in the “Corporate Information and Advisors” section of this Prospectus;
“Board” or “Directors”	the board of directors of PSG, the names of whom are set out on page 4 of this Prospectus and the particulars of whom are set out in Annexure 2 of this Prospectus;
“Business Day”	any day other than a Saturday, Sunday or official public holiday in South Africa;
“CIPC”	the Companies and Intellectual Property Commission;
“Companies Act”	the Companies Act (Act No. 71 of 2008), as amended;
“Curro”	Curro Holdings Limited (registration number 1998/025801/06), a public company incorporated under the laws of South Africa, the shares of which are listed on the JSE;
“JSE”	the exchange, licensed under the Financial Markets Act, No. 19 of 2012, operated by JSE Limited (registration number 2005/022939/06), a public company incorporated under the laws of South Africa;
“JSE Listings Requirements” or “Listings Requirements”	the JSE Listings Requirements, as issued by the JSE from time to time;
“Last Practicable Date”	the last Business Day prior to the finalisation of this Prospectus, being Monday, 6 October 2014;
“Material Subsidiaries”	the material subsidiaries of PSG, being PSG Financial Services, Curro and PSG Konsult;
“MOI” or “Memorandum of Incorporation”	the memorandum of incorporation of PSG;
“Proposed Transaction”	the offer by PSG to acquire all the Thembeka Shares in issue which the PSG Group does not already own, by way of the Scheme;
“Prospectus”	this prospectus dated Wednesday, 15 October 2014 and the annexures hereto, which has been prepared in compliance with the Companies Act;
“PSG” or “the Company”	PSG Group Limited (registration number 1970/008484/06), a public company incorporated under the laws of South Africa, the shares of which are listed on the JSE;
“PSG Corporate Services”	PSG Corporate Services Proprietary Limited (registration number 1996/004840/07), a private company incorporated under the laws of South Africa, being a wholly-owned subsidiary of PSG Financial Services;
“PSG Financial Services”	PSG Financial Services Limited (registration number 1919/000478/06), a public company incorporated under the laws of South Africa, being a wholly-owned subsidiary of PSG;
“PSG Group”	PSG and its subsidiaries, and references to the “PSG Group” after implementation of the Proposed Transaction includes Thembeka, which will become a wholly-owned subsidiary of PSG upon implementation of the Proposed Transaction;
“PSG Konsult”	PSG Konsult Limited (registration number 1993/003941/06), a public company incorporated under the laws of South Africa, the shares of which are listed on the JSE;
“PSG Shareholders”	registered holders of PSG Shares;
“PSG Shares”	ordinary shares with no par value in the issued share capital of PSG;
“R” or “Rand”	the South African Rand, the lawful currency of South Africa;
“Scheme”	the scheme of arrangement in terms of section 114(1) of the Companies Act, proposed by the Thembeka board of directors between Thembeka and the Thembeka Shareholders, as more fully described in the Scheme Circular, in terms of which PSG will, if the Scheme becomes operative, acquire all Thembeka Shares held by Scheme Participants for the Scheme Consideration, subject to any modification or amendment to the scheme of arrangement agreed to in writing by PSG and Thembeka and, if necessary, the Takeover Panel, which modification or amendment may not be detrimental to Scheme Participants;
“Scheme Circular”	the circular to Thembeka Shareholders, dated Wednesday, 15 October 2014, containing details of the Scheme;

“Scheme Consideration”	the Scheme consideration of 1.7 (one point seven) PSG Shares for each Thembeka Share disposed of by Scheme Participants in terms of the Scheme, rounded to the nearest whole number and credited as fully paid (the Scheme Consideration will not have a cash alternative);
“Scheme Consideration Shares”	the PSG Shares to be issued by PSG as the Scheme Consideration, with a maximum of 11 696 080 PSG Shares to be issued to Scheme Participants, at an issue price of R97.56 per PSG Share and for an aggregate consideration of R1 141 069 564.80, as consideration for their Thembeka Shares;
“Scheme Participants”	Thembeka Shareholders who participate in the Scheme;
“South Africa”	the Republic of South Africa;
“Takeover Panel”	the Takeover Regulation Panel established in terms of section 196 of the Companies Act;
“Thembeka”	Thembeka Capital (RF) Limited (registration number 2005/016065/06), a public company incorporated under the laws of South Africa;
“Thembeka Shareholders”	registered holders of Thembeka Shares;
“Thembeka Shares”	ordinary shares with no par value in the issued share capital of Thembeka;
“Transaction Advisor and Sponsor”	PSG Capital Proprietary Limited (registration number 2006/015817/07), a private company with limited liability duly incorporated under the laws of South Africa, full details of which are set in the “Corporate Information and Advisors” section of this Prospectus; and
“Transfer Secretaries” or “Computershare”	Computershare Investor Services Proprietary Limited (registration number 2004/003647/07), a private company duly incorporated in accordance with the laws of South Africa, full details of which are set in the “Corporate Information and Advisors” section of this Prospectus.



PSG GROUP LIMITED

PSG Group Limited
(Incorporated in the Republic of South Africa)
(Registration number 1970/008484/06)
Share code: PSG, ISIN: ZAE000013017
(**"PSG"**)

Directors

JF Mouton (*Chairman*) *
PJ Mouton (*Chief Executive Officer*)
WL Greeff (*Financial Director*)
JA Holtzhausen
FJ Gouws *
JJ Mouton *
W Theron *
PE Burton **
ZL Combi **
J de V du Toit **
MM du Toit **
MJ Jooste ** (*Alternate Director: AB la Grange*)
CA Otto **

* *Non-executive*

Independent

PROSPECTUS

INTRODUCTION

This Prospectus is issued in compliance with the Companies Act for the purpose of providing information with regard to PSG.

In addition, this Prospectus is issued to provide information regarding PSG to Thembeke Shareholders who, in terms of the Proposed Transaction (as more fully described in the Scheme Circular), can dispose of their Thembeke Shares to PSG in return for PSG Shares which, in terms of the Companies Act, constitutes an offer to Thembeke Shareholders of PSG securities, requiring a prospectus.

SECTION ONE – INFORMATION ABOUT THE PSG GROUP

1. NAME, ADDRESS AND INCORPORATION

- 1.1. AWG Properties (Proprietary) Limited was incorporated as a private company on 26 June 1970 and changed its name to Toilet Hire Company (Proprietary) Limited (**"THC"**) on 11 December 1980. On 29 September 1987 THC converted into a public company and changed its name to Mynkar Holdings Limited (**"Mynkar"**). Mynkar underwent a name change to PAG Limited (**"PAG"**) on 15 February 1991 and PAG subsequently changed its name to PSG Group Limited (Registration number 1970/008484/06) on 16 May 1997.
- 1.2. The registration numbers, registered offices and primary places of business of PSG and the Transfer Secretaries are set out in the "Corporate Information and Advisors" section of this Prospectus. The names, registration numbers, places of incorporation and dates of incorporation of PSG's subsidiaries are set out in **Annexure 1**.

2. DIRECTORS, OTHER OFFICE HOLDERS OR MATERIAL THIRD PARTIES

2.1. Board of directors

The Board comprises:

- 2.1.1. JF Mouton (Non-executive Chairperson);
- 2.1.2. PJ Mouton (Chief Executive Officer);
- 2.1.3. WL Greeff (Financial Director);
- 2.1.4. JA Holtzhausen (Executive Director);

- 2.1.5. FJ Gouws (Non-executive Director);
- 2.1.6. JJ Mouton (Non-executive Director);
- 2.1.7. W Theron (Non-executive Director);
- 2.1.8. PE Burton (Independent Non-executive Director);
- 2.1.9. ZL Combi (Independent Non-executive Director);
- 2.1.10. J de V du Toit (Lead Independent Non-executive Director);
- 2.1.11. MM du Toit (Independent Non-executive Director);
- 2.1.12. MJ Jooste (Independent Non-executive Director) (Alternate Director: AB la Grange); and
- 2.1.13. CA Otto (Independent Non-executive Director).

2.2. **Additional information related to the Directors**

- 2.2.1. **Annexure 2** contains the following information:
 - 2.2.1.1. details of Directors, including their qualifications, occupations, business addresses and identity numbers;
 - 2.2.1.2. terms of office and salient terms of service contracts;
 - 2.2.1.3. Directors' emoluments;
 - 2.2.1.4. Directors' interests in transactions and PSG Shares;
 - 2.2.1.5. PSG Shares granted to directors;
 - 2.2.1.6. Directors' declarations.
- 2.2.2. The provisions of the MOI with regard to the following are set out in **Annexure 3**:
 - 2.2.2.1. qualification of Directors;
 - 2.2.2.2. remuneration of Directors;
 - 2.2.2.3. any power enabling the directors to vote on remuneration to themselves or any member of the Board;
 - 2.2.2.4. retirement or non-retirement of Directors under an age limit.

2.3. **Borrowing powers**

- 2.3.1. The borrowing powers of the Company have not been exceeded in the 3 (three) years prior to the date of this Prospectus. Details of borrowing powers of the Company exercisable by the Directors and the manner in which such borrowing powers may be varied are set out in **Annexure 3** to this Prospectus.
- 2.3.2. The borrowing powers exercisable by each subsidiary of PSG are governed by the memorandum of incorporation of each such subsidiary. The borrowing powers of the subsidiaries of PSG have not been exceeded in the three years prior to the date of this Prospectus.
- 2.3.3. The borrowing powers exercisable by Thembeka are governed by the memorandum of incorporation of Thembeka. The borrowing powers of Thembeka have not been exceeded in the three years prior to the date of this Prospectus.

2.4. **PSG's advisors**

The names and business addresses of PSG's advisors, including its Transaction Advisor and Sponsor, Auditors and the Company Secretary, are set out in the "Corporate Information and Advisors" section of this Prospectus.

2.5. **Management**

Neither the business of PSG (or any part thereof) nor the business of any subsidiary of PSG (or any part thereof) is managed or proposed to be managed by a third party under a contract.

3. **HISTORY, STATE OF AFFAIRS AND PROSPECTS OF THE COMPANY**

3.1. **General description and nature of the business of PSG and its Material Subsidiaries**

- 3.1.1. PSG is an investment holding company consisting of underlying investments that operate across a wide range of industries including financial services, banking, private equity, agriculture and education. PSG's market capitalisation (net of treasury shares) is approximately R20 billion.
- 3.1.2. There are seven main business units on which PSG reports, namely:
 - 3.1.2.1. Capitec Bank Holdings Limited (banking);
 - 3.1.2.2. PSG Konsult (wealth management, asset management and insurance);
 - 3.1.2.3. Curro (private school education);
 - 3.1.2.4. Zeder Investments Limited (investment in the agribusiness sector);

- 3.1.2.5. PSG Private Equity Proprietary Limited (investment in sectors other than agribusiness);
 - 3.1.2.6. Thembeke (BEE investment holding company); and
 - 3.1.2.7. PSG Corporate (investment management and treasury services), including PSG Capital (corporate finance).
- 3.1.3. PSG Financial Services is a wholly-owned subsidiary of PSG and is an investment holding company. The company was incorporated as a public company on 25 July 1919 and ultimately changed its name to PSG Financial Services Limited on 1 April 1998, after becoming a subsidiary of PSG.
- 3.1.4. PSG Konsult is a leading independent financial services company, delivering a broad range of financial services and products locally and abroad. PSG Konsult specifically focuses on areas of wealth creation and preservation, asset management and insurance solutions for enterprises and individuals. PSG Konsult's business is founded on the fundamental principles of integrity, trust and transparency and places strong emphasis on personal service and building lifelong relationships with its clients. PSG Konsult was incorporated on 14 July 1993 and was converted to a public company on 11 January 1996. PSG Konsult has been a subsidiary of PSG since its inception and listed on the main board of the JSE in June 2014.
- 3.1.5. Curro was incorporated as a public company on 30 December 1998 with the specific purpose of providing affordable, quality independent school education in South Africa. Curro was established as a small independent school in 1998 by Dr Chris van der Merwe. It established its first separate and privately owned campus in Durbanville, Western Cape in 2000. As a result of the demand for the affordable independent school together with the high standards it offered, it immediately showed exceptional growth. Curro opened its doors in January 2014 to 27 263 learners in 31 schools compared to the 20 840 learners in 26 schools at the beginning of 2013. Curro plans to make further acquisitions this year and to acquire more than 20 premises across South Africa for future expansions. Curro aims to add 10 new schools to its existing campus network during 2014. There are also expansions planned at seven existing schools, necessitated by the increased capacity demand at such schools. At the date of its listing on the JSE, in June 2011, it was Curro's stated objective that by 2020, Curro would have at least 40 schools with a total learner enrolment in excess of 45 000. With the planned expansions it is possible that Curro will reach this objective as early as 2015. Accordingly, the stated objective has been adjusted to 80 schools by 2020 accommodating 90 000 learners. Curro became a subsidiary of PSG during October 2010.
- 3.2. **Share capital**
- Information relating to the share capital of PSG is set out in **Annexure 4**.
- 3.3. **Incorporation and history**
- Information relating to the incorporation and history of PSG is set out in paragraphs 1 and 3 above. PSG listed on the main board of the JSE on 3 November 1987.
- 3.4. **Material changes in the business of PSG**
- There has been no material change in the business of PSG in the 3 (three) years prior to the Last Practicable Date.
- 3.5. **Prospects**
- The PSG Group's long-term economic goal is to continuously create wealth for its shareholders through a combination of share price appreciation and the payment of dividends. In order to achieve this, PSG has invested in a diversified group of businesses with high growth potential that consistently yield above-average returns.
- 3.6. **Principal immovable properties**
- The situation, area and tenure, including, in the case of leasehold property, the rental and unexpired term of the leases, of the principal immovable properties occupied by the PSG Group, are detailed in **Annexure 11**.
- 3.7. **Commitments in relation to the purchase, construction or installation of buildings, plant or machinery**
- During the 2014 calendar year, Curro will invest approximately R1.5 billion in the expansion of existing facilities, land banking, the development of new campuses and acquisitions. The aforementioned development includes 11 (eleven) new campuses and land banking more than 20 (twenty) sites for development beyond 2014. Save as aforesaid, the PSG Group has no commitments in relation to the purchase, construction or installation of buildings, plant or machinery.
- 3.8. **Turnover, profit/loss and dividend history**
- As required in terms of Regulation 59 read with Regulation 79 of the Companies Act, particulars of the assets and liabilities, gross turnover, the profits or losses (before and after tax) and dividends paid by PSG in the preceding 3 (three) periods, being the financial years ended 28 February 2014, 28 February 2013 and 29 February 2012, are contained in **Annexure 5**. The financial information presented in **Annexure 5** has been extracted from the published audited financial statements of PSG for the financial years ended 28 February 2014, 28 February 2013 and 29 February 2012. The report by the Auditors of PSG in terms of Regulation 79 of the Companies Act is set out in **Annexure 6**.
- 3.9. **Material commitments, lease payments and contingent liabilities**
- As at the Last Practicable Date, PSG had no material commitments, material lease payments or contingent liabilities.
- 3.10. **Debentures**
- As at the Last Practicable Date, no debentures have been created or issued by PSG.

4. SHARE CAPITAL OF THE COMPANY

Annexure 4 contains information relating to, *inter alia*:

- 4.1. the authorised and issued PSG Shares;
- 4.2. the capital structure of PSG;
- 4.3. the rights attaching to the PSG Shares;
- 4.4. the alteration of share capital in the three years prior to the Last Practicable Date; and
- 4.5. offers of securities by PSG in the three years prior to the Last Practicable Date.

5. OPTIONS OR PREFERENTIAL RIGHTS IN RESPECT OF SHARES

Annexure 4 contains information relating to options and preferential rights in respect of PSG Shares.

6. COMMISSIONS PAID OR PAYABLE IN RESPECT OF UNDERWRITING

Within the 2 (two) years preceding the Last Practicable Date, no commissions have been paid or were payable by PSG in respect of any underwriting arrangements.

7. MATERIAL CONTRACTS

- 7.1. Save as set out in paragraph 7.2 below, no material contracts have been entered into by the PSG Group within the 2 (two) years prior to the Last Practicable Date.
- 7.2. PSG Corporate Services, as the duly appointed nominee of PSG, entered into a management agreement with Zeder Investments Limited and Zeder Investments Corporate Services Proprietary Limited on or about 29 September 2006, as subsequently amended on or about 2 April 2008, 18 November 2010 and 20 June 2013, in terms of which PSG Corporate Services provides management services to Zeder Investments Corporate Services Proprietary Limited in return for a management fee, all on the terms and conditions contained therein.
- 7.3. A summary of the service agreements for the executive Directors is set out in **Annexure 2**.
- 7.4. The PSG Group has not paid any restraint payments and/or secretarial, technical or other fees for services rendered by directors, directly or indirectly, including payments to management companies, a part of which was then paid to a director (save, to the extent applicable, for any portion of the fees that may have been utilised for the remuneration of directors detailed in **Annexure 2**).
- 7.5. No material royalties or items of a similar nature are payable by the PSG Group.

8. INTEREST OF DIRECTORS AND PROMOTERS

Details of Directors' interests in PSG and Directors' emoluments are set out in **Annexure 2**.

9. LOANS

- 9.1. Save as set out in **Annexure 7**, as at the Last Practicable Date, no material loans have been advanced to the PSG Group.
- 9.2. As at the Last Practicable Date, no material loans have been advanced by the PSG Group.

10. SHARES ISSUED OR TO BE ISSUED OTHERWISE THAN FOR CASH

- 10.1. No PSG Shares were issued or agreed to be issued by PSG in the 3 (three) years prior to the Last Practicable Date otherwise than for cash, save for:
 - 10.1.1. the PSG Shares to be issued in respect of the Proposed Transaction; and
 - 10.1.2. the 4 283 541 PSG Shares that were issued during October 2011 to acquire all the shares not already held by the PSG Group in Paladin Capital Limited ("**Paladin**"). These shares were issued at a ratio of 4 PSG Shares for every 100 Paladin ordinary shares held.
- 10.2. No shares were issued or agreed to be issued by any subsidiary of PSG in the three years prior to the Last Practicable Date otherwise than for cash, save for:
 - 10.2.1. the 35 794 660 ordinary shares issued by PSG Konsult on 1 March 2014 in consideration for its acquisition of an increased interest in the income stream of its advisory offices; and
 - 10.2.2. the 30 051 282 ordinary shares issued by PSG Konsult on 1 November 2012 in consideration for its acquisition of a further 51% shareholding in Western Group Holdings Limited.

11. PROPERTY ACQUIRED OR TO BE ACQUIRED

The PSG Group, through Curro, has acquired and/or developed numerous education campuses during the 3 (three) years prior to the Last Practicable Date. The current carrying value of Curro's property, plant and equipment amounted to R2.5 billion at the end of June 2014. As set out in paragraph 3.7 above, Curro continues to expand its number of campuses. Notwithstanding the aforementioned, PSG does not consider these acquisitions to be material in the context of the PSG Group.

12. AMOUNTS PAID OR PAYABLE TO PROMOTERS

In the 3 (three) years prior to the Last Practicable Date, no amount has been paid or proposed to be paid, nor have any securities been issued or proposed to be issued, to any promoter, or to any partnership, syndicate or other association of which that promoter is or was a member, nor has any cash been paid or securities issued or proposed, or any other benefit given or proposed to any such promoter, partnership, syndicate or other association in the aforementioned 3 (three) year period.

13. PRELIMINARY EXPENSES AND ISSUE EXPENSES

The following expenses and provisions are expected by PSG, or have been provided for by PSG in connection with the Proposed Transaction:

Description	Recipient	Amount (Rand)
PSG expenses		
Corporate advisory fees	PSG Capital	2 125 000
Independent Reporting Accountant	PwC	75 000
Listing fees	JSE	285 000
Documentation fee	JSE	19 000
Printing costs, publication, distribution and advertising	Greymatter & Finch	250 000
Independent Expert	Questco	350 000
Transfer secretarial fees	Computershare	40 000
Attorney ⁽¹⁾	Cliffe Dekker Hofmeyr	200 000
Competition Filing Fee	Competition Commission	350 000
VAT		517 000
Sundry costs	Various	70 000
Thembeka expenses⁽²⁾		
Corporate advisory fees	PSG Capital	2 125 000
Independent Reporting Accountant	PwC	75 000
Printing costs, publication, distribution and advertising	Greymatter & Finch	300 000
Transfer secretarial fees	Computershare	75 000
Independent Expert opinion	Questco	350 000
Documentation fee	Takeover Regulation Panel	200 000
VAT ⁽³⁾		438 000
Sundry costs	Various	70 000
Total		7 909 000

Notes:

- (1) Relates to legal advice provided by Cliffe Dekker Hofmeyr in respect of the Prospectus and the Scheme Circular.
- (2) Should the Scheme become unconditional and be implemented, Thembeka will become a wholly-owned subsidiary of PSG, with the result that Thembeka's expected costs in respect of the Scheme will effectively be borne by PSG. The total transaction costs of R7 909 000 have been utilised for purposes of PSG's *pro forma* financial information, as detailed in Annexure 4 of the Scheme Circular.
- (3) Value added tax inputs are not claimed seeing that the goods and services are not acquired for the purposes of making taxable supplies.

SECTION TWO – INFORMATION ABOUT THE OFFERED SECURITIES

14. PURPOSE OF THE OFFER

The purpose of the Offer is set out in the Scheme Circular.

15. TIME AND DATE OF THE OPENING AND CLOSING OF THE OFFER

The time and date of the opening and closing of the Offer is set out in the Scheme Circular.

16. PARTICULARS OF THE OFFER

16.1. The particulars of the Scheme are set out in the Scheme Circular.

16.2. Details of securities issued by PSG in the three years preceding the Last Practicable Date are set out in **Annexure 4**.

16.3. Save for the issues of securities set out in **Annexure 4**, in the three years prior to the Last Practicable Date, PSG did not issue any PSG Shares for a premium.

SECTION THREE – STATEMENTS AND REPORTS RELATING TO THE OFFER

17. STATEMENT AS TO ADEQUACY OF CAPITAL

The Directors are of the opinion that the working capital available to the PSG Group is sufficient for the PSG Group's present requirements, that is, for at least the next 12 (twelve) months from the date of issue of this Prospectus.

18. REPORT BY DIRECTORS AS TO MATERIAL CHANGES

There have been no material changes in the assets or liabilities of the PSG Group between the financial year ended 28 February 2014, being the last reported period, and the date of issue of this Prospectus.

19. STATEMENT AS TO LISTING ON STOCK EXCHANGE

19.1. All the issued PSG Shares are listed on the main board of the JSE as a primary listing. No other class of securities is listed on any other exchange.

19.2. The Scheme Shares will, upon issue to the Scheme Participants, be listed on the main board of the JSE.

20. REPORT BY AUDITOR WHERE COMPANY WILL ACQUIRE A SUBSIDIARY

20.1 In terms of Regulation 78 of the Companies Act, the Auditor is required to prepare a report in respect of the profits and losses of an entity and its subsidiaries whose shares are acquired by the Company, such that the entity becomes a subsidiary of the Company, for the three financial years preceding the date of the Prospectus and the assets and liabilities of the entity and its subsidiaries whose shares are acquired by the Company at the last date to which the financial statements of the business undertaking were made out. In the event that the Proposed Transaction is implemented, Thembeke will become a subsidiary of the PSG Group.

20.2 **Annexure 8** sets out the profits and losses of Thembeke for the financial years ended 28 February 2014, 28 February 2013 and 29 February 2012 and the assets and liabilities of Thembeke as at 28 February 2014. **Annexure 9** sets out the Auditors' report in respect of the Thembeke acquisition.

21. REPORT BY AUDITOR OF COMPANY

In terms of Regulation 79 of the Companies Act, the Auditor is required to prepare a report on the profits and losses, dividends and assets and liabilities of PSG. In this regard, **Annexure 5** and **Annexure 6** of this Prospectus set out the financial information and the Auditor's report in respect of the financial information.

22. HISTORICAL FINANCIAL INFORMATION OF THE COMPANY

Annexure 10 contains the historical financial information of PSG. The historical financial information is the responsibility of the Directors.

SECTION FOUR – ADDITIONAL MATERIAL INFORMATION

23. AUTHORISATIONS

PSG has sufficient authorised but unissued shares in order to issue the Scheme Consideration Shares. In the event that the Scheme is implemented, the Scheme Consideration Shares will be issued by PSG as an acquisition issue.

24. PROPERTY AND SUBSIDIARIES DISPOSED OF OR TO BE DISPOSED OF

PSG Group has not made any material disposals of any securities in, or the business undertakings of, any other companies, or business enterprises or any immovable properties in the nature of a fixed asset in the 3 (three) years preceding the Last Practicable Date and will not dispose of same within the first six months after the issue of this Prospectus.

25. LITIGATION STATEMENT

There are no legal or arbitration proceedings which may have, or have during the twelve months preceding the date of this Prospectus, had a material effect on the financial position of the PSG Group. PSG is not aware of any proceedings that would have a material effect on the financial position of the PSG Group or which are pending or threatened against the PSG Group.

26. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors, whose names are set out on page 4 of this Prospectus, collectively and individually accept full responsibility for the accuracy of the information given and certify that to the best of their knowledge and belief there are no facts the omission of which would make any statement false or misleading and that they have made all reasonable enquiries to ascertain such facts and that this Prospectus contains all information required by law and the JSE Listings Requirements.

27. CONSENTS

The parties referred to in the "Corporate Information and Advisors" section of this Prospectus, have consented in writing to act in the capacities stated and to the inclusion of their names and, where applicable, reports, in this Prospectus in the form and context in which they appear and have not withdrawn their consent prior to the publication of this Prospectus.

28. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at PSG's registered office and at the Transaction Advisor and Sponsor's registered office at any time during normal business hours from the date of issue of this Prospectus until Thursday, 13 November 2014:

- 28.1. the Memorandum of Incorporation;
- 28.2. the memorandum of incorporation of each Material Subsidiary;
- 28.3. the memorandum of incorporation of Thembeke;
- 28.4. the written consents referred to in paragraph 27 above;
- 28.5. the Directors' service agreements;
- 28.6. a signed copy of the Scheme Circular.

Signed at Stellenbosch by WL Greeff on his behalf and on behalf of all of the Directors of PSG on Wednesday, 8 October 2014 in terms of powers of attorney granted by them.



WL Greeff

Financial Director

SECTION FIVE – INAPPLICABLE OR IMMATERIAL MATTERS

The following paragraphs of Part C of Chapter 4 of the Regulations to the Companies Act are not applicable:

1. 73;
2. 77; and
3. 80.

DETAILS OF SUBSIDIARIES

The following table indicates the subsidiaries of PSG as at the Last Practicable Date:

Subsidiary name	Registration number	Date of incorporation/ establishment	Place of incorporation/ establishment
PSG Financial Services Limited	1919/000478/06	25/07/1919	RSA
Ou Kollege Beleggings Limited	2002/017362/06	19/07/2002	RSA
PSG Africa Holdings (Proprietary) Limited	2011/139981/07	01/12/2011	RSA
PSG Capital (Proprietary) Limited	2006/015817/07	24/05/2006	RSA
PSG Channel Holdings Limited	1999/020974/06	21/09/1999	RSA
PSG Corporate Services (Proprietary) Limited	1996/004840/07	24/04/1996	RSA
PSG Corporate Trading (Proprietary) Limited	2007/006148/07	26/02/2007	RSA
RAD Nominees (Proprietary) Limited	1998/001409/07	28/01/1998	RSA
PSG Corporate Finance (Proprietary) Limited	1998/018586/07	17/09/1998	RSA
Sideling Hill Properties (Proprietary) Limited	2011/135087/07	22/11/2011	RSA
Grayston Elliot (Proprietary) Limited	2012/208649/07	22/11/2012	RSA
35 Kerk Street Beleggings Limited	2006/011238/06	12/04/2006	RSA
Paladin Capital Limited	2007/032836/06	15/11/2007	RSA
PSG Private Equity (Proprietary) Limited	2009/022552/07	20/11/2009	RSA
Thembeke Mining Holdings (Proprietary) Limited	2004/016530/07	15/06/2004	RSA
PSG Properties (Proprietary) Limited	2006/020457/07	28/06/2006	RSA
PSG Fundco (Proprietary) Limited	2013/222942/07	28/11/2013	RSA
PSG Konsult Limited	1993/003941/06	14 July 1993	RSA
PSG Wealth Holdings (Proprietary) Limited	2012/194963/07	30/10/2012	RSA
Online Securities Limited	1996/000509/06	18/01/1996	RSA
PSG Nominees (Proprietary) Limited	1996/001331/07	07/02/1996	RSA
PSG Fixed Income and Commodities (Proprietary) Limited	2002/014343/07	19/06/2002	RSA
PSG Scriptfin (Proprietary) Limited	2000/014937/07	07/07/2000	RSA
Make a Million Online (Proprietary) Limited	2005/033040/07	16/09/2005	RSA
PSG Wealth Group Services (Proprietary) Limited	1999/014667/07	07/08/1999	RSA
PSG Invest (Proprietary) Limited	1999/014522/07	07/07/1999	RSA
PSG Invest Nominees (Proprietary) Limited	2000/001274/07	28/01/2013	RSA
PSG Life Limited	1999/010087/06	17/05/1999	RSA

Subsidiary name	Registration number	Date of incorporation/ establishment	Place of incorporation/ establishment
PSG Multi Management (Proprietary) Limited	2012/000352/07	03/01/2012	RSA
PSG Wealth Nominees (Proprietary) Limited	2010/004627/07	05/03/2010	RSA
PSG Insure Holdings (Proprietary) Limited	2008/018534/07	01/08/2008	RSA
Western Group Holdings Limited	2004/499	20/04/2004	Namibia
Western National Insurance Company (Proprietary) Limited	2004/0069	17/04/2004	Namibia
Western National Insurance Company (Proprietary) Limited	2004/0069	17/04/2004	Namibia
Western National Insurance Company (Proprietary) Limited	2005/017349/06	26/05/2005	RSA
Western Administration Services (Proprietary) Limited	2002/026492/07	22/10/2002	RSA
Born Free Investments 487 (Proprietary) Limited	2006/001270/07	18/01/2006	RSA
Topexec Management Bureau (Proprietary) Limited	2000/003839/07	25/02/2000	RSA
PSG Konsult Insurance Solutions (Proprietary) Limited	2008/001601/07	24/01/2008	RSA
Hi-Five Corporation Finance (Proprietary) Limited	2004/0117	24/03/2004	Namibia
PSG Distribution Holdings (Proprietary) Limited	2012/164483/07	10/09/2012	Namibia
PSG Wealth Financial Planning (Proprietary) Limited	1999/006725/07	31/03/1999	RSA
PSG Employee Benefits Limited	2005/002174/06	24/01/2005	Namibia
PSG Corporate Financial Planning (Proprietary) Limited	2009/002391/07	09/02/2009	RSA
Nhluvuko Risk Administration (Proprietary) Limited	2009/001913/07	03/02/2009	RSA
PSG Trust (Proprietary) Limited	1993/005950/07	08/10/1993	RSA
Allfinanz Board Of Executors and Trust Company (Proprietary) Limited	1982/000416/07	30/06/1982	RSA
PSG Optimum (Proprietary) Limited	1996/004729/07	22/04/1996	RSA
PSG Potgietersrus (Proprietary) Limited	1954/002582/07	04/10/1954	RSA
PSG Ellisras (Proprietary) Limited	1997/020509/07	27/11/1997	RSA
PSG Warmbad (Proprietary) Limited	2004/002808/07	09/02/2004	RSA
PSG Nylstroom (Proprietary) Limited	1997/020508/07	27/11/1997	RSA
PSG Namibia (Proprietary) Limited	2000/588	29/11/2000	Namibia
PSG Wealth Management (Namibia) (Proprietary) Limited	98/528	02/12/1996	Namibia
PSG Financial Planning (Namibia) (Proprietary) Limited	2004/0187	21/04/2004	Namibia
PSG Asset Management Holdings (Proprietary) Limited	2011/001041/07	07/01/2011	RSA
PSG Asset Management (Proprietary) Limited	1999/004031/07	25/02/1999	RSA
PSG Collective Investments Limited	1997/016475/06	01/10/1997	RSA

Subsidiary name	Registration number	Date of incorporation/ establishment	Place of incorporation/ establishment
PSG Asset Management Group Services (Proprietary) Limited	1998/024316/07	04/12/1998	RSA
PSG Fund Management (CI) Guernsey Limited	31504	01/10/1996	Guernsey
PSG Fund Management (Malta) Limited	C 62365	25/10/2013	Malta
PSG Malta Holdings Limited	C 58898	08/01/2013	Malta
PSG Management Services (Proprietary) Limited	2000/009351/07	19/05/2000	RSA
PSG Academy (Proprietary) Limited	2005/020855/07	10/06/2005	RSA
Delerus (Proprietary) Limited	2008/018510/07	01/08/2008	RSA
Abrafield (Proprietary) Limited	2008/018523/07	01/08/2008	RSA
Woodwind Trading (Proprietary) Limited	2008/014573/07	17/06/2008	RSA
PSG Konsult Securities (Proprietary) Limited	1998/021849/07	11/04/1998	RSA
PSG Konsult Short-Term Insurance Brokers (Proprietary) Limited	2000/028281/07	09/11/2000	RSA
PSG Konsult Commercial Division (Proprietary) Limited	1985/001045/07	01/03/1985	RSA
PSG Konsult Nucleus (Proprietary) Limited	1957/002178/07	22/07/1957	RSA
PSG Konsult Verre-Noord (Proprietary) Limited	1997/015597/07	12/09/1997	RSA
NFA (Proprietary) Limited	1965/003391/07	21/04/1965	RSA
Marled Nominees (Proprietary) Limited	1987/006334/07	09/12/1987	RSA
Utrade Nominees (Proprietary) Limited	1998/023922/07	01/12/1998	RSA
Curro Holdings Limited	1998/025801/06	30/12/1998	RSA
Campus and Property Management Company (Proprietary) Limited	2012/001821/07	2012/01/05	RSA
Aurora College (Proprietary) Limited	2011/004552/07	2011/02/24	RSA
Curro Property Investments (Proprietary) Limited	2012/101285/07	2012/06/12	RSA
Dream Park Village (Proprietary) Limited	1996/011026/07	1996/08/19	RSA
Educatum Management Services (Proprietary) Limited	2000/007831/07	2000/04/26	RSA
Plot One Hundred Bush Hill (Proprietary) Limited	2011/003833/07	2011/02/16	RSA
Stratland Developments (Proprietary) Limited	1997/021692/07	1997/12/11	RSA
Woodhill College (Proprietary) Limited	1999/015492/07	1999/07/20	RSA
Woodhill College Property Holdings (Proprietary) Limited	1998/020289/07	1998/10/12	RSA
Embury Institute For Teacher Education (Proprietary) Limited	2004/031722/07	02/10/2004	RSA
Aterstone College (Proprietary) Limited	2006/000248/07	10/01/2006	RSA

Subsidiary name	Registration number	Date of incorporation/ establishment	Place of incorporation/ establishment
Meridian College Schools NPC	2000/015181/08	2000/07/10	RSA
Meridian Operations Company NPC (RF)	2012/081855/08	2012/05/09	RSA
Precrete Holdings (Proprietary) Limited	2004/016915/07	22/06/2004	RSA
Green Square Mining and Mining Contracting (Proprietary) Limited	2002/018772/07	01/08/2002	RSA
Preman Mining (Proprietary) Limited	2010/016472/07	10/08/2010	RSA
Precrete Bakwena (Proprietary) Limited	2012/205545/07	19/11/2012	RSA
Precrete Bafokeng (Proprietary) Limited	2008/022020/07	15/09/2008	RSA
Precrete Logistics (Proprietary) Limited	2008/014955/07	19/06/2008	RSA
Merensky Cement Solutions (Proprietary) Limited	2014/088709/07	06/05/2014	RSA
Friedshelf 1552 (Proprietary) Limited	2014/121100/07	01/07/2014	RSA
Dube Mining Investments (Proprietary) Limited	2014/144194/07	25/07/2014	RSA
Coveway Trade and Invest 91 (Proprietary) Limited	2010/019287/07	20/09/2010	RSA
GFC Construction (Proprietary) Limited	2002/004032/07	21/02/2002	RSA
Impak Onderwysdiens (Proprietary) Limited	2011/011959/07	05/09/2011	RSA

DETAILS OF DIRECTORS, MANAGEMENT AND MATERIAL THIRD PARTIES

1. DETAILS OF THE DIRECTORS OF PSG

- 1.1. The full names, ages, occupations, nationalities, business addresses, qualifications and functions of the Directors and prescribed officers of PSG are set out below:

Names and age	Johannes Fredericus Mouton (68)
Business address	1st Floor, Ou Kollege 35 Kerk Street Stellenbosch, 7600 (PO Box 7403, Stellenbosch, 7599)
Identity Number	4610025045081
Qualification	BCom (Hons), CA(SA), AEP
Occupation	Businessman
Function	Non-executive Chairman

Names and age	Petrus Johannes Mouton (38)
Business address	1st Floor, Ou Kollege 35 Kerk Street Stellenbosch, 7600 (PO Box 7403, Stellenbosch, 7599)
Identity Number	7606235085088
Qualification	BCom (Mathematics)
Occupation	Businessman
Function	Chief Executive Officer

Names and age	Wynand Louw Greeff (44)
Business address	1st Floor, Ou Kollege 35 Kerk Street Stellenbosch, 7600 (PO Box 7403, Stellenbosch, 7599)
Identity Number	7005045044080
Qualification	BCompt (Hons), CA(SA)
Occupation	Chartered Accountant
Function	Financial Director

Names and age	Johannes Andries Holtzhausen (44)
Business address	1st Floor, Ou Kollege 35 Kerk Street Stellenbosch, 7600 (PO Box 7403, Stellenbosch, 7599)
Identity Number	7006125070086
Qualification	Bluris, LLB, HDip Tax
Occupation	Businessman
Function	Executive Director

Names and age	Francois Johannes Gouws (49)
Business address	Building A Pro Sano Park, South Gate Carl Cronje Drive Tyger Waterfront Tyger Valley, Bellville, 7530 (PO Box 3335, Tyger Valley, 7530)
Identity Number	6501055051008
Qualification	BAcc, CA(SA)
Occupation	Businessman
Function	Non-executive Director

Names and age	Johannes Jacobus Mouton (39)
Business address	PSG House, Constantia Road, Alphen Park Constantia, Cape Town, 7800 (Private Bag X3, Constantia, 7806)
Identity Number	7502175079084
Qualification	BAcc (Hons), CA(SA), MPhil (Cantab)
Occupation	Businessman
Function	Non-executive Director
Names and age	Willem Theron (62)
Business address	Building A Pro Sano Park, South Gate Carl Cronje Drive Tyger Waterfront Tyger Valley, Bellville, 7530 (PO Box 1743, Hermanus, 7200)
Identity Number	5205055031802
Qualification	BCompt (Hons), CA(SA)
Occupation	Businessman
Function	Non-executive Director
Names and age	Patrick Ernest Burton (61)
Business address	11 Riverton Road Rondebosch, 7700 (PO Box 42882, Ottery, 7808)
Identity Number	5212185143084
Qualification	BCom (Hons), PG Dip Tax
Occupation	Businessman
Function	Independent Non-executive Director
Names and age	Zitulele Luke Combi (62)
Business address	6 Dorp Street Stellenbosch, 7600 (PO Box 2292, Stellenbosch, 7599)
Identity Number	5112295602088
Qualification	Diploma in Public Relations
Occupation	Businessman
Function	Independent Non-executive Director
Names and age	Jacob de Vos du Toit (60)
Business address	PSG House, Constantia Road, Alphen Park Constantia, Cape Town, 7800 (PO Box 7917, Roggebaai, 7806)
Identity Number	5405155013085
Qualification	BAcc, CA(SA), CFA
Occupation	Businessman
Function	Lead Independent Director
Names and age	Matthys Michielse du Toit (55)
Business address	1st Floor, Randpark 20 Dover Street Ferdale, 2194 (PO Box 723, Stellenbosch, 7599)
Identity Number	5812225120081
Qualification	BSc, MBA
Occupation	Businessman
Function	Independent Non-executive Director

Names and age	Markus Johannes Jooste (53)
Business address	28 Sixth Street Wynberg Sandton, 2090 (PO Box 17328, Groenkloof, 2090)
Identity Number	6101225005081
Qualification	BAcc, CA(SA)
Occupation	Businessman
Function	Independent Non-executive Director
Names and age	Andries Benjamin La Grange (40)
Business address	28 Sixth Street Wynberg Sandton, 2090 (Po Box 122, Stellenbosch, 7599)
Identity Number	7409195075086
Qualification	BCom (Law), BCom (Hons), CTA, CA(SA)
Occupation	Businessman
Function	Alternate director to Mr Markus Johannes Jooste
Names and age	Chris Adriaan Otto (64)
Business address	1st Floor, Ou Kollege 35 Kerk Street Stellenbosch, 7600 (PO Box 7403, Stellenbosch, 7599)
Identity Number	4911135097081
Qualification	BCom, LLB
Occupation	Businessman
Function	Independent Non-executive Director

- 1.2. All Directors are South African nationals.
- 1.3. None of the Directors are partners with unlimited liability.

2. DIRECTORS' INTERESTS IN SECURITIES

- 2.1. As at the Last Practicable Date the following Directors and their associates beneficially and/or non-beneficially held, directly or indirectly, the following interests in PSG Shares:

PSG Director	Beneficial		Non-beneficial	Number	Total	%
	Direct	Indirect				
JF Mouton	–	–	49 948 116	49 948 116	22.8%	
PJ Mouton	54 148	5 131 551	–	5 185 699	2.4%	
WL Greeff	–	1 064 304	–	1 064 304	0.5%	
JA Holtzhausen	624 382	500 000	–	1 124 382	0.5%	
FJ Gouws	–	–	–	–	–	
JJ Mouton	115 000	1 403 350	–	1 518 350	0.7%	
W Theron	10 000	–	157 502	167 502	0.1%	
PE Burton	–	–	100 000	100 000	0.0%	
ZL Combi	–	–	–	–	–	
J De V Du Toit	–	–	3 840 000	3 840 000	1.8%	
MM Du Toit	–	5 210 716	–	5 210 716	2.4%	
MJ Jooste	–	–	–	–	–	
AB la Grange	–	–	–	–	–	
CA Otto	108	–	3 801 821	3 801 929	1.7%	
Total	803 638	13 309 921	57 847 439	71 960 998	32.9%	

- 2.2. Set out below are the interests of Directors and their associates in PSG Shares post the implementation of the Proposed Transaction:

PSG Director	Beneficial		Non-beneficial	Total	%
	Direct	Indirect		Number	
JF Mouton	–	–	49 948 116	49 948 116	22.6%
PJ Mouton	54 148	5 131 551	–	5 185 699	2.4%
WL Greeff	–	1 064 304	–	1 064 304	0.5%
JA Holtzhausen	624 382	500 000	–	1 124 382	0.5%
FJ Gouws	–	–	–	–	–
JJ Mouton	115 000	1 403 350	–	1 518 350	0.7%
W Theron	10 000	–	157 502	167 502	0.1%
PE Burton	–	–	291 675	291 675	0.1%
ZL Combi	657 900	–	–	657 900	0.3%
J De V Du Toit	–	–	3 840 000	3 840 000	1.7%
MM Du Toit	–	5 210 716	–	5 210 716	2.4%
MJ Jooste	–	–	–	–	–
AB la Grange	–	–	–	–	–
CA Otto	108	–	3 801 821	3 801 929	1.7%
Total	1 461 538	13 309 921	58 039 114	72 810 573	33.0%

- 2.3. Save as set out below, there was no change in Directors' interests in PSG Shares (including their associates) between 28 February 2014 and the Last Practicable Date:

Name	Date	Nature of transaction	Nature of interest	Number of Shares	Price (cps)
CA Otto	23 April 2014	Buy ¹	Non-beneficial, indirect	50 000	1759
CA Otto	23 April 2014	Buy ¹	Non-beneficial, indirect	50 000	9998
JF Mouton	17 April 2014	Buy ¹	Non-beneficial, indirect	100 000	1781
JF Mouton	6 May 2014	Buy ¹	Non-beneficial, indirect	127 880	2616
JF Mouton	6 May 2014	Buy ¹	Non-beneficial, indirect	50 488	3961
JF Mouton	6 May 2014	Buy ¹	Non-beneficial, indirect	51 014	4739
JF Mouton	6 May 2014	Buy	Non-beneficial, indirect	200 000	10 798
JF Mouton	20 May 2014	Buy	Non-beneficial, indirect	1 000	10 330
JF Mouton	20 May 2014	Buy	Non-beneficial, indirect	150	10 400
JF Mouton	22 May 2014	Buy	Non-beneficial, indirect	3 000	10 250
JF Mouton	30 June 2014	Buy	Non-beneficial, indirect	500 000	9 485
PJ Mouton	6 May 2014	Buy ¹	Beneficial, indirect	35 233	1 552
PJ Mouton	6 May 2014	Buy ¹	Beneficial, indirect	37 772	2 209
PJ Mouton	6 May 2014	Buy ¹	Beneficial, indirect	75 465	3 961
PJ Mouton	6 May 2014	Buy ¹	Beneficial, indirect	28 211	4 739
PJ Mouton	22 May 2014	Buy	Beneficial, indirect	750	10 250
PJ Mouton	28 August 2014	Buy ¹	Beneficial, indirect	40 828	1 877
JJ Mouton	20 May 2014	Buy	Non-beneficial, indirect	2 060	10 400
JJ Mouton	22 May 2014	Buy	Beneficial, indirect	750	10 250
WL Greeff	6 May 2014	Buy ¹	Beneficial, indirect	43 050	1 552
WL Greeff	6 May 2014	Buy ¹	Beneficial, indirect	6 672	2 209
WL Greeff	6 May 2014	Buy ¹	Beneficial, indirect	61 296	3 961
WL Greeff	6 May 2014	Buy ¹	Beneficial, indirect	22 680	4 739
WL Greeff	6 May 2014	Sell	Beneficial, direct	100 000	10 798
WL Greeff	28 August 2014	Buy ¹	Beneficial, indirect	49 204	1 877
JA Holtzhausen	6 May 2014	Buy ¹	Beneficial, indirect	32 862	1 552
JA Holtzhausen	6 May 2014	Buy ¹	Beneficial, indirect	38 746	2 209
JA Holtzhausen	6 May 2014	Buy ¹	Beneficial, indirect	49 443	3 961
JA Holtzhausen	6 May 2014	Buy ¹	Beneficial, indirect	24 948	4 739
JA Holtzhausen	6 May 2014	Sell	Beneficial, direct	100 000	10 798
JA Holtzhausen	28 August 2014	Buy ¹	Beneficial, direct	42 789	1 877

Notes:

(1) Acquired pursuant to the exercise of share options or delivery taken of shares in terms of a deferred settlement scheme.

- 2.4. Save as set out above, none of the Directors directly or indirectly, have any interest in PSG Shares as at the Last Practicable Date.

3. DIRECTORS' INTERESTS IN TRANSACTIONS

No Director, including any director who has resigned within the last 18 months, has or had any interest, direct or indirect, in transactions entered into by the Company during the current or immediate preceding financial year or during any earlier financial year and which remain in any respect outstanding or unperformed.

4. DIRECTORS' AND PROMOTERS' MATERIAL BENEFICIAL INTERESTS

- 4.1. Neither PSG nor any other person has paid any amounts nor agreed to pay any amounts in the 3 (three) years preceding the Last Practicable Date to any Directors or to a related person, or to any company of which a Director is also a director, or in which Directors are beneficially interested, directly or indirectly ("**the associate company**") or to any partnership, syndicate or other association of which the Directors are members ("**the associate entity**"), in cash or in securities or otherwise, either as an inducement to become or to qualify a person as a Director or for services rendered by Directors or by the associate company or associate entity in connection with the promotion or formation of the Company. For the purposes of this clause, Director includes a reference to the directors of PSG's subsidiaries.
- 4.2. No Director or promoter of PSG, in the 3 (three) years preceding the Last Practicable Date, has had any material beneficial interest, either direct or indirect, in the promotion of PSG or in respect of any property acquired within the PSG Group in the 3 (three) years preceding the Last Practicable Date, or to be acquired, nor been a member of a partnership, syndicate or other association of persons that had such an interest nor has any cash or securities been paid or any other benefit given to any promoter in the aforementioned 3 (three) year period.

5. DIRECTORS' EMOLUMENTS

The cash-based emoluments of the Directors for the year ended 28 February 2014 are set out in the table below:

	Fees R'000	Basic salary R'000	Company contribution R'000	Performance- related R'000	Total R'000
Executive					
WL Greeff		2,560	40	2,600	5,200
JA Holtzhausen		2,489	111	3,750	6,350
PJ Mouton		2,587	13	2,600	5,200
Non-executive					
PE Burton	193				193
ZL Combi ¹	251				251
J de V du Toit ²	541				541
MM du Toit	123				123
FJ Gouws ^{5 8}		4,000		8,000	12,000
MJ Jooste ³	124				124
JF Mouton ⁴	231	2,606	52	2,389	5,278
JJ Mouton ^{5 6}		1,400	21	4,700	6,121
CA Otto ⁷	1,445				1,445
W Theron ⁸	116	2,262	13		2,391
	3,024	17,904	250	24,039	45,217

Notes:

- (1) Paid to AE Empowerment Services Proprietary Limited, a subsidiary of Thembeke Capital (RF) Limited, an associate. R115,560 (2013: R108,000) was paid in respect of directors' fees; the balance represents fees received at a subsidiary level.
- (2) R190,710 (2013: R178,200) was paid in respect of directors' fees; the balance represents fees received at a subsidiary level.
- (3) Paid to Steinhoff International Holdings Limited.
- (4) Mr JF Mouton is no longer involved in the day-to-day running of PSG. However, he remains the leading strategist and generator of ideas, and plays an integral part in the success of the group. He is accordingly rewarded for same.
- (5) Executive of a subsidiary company.
- (6) R115,560 (2013: R108,000) was paid in respect of directors' fees to PSG Asset Management Proprietary Limited, a subsidiary.
- (7) R186,790 (2013: R174,528) was paid in respect of directors' fees; the balance represents fees received at a subsidiary level.
- (8) Paid to PSG Konsult Management Services Proprietary Limited, a subsidiary.

- 5.1. Save as set out in the table above, no expense allowances, pension scheme contributions, other material benefits, commission, gain or profit sharing arrangements or bonuses and other performance payments were paid to the Directors. Company contributions referred to above relate to contributions to medical aid and similar insurances. No pension contributions are made.
- 5.2. Save as set out in the table above, no amount has been paid or is payable to any third party *in lieu* of directors' fees.
- 5.3. There will be no variation of Directors' remuneration as a result of the issue of this Prospectus and the Proposed Transaction.

6. EQUITY-SETTLED REMUNERATION

6.1. The equity-settled remuneration of the Directors for the year ended 28 February 2014 is set out in the table below:

PSG Group Limited shares

Equity-based remuneration (PSG Group Limited shares granted in terms of PSG Group Limited Share Incentive Trust)

	Number of shares as at 28 Feb 2013	Granted	Vested	Vesting price per share R	Date granted	Number of shares as at 28 Feb 2014
JF Mouton	250,000		(150,000)	17.81	21/04/2008	100,000
CA Otto	125,000		(75,000)	17.59	23/04/2008	50,000
	375,000	–	(225,000)			150,000

PSG Group Limited share options

Equity-based remuneration (PSG Group Limited share options granted in terms of PSG Group Limited Supplementary Share Incentive Trust)

	Number of shares as at 28 Feb 2013	Granted	Vested	Vesting price per share R	Date granted	Number of shares as at 28 Feb 2014
WL Greeff	86,099		(43,049)	15.52	20/04/2009	43,050
(executive)	98,409		(49,205)	18.77	28/08/2009	49,204
	13,342			22.09	28/02/2010	13,342
	183,888			39.61	28/02/2011	183,888
	90,718			47.39	28/02/2012	90,718
	104,179			61.50	28/02/2013	104,179
		601,428		83.23	28/02/2014 ¹	601,428
	576,635	601,428	(92,254)			1,085,809
JA Holtzhausen	65,726		(32,864)	15.52	20/04/2009	32,862
(executive)	85,578		(42,789)	18.77	28/08/2009	42,789
	77,490			22.09	28/02/2010	77,490
	148,327			39.61	28/02/2011	148,327
	99,791			47.39	28/02/2012	99,791
	103,538			61.50	28/02/2013	103,538
		602,244		83.23	28/02/2014 ¹	602,244
	580,450	602,244	(75,653)			1,107,041
PJ Mouton	70,467		(35,234)	15.52	20/04/2009	35,233
(executive)	81,655		(40,827)	18.77	28/08/2009	40,828
	75,542			22.09	28/02/2010	75,542
	226,394			39.61	28/02/2011	226,394
	112,842			47.39	28/02/2012	112,842
	129,052			61.50	28/02/2013	129,052
		661,884		83.23	28/02/2014 ¹	661,884
	695,952	661,884	(76,061)			1,281,775
JF Mouton	383,641		(127,880)	26.16	22/04/2010	255,761
(non-executive)	151,464			39.61	28/02/2011	151,464
	204,056			47.39	28/02/2012	204,056
	171,164			61.50	28/02/2013	171,164
		643,824		83.23	28/02/2014 ¹	643,824
	910,325	643,824	(127,880)			1,426,269
	2,763,362	2,509,380	(371,848)			4,900,894

Note:

⁽¹⁾ Included in the 28 February 2014 share option allocation is a one-off allocation of 500 000 PSG Group Limited share options each for a total of 2 million PSG Group Limited share options, which was made to appropriately incentivise the aforementioned four directors. Retention of these directors' services is considered key to PSG's continued success.

6. EQUITY-SETTLED REMUNERATION *(continued)*

- 6.2. In terms of the PSG Konsult Group Share Incentive Scheme, the following directors have been awarded PSG Konsult share options:

	Share options granted during the year ended 28 Feb 2014		Unexercised share options as at 28 Feb 2014	
	Number	Exercise Price R	Number	Weighted average exercise price R
FJ Gouws	12,500,000	2.83	22,500,000	2.39
JJ Mouton	300,000	2.83	300,000	2.83
W Theron	3,000,000	2.83	7,350,923	2.07

All share options vest in tranches of 25% per year, with the first vesting occurring after two years since the grant date.

7. OPTIONS TO DIRECTORS

Save as set out in paragraph 4 of **Annexure 4**, no options to acquire PSG Shares have been issued to any Directors in terms of any share option scheme.

8. TERMS OF OFFICE

Service agreements have been concluded between PSG and each of the executive Directors on terms and conditions that are standard for such appointments and the fact that PSG is an investment holding company, with the duration of the executive Directors' employment being determined in such agreements and copies of such agreements being available for inspection in terms of paragraph 28 of the Prospectus. There are no service contracts between PSG and any of its non-executive Directors. As at the date of this Prospectus, no further candidates have been nominated or proposed as Directors of PSG. Accordingly, no service contracts with any proposed Directors have been entered into.

9. DIRECTORS' DECLARATIONS

None of the Directors have:

- 9.1. been bankrupt, insolvent or entered into individual voluntary arrangements;
- 9.2. any conflict of interest between the directors' duties towards the company and his or her personal interests;
- 9.3. entered into receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with his or her creditors generally or any class of creditors of any company where such person is a director with an executive function at the time of or within 12 (twelve) months preceding such event;
- 9.4. entered into compulsory liquidation, administration or partnership voluntary arrangements of any partnerships where such person was partner at the time of or within 12 (twelve) months preceding such events;
- 9.5. entered into receiverships of any asset of such person or of a partnership of which the person was a partner at the time of or within the 12 (twelve) months preceding such event;
- 9.6. been publicly criticised by statutory or regulatory authorities (including recognised professional bodies) and such person has never been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company;
- 9.7. been convicted of an offence involving dishonesty;
- 9.8. been disqualified by a court from acting as a director of a company, or from acting in the management or conduct of the affairs of any company;
- 9.9. been convicted of an offence resulting from dishonesty, fraud theft, perjury, misrepresentation or embezzlement;
- 9.10. been adjudged bankrupt or sequestered in any jurisdiction;
- 9.11. been a party to a scheme of arrangement or made any other form of compromise with his or her creditors;
- 9.12. been found guilty in disciplinary proceedings, by an employer or regulatory body, due to dishonest activities;
- 9.13. been barred from entry into any profession or occupation;
- 9.14. been convicted in any jurisdiction of any criminal offence, or an offence under legislation relating to the Companies Act; or
- 9.15. been declared by court order to be delinquent or placed under probation in terms of section 162 of the Companies Act or section 47 of the Close Corporations Act, 1984 (Act No. 69 of 1984) or disqualified to act as a director in terms of section 219 of the Companies Act, 1973 (Act No. 61 of 1973).

10. ADDITIONAL INFORMATION ON DIRECTORS

The audit committee has considered and applied itself and is satisfied as to the appropriateness of the experience and expertise of the financial director.

SALIENT FEATURES OF THE MEMORANDUM OF INCORPORATION

Extracts from PSG's Memorandum of Incorporation providing for the issue of shares and variation of rights, appointment, qualification and remuneration of directors, powers enabling the directors to vote on remuneration to themselves or any member of the Board, borrowing powers, interests of directors, distributions, retirement or non-retirement of directors under an age limit and voting rights of ordinary shares are set out below.

In each case, the numbering and wording below matches that of the applicable provisions in the Memorandum of Incorporation.

For a full appreciation of the provisions of the Memorandum of Incorporation, Thembeka Shareholders are referred to the full text of the Memorandum of Incorporation, which is available for inspection, as provided for in paragraph 28 of the Prospectus.

"6 ISSUE OF SHARES AND VARIATION OF RIGHTS

6.1 *The Company is authorised to issue –*

6.1.1 *such number of such class of Shares as is set out in Schedule 1 hereto, subject to the preferences, rights, limitations and other terms associated with such class set out therein;*

6.1.2 *such number of each of such further classes of Shares, if any, as are set out in Schedule 1 hereto with the preferences, rights, limitations and other terms associated with each such class set out therein, subject to the JSE Listings Requirements.*

6.2 *The power of the Board to –*

6.2.1 *increase or decrease the number of authorised Shares of any class of the Company's Shares; or*

6.2.2 *create any class of Shares; or*

6.2.3 *reclassify any classified Shares that have been authorised but not issued; or*

6.2.4 *classify any unclassified Shares that have been authorised but not issued; or*

6.2.5 *determine the preferences, rights, limitations or other terms of any Shares,*
shall be subject to the approval of the Shareholders by way of a special resolution.

6.3 *The authorisation and classification of Shares, the numbers of authorised Shares of each class, and the preferences, rights, limitations and other terms associated with each class of Shares, as set out in this Memorandum of Incorporation, may be changed only by an amendment of this Memorandum of Incorporation by special resolution of the Shareholders and in accordance with the JSE Listings Requirements.*

6.4 *Each Share issued by the Company has associated with it an irrevocable right of the Shareholder to vote on any proposal to amend the preferences, rights, limitations and other terms associated with that Share, and accordingly if any amendment to this Memorandum of Incorporation relates to the variation of any preferences, rights, limitations and other terms associated with any class of Share already in issue, such amendments shall not be implemented without a special resolution adopted by the holders of Shares of that class at a separate meeting. The holders of Shares of that class will, subject to the further provisions of clause 23.2, also be entitled to vote at the meeting of ordinary Shareholders where the amendment is tabled for approval.*

6.5 *No Shares may be authorised in respect of which the preferences, rights, limitations or any other terms of any class of Shares may be varied in response to any objectively ascertainable external fact or facts as provided for in sections 37(6) and 37(7).*

6.6 *The Board may, subject to clauses 6.7, 6.9 and 6.11, the Act and the JSE Listings Requirements, resolve to issue Shares of the Company at any time, but only –*

6.6.1 *within the classes and to the extent that those Shares have been authorised by or in terms of this Memorandum of Incorporation; and*

6.6.2 *to the extent that such issue has been approved by the Shareholders in general meeting, either by way of a general authority (which may be either conditional or unconditional) to issue Shares in its discretion or a specific authority in respect of any particular issue of Shares, provided that, if such approval is in the form of a general authority to the Directors, it shall be valid only until the next annual general meeting of the Company and it may be varied or revoked by any general meeting of the Shareholders prior to such annual general meeting, provided further that the approval by Shareholders in general meeting shall not be required –*

6.6.2.1 *to the extent that such Shares have first been offered to existing ordinary Shareholders in proportion to their shareholding, on such terms and in accordance with such procedures as the Board may determine; or*

6.6.2.2 *to the extent that such Shares are issued for the acquisition of assets by the Company, whether by means of an acquisition issue or a vendor consideration placement.*

6.7 *All issues of Shares for cash and all issues of options and convertible securities granted or issued for cash must, in addition, be in accordance with the JSE Listings Requirements.*

6.8 *Save where permitted by the JSE, all Securities for which a listing is sought on the JSE and all Securities of the same class as Securities which are listed on the JSE must be freely transferable and must, notwithstanding the provisions of section 40(5), but unless otherwise required by the Act, only be issued after the Company has received the consideration approved by the Board for the issuance of such Securities.*

6.9 *Save –*

6.9.1 *where otherwise permitted under the Act, the JSE Listings Requirements or this Memorandum of Incorporation;*

6.9.2 *where approved by Shareholders in general meeting; or*

6.9.3 *where such Shares are issued for the acquisition of assets by the Company, whether by means of an acquisition issue or a vendor consideration placement*

the Board may only issue unissued Shares if such Shares have first been offered to existing ordinary Shareholders in proportion to their shareholding on such terms and in accordance with such procedures as the Board may determine.

6.10 *The Shareholders may at a general meeting authorise the Directors to issue Shares of the Company at any time and/or grant options to subscribe for Shares as the Directors in their discretion think fit, provided that, to the extent applicable, such transaction(s) has/ have been approved by the JSE and comply with the JSE Listings Requirements.*

6.11 *Notwithstanding anything to the contrary herein, any issue of Shares, Securities convertible into Shares, or rights exercisable for Shares in a transaction, or a series of integrated transactions shall, in accordance with the provisions of section 41(3), require the approval of the Shareholders by special resolution if the voting power of the class of Shares that are issued or are issuable as a result of the transaction or series of integrated transactions will be equal to or exceed 30% (thirty percent) of the voting power of all the Shares of that class held by Shareholders immediately before that transaction or series of integrated transactions.*

6.12 *Except to the extent that any such right is specifically included as one of the rights, preferences or other terms upon which any class of Shares is issued or as may otherwise be provided in this Memorandum of Incorporation, no Shareholder shall have any pre-emptive or other similar preferential right to be offered or to subscribe for any additional Shares issued by the Company.*

14 DEBT INSTRUMENTS

The Board may authorise the Company to issue secured or unsecured debt instruments as set out in section 43(2), but no special privileges associated with any such debt instruments as contemplated in section 43(3) may be granted, and the authority of the Board in such regard is limited by this Memorandum of Incorporation.

15 CAPITALISATION SHARES

15.1 *The Board shall, subject to compliance with the JSE Listings Requirements and without requiring any approval from Shareholders, have the power or authority to –*

15.1.1 *approve the issuing of any authorised Shares as capitalisation Shares; and/or*

15.1.2 *subject to the provisions of clause 15.2, to resolve to permit Shareholders to elect to receive a cash payment in lieu of a capitalisation Share,*

provided that the Board shall not have the power to issue Shares of one class as capitalisation Shares in respect of Shares of another class save to the extent authorised by the Shareholders by means of an ordinary resolution and unless the JSE Listings Requirements have been complied with in regard to such issue.

15.2 *The Board may not resolve to offer a cash payment in lieu of awarding a capitalisation share, as contemplated in clause 15.1.2, unless the Board –*

15.2.1 *has considered the Solvency and Liquidity Test as required by section 46, on the assumption that every such Shareholder would elect to receive cash; and*

15.2.2 *is satisfied that the Company would satisfy the Solvency and Liquidity Test immediately upon the completion of the distribution.*

16 POWER OF BOARD AT THE CAPITALISATION OR DISTRIBUTION OF PROFITS

16.1 *If any problem arises with regard to any distribution in terms of this Memorandum of Incorporation, the Board may resolve it as it deems fit.*

16.2 *The Board may make all allocations and appropriations of the undivided profits or the capitalized amount as well as all issues of paid-up Shares or debentures (if any), and is generally authorized to do everything necessary to effect same, either through –*

16.2.1 *the issue of certificates for fractions of Shares; or*

16.2.2 *determining that fractions shall not be considered; or*

16.2.3 *payment in cash or otherwise (in the discretion of the Board) in the case where Shares or debentures can be divided in fractions.*

16.3 *The Board may also appoint any person to enter any contract on behalf of all the Shareholders (who are entitled to the benefit of such allocations and appropriations or are entitled to share in such distributions) which may be necessary to give effect thereto and such appointment and contract shall bind all such Shareholders.*

23 VOTES OF SHAREHOLDERS

- 23.1 Subject to any special rights or restrictions as to voting attached to any Shares by or in accordance with this Memorandum of Incorporation, at a meeting of the Company –
- 23.1.1 every person present and entitled to exercise voting rights shall be entitled to 1 (one) vote on a show of hands, irrespective of the number of voting rights that person would otherwise be entitled to exercise;
- 23.1.2 on a poll, any person who is present at the meeting, whether as a Shareholder or as proxy for a Shareholder, has the number of votes determined in accordance with the voting rights associated with the Securities held by that Shareholder.
- 23.2 If any resolution is proposed as contemplated in clause 6.3, the holders of Shares other than ordinary Shares (“Affected Shareholders”) shall be entitled to vote at the meeting of Shareholders as contemplated in clause 23.1, provided that –
- 23.2.1 the votes of the Shares of that class held by the Affected Shareholders (“Affected Shares”) shall not carry any special rights or privileges and each Affected Shareholder shall be entitled to 1 (one) vote for every Affected Share held; and
- 23.2.2 the total voting rights of the Affected Shareholders in respect of the Affected Shares shall not be more than 24,99% (twenty four comma nine nine percent) of the total votes (including the votes of the ordinary Shareholders) exercisable at that meeting (with any cumulative fraction of a vote in respect of any Affected Shares held by an Affected Shareholder rounded down to the nearest whole number).
- 23.3 Voting shall be conducted by means of a polled vote in respect of any matter to be voted on at a meeting of Shareholders if a demand is made for such a vote by –
- 23.3.1 at least 5 (five) persons having the right to vote on that matter, either as Shareholders or as proxies representing Shareholders; or
- 23.3.2 a Shareholder who is, or Shareholders who together are, entitled, as Shareholders or proxies representing Shareholders, to exercise at least 10% (ten percent) of the voting rights entitled to be voted on that matter; or
- 23.3.3 the chairman of the meeting.
- 23.4 At any meeting of the Company a resolution put to the vote of the meeting shall be decided on a show of hands, unless a poll is (before or on the declaration of the result of the show of hands) demanded in accordance with the provisions of clause 23.3, and unless a poll is so demanded, a declaration by the chairman that a resolution has, on a show of hands, been carried or carried unanimously or by a particular majority or defeated, and an entry to that effect in the book containing the minutes of the proceedings of the Company, shall be conclusive evidence of the fact, without proof of the number or proportion of the votes recorded in favour of or against such resolution. The demand for a poll may be withdrawn.
- 23.5 If a poll is duly demanded, it shall be taken in such manner as the chairman directs, and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded. In computing the majority on the poll, regard shall be had to the number of votes to which each Shareholder is entitled.
- 23.6 In the case of an equality of votes, whether on a show of hands or on a poll, the chairman of the meeting at which the show of hands takes place, or at which the poll is demanded, shall not have a second or casting vote.
- 23.7 A poll demanded on the election of a chairman (as contemplated in clause 21.5.2) or on a question of adjournment shall be taken forthwith. A poll demanded on any other question shall be taken at such time as the chairman of the meeting directs. The demand for a poll shall not prevent the continuation of a meeting for the transaction of any business other than the question upon which the poll has been demanded.
- 23.8 A person who is entitled to more than 1 (one) vote, does not have to exercise all his votes and does not have to exercise all his votes in the same manner.
- 23.9 Where there are joint registered holders of any Share, any 1 (one) of such persons may exercise all of the voting rights attached to that Share at any meeting, either personally or by proxy, as if he were solely entitled thereto. If more than 1 (one) of such joint holders is present at any meeting, personally or by proxy, the person so present whose name stands first in the Securities Register in respect of such Share shall alone be entitled to vote in respect thereof.
- 23.10 The board of any company or the controlling body of any other entity or person that holds any Securities may authorise any person to act as its representative at any meeting of Shareholders, in which event the following provisions will apply –
- 23.10.1 the person so authorised may exercise the same powers of the authorising company, entity or person as it could have exercised if it were an individual holder of Shares; and
- 23.10.2 the authorising company, entity or person shall lodge (1) a resolution of the directors of such company or controlling body of such other entity or person, or (2) other written authority acceptable to the chairman of such meeting, confirming the granting of such authority, and certified under the hand of the chairman, secretary or other authorised person thereof, with the Company before the commencement of any Shareholders’ meeting at which such person intends to exercise any rights of such Shareholder, unless excused from doing so by the chairman of such meeting.
- 23.11 The parent or guardian of a minor and the curator bonis of an insane Shareholder as well as each person who is entitled to transfer Shares in terms of clause 12, may vote in respect thereof at a general meeting in the same manner as if he had been the holder of those Shares, provided that he shall, at least 48 (forty eight) hours before the time when the meeting is held at which he proposes

to exercise his vote, furnish satisfactory proof to the company secretary that he is such parent, guardian or curator or that he is entitled in terms of clause 12 to transfer those Shares, or that the Board has previously recognized his right to vote in respect of those Shares.

- 23.12 Co-executors of a deceased Shareholder in whose name Shares are registered in the Securities Register, shall be deemed for the purposes of this clause 23, to be joint holders of those Shares.

27 DIRECTORS

- 27.1 Every person holding office as a Director, Prescribed Officer, company secretary or auditor of the Company immediately before the effective date of the Act will, as contemplated in item 7(1) of Schedule 5 to the Act, continue to hold that office.

27.2 Number of Directors

- 27.2.1 The Board must comprise at least 4 (four) Directors.

- 27.2.2 If the number of Directors falls below the minimum number fixed in accordance with this Memorandum of Incorporation, the remaining Directors must as soon as possible and in any event not later than 3 (three) months from the date that the number falls below such minimum, fill the vacancy/ies in accordance with clause 27.3.6 or convene a general meeting for the purpose of filling the vacancies, and the failure by the Company to have the minimum number of Directors during the said 3 (three) month period does not limit or negate the authority of the Directors or invalidate anything done by the Directors while their number is below the minimum number fixed in accordance with this Memorandum of Incorporation.

- 27.2.3 The Directors in office may act notwithstanding any vacancy in their body, but if after the expiry of the 3 (three) month period contemplated in clause 27.2.2, their number remains below the minimum number fixed in accordance with this Memorandum of Incorporation, they may, for as long as their number is reduced below such minimum, act only for the purpose of filling vacancies in their body in terms of section 68(3) or of summoning general meetings of the Company, but not for any other purpose.

27.3 Nomination and appointment of Directors

- 27.3.1 Except for the executive Directors who shall be appointed in terms of clause 30, and subject to the provisions of clause 27.3.6, all other Directors shall be nominated by the Shareholders for appointment as Directors in terms of the provisions of clauses 27.3.2 and 27.3.3 and elected as such by an ordinary resolution of the Shareholders at a general or annual general meeting of the Company and no appointment of a Director in accordance with a resolution passed in terms of section 60 shall be competent.

- 27.3.2 Subject to the provisions of clauses 27.4 and 27.3.6, a person as envisaged in clause 27.3.1 shall only be eligible for election as a Director if he is recommended by the Board or nominated in the manner referred to in clause 27.3.3.

- 27.3.3 No person, other than a Director retiring at the meeting shall, unless recommended by the Board, be eligible for election as a Director at any general meeting, unless –

- 27.3.3.1 not more than 28 (twenty eight) days, but at least 7 (seven) clear days before the day appointed for the meeting, there shall have been delivered at the principal place of business of the Company a notice in writing by a Shareholder (who may be the proposed Director) duly qualified to be present and to vote at the meeting for which such notice is given;

- 27.3.3.2 such notice sets out the Shareholder's intention to propose a specific person for election as Director; and

- 27.3.3.3 notice in writing by the proposed person of his willingness to be elected is attached thereto (except where the proposer is the same person as the proposed).

- 27.3.4 In any election of Directors –

- 27.3.4.1 the election is to be conducted as a series of votes, each of which is on the candidacy of a single individual to fill a single vacancy, with the series of votes continuing until all vacancies on the Board have been filled; and

- 27.3.4.2 in each vote to fill a vacancy –

- 27.3.4.2.1 each vote entitled to be exercised may be exercised once; and

- 27.3.4.2.2 the vacancy is filled only if a majority of the votes exercised support the candidate.

- 27.3.4.3 if the election process results therein that –

- 27.3.4.3.1 more nominees are elected as Directors than there are vacancies, those nominees (being a number of the nominees that are equal to the number of vacancies) that received the most votes will be the elected Directors, provided that in the event that a number of nominees that compete for a lesser number of vacancies received an equal number of votes, the Director or Directors elected to fill those vacancies will be determined by lot in the manner that the chairman of the meeting will determine;

- 27.3.4.3.2 less nominees are elected as Directors than there are vacancies, the remaining vacancies will remain unless filled in terms of the provisions of clause 27.3.6.

- 27.3.4.4 if no or insufficient candidates are nominated to fill the number of vacancies on the Board, the vacancies so caused shall be regarded as interim vacancies which shall be filled in terms of the provisions of clause 27.3.6.

- 27.3.5 Save as provided for in clauses 27.3.6 and 30, the Company shall only have elected Directors and there shall be no appointed or ex officio Directors as contemplated in section 66(4).
- 27.3.6 The Board has the power to appoint or co-opt any person as Director, whether to fill any vacancy on the Board on a temporary basis, as set out in section 68(3), or as additional Director, provided that such appointment must be confirmed by the Shareholders, in accordance with clause 27.2.2, at the next annual general meeting of the Company, as required in terms of section 70(3)(b)(i).
- 27.4 Eligibility, resignation and retirement of Directors**
- 27.4.1 Apart from satisfying the qualification and eligibility requirements set out in section 69 and subject to the below-mentioned provisions of this clause 27.4, a person need not satisfy any eligibility requirements or qualifications to become or remain a Director or a Prescribed Officer of the Company.
- 27.4.2 Subject to any provisions of clause 27.4.3, a Director shall vacate his office as Director if –
- 27.4.2.1 his estate is sequestrated or he surrenders his estate or enters into a general compromise with his creditors;
- 27.4.2.2 he is found to be or become of unsound mind;
- 27.4.2.3 a majority of his co-Directors sign a written notice in which he is requested to vacate his office and lodge it at the principal place of business of the Company, (which shall come into effect upon lodging thereof at the principal place of business of the Company), but without prejudice to any claim for damages;
- 27.4.2.4 he is removed from office by a resolution of the Company of which proper notice have been given in term of the Act, but without prejudice to any claim for damages;
- 27.4.2.5 he is, pursuant to the provisions of the Act or any order made thereunder, prohibited from acting as a Director;
- 27.4.2.6 he resigns his office as Director by notice in writing to the Company;
- 27.4.2.7 he is absent from meetings of the Board for 3 (three) consecutive months without leave of the Directors while not engaged in the business of the Company, and he is not represented at any such meeting during such 3 (three) consecutive months by an alternate Director; and the Directors resolve that his office be, by reason of such absence, vacated, provided that the Directors shall have the power to grant to any Director leave of absence for a definite or indefinite period.
- 27.4.3 No Director shall be appointed for life or for an indefinite period and the non-executive Directors shall rotate in accordance with the following provisions of this clause 27.4.3 –
- 27.4.3.1 at each annual general meeting referred to in clause 21.2.1, 1/3 (one third) of the non-executive Directors for the time being, or if their number is not 3 (three) or a multiple of 3 (three), the number nearest to 1/3 (one third), but not less than 1/3 (one third), shall retire from office;
- 27.4.3.2 the non-executive Directors to retire in every year shall be those who have been longest in office since their last election, but as between persons who were elected as non-executive Directors on the same day, those to retire shall, unless they otherwise agree among themselves, be determined by lot;
- 27.4.3.3 notwithstanding the provisions of this clause 27.4.3, a non-executive Director who has already held his office for a period of 3 (three) years since his last election for appointment by the date of any annual general meeting shall retire at such meeting, either as one of the non-executive Directors retiring according to the roster referred to above, or over and above such non-executive Directors;
- 27.4.3.4 the length of time a non-executive Director has been in office shall be computed from his last election, appointment or date upon which he was deemed re-elected;
- 27.4.3.5 a non-executive Director retiring at a meeting shall retain office until the election of non-executive Directors at that meeting has been completed;
- 27.4.3.6 a retiring non-executive Director shall be eligible for re-election;
- 27.4.3.7 the Company, at the general meeting at which a non-executive Director retires in the above manner, or at any other general meeting, may fill the vacancy by electing a person thereto, and in default the retiring non-executive Director, if willing to continue to act, shall be deemed to have been re-elected, unless it is expressly resolved at the meeting not to fill such vacated office; or a resolution for the re-election of such non-executive Director was put to the meeting and rejected, provided that the Company shall not be entitled to fill the vacancy by means of a resolution passed in accordance with clause 26.
- 27.4.4 The Board shall, through its nomination committee (if such nomination committee has been constituted in terms of clause 33.2), provide the Shareholders with a recommendation in the notice of the meeting at which the re-election of a retiring non-executive Director is proposed, as to which retiring non-executive Directors are eligible for re-election, taking into account that non-executive Director's past performance and contribution.
- 27.5 Directors' interests**
- 27.5.1 A Director may hold any other office or place of profit under the Company (except that of auditor) or any subsidiary of the Company in conjunction with the office of Director, for such period and on such terms as to remuneration (in addition to the remuneration to which he may be entitled as a Director) and otherwise as a disinterested quorum of the Directors may determine.

27.5.2 A Director of the Company may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or in which the Company may be interested as shareholder or otherwise, provided that the appointment and remuneration in respect of such other office must be determined by a disinterested quorum of Directors.

27.5.3 Any Director may act for the Company personally or through his firm in a professional capacity (except as auditor) and he or his firm shall be entitled to remuneration for professional services rendered as if he had not been a Director of the Company.

27.5.4 Each Director, Prescribed Officer and member of any committee of the Board shall, subject to the exemptions contained in section 75(2) and the qualifications contained in section 75(3), comply with all of the provisions of section 75 in the event that they (or to their knowledge any person who is a related person to them) have a personal financial interest in any matter to be considered by the Board.

27.6 Alternate Directors

27.6.1 A Director may –

27.6.1.1 appoint another Director to act as alternate Director in his place and during his absence; and

27.6.1.2 remove such alternate Director.

27.6.2 A person so appointed or elected shall, except as regards authority to appoint an alternate Director and remuneration, be subject in all respects to the terms and conditions existing in respect of the other Directors of the Company.

27.6.3 Each alternate Director, whilst so acting, shall be entitled to –

27.6.3.1 receive notices of all meetings of the Directors or of any committee of the Directors of which the person for whom he acts as alternate is a member;

27.6.3.2 attend and vote at any such meeting at which the person for whom he acts as alternate is not personally present;

27.6.3.3 generally exercise and discharge all the functions, powers and duties of the person for whom he acts as alternate in such person's absence as if he were a Director.

27.6.4 An alternate Director shall ipso facto cease to be an alternate Director if the person for whom he acts as alternate ceases for any reason to be a Director, provided that if any Director retires by rotation or otherwise, but is re-elected at the same meeting, any alternate of him who was appointed or elected as such immediately before his retirement shall remain in office as though he had not retired.

27.6.5 Any appointment or removal of an alternate Director shall be effected by written notice delivered at the principal place of business of the Company and signed by the appointer, if applicable.

27.6.6 The remuneration of an alternate Director shall be payable only out of the remuneration payable to the Director for whom he acts as alternate and he shall have no claim against the Company for any remuneration.

27.6.7 An alternate Director shall not be required to hold any qualifying Shares.

29 DIRECTORS' COMPENSATION AND FINANCIAL ASSISTANCE

29.1 The Company may pay remuneration to the Directors for their services as Directors in accordance with a special resolution approved by the Shareholders within the previous 2 (two) years, as set out in section 66(8) and (9), and the power of the Company in this regard is not limited or restricted by this Memorandum of Incorporation.

29.2 Any Director who –

29.2.1 serves on any executive or other committee; or

29.2.2 devotes special attention to the business of the Company; or

29.2.3 goes or resides outside South Africa for the purpose of the Company; or

29.2.4 otherwise performs or binds himself to perform services which, in the opinion of the Directors, are outside the scope of the ordinary duties of a Director,

may be paid such extra remuneration or allowances in addition to or in substitution of the remuneration to which he may be entitled as a Director, as a disinterested quorum of the Directors may from time to time determine.

29.3 The Directors may also be paid all their travelling and other expenses necessarily incurred by them in connection with –

29.3.1 the business of the Company; and

29.3.2 attending meetings of the Directors or of committees of the Directors of the Company.

29.4 The Board may, as contemplated in and subject to the requirements of section 45, authorise the Company to provide financial assistance to a Director, Prescribed Officer or other person referred to in section 45(2), and the power of the Board in this regard is not limited or restricted by this Memorandum of Incorporation.

30 EXECUTIVE DIRECTORS

30.1 *The Directors may from time to time appoint –*

30.1.1 *managing and other executive Directors (with or without specific designation) of the Company;*

30.1.2 *any Director to any other executive office with the Company,*

as the Directors shall think fit, for a period as the Directors shall think fit, and may from time to time remove or dismiss such persons from office and appoint another or others in his or their place or places.

30.2 *Any Director appointed in terms of clause 30.1 –*

30.2.1 *shall (subject to the provisions of the contract under which he is appointed) whilst he continues to hold that position or office, not be subject to retirement by rotation; and*

30.2.2 *shall not be subject to the same provisions as to removal as the other Directors of the Company, and if he ceases to hold office as a Director, his appointment to such position or executive office shall ipso facto terminate, without prejudice to any claims for damages which may accrue to him as a result of such termination.*

30.3 *The remuneration of a Director appointed to any position or executive office in terms of clause 30.1 –*

30.3.1 *shall be determined by a disinterested quorum of the Directors or a remuneration committee appointed by the Directors;*

30.3.2 *shall be in addition to or in substitution of any ordinary remuneration as a Director of the Company, as the Directors may determine;*

30.3.3 *may consist of a salary or a commission on profits or dividends or both, as the Directors may direct.*

30.4 *The Directors may from time to time entrust to and confer upon an executive Director for the time being such of the powers exercisable in terms of this Memorandum of Incorporation by the Directors as they may think fit, and may confer such powers for such time and to be exercised for such objects and purposes, and upon such terms and conditions, and with such restrictions, as they think expedient; and they may confer such powers either collaterally with or to the exclusion of and in substitution for all or any of the powers of the Directors in that behalf, and may from time to time revoke, withdraw, alter or vary all or any of such powers.*

32 POWERS OF THE BOARD OF DIRECTORS

32.1 *The business and affairs of the Company shall be managed by or under the directions of the Board, which has the authority to exercise all of the powers and perform any of the functions of the Company, except to the extent that the Act or this Memorandum of Incorporation provides otherwise.*

32.2 *The general powers granted to the Board by this clause 32 shall not be limited or reduced by any special authorization or power granted to the Board by any other clause.*

32.3 *The Directors may at any time and from time to time appoint any person or persons to be the agent(s) of the Company for such purposes and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the Directors in terms of this Memorandum of Incorporation) and for such period and subject to such conditions as the Directors may from time to time think fit. Any such appointment may, if the Directors think fit, be made in favour of any company, the shareholders, directors, nominees or managers of any company or firm, or otherwise in favour of any fluctuating body of persons, whether nominated directly or indirectly by the Directors. Any such power of attorney may contain such provisions for the protection or convenience of persons dealing with agents as the Directors think fit. Any such agents as aforesaid may be authorised by the Directors to sub-delegate all or any of the powers, authorities and discretions for the time being vested in them.*

32.4 *All cheques, promissory notes, bills of exchange and other negotiable or transferable instruments, and all documents to be executed by the Company, shall be signed, drawn, accepted, endorsed or executed, as the case may be, in such manner as the Directors shall from time to time determine.*

32.5 *All acts performed by the Directors or by a committee of Directors or by any person acting as a Director or a member of a committee shall, notwithstanding that it shall afterwards be discovered that there was some defect in the appointment of the Directors or persons acting as aforesaid, or that any of them were disqualified from or had vacated office, be as valid as if every such person had been duly appointed and was qualified and had continued to be a Director or member of such committee.*

32.6 *The Directors shall, for as long as the Securities are listed on the JSE, not have the power to propose any resolution to Shareholders in terms of sections 20(2) and 20(6), to ratify any act of the Directors that is contrary to the JSE Listings Requirements and is inconsistent with any limit imposed by this Memorandum of Incorporation on the authority of the Directors to perform such an act on behalf of the Company unless agreed otherwise by the JSE.*

33 BORROWING POWERS

33.1 *Subject to the provisions of this Memorandum of Incorporation, the Directors may from time to time –*

33.1.1 *borrow for the purposes of the Company such sums as they think fit;*

33.1.2 *secure the payment or repayment of any such sums, or any other sum, as they think fit, whether by the creation and issue of Securities, mortgage or charge upon all or any of the property or assets of the Company.*

33.2 *The Board shall procure (but as regards subsidiaries of the Company only insofar as by the exercise of voting and other rights or powers of control exercisable by the Company they can procure) that the aggregate principal amount at any one time outstanding in respect of moneys so borrowed or raised by –*

33.2.1 *the Company; and*

33.2.2 *all the subsidiaries for the time being of the Company (excluding moneys borrowed or raised by any of such companies from any other such companies but including the principal amount secured by any outstanding guarantees or suretyships given by the Company of any of its subsidiaries for the time being for the share capital or indebtedness of any other company or companies whatsoever and not already included in the aggregate amount of the moneys so borrowed or raised),*

shall not exceed the aggregate amount at that time authorized by the Directors to be borrowed or secured, provided that no such sanction shall be required to the borrowing of any moneys intended to be applied and actually applied within 90 (ninety) days in the repayment (with or without any premium) of any moneys then already borrowed and outstanding and notwithstanding that new borrowing may result in the abovementioned limit being exceeded.

38 DISTRIBUTIONS

38.1 *The Company in general meeting or the Directors may declare and pay dividends, however, the Company in a general meeting may not declare a larger dividend than that declared by the Directors.*

38.2 *Subject to the provisions of the Act, and particularly section 46, and in this Memorandum of Incorporation, the Company may make any proposed distribution, as defined and contemplated in the Act, if such distribution –*

38.2.1 *is pursuant to an existing legal obligation of the Company, or a court order; or*

38.2.2 *is authorised by resolution of the Board, in compliance with the JSE Listings Requirements.*

38.3 *No distribution shall bear interest against the Company, except as otherwise provided under the conditions of issue of the Shares in respect of which such distribution is payable.*

38.4 *Distributions may be declared either free of or subject to the deduction of income tax and any other tax or duty in respect of which the Company may be chargeable.*

38.5 *The Directors may from time to time declare and pay to the Shareholders such interim dividends as the Directors consider to be appropriate.*

38.6 *No larger dividend shall be declared by the Company in general meeting than is recommended by the Directors, but the Company in general meeting may declare a smaller dividend.*

38.7 *All unclaimed monies that are due to any Shareholder/s shall be held by the Company in trust until lawfully claimed by such Shareholder/s, or until the Shareholder's claim to such money has prescribed in terms of the applicable laws of prescription.*

38.8 *Distributions or any other sum payable in cash to any holder of the Company's Shares shall be paid by way of an electronic funds transfer only, unless agreed to otherwise at the discretion of the Company, into the selected bank account of:*

38.8.1 *the holder; or*

38.8.2 *in the case of joint holders, to the holder whose name stands first in the register in respect of the Share(s); or*

38.8.3 *such person as the holder or joint holders may in writing direct.*

38.9 *The electronic funds transfer of the distributions or other sum made into such account shall discharge the Company of any further liability in respect of the amount concerned. The Company shall not be responsible for a holder's loss arising from any fraudulent, diverted or incorrect electronic funds transfer of dividends or other sum payable to a holder unless such loss was due to the Company's gross negligence or wilful default.*

38.10 *For the purpose of this clause 38, no notice of change of bank account or instructions as to payment being made at any other bank account which is received by the Company after the date on which a Shareholder must be registered in order to qualify for a distribution or other payment and which would have the effect of changing the currency in which such payment would be made, shall be effective in respect of such payment.*

38.11 *A Shareholder who is a South African resident shall only be entitled to supply a Rand denominated bank account of a bank registered to operate such account in South Africa.*

38.12 *In the event that a Shareholder has failed to supply a valid bank account as envisaged herein, the distributions or other moneys shall be deemed unclaimed dividends or other monies in terms of clause 38.7.*

38.13 *A distribution may also be paid in any other way determined by the Directors, and if the directives of the Directors in that regard are complied with, the Company shall not be liable for any loss or damage which a Shareholder may suffer as a result thereof.*

- 38.14 Without detracting from the ability of the Company to issue capitalisation Shares, any distribution may be paid wholly or in part –
- 38.14.1 by the distribution of specific assets; or
- 38.14.2 by the issue of Shares, debentures or securities of the Company or of any other company; or
- 38.14.3 in cash; or
- 38.14.4 in any other way which the Directors or the Company in general meeting may at the time of declaring the distribution determine.
- 38.15 Where any difficulty arises in regard to such distribution, the Directors may settle that difficulty as they think expedient, and in particular may fix the value which shall be placed on such specific assets on distribution.
- 38.16 The Directors may –
- 38.16.1 determine that cash payments shall be made to any Shareholder on the basis of the value so fixed in order to secure equality of distribution; and
- 38.16.2 vest any such assets in trustees upon such trusts for the benefit of the persons to the distribution as the Directors deem expedient.
- 38.17 All distributions must be made payable to Shareholders registered as at a date subsequent to the date of declaration thereof or the date of confirmation thereof, whichever is the later date.
- 38.18 Without limiting the provisions of clause 38.2.2 above, all payments made to holders of Securities listed on the JSE (“**Listed Securities**”) must be in accordance with the JSE Listings Requirements and capital payments to holders of Listed Securities may not be made on the basis that it can be called up again.

42 WINDING-UP

- 42.1 If the Company is wound up, the liquidator may, with the authorisation of a special resolution by the Shareholders, distribute the assets of the Company entirely or partially in money or assets between the Shareholders, and may for such purposes –
- 42.1.1 put a value on any asset which he deems reasonable; and
- 42.1.2 determine how the distribution between the Shareholders or various classes of Shareholders shall be executed.
- 42.2 The liquidator may with the authorisation of a special resolution of the Shareholders transfer all the assets or a part thereof to trustees who shall hold them in trust for the benefit of the Shareholders or some of the Shareholders.
- 42.3 Any such resolution may make provision and grant authorisation for a distribution of specific assets between various classes of Shareholders in conflict with their existing rights, but each Shareholder shall in such a case have the right to refuse consent as well as other additional rights, in the same manner as if such resolution is a special resolution in terms of the provisions of the Act.

43 AMENDMENT OF MEMORANDUM OF INCORPORATION

- 43.1 This Memorandum of Incorporation may only be altered or amended (including any alteration or amendment that changes the name of the Company) by way of a special resolution of the Shareholders in accordance with section 16(1)(c), except if such amendment is in compliance with a Court order as contemplated in section 16(1)(a) as read with section 16(4).
- 43.2 An amendment of this Memorandum of Incorporation will take effect from the later of –
- 43.2.1 the date on, and time at, which the notice of amendment is filed with the Commission; and
- 43.2.2 the date, if any, set out in the said notice of amendment,
- save in the case of an amendment that changes the name of the Company, which will take effect from the date set out in the amended registration certificate issued by the Commission.”

CAPITAL STRUCTURE

1. AUTHORISED AND ISSUED SHARE CAPITAL

- 1.1. The authorised and issued share capital of PSG as at the Last Practicable Date is as follows:

	R'000
Stated capital	
<i>Authorised</i>	
400 000 000 ordinary shares with no par value	–
<i>Issued</i>	
218 873 454 ordinary shares with no par value	3 774 429
13 908 770 ordinary shares held in treasury ¹	(16 009)
Total (net of treasury)	3 758 420

Notes:

⁽¹⁾ Excluded are shares held by the PSG Group Limited Supplementary Share Incentive Trust in order to fulfil its obligations in terms of share options granted.

- 1.2. All the issued PSG Shares are listed on the main board of the JSE as a primary listing and no other class of securities is listed on any other exchange.
- 1.3. As at the Last Practicable Date, 13 908 770 PSG Shares were held in treasury.
- 1.4. As at the Last Practicable Date, all the issued PSG Shares were fully paid up and freely transferable.
- 1.5. The authorised and issued share capital of PSG after the Proposed Transaction will be as follows:

	R'000
Stated capital	
<i>Authorised</i>	
400 000 000 ordinary shares with no par value	–
<i>Issued</i>	
220 667 185 ordinary shares with no par value	3 949 426
13 908 770 ordinary shares held in treasury ¹	(16 009)
Total	3 933 417

Notes:

⁽¹⁾ Excluded are shares held by the PSG Group Limited Supplementary Share Incentive Trust in order to fulfil its obligations in terms of share options granted.

2. RIGHTS ATTACHING TO PSG SHARES

- 2.1. **Annexure 3** contains extracts of PSG's MOI relating to, *inter alia*:
- 2.1.1. the rights attaching to the PSG Shares;
- 2.1.2. the class and rank of the authorised and issued PSG securities and the rights to dividends, capital or profits and any other rights attached thereto, including redemption rights and rights on liquidation or distribution of capital assets; and
- 2.1.3. the variation of rights attaching to the PSG Shares.
- 2.2. Only such members that are registered in the Company's register on the day when a distribution is declared or on such other day as may be determined by the Board as the last date for registration for the distribution, will be entitled to receive the distribution so declared.
- 2.3. There are no preferential conversion or exchange rights to PSG Shares.
- 2.4. The PSG Shareholders do not have any redemption rights or preferential rights to profits or capital.
- 2.5. PSG has not issued any founders', management or deferred shares.
- 2.6. Save as set out in paragraph 4 below, no options or preferential right of any kind was or is proposed to be given to any person to subscribe for any securities of PSG and/or any securities of its subsidiaries.

3. ALTERATIONS OF SHARE CAPITAL

- 3.1. A special resolution converting PSG's entire authorised and issued share capital to shares of no par value was approved by shareholders at PSG's annual general meeting on 21 June 2013 and was subsequently registered with the CIPC.
- 3.2. There have been no share consolidations or sub-divisions in the 3 (three) years prior to the Last Practicable Date.
- 3.3. The authorised but unissued shares of PSG are under the control of the Directors, subject to the provisions of the JSE Listings Requirements and the Companies Act.
- 3.4. All issued PSG Shares are listed on the JSE as a primary listing. No other class of securities is listed on any other exchange.
- 3.5. PSG has not offered any securities to the public for subscription or sale during the 3 (three) years prior to the Last Practicable Date.
- 3.6. During June 2013, PSG repurchased 492 471 of its issued ordinary shares in terms of a share buy-back at an average price of R67.19 per share which amounted to a total repurchase consideration of R33 087 206.
- 3.7. Save as set out in paragraph 3.6, PSG has not repurchased any of its securities in the 3 (three) years prior to the Last Practicable Date, provided that, subject to shareholder approval:
 - 3.7.1. prior to the implementation of the Scheme, PSG intends to repurchase, by way of a specific repurchase, 1 785 850 PSG Shares from the Stellenbosch BEE Education Trust ("**SBET**") and Clusten 52 Proprietary Limited, a wholly-owned subsidiary of SBET, at R97.56 per PSG Share, which will amount to a total repurchase consideration of R174 227 526 and which will be settled by way of the creation of a loan account; and
 - 3.7.2. post implementation of the Scheme, PSG intends to repurchase, by way of a specific repurchase, 9 902 349 PSG Shares from Thembeke Fin Holdings Proprietary Limited, a wholly-owned subsidiary of Thembeke, at R97.56 per PSG Share, which will amount to a total repurchase consideration of R966 073 168.44 and which will be settled by way of the creation of a loan account.

4. OPTIONS AND PREFERENTIAL RIGHTS IN RESPECT OF PSG SHARES

- 4.1. Clauses 23 and 6 of the MOI, respectively, regulate the voting rights and variation of rights attaching to the PSG Shares. Extracts of the relevant provisions of the MOI are set out in **Annexure 3**.
- 4.2. There are no preferential conversion or exchange rights to PSG Shares.
- 4.3. The PSG Shareholders do not have any redemption rights or preferential rights to profits or capital.
- 4.4. The rights of PSG Shareholders to participate in dividends, rights to profits or capital, including their rights on liquidation or distribution of capital assets of the Company are determined by clause 38 of the MOI and the relevant extracts are set out in **Annexure 3**.
- 4.5. Save as set out in paragraphs 4.6 to 4.9, no options or preferential rights of any kind were or are proposed to be given to any person to subscribe for any securities of PSG and/or any securities of any subsidiary of PSG.
- 4.6. A key to the success of PSG and its subsidiaries is incentivised skilled management teams. In order to achieve this, the directors of PSG Group and its subsidiaries have previously introduced share option schemes.
- 4.7. These share option schemes operate essentially on a similar basis, whereby the respective boards through their remuneration committees, grant share options to members of middle and senior management at the 30-day volume weighted average price ("**VWAP**") of the relevant shares on the grant date.
- 4.8. Share options are European in nature and exercisable in tranches of 25% on each of the 2nd, 3rd, 4th and 5th anniversary of the grant date.

4. OPTIONS AND PREFERENTIAL RIGHTS IN RESPECT OF PSG SHARES

4.9. Unexercised share options as at 28 February 2014 can be summarised as follows:

Shares	Grant date	Number of share options	Exercise price per share option R	Exercise price R
PSG	20 April 2009	137 376	15.52	2 132 076
	28 August 2009	164 235	18.77	3 082 691
	28 February 2010	193 698	22.09	4 278 789
	22 April 2010	255 761	26.16	6 690 708
	28 February 2011	807 598	39.61	31 988 957
	28 February 2012	598 183	47.39	28 347 892
	28 February 2013	927 937	61.50	57 068 126
	28 February 2014	2 935 276	83.23	244 303 021
PSG Konsult	1 March 2011	13 001 041	1.54	20 021 603
	1 July 2012	11 753 248	1.83	21 508 444
	1 March 2013	46 250 000	2.83	130 887 500
	1 June 2013	1 000 000	2.80	2 800 000
	1 August 2013	300 000	3.40	1 020 000
		72 304 289	12.40	176 237 547
Curro	29 September 2011	3 185 587	4.89	15 577 520
	29 September 2012	979 888	16.17	15 844 789
	29 September 2013	1 640 639	19.61	32 172 931
		5 806 114	13.56	63 595 240

5. ISSUES OF SECURITIES

- 5.1. Save as set out below, PSG has not issued any securities in the 3 (three) years prior to the Last Practicable Date.
- 5.2. During August 2014, PSG raised R155 million through the specific issue of 1 600 000 PSG Shares at R97 per share in terms of its general authority to issue shares for cash.
- 5.3. In June 2014 PSG launched a bookbuild offering of PSG Shares constituting approximately 5% of its issued share capital ("**Bookbuild**"). The Bookbuild was offered to qualifying investors only through a bookbuild process and did not constitute, nor was it intended to constitute, an offer to the public to purchase or subscribe for any shares. The Bookbuild opened on 3 June 2014 and closed on Thursday, 5 June 2014.
- 5.4. In terms of the Bookbuild, PSG Group received bids for a total value of approximately R1.35 billion and accepted bids to the value of approximately R920 million. Accordingly a total number of 9 684 033 new PSG Shares ("**Bookbuild Shares**") were placed with qualifying investors at a price of R95 per Bookbuild Share. The issue price of the Bookbuild Shares represented a discount of 4.4% to the closing price of PSG Shares on Thursday, 5 June 2014.
- 5.5. The PSG Shares issued pursuant to the Bookbuild were issued by PSG under its general authority to issue shares for cash.
- 5.6. During August 2012, PSG raised R361 million through the specific issue of 5 357 486 PSG Shares at an average price of R67.42 per share in terms of its general authority to issue shares for cash.
- 5.7. During October 2011, PSG issued 4 283 541 PSG Shares to acquire all shares not already held by the PSG Group in Paladin Capital Limited ("**Paladin**"). These shares were issued at a ratio of 4 PSG Shares for every 100 Paladin ordinary shares held.

FINANCIAL INFORMATION REQUIRED IN TERMS OF REGULATION 79 OF THE COMPANIES ACT IN RESPECT OF PSG

In terms of Regulation 79 of the Companies Act, **Annexure 5** includes the historical consolidated and standalone profits of PSG Group for the preceding financial years ended 28 February 2014, 28 February 2013 and 29 February 2012 and its consolidated and standalone statement of financial position as at 28 February 2014. Furthermore this **Annexure 5** includes details of loss making subsidiaries and events subsequent to PSG's latest financial year-end.

Extract from the income statements and statements of changes in equity of PSG Group

	Financial year ended		
	28 February	28 February	29 February
	2014	2013	2012
	R'000	R'000	R'000
Consolidated			
Profit before tax	1 796 164	1 764 265	1 129 374
Profit after tax	1 508 272	1 516 190	1 025 323
Ordinary share dividend paid	221 779	162 038	126 708
Standalone			
Profit before tax	33 916	339 174	142 328
Profit after tax	33 916	339 174	142 328
Ordinary share dividend paid	251 567	182 194	143 211

Consolidated and standalone statement of financial position as at 28 February 2014

	Consolidated	Standalone
	R'000	R'000
ASSETS		
Property, plant and equipment	3,326,780	
Intangible assets	2,094,528	
Investment in subsidiary		1,012,759
Loan granted to subsidiary		1,786,095
Investment in ordinary shares of associates	6,299,972	
Investment in preference shares of/loans granted to associates	316,531	
Investment in ordinary shares of joint ventures	12,124	
Investment in preference shares of/loans granted to joint ventures	4,838	
Employee benefits	33,090	
Unit-linked investments	10,308,873	
Equity securities	911,694	
Debt securities	1,963,161	
Deferred income tax assets	125,852	
Biological assets	201,426	
Investment in investment contracts	507,818	
Loans and advances	355,481	
Trade and other receivables	3,718,788	201
Derivative financial assets	30,130	
Inventories	913,701	
Current income tax assets	42,883	
Reinsurance assets	67,273	
Cash and cash equivalents (including money market funds)	2,149,872	281
Non-current assets held for sale	181,997	
Total assets	33,566,812	2,799,336

	Consolidated R'000	Standalone R'000
EQUITY		
Equity attributable to owners of the parent		
Stated/share capital	2,703,666	2,703,911
Share premium		
Treasury shares	(467,360)	
Other reserves	109,086	
Retained earnings	4,509,861	92,949
	6,855,253	2,796,860
Non-controlling interests	5,591,595	
Total equity	12,446,848	2,796,860
LIABILITIES		
Insurance contracts	493,163	
Third-party liabilities arising on consolidation of mutual funds	372,169	
Investment contracts	12,692,768	
Deferred income tax liabilities	331,567	
Borrowings	3,266,387	
Derivative financial liabilities	99,528	
Employee benefits	295,503	
Accruals for other liabilities and charges	16,825	
Trade and other payables	3,510,878	2,476
Reinsurance liabilities	2,842	
Current income tax liabilities	38,334	
Total liabilities	21,119,964	2,476
Total equity and liabilities	33,566,812	2,799,336

Loss-making subsidiaries

PSG Group does not have material loss-making subsidiaries.

Events subsequent to PSG Group's latest financial year-end

The following significant events took place:

1. PSG Group raised R1,075 million through the issue of 11,284,032 ordinary shares for cash.
2. Curro concluded a R589 million rights offer, in which PSG Group followed its rights.
3. Curro expanded its number of education campuses, with the resulting increase in property, plant and equipment amounting to R883 million.
4. Curro raised R313 million through a 5-year bond and fixed-term debt issues.
5. PSG Konsult listed on the JSE during June 2014.
6. Mpongwe mill was bought by Zeder Investments Limited.

REPORT BY THE AUDITOR IN TERMS OF REGULATION 79 OF THE COMPANIES ACT IN RESPECT OF PSG

The Directors
PSG Group Limited
1st Floor
Ou Kollege Building
35 Kerk Street
Stellenbosch
7600

Dear Sirs

Report by the auditor in terms of Regulation 79 of the Companies Act in respect of PSG Group Limited

Introduction

PricewaterhouseCoopers Inc. ("PwC" or "we") is the appointed auditor of PSG Group Limited (the "Company"), a company incorporated in the Republic of South Africa. Regulation 79 to the Companies Act 71 of 2008 of South Africa (the "Act") requires a report by the auditor of the Company to be included in a prospectus contemplated in Regulation 56 of the Act, and for such report to address the matters set out in Regulation 79 to the Act. Consequently, we have been requested to provide this report on the following historical financial information included in the prospectus of the Company to be issued on or about 14 October 2014 (the "Prospectus"):

- the consolidated and standalone profit before tax and consolidated and standalone profit after tax of the Company in respect of the years ended 28 February 2014, 28 February 2013 and 29 February 2012, as set out in Annexure 5 of the Prospectus;
- the consolidated and standalone assets and liabilities of the Company included in the Statement of Financial Position as at 28 February 2014, as set out in Annexure 5 of the Prospectus; and
- the ordinary share dividends paid by the Company in respect of the financial years ended 28 February 2014, 28 February 2013 and 29 February 2012, as set out in Annexure 5 of the Prospectus.

The aforementioned information is collectively referred to as the "Regulation 79 financial information".

The Regulation 79 financial information has been extracted from the audited financial statements of the Company for the years ended 28 February 2014, 28 February 2013 and 29 February 2012, which were prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act of South Africa. We expressed unqualified audit opinions on those financial statements in our reports dated 12 May 2014, 13 May 2013 and 15 May 2012, respectively, based on our audits which were conducted in accordance with the International Standards on Auditing.

The Regulation 79 financial information does not reflect the effects of events that may have occurred subsequent to the date of our audit report on the Company's financial statements for the year ended 28 February 2014. We have also not performed audit procedures in respect of events which occurred between 12 May 2014, the date of our audit report on the financial statements for the year ended 28 February 2014, and the date of issue of the Prospectus. Furthermore, the Regulation 79 financial information set out in Annexure 5 of the Prospectus is not a full set of financial statements in accordance with International Financial Reporting Standards and the requirements of the Act. Reading the Regulation 79 financial information is therefore no substitute for reading the audited financial statements of the Company for the years ended 28 February 2014, 28 February 2013 and 29 February 2012.

Extraction of the Regulation 79 financial information

As a result of the Regulation 79 financial information being extracted from the financial statements of the Company for the years ended 28 February 2014, 28 February 2013 and 29 February 2012, in respect of which unqualified audit opinions were expressed, we can report the following in the context of the audits performed on those financial statements:

- Debtors and creditors balances as at 28 February 2014 as included in the Regulation 79 financial information includes the following material amounts that were not trade accounts:
 - o Prepayments and sundry receivables;
 - o Non-financial assets included in trade and other receivables;
 - o Non-financial liabilities included in trade and other payables;
 - o Deferred revenue; and
 - o Purchase consideration payable.
- The provision for doubtful debts as at 28 February 2014 as included in the Regulation 79 financial information did not appear to be materially misstated;
- The provision for inventory obsolescence or inventory overvaluation as at 28 February 2014 as included in Regulation 79 financial information did not appear to be materially misstated; and
- Inter-company profits have been eliminated from the amounts presented in the Regulation 79 financial information.

Responsibility of the directors for the Regulation 79 financial information

The directors are responsible for the audited financial statements for the years ended 28 February 2014, 28 February 2013 and 29 February 2012, for the extraction of the Regulation 79 financial information therefrom, and for the presentation of the Regulation 79 financial information in accordance with the requirements of the Act.

Report of factual findings in respect of material changes in assets and liabilities

In accordance with Regulation 79(4)(b)(v) to the Act our report is required to include a statement as to whether there have been any material changes in assets and liabilities of the Company or any of its subsidiaries since the date of the financial statements for the year ended 28 February 2014.

As a result, we have performed the following procedures which were agreed with you:

- we have agreed the consolidated and standalone profit before tax and the consolidated and standalone profit after tax in respect of the years ended 28 February 2014, 28 February 2013 and 29 February 2012, as set out in Annexure 5 of the Prospectus, to the audited financial statements for those years;
- we have agreed the consolidated and standalone asset and liability balances, as presented in the Regulation 79 financial information, to the audited financial statements for the year ended 28 February 2014;
- we have read the minutes of meetings of the board of directors of the Company since 28 February 2014, and up to the date of this report, to identify any matters regarding material changes in assets or liabilities, e.g. the sale or purchase of a significant asset; and
- obtained a letter of representation from management confirming that there have been no material changes in the assets and liabilities of the Company and its subsidiaries since 28 February 2014.

Our engagement was undertaken in accordance with the International Standard on Related Services 4400 *Engagements to Perform Agreed-Upon Procedures Regarding Financial Information*. The procedures were performed solely to assist you in complying with Regulation 79(4)(b)(v) of the Act.

Responsibilities of the directors

The directors have the responsibility for the accuracy and completeness of the records, documents, explanations and other information provided to us for the purpose of performing the procedures described above, and for determining whether the nature and scope of our work specified in this factual findings report is sufficient for the purposes of evaluating the material changes in the assets and liabilities of the Company and its subsidiaries, in order to satisfy the requirement of Regulation 79(4)(v) of the Act.

Responsibilities of the auditor

An agreed-upon procedures engagement involves applying our expertise to perform procedures as agreed by us and the directors and reporting the factual findings from the procedures performed. We have complied with relevant ethical requirements, including the principles of integrity, objectivity, professional competence and due care.

Since an agreed-upon procedures engagement is not an assurance engagement, we are not required to verify the accuracy or completeness of the information management has provided to us to complete the agreed-upon procedures engagement. Because the procedures do not constitute either an audit, review or other assurance engagement in accordance with International Standards on Auditing (ISAs) or International Standards on Review Engagements (ISREs) or International Standards on Assurance Engagements (ISAEs), we do not express any assurance in respect of material changes in the assets and liabilities of the Company and its subsidiaries since 28 February 2014. Had we performed additional procedures or had we performed an audit or review of, or other assurance engagement on the Regulation 79 financial information in accordance with ISAs, ISREs or ISAEs, other matters might have come to our attention that would have been reported to you.

Findings

We report our findings as follows:

- we have agreed the consolidated and standalone profit before tax and the consolidated and standalone profit after tax in respect of the years ended 28 February 2014, 28 February 2013 and 29 February 2012, as set out in Annexure 5 of the Prospectus, to the audited financial statements for those years. No differences were identified;
- we have agreed the consolidated and standalone asset and liability balances, as presented in the Regulation 79 financial information, to the audited financial statements for the year ended 28 February 2014. No differences were identified;
- we have read the minutes of meetings of the board of directors of the Company since 28 February 2014, and up to the date of this report, to identify any matters regarding material changes in assets or liabilities, e.g. the sale or purchase of a significant asset. No such material changes were identified, except for the matters already disclosed in Annexure 5 of the Prospectus; and
- obtained a letter of representation from management confirming that there have been no material changes in the assets and liabilities of the Company and its subsidiaries since 28 February 2014.

Our findings relate only to the accounts and items specified above and do not extend to any financial statements of the Company, or of any of its subsidiaries, taken as a whole.

Restriction on use and distribution

Our report is solely for the purpose set forth in the first paragraph of this report and for your information and is not to be used for any other purpose or to be distributed to any other parties.

NH Döman

Director

Chartered Accountant (SA)

Stellenbosch

Date: 6 October 2014

MATERIAL BORROWINGS AND LOANS RECEIVABLE

1. LOANS PAYABLE AND BORROWINGS

- 1.1. As at the Last Practicable Date, there were no material loans or borrowings made to PSG or its subsidiaries.
- 1.2. As at the Last Practicable Date, no debentures have been issued by PSG or any of its subsidiaries.

2. PREFERENCE SHARES

As at the Last Practicable Date, the following material preference shares were issued by PSG and its subsidiaries and have not been redeemed or repurchased (as applicable):

Issuer	Subscriber	Value of funding R'm	Amount outstanding R'm	Dividends	Security	Terms and conditions of redemption/ repurchase
PSG Financial Services Limited	Public shareholders/ JSE-listed	1 505.9	1 505.9	Calculated at 83.33% of the prime interest rate on a R100 nominal value per share	None	Cumulative, non- redeemable, non- participating
Total		1 505.9	1 505.9			

3. LOANS RECEIVABLE

- 3.1. As at the Last Practicable Date, no material loans have been made by PSG or by any of its subsidiaries.
- 3.2. As at the Last Practicable Date, no material inter-company loans were made by PSG or by any of its subsidiaries.

FINANCIAL INFORMATION REQUIRED IN TERMS OF REGULATION 78 OF THE COMPANIES ACT IN RESPECT OF THEMBEKA

In terms of Regulation 78 of the Companies Act, **Annexure 8** includes the historical profits of Thembeke for the preceding three financial years ended 28 February 2014, 28 February 2013 and 29 February 2012 and its statement of financial position as at 28 February 2014.

Extract from the income statements and statements of changes in equity of Thembeke

	Financial year ended		
	28 February 2014 R'000	28 February 2013 R'000	29 February 2012 R'000
Consolidated			
Profit before tax	627 155	624 424	188 759
Profit after tax	510 546	466 508	171 061
Standalone			
Profit before tax	164 654	378 835	124 023
Profit after tax	149 319	310 642	108 169

Consolidated and standalone statement of financial position as at 28 February 2014

	Consolidated R'000	Standalone R'000
ASSETS		
Non-current assets	2 785 583	1 130 132
Property, plant and equipment	194	
Investment in subsidiaries	–	152 758
Investment in associates	187 738	10 720
Financial assets at fair value through profit or loss	2 567 411	936 414
Loans and receivables	17 661	17 661
Derivative financial assets	12 579	12 579
Current assets	154 727	416 304
Trade and other receivables	2 242	1 119
Loans and receivables	–	415 131
Current tax asset	17	12
Cash, cash equivalents and short-term funds	152 468	42
Total assets	2 940 310	1 546 436
EQUITY		
Capital and reserves attributable to owners of parent		
Share capital	1	1
Share premium	159 398	159 398
Retained earnings	1 815 904	898 878
Total equity	1 975 303	1 058 277
LIABILITIES		
Non-current liabilities	867 721	423 371
Borrowings	442 630	275 080
Cash-settled share-based obligation	32 042	–
Deferred income tax liability	393 049	148 291
Current liabilities	97 286	64 788
Borrowings	73 699	–
Trade and other payables	829	650
Derivative financial liability	813	–
Loans and receivables	–	64 138
Cash-settled share-based obligation	17 710	–
Provisions	4 235	–
Total liabilities	965 007	488 159
Total equity and liabilities	2 940 310	1 546 436

REPORT BY THE AUDITORS IN TERMS OF REGULATION 78 OF THE COMPANIES ACT IN RESPECT OF THEMBEKA

The Directors
Thembeke Capital Limited
1st Floor, Inanda
6 Dorp Street
Stellenbosch
7600

Report by the auditor in terms of Regulation 78 of the Companies Act

Dear Sirs

PricewaterhouseCoopers Inc. ("PwC" or "we") is the appointed auditor of Thembeke Capital Limited ("Company"). Regulation 78 of the Companies Act 71 of 2008 of South Africa (the "Act") requires a report by the auditor of the Company to be included in a prospectus, and for such report to address the matters set out in Regulation 78 to the Act. Consequently, we have been requested to provide this report on the following historical financial information of the Company to be included in the prospectus of the PSG Group Limited ("PSG") to be issued on or about 14 October 2014 (the "Prospectus"):

- the consolidated and stand-alone profit/loss after tax of the Company in respect of the years ended 28 February 2014, 28 February 2013 and 29 February 2012, as set out in Annexure 8 of the Prospectus ; and
- the consolidated and stand-alone assets and liabilities of the Company included in the Statement of Financial Position as at 28 February 2013, as set out in Annexure 8 of the Prospectus.

The above is collectively referred to as the "Regulation 78 financial information".

The Regulation 78 financial information has been extracted from the audited financial statements of the Company for the years ended 28 February 2014, 28 February 2013 and 29 February 2012, which were prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act of South Africa. We expressed unqualified audit opinions on those financial statements in our reports dated 10 April 2014, 25 April 2013 and 19 April 2012, respectively, based on our audits which were conducted in accordance with the International Standards on Auditing.

The Regulation 78 financial information does not reflect the effects of events that may have occurred subsequent to the date of our audit report on the Company's financial statements for the year ended 28 February 2014. We have also not performed audit procedures in respect of events which occurred between 10 April 2014, the date of our audit report on the financial statements for the year ended 28 February 2014, and the date of issue of the Prospectus. Furthermore, the Regulation 78 financial information set out in Annexure 8 of the Prospectus is not a full set of financial statements in accordance with International Financial Reporting Standards and the requirements of the Act. Reading the Regulation 78 financial information is therefore no substitute for reading the audited financial statements of the Company for the years ended 28 February 2014, 28 February 2013 and 29 February 2012.

Restriction on use and distribution

Our report is solely for the purpose set forth in the first paragraph of this report and for your information and is not to be used for any other purpose or to be distributed to any other parties.

P. Liedeman
Director
Chartered Accountant (SA)
Cape Town
Date: 6 October 2014

HISTORICAL FINANCIAL INFORMATION OF PSG

Set out below are extracts from the audited financial statements of PSG for the years ended 28 February 2014, 28 February 2013 and 29 February 2012. These financial statements are the responsibility of the Board and were compiled under the supervision of the group financial director, Mr WL Greeff, CA(SA), and were approved by the Board on 12 May 2014, 13 May 2013 and 15 May 2012, respectively.

Basis of Preparation

The consolidated statement of financial position, statement of comprehensive income, statement of changes in equity, cashflow statement and notes of PSG for the financial years ended 28 February 2014, 28 February 2013 and 29 February 2012, have been extracted and compiled from the audited consolidated annual financial statements of PSG, which are available on PSG's website. These financial statements are the responsibility of the Board and were compiled under the supervision of the group financial director, Mr WL Greeff, CA(SA), and were approved by the Board on 15 May 2012, 13 May 2013 and 12 May 2014, respectively.

The preparation of the Annexure 10 is the responsibility of the PSG Directors.

The historical financial information of PSG has previously been audited by PwC and reported without qualification for all of the aforementioned financial periods.

PSG GROUP LIMITED**DIRECTORS' REPORT**

for the year ended 28 February 2014

NATURE OF BUSINESS

The group, through its various subsidiaries, associates and joint ventures, offers diversified financial and other services. These services include financial advice, stockbroking, asset management, insurance, financing, banking, investing, corporate finance and education services.

OPERATING RESULTS

The operating results and state of affairs of the group and company are set out in the attached income statements and statements of financial position, comprehensive income, changes in equity and cash flows. For the years under review, the group's recurring headline earnings amounted to R817.8 million (2013: R714.9 million) (2012: R536.6 million), headline earnings amounted to R1 008.8 million (2013: R875 million) (2012: R567.2 million) and earnings attributable to owners of the parent amounted to R1 052 million (2013: R1 139.8 million) (2012: R703.1 million).

STATED/SKARE CAPITAL

Details regarding authorised and issued share capital are set out in note 18 to these annual financial statements. Movements in the number of ordinary shares in issue during the year under review were as follows:

	Number of shares		
	2014	2013	2012
At beginning of the year	208 081 893	202 724 410	190 261 563
<u>Less: Treasury shares</u>			
Held by a subsidiary (PSG Financial Services Ltd)	(13 908 770)	(13 873 895)	(13 873 895)
Held by an associate (Thembeke Capital Ltd (RF))	(4 852 151)	(4 852 151)	(5 024 768)
Held by executives through loan funding advanced	(2 000 000)		
Held by the PSG Group Ltd Share Incentive Trust	(375 000)	(711 000)	(1 140 000)
Held by the PSG Group Ltd Supplementary Share Incentive Trust	(3 339 061)	(3 674 202)	(3 961 527)
Shares in issue at beginning of the year, net of treasury shares	183 606 911	179 613 162	166 261 373
General issue for cash at R68.13		1 784 921	
General issue for cash at R67.00		3 572 562	
General issue for cash at R50.00			1 900 000
General issue for cash at R46.00			3 979 306
General issue for cash at R43.00			2 300 000
General repurchase for cash at R67.19	(492 471)		
Issued in terms of a scheme of arrangement to acquire all of the issued ordinary shares in Paladin Capital Ltd not already held by PSG Group (through PSG Financial Services Ltd) at a ratio of 4 ordinary shares for each 100 Paladin Capital Ltd shares			4 283 541
Movement in treasury shares			
Shares sold by associated company (Thembeke Capital Ltd (RF))			172 617
Shares acquired by executives through loan funding advanced	(100 000)	(2 000 000)	
Shares acquired by the PSG Group Ltd Supplementary Share Incentive Trust	(800 000)	(500 000)	(230 000)
Shares released to participants by the PSG Group Ltd Share Incentive Trust	225 000	336 000	429 000
Shares released to participants by the PSG Group Ltd Supplementary Share Incentive Trust	483 689	835 141	517 325
Shares in issue at end of the year, net of treasury shares	182 923 129	183 641 786	179 613 162

DIVIDENDS

Details of dividends appear in note 39 to these annual financial statements.

DIRECTORS

Details of the company's directors at the date of authorisation of annual financial statements, being unchanged from the 2013 year, are set out below. Since the date of the 2012 report, the only changes were the appointment of Mr FJ Gouws as a non-executive director and Mr AB la Grange as an alternate director to Mr MJ Jooste.

Executive

WL Greeff
BCompt (Hons), CA(SA)
Financial director
Appointed 13 October 2008

JA Holtzhausen
Bluris, LLB, HDip Tax
Chief executive officer – PSG Capital
Appointed 13 May 2010

PJ Mouton
BCom (Mathematics)
Chief executive officer
Appointed 16 February 2009

DIRECTORS (continued)**Non-executive**

FJ Gouws
BAcc, CA(SA)
Chief executive officer – PSG Konsult Ltd
Appointed 25 February 2013

JF Mouton
BCom (Hons), CA(SA), AEP
Non-executive chairman
Appointed 25 November 1995

JJ Mouton
BAcc (Hons), CA(SA), MPhil (Cantab)
Manager – PSG Flexible Fund
Appointed 18 April 2005

W Theron
BCompt (Hons), CA(SA)
Chairman – PSG Konsult Ltd
Appointed 2 March 2006

Independent non-executive

PE Burton
BCom (Hons), PG Dip Tax
Financial director – Snoek Wholesalers (Pty) Ltd
Appointed 19 March 2001

ZL Combi
Diploma in Public Relations
Executive chairman – Thembeke Capital Ltd (RF)
Appointed 14 July 2008

J de V du Toit *
BAcc, CA(SA), CFA
Director of companies
Appointed 30 January 1996

MM du Toit
BSc, MBA
Chief executive officer – Rootstock Investment Management (Pty) Ltd
Appointed 29 September 2009

MJ Jooste
BAcc, CA(SA)
Chief executive officer – Steinhoff International Holdings Ltd
Appointed 25 February 2002

AB la Grange (alternate to MJ Jooste)
BCom (Law), BCom (Hons), CTA, CA(SA)
Chief financial officer – Steinhoff International Holdings Ltd
Appointed 30 July 2012

CA Otto
BCom, LLB
Director of companies
Appointed 25 November 1995

* Lead independent director

DIRECTORS' EMOLUMENTS

The following directors' emoluments were paid by the company and its subsidiaries in respect of the year ended 28 February 2014:

Cash-based remuneration

Audited	Fees R'000	Basic salary R'000	Company contributions R'000	Performance- related R'000	Total 2014 R'000	Total 2013 R'000	Total 2012 R'000
Executive							
WL Greeff		2 560	40	2 600	5 200	4 640	4 000
JA Holtzhausen		2 489	111	3 750	6 350	6 070	5 500
PJ Mouton		2 587	13	2 600	5 200	4 640	4 000
Non-executive							
L van A Bellinghan ¹⁾					–	–	59
PE Burton	193				193	180	167
ZL Combi ²⁾	251				251	153	100
J de V du Toit ³⁾	541				541	563	525
MM du Toit	123				123	115	134
FJ Gouws ^{4) 9) 12)}		4 000		8 000	12 000	4 167	–
MJ Jooste ⁵⁾	124				124	116	107
JF Mouton ⁶⁾	231	2 606	52	2 389	5 278	4 700	4 000
JJ Mouton ^{4) 7) 11) 12)}		1 400	21	4 700	6 121	3 260	1 431
CA Otto ⁸⁾	1 445				1 445	1 350	1 250
W Theron ^{4) 9) 12)}	116	2 262	13		2 391	3 295	4 655
CH Wiese ¹⁰⁾					–	–	107
	3 024	17 904	250	24 039	45 217	33 249	26 035

PSG GROUP LIMITED
DIRECTORS' REPORT
for the year ended 28 February 2014

DIRECTORS' EMOLUMENTS *(continued)*

Cash-based remuneration *(continued)*

- ¹⁾ Retired with effect from 15 June 2011.
- ²⁾ Paid to AE Empowerment Services (Pty) Ltd, a subsidiary of Thembeke Capital Ltd (RF), an associate. R115 560 (2013: R108 000) (2012: R100 000) was paid in respect of directors' fees; the balance represents fees received at a subsidiary level.
- ³⁾ R190 710 (2013: R178 200) (2012: R165 000) was paid in respect of directors' fees; the balance represents fees received at a subsidiary level.
- ⁴⁾ Executive of a subsidiary company.
- ⁵⁾ Paid to Steinhoff International Holdings Ltd.
- ⁶⁾ Mr JF Mouton is no longer involved in the day-to-day running of PSG Group Ltd. However, he remains the leading strategist and generator of ideas, and plays an integral part in the success of the group. He is accordingly rewarded for same.
- ⁷⁾ R115 560 (2013: R108 000) (2012: R100 000) was paid in respect of directors' fees to PSG Asset Management (Pty) Ltd, a subsidiary.
- ⁸⁾ R186 790 (2013: R174 528) (2012: R106 600) was paid in respect of directors' fees; the balance represents fees received at a subsidiary level.
- ⁹⁾ Paid to PSG Konsult Management Services (Pty) Ltd, a subsidiary.
- ¹⁰⁾ Retired with effect from 23 February 2012.
- ¹¹⁾ During 2012, the business of PSG Tanzanite (Pty) Ltd, in which Mr JJ Mouton owned a 40% interest, was sold resulting in Mr JJ Mouton receiving 24.7 million PSG Konsult Ltd shares as consideration.
- ¹²⁾ In terms of the PSG Konsult Group Share Incentive Scheme, the following directors have been awarded PSG Konsult Ltd share options:

Audited	Share options granted during the year ended 28 Feb 2014		Unexercised share options as at 28 Feb 2014	
	Number	Exercise price (R)	Number	Weighted average exercise price (R)
FJ Gouws	12 500 000	2.83	22 500 000	2.39
JJ Mouton	300 000	2.83	300 000	2.83
W Theron	3 000 000	2.83	7 350 923	2.07

Audited	Share options granted during the year ended 28 Feb 2013		Unexercised share options as at 28 Feb 2013	
	Number	Exercise price (R)	Number	Weighted average exercise price (R)
FJ Gouws	10 000 000	1.83	10 000 000	1.83
W Theron			5 801 231	1.54

Audited	Share options granted during the year ended 29 Feb 2012		Unexercised share options as at 29 Feb 2012	
	Number	Exercise price (R)	Number	Weighted average exercise price (R)
W Theron	5 801 231	1.54	5 801 231	1.54

Equity-based remuneration (PSG Group Ltd shares granted in terms of PSG Group Ltd Share Incentive Trust)

Audited	Number of shares as at 28 Feb 2013	Number of scheme shares during year		Average market price per share on vesting date R	Vesting price per share R	Date granted	Number of shares as at 28 Feb 2014
		Granted	Vested				
Non-executive							
JF Mouton ¹⁾	250 000		(150 000)	65.85	17.81	21/04/2008	100 000
CA Otto	125 000		(75 000)	66.39	17.59	23/04/2008	50 000
Total	375 000	–	(225 000)				150 000

DIRECTORS' EMOLUMENTS (continued)

Equity-based remuneration (PSG Group Ltd shares granted in terms of PSG Group Ltd Share Incentive Trust) (continued)

Audited	Number of shares as at 29 Feb 2012	Number of scheme shares during year	Average market price per share on vesting date R	Vesting price per share R	Date granted	Number of shares as at 28 Feb 2013
		Granted Vested				
Non-executive						
JF Mouton ¹⁾	12 000	(12 000)	64.60	20.16	26/10/2006	–
	450 000	(200 000)	56.75	17.81	21/04/2008	250 000
	462 000	– (212 000)				250 000
J de V du Toit	12 000	(12 000)	64.60	20.16	26/10/2006	–
CA Otto	12 000	(12 000)	64.60	20.16	26/10/2006	–
	225 000	(100 000)	57.20	17.59	23/04/2008	125 000
	237 000	– (112 000)				125 000
Total	711 000	– (336 000)				375 000

Audited	Number of shares as at 28 Feb 2011	Number of scheme shares during year	Average market price per share on vesting date R	Vesting price per share R	Date granted	Number of shares as at 29 Feb 2012
		Granted Vested				
Executive						
JF Mouton ¹⁾	30 000	(18 000)	47.71	20.16	26/10/2006	12 000
	700 000	(250 000)	42.78	17.81	21/04/2008	450 000
	730 000	– (268 000)				462 000
Non-executive						
J de V du Toit	30 000	(18 000)	47.71	20.16	26/10/2006	12 000
CA Otto	30 000	(18 000)	47.71	20.16	26/10/2006	12 000
	350 000	(125 000)	42.78	17.59	23/04/2008	225 000
	380 000	– (143 000)				237 000
Total	1 140 000	– (429 000)				711 000

1) Mr JF Mouton was an executive director on the grant date.

Equity-based remuneration (PSG Group Ltd share options granted in terms of PSG Group Ltd Supplementary Share Incentive Trust)

Audited	Number of share options as at 28 Feb 2013	Number of scheme shares during year	Average market price per share on vesting date R	Vesting price per share R	Date granted	Number of share options as at 28 Feb 2014
		Granted Vested				
Executive						
WL Greeff	86 099	(43 049)	65.85	15.52	20/04/2009	43 050
	98 409	(49 205)	70.51	18.77	28/08/2009	49 204
	13 342			22.09	28/02/2010	13 342
	183 888			39.61	28/02/2011	183 888
	90 718			47.39	28/02/2012	90 718
	104 179			61.50	28/02/2013	104 179
		601 428		83.23	28/02/2014*	601 428
	576 635	601 428 (92 254)				1 085 809
JA Holtzhausen	65 726	(32 864)	65.85	15.52	20/04/2009	32 862
	85 578	(42 789)	70.51	18.77	28/08/2009	42 789
	77 490			22.09	28/02/2010	77 490
	148 327			39.61	28/02/2011	148 327
	99 791			47.39	28/02/2012	99 791
	103 538			61.50	28/02/2013	103 538
		602 244		83.23	28/02/2014 *	602 244
	580 450	602 244 (75 653)				1 107 041

PSG GROUP LIMITED
DIRECTORS' REPORT

for the year ended 28 February 2014

DIRECTORS' EMOLUMENTS (continued)

Equity-based remuneration (PSG Group Ltd share options granted in terms of PSG Group Ltd Supplementary Share Incentive Trust) (continued)

Audited	Number of share options as at 28 Feb 2013	Number of scheme shares during year Granted	Vested	Average market price per share on vesting date R	Vesting price per share R	Date granted	Number of share options as at 28 Feb 2014
Executive							
PJ Mouton	70 467		(35 234)	65.85	15.52	20/04/2009	35 233
	81 655		(40 827)	70.51	18.77	28/08/2009	40 828
	75 542				22.09	28/02/2010	75 542
	226 394				39.61	28/02/2011	226 394
	112 842				47.39	28/02/2012	112 842
	129 052				61.50	28/02/2013	129 052
		661 884			83.23	28/02/2014 *	661 884
	695 952	661 884	(76 061)				1 281 775
Non-executive							
JF Mouton	383 641		(127 880)	65.88	26.16	22/04/2010	255 761
	151 464				39.61	28/02/2011	151 464
	204 056				47.39	28/02/2012	204 056
	171 164				61.50	28/02/2013	171 164
		643 824			83.23	28/02/2014 *	643 824
	910 325	643 824	(127 880)				1 426 269
Total	2 763 362	2 509 380	(371 848)				4 900 894

* Included in the 28 February 2014 share option allocation is a one-off allocation of 500 000 PSG Group Ltd share options each for a total of 2 million PSG Group Ltd share options, which was made to appropriately incentivise the aforementioned four directors. Retention of these directors' services are considered key to PSG Group Ltd's continued success.

Audited	Number of share options as at 29 Feb 2012	Number of scheme shares during year Granted	Vested	Average market price per share on vesting date R	Vesting price per share R	Date granted	Number of share options as at 28 Feb 2013
Executive							
WL Greeff	129 148		(43 049)	56.75	15.52	20/04/2009	86 099
	147 614		(49 205)	66.00	18.77	28/08/2009	98 409
	20 014		(6 672)	61.26	22.09	28/02/2010	13 342
	245 184		(61 296)	61.26	39.61	28/02/2011	183 888
	90 718				47.39	28/02/2012	90 718
		104 179			61.50	28/02/2013	104 179
	632 678	104 179	(160 222)				576 635
JA Holtzhausen	98 590		(32 864)	56.75	15.52	20/04/2009	65 726
	128 367		(42 789)	66.00	18.77	28/08/2009	85 578
	116 236		(38 746)	61.26	22.09	28/02/2010	77 490
	197 770		(49 443)	61.26	39.61	28/02/2011	148 327
	99 791				47.39	28/02/2012	99 791
		103 538			61.50	28/02/2013	103 538
	640 754	103 538	(163 842)				580 450
PJ Mouton	105 701		(35 234)	56.75	15.52	20/04/2009	70 467
	122 482		(40 827)	66.00	18.77	28/08/2009	81 655
	113 314		(37 772)	61.26	22.09	28/02/2010	75 542
	301 859		(75 465)	61.26	39.61	28/02/2011	226 394
	112 842				47.39	28/02/2012	112 842
		129 052			61.50	28/02/2013	129 052
	756 198	129 052	(189 298)				695 952

DIRECTORS' EMOLUMENTS (continued)

Equity-based remuneration (PSG Group Ltd share options granted in terms of PSG Group Ltd Supplementary Share Incentive Trust) (continued)

Audited	Number of share options as at 29 Feb 2012	Number of scheme shares during year Granted	Vested	Average market price per share on vesting date R	Vesting price per share R	Date granted	Number of share options as at 28 Feb 2013
Non-executive							
JF Mouton	511 521		(127 880)	56.75	26.16	22/04/2010	383 641
	201 952		(50 488)	61.26	39.61	28/02/2011	151 464
	204 056				47.39	28/02/2012	204 056
		171 164			61.50	28/02/2013	171 164
	917 529	171 164	(178 368)				910 325
Total	2 947 159	507 933	(691 730)				2 763 362

Audited	Number of share options as at 28 Feb 2011	Number of scheme shares during year Granted	Vested	Average market price per share on vesting date R	Vesting price per share R	Date granted	Number of share options as at 29 Feb 2012
Executive							
WL Greeff	172 197		(43 049)	43.05	15.52	20/04/2009	129 148
	196 819		(49 205)	45.09	18.77	28/08/2009	147 614
	26 686		(6 672)	47.16	22.09	28/02/2010	20 014
	245 184				39.61	28/02/2011	245 184
		90 718			47.39	28/02/2012	90 718
	640 886	90 718	(98 926)				632 678
JA Holtzhausen	131 454		(32 864)	43.05	15.52	20/04/2009	98 590
	171 156		(42 789)	45.09	18.77	28/08/2009	128 367
	154 982		(38 746)	47.16	22.09	28/02/2010	116 236
	197 770				39.61	28/02/2011	197 770
		99 791			47.39	28/02/2012	99 791
	655 362	99 791	(114 399)				640 754
PJ Mouton	140 935		(35 234)	43.05	15.52	20/04/2009	105 701
	163 309		(40 827)	45.09	18.77	28/08/2009	122 482
	151 086		(37 772)	47.16	22.09	28/02/2010	113 314
	301 859				39.61	28/02/2011	301 859
		112 842			47.39	28/02/2012	112 842
	757 189	112 842	(113 833)				756 198
Non-executive							
JF Mouton	511 521				26.16	22/04/2010	511 521
	201 952				39.61	28/02/2011	201 952
		204 056			47.39	28/02/2012	204 056
	713 473	204 056	–				917 529
Total	2 766 910	507 407	(327 158)				2 947 159

PRESCRIBED OFFICERS

The members of the PSG Group Executive Committee ("Exco") are regarded as being the prescribed officers of the company. The Exco comprises Messrs JF Mouton (non-executive chairman), PJ Mouton (CEO), WL Greeff (financial director), JA Holtzhausen (executive) and CA Otto (independent non-executive). All being directors of PSG Group Ltd, their remuneration is detailed above. The duties and responsibilities of the Exco are set out in the chairman's letter and corporate governance report of the annual report available at www.psggroup.co.za.

PSG GROUP LIMITED**DIRECTORS' REPORT**

for the year ended 28 February 2014

SHAREHOLDING OF DIRECTORS

The shareholding of directors, excluding the participation in the share incentive schemes (being disclosed above), in the issued share capital of the company as at 28 February 2014 was as follows:

Audited	Beneficial		Non-beneficial	Total shareholding 2014		Total shareholding 2013		Total shareholding 2012	
	Direct	Indirect	Indirect	Number	%	Number	%	Number	%
PE Burton			100 000	100 000	0.1	100 000	0.1	100 000	0.1
J de V du Toit			3 840 000	3 840 000	2.0	3 840 000	2.0	3 828 000	2.1
MM du Toit		5 210 716		5 210 716	2.7	5 079 454	2.7	5 079 454	2.8
WL Greeff	93 357	888 045		981 402	0.5	889 148	0.5	228 926	0.1
JA Holtzhausen	535 594	500 000		1 035 594	0.5	959 941	0.5	296 099	0.2
JF Mouton	3 885 847		45 026 507	48 912 354	25.8	48 634 474	25.4	47 862 616	25.9
JJ Mouton	115 000	1 402 600		1 517 600	0.8	1 478 600	0.8	1 458 600	0.8
PJ Mouton	54 148	4 913 292		4 967 440	2.6	4 888 379	2.5	4 199 081	2.3
CA Otto	108		3 801 813	3 801 921	2.0	3 746 921	2.0	3 655 541	2.0
W Theron	10 000		157 502	167 502	0.1	162 502	0.1	162 502	0.1
Total	4 694 054	12 914 653	52 925 822	70 534 529	37.1	69 779 419	36.6	66 870 819	36.4

Subsequent to year-end:

- Messrs JF Mouton and CA Otto obtained a further 100 000 and 50 000 PSG Group Ltd ordinary shares respectively, having taken delivery of same in terms of the PSG Group Ltd Share Incentive Trust. No further vestings are due in terms of the PSG Group Ltd Share Incentive Trust.
- The following number of share options were exercised in terms of the PSG Group Ltd Supplementary Share Incentive Trust:

	Number of share options
WL Greeff	133 698
JA Holtzhausen	145 999
JF Mouton	229 382
PJ Mouton	176 681

- Messrs WL Greeff and JA Holtzhausen each disposed of 100 000 PSG Group Ltd shares to settle share incentive scheme obligations.
- Mr JF Mouton acquired 200 000 PSG Group Ltd shares.

SPECIAL RESOLUTIONS PASSED BY SUBSIDIARIES

Details of special resolutions passed by subsidiaries during the 2014 year, which are most significant to the group, are as follows:

PSG Financial Services Ltd

The board of the company be authorised, in terms of sections 45(3)(a)(ii) and 44(3)(a)(ii) of the Companies Act, 71 of 2008, to approve any direct or indirect financial assistance that the board may deem fit to any director, prescribed officer or company that is related or inter-related to the company on the terms and conditions and for amounts that the board of the company may determine (including direct or indirect financial assistance for the purchase of shares in a related or inter-related company).

The company be authorised to repurchase its own issued shares, upon such terms and conditions as the directors of the company may determine, but subject to the provisions of sections 46 and 48 of the Companies Act, 71 of 2008, the memorandum of incorporation of the company, the Listings Requirements of the JSE Ltd (if listed) and the requirements of any other stock exchange on which the shares of the company may be quoted or listed.

The company approved the acquisition by any subsidiary of the company of shares issued by such subsidiary and/or by the company upon such terms and conditions that the directors of such subsidiary may determine, but subject to the provisions of sections 46 and 48 of the Companies Act, 71 of 2008, the memorandum of incorporation of the company, the Listings Requirements of the JSE Ltd (if listed) and the requirements of any other stock exchange on which the shares of the subsidiary may be quoted or listed.

The company be authorised to reorganise its authorised and issued share capital by:

- The conversion of each of the existing authorised and issued ordinary par value shares of R0.08 (eight cents) each into authorised and issued ordinary shares of no par value; and
- The conversion of each of the existing authorised and issued cumulative, non-redeemable, non-participating, variable rate preference shares ("preference shares") with a par value of R1 (one rand) each into authorised and issued preference shares of no par value.

The company be authorised to make consequential amendments to the memorandum of incorporation of the company resulting from the passing of the aforementioned special resolution with regard to the conversion of the authorised and issued share capital.

SPECIAL RESOLUTIONS PASSED BY SUBSIDIARIES *(continued)*

PSG Financial Services Ltd *(continued)*

Subsidiary companies of the company, except for those which are specifically mentioned below, be authorised to:

- Reorganise authorised and issued share capital by the conversion of each of the existing authorised and issued ordinary par value shares into authorised and issued ordinary shares with no par value; and
- Approve any direct or indirect financial assistance, in terms of sections 45(3)(a)(ii) and 44(3)(a)(ii) of the Companies Act, 71 of 2008, that the board may deem fit to any director, prescribed officer or company that is related or inter-related to the company on the terms and conditions and for amounts that the board of the company may determine (including direct or indirect financial assistance for the purchase of shares in a related or inter-related company).

PSG Private Equity (Pty) Ltd, a subsidiary of the company, be authorised to reorganise its authorised and issued preference share capital by the conversion of each of the existing authorised and issued preference par value shares into authorised and issued preference shares with no par value.

Ou Kollege Beleggings Ltd, a subsidiary of the company, be authorised to terminate the existing 2 000 authorised redeemable preference shares designated as Class D preference shares.

Zeder Investments Ltd

The board of the company be authorised, in terms of sections 45(3)(a)(ii) and 44(3)(a)(ii) of the Companies Act, 71 of 2008, to approve any direct or indirect financial assistance that the board may deem fit to any director, prescribed officer or company that is related or inter-related to the company on the terms and conditions and for amounts that the board of the company may determine (including direct or indirect financial assistance for the purchase of shares in a related or inter-related company).

The company be authorised to repurchase its own issued shares, upon such terms and conditions as the directors of the company may determine, but subject to the provisions of sections 46 and 48 of the Companies Act, 71 of 2008, the memorandum of incorporation of the company, the Listings Requirements of the JSE Ltd (if listed) and the requirements of any other stock exchange on which the shares of the company may be quoted or listed.

The company approved the acquisition by any subsidiary of the company of shares issued by such subsidiary and/or by the company upon such terms and conditions that the directors of such subsidiary may determine, but subject to the provisions of sections 46 and 48 of the Companies Act, 71 of 2008, the memorandum of incorporation of the company, the Listings Requirements of the JSE Ltd (if listed) and the requirements of any other stock exchange on which the shares of the subsidiary may be quoted or listed.

The company be authorised to reorganise its authorised and issued share capital by:

- The conversion of each of the existing authorised and issued ordinary par value shares of R0.01 (one cent) each into authorised and issued ordinary shares of no par value; and
- The conversion of each of the existing authorised cumulative, non-redeemable, non-participating, preference shares ("preference shares") with a par value of R0.01 (one cent) each into authorised preference shares of no par value.

The company be authorised to increase its authorised ordinary share capital by the creation of a further 500 000 000 ordinary no par value shares, so as to result in a total of 2 000 000 000 ordinary no par value shares in the ordinary share capital of the company.

The company be authorised to make consequential amendments to the memorandum of incorporation of the company resulting from the passing of the aforementioned special resolutions with regard to the conversion of the authorised and issued share capital and the creation of further ordinary no par value shares.

Curro Holdings Ltd

The company be authorised to remunerate its directors for their services as directors.

The board of the company be authorised, in terms of sections 45(3)(a)(ii) and 44(3)(a)(ii) of the Companies Act, 71 of 2008, to approve any direct or indirect financial assistance that the board may deem fit to any director, prescribed officer or company that is related or inter-related to the company on the terms and conditions and for amounts that the board of the company may determine (including direct or indirect financial assistance for the purchase of shares in a related or inter-related company).

The company be authorised to repurchase its own issued shares, upon such terms and conditions as the directors of the company may determine, but subject to the provisions of sections 46 and 48 of the Companies Act, 71 of 2008, the memorandum of incorporation of the company, the Listings Requirements of the JSE Ltd (if listed) and the requirements of any other stock exchange on which the shares of the company may be quoted or listed.

The company approved the acquisition by any subsidiary of the company of shares issued by such subsidiary and/or by the company upon such terms and conditions that the directors of such subsidiary may determine, but subject to the provisions of sections 46 and 48 of the Companies Act, 71 of 2008, the memorandum of incorporation of the company, the Listings Requirements of the JSE Ltd (if listed) and the requirements of any other stock exchange on which the shares of the subsidiary may be quoted or listed.

PSG Konsult Ltd

The company be authorised to remunerate its directors for their services as directors.

The board of the company be authorised, in terms of section 45(3)(a)(ii) and 44(3)(a)(ii) of the Companies Act, 71 of 2008, to approve any direct or indirect financial assistance that the board may deem fit to any director, prescribed officer or company that is related or inter-related to the company on the terms and conditions and for amounts that the board of the company may determine (including direct or indirect financial assistance for the purchase of shares in a related or inter-related company).

The company and/or its subsidiaries be authorised to repurchase its own shares upon such terms as the directors may determine, but subject to the provisions of section 46 and 48 of the Companies Act, 71 of 2008, and the memorandum of incorporation of the company.

The company converted its authorised and issued share capital to no par value shares and then increased the authorised share capital by 1 500 000 000 ordinary shares to 3 000 000 000 shares.

The company approved and adopted a new memorandum of incorporation, in terms of section 16(5)(a) of the Companies Act, 71 of 2008.

PSG GROUP LIMITED

DIRECTORS' REPORT

for the year ended 28 February 2014

SPECIAL RESOLUTIONS PASSED BY SUBSIDIARIES *(continued)*

Details of special resolutions passed by subsidiaries during the 2013 year, which are material to the group, are as follows:

PSG Financial Services Ltd

The board of the company be authorised, in terms of section 45(3)(a)(ii) and 44(3)(a)(ii) of the Companies Act, 71 of 2008, to approve any direct or indirect financial assistance that the board may deem fit to any director, prescribed officer or company that is related or inter-related to the company on the terms and conditions and for amounts that the board of the company may determine (including direct or indirect financial assistance for the purchase of shares in a related or inter-related company).

The company be authorised to repurchase its own issued shares, upon such terms and conditions as the directors of the company may determine, but subject to the provisions of section 46 and 48 of the Companies Act, 71 of 2008, the memorandum of incorporation of the company, the Listings Requirements of the JSE Ltd (if listed) and the requirements of any other stock exchange on which the shares of the company may be quoted or listed.

The company approved the acquisition by any subsidiary of the company of shares issued by such subsidiary and/or by the company upon such terms and conditions that the directors of such subsidiary may determine, but subject to the provisions of section 46 and 48 of the Companies Act, 71 of 2008, the memorandum of incorporation of the company, the Listings Requirements of the JSE Ltd (if listed) and the requirements of any other stock exchange on which the shares of the subsidiary may be quoted or listed.

The company approved and adopted, in terms of section 16(5)(a) of the Companies Act, 71 of 2008, a new memorandum of incorporation, which includes the terms and conditions of the preference shares of the company.

Paladin Capital Ltd

The company and its subsidiaries be authorised to be restructured, whereby the company unbundled its interest in its subsidiary, Paladin Capital Financial Services (Pty) Ltd, to its sole shareholder being PSG Financial Services Ltd, and another subsidiary of the company, Paladin Capital Corporate Services (Pty) Ltd, distributed all its assets and assign all its liabilities to Paladin Capital Financial Services (Pty) Ltd in anticipation of the deregistration of the former.

Subsequently, Paladin Capital Financial Services (Pty) Ltd changed its name to PSG Private Equity (Pty) Ltd.

Zeder Investments Ltd

The board of the company be authorised, in terms of section 45(3)(a)(ii) and 44(3)(a)(ii) of the Companies Act, 71 of 2008, to approve any direct or indirect financial assistance that the board may deem fit to any director, prescribed officer or company that is related or inter-related to the company on the terms and conditions and for amounts that the board of the company may determine (including direct or indirect financial assistance for the purchase of shares in a related or inter-related company).

The company be authorised to repurchase its own issued shares, upon such terms and conditions as the directors of the company may determine, but subject to the provisions of section 46 and 48 of the Companies Act, 71 of 2008, the memorandum of incorporation of the company, the Listings Requirements of the JSE Ltd (if listed) and the requirements of any other stock exchange on which the shares of the company may be quoted or listed.

The company approved the acquisition by any subsidiary of the company of shares issued by such subsidiary and/or by the company upon such terms and conditions that the directors of such subsidiary may determine, but subject to the provisions of section 46 and 48 of the Companies Act, 71 of 2008, the memorandum of incorporation of the company, the Listings Requirements of the JSE Ltd (if listed) and the requirements of any other stock exchange on which the shares of the subsidiary may be quoted or listed.

The company approved and adopted, in terms of section 16(5)(a) of the Companies Act, 71 of 2008, a new memorandum of incorporation.

Curro Holdings Ltd

The company be authorised to remunerate its directors for their services as directors.

The board of the company be authorised, in terms of section 45(3)(a)(ii) of the Companies Act, 71 of 2008, to approve any direct or indirect financial assistance that the board may deem fit to any company that is related or inter-related to the company on the terms and conditions and for amounts that the board of the company may determine (including direct or indirect financial assistance for the purchase of shares in a related or inter-related company).

The company be authorised to repurchase its own issued shares, upon such terms and conditions as the directors of the company may determine, but subject to the provisions of section 46 and 48 of the Companies Act, 71 of 2008, the memorandum of incorporation of the company, the Listings Requirements of the JSE Ltd (if listed) and the requirements of any other stock exchange on which the shares of the company may be quoted or listed.

The company approved the acquisition by any subsidiary of the company of shares issued by such subsidiary and/or by the company upon such terms and conditions that the directors of such subsidiary may determine, but subject to the provisions of section 46 and 48 of the Companies Act, 71 of 2008, the memorandum of incorporation of the company, the Listings Requirements of the JSE Ltd (if listed) and the requirements of any other stock exchange on which the shares of the subsidiary may be quoted or listed.

The company approved and adopted, in terms of section 16(5)(a) of the Companies Act, 71 of 2008, a new memorandum of incorporation. In addition thereto the company converted its ordinary share capital of shares with a par value to shares of no par value.

SPECIAL RESOLUTIONS PASSED BY SUBSIDIARIES *(continued)*

PSG Konsult Ltd

The company be authorised to remunerate its directors for their services as directors.

The board of the company be authorised, in terms of section 45(3)(a)(ii) and 44(3)(a)(ii) of the Companies Act, 71 of 2008, to approve any direct or indirect financial assistance that the board may deem fit to any director, prescribed officer or company that is related or inter-related to the company on the terms and conditions and for amounts that the board of the company may determine.

The company and/or its subsidiaries be authorised to repurchase its own shares upon such terms as the directors may determine, but subject to the provisions of section 46 and 48 of the Companies Act, 71 of 2008, and the memorandum of incorporation of the company.

The company approved and adopted, in terms of section 16(5)(a) of the Companies Act, 71 of 2008, a new memorandum of incorporation.

Details of special resolutions passed by subsidiaries during the 2012 year, which are material to the group, are as follows:

PSG Financial Services Ltd

The board of the company be authorised, in terms of section 45(3)(a)(ii) of the Companies Act, 71 of 2008, to approve any direct or indirect financial assistance that the board may deem fit to any company that is related or inter-related to the company on the terms and conditions and for amounts that the board of the company may determine.

The company be authorised to repurchase its own issued shares, upon such terms and conditions as the directors of the company may determine, but subject to the provisions of section 46 and 48 of the Companies Act, 71 of 2008, the memorandum of incorporation of the company, the Listings Requirements of the JSE Ltd (if listed) and the requirements of any other stock exchange on which the shares of the company may be quoted or listed.

The company approved the acquisition by any subsidiary of the company of shares issued by such subsidiary and/or by the company upon such terms and conditions that the directors of such subsidiary may determine, but subject to the provisions of section 46 and 48 of the Companies Act, 71 of 2008, the memorandum of incorporation of the company, the Listings Requirements of the JSE Ltd (if listed) and the requirements of any other stock exchange on which the shares of the subsidiary may be quoted or listed.

Paladin Capital Ltd

The Company be authorised to remunerate its directors for their services as directors.

The board of the company be authorised, in terms of section 45(3)(a)(ii) of the Companies Act, 71 of 2008, to approve, any direct or indirect financial assistance that the board may deem fit to any company that is related or inter-related to the company on the terms and conditions and for amounts that the board of the company may determine.

The company be authorised to repurchase its own issued shares, upon such terms and conditions as the directors of the company may determine, but subject to the provisions of section 46 and 48 of the Companies Act, 71 of 2008, the memorandum of incorporation of the company, the Listings Requirements of the JSE Ltd (if listed) and the requirements of any other stock exchange on which the shares of the company may be quoted or listed.

The company approved the acquisition by any subsidiary of the company of shares issued by such subsidiary and/or by the company upon such terms and conditions that the directors of such subsidiary may determine, but subject to the provisions of section 46 and 48 of the Companies Act, 71 of 2008, the memorandum of incorporation of the company, the Listings Requirements of the JSE Ltd (if listed) and the requirements of any other stock exchange on which the shares of the subsidiary may be quoted or listed.

Zeder Investments Ltd

The Company be authorised to remunerate its directors for their services as directors.

The board of the company be authorised, in terms of section 45(3)(a)(ii) of the Companies Act, 71 of 2008, to approve, any direct or indirect financial assistance that the board may deem fit to any company that is related or inter-related to the company on the terms and conditions and for amounts that the board of the company may determine.

The company be authorised to repurchase its own issued shares, upon such terms and conditions as the directors of the company may determine, but subject to the provisions of section 46 and 48 of the Companies Act, 71 of 2008, the memorandum of incorporation of the company, the Listings Requirements of the JSE Ltd (if listed) and the requirements of any other stock exchange on which the shares of the company may be quoted or listed.

The company approved the acquisition by any subsidiary of the company of shares issued by such subsidiary and/or by the company upon such terms and conditions that the directors of such subsidiary may determine, but subject to the provisions of section 46 and 48 of the Companies Act, 71 of 2008, the memorandum of incorporation of the company, the Listings Requirements of the JSE Ltd (if listed) and the requirements of any other stock exchange on which the shares of the subsidiary may be quoted or listed.

PSG GROUP LIMITED**DIRECTORS' REPORT**

for the year ended 28 February 2014

SPECIAL RESOLUTIONS PASSED BY SUBSIDIARIES *(continued)***Curro Holdings Ltd**

The company converted from a private to a public company, increased its authorised share capital and adopted a new Memorandum and Articles of Association.

The company, and any subsidiary of the company, be authorised to repurchase any of the shares issued by the company, upon such terms and conditions and in such amounts as the directors of the company, or the subsidiary as the case may be, may from time to time determine, but subject to the provisions of section 85 to 89 of the Companies Act of 1973, the Articles of Association of the company and the Listings Requirements of the JSE Ltd (if listed).

The company approved the acquisition by any subsidiary of the company of shares issued by such subsidiary upon such terms and conditions and in such amounts as the directors of such subsidiary may from time to time decide, but subject to the provisions of section 85 to 89 of the Companies Act of 1973, the Articles of Association of the company and the Listings Requirements of the JSE Ltd (if listed).

PSG Konsult Ltd

The Company be authorised to remunerate its directors for their services as directors.

The board of the company be authorised, in terms of section 45(3)(a)(ii) of the Companies Act, 71 of 2008 to approve, any direct or indirect financial assistance that the board may deem fit to any company that is related or inter-related to the company on the terms and conditions and for amounts that the board of the company may determine.

The company and/or its subsidiaries be authorised to repurchase its own shares upon such terms as the directors may determine, but subject to the provisions of section 46 and 48 of the Companies Act, 71 of 2008, and the memorandum of incorporation of the company.

PSG Fund Management group

In terms of the PSG Fund Management/PSG Konsult merger effective 1 March 2011, various special resolutions were passed to amalgamate companies within the PSG Fund Management group in terms of section 228, and to distribute a dividend in specie in terms of section 90 of the Companies Act of 1973.

PSG Fund Management (Pty) Ltd changed its name to PSG Asset Management Group Services (Pty) Ltd, and PSG Fund Management Holdings (Pty) Ltd changed its name to PSG Asset Management (Pty) Ltd. A new holding company was established, PSG Asset Management Holdings (Pty) Ltd.

PSG GROUP LIMITED
STATEMENTS OF FINANCIAL POSITION
as at 28 February 2014

		GROUP			COMPANY		
	Notes	2014 R'000	2013* R'000	2012 R'000	2014 R'000	2013* R'000	2012 R'000
ASSETS							
Property, plant and equipment	1	3 326 780	1 799 667	654 745			
Intangible assets	2	2 094 528	1 666 539	1 114 296			
Investment in subsidiary	3				1 012 759	1 012 759	1 012 759
Loan granted to subsidiary	3				1 786 095	2 036 680	1 519 098
Investment in ordinary shares of associates	4.1	6 299 972	5 961 336	5 671 494			
Investment in preference shares of/loans granted to associates	4.1	316 531	312 720	446 121			
Investment in ordinary shares of joint ventures	4.2	12 124					
Investment in preference shares of/loans granted to joint ventures	4.2	4 838					
Employee benefits	25	33 090					
Unit-linked investments	5	10 308 873	6 790 713	5 422 475			
Equity securities	6	911 694	1 113 288	1 410 841			
Debt securities	7	1 963 161	1 872 762	1 866 121			
Deferred income tax assets	8	125 852	59 523	51 289			
Biological assets	9	201 426	31 264				
Investment in investment contracts	10	507 818	850 152	1 003 885			
Loans and advances	11	355 481	246 460	85 726			
Trade and other receivables	12	3 718 788	2 243 585	2 491 454	201	220	8
Derivative financial assets	13	30 130	15 955	10 159			
Inventories	14	913 701	320 813				
Current income tax assets		42 883	14 572	6 456			
Reinsurance assets	15	67 273	51 993				
Cash and cash equivalents (including money market funds)	16	2 149 872	2 218 321	725 657	281	217	127
Non-current assets held for sale	17	181 997	287 733				
Total assets		33 566 812	25 857 396	20 960 719	2 799 336	3 049 876	2 531 992
EQUITY							
Equity attributable to owners of the parent							
Stated/share capital	18	2 703 666	1 836	1 787	2 703 911	2 081	2 027
Share premium			2 734 935	2 374 253		2 734 935	2 374 253
Treasury shares		(467 360)	(426 359)	(303 213)			
Other reserves	19	109 086	20 176	32 739			
Retained earnings		4 509 861	3 659 149	2 654 340	92 949	310 600	153 620
		6 855 253	5 989 737	4 759 906	2 796 860	3 047 616	2 529 900
Non-controlling interests	20	5 591 595	4 159 679	3 187 638			
Total equity		12 446 848	10 149 416	7 947 544	2 796 860	3 047 616	2 529 900
LIABILITIES							
Insurance contracts	21	493 163	378 084	29 949			
Third-party liabilities arising on consolidation of mutual funds	22	372 169	25 103	16 008			
Investment contracts	23	12 692 768	10 272 444	9 144 681			
Deferred income tax liabilities	8	331 567	243 454	139 913			
Borrowings	24	3 266 387	2 205 335	890 896			
Derivative financial liabilities	13	99 528	140 050	45 261			
Employee benefits	25	295 503	31 968	21 112			
Accruals for other liabilities and charges	26	16 825	22 100				
Trade and other payables	27	3 510 878	2 380 173	2 708 379	2 476	2 260	2 092
Reinsurance liabilities	15	2 842	2 889				
Current income tax liabilities		38 334	6 380	16 976			
Total liabilities		21 119 964	15 707 980	13 013 175	2 476	2 260	2 092
Total equity and liabilities		33 566 812	25 857 396	20 960 719	2 799 336	3 049 876	2 531 992

* Restated as set out in note 48.

PSG GROUP LIMITED
INCOME STATEMENTS

for the year ended 28 February 2014

	Notes	GROUP			COMPANY		
		2014 R'000	2013 R'000	2012 R'000	2014 R'000	2013* R'000	2012 R'000
Revenue from sale of goods	28	7 568 643	2 001 795				
Cost of goods sold	29	(6 684 579)	(1 682 942)				
GROSS PROFIT ON SALE OF GOODS		884 064	318 853	–			
INCOME							
Changes in fair value of biological assets	9	90 510	28 703				
Investment income	30	507 036	418 264	387 894	35 690	340 810	144 000
Fair value gains and losses	31	1 453 597	1 023 923	533 729			
Fair value adjustment to investment contract liabilities	23	(1 342 712)	(1 186 618)	(624 103)			
Commission and other fee income	32	3 540 091	1 941 096	1 527 572			
Other operating income and expenses	33	99 274	830 147	226 818			
Total income		4 347 796	3 055 515	2 051 910	35 690	340 810	144 000
EXPENSES							
Insurance claims and loss adjustments, net of recoveries	34	(353 358)	(59 974)	279			
Marketing, administration and other expenses	35	(3 737 609)	(2 276 570)	(1 456 328)	(1 774)	(1 636)	(1 672)
Total expenses		(4 090 967)	(2 336 544)	(1 456 049)	(1 774)	(1 636)	(1 672)
INCOME FROM ASSOCIATES AND JOINT VENTURES							
Share of profits of associates and joint ventures	4	943 066	1 036 620	684 087			
Loss on impairment of associates	4	(24 458)	(104 154)	(40 954)			
Total income from associates and joint ventures		918 608	932 466	643 133	–	–	–
Profit before finance costs and taxation		2 059 501	1 970 290	1 238 994	33 916	339 174	142 328
Finance costs	36	(263 337)	(206 025)	(109 620)			
Profit before taxation		1 796 164	1 764 265	1 129 374	33 916	339 174	142 328
Taxation	37	(287 892)	(248 075)	(104 051)			
Profit for the year		1 508 272	1 516 190	1 025 323	33 916	339 174	142 328
Profit attributable to:							
Owners of the parent		1 052 034	1 139 789	703 085	33 916	339 174	142 328
Non-controlling interests		456 238	376 401	322 238			
		1 508 272	1 516 190	1 025 323	33 916	339 174	142 328
Earnings per share (cents)	38						
Basic		574.9	625.5	404.4			
Diluted		570.2	620.5	400.3			

* Restated as set out in note 48.

PSG GROUP LIMITED

STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 28 February 2014

	GROUP			COMPANY		
	2014	2013	2012	2014	2013	2012
	R'000	R'000	R'000	R'000	R'000	R'000
Profit for the year	1 508 272	1 516 190	1 025 323	33 916	339 174	142 328
Other comprehensive income/(loss) for the year, net of taxation	152 784	20 595	(19 257)	–	–	–
May be subsequently reclassified to profit or loss						
Currency translation adjustments	161 574	15 582	340			
Cash flow hedges	(15 917)					
Fair value gains/(losses) on available-for-sale investments	391	(120)	484			
Recycling fair value gains on available-for-sale investments	(678)					
Share of other comprehensive income of associates	62 152	6 358	42 839			
Recycling share of associates' other comprehensive income on disposal	(55 887)	(1 225)	(62 920)			
May not be subsequently reclassified to profit or loss						
Actuarial gains on employee defined benefit plans	1 149					
Total comprehensive income for the year	1 661 056	1 536 785	1 006 066	33 916	339 174	142 328
Attributable to:						
Owners of the parent	1 115 058	1 132 447	683 731	33 916	339 174	142 328
Non-controlling interests	545 998	404 338	322 335			
	1 661 056	1 536 785	1 006 066	33 916	339 174	142 328

PSG GROUP LIMITED
STATEMENTS OF CHANGES IN EQUITY
for the year ended 28 February 2014

GROUP	Stated/ share capital and share premium R'000	Treasury shares R'000	Other reserves R'000	Retained earnings R'000	Non- controlling interests R'000	Total R'000
Balance at 1 March 2011	1 799 446	(299 784)	40 996	2 044 140	3 025 828	6 610 626
Total comprehensive (loss)/income	–	–	(19 354)	703 085	322 335	1 006 066
Profit for the year				703 085	322 238	1 025 323
Other comprehensive (loss)/income			(19 354)		97	(19 257)
Transactions with owners	576 594	(3 429)	11 097	(92 885)	(160 525)	330 852
Issue of shares	576 594				201 495	778 089
Share-based payment costs – employees			11 097		655	11 752
Treasury shares acquired		(19 242)				(19 242)
Treasury shares sold		15 813				15 813
Acquisition of subsidiaries					4 777	4 777
Transactions with non-controlling interests				33 823	(240 921)	(207 098)
Dividends paid				(126 708)	(126 531)	(253 239)
Balance at 29 February 2012	2 376 040	(303 213)	32 739	2 654 340	3 187 638	7 947 544
Total comprehensive (loss)/income	–	–	(7 342)	1 139 789	404 338	1 536 785
Profit for the year				1 139 789	376 401	1 516 190
Other comprehensive (loss)/income			(7 342)		27 937	20 595
Transactions with owners	360 731	(123 146)	(5 221)	(134 980)	567 703	665 087
Issue of shares	360 736				551 505	912 241
Share-based payment costs – employees			14 194		3 265	17 459
Treasury shares acquired	(5)	(148 224)				(148 229)
Treasury shares sold		25 078				25 078
Acquisition of subsidiaries					202 040	202 040
Transactions with non-controlling interests			(19 415)	27 058	(32 238)	(24 595)
Dividends paid				(162 038)	(156 869)	(318 907)
Balance at 28 February 2013	2 736 771	(426 359)	20 176	3 659 149	4 159 679	10 149 416
Total comprehensive income	–	–	62 671	1 052 387	545 998	1 661 056
Profit for the year				1 052 034	456 238	1 508 272
Other comprehensive income			62 671	353	89 760	152 784
Transactions with owners	(33 105)	(41 001)	26 239	(201 675)	885 918	636 376
Issue of shares					737 326	737 326
Share buy-back	(33 105)					(33 105)
Share-based payment costs – employees			26 239		9 492	35 731
Treasury shares acquired		(60 364)				(60 364)
Treasury shares sold		19 363				19 363
Acquisition of subsidiaries					366 372	366 372
Transactions with non-controlling interests				20 104	(33 288)	(13 184)
Dividends paid				(221 779)	(193 984)	(415 763)
Balance at 28 February 2014	2 703 666	(467 360)	109 086	4 509 861	5 591 595	12 446 848

COMPANY	Stated/ share capital and share premium R'000	Retained earnings R'000	Total R'000
Balance at 1 March 2011	1 799 686	154 503	1 954 189
Total comprehensive income			
Profit for the year		142 328	142 328
Transactions with owners	576 594	(143 211)	433 383
Issue of shares	576 594		576 594
Dividends paid		(143 211)	(143 211)
Balance at 29 February 2012	2 376 280	153 620	2 529 900
Total comprehensive income			
Profit for the year		339 174	339 174
Transactions with owners	360 736	(182 194)	178 542
Issue of shares	360 736		360 736
Dividends paid		(182 194)	(182 194)
Balance at 28 February 2013	2 737 016	310 600	3 047 616
Total comprehensive income			
Profit for the year		33 916	33 916
Transactions with owners	(33 105)	(251 567)	(284 672)
Share buy-back	(33 105)		(33 105)
Dividends paid		(251 567)	(251 567)
Balance at 28 February 2014	2 703 911	92 949	2 796 860

PSG GROUP LIMITED
STATEMENTS OF CASH FLOWS

for the year ended 28 February 2014

		GROUP			COMPANY		
	Notes	2014 R'000	2013 R'000	2012 R'000	2014 R'000	2013 R'000	2012 R'000
Cash flows from operating activities							
Cash generated from/(utilised by) operating activities	43.1	780 142	(127 362)	(239 947)	(1 539)	(1 680)	(1 377)
Interest income		392 201	292 718	225 846			
Dividend income		363 159	426 427	352 966	35 690	340 810	144 000
Finance costs		(266 479)	(158 869)	(118 038)			
Taxation paid	43.2	(262 435)	(308 368)	(97 920)			
<i>Net cash flow from operating activities</i>		1 006 588	124 546	122 907	34 151	339 130	142 623
Cash flows from investing activities							
Acquisition of subsidiaries	43.3	(215 671)	(1 047 941)	(75 734)			
Proceeds from sale of subsidiaries	43.4	(1 730)	2 742	5 457			
Acquisition of associates		(439 170)	(916 808)	(346 327)			
Proceeds from sale of associates		122 486	1 795 336	75 875			
Acquisition of joint ventures		(8 682)					
Repayment of loans and preference share funding by associates and joint ventures		32 791	133 401	30 875			
Acquisition of equity securities		(278 083)	(10 125)	(315 329)			
Proceeds from sale of equity securities		124 567	641 056	57 959			
Proceeds from sale of non-current assets held for sale		504 524					
Purchases of intangible assets (including books of business)		(46 677)	(34 587)	(79 423)			
Proceeds from sale of books of business		6 944	31 789	40 645			
Purchases of property, plant and equipment		(1 082 063)	(519 201)	(263 863)			
Proceeds from sale of property, plant and equipment		83 427	33 745	1 525			
Increase in loans and advances		(38 452)	(121 360)	(43 218)			
Decrease/(increase) in loan granted to subsidiary					250 585	(517 582)	(371 394)
<i>Net cash flow from investing activities</i>		(1 235 789)	(11 953)	(911 558)	250 585	(517 582)	(371 394)
Cash flows from financing activities							
Dividends paid to group shareholders		(221 779)	(162 038)	(126 708)	(251 567)	(182 194)	(143 211)
Dividends paid to non-controlling interests		(193 984)	(156 869)	(126 531)			
Capital contributions by non-controlling interests		679 436	492 905	201 495			
Acquired from non-controlling interests		(107 612)	(1 750)	(16 103)			
Acquired by non-controlling interests		155 284	22 310	5 496			
Increase in borrowings		504 164	1 158 464	130 000			
Borrowings repaid		(899 196)	(407 602)	(143 354)			
Purchase of holding company's treasury shares		(60 364)	(148 229)	(19 242)			
Proceeds from sale of holding company's treasury shares		12 553	25 078	12 714			
Shares issued			360 736	374 153		360 736	372 017
Share buy-back		(33 105)			(33 105)		
<i>Net cash flow from financing activities</i>		(164 603)	1 183 005	291 920	(284 672)	178 542	228 806
(Decrease)/increase in cash and cash equivalents		(393 804)	1 295 598	(496 731)	64	90	35
Exchange differences on cash and cash equivalents		46 730	1 498				
Cash and cash equivalents at beginning of the year		1 927 688	630 592	1 127 323	217	127	92
Cash and cash equivalents at end of the year	43.5	1 580 614	1 927 688	630 592	281	217	127

The principal accounting policies applied in the preparation of these consolidated and separate financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1. BASIS OF PREPARATION

The consolidated and separate financial statements of PSG Group Ltd have been prepared on the going concern basis and in accordance with International Financial Reporting Standards ("IFRS"); the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee; the Financial Reporting Pronouncements, as issued by the Financial Reporting Standards Council; the manner required by the South African Companies Act, 71 of 2008, as amended, and the Listings Requirements of the JSE Ltd. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets classified as "available-for-sale", financial assets and liabilities (including derivative financial instruments) classified as "at fair value through profit or loss", insurance contract liabilities that are measured in terms of the financial soundness valuation basis contained in PGN 104 issued by the Actuarial Society of South Africa, employee defined benefit assets and liabilities, and biological assets, as well as investments in associates and joint ventures being accounted for according to the equity method of accounting.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated and separate financial statements are disclosed in accounting policy note 31 below.

2. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS THAT ARE EFFECTIVE FOR THE FIRST TIME IN 2014

2.1.1 New standards, interpretations and amendments adopted by the group during the 2014 year

The following new standards, interpretations or amendments, which are relevant to the group's operations, became effective during the 2014 year:

- Amendments to IAS 1 Presentation of Financial Statements: Items of Other Comprehensive Income (effective 1 July 2012)

The amendments require the separation of items of other comprehensive income into two groups, based on whether or not they may be reclassified to profit or loss in the future. The required disclosure is provided in the group's statement of other comprehensive income.

- Amendments to IAS 19 Employee Benefits (effective 1 January 2013)

The amendments became relevant to the group following its acquisition of a controlling interest in Capespan Group Ltd (refer note 43.3), which operates defined benefit plans. Capespan Group Ltd previously elected to follow a policy of recognising remeasurements to employee defined benefit assets and liabilities directly in other comprehensive income, which has now become mandatory.

- Amendments to IAS 27 Consolidated and Separate Financial Statements and IAS 28 Investments in Associates (effective 1 January 2013).

Consequential amendments resulting from the issue of IFRS 10, 11 and 12.

- IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities (effective 1 January 2013)

The group has adopted aforementioned suite of new standards which deal with the accounting treatment for the group's interests in its investees. The group has reviewed its accounting policies and concluded that the adoption of same did not result in any material changes to the group's accounting for its investees.

- IFRS 13 Fair Value Measurement (effective 1 January 2013)

The group has adopted the new standard on how to measure fair value and enhance fair value disclosures. The adoption did not result in any material impact on the financial statements.

2.1.2 New standards, interpretations and amendments adopted by the group during the 2013 year

No new standards, interpretations or amendments, which are relevant to the group's operations, became effective during the 2013 year.

2.1.3 New standards, interpretations and amendments adopted by the group during the 2012 year

- Amendment to IFRS 7 Financial Instruments (effective 1 January 2011) *

Amendment clarifies the intended interaction between qualitative and quantitative disclosures of the nature and extent of risks arising from financial instruments and removed some disclosure items which were seen to be superfluous or misleading. The effect of the amendment was minor changes to financial instrument disclosures.

- Amendment to IAS 1 Presentation of Financial Instruments (effective 1 January 2011) *

Entities may present either in the statement of changes in equity or within the notes an analysis of the components of other comprehensive income by item. The group currently presents such analysis within the statement of changes in equity.

2. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS THAT ARE EFFECTIVE FOR THE FIRST TIME IN 2014 *(continued)*

2.1.3 New standards, interpretations and amendments adopted by the group during the 2012 year *(continued)*

- Amendments to IAS 24 Related Party Disclosures (effective 1 January 2011)
Simplification of the disclosure requirements for government-related entities and clarification of the definition of a related party. The amended definition of a related party did not cause any additional related-party transactions/balances to be disclosed by the group.
- Amendments to IAS 34 Interim Financial Reporting (effective 1 January 2011) *
Clarification of disclosure requirements around significant events and transactions, including financial instruments. The group applies this amendment to the presentation of its interim financial reports.

2.2.1 New standards, interpretations and amendments not currently relevant to the group's 2014 operations

The following new standards, interpretations and amendments, which are not currently relevant to the group's operations, had no impact on the measurement of amounts or disclosures in the 2014 year:

- Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards (effective 1 January 2013)
- Amendments to IFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities (effective 1 January 2013)
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine (effective 1 January 2013)
- Improvements to IFRSs 2011

2.2.2 New standards, interpretations and amendments not currently relevant to the group's 2013 operations

- Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards (effective 1 July 2011)
- Amendments to IFRS 7 Financial Instruments: Disclosures (effective 1 July 2011)
- Amendments to IAS 12 Income Taxes (effective 1 January 2012)

These standards, interpretations and amendments have no impact on the measurement of assets and liabilities or disclosures in the 2013 year.

2.2.3 New standards, interpretations and amendments not currently relevant to the group's 2012 operations

- Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards (effective 1 July 2010) *
- Amendments to IFRS 3 Business Combinations (effective 1 January 2011) *
- Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates (effective 1 July 2010)
- Amendments to IAS 27 Consolidated and Separate Financial Statements (effective 1 July 2010) *
- Amendments to IAS 28 Investments in Associates (effective 1 July 2010) *
- Amendments to IAS 31 Interests in Joint Ventures (effective 1 July 2010) *
- Amendments to IFRIC 13 Customer Loyalty Programmes (effective 1 January 2011)
- Amendment to IFRIC 14 Prepayments of a Minimum Funding Requirement (effective 1 January 2011)
- Revision to AC504: IAS19 (AC116) – The limit of a defined benefit asset, minimum funding requirements and their interaction in the South African pension fund environment (effective 1 January 2011)
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective 1 April 2010)

* Improvements to IFRSs 2010

These standards, interpretations and amendments have no impact on measurements of assets and liabilities or disclosures in the 2012 year.

3. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS THAT ARE NOT YET EFFECTIVE

The following new standards, interpretations and amendments have been published and are mandatory for the group's accounting periods beginning on or after 1 March 2014 or later periods and have not been early adopted by the group:

- Amendment to IAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities (effective 1 January 2014) *
- Amendment to IAS 36 (effective 1 January 2014) +
The amendment introduces additional disclosures regarding fair value measurements when there has been impairment or a reversal of impairment.
- IFRS 9 Financial Instruments (to be determined) ^

3. **STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS THAT ARE NOT YET EFFECTIVE** (continued)

New standard that is the first part of a three-part project to replace IAS 39 Financial Instruments: Recognition and Measurement. The standard replaces the multiple classification and measurement models in IAS 39 with a single model that has only two categories: amortised cost and fair value.

- Amendments to IFRS 10, IFRS 12 and IAS 27 – Investment Entities (effective 1 January 2014) *
- IFRIC 21 Levies (effective 1 January 2014) *

[^] Management is in the process of assessing the impact of these standards, interpretations and amendments on the reported results of the group and company.

* Management has assessed the impact of these standards, interpretations and amendments on the reported results of the group and company and do not foresee any impact.

+ Management has assessed the impact of these amendments on the reported results of the group and company and foresee only minor disclosure changes.

4. **CONSOLIDATION**

4.1 **Subsidiaries (including mutual funds)**

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date; any gains or losses arising from such remeasurement are recognised in profit or loss.

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the group's accounting policies.

Investments in subsidiaries are accounted for at cost less impairment in the separate financial statements. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes directly attributable costs of investment.

4.2 **Changes in ownership interests in subsidiaries without change of control**

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

4.3 **Disposal of subsidiaries**

When the group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

4. CONSOLIDATION *(continued)*

4.4 Associates

Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss, where appropriate.

The group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income and other equity movements are recognised in other comprehensive income, with a corresponding adjustment to the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount as an impairment loss in the income statement.

Unrealised gains on transactions between the group and its associates are eliminated to the extent of the group's interest in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the group.

Dilution gains and losses arising in investments in associates are recognised in the income statement.

4.5 Joint arrangements

The group has applied IFRS 11 to all joint arrangements as of 1 March 2012. Under IFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. PSG Group Ltd has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method of accounting.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses, movements in other comprehensive income and other equity movements. When the group's share of losses in a joint venture equals or exceeds its interest in the joint ventures, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the group and its joint ventures are eliminated to the extent of the group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the group.

5. SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (refer Annexure C). The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive committee that makes strategic decisions.

6. FOREIGN CURRENCY TRANSLATION

6.1 Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which those entities operate ("functional currency"). The consolidated and separate financial statements are presented in South African rand, being the company's functional and presentation currency.

6.2 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Foreign exchange gains and losses are presented in the income statement within "fair value gains and losses".

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

6. FOREIGN CURRENCY TRANSLATION *(continued)*

6.2 Transactions and balances *(continued)*

Translation differences on non-monetary financial assets and liabilities, such as equity securities classified as at fair value through profit or loss, are recognised in the income statement as part of "fair value gains and losses". Translation differences on non-monetary financial assets, such as equity securities classified as available-for-sale, are included in other comprehensive income.

6.3 Group companies

The results and financial position of all group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rates on the various transaction dates);
- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position; and
- all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

Group entities with functional currencies other than the presentation currency, have mainly the following functional currencies:

	2014		2013		2012	
	Average rand per foreign currency unit	Closing rand per foreign currency unit	Average rand per foreign currency unit	Closing rand per foreign currency unit	Average rand per foreign currency unit	Closing rand per foreign currency unit
Botswana pula	1.15	1.20	1.07	1.09		
British pound	15.05	17.11				
Chinese yuan renminbi	1.56	1.72				
Euro	12.78	14.32				
Hong Kong dollar	1.24	1.34				
Japanese yen	0.10	0.10				
Mozambique new metical	0.32	0.34				
United States dollar	9.64	10.50	8.36	8.84		
Zambian kwacha	1.79	1.89				

Exchanges rates used are based on interbank bid rates.

7. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are carried at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the item of property, plant and equipment.

Subsequent costs are included in the asset's carrying value or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the period in which it is incurred.

Depreciation is calculated on the straight-line method at rates considered appropriate to reduce carrying values to estimated residual values over the useful lives of the assets, as follows:

Buildings	25 – 75 years
Vehicles	4 – 5 years
Plant and machinery	5 – 15 years
Office equipment	3 – 10 years
Computer equipment	3 – 7 years

Land is not depreciated, except for land held under leasehold rights, which is depreciated over the relevant leasehold term.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying value is written down immediately to its recoverable amount if the asset's carrying value exceeds its recoverable amount.

Gains and losses on disposals of property, plant and equipment are determined by comparing the asset's proceeds with its carrying value and are included in profit or loss.

8. INTANGIBLE ASSETS

8.1 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary, joint venture or associate at the date of acquisition. Goodwill on the acquisition of a subsidiary is reported in the statement of financial position as an intangible asset. Goodwill on the acquisition of a joint venture or associate is included in the respective investment's carrying amount. Goodwill is tested annually for impairment and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The groups of cash-generating units are not larger than operating segments.

An excess of the acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities arises where the net assets of a subsidiary, joint venture or associate at the date of acquisition, fairly valued, exceed the cost of the acquisition. This excess arising on acquisition is recognised as a gain on bargain purchase in profit or loss.

8.2 Trademarks

Acquired patents, trademarks and licences are shown at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method over their estimated useful lives, which vary from 5 to 20 years and are reassessed annually. The carrying amount of each cash-generating unit is reviewed for impairment when an impairment indicator is identified.

8.3 Customer lists

Acquired customer lists are shown at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method over their estimated useful lives ranging between 5 and 20 years, which reflect the expected life of the customer lists acquired. The carrying amount of each cash-generating unit is reviewed for impairment when an impairment indicator is identified.

8.4 Deferred acquisition costs ("DAC")

Commissions, fees and other incremental costs that vary with and are related to securing new contracts and renewing existing contracts are capitalised as a deferred acquisition cost intangible asset, since these costs relate to future economic benefits being generated beyond one year. Subsequent changes to the deferred acquisition costs payable are reversed/capitalised against the DAC intangible asset. The DAC intangible asset is subsequently amortised over the expected life of the contracts. All other costs are recognised as expenses when incurred.

An impairment test is conducted annually at reporting date on the DAC intangible asset to ensure that the amount will be recovered from future revenue generated by the applicable remaining investment management contracts.

8.5 Computer software and other internally generated intangible assets

Costs associated with maintaining computer software programmes and other internally generated intangible assets are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique such items controlled by the group, are recognised as intangible assets when all of the following criteria are met:

- it is technically feasible to complete the item so that it will be available for use;
- management intends to complete the item and use or sell it;
- there is an ability to use or sell the item;
- it can be demonstrated how the item will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the item are available; and
- the expenditure attributable to the item during its development can be reliably measured.

Directly attributable costs that are capitalised as part of such items include development employee costs and an appropriate portion of relevant overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

These intangible assets are amortised using the straight-line method over their estimated useful lives, which range between 2 and 10 years.

9. IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

10. FINANCIAL INSTRUMENTS

Financial instruments recognised on the statement of financial position include financial assets, consisting of equity securities, debt securities, unit-linked investments, investment in investment contracts, loans and advances (including associates and joint ventures), derivative financial assets, trade and other receivables, cash and cash equivalents, employee benefits, as well as financial liabilities, consisting of borrowings, employee benefits, derivative financial liabilities, third-party liabilities arising on consolidation of mutual funds, accruals for other liabilities and charges and trade and other payables. The particular recognition methods adopted are disclosed in the individual accounting policies associated with each item.

11. OFFSETTING FINANCIAL INSTRUMENTS

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

12. FINANCIAL ASSETS

The group classifies its financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

12.1 Classification

(a) *Financial assets at fair value through profit or loss*

This category has two subcategories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Financial assets designated at fair value through profit or loss at inception are those that are managed and whose performance is evaluated on a fair value basis. Information about these financial assets is provided internally on a fair value basis to the group's key management personnel. Derivatives are categorised as held for trading.

Financial assets designated as at fair value through profit or loss at inception relating to the group's linked insurance company, PSG Life Ltd, are those that are held in internal funds to match insurance and investment contract liabilities that are linked to the changes in fair value of these assets. The designation of these assets to be at fair value through profit or loss eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

(b) *Held-to-maturity financial assets*

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities – other than those that meet the definition of loans and receivables – that the group's management has the positive intention and ability to hold to maturity.

(c) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the group intends to sell in the short term.

(d) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories.

12. FINANCIAL ASSETS *(continued)*

12.2 Recognition and measurement of financial assets

Purchases and sales of financial assets are recognised on trade date – the date on which the group commits to purchase or sell the asset. Financial assets not carried at fair value through profit or loss, are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Realised and unrealised gains and losses arising from changes in the fair value of financial assets classified in the at fair value through profit or loss category are included in the income statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investment activities.

Interest on available-for-sale securities calculated using the effective-interest method is recognised in the income statement as part of investment income. Dividends on available-for-sale equity instruments are recognised in the income statement as part of investment income when the group's right to receive payment is established.

The fair values of quoted financial assets are based on current bid prices. If the market for a financial asset is not active, the group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis refined to reflect the issuer's specific circumstances.

Quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment, with income recognised on such basis.

Loans and receivables are carried at amortised cost using the effective interest method. Specific provisions are made against identified doubtful receivables.

Loans advanced to associates, joint ventures and subsidiaries, which are interest free with no repayment terms, are carried at amortised cost using the effective-interest method.

12.3 Impairment of financial assets

The group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

Loans and receivables are considered impaired if, and only if, there is objective evidence of impairment as a result of events that occurred after initial asset recognition (known as loss events) and these loss events have an adverse impact on the assets' estimated future cash flows that can be reliably measured. Objective evidence that loans and receivables may be impaired, includes breach of contract, such as a default or delinquency in interest or principal payments. In this regard instalments past due date are considered in breach of contract. The amount of the impairment loss is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Impairment losses are recognised in and reversed through the income statement.

Held-to-maturity investments are considered impaired when there is objective evidence that the group will not be able to collect all amounts due according to the original contract terms. Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the investment is impaired. The amount of the impairment provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The movement in the amount of the provision is recognised in the income statement.

12.4 Investment in investment contracts

The investment in investment contracts designated as at fair value through profit or loss, are valued at fair value, if issued by an independent credible party, or at fair values of the underlying investments supporting the investment contract policy adjusted for applicable liquidity or credit risk.

13. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

Derivative financial instruments are recognised initially at fair value on the date on which a derivative contract is entered into. Subsequent to initial recognition, derivative financial instruments are measured at fair value through profit or loss. Fair values of over-the-counter traded derivatives are obtained using valuation techniques, including discounted cash flow models and option pricing models. The best evidence of fair value of a derivative at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique whose variables include only observable market data.

The method of recognising the resulting gain or loss depends on whether the derivative financial instrument is designated as a hedging instrument, and if so, the nature of the item being hedged. The group designates certain derivatives as either:

- (a) hedges of the fair value of recognised assets or liabilities or a firm commitment ("fair value hedge");
- (b) hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction ("cash flow hedge"); or
- (c) hedges of a net investment in a foreign operation ("net investment hedge").

The group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of the various derivative financial instruments are disclosed in note 13 to the annual financial statements. Movements in the hedging reserve in other comprehensive income are disclosed in note 19 to the annual financial statements.

(a) *Fair value hedge*

The group did not designate any derivatives as fair value hedges.

(b) *Cash flow hedge*

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within finance costs.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the income statement within investment income or finance costs. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (e.g. inventory), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in cost of goods sold in the case of inventory.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement within fair value gains and losses.

(c) *Net investment hedge*

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges.

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised in the income statement. Gains and losses accumulated in equity are included in the income statement when the foreign operation is partially disposed of or sold.

14. BIOLOGICAL ASSETS

Biological assets are measured on initial recognition and at each reporting date at fair value less cost to sell. Changes in the measurement of fair value less cost to sell are included in profit or loss for the period in which they arise. Costs to sell include all costs that would be necessary to sell the assets, including transportation costs and incremental selling costs, including auctioneers' fees and commission paid to brokers and dealers. All costs incurred in maintaining the assets are included in profit or loss for the period in which they arise.

15. INVENTORY

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

All direct and related expenses incurred in the production of the current harvest have been capitalised against biological assets at cost.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

16. TRADE AND OTHER RECEIVABLES

Trade and other receivables are initially measured at fair value and subsequently recognised at amortised cost using the effective-interest method, less provision for impairment. A provision for impairment is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The movement in the amount of the provision is recognised in the income statement.

17. CONTRACTS FOR DIFFERENCE ("CFD")

The group enters into contracts for difference with clients whereby the company provides leveraged exposure to equities specified by the client. The client pays a margin of between 15% and 17.5% of the value of the equities. Margin calls are made for the full value of any decrease in value of the equities.

CFD positions with clients are funded with equal and opposite CFD positions with other financial institutions. External funding is only used on an intra-day basis to purchase the underlying equity positions which are then delivered to the financial institution, at the end of each business day, for settlement of the intra-day funding provided. The CFD positions are classified as financial assets or liabilities at fair value through profit or loss.

The group is contractually bound to pay out or recover any fair value adjustments from the parties entering into the contracts for difference, based on the fair value movement of the specified listed equities invested in for the client.

18. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash held at call with banks and other short-term highly liquid investments with maturities of three months or less. Investments in money market funds are classified as cash equivalents, since these funds are held to meet short-term cash requirements, are highly liquid investments, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are included within borrowings in the statement of financial position.

19. STATED AND SHARE CAPITAL

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax.

Where any group company purchases the company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs, net of income taxes, is deducted from equity attributable to the company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold, reissued or otherwise disposed of, any consideration received is included in equity attributable to the company's equity holders, net of any directly attributable incremental transaction costs and the related income tax effects.

Subsidiary preference shares

Cumulative, non-redeemable, non-participating subsidiary preference shares, where the dividend declaration is subject to the discretion of the subsidiary's board, are classified as equity.

Treasury shares

The cost of treasury shares acquired are debited to the treasury share reserve, and upon disposal of such shares, the reserve is credited with the weighted average calculated cost attributable to the shares disposed of.

20. INSURANCE AND INVESTMENT CONTRACTS – CLASSIFICATION

A distinction is made between investment contracts (which fall within the scope of IAS 39 Financial Instruments: Recognition and Measurement) and insurance contracts (where the financial soundness valuation method continues to apply, subject to certain requirements specified in IFRS 4 Insurance Contracts). A contract is classified as an insurance contract where the group accepts significant insurance risk by agreeing with the policyholder to pay benefits if a specified uncertain future event (the insured event) adversely affects the policyholder or other beneficiary. Significant insurance risk exists where it is expected that for the duration of the policy or part thereof, policy benefits payable on the occurrence of the insured event will exceed the amount payable on early termination before allowance for expense deductions at early termination. Once a contract has been classified as an insurance contract, the classification remains unchanged for the remainder of its lifetime, even if the insurance risk reduces significantly during the year.

Investment contracts are those contracts that transfer financial risk with no significant insurance risk. These contracts are measured at the fair value of the underlying financial assets.

A subsidiary of the group, PSG Life Ltd, is a linked insurance company and issues linked policies to policyholders (where the value of policy benefits is directly linked to the fair value of the underlying assets).

21. INSURANCE CONTRACTS

Policyholder contracts that transfer significant insurance risk are classified as insurance contracts, and further divided into two categories, depending on the duration of or type of insurance risks; namely: short-term and long-term insurance contracts.

21.1 Short-term insurance

Short-term insurance provides benefits under short-term policies, which include property, business interruption, transportation, motor, personal all risk, accident and health, professional indemnity, public liability, marine, employers' liability, group personal accident, natural disasters and miscellaneous. Short-term insurance contracts are further classified into the following categories:

- Personal insurance, consisting of insurance provided to individuals and their personal property; and
- Commercial insurance, providing cover on the assets and liabilities of business enterprises

Recognition and measurement

i) *Gross premium written*

Gross premiums exclude value added tax. Premiums are accounted for as income when the risk related to the insurance policy incepts and are spread over the risk period of the contract by using an unearned premium provision. This includes premiums received in terms of inward reinsurance arrangements. All premiums are shown before deduction of commission payable to intermediaries.

ii) *Claims incurred*

Claims incurred consist of claims and claims handling expenses paid during the financial year and are charged to the income statement as incurred.

iii) *Provision for unearned premium*

Premiums are earned from the date the risk attaches, over the indemnity period, based on the pattern of the risk underwritten. Unearned premiums, which represent the proportion of premiums written in the current year, which relate to risks that have not expired by the end of the financial year, are calculated on a time proportionate basis for even risk contracts and other bases that best represent the unearned risk profile for uneven risk contracts.

iv) *Provision for unexpired risk*

Provision is made for underwriting losses that may arise from unexpired risks when it is anticipated that unearned premiums will be insufficient to cover future claims, as well as claims-handling fees and related administrative costs. This liability adequacy test is performed annually to ensure the adequacy of short-term insurance liabilities.

v) *Provision for claims*

Provision is made on a prudent basis for the estimated final cost of all claims that have not been settled on the reporting date, less amounts already paid. Claims and loss adjustment expenses are charged to income as incurred, based on the estimated liability for compensation owed to the beneficiaries (contract holders or third parties damaged by the contract holders) of the insurance contracts. The group's own assessors or external assessors individually assess claims. The claims provision includes an estimated portion of the direct expenses of the claims and assessment charges. Claims provisions are not discounted.

vi) *Provision for claims incurred but not reported*

Provision is also made for claims arising from insured events that occurred before the close of the accounting period, but which had not been reported to the group by that date.

vii) *Deferred acquisition costs*

Commissions that vary with and are related to securing new contracts and renewing existing contracts are deferred over the period in which the related premiums are earned, and recognised as a current asset. All other costs are recognised as expenses when incurred.

viii) *Liability for insurance contracts*

At each reporting date, the group assesses whether its recognised insurance liabilities are adequate, using current estimates of future cash flows under its insurance contracts.

Claims and loss adjustment expenses are charged to income as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the end of the reporting period even if they have not yet been reported to the group. The group does not discount its liabilities for unpaid claims other than for disability claims. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the group and statistical analyses for the claims incurred but not reported, and to estimate the expected ultimate cost of more complex claims that may be affected by external factors (such as court decisions).

21. INSURANCE CONTRACTS *(continued)*

21.1 Short-term insurance *(continued)*

Recognition and measurement *(continued)*

ix) Reinsurance contracts held

Contracts entered into by the group with reinsurers under which the group is compensated for losses on one or more contracts issued by the group and that meet the classification requirements for insurance contracts, are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets. Income received from insurance contracts entered into by the group under which the contract holder is another insurer (inwards reinsurance) is included with premium income.

The benefits to which the group is entitled under its reinsurance contracts held are classified as reinsurance assets. These assets consist of short-term balances due from reinsurers (classified within receivables) as well as longer-term receivables (classified as reinsurance assets) that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Receivables are classified as short-term if the group is aware of claims which will be submitted within the next 12 months.

Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

The reinsurer's share of unearned premiums represents the portion of the current year's reinsurance premiums that relate to risk periods covered by the related reinsurance contracts extending into the following year. The reinsurer's share of unearned premium is calculated using the 365th method.

Income from reinsurance contracts, that varies with and is related to obtaining new reinsurance contracts and renewing existing reinsurance contracts, is deferred over the period of the related reinsurance contract and is recognised as a current liability.

The group assesses its reinsurance assets for impairment on a quarterly basis. If there is objective evidence that the reinsurance asset is impaired, the group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the income statement. The group gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortised cost. The impairment loss is also calculated following the same method used for these financial assets.

x) Receivables and payables related to insurance contracts

Receivables and payables are recognised when due. These include amounts due to and from agents, intermediaries and insurance contract holders and are included under receivables and trade and other payables.

If there is objective evidence that the insurance receivable is impaired, the group reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the income statement. The group gathers objective evidence that an insurance receivable is impaired using the same process adopted for loans and receivables. The impairment loss is also calculated according to the same method used for these financial assets.

xi) Salvage reimbursements

Some insurance contracts permit the group to sell (usually damaged) property acquired in settling a claim (i.e. salvage). The group may also have the right to pursue third parties for payment of some or all costs (i.e. subrogation). Estimates of salvage recoveries are included as an allowance in the measurement of the insurance liability for claims. The allowance is the amount that can reasonably be recovered from the disposal of the property.

Subrogation reimbursements are also considered as an allowance in determining the insurance liability for claims and are recognised in other assets when the liability is settled. The allowance is the assessment of the amount that can be recovered from the action against the liable third party.

21.2 Long-term insurance

These contracts are valued in terms of the financial soundness valuation basis contained in PGN 104 issued by the Actuarial Society of South Africa and are reflected as insurance contract liabilities.

Liabilities are valued as the present value of future cash flows due to benefit payments and administration expenses that are directly related to the contract discounted at the rate of return at year-end on the assets backing the policyholder funds. Future cash flows are projected on a best estimate basis with an allowance for compulsory margins for adverse deviations as prescribed by PGN 104. Best estimate assumptions are required for future investment returns, expenses, persistency, mortality and other factors that may impact the financial position of the group. As per PGN 104, contractual premium increases are allowed for, but future voluntary premium increases are ignored.

In addition certain discretionary margins are created to allow profits to emerge over the lifetime of the policy to reflect the small number of policies and associated volatility. Where the number of policies is small, the prescribed margins alone do not result in an acceptable probability of the total reserve being sufficient to meet all liabilities.

21. INSURANCE CONTRACTS *(continued)*

21.2 Long-term insurance *(continued)*

The financial soundness methodology includes allowance for liability adequacy testing to ensure that the carrying amount of technical provisions is sufficient in view of estimated future cash flows. Where a shortfall is identified an additional provision is made.

The group reflects premium income relating to insurance business on a gross basis together with the gross amount of any reinsurance premiums. All premiums are accounted for when they become due and payable.

The group shows the gross amount of policyholder benefit payments in respect of insurance contracts together with the gross reinsurance recoveries and accounts for such transactions when claims are intimated.

22. FINANCIAL LIABILITIES

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another entity.

Financial liabilities include borrowings, employee benefits, derivative financial liabilities, investment contracts, third party liabilities arising on consolidation of mutual funds, accrual for other liabilities and charges, and trade and other payables. The group issues investments contracts without fixed terms (unit-linked) and with fixed and guaranteed terms (fixed interest rate).

Financial liabilities are initially recognised at fair value less transaction costs that are directly attributable to the raising of the funds, for all financial liabilities carried at amortised cost. All financial liabilities measured at fair value through profit or loss are initially recognised at fair value. The best evidence of the fair value at initial recognition is the transaction price (i.e. the fair value of the consideration received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets.

22.1 Investment contracts

The fair value of a unit-linked financial liability is determined using the current unit price reflecting the fair values of the financial assets contained within the company's unitised investment funds linked to the financial liability, multiplied by the number of units attributed to the policyholder at a reporting date. No initial profit is recognised immediately as any profit on initial recognition is amortised in line with cash flow projections over the life of the contract.

For investment contracts with fixed and guaranteed terms, the amortised cost basis is used. In this case, the liability is initially measured at its fair value less transaction costs that are incremental and directly attributable to the acquisition or issue of the contract.

Subsequent measurement of investment contracts at amortised cost uses the effective-interest method. This method requires the determination of an interest rate (the effective interest rate) that exactly discounts to the net carrying amount of the financial liability, the estimated future cash payments or receipts through the expected life of the financial instrument.

The liability under investment contracts is derecognised when the contract expires, is discharged or is cancelled by the policyholder. For a contract that can be cancelled by the policyholder, the fair value cannot be less than the surrender value.

22.2 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective-interest method.

Preference shares, which are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised in the income statement as interest expense.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

22.3 Trade and other payables

Trade and other payables are recognised initially at fair value, net of transaction costs incurred. Trade and other payables are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period using the effective-interest method.

23. DEFERRED REVENUE LIABILITY ("DRL")

Service fee income on investment management contracts is recognised on an accrual basis as and when the services are rendered. A DRL is recognised in respect of upfront fees, which are directly attributable to a fee that is charged for securing the investment management service contract. The DRL is then amortised to revenue when the services are provided, over the expected duration of the contract on a straight-line basis. Refer to the revenue recognition accounting policy for further details.

24. TAXATION

Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the group's subsidiaries, associates and joint ventures operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associated companies, except where the group controls the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Secondary tax on companies and dividend withholding tax

Until 31 March 2012, South African resident companies are subject to a dual corporate tax system, one part of the tax being levied on taxable income and the other, a secondary tax, on distributed income. A company incurs STC charges on the declaration or deemed declaration of dividends (as defined under tax law) to its shareholders. STC is not a withholding tax on shareholders, but a tax on companies.

The STC tax consequence of dividends is recognised as a taxation charge in the income statement in the same period that the related dividend is accrued as a liability. The STC liability is reduced by dividends received during the dividend cycle. Where dividends declared exceed the dividends received during a cycle, STC is payable at the current STC rate on the net amount. Where dividends received exceed dividends declared within a cycle, there is no liability to pay STC. The potential tax benefit related to excess dividends is carried forward to the next dividend cycle as a STC credit. Deferred tax assets are recognised on unutilised STC credits to the extent that it is probable that the group will declare dividends in the following year to utilise such STC credits.

Secondary tax on companies was abolished with effect from 1 April 2012 and replaced by a dividends tax, which is not levied on the company but on the beneficial owner of the share and accordingly does not require recognition in profit or loss. Dividends tax withheld by the company on dividends paid to its shareholders (who do not qualify for an exemption from dividends tax) and payable at the reporting date to the South African Revenue Service (where applicable) is included in trade and other payables in the statement of financial position.

25. EMPLOYEE BENEFITS

The group operates various post-employment schemes, including both defined benefit and contribution pension and medical schemes.

25.1 Pension and medical schemes

A defined contribution plan is a plan under which the group pays fixed contributions into a separate entity. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a plan that is not a defined contribution plan.

Typically defined benefit plans define an amount of pension/medical benefits that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the statement of financial position in respect of defined benefit plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related obligations. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

25. EMPLOYEE BENEFITS *(continued)*

25.1 Pension and medical schemes *(continued)*

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in profit or loss.

For defined contribution plans, the group pays contributions to publicly or privately administered insurance plans on a mandatory, contractual or voluntary basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

25.2 Termination benefits

Termination benefits are payable when employment is terminated by the group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits at the earlier of the following dates: (a) when the group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

25.3 Share-based compensation

The group operates four equity-settled share incentive schemes, two relating to PSG Group Ltd and two relating to its subsidiaries.

For the share incentive schemes, the fair value of the employee services received in exchange for the grant of the scheme shares/share options, less the amount paid by the employee, is recognised as an expense. The total amount to be expensed over the vesting period, which is between three and five years, is determined by reference to the fair value of the scheme shares/share options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of scheme shares/share options that are expected to become exercisable. At each reporting date, the entity revises its estimates of the number of scheme shares/share options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period.

If the group cancels or settles a grant of equity instruments during the vesting period, the group accounts for the cancellation or settlement of the grant and recognise immediately the amount that otherwise would have been recognised for services received over the remainder of the vesting period.

The share-based payment costs are recognised in the income statement and a share-based payment reserve is recognised as part of equity and represents the fair value at grant date of the shares/share options that will be delivered on vesting.

25.4 Annual leave

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the estimated annual leave as a result of services rendered by employees up to reporting date.

25.5 Profit sharing and bonus plans

The group recognises a liability and an expense for bonus plans and profit sharing, where contractually obliged, or where there is a past practice that has created a constructive obligation.

26. PROVISIONS AND CONTINGENT LIABILITIES

26.1 Provisions

Provisions are recognised when:

- the group has a present legal or constructive obligation as a result of past events;
- it is more likely than not that an outflow of resources will be required to settle the obligation; and
- the amount has been reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as an interest expense.

26.2 Contingent liabilities

A contingent liability is either a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the company or a present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability. These contingent liabilities are not recognised in the statement of financial position but disclosed in the notes to the financial statements.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. These contingent assets are not recognised in the statement of financial position but are disclosed in the notes to the financial statements if the inflow of financial benefits is probable.

PSG GROUP LIMITED

ACCOUNTING POLICIES

for the year ended 28 February 2014

27. LEASES

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

28. DIVIDEND DISTRIBUTIONS

Dividend distributions to the company's shareholders are recognised as a liability in the period in which the dividends are approved by the company's board of directors.

29. REVENUE RECOGNITION

Revenue comprises the fair value of the consideration received or receivable for goods sold or services rendered in the ordinary course of the group's activities, as well as interest and dividend income. The group's activities include the sale of goods (note 28), financial advice, stock broking, fund management, financing, banking, investing, corporate finance and private education services.

Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the group.

The group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the group's activities as described below. The group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

If circumstances arise that may change the original estimates of revenues, costs or the extent of progress toward completion of services, then estimates are revised. These revisions may result in increases or decreases in estimated revenues or costs and are reflected in income in the period in which the circumstances that gave rise to the revision became known by management.

29.1 Sale of goods

Sales of goods (comprising educational tools, fast moving consumer goods and agricultural produce) are recognised when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

29.2 Rendering of services

Fee income is recognised when the relevant company is unconditionally entitled thereto. No profit is recognised when the outcome of a transaction cannot be estimated reliably. Fee income from the rendering of services can be summarised as follows:

Commissions, dealings and other fees

Revenue arising from advisory, stockbroking, portfolio management and education services (comprising tuition fees, enrolment, registration and re-registration fees) is recognised over the period in which the services are rendered with reference to completion of the specific transaction.

Enrolment, registration and re-registration fees are recognised on initial registration (or re-registration, as applicable) of the student in the period to which it relates, rather than over a period of time.

Investment management and initial fees

Charges for asset management services are paid by customers using the following two different approaches:

- Front-end fees are charged to the client on inception. This approach is used particularly for single premium-contracts. The consideration received is deferred as a liability and recognised over the life of the contract on a straight-line basis.
- Regular fees are charged to the customer by making a deduction from invested funds. Regular charges billed in advance are recognised on a straight-line basis over the billing period; fees charged at the end of the period are accrued as a receivable that is offset against the financial liability in respect of customer investments when charged to the customer.

29.3 Interest income

Interest income is recognised using the effective-interest method. When a loan and receivable is impaired, the group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument and continues unwinding discount as interest income. Interest income is included as part of investment income in the income statement.

29.4 Dividend income

Dividend income is recognised when the right to receive payment is established. Dividend income is included as part of investment income in the income statement.

30. NON-CURRENT ASSETS (OR DISPOSAL GROUPS) HELD FOR SALE

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

31. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying values of assets and liabilities are addressed below.

31.1 Estimated impairment of goodwill

The group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy on goodwill. The recoverable amounts of cash-generating units have been determined based on value-in-use and fair value less cost to sell calculations. These calculations require the use of estimates, as set out in note 2.

31.2 Fair value of derivatives and other unlisted financial instruments

The fair value of financial instruments that are trading on recognised over-the-counter ("OTC") platforms are based on the closing price and included in quoted instruments. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques as disclosed in the accounting policy on financial assets. The accounting policy for derivative financial instruments sets out further details regarding valuation techniques used for same.

31.3 Impairment of investments in associates

Investments in associates are tested for impairment when indicators exist that the carrying value might exceed the recoverable amount, being the higher of fair value less cost to sell or value-in-use. An impairment loss is recognised for the amount by which the carrying amount exceeds the investments' recoverable amount.

An asset's fair value less costs to sell is determined with reference to its market price, published net asset values or valuation techniques. Valuation techniques used include applying a market-related price/earnings ratio, ranging between 6 and 11 (2013: between 5 and 10) (2012: between 2 and 10), to operational earnings. In the prior years, value-in-use calculations were performed in some cases by means of a discounted cash flow model and applying the following assumptions:

Assumptions	2013 %	2012 %
Growth Rate	6 – 8	Up to 25
Terminal growth rate	6	4 – 5
Discount rate	12 – 20	14 – 20

The directors are satisfied that the group's investment in associates are fairly stated. Refer to note 4.1 for further detail.

31.4 Acquisition of associates

Details regarding significant new investments in associates are disclosed in note 4.1. Furthermore, the group's interest in certain already existing associates were also increased. In accounting for these transactions management had to apply judgement in allocating the purchase price to the identifiable assets and liabilities of the associates acquired, or the portion acquired when an additional interest was acquired.

31.5 Investment contracts

The group issues a significant number of investment contracts that are designated as at fair value through profit or loss. These financial instruments are not quoted in active markets, and their fair values are determined by using valuation techniques. Such techniques (for example, valuation models) are validated and periodically reviewed by qualified personnel independent of the area that issued them. All models are validated before they are used and calibrated to ensure that outputs reflect actual experience and comparable market prices. The investment contract liabilities held at fair value are fully matched with the underlying assets. As such the fair values of the investment contract liabilities are determined with reference to the fair values of the underlying assets. The carrying amount of the investment contract liabilities are R12 692 768 000 (2013: R10 272 444 000) (2012: R9 144 681 000).

31.6 Recognition of intangible assets

With a business combination all identifiable assets are recognised at their respective fair values in the consolidated financial statements. The fair values of intangible assets acquired through business combinations are determined by using a discounted cash flow valuation method. The discount rate is based on the long-term risk-free rate with risk premiums added for market, other company and asset specific risks. Intangible assets acquired through business combinations were valued using discount rates ranging between 17% and 24.9% (2013: ranging between 17.5% and 20%) (2012: ranging between 15% and 23%).

Trademarks and customer lists acquired through business combinations or acquisitions are valued on acquisition using discounted cash flow methodology based on assumptions and estimates regarding future revenue growth, weighted average cost of capital, marketing costs and other economic factors affecting the value-in-use of these intangible assets. These assumptions reflect management's best estimates but are subject to inherent uncertainties, which may not be controlled by management.

31. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

31.6 Recognition of intangible assets *(continued)*

The cost of the trademarks and customer lists are amortised over their estimated useful lives. The remaining useful lives of intangible assets are re-assessed annually. If the estimate of the remaining useful lives changes, the remaining carrying values are amortised prospectively over that revised remaining useful life.

The main assumptions used in the valuation of customer lists are the useful lives of these assets and the future profitability and cancellation rate of the underlying revenue streams. The useful life of a customer list is estimated based on the cancellation experience of the existing business and the useful life of customer lists of other players in the market. For the customer lists recognised at the reporting date a useful life of between 2 and 5 years (2013: 2 and 20 years) (2012: 20 years) and an annual cancellation rate of between 15% and 25% (2013: 10% and 50%) (2012: 11%) were assumed.

If useful lives were increased/decreased by 10%, the intangible assets recognised would have been approximately R2 million (2013: approximately R1 million) (2012: approximately R0.2 million) higher/lower. Future profit margins used in determining customer contracts and relationships values were consistent with the margins applied in determining the fair value of the related investment.

Refer to the intangible asset accounting policy and note 2 for further detail.

31.7 Recognition of property, plant and equipment

The cost of property, plant and equipment is depreciated over its estimated useful lives to estimated residual values. The remaining useful lives and residual values of property, plant and equipment are re-assessed annually. If the estimates of the remaining useful lives or residual values change, the remaining carrying values are depreciated prospectively, taking into account the revised estimates. Refer to the property, plant and equipment accounting policy and note 1 for further detail.

31.8 Money market funds

Cash and cash equivalents disclosed on the statement of financial position includes investments in money market funds, being short-term highly liquid investments with maturities of three months or less. Money market funds are classified as cash equivalents, since these funds are held to meet short-term cash requirements, are highly liquid investments, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. The classification of money market funds as cash equivalents is only judgemental for purposes of disclosure and judgement applied could not have any impact on disclosed amounts of assets or liabilities.

31.9 Recoverability of trade receivables

Management assesses impairment of trade receivables on an ongoing basis. An impairment allowance in respect of doubtful debts is raised against trade receivables when their collectibility is considered to be doubtful. Management believes that the impairment adjustment is conservative and there are no significant trade receivables that are doubtful and have not been impaired or adequately provided for. In determining whether a particular receivable could be doubtful, the age, customer current financial status and disputes with the customer are taken into consideration.

31.10 Interests in subsidiaries and associates – mutual funds

The group has assessed its interests in the various mutual fund investments in which the group, through PSG Konsult, has the irrevocable asset management agreement over the mutual funds and in which the group is significantly invested. For other mutual funds, other factors such as the existence of control through voting rights held by the group in the fund, or significant economic power in the fund, are considered in the assessment of control. Judgement is required in the assessment of whether the group has control or significant influence in terms of the variability of returns from the group's involvement in the funds, the ability to use power to affect those returns and the significance of the group's investment in the funds. Based on the assessment of control or significant influence over these mutual funds, certain funds have been either classified as subsidiaries or associates, respectively.

31.11 Unconsolidated structured entities – mutual funds

The group invests in various mutual funds which are widely recognised as investment trusts that are regulated by government agencies, marketed and open to public investment. These funds provide investors with access to returns on underlying assets in terms of predefined mandates. Pricing information is publically available.

Management do not consider these vehicles to be unconsolidated structured entities as defined by IFRS 12 Disclosure of Interests in Other Entities.

PSG GROUP LIMITED
NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 28 February 2014

GROUP	Land R'000	Buildings R'000	Vehicles and plant R'000	Office equipment R'000	Computer equipment R'000	Total R'000
1. PROPERTY, PLANT AND EQUIPMENT						
As at 28 February 2014						
Cost	519 204	2 207 442	675 266	111 276	161 226	3 674 414
Accumulated depreciation and impairment losses	(7 968)	(12 215)	(197 820)	(54 706)	(74 925)	(347 634)
Balance at end of the year	511 236	2 195 227	477 446	56 570	86 301	3 326 780
Reconciliation						
Balance at beginning of the year	413 336	1 058 458	247 594	34 361	45 918	1 799 667
Additions	27 730	809 283	161 259	19 124	64 667	1 082 063
Disposals	(5 470)	(38 044)	(38 572)	(559)	(2 097)	(84 742)
Depreciation	(5 626)	(9 131)	(77 848)	(15 525)	(24 630)	(132 760)
Impairment		(885)				(885)
Exchange differences	32 852	14 466	29 698	(193)	884	77 707
Subsidiaries acquired	48 414	361 080	155 315	19 367	1 587	585 763
Subsidiaries sold				(5)	(28)	(33)
Balance at end of the year	511 236	2 195 227	477 446	56 570	86 301	3 326 780
As at 28 February 2013						
Cost	415 678	1 063 485	342 797	71 365	95 591	1 988 916
Accumulated depreciation and impairment losses	(2 342)	(5 027)	(95 203)	(37 004)	(49 673)	(189 249)
Balance at end of the year	413 336	1 058 458	247 594	34 361	45 918	1 799 667
Reconciliation						
Balance at beginning of the year	152 458	430 234	24 425	24 461	23 167	654 745
Additions	6 470	398 222	78 426	8 771	27 312	519 201
Disposals	(6 882)	(8 449)	(16 052)	(2 231)	(762)	(34 376)
Depreciation	(2 342)	(1 682)	(36 866)	(7 998)	(15 817)	(64 705)
Impairment		(1 923)		(74)	(14)	(2 011)
Exchange differences	6 703	1 755	5 595	180	243	14 476
Subsidiaries acquired	256 929	240 301	192 101	11 326	11 840	712 497
Subsidiaries sold			(35)	(74)	(51)	(160)
Balance at end of the year	413 336	1 058 458	247 594	34 361	45 918	1 799 667
As at 29 February 2012						
Cost	152 458	431 542	31 457	51 007	60 356	726 820
Accumulated depreciation and impairment losses		(1 308)	(7 032)	(26 546)	(37 189)	(72 075)
Balance at end of the year	152 458	430 234	24 425	24 461	23 167	654 745
Reconciliation						
Balance at beginning of the year	142 949	217 679	10 098	23 681	16 458	410 865
Additions	9 509	212 792	17 196	7 571	16 795	263 863
Disposals			(126)	(961)	(171)	(1 258)
Depreciation		(237)	(2 743)	(6 189)	(10 459)	(19 628)
Subsidiaries acquired				547	631	1 178
Subsidiaries sold				(188)	(87)	(275)
Balance at end of the year	152 458	430 234	24 425	24 461	23 167	654 745

Additions include borrowing cost of R28 830 000 (2013: R17 042 000) (2012: R9 444 000), having been capitalised at a rate of 10.8% (2013: 12.4%) (2012: 12.4%). Depreciation was charged on land held under leasehold rights.

Details of land and buildings are available at the registered offices of the relevant property-owning companies within the group.

PSG GROUP LIMITED

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for the year ended 28 February 2014

GROUP	Deferred acquisition costs R'000	Customer lists R'000	Trademarks, computer software and other R'000	Goodwill R'000	Total R'000
2. INTANGIBLE ASSETS					
As at 28 February 2014					
Cost	9 560	557 299	284 100	1 587 877	2 438 836
Accumulated amortisation and impairment losses	(3 110)	(179 651)	(71 784)	(89 763)	(344 308)
Balance at end of the year	6 450	377 648	212 316	1 498 114	2 094 528
Reconciliation					
Balance at beginning of the year	3 941	380 499	69 761	1 212 338	1 666 539
Additions	3 227	15 589	27 861		46 677
Disposals		(2 461)	(19)	(4 543)	(7 023)
Amortisation	(718)	(49 123)	(26 870)		(76 711)
Impairment			(1 155)	(7 918)	(9 073)
Exchange differences			3 431	29 320	32 751
Subsidiaries acquired		33 144	139 307	268 917	441 368
Balance at end of the year	6 450	377 648	212 316	1 498 114	2 094 528
As at 28 February 2013					
Cost	6 333	514 710	95 297	1 303 068	1 919 408
Accumulated amortisation and impairment losses	(2 392)	(134 211)	(25 536)	(90 730)	(252 869)
Balance at end of the year	3 941	380 499	69 761	1 212 338	1 666 539
Reconciliation					
Balance at beginning of the year	3 862	343 402	37 940	729 092	1 114 296
Additions	1 844	18 123	14 620		34 587
Disposals		(16 151)	(1 843)	(48 042)	(66 036)
Amortisation	(1 765)	(46 092)	(9 223)		(57 080)
Impairment		(24 924)	(9 014)	(128 995)	(162 933)
Exchange differences				4 086	4 086
Subsidiaries acquired		106 141	37 281	656 197	799 619
Balance at end of the year	3 941	380 499	69 761	1 212 338	1 666 539
As at 29 February 2012					
Cost	9 467	425 887	60 134	729 269	1 224 757
Accumulated amortisation and impairment losses	(5 605)	(82 485)	(22 194)	(177)	(110 461)
Balance at end of the year	3 862	343 402	37 940	729 092	1 114 296
Reconciliation					
Balance at beginning of the year	4 122	325 740	34 606	660 792	1 025 260
Additions	1 989	41 317	10 884	10 229	64 419
Disposals		(26 603)	(734)	(10 258)	(37 595)
Amortisation	(2 249)	(21 087)	(8 251)		(31 587)
Impairment		(5 925)		(5 594)	(11 519)
Subsidiaries acquired		29 987	2 005	74 639	106 631
Subsidiaries sold		(27)	(570)	(716)	(1 313)
Balance at end of the year	3 862	343 402	37 940	729 092	1 114 296

2. INTANGIBLE ASSETS (continued)

Customer lists

Significant individual customer lists, originating from various purchases, have the following carrying values and remaining amortisation periods:

Segment and customer list	Remaining amortisation period			2014	2013	2012
	2014	2013	2012	R'000	R'000	R'000
Curro						
Woodhill College	12 years	13 years		17 443	18 627	
Embury College	12 years	13 years		15 460	16 149	
PSG Konsult						
Multinet Makelaars	12 years and 1 month	13 years and 1 month	14 years and 1 month	47 720	51 655	55 591
Diagonal Street Financial Services	16 years and 6 months	17 years and 6 months	18 years and 6 months	19 446	20 625	21 803
Tlotlisa Securities	15 years and 2 months	16 years and 2 months	17 years and 2 months	18 200	19 400	20 600
Topexec Management Bureau	12 years and 2 months	13 years and 2 months	14 years and 2 months	16 317	17 656	18 995
PSG Konsult Insurance Solutions	16 years	17 years	18 years	14 080	14 960	15 840
Multifund	16 years	17 years		15 421	17 413	
PSG Private Equity						
CA Sales	2 years and 2 months	3 years and 2 months		8 454	23 999	
Zeder						
Metspan Hong Kong	17 years			14 209		
				186 750	200 484	132 829

Trademarks, computer software and other

Significant individual trademarks, originating from various purchases and all having indefinite useful lives, have the following carrying values:

Segment and trademark	2014	2013	2012
	R'000	R'000	R'000
Curro			
Northern Academy	11 586		
Embury Institute for Teacher Education	16 619		
Woodhill College	14 198	14 198	
	42 403	14 198	–

This category also includes internally generated intangible assets of R74 471 000 (2013: R37 000) (2012: Rnil) relating mainly to plant/seed breeding operations being conducted through a subsidiary of Zeder.

Goodwill allocation

Goodwill is allocated to cash-generating units identified according to the operating segments. A segment level summary of goodwill allocation is as follows:

Capitec *	163 655	164 879	186 620
Curro	293 831	170 944	61 366
PSG Konsult	359 935	363 254	413 698
PSG Private Equity	380 338	302 774	
Thembeka Capital *	67 408	67 408	67 408
Zeder	232 947	143 079	
	1 498 114	1 212 338	729 092

* Goodwill originally arose from the acquisition of a subsidiary, Arch Equity Ltd, which held interests in, inter alia, Capitec and Thembeka Capital. The amounts of goodwill have been allocated to the respective carrying amounts of Capitec and Thembeka Capital, as set out in Annexure B, when testing same for impairment.

PSG GROUP LIMITED

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for the year ended 28 February 2014

2. INTANGIBLE ASSETS (continued)

Goodwill impairment testing

Capitec

The recoverable amount is determined based on the higher of fair value less cost to sell and value-in-use calculations. Since the fair value less cost to sell (based on the JSE-listed share price) exceeded the aggregate carrying value of the associate investment and allocated goodwill, no value-in-use calculations were deemed necessary.

Curro

The recoverable amount of each cash-generating unit ("CGU"), which is mostly represented by an individual school or campus, is determined with reference to value-in-use calculations. The key assumptions for the value-in-use calculations are as follows:

	2014 %	2013 %	2012 %
Taxation rate	28.0	28.0	28.0
Growth rate	10.0	10.0	10.0
Terminal growth rate	10.0	10.0	10.0
Discount rate	15.0	15.0	15.0

The directors were satisfied that no impairments were necessary.

PSG Konsult

The recoverable amount is determined based on the higher of fair value less cost to sell and value-in-use calculations. Price/earnings ratios used by management to determine fair value less cost to sell are determined with reference to similar listed companies, adjusted for entity specific considerations. Consideration is also given to recent transactions that occurred within the PSG Konsult Ltd group. The average price/earnings ratio applied was 7.5 (2013: 7.5) (2012: 7.5). Key assumptions used for the value-in-use calculations are as follows:

	2014 %	2013 %	2012 %
Taxation rate	28.0	28.0	28.0
Growth rate	3.0	3.0	6.0
Terminal growth rate	3.0	3.0	4.0
Discount rate	19.5	18.3	16.5

Value-in-use calculations are performed based on five-year cash flow projections forming part of financial budgets approved by management. Cash flows were extrapolated into perpetuity using the aforementioned terminal growth rate.

Where impairment indicators exist, customer lists and trademarks were evaluated for impairment using the most recent price/earnings ratios for similar transactions in the market, or value-in-use calculations based on aforementioned assumptions. The price/earnings ratios used varied from 2 to 10, with an average of 7.5 (2013: 2 to 10, with an average of 7.5) (2012: 2 to 10, with an average of 7.5).

PSG Private Equity

Goodwill allocated to this segment relates mainly to a business distributing fast moving consumer goods throughout Southern Africa. Since the value-in-use exceeded the aggregate carrying values of the investments and allocated goodwill, no fair value less cost to sell calculations were deemed necessary. Key assumptions used for the value-in-use calculations are as follows:

	2014 %	2013 %
Taxation rate	22.0 – 28.0	22.0
Growth rate	8.2 – 15.0	9.0
Terminal growth rate	3.0 – 5.0	4.0
Discount rate	10.1 – 31.5	17.1

Value-in-use calculations are performed based on five-year cash flow projections forming part of financial budgets approved by management. Cash flows were extrapolated into perpetuity using the aforementioned terminal growth rates.

Thembeke Capital

The recoverable amount is determined based on the higher of fair value less cost to sell and value-in-use calculations. Since the fair value less cost to sell (based on its intrinsic value derived from quoted share prices) exceeded the aggregate carrying value of the associate and allocated goodwill, no value-in-use calculations were deemed necessary.

Zeder

The fair value less cost to sell was determined based on either applying a price/earning ratio, assessing net realisable value of the underlying assets (mostly agricultural land) or with reference to quoted share prices. Price/earnings ratios used by management are determined with reference to similar listed companies, adjusted for entity specific considerations. The average price/earnings ratio applied was 12 (2013: 10) (2012: nil), while the respective agricultural land was valued at US\$11 840 (2013: US\$10 000) (2012: US\$nil) per irrigated hectare.

	COMPANY		
	2014 R'000	2013 R'000	2012 R'000
3. INVESTMENT IN/LOAN GRANTED TO SUBSIDIARY			
Unlisted shares at cost	1 012 759	1 012 759	1 012 759
Amount receivable from PSG Financial Services Ltd (current portion)	1 786 095	2 036 680	1 519 098
	2 798 854	3 049 439	2 531 857

The loan to PSG Financial Services Ltd is unsecured, interest-free and has no fixed terms of repayment.

Refer Annexure A for further information regarding subsidiaries.

The increase in the amount receivable is the result of new shares issued by PSG Group Ltd for which the cash was received by PSG Financial Services Ltd.

	GROUP		
	2014 R'000	2013 R'000	2012 R'000
4. INVESTMENT IN ASSOCIATES AND JOINT VENTURES			
4.1 Investment in associates			
Carrying value of ordinary share investments			
Listed	3 371 879	2 895 706	2 456 945
Unlisted	2 928 093	3 065 630	3 214 549
	6 299 972	5 961 336	5 671 494
Carrying value of preference share investments – unlisted	286 600	248 840	374 512
Thembeke Capital Ltd (RF)			
“A” preference shares	203 840	183 615	165 285
The preference shares are unsecured and carry a dividend rate of prime plus 1.95% (2013: prime plus 1.95%) (2012: prime plus 1%), having been adjusted during the 2013 year to give effect to the introduction of dividend withholding tax. Capital and accrued dividends are redeemable on 1 December 2015.			
“B” preference shares	71 240	65 225	59 838
The preference shares are unsecured and carry a dividend rate of 104.5% of prime (2013: 104.5% of prime) (2012: 95% of prime), having been adjusted during the 2013 year to give effect to the introduction of dividend withholding tax. Capital and accrued dividends are redeemable on 1 December 2015.			
NRGP Holdings (Pty) Ltd (t/a Energy Partners)	4 000		
The preference shares are unsecured and carry a prime-linked dividend rate of 12.9%. Dividends are payable bi-annually and capital is redeemable during March 2016.			
IT School Innovation (Pty) Ltd	7 520		
The preference shares are unsecured, dividend-free and are redeemable during November 2017.			
Thembeke OVB Holdings (Pty) Ltd			66 101
The preference shares were unsecured and carried a dividend rate of prime. Capital and accrued dividends were redeemed during the 2013 year.			
Thembeke Crete Holdings (Pty) Ltd			83 288
The preference shares were unsecured and carried a dividend rate of prime. Capital and accrued dividends were redeemed during the 2013 year.			
Sub-total carried forward	6 586 572	6 210 176	6 046 006

PSG GROUP LIMITED

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for the year ended 28 February 2014

	2014 R'000	2013 R'000	2012 R'000
4. INVESTMENT IN ASSOCIATES AND JOINT VENTURES (continued)			
4.1 Investment in associates (continued)			
Sub-total carried forward	6 586 572	6 210 176	6 046 006
Loans	29 931	63 880	71 609
Klein Karoo Seed Marketing (Pty) Ltd		50 470	
Unsecured loan which carried interest at prime less 1% and had no fixed terms of repayment.			
Professional Sourcing and Procurement Assist (Pty) Ltd	5 547		
Secured loan carrying interest at prime less 1%, being repayable during June 2015.			
GRW Holdings (Pty) Ltd			4 936
Unsecured loan carried interest at prime and was settled during the 2013 year.			
Propell Group Holdings (Pty) Ltd			21 194
Unsecured loan carried interest at prime plus 5% and was settled during the 2013 year.			
AIC Holding Company (Pty) Ltd			6 257
Unsecured interest-free loan which was settled during the 2013 year.			
Spirit Capital (Pty) Ltd			
Unsecured loan carries interest at prime plus 1% (2012: prime plus 4%) and is repayable within 12 months.	552	993	1 552
Loan was secured by unlisted equity shares, carried interest at 20% and was settled during the 2013 year.			8 468
Erbacon Investment Holdings Ltd			14 238
Unsecured loan carried interest at prime plus 5% and was settled during the 2013 year.			
Other associates	23 832	12 417	14 964
Unsecured loans carrying interest at rates ranging from interest-free to prime plus 4% (2013: ranging from interest-free to prime plus 1%) (2012: ranging from interest-free to 8.3%), which are all repayable within 12 months.			
	6 616 503	6 274 056	6 117 615
Loans and preference shares			
Current portion	24 384	63 880	146 429
Non-current portion	292 147	248 840	299 692
	316 531	312 720	446 121
Reconciliation			
Balance at beginning of the year	5 961 336	5 671 494	4 735 349
Share of profits of associates	942 085	1 036 620	684 087
Loss on impairment of associates	(24 458)	(104 154)	(40 954)
Other movement in investment value			
Dividends received	(279 530)	(300 881)	(190 918)
Additions	454 260	916 808	346 327
Disposals	(111 796)	(881 897)	(76 043)
Net dilution gain/(loss)	16 814	(163 497)	174 587
Subsidiaries acquired	181 047	181 530	
Fair value adjustments on step-up to subsidiary	79 580	22 023	
Transfer to subsidiaries at fair value	(650 387)	(126 801)	(2 090)
Transfer to held-for-sale at fair value	(311 195)	(295 063)	
Transfer from equity securities at fair value			61 120
Other movements (mainly exchange differences)	42 216	5 154	(19 971)
Balance at end of the year	6 299 972	5 961 336	5 671 494
Market value of JSE-listed associates (mainly Capitec Bank Holdings Ltd)	6 219 279	6 197 494	6 278 004

4. INVESTMENT IN ASSOCIATES AND JOINT VENTURES *(continued)*

4.1 Investment in associates *(continued)*

Additions

Significant additions during the 2014 year included investing a further R232.1 million, through Zeder, in Agri Voedsel Beleggings Ltd, Capespan Group Ltd (which subsequently became a subsidiary) and Kaap Agri Ltd. Furthermore, the group, through PSG Private Equity, made new investments in logistics-related businesses of R136.3 million, comprising mainly of 30% in Pack and Stack Investment Holdings (Pty) Ltd and 49% in SMC Brands SA (Pty) Ltd. The group, through PSG Private Equity, also invested R48.1 million in JSE-listed Poynting Holdings Ltd, a manufacturer and supplier of advanced antenna-related products.

Significant additions during the 2013 year included the group following its rights in respect of Capitec Bank Holdings Ltd's rights offer, to the amount of R723.9 million. Furthermore, the group, through Zeder, acquired a 49% interest in Klein Karoo Seed Marketing (Pty) Ltd for R80 million (which became a subsidiary during the 2014 year).

Significant additions during the 2012 year included further investments, through Zeder in NWK Ltd and Capespan Group Ltd, to the amount of R117.6 million and R114.1 million, respectively. Furthermore, through PSG Private Equity, the group invested R21.2 million in Impak Onderwysdienste (Pty) Ltd and R29.6 million in Petmin Ltd.

Disposals

Disposals during the 2014 year related mainly to the group's interest, through Zeder, in Overberg Agri Ltd, NWK Ltd and Suidwes Investments Ltd.

Significant disposals during the 2013 year included the group's subsequent disposal of its Capitec Bank Holdings Ltd's rights offer shares with a carrying value of R379.7 million. Furthermore, the group, through Zeder, disposed of a 15.1% shareholding in Capevin Holdings Ltd, with a carrying value of R299.9 million. The remaining 5% interest in Capevin Holdings Ltd have been classified as held-for-sale (refer note 17). The group, through PSG Private Equity, also disposed of its interest in Petmin Ltd, with a carrying value of R182.9 million.

Significant disposals during the 2012 year included the group's interests in MGK Business Investments Ltd and IQuad Group Ltd.

Impairments

The impairment charges recognised in respect of the investment in associates were calculated on the basis of and making use of the assumptions set out in the accounting policies. Impairment charges recognised related mainly to the Zeder (2013 and 2012: related mainly to the PSG Private Equity) operating segment.

Impairments during the 2014 year included R14 million in respect of Suidwes Investments Ltd (which was subsequently disposed of during the 2014 year) and R7.4 million in respect of Bluegreen Oceans (Pty) Ltd.

Significant impairments during the 2013 year included R45.3 million recognised in respect of the group's investment in Petmin Ltd. Petmin Ltd's JSE-listed share price declined significantly during the first half of the 2013 year, which resulted in the investment being impaired to its fair value less cost to sell (being calculated based on the JSE-listed share price). Petmin Ltd was subsequently disposed of during the second half of the 2013 year (refer "disposals" section above). Furthermore, following increased uncertainty in the mining industry, the group impaired its investment in Precrete Holdings (Pty) Ltd by R27 million to its fair value less cost to sell (being calculated based on a market-related price/earnings multiple). Following continued losses incurred by Erbacon Investment Holdings Ltd, the group fully impaired its investment to the amount of R15.3 million.

During the 2012 year, the carrying value of the group's investment in Erbacon Investment Holdings Ltd was impaired by R37.1 million, with the balance of the impairment charge relating to the investment in IQuad Group Ltd, which was subsequently disposed during the 2012 year.

Refer Annexure B for further information regarding associates.

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		GROUP		
		2014	2013	2012
		R'000	R'000	R'000
4.	INVESTMENT IN ASSOCIATES AND JOINT VENTURES <i>(continued)</i>			
4.2	Investment in joint ventures			
	Balance at beginning of the year			
	Additions	11 143		
	Share of profits of joint ventures	981		
	Balance at end of the year	12 124	–	–
	Loans and preference shares – current	4 838		
		16 962	–	–

Refer to Annexure B for further information regarding joint ventures.

5. UNIT-LINKED INVESTMENTS

<i>Direct investments</i>	449 860	297 599	191 662
Quoted	449 860	297 588	190 058
Unquoted		11	1 604
<i>Investments linked to investment contracts (refer note 23)</i>	9 859 013	6 493 114	5 230 813
Quoted	7 608 537	4 535 016	3 538 631
Unquoted	2 250 476	1 958 098	1 692 182
	10 308 873	6 790 713	5 422 475

Rnil (2013: Rnil) (2012: R13 873 000) of the quoted unit-linked investments are listed.

GROUP	Fair value through profit or loss R'000	Total R'000
Reconciliation		
Balance at 1 March 2011	5 008 029	5 008 029
Additions	4 195 170	4 195 170
Disposals	(4 117 917)	(4 117 917)
Fair value net gains and reinvestments	434 653	434 653
Subsidiaries acquired	1 674	1 674
Subsidiaries sold	(19 983)	(19 983)
Derecognised on acquisition of subsidiary	(79 151)	(79 151)
Balance at 29 February 2012	5 422 475	5 422 475
Additions	4 547 604	4 547 604
Disposals	(4 079 377)	(4 079 377)
Fair value net gains and reinvestments	742 707	742 707
Subsidiaries acquired	145 048	145 048
Subsidiaries sold	(3 695)	(3 695)
Transfer to unit-linked investments upon disposal of subsidiary	15 951	15 951
Balance at 28 February 2013	6 790 713	6 790 713
Additions	7 419 768	7 419 768
Disposals	(5 056 428)	(5 056 428)
Fair value net gains and reinvestments	1 124 173	1 124 173
Subsidiaries acquired	11 163	11 163
Transfer to unit-linked investments upon disposal of subsidiary	19 484	19 484
Balance at 28 February 2014	10 308 873	10 308 873

		GROUP		
		2014	2013	2012
		R'000	R'000	R'000
	Current portion	1 464 222	1 383 569	1 870 753
	Non-current portion	8 844 651	5 407 144	3 551 722
		10 308 873	6 790 713	5 422 475

Fair value of the unit-linked investments are determined by reference to the underlying assets, taking into account any relevant credit risk associated with the underlying assets.

		GROUP		
		2014	2013	2012
		R'000	R'000	R'000
6. EQUITY SECURITIES				
<i>Direct equity investments</i>		311 444	132 144	545 489
Quoted		268 870	33 818	370 487
Unquoted		42 574	98 326	175 002
<i>Investments linked to investment contracts (refer note 23)</i>		600 250	981 144	865 352
Quoted		600 250	981 144	865 352
Unquoted				
		911 694	1 113 288	1 410 841

Included in quoted equity securities are listed investments to the value of R604 035 000 (2013: R616 088 000) (2012: R1 235 836 000).

GROUP	Available-for-sale R'000	Fair value through profit or loss R'000	Total R'000
Reconciliation			
Balance at 1 March 2011	345	1 128 026	1 128 371
Additions	740	437 319	438 059
Disposals	(264)	(235 970)	(236 234)
Fair value net gains and reinvestments		167 325	167 325
Transfer to investment in associates at fair value		(61 120)	(61 120)
Subsidiaries acquired		39 239	39 239
Subsidiaries sold		(64 799)	(64 799)
Balance at 29 February 2012	821	1 410 020	1 410 841
Additions		471 041	471 041
Disposals		(991 058)	(991 058)
Fair value net gains and reinvestments	638	236 912	237 550
Subsidiaries acquired	2 393	12 988	15 381
Subsidiaries sold		(30 467)	(30 467)
Balance at 28 February 2013	3 852	1 109 436	1 113 288
Additions		625 745	625 745
Disposals	(5 905)	(931 077)	(936 982)
Fair value net gains and reinvestments	464	119 865	120 329
Subsidiaries acquired	6 190		6 190
Subsidiaries sold		(16 876)	(16 876)
Balance at 28 February 2014	4 601	907 093	911 694

		GROUP		
		2014	2013	2012
		R'000	R'000	R'000
Current portion		169 716	519 094	511 930
Non-current portion		741 978	594 194	898 911
		911 694	1 113 288	1 410 841

7. DEBT SECURITIES				
<i>Direct investments</i>		441 705	127 038	29 255
Quoted		441 705	123 622	29 255
Unquoted			3 416	
<i>Investments linked to investment contracts (refer note 23)</i>		1 521 456	1 745 724	1 836 866
Quoted		1 284 109	1 499 003	1 836 866
Unquoted		237 347	246 721	
		1 963 161	1 872 762	1 866 121

Included in quoted debt securities are listed investments to the value of R50 466 000 (2013: R97 314 000) (2012: R82 057 000).

PSG GROUP LIMITED
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GROUP	Held-to-maturity R'000	Fair value through profit or loss R'000	Total R'000
7. DEBT SECURITIES <i>(continued)</i>			
Reconciliation			
Balance at 1 March 2011	798 735	1 286 614	2 085 349
Additions	155 182	128 610	283 792
Disposals		(691 466)	(691 466)
Maturity	(1 204)		(1 204)
Fair value net gains and reinvestments	432	58 079	58 511
Finance income	119 513		119 513
Subsidiaries acquired		11 626	11 626
Balance at 29 February 2012	1 072 658	793 463	1 866 121
Additions	127 902	502 490	630 392
Disposals		(834 299)	(834 299)
Maturity	(18 530)		(18 530)
Fair value net gains and reinvestments		110 200	110 200
Finance income	102 128		102 128
Subsidiaries acquired		16 750	16 750
Balance at 28 February 2013	1 284 158	588 604	1 872 762
Additions	18 785	1 311 314	1 330 099
Disposals		(1 051 110)	(1 051 110)
Maturity	(528 856)		(528 856)
Fair value net gains and reinvestments		6 040	6 040
Finance income	114 085		114 085
Subsidiaries acquired		243 563	243 563
Subsidiaries sold		(23 422)	(23 422)
Balance at 28 February 2014	888 172	1 074 989	1 963 161

	GROUP		
	2014 R'000	2013 R'000	2012 R'000
Current portion	592 525	640 714	92 639
Non-current portion	1 370 636	1 232 048	1 773 482
	1 963 161	1 872 762	1 866 121

The fair value of the unquoted debt securities is either based on discounted cash flow valuation methodologies using market interest rates and the risk premium specific to the unquoted securities, or determined by comparing it to the fair value of the underlying investments.

8. DEFERRED INCOME TAX

Deferred income tax assets	125 852	59 523	51 289
Deferred income tax liabilities	(331 567)	(243 454)	(139 913)
Net deferred income tax liability	(205 715)	(183 931)	(88 624)
Deferred income tax assets			
To be recovered within 12 months	40 778	41 850	31 742
To be recovered after 12 months	85 074	17 673	19 547
	125 852	59 523	51 289
Deferred income tax liabilities			
To be recovered within 12 months	(52 353)	(23 906)	(52 726)
To be recovered after 12 months	(279 214)	(219 548)	(87 187)
	(331 567)	(243 454)	(139 913)

8. DEFERRED INCOME TAX (continued)

The movements in the net deferred tax liability were as follows:

GROUP	Provisions R'000	Tax losses R'000	Unrealised profits R'000	Intangible assets and other differences R'000	Total R'000
Balance at 1 March 2011	8 483	4 362	(31 859)	(58 998)	(78 012)
(Charge)/credit to profit or loss	(227)	18 526	(7 854)	(13 066)	(2 621)
Charge to other comprehensive income			(49)		(49)
Other movements	(32)		10 508	2 835	13 311
Subsidiaries acquired	214	5 128	(328)	(24 601)	(19 587)
Subsidiaries sold	(101)	(1 797)		232	(1 666)
Balance at 29 February 2012	8 337	26 219	(29 582)	(93 598)	(88 624)
Credit/(charge) to profit or loss	2 522	(365)	1 956	11 799	15 912
Charge to other comprehensive income			(141)		(141)
Other movements	(1 917)		(871)	(836)	(3 624)
Subsidiaries acquired	7 202	8 124	(488)	(122 244)	(107 406)
Subsidiaries sold	(59)			11	(48)
Balance at 28 February 2013	16 085	33 978	(29 126)	(204 868)	(183 931)
Credit/(charge) to profit or loss	1 927	26 069	(39 714)	(8 802)	(20 520)
Credit/(charge) to other comprehensive income	11 190		(1 238)	260	10 212
Other movements	631	(2 008)	(51)	12 320	10 892
Subsidiaries acquired	67 823	4 228	(3 519)	(91 092)	(22 560)
Subsidiaries sold		(315)		507	192
Balance at 28 February 2014	97 656	61 952	(73 648)	(291 675)	(205 715)

Deferred tax on temporary differences relating to financial assets that are measured at "fair value through profit or loss", which form part of the group's long-term investment strategy, is calculated using the South African capital gains tax inclusion rate of 66.6% (2013: 66.6%) (2012: 50%).

The deferred income tax assets and liabilities were calculated on all temporary differences under the liability method using a South African normal tax rate of 28% (2013: 28%) (2012: 28%).

Where temporary differences arose in jurisdictions other than South Africa, the tax rates relevant to those jurisdictions were applied. The recoverability of the deferred income tax assets were assessed as set out in the accounting policies.

	GROUP		
	2014 R'000	2013 R'000	2012 R'000
9. BIOLOGICAL ASSETS			
Balance at beginning of the year	31 264		
Additions	128 860	30 879	
Disposals	(34 321)		
Transfer of harvested produce to inventory	(164 615)	(99 920)	
Changes in fair value of biological assets	90 510	28 703	
Exchange differences	5 622	2 528	
Subsidiaries acquired	144 106	69 074	
Balance at end of the year	201 426	31 264	-
Biological assets consist of the following:			
Current	83 447	31 264	-
Maize crops *	6 396		
Soya crops *	33 567	31 264	
Orchards **	12 885		
Vineyards **	14 262		
Sugar cane **	16 337		
Non-current	117 979	-	-
Orchards ***	49 422		
Vineyards ***	68 557		
	201 426	31 264	-

* These biological assets are valued at cost since an insignificant level of biological transformation has taken place since planting.

** These biological assets are carried at fair value, being determined based on expected fruit sales (free on board prices for export sales and net value for local sales), net of budgeted harvest, packing, storage and selling costs, as well as directly attributable overheads.

*** Consisting of citrus orchards, pome (apple and pear) orchards and grape vineyards, these fair values were determined using a discounted cash flow model. The most significant inputs applied were:

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	Citrus	Pome	Grapes
9. BIOLOGICAL ASSETS <i>(continued)</i>			
Useful life (years)	25.0 – 30.0	30.0	20.0
Growth rate – inflationary increase for income and costs (%)	2.0	2.0	2.0
Taxation (%)	28.0	28.0	28.0
Discount rate (%)	14.3 – 15.5	15.0	16.7

No replantings are taken into account.

	GROUP		
	2014	2013	2012
	R'000	R'000	R'000
10. INVESTMENT IN INVESTMENT CONTRACTS			
Reconciliation			
Balance at beginning of the year	850 152	1 003 885	1 108 686
Investment contract premiums paid	73 333	209 700	65 829
Investment contracts benefits received	(489 849)	(500 854)	(247 979)
Fair value adjustment/finance income charged to investment contracts	74 182	136 446	77 349
Subsidiaries acquired		975	
Balance at end of the year	507 818	850 152	1 003 885
Current portion	218 517	561 869	376 694
Non-current portion	289 301	288 283	627 191
Fair value through profit or loss	261 832	326 507	535 385
Held-to-maturity	245 986	523 645	468 500
	507 818	850 152	1 003 885
Direct investments	2 374	1 508	
Investments linked to investment contracts (refer note 23)	505 444	848 644	1 003 885
	507 818	850 152	1 003 885

Fair value of the investment in investment contracts is determined by reference to the underlying assets, since the vast majority of these investments are linked to investment contract liabilities (refer note 23). All the underlying assets have quoted prices which are used in the fair value determination.

11. LOANS AND ADVANCES

Direct investments

Secured loans *	312 753	158 745	18 197
Unsecured loans **	42 728	87 715	67 529
	355 481	246 460	85 726
Current portion	194 533	67 509	49 051
Non-current portion	160 948	178 951	36 675

* Ordinary shares, mainly PSG Konsult Ltd (refer note 42) and other existing unlisted investments, together with the income streams of financial advisors affiliated to PSG Konsult Ltd serve as security for these loans.

** Unsecured loans are mainly receivable from financial advisors affiliated to PSG Konsult Ltd.

These loans carry interest at rates ranging between 0.5% and 13% (2013: between interest-free and 15.3%) (2012: between 7% and 11%) and is repayable over various periods to a maximum of six years (2013: seven years) (2012: seven years).

	GROUP			COMPANY		
	2014	2013	2012	2014	2013	2012
	R'000	R'000	R'000	R'000	R'000	R'000
12. TRADE AND OTHER RECEIVABLES						
Trade receivables	1 323 313	452 682	83 381			
Brokers and clearing houses *	1 925 858	1 557 765	2 252 659			
Margin accounts	24 228	25 548	21 469			
Prepayments and sundry receivables **	445 389	207 590	133 945	201	220	8
	3 718 788	2 243 585	2 491 454	201	220	8
Current portion	3 682 766	2 210 239	2 488 778	201	220	8
Non-current portion	36 022	33 346	2 676			

* Included are PSG Online broker- and clearing accounts of which R1.9 billion (2013: R1.6 billion) (2012: R2.3 billion) represents amounts owing by the JSE Ltd for trades in the last few days before year-end. These balances fluctuate on a daily basis depending on the activity in the markets. The control account for the settlement of these transactions is included under trade and other payables (refer note 27), with the settlement to the clients taking place within three days after the transaction date.

** Includes insurance receivables due from contract holders of R36 807 000 (2013: R13 184 000) (2012: Rnil).

Trade and other receivables include non-financial assets of R79 004 000 (2013: R19 581 000) (2012: R10 043 000).

		GROUP		
	2014	2013	2012	
	R'000	R'000	R'000	
13. DERIVATIVE FINANCIAL INSTRUMENTS				
Derivative financial assets	30 130	15 955	10 159	
Derivative financial liabilities	(99 528)	(140 050)	(45 261)	
Net derivative financial liability	(69 398)	(124 095)	(35 102)	
Derivative financial assets				
Current portion	30 130	15 955	10 159	
Derivative financial liabilities				
Current portion	(53 335)	(94 384)	(33 569)	
Non-current portion	(46 193)	(45 666)	(11 692)	
	(69 398)	(124 095)	(35 102)	
Analysis of net derivative financial liability				
Equity/index contracts				
Fixed-for-variable interest rate swaps	(2 579)	(77 245)	(36 803)	
Contracts for difference ("CFD")	(7 216)	(1 184)	1 701	
Forward exchange contracts – currencies	(13 937)			
Written put option to non-controlling interest	(45 666)	(45 666)		
	(69 398)	(124 095)	(35 102)	

Trading derivatives are classified as current financial assets and liabilities at "fair value through profit or loss". The fair values of the financial instruments that are trading on recognised over-the-counter platforms are based on the closing prices and classified as quoted instruments. The value of the CFD assets reflected in the statement of financial position is derived from and corresponds directly to the underlying equity securities' closing JSE-listed price. The fair value of interest rate swaps were determined as the difference between the floating leg and the fixed leg of the swap. The fair value of the fixed leg is set equally to the present value of fixed interest payments discounted at the risk-free rate plus a margin. The floating leg was valued by discounting projected floating leg payments using a risk-free rate plus a margin.

The fair value adjustments on derivative financial instruments included in "net fair value gains on financial assets and financial liabilities at fair value through profit or loss" (refer note 31) amounts to a gain of R74.7 million (2013: loss of R40.4 million) (2012: loss of R108 million). This includes a fair value loss in the 2012 year of R66.7 million relating to the linked investment contracts. A corresponding fair value gain, to the same amount, earned from the assets backing the investment contract liabilities are also included in "fair value gains and losses on financial instruments".

14. INVENTORIES			
Raw materials	59 041	15 666	
Work-in-progress	9 832		
Finished goods	844 828	305 147	
	913 701	320 813	–

The cost of inventories recognised as an expense and included in cost of goods sold (refer note 29) in the income statement amounted to R6 640 258 000 (2013: R1 663 023 000) (2012: Rnil).

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	GROUP			COMPANY		
	2014 R'000	2013 R'000	2012 R'000	2014 R'000	2013 R'000	2012 R'000
15. REINSURANCE ASSETS AND LIABILITIES						
Reinsurance assets – current						
Reinsurers' share of insurance liabilities	66 248	50 883	–			
Balance at beginning of the year	50 883					
Subsidiaries acquired		42 273				
Movement for the year	15 365	8 610				
Deferred acquisition costs	1 025	1 110	–			
Balance at beginning of the year	1 110					
Subsidiaries acquired		1 288				
Movement for the year	(85)	(178)				
	67 273	51 993	–			
Amounts due from reinsurers, in respect of claims already paid by the group on reinsured contracts, are included in trade and other receivables (refer note 12). No reinsurance assets were considered impaired at the current or prior reporting date.						
Reinsurance liabilities – current						
Deferred reinsurance acquisition revenue	2 842	2 889	–			
Balance at beginning of the year	2 889					
Subsidiaries acquired		1 914				
Movement for the year	(47)	975				
16. CASH AND CASH EQUIVALENTS (INCLUDING MONEY MARKET FUNDS)						
Cash at bank	1 275 399	844 062	617 859	281	217	127
Money market funds	724 304	1 277 604	107 738			
Short-term deposits	150 169	96 655	60			
	2 149 872	2 218 321	725 657	281	217	127

The effective interest rate on short-term deposits was 5% (2013: 5%) (2012: 5.5%). These deposits have an average maturity of 30 days or less. Cash and cash equivalents included above, relating to investment contract liabilities, amounted to R51 334 000 (2013: R65 096 000) (2012: R97 218 000).

17. NON-CURRENT ASSETS HELD FOR SALE

During the 2013 year, the group, through Zeder, disposed of a 15.1% shareholding in Capevin Holdings Ltd (an associate). Having lost significant influence over same, the group's remaining 5% equity interest in Capevin Holdings Ltd was earmarked for disposal and accordingly classified as held-for-sale. During June 2013, the group obtained the relevant shareholder approval to dispose of the remaining equity interest and commenced doing so piecemeal. At the reporting date, the group's remaining equity interest of 2.7% (2013: 5.3%) in Capevin Holdings Ltd is valued at R177 200 000 (2013: R287 733 000). The group remains committed to recovery of same through disposal. Fair value gains recognised in profit or loss amounts to R73 053 000 (2013: losses of R7 330 000).

	GROUP			COMPANY		
	2014 R'000	2013 R'000	2012 R'000	2014 R'000	2013 R'000	2012 R'000
18. STATED/SKARE CAPITAL						
Authorised						
400 000 000 (2013: 400 000 000) (2012: 400 000 000) ordinary shares with no par value (2013: par value of 1 cent each) (2012: par value of 1 cent each)		4 000	4 000		4 000	4 000
Issued						
Balance at beginning of the year	1 836	1 787	1 663	2 081	2 027	1 903
Issue of shares		54	124		54	124
Share buy-back	(33 105)			(33 105)		
Net movement in treasury shares		(5)				
Conversion to no par value shares	2 734 935			2 734 935		
Balance at end of the year	2 703 666	1 836	1 787	2 703 911	2 081	2 027
Number of shares in issue ('000)						
In issue (gross of treasury shares)	207 589	208 082	202 724	207 589	208 082	202 724
Shares held by subsidiaries	(16 009)	(15 874)	(13 874)			
Shares held by associates	(4 852)	(4 852)	(4 852)			
Shares held by share incentive trusts	(3 805)	(3 714)	(4 385)			
In issue (net of treasury shares)	182 923	183 642	179 613	207 589	208 082	202 724

Unissued shares, limited to 5% of the company's number of shares in issue at 28 February 2013, 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 the JSE Listings Requirements.

Share incentive schemes

During the current and prior years, PSG Group Ltd operated two equity-settled share incentive schemes, being the deferred delivery and share option schemes. In terms of these schemes, shares/share options are granted to executive directors, senior and middle management. Furthermore, two subsidiaries also operated share incentive schemes during the current and prior years, granting share options to executive directors, senior and middle management.

In terms of aforementioned schemes, shares/share options are allocated to participants on grant date at market price. The settlement of the purchase consideration payable by the employee in terms of the shares granted occurs on delivery/vesting.

The total equity-settled share-based payment charge recognised in the income statement amounted to R26 274 000 (2013: R17 459 000) (2012: R11 752 000). This charge, net of the related tax effect, was credited to other reserves (refer note 19) and non-controlling interest (refer statement of changes in equity), respectively.

Deferred delivery scheme

The PSG Group Ltd Share Incentive Trust currently holds 150 000 (2013: 375 000) (2012: 711 000) PSG Group Ltd ordinary shares, which have been allocated to participants at a total consideration of R2.7 million (2013: R6.7 million) (2012: R12.7 million). The maximum number of shares which may be offered to participants is 10% of the issued share capital of the company at any time. This scheme is in process of being run off and no new awards were granted during the current or prior years.

PSG Group Ltd ordinary shares	2014	2013	2012
Number of shares allocated at beginning of the year	375 000	711 000	1 140 000
Number of shares released to participants during the year	(225 000)	(336 000)	(429 000)
Number of shares allocated at end of the year	150 000	375 000	711 000

The weighted average market share price of the shares released during the year amounted to R66.03 (2013: R57.99) (2012: R43.21).

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18. SHARE CAPITAL *(continued)*

Deferred delivery scheme *(continued)*

	Number of shares	Price [^] R
Granting of shares occurred as follows:		
21 April 2008	100 000	17.81
23 April 2008	50 000	17.59
	<u>150 000</u>	

[^] In September 2009, Paladin Capital Ltd ("Paladin"), a subsidiary, conducted a renounceable rights issue in terms of which PSG Group Ltd renounced 64% of its Paladin rights in favour of PSG Group Ltd shareholders. In terms of the PSG Group Share Incentive Trust deed, the vesting price of outstanding scheme shares needed to be adjusted to give effect to same. The vesting price of each outstanding PSG Group Ltd share was consequently reduced by the 21.362 cents volume weighted average traded price per Paladin right during the time of the rights issue, which equated to 8.972 cents per PSG Group Ltd share on the basis of 1 rights offer share for every 2.381 PSG Group Ltd shares held.

Vesting of shares occurs as follows:	%
2 years after grant date	30
3 years after grant date	25
4 years after grant date	20
5 years after grant date	15
6 years after grant date	10
	<u>100</u>

	2014		2013		2012
Analysis of outstanding scheme shares by financial year of maturity:	Weighted average strike price (R)	Number	Weighted average strike price (R)	Number	Weighted average strike price (R)
28 February 2013					18.00
28 February 2014			17.74	225 000	17.74
28 February 2015	17.74	150 000	17.74	150 000	17.74
		<u>150 000</u>		<u>375 000</u>	<u>150 000</u>
					<u>711 000</u>

Share option scheme

The weighted average strike price of share options exercised in terms of this equity-settled share scheme during the year under review was R19.93 (2013: R26.28) (2012: R18.45) per share.

The PSG Group Ltd Supplementary Share Incentive Trust currently holds 3 655 370 (2013: 3 339 061) (2012: 3 674 202) PSG Group Ltd ordinary shares, with 6 020 064 (2013: 3 565 043) (2012: 3 518 844) having been allocated as share options to participants at a total consideration of R377.9 million (2013: R144.4 million) (2012: R86.3 million). During the 2014 year, 6 293 414 (2013: 3 808 447) (2012: nil) Zeder Investments Ltd ordinary shares were allocated by the group as share options to employees at a purchase consideration of R25.8 million (2013: R11 million) (2012: Rnil). The maximum number of shares which may be offered to participants is 10% of the issued share capital of the company at any time.

	Zeder Investments Ltd ordinary shares		PSG Group Ltd ordinary shares		
	2014 Number	2013 Number	2012 Number	2014 Number	2013 Number
Number of shares allocated at beginning of the year	3 808 447			3 565 043	3 518 844
Number of shares cancelled during the year				(50 749)	(44 064)
Number of shares vested during the year				(429 506)	(856 584)
Number of shares allocated during the year	6 293 414	3 808 447		2 935 276	946 847
Number of shares allocated at end of the year	10 101 861	3 808 447	–	6 020 064	3 565 043

18. **SHARE CAPITAL** (continued)

Share option scheme (continued)

Granting of ordinary shares occurred as follows:	Number of shares	Price R	Volatility %	Dividend yield %	Risk-free rate %	Fair value R
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Zeder Investments Ltd ordinary shares

20 April 2012	2 212 072	2.57	27.1	0.7	6.5	0.71
28 February 2013	1 596 375	3.33	24.3	1.4	5.9	0.78
28 February 2014	6 293 414	4.10	32.7	1.1	7.6	1.29
	10 101 861					

PSG Group Ltd ordinary shares

20 April 2009 [^]	137 376	15.52	37.2	2.6	8.1	4.83
28 August 2009 [^]	164 235	18.77	35.7	2.1	8.0	5.84
28 February 2010	193 698	22.09	33.6	2.3	8.1	6.54
22 April 2010	255 761	26.16	31.2	1.9	7.8	7.56
28 February 2011	807 598	39.61	26.4	1.7	7.6	10.48
28 February 2012	598 183	47.39	21.0	1.7	6.5	9.86
28 February 2013	927 937	61.50	19.7	2.4	5.9	11.28
28 February 2014	2 935 276	83.23	24.5	1.8	7.6	21.03
	6 020 064					

[^] In September 2009, Paladin Capital Ltd ("Paladin"), a subsidiary, conducted a renounceable rights issue in terms of which PSG Group Ltd renounced 64% of its Paladin rights in favour of PSG Group Ltd shareholders. In terms of the PSG Group Supplementary Share Incentive Trust deed, the vesting price of outstanding share options needed to be adjusted to give effect to same. The vesting price of each outstanding PSG Group Ltd share option was consequently reduced by the 21.362 cents volume weighted average traded price per Paladin right during the time of the rights issue, which equated to 8.972 cents per PSG Group Ltd share on the basis of 1 rights offer share for every 2.381 PSG Group Ltd shares held.

Vesting of shares occurs as follows:	%
2 years after grant date	25
3 years after grant date	25
4 years after grant date	25
5 years after grant date	25
	100

Zeder Investments Ltd ordinary shares

	2014		2013		2012	
Analysis of outstanding scheme shares by financial year of maturity:	Weighted average strike price (R)	Number	Weighted average strike price (R)	Number	Weighted average strike price (R)	Number
28 February 2015	2.89	952 112	2.89	952 112		
29 February 2016	3.64	2 525 465	2.89	952 112		
28 February 2017	3.64	2 525 465	2.89	952 112		
28 February 2018	3.64	2 525 465	2.89	952 111		
28 February 2019	4.10	1 573 354				
		10 101 861		3 808 447		-

PSG Group Ltd ordinary shares

	2014		2013		2012	
Analysis of outstanding scheme shares by financial year of maturity:	Weighted average strike price (R)	Number	Weighted average strike price (R)	Number	Weighted average strike price (R)	Number
28 February 2013					26.70	835 143
28 February 2014			30.11	957 546	29.88	986 804
28 February 2015	36.29	1 177 070	36.33	1 194 258	29.88	986 804
29 February 2016	61.26	1 609 278	45.48	789 000	38.64	558 433
28 February 2017	67.24	1 384 548	56.01	387 528	47.39	151 660
28 February 2018	73.90	1 115 349	61.50	236 711		
28 February 2019	83.23	733 819				
		6 020 064		3 565 043		3 518 844

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18. SHARE CAPITAL *(continued)*

Subsidiary share incentive schemes

PSG Konsult

Share options are allocated to participants on the same basis as set out under "share option scheme" above, except that the share options relate to PSG Konsult Ltd ordinary shares. The maximum number of shares which may be offered at any time to participants is 5% of the issued share capital of PSG Konsult Ltd.

Granting of ordinary shares occurred as follows:	Number of shares	Price R	Volatility %	Dividend yield %	Risk-free rate %	Fair value R
1 March 2011	13 001 041	1.54	4.7	5.7	7.9	1.75
1 July 2012	11 753 248	1.83	2.9	5.9	7.4	1.85
1 March 2013	46 250 000	2.83	30.0	6.0	6.2	2.40
1 June 2013	1 000 000	2.80	24.0	4.2	7.3	2.55
1 August 2013	300 000	3.40	24.0	3.5	7.3	3.50
	72 304 289					

	2014		2013		2012	
Analysis of outstanding scheme shares by financial year of maturity:	Weighted average strike price (R)	Number	Weighted average strike price (R)	Number	Weighted average strike price (R)	Number
28 February 2014			1.54	6 940 271	1.54	6 940 271
28 February 2015	1.66	7 271 992	1.63	9 878 583	1.54	6 940 271
29 February 2016	2.39	19 159 492	1.63	9 878 583	1.54	6 940 271
28 February 2017	2.39	19 159 492	1.63	9 878 583	1.54	6 940 271
28 February 2018	2.63	14 825 812	1.83	2 938 311		
28 February 2019	2.83	11 887 501				
		72 304 289		39 514 331		27 761 084

Curro

Share options are allocated to participants on the same basis as set out under "share option scheme" above, except that the share options relate to Curro Holdings Ltd ordinary shares. The maximum number of shares which may be offered at any time to participants is 5% of the issued share capital of Curro Holdings Ltd.

Granting of ordinary shares occurred as follows:	Number of shares	Price R	Volatility %	Dividend yield %	Risk-free rate %	Fair value R
29 September 2011	3 185 587	4.89	39.4	0.0	6.6	2.16
29 September 2012	979 888	16.17	54.3	0.0	5.3	7.49
29 September 2013	1 640 639	19.61	32.2	0.0	5.4	6.04
	5 806 114					

	2014		2013		2012	
Analysis of outstanding scheme shares by financial year of maturity:	Weighted average strike price (R)	Number	Weighted average strike price (R)	Number	Weighted average strike price (R)	Number
28 February 2014			5.93	1 065 426	5.93	1 065 426
28 February 2015	6.91	1 310 399	8.02	1 310 398	5.93	1 065 426
29 February 2016	9.94	1 720 559	8.02	1 310 398	5.93	1 065 426
28 February 2017	9.94	1 720 552	8.02	1 310 398	5.93	1 065 426
28 February 2018	18.36	644 445	17.10	244 972		
28 February 2019	19.61	410 159				
		5 806 114		5 241 592		4 261 704

19. OTHER RESERVES

GROUP	Available-for-sale R'000	Foreign currency translation R'000	Share-based payment R'000	Other* R'000	Total R'000
Balance as at 1 March 2011	(894)	(1 840)	30 290	13 440	40 996
Currency translation adjustments		242			242
Fair value gains on available-for-sale investments	345				345
Share of other comprehensive income of associates				42 979	42 979
Recycling share of associates' other comprehensive income on disposal				(62 920)	(62 920)
Share-based payment costs – employees			11 097		11 097
Balance as at 29 February 2012	(549)	(1 598)	41 387	(6 501)	32 739
Currency translation adjustments		5 468			5 468
Fair value losses on available-for-sale investments	(157)				(157)
Share of other comprehensive income of associates				(12 133)	(12 133)
Recycling share of associates' other comprehensive income on disposal				(520)	(520)
Share-based payment costs – employees			14 194		14 194
Transactions with non-controlling interest				(19 415)	(19 415)
Balance as at 28 February 2013	(706)	3 870	55 581	(38 569)	20 176
Currency translation adjustments		47 844			47 844
Cash flow hedges				(5 471)	(5 471)
Fair value gains on available-for-sale investments	135				135
Recycling fair value gains on available-for-sale investments	(266)				(266)
Share of other comprehensive income of associates				44 072	44 072
Recycling share of associates' other comprehensive income on disposal				(23 643)	(23 643)
Share-based payment costs – employees			26 239		26 239
Balance as at 28 February 2014	(837)	51 714	81 820	(23 611)	109 086

* Relates mainly to other comprehensive income attributable to associates and a written put option held by a non-controlling shareholder of a subsidiary.

20. NON-CONTROLLING INTEREST

	2014 R'000	2013 R'000	2012 R'000
Non-controlling interest – Other than PSG Financial Services Ltd (subsidiary) preference shares	4 026 882	2 905 432	1 953 471
Non-controlling interest – Cumulative, non-redeemable, non-participating preference shares of PSG Financial Services Ltd (subsidiary)	1 564 713	1 254 247	1 234 167
	5 591 595	4 159 679	3 187 638

Cumulative, non-redeemable, non-participating preference shares of PSG Financial Services Ltd (subsidiary)

Authorised

20 000 000 (2013: 20 000 000) (2012: 20 000 000) cumulative, non-redeemable, non-participating preference shares with no par value (2013: par value of R1 each) (2012: par value of R1 each).

Issued

17 415 770 (2013: 13 419 479) (2012: 13 419 479) cumulative, non-redeemable, non-participating preference shares with no par value (2013: par value of R1 each) (2012: par value of R1 each).

The discretionary preference dividend is calculated on a daily basis at 83.33% (2013: 83.33%) (2012: 83.33%) of prime on the nominal value of R100 per share and is payable in two semi-annual instalments. Arrear preference dividends accrue interest at prime.

PSG GROUP LIMITED

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for the year ended 28 February 2014

		GROUP		
		2014	2013	2012
		R'000	R'000	R'000
21.	INSURANCE CONTRACTS			
	Long-term insurance	26 859	30 419	29 949
	Balance at beginning of the year	30 419	29 949	29 896
	Liabilities released for payments on death, surrender and other terminations for the year	(3 221)	(3 381)	(3 277)
	Fees deducted from account balances	(211)	(227)	(226)
	Transfer to policyholder funds	(128)	4 078	3 556
	Short-term insurance	466 304	347 665	–
	Balance at beginning of the year	347 665		
	Subsidiary acquired		323 261	
	Claims reported			
	In respect of current year	492 918	101 398	
	In respect of prior year	(35 242)		
	Claims paid	(397 274)	(82 998)	
	Movement for the year	58 237	6 004	
		493 163	378 084	29 949
22.	THIRD-PARTY LIABILITIES ARISING ON CONSOLIDATION OF MUTUAL FUNDS			
	Balance at beginning of the year	25 103	16 008	37 054
	Capital contributions received	19 765	22 991	
	Fair value adjustment to third-party liabilities	79 387	1 646	(38)
	Consolidation of mutual fund	271 581		16 008
	Deconsolidation of mutual fund	(23 667)	(15 542)	(37 016)
	Balance at end of the year	372 169	25 103	16 008
	Current portion			
	Non-current portion	372 169	25 103	16 008
23.	INVESTMENT CONTRACTS			
	Balance at beginning of the year	10 272 444	9 144 681	9 112 357
	Investment contract receipts	3 777 908	2 868 109	1 291 953
	Investment contract benefits paid	(2 605 576)	(2 884 673)	(1 838 620)
	Commission and administration expenses	(94 720)	(42 291)	(45 112)
	Fair value adjustments to investment contract liabilities	1 342 712	1 186 618	624 103
	Balance at end of the year	12 692 768	10 272 444	9 144 681
	Current portion	1 931 398	2 816 614	1 713 541
	Non-current portion	10 761 370	7 455 830	7 431 140
	Investment contracts carried at:			
	Fair value	11 544 683	8 419 067	7 479 781
	Amortised cost	1 148 085	1 853 377	1 664 900
		12 692 768	10 272 444	9 144 681

		GROUP		
		2014	2013	2012
		R'000	R'000	R'000
23. INVESTMENT CONTRACTS	<i>(continued)</i>			
Investment contracts are represented by the following underlying investments:				
Equity securities		600 250	981 144	865 352
Debt securities		1 676 727	1 884 446	1 947 413
Debt securities (refer note 7)		1 521 456	1 745 724	1 836 866
Debt securities eliminated on consolidation (held intergroup)		155 271	138 722	110 547
Unit-linked investments		9 859 013	6 493 114	5 230 813
Investment in investment contracts		505 444	848 644	1 003 885
Cash and cash equivalents		51 334	65 096	97 218
		12 692 768	10 272 444	9 144 681

Investment contracts relate to PSG Life Ltd clients' assets held under investment contracts, which are linked to a corresponding liability. Investment contracts' impact on the income statement can be separated from returns earned by the ordinary shareholders of the group as follows:

	Investment contract policyholders R'000	Ordinary shareholders of the group R'000	Total R'000
28 February 2014			
Investment income	263 550	243 486	507 036
Fair value gains and losses	1 087 679	365 918	1 453 597
Fair value adjustment to investment contract liabilities	(1 342 712)		(1 342 712)
	8 517	609 404	617 921
28 February 2013			
Investment income	272 024	146 240	418 264
Fair value gains and losses	937 148	86 775	1 023 923
Fair value adjustment to investment contract liabilities	(1 186 618)		(1 186 618)
	22 554	233 015	255 569
29 February 2012			
Investment income	223 973	163 921	387 894
Fair value gains and losses	422 933	110 796	533 729
Fair value adjustment to investment contract liabilities	(624 103)		(624 103)
	22 803	274 717	297 520
		GROUP	
		2014	2013
		R'000	R'000
		2012	
		R'000	R'000

24. BORROWINGS			
Non-current		2 095 886	1 308 073
Redeemable preference shares		750 000	750 000
Unsecured loans		26 596	14 725
Secured loans		1 319 290	543 348
Current		1 170 501	897 262
Bank overdrafts		569 258	290 633
Redeemable preference shares		15 859	18 790
Unsecured loans		75 247	309 257
Secured loans		510 137	278 582
Total borrowings		3 266 387	2 205 335

Redeemable preference shares carry fixed dividend rates ranging between 8.1% and 8.6% (2013: 8.1% and 8.6%) (2012: 87% of prime), and are repayable over remaining periods of up to four years (2013: five years) (2012: five years). The redeemable preference shares are secured through the pledge of JSE-listed and over-the-counter traded shares to the value of R6.1 billion (2013: R5.2 billion) (2012: R5.0 billion). In terms of the respective surety agreements, the number of shares provided as security may be increased or reduced should there be a significant change in the market value of same.

The most significant security pledged towards the secured loans include all of Curro's land and buildings, with a carrying value of R2 billion (2013: R1.1 billion) (2012: Rnil), and the group's interest, through PSG Konsult, in Online Securities Ltd ("Online Securities").

PSG GROUP LIMITED

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24. BORROWINGS *(continued)*

In terms of a scrip lending facility between Online Securities and a third party, Online Securities clients' financial assets to the value of R2.4 billion (2013: R1.5 billion) (2012: Rnil) serve as security. These financial assets include the relevant underlying JSE ALSI 100 equity securities, South African government bonds and cash balances.

The effective interest rates applied to borrowings range between 6.8% and 13.8% (2013: 3.2% and 12.4%) (2012: 9.5% and 12.4%).

25. EMPLOYEE BENEFITS

Assets and liabilities relating to the group's employee benefits can be summarised as follows:

GROUP	2014			2013			2012		
	Assets R'000	Liabilities R'000	Net R'000	Assets R'000	Liabilities R'000	Net R'000	Assets R'000	Liabilities R'000	Net R'000
Short-term									
employee benefits		(156 850)	(156 850)		(31 968)	(31 968)		(21 112)	(21 112)
Long-term									
employee benefits		(27 607)	(27 607)			-			-
Post-employment									
benefits	33 090	(111 046)	(77 956)			-			-
	33 090	(295 503)	(262 413)	-	(31 968)	(31 968)	-	(21 112)	(21 112)

Short-term employee benefits

These benefits comprise mainly bonus and leave pay accruals.

Long-term employee benefits

These benefits relate to a subsidiary's, Capespan Group Ltd ("Capespan"), executive management incentive scheme. Benefits are calculated according to a formula taking into consideration the increase in Capespan's headline earnings per share, measured over a three-year rolling period.

Post-employment benefits

During the year, the group, through Zeder, gained control over Capespan, which operates numerous post-employment benefit plans.

Medical benefits

Capespan also provide for post-employment medical benefits. This liability is for a relatively small number of staff (including their dependants) who were already retired prior to 1999 from the service of certain subsidiaries of Capespan. To qualify for the scheme, employees had to be permanently employed, be a member of the relevant subsidiaries' designated schemes at retirement and remain resident in South Africa until their retirement. The obligation of R21 260 000 was quantified by an independent actuary, with the principal actuarial assumption being the discount rate used of 6.25% (based on government bond yields). Reasonably possible changes in any of the relevant actuarial assumptions (discount rate, medical cost trends and future mortality) would impact the group's reported results by less than R1 million.

Retirement benefits

Various subsidiaries of the group contribute to defined contribution plans in respect of retirements benefits and these contributions are expensed as incurred.

Capespan operates a number of defined benefits plans across its operations in Japan, Germany, Belgium and the United Kingdom. These schemes are set up under trusts and the assets of the schemes are therefore held separately from those of Capespan. Actuarial valuations were carried out by independent actuaries for the schemes, making use of the projected unit credit method. The scheme assets do not include any shareholdings in Capespan or the company.

	Japan R'000	2014 Germany, Belgium and the UK R'000	Total R'000
The respective employee defined benefit plan deficits can be analysed as follows:			
Fair value of plan assets		33 090	33 090
Present value of funded obligations	(4 257)	(85 529)	(89 786)
	(4 257)	(52 439)	(56 696)
Subsidiary acquired	(5 209)	(41 746)	(46 955)
Interest income/(expense)	42	(14 806)	(14 764)
Return on plan assets		12 003	12 003
Actuarial gains/(losses)	719	(906)	(187)
Employer contributions		3 021	3 021
Exchange differences	(112)	(10 005)	(10 117)
Settlements	303		303
Balance at end of the year	(4 257)	(52 439)	(56 696)

		2014	
		Japan	Germany, Belgium and the UK
		R'000	R'000
25. EMPLOYEE BENEFITS	<i>(continued)</i>		
Principal actuarial assumptions used include:			
Discount rates (%)		0.8	3.3 – 4.4
Rates of salary increases (%)		1.0	0.0 – 3.5
Inflation rates (%)			2.0 – 2.8

In respect of the Germany, Belgium and UK schemes, reasonable changes at the reporting date on one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation as follows:

	Change	Increase R'000	Decrease R'000
Discount rates	0.5%	5 150	(5 275)
Rates of salary increases	1.0%	(1 329)	3 502
Inflation rates	1 year	(14 645)	14 105

Provision has been made for early disability retirements. No account is taken of surpluses which may arise in the fund as the group does not consider itself entitled to the benefits.

26. ACCRUALS FOR OTHER LIABILITIES AND CHARGES

GROUP	Other R'000	Total R'000
Balance as at 1 March 2011		–
Balance as at 29 February 2012	–	–
Additional accruals	22 100	22 100
Balance as at 28 February 2013	22 100	22 100
Utilised during the year	(5 275)	(5 275)
Balance as at 28 February 2014	16 825	16 825

	GROUP			COMPANY		
	2014 R'000	2013 R'000	2012 R'000	2014 R'000	2013 R'000	2012 R'000
Current portion	16 825	22 100				
Non-current portion						
	16 825	22 100	–			

The movement in accruals for other liabilities and charges were charged to profit or loss and relates to amounts due in respect of the winding down of unprofitable operations.

27. TRADE AND OTHER PAYABLES

Trade payables*^	3 317 621	2 239 688	2 577 588	2 476	2 260	2 092
Margin accounts	38 061	39 829	31 336			
Deferred revenue	17 808	52 938	21 727			
Subsidiary/associate purchase consideration payable	137 388	47 718	75 848			
Investment policy benefits payable			1 880			
	3 510 878	2 380 173	2 708 379	2 476	2 260	2 092
Current portion	3 510 522	2 374 173	2 691 256	2 476	2 260	2 092
Non-current portion	356	6 000	17 123			

* Includes non-financial liabilities of R40 838 000 (2013: R16 119 000) (2012: R16 752 000).

^ Included are PSG Online broker- and clearing accounts of which R1.9 billion (2013: R1.6 billion) (2012: R2.3 billion) represents amounts owing to the JSE Ltd for trades in the last few days before year-end. These balances fluctuate on a daily basis depending on the activity in the markets. The receivable for the settlement of these transactions is included under trade and other receivables (refer note 12), with the settlement to the clients taking place within three days after the transaction date.

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	GROUP			COMPANY		
	2014	2013	2012	2014	2013	2012
	R'000	R'000	R'000	R'000	R'000	R'000
28. REVENUE FROM SALE OF GOODS						
Educational goods	34 536	33 101				
Fast moving consumer goods	1 903 376	1 640 581				
Agricultural produce	5 409 870	328 113				
Mining and construction goods	220 861					
	7 568 643	2 001 795	–			
29. COST OF GOODS SOLD						
Changes in finished goods	6 466 114	1 608 229				
Raw material and consumables used	174 144	54 794				
Transportation expenses	25 004	7 896				
Other expenses	19 317	12 023				
	6 684 579	1 682 942	–			
Cost of goods sold relate to educational tools, fast moving consumer goods, agricultural produce and mining and construction goods.						
30. INVESTMENT INCOME						
Interest income						
Loans and receivables	52 388	25 396	12 302			
Equity securities – fair value through profit or loss	39 690	39 761	16 777			
Debt securities – fair value through profit or loss	4 585	33 330	36 165			
Unit-linked investments – fair value through profit or loss	194 704	149 156	121 431			
Cash and cash equivalents	105 773	45 075	39 171			
	397 140	292 718	225 846			
Dividend income						
Equity securities – fair value through profit or loss	23 423	29 713	122 225			
Equity securities – available-for-sale	140	52	2 059			
Debt securities (preference shares)	31 793	32 171	37 764			
Unit-linked investments – fair value through profit or loss	44 597	63 610				
Non-current assets held for sale	9 943					
Dividend income from subsidiary				35 690	340 810	144 000
	109 896	125 546	162 048	35 690	340 810	144 000
Investment income	507 036	418 264	387 894	35 690	340 810	144 000

No interest income was earned on impaired financial assets during the current or prior years.

	GROUP		
	2014	2013	2012
	R'000	R'000	R'000
31. FAIR VALUE GAINS AND LOSSES			
Foreign exchange gains	46 804	1 906	1 505
Foreign exchange losses	(58 420)	(6 160)	(689)
Net fair value gains on financial assets and financial liabilities at fair value through profit or loss:			
Designated items	1 312 116	1 013 484	533 528
Held-for-trading			1 043
Net realised gains on available-for-sale equity securities	464		(1 658)
Fair value adjustment on step-up from associate to subsidiary	79 580	22 023	
Fair value gain/(loss) on non-current assets held for sale	73 053	(7 330)	
	1 453 597	1 023 923	533 729
32. COMMISSION AND OTHER FEE INCOME			
Commissions and fees	3 294 361	1 732 765	1 325 961
Dealing and structuring	245 730	208 331	201 611
	3 540 091	1 941 096	1 527 572
33. OTHER OPERATING INCOME AND EXPENSES			
Other operating income	43 837	60 880	51 961
Profit on sale/dilution of interest in associates	38 899	918 091	174 587
Loss on dilution of interest in associates		(164 085)	
Profit on sale of property, plant and equipment	2 972	3 134	
Profit on sale of subsidiaries (refer note 43.4)	643	5 161	270
Reversal of financial asset impairments	12 923		
Bargain purchase gain (refer note 43.3)		6 966	
	99 274	830 147	226 818
34. INSURANCE CLAIMS AND LOSS ADJUSTMENTS, NET OF RECOVERIES			
Short-term insurance contracts	350 010	60 435	
Long-term individual life insurance contracts – death, maturity, surrender and sick leave benefits and transfers to policyholder liabilities	3 348	(461)	(279)
	353 358	59 974	(279)

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GROUP	Gross R'000	Reinsurance R'000	Net R'000
34. INSURANCE CLAIMS AND LOSS ADJUSTMENTS, NET OF RECOVERIES			
<i>(continued)</i>			
2014			
Short-term insurance contracts	471 414	(121 404)	350 010
Claims paid	411 185	(111 496)	299 689
Movement in expected cost of outstanding claims	74 140	(13 248)	60 892
Salvages	(13 911)	3 340	(10 571)
Long-term individual life insurance contracts	3 348	–	3 348
Insurance policy benefits paid	3 221		3 221
Movement in insurance policy liabilities	127		127
	474 762	(121 404)	353 358
2013			
Short-term insurance contracts	94 380	(33 945)	60 435
Claims paid	82 998	(30 303)	52 695
Movement in expected cost of outstanding claims	19 126	(4 558)	14 568
Salvages	(7 744)	916	(6 828)
Long-term individual life insurance contracts	(461)	–	(461)
Insurance policy benefits paid	3 617		3 617
Movement in insurance policy liabilities	(4 078)		(4 078)
	93 919	(33 945)	59 974
2012			
Short-term insurance contracts	–	–	–
Claims paid			–
Movement in expected cost of outstanding claims			–
Salvages			–
Long-term individual life insurance contracts	(279)	–	(279)
Insurance policy benefits paid	3 277		3 277
Movement in insurance policy liabilities	(3 556)		(3 556)
	(279)	–	(279)

	GROUP			COMPANY		
	2014 R'000	2013 R'000	2012 R'000	2014 R'000	2013 R'000	2012 R'000
35. MARKETING, ADMINISTRATION AND OTHER EXPENSES						
Expenses by nature						
Depreciation	132 760	64 705	19 628			
Land	5 626	2 342				
Buildings	9 131	1 682	237			
Vehicles and plant	77 848	36 866	2 743			
Office equipment	15 525	7 998	6 189			
Computer equipment	24 630	15 817	10 459			
Amortisation of intangible assets	76 711	57 080	31 587			
Operating lease rentals	152 992	85 955	51 225			
Properties	110 222	75 059	44 204			
Other	42 770	10 896	7 021			
Auditor's remuneration	22 481	11 416	11 791			
Audit services						
– current year	19 981	11 215	11 263			
– prior year	1 799	(61)	(177)			
Tax services	134	42	40			
Other services	567	220	665			
Employee benefit expenses	1 565 195	762 070	526 314			
Salaries, wages and allowances	1 483 998	706 776	492 892			
Termination benefits	2 498	6 277	2 906			
Equity-settled share-based payment costs	26 274	17 459	11 752			
Defined contribution plans (medical and pension costs)	37 360	31 558	18 764			
Defined benefit plans (medical and pension costs)	15 065					
Impairment of intangible assets	9 073	162 933	11 519			
Loss on sale of intangible assets	79	4 968	373			
Loss on sale of subsidiaries (refer note 43.4)		1 287				
Impairment of loans and receivables	8 833	4 886	29 238			
Impairment of property, plant and equipment	885	2 011				
Loss on sale of property, plant and equipment	4 287	3 765				
Loss on sale/dilution of associates	14 497	25 444				
Other expenses	912 303	467 946	283 598	1 774	1 636	1 672
Management and administration fees	75 491	58 454	66 571			
Marketing	72 612	31 803	24 285			
Professional fees	33 597	20 613	8 277			
Other administration costs	730 603	357 076	184 465			
Commission paid	837 513	622 104	491 055			
	3 737 609	2 276 570	1 456 328	1 774	1 636	1 672

Refer to the directors' report for details regarding directors' remuneration.

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	GROUP			COMPANY		
	2014	2013	2012	2014	2013	2012
	R'000	R'000	R'000	%	%	%
36. FINANCE COSTS						
Bank overdrafts	53 999	35 294	11 667			
Redeemable preference shares	64 217	63 023	11 459			
Secured loans	76 140	45 869	33 550			
Unsecured loans	41 297	35 558	31 318			
Derivative financial instruments	27 684	26 281	21 626			
	263 337	206 025	109 620			
37. TAXATION						
South Africa current taxation	228 688	255 606	94 180			
Current year	230 824	262 167	92 718			
Prior year	(2 136)	(6 561)	1 462			
South Africa deferred taxation	21 525	(16 136)	831			
Current year	21 525	(16 300)	2 941			
Prior year		164	(2 110)			
Foreign current taxation – current year	38 535	1 571	46			
Foreign deferred taxation – current year	(1 005)	224				
Dividend withholding tax/secondary tax on companies	149	6 810	8 994			
Current taxation	149	6 810	7 204			
Deferred taxation			1 790			
Total taxation	287 892	248 075	104 051			
Reconciliation of effective rate of taxation (%)						
South African normal taxation rate	28.0	28.0	28.0	28.0	28.0	28.0
Adjusted for:						
Non-taxable income	(7.9)	(7.6)	(18.2)	(28.0)	(28.0)	(28.0)
Capital gains tax differential in rates	(0.9)	1.6	(2.3)			
Non-deductible charges	11.4	10.0	21.9			
Income from associates	(14.7)	(16.5)	(21.0)			
Foreign tax rate differential	0.2	(1.4)				
Prior year adjustments	(0.1)	(0.4)				
Dividend withholding tax/secondary tax on companies		0.4	0.8			
Effective rate of taxation	16.0	14.1	9.2	–	–	–
Tax charge/(credit) relating to components of other comprehensive income						
Currency translation adjustments	1 488					
Fair value gains on available-for-sale investments	73	141	(7 964)			
Recycling fair value gains on available-for-sale investments	(324)					
Share of other comprehensive income of associates	1 183					
Recycling share of associates' other comprehensive income on disposal	(1 183)					
Actuarial gains on employee defined benefit plans	(193)					
	1 044	141	(7 964)			

	GROUP		
	2014 R'000	2013 R'000	2012 R'000
38. EARNING PER SHARE			
The calculations of earnings per share are based on the following:			
Profit attributable to owners of the parent	1 052 034	1 139 789	703 085
Non-headline earnings (net of non-controlling interest and related tax effect):			
Net profit on sale/dilution of associates	(21 839)	(453 150)	(177 551)
Gross amount	(24 402)	(728 562)	(174 587)
Non-controlling interest	3 420	144 024	(5 367)
Tax effect	(857)	131 388	2 403
Impairment of associates	12 047	98 645	36 332
Gross amount	24 458	104 154	40 954
Non-controlling interest	(12 411)	(5 509)	(4 622)
Tax effect			
Loss on sale/impairment of intangible assets	5 435	96 061	7 326
Gross amount	9 152	167 901	11 892
Non-controlling interest	(3 236)	(62 768)	(1 374)
Tax effect	(481)	(9 072)	(3 192)
Non-headline items of associates	(1 959)	(1 777)	(722)
Gross amount	1 892	(23 247)	(23 678)
Non-controlling interest	(4 307)	21 505	22 952
Tax effect	456	(35)	4
Fair value gain resulting from step-up to associate	(33 202)	(9 599)	–
Gross amount	(79 580)	(22 023)	
Non-controlling interest	45 195	12 424	
Tax effect	1 183		
Other	(3 680)	5 026	(1 334)
Gross amount	(14 836)	7 742	(3 571)
Non-controlling interest	4 244	(3 125)	466
Tax effect	6 912	409	1 771
Headline earnings	1 008 836	874 995	567 136

The net profit on sale/dilution of associates related mainly to a dilution gain made on CSG Holdings Ltd (2013: profit on sale of Capitec Bank Holdings Ltd and Capevin Holdings Ltd) (2012: profit on sale of Capitec Bank Holdings Ltd and Kaap Agri Ltd). The impairment of associates related mainly to interests held in Suidwes Investments Ltd and Bluegreen Oceans (Pty) Ltd (2013: Petmin Ltd, Precrete Holdings (Pty) Ltd and Erbacon Investment Holdings Ltd) (2012: Erbacon Investment Holdings Ltd). Refer note 4.1 for further details regarding these disposals and impairments.

The weighted average number of shares and diluted weighted average number of shares were calculated as follows:

	GROUP		
	2014 '000	2013 '000	2012 '000
Number of shares at the beginning of the year	183 607	179 613	166 261
Weighted number of shares issued during the year	547	3 019	7 783
Net movement in treasury shares	(1 160)	(408)	(172)
Weighted number of shares at end of the year	182 994	182 224	173 872
Number of bonus element shares to be issued in terms of share incentive schemes	1 513	1 478	1 777
Diluted weighted number of shares at end of the year	184 507	183 702	175 649

PSG GROUP LIMITED

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		GROUP		
		2014	2013	2012
		R'000	R'000	R'000
38.	EARNINGS PER SHARE <i>(continued)</i>			
	Basic			
	Earnings attributable to ordinary shareholders	1 052 034	1 139 789	703 085
	Headline earnings	1 008 836	874 995	567 136
	Weighted average number of ordinary shares in issue ('000)	182 994	182 224	173 872
	Attributable earnings per share (cents)	574.9	625.5	404.4
	Headline earnings per share (cents)	551.3	480.2	326.2

Diluted

Diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares in issue to assume conversion of all dilutive potential ordinary shares (arising from the share incentive schemes set out in note 18). A calculation is performed to determine the number of shares that could have been acquired at fair value (determined as the annual volume weighted average JSE-listed share price of the company's shares) based on the monetary value of the shares/share options granted to participants.

	GROUP			COMPANY		
	2014	2013	2012	2014	2013	2012
	R'000	R'000	R'000	R'000	R'000	R'000
Earnings attributable to ordinary shareholders	1 052 034	1 139 789	703 085			
Headline earnings	1 008 836	874 995	567 136			
Diluted weighted average number of ordinary shares in issue ('000)	184 507	183 702	175 649			
Diluted attributable earnings per share (cents)	570.2	620.5	400.3			
Diluted headline earnings per share (cents)	546.8	476.3	322.9			

39. DIVIDEND PER SHARE

Normal dividend	221 779	162 038	126 708	251 567	182 194	143 211
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Interim

43 cents per share (2013: 33 cents) (2012: 26 cents)

Final

90 cents per share (2013: 78 cents) (2012: 56 cents)

Dividends are not accounted for until they have been approved by the company's board.

		GROUP		
		2014	2013	2012
		R'000	R'000	R'000
40	OPERATING LEASES, CAPITAL COMMITMENTS AND CONTINGENCIES			
	Operating lease commitments			
	<i>Operating leases – premises</i>			
	Due within one year	130 648	53 824	32 195
	Due within one to five years	505 626	151 035	32 370
	Due after more than five years	482 341	24 323	
		1 118 615	229 182	64 565
	<i>Operating leases – office and computer equipment</i>			
	Due within one year	24 243	4 993	2 194
	Due within one to five years	34 418	9 564	4 032
		58 661	14 557	6 226
	<i>Operating leases – vehicles and plant</i>			
	Due within one year	6 586		
	Due within one to five years	8 755		
		15 341	–	–
	Capital commitments			
	<i>Authorised but not yet contracted</i>			
	Property, plant and equipment	54 319	38 259	66 873
	<i>Contracted</i>			
	Property, plant and equipment	152 098	507 367	42 168
	Contingencies			

Capitec Bank Holdings Ltd (“Capitec”) has reported receiving a notice from the National Credit Regulator alleging contraventions of the National Credit Act. It furthermore reported that it had taken legal advice and believed the matter would be resolved satisfactorily through due process. The matter was heard by the National Consumer Tribunal on 13 March 2014 and judgement was reserved. Due to uncertainties that currently exist, Capitec is unable to estimate the financial effect of any possible outcome.

41. BORROWING POWERS

In terms of the company’s memorandum of incorporation, borrowing powers are unlimited. Details of actual borrowings are disclosed in note 24.

42. RELATED-PARTY TRANSACTIONS AND BALANCES

Group

PSG Group Ltd and its subsidiaries enter into various financial services transactions with members of the group. These transactions include a range of investment, administrative, advisory and corporate services in the normal course of business. Intergroup transactions have been eliminated on consolidation.

During the 2013 year, the group received administrative and corporate finance fees from Capevin Holdings Ltd (associate) and its subsidiary of R2 565 000 (2012: R1 100 000) and an underwriting fee of R24 632 000 from Capitec Bank Holdings Ltd (associate).

For details of the intergroup loan account between PSG Group Ltd and PSG Financial Services Ltd, refer to note 3.

A subsidiary of the group and a company in which Mr MM du Toit, a director, has an interest, were co-investors in an agricultural commodity business. The company in which aforementioned director has an interest, realised a benefit of R19 181 000 from this relationship during the 2013 year.

The directors’ report contains details of directors’ shareholding and their remuneration.

Compensation of prescribed officers

The members of the PSG Group Executive Committee (“Exco”) are regarded as being the prescribed officers of the company. The Exco comprises Messrs JF Mouton (non-executive chairman), PJ Mouton (CEO), WL Greeff (financial director), JA Holtzhausen (executive) and CA Otto (independent non-executive). All being directors of PSG Group Ltd, their remuneration is detailed in the directors’ report.

PSG GROUP LIMITED

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42. RELATED-PARTY TRANSACTIONS AND BALANCES *(continued)*

	GROUP		
	2014	2013	2012
	R'000	R'000	R'000
Loans to directors of PSG Group Ltd			
In terms of PSG Group Ltd Supplementary Share Incentive Trust (refer note 18) to exercise share options *	37 826	24 664	6 192
WL Greeff	12 097	7 715	2 332
JA Holtzhausen	12 357	8 104	1 943
PJ Mouton	13 372	8 845	1 917
Investment in preference shares of (2013: loan granted to) party related to a director of PSG Group Ltd **	63 241	61 655	
Loan advanced to related party of a director of a subsidiary			7 722
	101 067	86 319	13 914

* These loans carry interest at SARS' official interest rate and are repayable seven years from the date of advance.

** This balance relates to an investment in preference shares issued by a related party of Mr FJ Gouws. The preference share funding is repayable after 6 years, carry a fixed dividend rate of 8.44% and PSG Konsult Ltd ordinary shares with a market value of R175 million (2013: R99.8 million) (2012: Rnil) serve as security. On redemption of the preference share funding, should the market value of the security be less than the redemption amount, the counterparty has an option to put aforementioned security to the group at an amount equal to the redemption value.

During the 2013 year, loans in the amount of R118 079 000 were advanced to related parties of four directors of PSG Group Ltd, being Messrs WL Greeff, JA Holtzhausen, PJ Mouton and JF Mouton, in order to acquire 2 million JSE-listed PSG Group Ltd ordinary shares ("the PSG shares"). The PSG shares serve as security for the loans receivable, carry interest at prime less 1% and is repayable during the financial year ending 28 February 2020. At the reporting date, the loans' carrying value amounted to R129 114 000 (2013: R122 112 000) (2012: Rnil) and the market value of the PSG shares serving as security amounted to R178 040 000 (2013: R122 520 000) (2012: Rnil). In terms of accounting standards, the loans receivable were eliminated on consolidation and the PSG Group Ltd shares accounted for as treasury shares (refer note 18). The arrangement has been accounted for in terms of *IFRS 2 Share-based Payment*, with the resultant charge to group profit or loss for the year amounting to R3 046 000 (2013: R1 473 000) (2012: Rnil). The charge was calculated using a Black-Scholes valuation model with inputs similar to those disclosed in note 18.

During the 2012 year, the group acquired the entire issued share capital of Paladin (a subsidiary) not already held by the group, in terms of a scheme of arrangement. Paladin minority shareholders received 4 PSG Group ordinary shares for each 100 Paladin shares held. The following PSG Group directors directly or indirectly obtained PSG Group shares in exchange for their Paladin shares:

	Number of PSG Group shares
MM du Toit	79 454
WL Greeff	10 000
JA Holtzhausen	171 700
JF Mouton	880 000
JJ Mouton	21 945
PJ Mouton	121 600
W Theron	7 502

Company

Related-party transactions consist of dividends received from the company's sole subsidiary (refer note 30), while related party balances consist of a loan granted to same (refer note 3).

	GROUP			COMPANY		
	2014 R'000	2013 R'000	2012 R'000	2014 R'000	2013 R'000	2012 R'000
43. NOTES TO THE STATEMENTS OF CASH FLOWS						
43.1 Cash generated from/(utilised by) operating activities						
Profit before taxation	1 796 164	1 764 265	1 129 374	33 916	339 174	142 328
Adjusted for:						
Equity accounted earnings	(943 066)	(1 036 620)	(684 087)			
Depreciation and amortisation	209 471	121 785	51 215			
Changes in fair value of biological assets	(90 510)	(28 703)				
Net profit on sale/dilution of interest in associates	(24 402)	(728 562)	(174 587)			
Interest income	(397 140)	(292 718)	(225 846)			
Dividend income	(109 896)	(125 546)	(162 048)	(35 690)	(340 810)	(144 000)
Finance costs	263 337	206 025	109 620			
Other non-cash items	(92 740)	21 962	(220 909)			
	611 218	(98 112)	(177 268)	(1 774)	(1 636)	(1 672)
Change in working capital	160 622	(97 216)	(152 997)	235	(44)	295
Change in insurance contracts	115 079	24 873	53			
Change in other financial instruments	22 083	73 972	90 265			
Additions to biological assets	(128 860)	(30 879)				
	780 142	(127 362)	(239 947)	(1 539)	(1 680)	(1 377)
43.2 Taxation paid						
Charge to profit or loss	(287 892)	(248 075)	(104 051)			
Movement in deferred taxation	20 520	(15 912)	2 621			
Movement in net taxation liability	4 937	(44 381)	3 510			
	(262 435)	(308 368)	(97 920)			

43.3 Subsidiaries acquired

2014 acquisitions

Capespan Group Ltd ("Capespan")

Effective April 2013, the group, through Zeder, acquired a further 25.3% shareholding in Capespan and thereby increased its interest to 71.1%. Subsequently, the group further increased its interest to 72.1% in Capespan. Capespan is a global fruit procurement company and South Africa's largest fruit exporter. Remeasurement to fair value of the associate interest previously held resulted in a non-headline gain of R40.7m being recognised in "fair value gains and losses" in the income statement. Non-controlling interest was recognised at its fair value based on Capespan's over-the-counter traded share price.

Klein Karoo Seed Marketing (Pty) Ltd ("Klein Karoo")

Effective October 2013, the group, through Zeder, acquired the remaining 51% shareholding in Klein Karoo not already held. Klein Karoo develops and distributes vegetable, pasture and agronomic seed in mainly Africa, the Middle East and Asia. The remeasurement of the previously held associate interest resulted in a non-headline gain of R1.1m being recognised in "fair value gains and losses" in the income statement. Non-controlling interests in a subsidiary of Klein Karoo were valued at its fair value.

Precrete Holdings (Pty) Ltd ("Precrete")

Effective August 2013, the group, through PSG Private Equity, acquired a further 7.2% shareholding in Precrete and thereby increased its interest to 55.2%. At year-end, the group's effective interest in Precrete was 52.8%. Precrete is involved in providing mine safety and support services. The previously held associate interest approximated fair value and therefore no remeasurement gain or loss arose upon gaining control. Non-controlling interests were recognised at its proportionate share of net assets.

Embury Institute for Teacher Education (Pty) Ltd ("Embury")

Effective April 2013, the group, through Curro, acquired the entire issued shareholding in Embury, a Durban-based teachers training college.

Northern Academy

Effective April 2013, the group, through Curro, acquired the entire business operations and properties of Northern Academy, a private education campus in Polokwane.

PSG Optimal Income Fund

During the year under review, the group, through PSG Konsult, increased its interest in the PSG Optimal Income Fund, resulting in the consolidation of same. At year-end, the group's interest in this fund amounted to 34.1%.

PSG GROUP LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 28 February 2014

43. NOTES TO THE STATEMENTS OF CASH FLOWS *(continued)*

43.3 Subsidiaries acquired *(continued)*

2014 acquisitions *(continued)*

	Capespan R'000	Klein Karoo R'000	Precrete R'000	Embury R'000	Northern Academy R'000	PSG Optimal Income Fund R'000	Other R'000	Total R'000
GROUP – 2014								
Recognised amounts of identifiable assets acquired and liabilities assumed								
Property, plant and equipment	308 295	124 477	27 241	293	82 472		42 985	585 763
Intangible assets	58 112	70 824	9 384	22 545	11 586			172 451
Biological assets	144 106							144 106
Investment in associates	181 047							181 047
Loans to and preference share investments in associates		9 274						9 274
Equity securities	6 190							6 190
Debt securities						243 563		243 563
Unit-linked investments						26 590		26 590
Trade and other receivables	973 284	147 421	74 314	6 625		15 771	41	1 217 456
Loans and advances	64 390	4 346	2 197					70 933
Derivative financial assets		57						57
Cash and cash equivalents	350 304	1 365	67 498		1 086		52	420 305
Deferred income tax assets/(liabilities)	23 100	(11 678)	(2 248)	(1 660)	(24 899)		(5 175)	(22 560)
Non-current assets held for sale	10 113							10 113
Inventory	105 734	319 575	8 979	2 017	2 336			438 641
Borrowings	(538 666)	(371 907)	(7 127)	(2 460)			(11 644)	(931 804)
Employee benefit liabilities	(122 333)	(4 815)						(127 148)
Trade and other payables	(638 823)	(91 690)	(24 880)	(6 757)	(7 926)	(1 296)	(80)	(771 452)
Third party liabilities arising on consolidation of mutual funds						(187 652)		(187 652)
Current income tax assets/(liabilities)	4 694	(1 024)	(2 664)	283			(54)	1 235
Total identifiable net assets	929 547	196 225	152 694	20 886	64 655	96 976	26 125	1 487 108
Non-controlling interests	(268 563)	(34 245)	(63 606)				42	(366 372)
De-recognition of investment in associates	(403 004)	(100 995)	(146 388)					(650 387)
De-recognition of investment in mutual fund						(96 976)		(96 976)
Goodwill		69 065	76 965	37 716	85 171			268 917
Total consideration	257 980	130 050	19 665	58 602	149 826	–	26 167	642 290

43. **NOTES TO THE STATEMENTS OF CASH FLOWS** (continued)

43.3 **Subsidiaries acquired** (continued)

2014 acquisitions (continued)

	Capespan R'000	Klein Karoo R'000	Precrete R'000	Embury R'000	Northern Academy R'000	PSG Optimal Income Fund R'000	Other R'000	Total R'000
GROUP – 2014								
Consideration								
Cash	257 980	130 050	19 665	52 288	149 826		26 167	635 976
Deferred consideration				6 314				6 314
Total consideration	257 980	130 050	19 665	58 602	149 826	–	26 167	642 290
Cash consideration paid	(257 980)	(130 050)	(19 665)	(52 288)	(149 826)		(26 167)	(635 976)
Cash and cash equivalents acquired	350 304	1 365	67 498		1 086		52	420 305
	92 324	(128 685)	47 833	(52 288)	(148 740)	–	(26 115)	(215 671)

2013 acquisitions

CA Sales Holdings Ltd (“CA Sales”)

Effective March 2012, the group, through PSG Private Equity, acquired an effective interest of 57.7% in CA Sales, a business involved in the distribution of fast moving consumer goods throughout Southern Africa.

Agricol Holdings Ltd (“Agricol”)

Effective March 2012, the group, through Zeder, acquired the remaining 74.9% interest in Agricol, a business involved in plant breeding, production, international trade, processing and distribution of seed. Since acquisition, Agricol contributed profit of R25 589 000 to the group. Agricol's name was subsequently changed to Zaad Holdings Ltd.

Chayton Atlas Investments (“Chayton”) and Somawhe Estates Ltd (“Somawhe”)

Effective April 2012, the group, through Zeder, acquired the entire shareholding in Chayton, a holding company of farming operations in Zambia. Subsequently, on 31 July 2012, Chayton acquired the entire shareholding in Somawhe, a further farming operation in Zambia. These farming operations are in its development phase and losses since acquisition amounted to R25 344 000. At the prior reporting date, the group held 73.4% in Chayton.

Combinations effected through Curro

During the 2013 year, the group, through Curro, acquired a number of businesses involved in providing private education. Since acquisition, the businesses contributed revenue of R111 382 000 and profit of R21 370 000 to the group.

Western Group Holdings Ltd (“Western”)

Effective November 2012, the group, through PSG Konsult, increased its interest in Western to 75%. Western is a Namibia based short-term insurer, operating in Namibia and South Africa. Since acquisition, Western contributed revenue of R66 565 000 and profit of R4 161 000 to the group. During the 2014 year under review, the group further increased its shareholding in Western to 90%. Following approval from the Financial Services Board during September 2013, the group acquired the remaining 10% minority shareholding in Western and then subsequently sold 40% of its shareholding to Santam.

Other

Other business combinations included, amongst others, the acquisition of a controlling interest in a company holding as its sole asset an interest in Precrete Holdings (Pty) Ltd (then an associate, refer Annexure B), as well as increasing the group's interest in Impak Onderwysdiens (Pty) Ltd.

PSG GROUP LIMITED
NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 28 February 2014

43. NOTES TO THE STATEMENTS OF CASH FLOWS (continued)
43.3 Subsidiaries acquired (continued)
2013 acquisitions (continued)

GROUP – 2013	CA Sales R'000	Agricol R'000	Chayton and Somawhe R'000	Combinations effected through Curro		Western R'000	Other R'000	Total R'000
				Acquired equity R'000	Acquired business R'000			
Recognised amounts of identifiable assets acquired and liabilities assumed								
Property, plant and equipment	101 969	38 892	306 177	144 168	98 483	8 302	14 506	712 497
Intangible assets	40 652	21 574	681	33 917	29 057	10 744	6 797	143 422
Biological assets			69 074					69 074
Investment in associates companies						45 711	135 819	181 530
Equity securities		2 393				12 988		15 381
Debt securities						16 750		16 750
Unit-linked investments						145 048		145 048
Investment in investment contracts							975	975
Receivables	184 797	61 377	8 940	1 498	1 105	24 623	4 804	287 144
Loans and advances						37 310	6 950	44 260
Cash and cash equivalents	(108 660)	31 287	19 766	19 680	803	114 223	18 207	95 306
Deferred income tax	(15 372)	(8 532)	(18 152)	(40 609)	(33 774)	5 694	3 339	(107 406)
Borrowings	(114 598)	(4)	(164 442)	(21 048)	(3 941)	(618)	(7 290)	(311 941)
Inventory	121 311	79 181	14 663					215 155
Accruals for other liabilities and charges	(4 493)							(4 493)
Trade and other payables	(162 906)	(57 381)	(24 672)	(14 113)	(2 844)	(50 971)	(23 682)	(336 569)
Insurance contracts						(323 262)		(323 262)
Insurance assets						43 561		43 561
Insurance liabilities						(1 914)		(1 914)
Current income tax (liabilities)/assets	(1 481)	(19 679)	(1 057)			262	(4 324)	(26 279)
Total identifiable net assets	41 219	149 108	210 978	123 493	88 889	88 451	156 101	858 239
Non-controlling interest	(147 569)					(22 113)	(32 358)	(202 040)
De-recognition of investment in associate		(50 409)				(20 715)	(55 677)	(126 801)
Bargain purchase gain	(5 169)						(1 797)	(6 966)
Goodwill	300 372	51 722	87 269	59 192	50 386	66 577	40 679	656 197
Total consideration	188 853	150 421	298 247	182 685	139 275	112 200	106 948	1 178 629
Consideration								
Cash	188 853	150 421	298 247	182 685	110 712	53 600	106 948	1 091 466
Equity instruments issued						58 600		58 600
Deferred consideration					28 563			28 563
Total consideration	188 853	150 421	298 247	182 685	139 275	112 200	106 948	1 178 629

43. **NOTES TO THE STATEMENTS OF CASH FLOWS** (continued)

43.3 **Subsidiaries acquired** (continued)

2013 acquisitions (continued)

GROUP – 2013	CA Sales R'000	Agricol R'000	Chayton and Somawhe R'000	Combinations effected through Curro		Western R'000	Other R'000	Total R'000
				Acquired equity R'000	Acquired business R'000			
Cash consideration paid	(188 853)	(150 421)	(298 247)	(182 685)	(110 712)	(53 600)	(106 948)	(1 091 466)
Cash and cash equivalents acquired	(108 660)	31 287	19 766	19 680	803	114 223	18 207	95 306
Prior year's deferred purchase consideration settled								(51 781)
	(297 513)	(119 134)	(278 481)	(163 005)	(109 909)	60 623	(88 741)	(1 047 941)

Goodwill recognised from these business combinations can be attributed to the employee corps, expected synergies, growth potential and geographical footprint of the respective businesses. Transaction costs relating to these business combinations were insignificant and expensed in profit or loss.

Had Capespan, Klein Karoo, Precrete, Embury and Northern Academy been consolidated with effect from 1 March 2013, instead of their respective acquisition dates, the group income statement would have reflected addition total revenue of R2.4 billion and profit of R69.1 million.

Had Western been consolidated with effect from 1 March 2012, instead of its acquisition date, the group income statement would have reflected addition total revenue of R197 million and profit of R13.7 million. Other business combinations were mostly acquired at the beginning of the year.

None of the deferred purchase consideration are dependent on profit warranties.

2012 acquisitions

Pleroma Insurance Brokers Group ("Pleroma")

On 1 May 2011 the group, through PSG Konsult, acquired 100% of the business of Pleroma for a total consideration of R30 725 583. Pleroma is involved in the financial services industry. The business contributed total income of R15 834 000 and net profit of R2 975 000 for the period since acquisition to 29 February 2012.

EFS Investment Solutions ("Equinox")

On 1 May 2011 the group, through PSG Konsult, acquired 100% of the share capital of Equinox for a total consideration of R26 919 000. Equinox is involved in the financial services industry. The business contributed total income of R29 034 000 and net profit of R7 319 000 for the period since acquisition to 29 February 2012.

Collective Investment Schemes

On 29 February 2012 the group, through PSG Konsult, acquired 97.9% in PSG Stable Fund for a total consideration of R21 956 000, 100% in PSG Income Fund for a total consideration of R41 281 000 and 50.6% interest in Orange Prime Fund for a total consideration of R15 951 000.

Other

Other business combinations included, amongst others, the acquisition of a further 31% of the share capital of iHound, increasing the group's interest to 51%, the acquisition of 100% of the businesses of Agri Wilson Makelaars, Triumviri Financial Advisors and Only Income Stream (3%) of Stanford Asset Management/Pretoria East.

GROUP – 2012	Pleroma R'000	Equinox R'000	Collective Investment Schemes R'000	Other R'000	Total R'000
Recognised amounts of identifiable assets acquired and liabilities assumed					
Property, plant and equipment		350		828	1 178
Intangible assets	13 938	6 965		11 088	31 991
Equity securities			39 239		39 239
Debt securities			11 626		11 626
Unit-linked investments		1 674			1 674
Receivables		714	1 111	6 848	8 673
Cash and cash equivalents		3 757	43 437	5 974	53 168
Third-party liabilities arising on consolidation of mutual funds			(16 008)		(16 008)
Deferred income tax	(3 902)	3 870		(19 555)	(19 587)
Trade and other payables		(1 004)	(217)	(7 523)	(8 744)
Current income tax liabilities		(301)			(301)
Total identifiable net assets carried forward	10 036	16 025	79 188	(2 340)	102 909

43. NOTES TO THE STATEMENTS OF CASH FLOWS (continued)

43.3 Subsidiaries acquired (continued)

2012 acquisitions (continued)

			Collective Investment		
	Pleroma R'000	Equinox R'000	Schemes R'000	Other R'000	Total R'000
GROUP – 2012					
Total identifiable net assets carried forward	10 036	16 025	79 188	(2 340)	102 909
Non-controlling interest				(2 928)	(2 928)
Re-recognition of investment in associate				(2 090)	(2 090)
Previously held equity securities				895	895
Goodwill	20 690	10 894		43 055	74 639
Total consideration	30 726	26 919	79 188	36 592	173 425
Consideration					
Cash	15 500	24 195		33 807	73 502
Investment derecognised			79 188		79 188
Deferred consideration	15 226	2 724		2 785	20 735
Total consideration	30 726	26 919	79 188	36 592	173 425
Cash consideration paid	(15 500)	(24 195)		(33 807)	(73 502)
Cash and cash equivalents acquired		3 757	43 437	5 974	53 168
Prior year's deferred purchase consideration settled				(55 400)	(55 400)
	(15 500)	(20 438)	43 437	(83 233)	(75 734)

Goodwill recognised from these business combinations can be attributed to the synergies expected to be obtained. Transaction costs relating to these business combinations were insignificant and expensed through the income statement.

Had Pleroma and Equinox been consolidated with effect from 1 March 2011 instead of their respective acquisition dates, the group income statement would have shown total income of R2 105 812 000 and net profit of R1 038 040 000.

Deferred purchase consideration of R1 768 064 relating to other acquisitions are dependent on profit warranties. At the reporting date, it is estimated that the full profit warranty will be met and therefore the fair value is considered equal to the carrying value.

43.4 Subsidiaries sold

2014 disposals

PSG Stable Fund

During the year, the group, through PSG Konsult, deconsolidated its interest in PSG Stable Fund.

	PSG Stable Fund R'000	Other R'000	Total R'000
GROUP – 2014			
Recognised amounts of identifiable assets and liabilities given up			
Property, plant and equipment		33	33
Equity securities	16 876		16 876
Debt securities	23 422		23 422
Unit-linked investments	5 439		5 439
Receivables	558	304	862
Cash and cash equivalents	2 401	37	2 438
Third-party liabilities arising on consolidation of mutual funds	(23 667)		(23 667)
Deferred income tax assets		192	192
Trade and other payables	(106)	(18)	(124)
Current income tax liabilities		(59)	(59)
	24 923	489	25 412
Non-controlling interests removed		(424)	(424)
Transfer to unit-linked investments	(24 923)		(24 923)
Profit on sale of subsidiaries		643	643
Cash proceeds on sale	–	708	708
Cash and cash equivalents of subsidiaries	(2 401)	(37)	(2 438)
Net cash flow on disposal of subsidiaries	(2 401)	671	(1 730)

43. NOTES TO THE STATEMENTS OF CASH FLOWS (continued)

43.4 Subsidiaries sold (continued)

2013 disposals

During the 2013 year, the group, through PSG Konsult, disposed of its investment in the South Easter Fund and, following disinvestments, deconsolidated its interest in the Orange Prime Fund.

Effective September 2012, the group, through PSG Konsult, sold the non-PSG brokers' administration business (Riscor) to Santam.

	Mutual funds R'000	Other R'000	Total R'000
GROUP – 2013			
Recognised amounts of identifiable assets and liabilities given up			
Property, plant and equipment	38	122	160
Equity securities	30 467		30 467
Unit-linked investments	3 695		3 695
Receivables	1 590	1 992	3 582
Third-party liabilities arising on consolidation of mutual funds	(15 542)		(15 542)
Cash and cash equivalents	1 768	413	2 181
Deferred income tax assets	48		48
Trade and other payables	(2 610)	(1 040)	(3 650)
Current income tax liabilities	(610)		(610)
	18 844	1 487	20 331
Transfer to unit-linked investments	(15 951)		(15 951)
Profit/(loss) on sale of subsidiaries	5 161	(1 287)	3 874
Cash proceeds on sale	8 054	200	8 254
Deferred purchase consideration receivable	(3 331)		(3 331)
Cash and cash equivalents of subsidiaries	(1 768)	(413)	(2 181)
Net cash flow on disposal of subsidiaries	2 955	(213)	2 742

2012 disposals

Due to disinvestments, the group deconsolidated two mutual funds during the 2012 year, being the Alphen Equity Builder Fund and the PSG Multi-Strategy Fund. Other disposals included the sale of the group's interest in PSG Active Fund Services (Guernsey) and PSG Absolute Investments.

	Mutual funds R'000	Other R'000	Total R'000
GROUP – 2012			
Recognised amounts of identifiable assets and liabilities given up			
Property, plant and equipment		275	275
Intangible assets		1 313	1 313
Equity securities	64 799		64 799
Unit-linked investments	10 670	9 313	19 983
Receivables	4 083	4 446	8 529
Cash and cash equivalents	127	2 214	2 341
Deferred income tax		1 666	1 666
Third-party liabilities arising on consolidation of mutual funds	(37 016)		(37 016)
Provisions for other liabilities and charges		(704)	(704)
Trade and other payables	(4 529)	(5 668)	(10 197)
	38 134	12 855	50 989
Transfer to unit-linked investments	(38 134)		(38 134)
Non-controlling interest		(5 327)	(5 327)
Profit on sale of subsidiaries		270	270
Cash proceeds on sale	–	7 798	7 798
Cash and cash equivalents of subsidiaries	(127)	(2 214)	(2 341)
Net cash flow on disposal of subsidiaries	(127)	5 584	5 457

	GROUP			COMPANY		
	2014 R'000	2013 R'000	2012 R'000	2014 R'000	2013 R'000	2012 R'000
43.5 Cash and equivalents at end of the year						
Cash, money market funds and short-term deposits (note 16)	2 149 872	2 218 321	725 657	281	217	127
Bank overdrafts (note 24)	(569 258)	(290 633)	(95 065)			
	1 580 614	1 927 688	630 592	281	217	127

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44. SHARE ANALYSIS – PSG GROUP LTD ORDINARY SHARES

	Shareholders		Shares held	
	Number	%	Number	%
28 February 2014				
Range of shareholding				
1 – 500	5 019	41.9	1 252 129	0.6
501 – 1 000	2 527	21.1	1 946 020	1.0
1 001 – 5 000	3 259	27.1	7 271 682	3.8
5 001 – 10 000	556	4.6	3 982 550	2.1
10 001 – 50 000	482	4.0	10 024 704	5.3
50 001 – 100 000	51	0.4	3 532 785	1.9
100 001 – 500 000	79	0.7	19 337 334	10.2
500 001 – 1 000 000	15	0.1	9 691 733	5.1
Over 1 000 000	17	0.1	132 836 345	70.0
	12 005	100.0	189 875 282	100.0
Treasury shares				
Employee share schemes	2		3 805 370	
Shares held by a subsidiary	1		13 908 770	
	12 008		207 589 422	
Public and non-public shareholding				
Non-public				
Directors *	10	0.1	70 534 529	37.1
Thembeka Capital (RF) Ltd (associate)	1		9 902 349	5.2
Public	11 994	99.9	109 438 404	57.7
	12 005	100.0	189 875 282	100.0
Individual shareholders (excluding directors) holding 5% or more of shares in issue (net of treasury shares) at 28 February 2014				
Public Investment Corporation (including Government Employees Pension Fund)			17 214 684	9.1
Steinhoff International Holdings Ltd and its subsidiaries			37 265 781	19.6
			54 480 465	28.7
28 February 2013				
Range of shareholding				
1 – 500	3 948	38.3	964 423	0.5
501 – 1 000	2 115	20.5	1 629 770	0.9
1 001 – 5 000	3 080	29.9	6 924 840	3.6
5 001 – 10 000	550	5.3	3 943 921	2.1
10 001 – 50 000	460	4.5	9 645 313	5.1
50 001 – 100 000	48	0.5	3 337 042	1.8
100 001 – 500 000	70	0.7	16 614 019	8.7
500 001 – 1 000 000	16	0.2	10 389 885	5.5
Over 1 000 000	21	0.1	137 044 724	71.8
	10 308	100.0	190 493 937	100.0
Treasury shares**				
Employee share schemes	2		3 714 061	
Other	1		13 873 895	
	10 311		208 081 893	

44. SHARE ANALYSIS – PSG GROUP LTD ORDINARY SHARES (continued)

	Shareholders		Shares held	
	Number	%	Number	%
28 February 2013 (continued)				
Public and non-public shareholding				
Non-public				
Directors	10	0.1	69 779 419	36.6
Thembeke Capital Ltd (RF) (associate)	1		9 902 349	5.2
Directors of subsidiaries	11	0.1	1 039 329	0.5
Public	10 286	99.8	109 772 840	57.7
	10 308	100.0	190 493 937	100.0

Individual shareholders holding 5% or more of shares in issue (net of treasury shares) at 28 February 2013

Government Employees Pension Fund	17 891 647	9.4
JF Mouton Family Trust	23 500 000	12.3
Steinhoff International Group	37 265 781	19.6
	78 657 428	41.3

29 February 2012
Range of shareholding

1 – 50 000	8 206	97.9	21 392 639	11.5
50 001 – 100 000	58	0.7	3 964 636	2.2
100 001 – 500 000	78	0.9	17 093 632	9.3
500 001 – 1 000 000	17	0.2	10 999 244	6.0
Over 1 000 000	22	0.3	130 898 753	71.0
	8 381	100.0	184 348 904	100.0
Treasury shares				
Employee share scheme	2		4 501 611	
Other	1		13 873 895	
	8 384		202 724 410	

Public and non-public shareholding

Non-public				
Directors	11	0.1	66 870 819	36.4
Thembeke Capital Ltd (RF) (associate)	1		9 902 349	5.4
Directors of subsidiaries	13	0.2	1 668 314	0.9
Public	8 356	99.7	105 907 422	57.3
	8 381	100.0	184 348 904	100.0

Individual shareholders holding 5% net of treasury shares or more at 29 February 2012

JF Mouton Family Trust	23 500 000	12.8
Steinhoff International Holdings Ltd	37 265 781	20.2
	60 765 781	33.0

Preference shares of subsidiary

Refer to the financial statements of PSG Financial Services Ltd for the share analysis of the cumulative, non-redeemable, non-participating preference shares as issued by the subsidiary.

* Refer to the directors' report for further details of directors' holdings.

** The group advanced loan funding to directors to acquire two million PSG Group shares. These shares were accounted for as treasury shares (refer note 18) for the purpose of the annual financial statements, however treated as issued shares for purposes of the directors' report and share analysis disclosed above.

45. EVENTS SUBSEQUENT TO THE REPORTING DATE

Effective April 2014, Zeder concluded its acquisition, through a subsidiary, of the entire issued share capital of Mpongwe Milling, a wheat and maize mill situated in Kitwe, Zambia. The cash purchase price amounted to US\$27.5 million. The purchase price allocation has not yet been completed at the date of these annual financial statements.

46. FINANCIAL RISK MANAGEMENT

Financial risk factors

The group's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow and fair value interest rate risk and price risk), credit risk and liquidity risk. The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance.

Risk management is carried out as part of the day-to-day activities by each major entity within the group under policies approved by the respective boards of directors. Each major entity's board of directors provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments and investment of excess liquidity. Each entity identifies, evaluates and utilises hedging instruments and economic hedges, as appropriate, to hedge financial risks.

With regards to financial risk management, the largest concentration of risk originates from the PSG Konsult business unit. Its executive committee, supported by various specialist and compliance committees, are responsible for risk management at an operational level. Furthermore, sections within PSG Konsult's business are regulated and therefore managed according to the relevant regulated frameworks.

Financial instruments are grouped into the following classes in order to facilitate effective financial risk management and disclosure in terms of *IFRS 7 Financial Instruments: Disclosures*. 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 group.

	GROUP			COMPANY		
	2014 R'000	2013 R'000	2012 R'000	2014 R'000	2013 R'000	2012 R'000
CLASSES OF FINANCIAL AND INSURANCE ASSETS						
Investment in preference shares of/ loans granted to associates	316 531	312 720	446 121			
Investment in preference shares of/loans granted to joint ventures	4 838					
Employee benefits	33 090					
Quoted unit-linked investments – direct	449 860	297 588	190 058			
Quoted unit-linked investments – linked to investment contracts	7 608 537	4 535 016	3 538 631			
Total quoted unit-linked investments	8 058 397	4 832 604	3 728 689			
Unquoted unit-linked investments – direct		11	1 604			
Unquoted unit-linked investments – linked to investment contracts	2 250 476	1 958 098	1 692 182			
Total unquoted unit-linked investments	2 250 476	1 958 109	1 693 786			
Total unit-linked investments	10 308 873	6 790 713	5 422 475			
Quoted equity securities – direct	268 870	33 818	370 487			
Quoted equity securities – linked to investment contracts	600 250	981 144	865 352			
Total quoted equity securities	869 120	1 014 962	1 235 839			
Unquoted equity securities – direct	42 574	98 326	175 002			
Unquoted equity securities – linked to investment contracts						
Total unquoted equity securities	42 574	98 326	175 002			
Total equity securities	911 694	1 113 288	1 410 841			
Quoted debt securities – direct	441 705	123 622	29 255			
Quoted debt securities – linked to investment contracts	1 284 109	1 499 003	1 836 866			
Total quoted debt securities	1 725 814	1 622 625	1 866 121			
Unquoted debt securities – direct		3 416				
Unquoted debt securities – linked to investment contracts	237 347	246 721				
Total unquoted debt securities	237 347	250 137	–			
Total debt securities	1 963 161	1 872 762	1 866 121			
Investment in investment contracts	507 818	850 152	1 003 885			
Sub-total carried forward	14 046 005	10 939 635	10 149 443	–	–	–

46. **FINANCIAL RISK MANAGEMENT** (continued)

Financial risk factors (continued)

	GROUP			COMPANY		
	2014	2013	2012	2014	2013	2012
	R'000	R'000	R'000	R'000	R'000	R'000
CLASSES OF FINANCIAL AND INSURANCE ASSETS (continued)						
Sub-total carried over	14 046 005	10 939 635	10 149 443	–	–	–
Secured loans	312 753	158 745	18 197			
Unsecured loans	42 728	87 715	67 529			
Total loans and advances	355 481	246 460	85 726			
Trade receivables	1 323 031	452 682	83 381	201	220	8
Broker and clearing houses	1 925 858	1 557 765	2 252 659			
Margin accounts	24 228	25 548	21 469			
Sundry receivables	366 667	188 009	123 902			
Total trade and other receivables	3 639 784	2 224 004	2 481 411	201	220	8
Derivative financial assets	30 130	15 955	10 159			
Reinsurance assets	67 273	51 993				
Cash and cash equivalents (including money market funds)	2 149 872	2 218 321	725 657	281	217	127
<i>Total financial and insurance assets</i>	20 288 545	15 696 368	13 452 396	482	437	135
CLASSES OF FINANCIAL AND INSURANCE LIABILITIES						
Insurance contracts	493 163	378 084				
Third-party liabilities arising on consolidation of mutual funds	372 169	25 103	16 008			
Investment contracts	12 692 768	10 272 444	9 144 681			
Bank overdrafts	569 258	290 633	95 065			
Redeemable preference shares	765 859	768 790	132 688			
Unsecured loans	101 843	323 982	285 013			
Secured loans	1 829 427	821 930	378 130			
Total borrowings	3 266 387	2 205 335	890 896			
Fixed-for-variable interest rate swap	2 579	77 245	37 430			
Exchange traded derivatives	51 283	17 139	7 831			
Written put option to non-controlling interest	45 666	45 666				
Total derivative financial liabilities	99 528	140 050	45 261			
Employee benefits	295 503	31 968				
Trade payables and accruals	3 293 608	2 245 669	2 581 948	2 476	2 260	2 092
Margin accounts	38 061	39 829	31 336			
Subsidiary/associated company purchase consideration payable	137 388	47 718	75 848			
Investment policy benefits payable			1 880			
Total trade and other payables	3 469 057	2 333 216	2 691 012	2 476	2 260	2 092
Reinsurance liabilities	2 842	2 889				
<i>Total financial and insurance liabilities</i>	20 691 417	15 389 089	12 787 858	2 476	2 260	2 092

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46. FINANCIAL RISK MANAGEMENT *(continued)*
Financial risk factors *(continued)*

GROUP	Held-to-maturity R'000	Loans and receivables R'000	Fair value through profit or loss R'000	Available- for-sale R'000	Total R'000
FINANCIAL AND INSURANCE ASSETS BY CATEGORY					
28 February 2014					
Investment in preference shares of/loans granted to associates*		316 531			316 531
Investment in preference shares of/loans granted to joint ventures*		4 838			4 838
Employee benefits		33 090			33 090
Unit-linked investments			10 308 873		10 308 873
Equity securities			907 093	4 601	911 694
Debt securities**	888 172		1 074 989		1 963 161
Investment in investment contracts**	245 986		261 832		507 818
Loans and advances*		355 481			355 481
Trade and other receivables*		3 639 784			3 639 784
Derivative financial assets			30 130		30 130
Reinsurance assets*		67 273			67 273
Cash and cash equivalents (including money market funds)*		2 149 872			2 149 872
	1 134 158	6 566 869	12 582 917	4 601	20 288 545
28 February 2013					
Investment in preference shares of/loans granted to associates*		312 720			312 720
Unit-linked investments			6 790 713		6 790 713
Equity securities			1 109 436	3 852	1 113 288
Debt securities**	1 284 158		588 604		1 872 762
Investment in investment contracts**	523 645		326 507		850 152
Loans and advances*		246 460			246 460
Trade and other receivables*		2 224 004			2 224 004
Derivative financial assets			15 955		15 955
Reinsurance assets*		51 993			51 993
Cash and cash equivalents (including money market funds)*		2 218 321			2 218 321
	1 807 803	5 053 498	8 831 215	3 852	15 696 368

46. **FINANCIAL RISK MANAGEMENT** (continued)
Financial risk factors (continued)

GROUP	Held-to-maturity R'000	Loans and receivables R'000	Fair value through profit or loss R'000	Available-for-sale R'000	Total R'000
FINANCIAL AND INSURANCE ASSETS BY CATEGORY (continued)					
29 February 2012					
Investment in preference shares of/loans granted to associates *		446 121			446 121
Unit-linked investments			5 422 475		5 422 475
Equity securities			1 410 020	821	1 410 841
Debt securities **	1 072 658		793 463		1 866 121
Investment in investment contracts **	468 500		535 385		1 003 885
Loans and advances *		85 726			85 726
Trade and other receivables *		2 481 411			2 481 411
Derivative financial assets			10 159		10 159
Cash and cash equivalents (including money market funds) *		725 657			725 657
	1 541 158	3 738 915	8 171 502	821	13 452 396

* Carrying value approximates fair value.

** Financial assets not presented on the statement of financial position at fair value, for which their carrying values do not approximate their fair values, are:

	2014		2013		2012	
	Carrying value R'000	Fair value R'000	Carrying value R'000	Fair value R'000	Carrying value R'000	Fair value R'000
Debt securities	888 172	889 020	1 284 158	1 347 286	1 072 658	1 179 114
Investment in investment contracts	245 986	255 382	523 645	554 473	468 500	486 849

GROUP	Fair value through profit or loss R'000	Measured at amortised cost R'000	Total R'000
FINANCIAL AND INSURANCE LIABILITIES BY CATEGORY			
28 February 2014			
Insurance contracts *		493 163	493 163
Third-party liabilities arising on consolidation of mutual funds	372 169		372 169
Investment contracts *	11 544 683	1 148 085	12 692 768
Borrowings *		3 266 387	3 266 387
Derivative financial liabilities	99 528		99 528
Employee benefits *		295 503	295 503
Trade and other payables *	10 640	3 458 417	3 469 057
Reinsurance liabilities *		2 842	2 842
	12 027 020	8 664 397	20 691 417

28 February 2013			
Insurance contracts *		378 084	378 084
Third-party liabilities arising on consolidation of mutual funds	25 103		25 103
Investment contracts *	8 419 067	1 853 377	10 272 444
Borrowings *		2 205 335	2 205 335
Derivative financial liabilities	140 050		140 050
Employee benefits *		31 968	31 968
Trade and other payables *	6 288	2 326 928	2 333 216
Reinsurance liabilities *		2 889	2 889
	8 590 508	6 798 581	15 389 089

29 February 2012			
Third-party liabilities arising on consolidation of mutual funds	16 008		16 008
Investment contracts *	7 479 781	1 664 900	9 144 681
Borrowings *		890 896	890 896
Derivative financial liabilities	45 261		45 261
Trade and other payables *	66 809	2 624 203	2 691 012
	7 607 859	5 179 999	12 787 858

* Carrying value approximates fair value.

Financial assets and liabilities carried at fair value through profit and loss are all designated as such, apart from derivative financial instruments which are held for trading.

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46. FINANCIAL RISK MANAGEMENT *(continued)*
Financial risk factors *(continued)*

COMPANY	2014	2013	2012
	R'000	R'000	R'000
FINANCIAL ASSETS BY CATEGORY			
Loans and receivables			
Trade and other receivables	201	220	8
Cash and cash equivalents	281	217	127
	482	437	135
FINANCIAL LIABILITIES BY CATEGORY			
Liabilities measured at amortised cost			
Trade and other payables	2 476	2 260	2 092

Investment contracts

A subsidiary of the group, PSG Life Ltd, is a linked insurance company and issues linked policies to policyholders (where the value of policy benefits is directly linked to the fair value of the supporting assets), and as such does not expose the company or business to the market risk of fair value adjustments on the financial asset as this risk is assumed by the policyholder. Investment contracts included within financial liabilities on the statement of financial position are therefore fully matched by investments as analysed in note 23.

Market risk

Market risk is the risk of adverse financial impact due to changes in fair values or future cash flows of financial instruments from fluctuations in interest rates, equity prices and foreign currency exchange rates.

Price risk

The group is exposed to price risk due to changes in the market values of its quoted and unquoted equity securities and unit-linked investments held by the group and classified in the statement of financial position either as "available-for-sale" or at "fair value through profit or loss".

Included in the group quoted equity securities are those equity securities relating to:

- Investments in linked investment contracts amounting to R600 250 000 (2013: R981 144 000) (2012: R865 352 000); and
- Equity securities relating to third-party liabilities arising on consolidation of mutual funds amounting to Rnil (2013: R16 876 000) (2012: R16 008 000).

The price risk of these instruments is carried by the policyholders of the linked investment contracts and the third-party mutual fund investors, respectively.

Although the group follows a policy of diversification, some concentration of price risk towards certain sectors does exist and is analysed in the table below:

Sector composition of quoted equity securities	Investments linked to investment contracts			Direct investment			Total		
	2014	2013	2012	2014	2013	2012	2014	2013	2012
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Agriculture	9 323			1 006	3 034	43 381	10 329	3 034	43 381
Banks	29 206	46 405	36 825	422	910		29 628	47 315	36 825
Chemicals	2 591	7 987	7 664		434		2 591	8 421	7 664
Construction & materials	43 699	3 423	804	20	2 056		43 719	5 479	804
Financial services	49 762	48 515	28 986	102 991	7 465	1 172	152 753	55 980	30 158
Food & beverages	13 737	25 050	20 474	163 819	3 645	2 731	177 556	28 695	23 205
Healthcare	6 043	14 746	9 803	38	1 748		6 081	16 494	9 803
Industrial goods & services	16 693	39 421	31 452	128	4 935	1 426	16 821	44 356	32 878
Insurance	32 907	34 197	27 450	36			32 943	34 197	27 450
Media	17 780	305	214	70	480	360	17 850	785	574
Oil & gas	45 916	30 554	31 377		1 483	441	45 916	32 037	31 818
Personal & household goods	50 292	42 071	46 214	77	1 708	508	50 369	43 779	46 722
Property	46 722	69 251	61 719		513	317	46 722	69 764	62 036
Resources	112 162	119 972	117 917	164	902	455	112 326	120 874	118 372
Retail	45 228	40 367	44 377	36	1 027	486	45 264	41 394	44 863
Satrix 40		395 840	345 085				-	395 840	345 085
Technology	12 143	8 668	4 888		2 237	318 335	12 143	10 905	323 223
Telecommunications	45 830	39 775	39 920	63	1 241	875	45 893	41 016	40 795
Travel & leisure	20 216	14 597	10 183				20 216	14 597	10 183
	600 250	981 144	865 352	268 870	33 818	370 487	869 120	1 014 962	1 235 839

46. FINANCIAL RISK MANAGEMENT (continued)

Price risk (continued)

Included in unit-linked investments are investments linked to investment contracts amounting to approximately R9 859 013 000 (2013: R6 493 114 000) (2012: R5 230 813 000) of which the price risk is also carried by the policyholders of the linked investment contracts. Therefore a movement in the individual share prices of the aforementioned investments would not have an impact on the group's profit after taxation but would decrease or increase the corresponding liabilities with the same amount. Short-term insurance liabilities are not directly exposed to equity price risk.

The table below summarises the sensitivity of the group's post-tax net profit for the year as a result of market price fluctuations. The analysis is based on the assumption that marked-to-market prices increase/decrease by 20% (2013: 20%) (2012: 20%) at the reporting date, with all other variables (e.g. effective tax rate) held constant.

	2014 20% increase R'000	2013 20% increase R'000	2012 20% increase R'000	2014 20% decrease R'000	2013 20% decrease R'000	2012 20% decrease R'000
GROUP						
Impact on post-tax profit	95 770	74 911	86 071	(95 770)	(74 911)	(86 071)
Impact on post-tax other comprehensive income	611		2 257	(611)		(2 257)

Foreign exchange risk

The group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Management monitors this exposure and cover is used where appropriate. The group's financial assets and liabilities denominated in foreign currency are analysed in the following table:

	African currencies R'000	British pound sterling R'000	United States dollar R'000	Euro R'000	Asian currencies R'000	Total R'000
GROUP						
At 28 February 2014						
Financial assets						
Unit-linked investments *	1 327	3 603	753 273	5 451		763 654
Debt securities *		2 865	8 875	2 459		14 199
Investment in investment contracts *		3 406	62 674	2 044		68 124
Loans and advances		3 179	36			3 215
Trade and other receivables	357 522	212 165	185 166	207 963	63 325	1 026 141
Cash and cash equivalents (including money market funds)	160 124	47 942	213 059	63 411	44 789	529 325
Financial liabilities						
Borrowings	(290 663)	(29 269)	(228 599)	(153 814)		(702 345)
Trade and other payables	(338 234)	(70 566)	(123 151)	(65 437)	(10 167)	(607 555)
	(109 924)	173 325	871 333	62 077	97 947	1 094 758

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46. FINANCIAL RISK MANAGEMENT *(continued)*

Foreign exchange risk (continued)

GROUP	African currencies R'000	British pound sterling R'000	United States dollar R'000	Euro R'000	Asian currencies R'000	Total R'000
At 28 February 2013						
Financial assets						
Unit-linked investments *	5 535	28 247	383 821	30 500	14	448 117
Equity securities *		3 483	8 019	4 727		16 229
Debt securities *			19	4		23
Loans and receivables	239	6 451				6 690
Trade and other receivables	337 450	1 818	23 377	992		363 637
Cash and cash equivalents (including money market funds)	50 838	30	41 555	1 931	1	94 355
Financial liabilities						
Borrowings	(293 082)		(145 686)			(438 768)
Trade and other payables	(212 613)		(90 469)	(3 673)	(5 943)	(312 698)
	(111 633)	40 029	220 636	34 481	(5 928)	177 585
At 29 February 2012						
Financial assets						
Unit-linked investments *	338	20 619	178 211	24 456	5 326	228 950
Equity securities *		1 624	1 157	1 067		3 848
Debt securities *			1 459	332	12 305	14 096
Loans and receivables		2 021				2 021
Trade and other receivables		9 662	2 805	305		12 772
Cash and cash equivalents (including money market funds)		175	789	276		1 240
Financial liabilities						
Borrowings	(1 002)					(1 002)
Trade and other payables	(15)	(169)	(1 651)	(250)		(2 085)
	(679)	33 932	182 770	26 186	17 631	259 840

* Linked to policyholder investments and as such does not directly expose the group to foreign currency risk.

The table below shows the sensitivity of post-tax profits of the group to a 20% (2013: 20%) (2012: 20%) appreciation/depreciation in the South African rand exchange rate at year-end, with all other variables (e.g. effective tax rate) held constant.

GROUP	2014 20% appreciation R'000	2013 20% appreciation R'000	2012 20% appreciation R'000	2014 20% depreciation R'000	2013 20% depreciation R'000	2012 20% depreciation R'000
Impact on post-tax profit	740 235	(26 050)	2 919	(740 235)	26 050	(2 919)
Impact on post-tax other comprehensive income	111 993	64 503		(111 993)	(64 503)	

The company had no exposure to foreign exchange risk.

Cash flow and fair value interest rate risk

The group's interest rate risk arises from interest-bearing investments and receivables, long-term borrowings and variable rate preference shares issued to non-controlling interest. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the group to fair value interest rate risk.

46. FINANCIAL RISK MANAGEMENT (continued)
Cash flow and fair value interest rate risk (continued)

	GROUP		
	2014	2013	2012
	R'000	R'000	R'000
Loans to and preference share investments in associates			
Floating rate	284 461	307 463	419 791
Fixed rate (including interest-free)	32 070	5 257	26 330
	316 531	312 720	446 121
Debt securities *			
Floating rate	144 007	478 652	449 833
Fixed rate	1 819 154	1 394 110	1 416 288
	1 963 161	1 872 762	1 866 121
Loans and advances			
Floating rate	329 784	232 348	74 543
Fixed rate (including interest-free)	25 697	14 112	217
	355 481	246 460	74 760
Cash and cash equivalents (including money market funds) **			
Floating rate	2 139 708	2 218 321	725 657
Fixed rate (including interest-free)	10 164		
	2 149 872	2 218 321	725 657
Borrowings			
Floating rate	(2 440 806)	(973 091)	(475 026)
Fixed rate	(825 581)	(1 232 244)	(415 870)
	(3 266 387)	(2 205 335)	(890 896)
Total			
Floating rate	457 154	2 263 693	1 194 798
Fixed rate	1 061 504	181 235	1 026 965
	1 518 658	2 444 928	2 221 763

* Debt securities of R1 521 456 000 (2013: R1 745 724 000) (2012: R1 836 866 000) are linked to policyholder investments and as such do not directly expose the group to interest rate market risk.

** Cash and cash equivalents of R51 334 000 (2013: R65 096 000) (2012: R97 218 000) are linked to policyholder investments and as such does not directly expose the group to interest rate market risk.

The group manages its cash flow interest rate risk by monitoring interest rates on a regular basis. Consideration is given to hedging options which will be utilised if viable. The variable rate preference shares are classified as equity and therefore excluded from the table above and sensitivity analysis below. In order to mitigate the cash flow interest rate risk, management has entered into interest rate swap agreements, with a nominal value of R440 000 000 (2013: R440 000 000) (2012: R440 000 000) hedged at 8.87% p.a. NACS until 31 August 2016 and R780 000 000 (2013: R780 000 000) (2012: R780 000 000) hedged at 8.56% p.a. NACS until 31 August 2020. This means that the preference dividend rate, which is calculated on a daily basis as 83.33% (2013: 83.33%) (2012: 75%) of the prime interest rate, on R1 220 000 000 (2013: R1 220 000 000) (2012: R1 220 000 000) out of the R1 741 577 000 (2013: R1 341 948 000) (2012: R1 341 948 000) preference shares in issue is fixed at 8.67% (2013: 8.67%) (2012: 8.67%) p.a. NACS. In addition, the group has preference share investments in associated companies as shown in the above table with coupons linked to prime interest rates, thus creating a further natural hedge. The combination of the aforementioned means that the group's listed perpetual preference shares are fully hedged against interest rate fluctuations.

Short-term insurance liabilities are not directly exposed to interest rate risk, as they are undiscounted and contractually non-interest-bearing.

The table below summarises the sensitivity of the group's post-tax net profit for the year to interest rate fluctuations. The analysis is based on the assumption that interest rates were 1% (2013: 1%) (2012: 1%) higher/lower for the full year, with all other variables (e.g. effective tax rate, interest carrying balances) held constant. The sensitivity analysis includes the effect of the interest rate hedge:

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46. FINANCIAL RISK MANAGEMENT *(continued)*

Cash flow and fair value interest rate risk (continued)

	2014 1% increase R'000	2013 1% increase R'000	2012 1% increase R'000	2014 1% decrease R'000	2013 1% decrease R'000	2012 1% decrease R'000
GROUP						
Impact on post-tax profit	14 397	17 850	6 399	(14 397)	(17 850)	(6 399)

The company had no exposure to interest rate risk.

Credit risk

The table below reflects the group's maximum exposure to credit risk (being carrying value) by class of asset:

	2014		2013		2012	
GROUP	Carrying value R'000	Collateral fair value R'000	Carrying value R'000	Collateral fair value R'000	Carrying value R'000	Collateral fair value R'000
Investment in preference shares of/loans granted to associates	316 531		312 720		446 121	91 756
Investment in preference shares of/loans granted to joint ventures	4 838					
Unit-linked investments	10 308 873		6 790 713		5 422 475	
Debt securities	1 963 161	1 149 084	1 872 762	1 095 705	1 866 121	554 420
Investment in investment contracts	507 818		850 152		1 003 885	
Loans and advances	355 481	284 580	246 460	176 101	85 726	18 197
Trade and other receivables	3 639 784		2 224 004		2 481 411	
Derivative financial assets	30 130		15 955		10 159	
Reinsurance assets	67 273	16 977	51 993	18 778		
Cash and cash equivalents (including money market funds)	2 149 872		2 218 321		725 657	
	19 343 761	1 450 641	14 583 080	1 290 584	12 041 555	664 373

Investment in preference shares of/loans granted to associates and joint ventures

These instruments are impaired by reference to the net asset value of the debtor and/or discounted cash flow calculations. No material impairments were made during the current or prior years in respect of investments in preference shares of/loans granted to associates and joint ventures. The vast majority of these balances are unsecured (refer notes 4.1 and 4.2). Preference share investments consist mainly of R275 million (2013: R248.8 million) (2012: R225.1 million) receivable from Thembeke Capital Ltd (RF), being an investment holding company, its main investments at the reporting date were JSE-listed equity securities in Capitec Bank Holdings Ltd, Curro Holdings Ltd and Pioneer Foods Group Ltd with a market value of R1 556.4 million (2013: R1 241.7 million) (2012: R640.6 million).

Unit-linked investments

Policyholder assets comprises 95.6% (2013: 95.6%) (2012: 96.5%) of these instruments and thus the relevant credit risk is carried by the policyholders of the linked investment contracts. The remainder of the balance relates mainly to the consolidation of mutual funds, where the third-parties invested in the mutual funds carry the relevant credit risk.

Debt securities

Policyholder assets comprises 77.5% (2013: 93.2%) (2012: 98.4%) of these instruments and thus the relevant credit risk is carried by the policyholders of the linked investment contracts. As part of the structured product offering to policyholders, promissory notes are held with Propell Group Holdings (Pty) Ltd, PSG Private Equity (Pty) Ltd and Thembeke Capital (RF) Ltd. Based on the risk profile of these entities collateral was offered in the form of cash, securities and guarantees.

Investment in investment contracts

Policyholder assets comprises 99.5% (2013: 99.8%) (2012: 100%) of these instruments and thus the relevant credit risk is carried by the policyholders of the linked investment contracts.

Loans and advances

In the case of loans and advances, management would take or insist on collateral or other form of securitisation as they deem fit. Collateral comprises mainly equity securities in PSG Konsult Ltd (over-the-counter traded) and Curro Holdings Ltd (JSE-listed).

46. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

Trade and other receivables

Trade and other receivables are tested for impairment using a variety of techniques, including assessing credit risk and monthly monitoring of individual debtors. At 28 February 2014, receivables with a carrying value of approximately R26.4 million (2013: R10.1 million) (2012: R1.9 million) were found to be impaired and accordingly fully provided for.

Derivative financial assets

Derivative counterparties are limited to high-credit-quality financial institutions.

Reinsurance assets

Collateral relates to reinsurers' reserve deposits.

Reinsurance is used to manage short-term insurance risk. However, this does not discharge the group's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the group remains liable for the payment to the policyholder. The group has some exposure to concentration risk with individual reinsurers due to the nature of the reinsurance market and the restricted range of reinsurers that have acceptable credit ratings. The creditworthiness of reinsurers is considered annually by reviewing their financial strength prior to finalisation of any contract. The group's largest reinsurance counterparties are disclosed in the table below. These counterparties constitute the majority of the non-rated reinsurance assets reported on below.

Reinsurer	2014		2013		2012	
	R'000	%	R'000	%	R'000	%
African RE	31 242	46%	37 777	73%		
Santam RE	31 242	46%				
Other	4 789	8%	14 216	27%		
Reinsurance assets	67 273	100%	51 993	100%	–	0%

Cash and cash equivalents (including money market funds)

Derivative counterparties are limited to high-credit-quality financial institutions.

Other

During the 2013 year, PSG Financial Services Ltd (the company's sole subsidiary) provided an irrevocable undertaking ("the credit enhancement") in favour of PSG Life Ltd ("PSGL") whereby it agreed to stand in for any loss incurred by PSGL on promissory notes it subscribed for in Thembeke Market Holdings (Pty) Ltd (a subsidiary of Thembeke Capital Ltd (RF), an associate of the group). The promissory notes' redemption amount of R105.4 million is to be settled during November 2015. As part of the arrangement, Thembeke Market Holdings (Pty) Ltd has pledged JSE-listed Curro Holdings Ltd shares with a market value of R593 million (2013: R403.4 million). In order to further limit the company's credit risk in terms of the credit enhancement, Thembeke Capital Ltd (RF) has indemnified the company against any loss it might suffer as a result thereof.

The credit quality of financial assets can be further assessed by reference to external credit ratings (Moody's ratings are used to the extent possible) and historical information about counterparty default rates, as set out in the tables below:

GROUP	Investment in preference shares of/ loans to associated companies	Investment in preference shares of/ loans to joint ventures	Unit-linked investments	Debt in investment securities	Investment contracts	Loans and advances	Sub-total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Government stock				40 606			40 606
Aa1				2 628			2 628
Aa2				64 353			64 353
Aa3				50 432			50 432
A1				8 160			8 160
A2				36 672			36 672
A3				121			121
P1				238 507			238 507
P2				510 245			510 245
P3				2 421			2 421
Unit-linked			10 218 630				10 218 630
Other non-rated assets	316 531	4 838	90 243	1 009 016	507 818	336 473	2 264 919
Past due but not impaired assets						19 008	19 008
	316 531	4 838	10 308 873	1 963 161	507 818	355 481	13 456 702

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46. FINANCIAL RISK MANAGEMENT *(continued)*
Credit risk *(continued)*

					Cash and cash equivalents (including money market funds)	Total	Total	Total
GROUP	Sub-total	Trade and other receivables	Derivative financial assets	Re-insurance assets		2014	2013	2012
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Government stock	40 606					40 606	134 243	50 234
Aa1	2 628					2 628		3 252
Aa2	64 353					64 353	908	223 623
Aa3	50 432					50 432	105	139 960
A1	8 160					8 160	168 415	463 727
A2	36 672					36 672		729 823
A3	121					121	103	354 207
Baa1					808 846	808 846	94 566	
P1	238 507	400	1 299		511 394	751 600	1 240 587	511
P2	510 245				2 266	512 511	5 549	339 681
P3	2 421					2 421	3 196	
Unit-linked	10 218 630				195 291	10 413 921	6 829 073	5 422 475
Other non-rated assets	2 264 919	3 639 384	28 831	67 273	632 075	6 632 482	6 081 508	4 308 697
Past due but not impaired assets	19 008					19 008	24 827	5 365
	13 456 702	3 639 784	30 130	67 273	2 149 872	19 343 761	14 583 080	12 041 555

The credit risk associated with 66.8% (2013: 65.8%) (2012: 66.8%) of non-rated and unit-linked financial assets are assessed by reference to the investment mandates of linked policyholder investments which specifies what type of underlying investments can be purchased. The holders of these contracts bear the credit risk (as well as all other financial risks) arising from these assets.

Other non-rated assets consists mainly of investments in preference shares of/loans granted to associates and joint ventures, secured and unsecured loans to external parties (refer note 11 for details of the security provided) and trade and other receivables. All trade and other receivables are payable on demand. The group assesses all counterparties for creditworthiness before transacting, and monitors creditworthiness on a regular basis.

The non-rated cash and cash equivalents relate mainly to the group's investment in PSG Money Market Fund of which the underlying instruments are rated in terms of the Collective Investment Schemes Control Act. The mandate of the fund is to invest in cash deposits and highly liquid, fixed-interest securities with a weighted average maturity of less than 90 days. A spread of investments in top-quality financial instruments and institutions (mainly the five largest retail banks in South Africa) moderates the risk through diversification.

The table below gives an age analysis of receivables that are past due but not impaired. The other classes of financial assets do not contain assets that are past due but not impaired.

	Total	0 – 2 months	2 – 6 months	6 – 12 months
	R'000	R'000	R'000	R'000
At 28 February 2014	188 842	99 388	55 395	34 059
At 28 February 2013	24 827	2 258	2	22 567
At 29 February 2012	5 365	2 088	1 959	1 318

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. Due to the dynamic nature of the underlying businesses, each entity aims to maintain flexibility in funding by keeping committed credit lines available.

With regard to the linked investment policy business it is the group's policy to pay a policyholder only once the amount disinvested has been collected. The investment contracts listed in the table below do not expose the group to significant liquidity risk. The investment policy and mandates take the expected liability cash flow into account. By limiting the cash flow mismatch the risk of premature realisation of assets or reinvestment of excess cash is mitigated. In addition, investment guidelines and limits are used to limit exposure to illiquid assets.

46. **FINANCIAL RISK MANAGEMENT** *(continued)*

Liquidity risk *(continued)*

The table below analyses the group'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.

GROUP	Carrying value R'000	Less than 1 year R'000	Between 1 and 5 years R'000	Over 5 years R'000
At 28 February 2014				
Insurance contracts	493 163	466 304	26 859	
Third-party liabilities arising on consolidation of mutual funds	372 169	372 169		
Investment contracts	12 692 768	1 931 398	10 761 370	
Borrowings	3 266 387	1 469 291	1 923 710	52 228
Derivative financial liabilities	99 528	52 379	116 233	21 274
Trade and other payables	3 469 057	3 468 701	356	
Reinsurance liabilities	2 842	2 842		
	20 395 914	7 763 084	12 828 528	73 502
At 28 February 2013				
Insurance contracts	378 084	347 665	30 419	
Third-party liabilities arising on consolidation of mutual funds	25 103	25 103		
Investment contracts	10 272 444	2 816 614	7 455 830	
Borrowings	2 205 335	832 714	1 339 125	321 558
Derivative financial liabilities	140 050	45 160	141 405	42 724
Trade and other payables	2 365 184	2 359 184	6 000	
Reinsurance liabilities	2 889	2 889		
	15 389 089	6 429 329	8 972 779	364 282
At 29 February 2012				
Third-party liabilities arising on consolidation of mutual funds	16 008		16 008	
Investment contracts	9 144 681	1 713 541	7 431 140	
Borrowings	890 896	196 825	694 071	
Derivative financial liabilities	45 261	33 569	26 100	(14 408)
Trade and other payables	2 691 012	2 673 889	17 123	
	12 787 858	4 617 824	8 184 442	(14 408)

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 values as the impact of discounting is not significant.

COMPANY	Carrying value R'000	Less than 1 year R'000
At 28 February 2014		
Trade and other payables	2 476	2 476
At 28 February 2013		
Trade and other payables	2 260	2 260
At 29 February 2012		
Trade and other payables	2 092	2 092

Liquidity risk also arises from an irrevocable undertaking provided by PSG Financial Services Ltd, as further disclosed under "credit risk" above.

46. FINANCIAL RISK MANAGEMENT *(continued)***Fair value estimation**

Financial instruments that are measured in the statement of financial position at fair value are classified by level of the following fair value measurement hierarchy:

Level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in level 1 and comprise primarily JSE-listed equity securities classified as "fair value through profit or loss" or "available-for-sale".

Level 2

Financial instruments that trade in markets that are not considered to be active but are valued (using valuation techniques) based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. These include over-the-counter traded derivatives. Since level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information. If all significant inputs in determining an instrument's fair value are observable, the instrument is included in level 2.

Unit-linked investments included in level 2 relate to units held in Collective Investment Schemes that are priced monthly. The prices are obtained from the respective Collective Investment Scheme management company and are based on quoted prices that are publically available. Investments in investment contracts included in level 2 relates to units held in investment contracts or market linked insurance policies issued by a registered long-term insurer. These prices are obtained from the insurer of the particular investment contract. Debt securities included in level 2 relate to JSE-listed instruments that are benchmarked against RSA bonds. The value is determined using a valuation model that uses the observable input (i.e. yield of benchmark bond).

These unit-linked investments, investments in investment contracts and debt securities are mostly held to match investment contract liabilities, and as such any change in measurement would result in a similar adjustment to investment contract liabilities. The group's overall profit or loss is therefore not sensitive to the inputs of the models applied to derive fair value.

Valuation techniques used in determining the fair value of financial assets and liabilities classified as level 2 include:

Instrument	Valuation technique	Main inputs
Derivative financial assets and liabilities	Exit price on recognised over-the-counter platforms	Not applicable
Debt securities	Valuation model that uses the market inputs (yield of benchmark bonds)	Bond interest rate curves Issuer credit ratings Liquidity spreads
Unit-linked investments	Quoted put (exit) price provided by the fund manager	Not applicable – prices available publicly
Investment in investment contracts	Prices are obtained from the insurer of the particular investment	Not applicable – prices provided by registered long-term insurers
Investment contracts	Current unit price of underlying unitised financial asset that is linked to the liability, multiplied by the number of units held	Not applicable
Third-party liabilities arising on consolidation of mutual funds	Quoted put (exit) price provided by the fund manager	Not applicable – prices available publicly

46. FINANCIAL RISK MANAGEMENT (continued)

Fair value estimation (continued)

Level 3

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. Investments classified within level 3 have significant unobservable inputs, as they trade infrequently.

Unit-linked investments and debt securities included in level 3 relate to units and debentures held in hedge funds. These are priced monthly and the prices are obtained from the asset managers of the particular hedge funds. These are held to match investment contract liabilities, and as such any change in measurement would result in a similar adjustment to investment contract liabilities. The group's overall profit or loss is therefore not sensitive to the inputs of the models applied to derive fair value.

Equity securities included in level 3 relate to stock exchange rights and other rights owned. As these rights are unquoted, the valuation technique is based on the fact that the variability in the range of reasonable fair value estimates is not significant for this instrument and that the fair value of these rights is estimated to be equal to the guaranteed amount receivable for these rights, thus equalling the cost.

Other derivative liabilities included in level 3 relate to put options held by non-controlling interests against the group. These fair values are calculated by applying the contractually agreed price/earnings multiple to the relevant subsidiary's board-approved budgeted profits and discounting it at a market-related interest rate.

Trade and other payables (consisting of purchase consideration payable) classified in level 3 have significant unobservable inputs, as the valuation technique used to determine the fair values takes into account the probability, at the reporting date, that the acquiree will achieve the profit guarantee as stipulated in the sale of business agreement for each business combination.

The following financial instruments are measured at fair value:

GROUP	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
At 28 February 2014				
Assets				
Financial assets at fair value through profit or loss				
Unit-linked investments		8 058 408	2 250 465	10 308 873
Equity securities	767 827	101 293	41 729	910 849
Debt securities	32 898	804 750	237 341	1 074 989
Investment in investment contracts		260 397	1 435	261 832
Trading derivatives	990	29 140		30 130
Available-for-sale				
Equity securities			845	845
	801 715	9 253 988	2 531 815	12 587 518
Liabilities				
Third-party liabilities arising on consolidation of mutual funds		372 169		372 169
Financial liabilities at fair value through profit or loss				
Investment contracts		9 056 872	2 487 811	11 544 683
Trading derivatives	15 236	38 626		53 862
Other derivatives			45 666	45 666
Trade and other payables			10 640	10 640
	15 236	9 467 667	2 544 117	12 027 020
At 28 February 2013				
Assets				
Financial assets at fair value through profit or loss				
Unit-linked investments		4 832 604	1 958 109	6 790 713
Equity securities	1 014 962	94 474		1 109 436
Debt securities		338 468	250 136	588 604
Investment in investment contracts		264 804	61 703	326 507
Trading derivatives		15 955		15 955
Available-for-sale				
Equity securities		3 031	821	3 852
	1 014 962	5 549 336	2 270 769	8 835 067
Liabilities				
Third-party liabilities arising on consolidation of mutual funds		25 103		25 103
Financial liabilities at fair value through profit or loss				
Investment contracts		6 152 545	2 266 522	8 419 067
Trading derivatives		94 384		94 384
Other derivatives			45 666	45 666
Trade and other payables			6 288	6 288
	–	6 272 032	2 318 476	8 590 508

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46. FINANCIAL RISK MANAGEMENT *(continued)*

Fair value estimation *(continued)*

GROUP	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
At 29 February 2012				
Assets				
Financial assets at fair value through profit or loss				
Unit-linked investments	13 873	3 425 503	1 983 099	5 422 475
Equity securities	1 235 860	174 160		1 410 020
Debt securities		793 463		793 463
Investment in investment contracts		535 385		535 385
Trading derivatives		10 159		10 159
Available-for-sale				
Equity securities			821	821
	<u>1 249 733</u>	<u>4 938 670</u>	<u>1 983 920</u>	<u>8 172 323</u>
Liabilities				
Third-party liabilities arising on consolidation of mutual funds				
Financial liabilities at fair value through profit or loss		16 008		16 008
Investment contracts		5 498 287	1 981 494	7 479 781
Trading derivatives		45 261		45 261
Trade and other payables			66 809	66 809
	<u>–</u>	<u>5 559 556</u>	<u>2 048 303</u>	<u>7 607 859</u>

The following tables presents the changes in level 3 financial instruments during the reporting periods under review:

	Unit-linked invest- ments R'000	Equity securities R'000	Debt securities R'000	Investment in investment contracts R'000	Total R'000
Assets					
Balance at 1 March 2011	1 304 597	345			1 304 942
Additions	1 790 167	476			1 790 643
Disposals	(1 236 400)				(1 236 400)
Gains recognised in profit or loss	124 735				124 735
Balance at 29 February 2012	1 983 099	821	–	–	1 983 920
Additions	669 679		291 213	67 100	1 027 992
Disposals	(884 388)		(70 352)	(15 020)	(969 760)
Subsidiaries sold	(3 695)				(3 695)
Gains recognised in profit or loss	193 414		29 275	9 623	232 312
Balance at 28 February 2013	1 958 109	821	250 136	61 703	2 270 769
Additions	1 511 227	24	45 047	1 435	1 557 733
Disposals	(1 459 808)		(43 855)		(1 503 663)
Transfers	61 692	41 729		(61 703)	41 718
Gains recognised in profit or loss	179 245		(13 987)		165 258
Balance at 28 February 2014	2 250 465	42 574	237 341	1 435	2 531 815

46. FINANCIAL RISK MANAGEMENT *(continued)*
Fair value estimation *(continued)*

	Investment contracts R'000	Other derivatives R'000	Trade and other payables R'000	Total R'000
Liabilities				
Balance at 1 March 2011	1 304 597		71 848	1 376 445
Investment contract receipts and additions	1 762 109		65 109	1 827 218
Investment contract benefits paid and disposals	(1 210 192)		(63 537)	(1 273 729)
Gains recognised in profit or loss	124 980		(2 750)	122 230
Interest accrued and other movements not through profit or loss			(3 861)	(3 861)
Balance at 29 February 2012	1 981 494	–	66 809	2 048 303
Put option written to non-controlling interest		45 666		45 666
Investment contract receipts and additions	687 315		15 123	702 438
Investment contract benefits paid and disposals	(634 274)		(73 479)	(707 753)
Gains recognised in profit or loss	231 987		(1 433)	230 554
Interest accrued and other movements not through profit or loss			(732)	(732)
Balance at 28 February 2013	2 266 522	45 666	6 288	2 318 476
Investment contract receipts and additions	1 556 279			1 556 279
Investment contract benefits paid and disposals	(1 501 602)			(1 501 602)
Transfers			4 191	4 191
Gains recognised in profit or loss			161	161
Interest accrued and other movements not through profit or loss	166 612			166 612
Balance at 28 February 2014	2 487 811	45 666	10 640	2 544 117

Non-financial assets and liabilities measured at fair value consist of biological assets (refer note 9). These assets are all classified as level 3 and their respective fair values are determined based on the assumptions set out in note 9.

Non-current assets held for sale consist mainly of JSE-listed equity securities (refer note 17).

Insurance risk

The group's insurance risk emanates from PSG Life Ltd ("PSGL") and Western Group Holdings Ltd ("Western"). PSGL exposes the group to longevity risk (risk of loss should annuitants live longer than expected) on an annuity book with 74 (2013: 76) policies and a value of R26.9 million (2013: R30.4 million). This annuity book is in process of being run-off. Western issues contracts that transfer insurance risk to the group, with the risk under any one insurance contract being the possibility that the insured event occurs and the resulting claim exceeding the insurance liability. By the very nature of an insurance contract, the materialisation of risk is random and therefore unpredictable.

47. CAPITAL RISK MANAGEMENT

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns to 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 group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

PSG Group Ltd's capital management is performed at a group level, giving consideration to, inter alia, group gearing levels calculated as a percentage of net asset value and the group's sum-of-the-parts value, as well as interest cover. When funding is required management will consider the various forms of paper available for issue taking into account current market conditions, anticipated trends in market indicators and the financial position of the group at the time. Management will accordingly consider issuing ordinary shares by the group's holding company, perpetual preference shares, short, long or medium-term borrowings with variable or fixed rates. Historically the group's long and medium-term paper have been issued at fixed rates of interest. The directors have authority to issue ordinary shares up to 5% of the number of shares in issue as at the previous reporting date.

The group's gearing ratio (calculated based on debt at a head office level, including PSG Financial Services Ltd perpetual preference shares at its JSE-listed market value) equates to 29.3% (2013: 33.5%) (2012: 34.7%) of the group's net asset value. Calculated as a percentage of the group's sum-of-the-parts value, gearing at a head office level amounts to 11.1% (2013: 14.5%) (2012: 16.0%).

PSG GROUP LIMITED

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for the year ended 28 February 2014

47. CAPITAL RISK MANAGEMENT *(continued)*

Certain subsidiaries have regulatory capital adequacy requirements as a result of the respective industries in which they operate. Details regarding the compliance to same are set out below:

PSG Life Ltd ("PSGL")

PSGL is required to hold a minimum amount of capital in order to reduce the policyholders' exposure to the company's liquidity risk. The Financial Services Board regularly reviews compliance with these minimum capital requirements as the regulatory authority. PSGL must maintain shareholders' funds that will be sufficient to meet obligations in the event of substantial deviations from the main assumptions affecting their business. At year-end, capital adequacy requirements were covered 2.4 times (2013: 1.6 times) (2012: 1.9 times). This ratio is determined in accordance with regulations and the guidelines issued by the Actuarial Society of South Africa.

Western Group Holdings Ltd ("Western")

Western is required to hold a minimum amount of capital in order to meet the requirements set out by the various regulators of the jurisdictions, being South Africa and Namibia, in which they operate. At year-end, the South African and Namibian operations' capital adequacy requirements were covered 1.2 times (2013: 2 times) and 6.8 times (2013: 4.1 times), respectively. Furthermore, the South African and Namibian operations' solvency ratios were 35.7% (2013: 55.5%) and 102.4% (2013: 66%), respectively.

48. RESTATEMENT

Group

During the 2014 year, the group acquired a controlling interest in Capespan Group Ltd ("Capespan") (refer note 43.3), which have significant employee benefit liabilities. Previously the group included its employee benefit liabilities under "accruals for other liabilities and charges" in the statement of financial position, however, following Capespan's acquisition, employee benefits were separated out into a separate note (refer note 25).

The restatement had no impact on the group's previously reported results, financial position or cash flows.

Company

The 2013 year standalone results have been updated to correctly reflect previously unaccounted for dividend income of R220.8 million from the company's wholly-owned subsidiary, PSG Financial Services Ltd. The amount was debited to the subsidiary's loan account (refer note 3).

PSG GROUP LIMITED

ANNEXURE A – MATERIAL SUBSIDIARIES

for the year ended 28 February 2014

Set out below is a voluntarily provided analysis of the group's subsidiaries and to what extent they contribute to the non-controlling interests' carrying value reported in the statement of financial position. In the opinion of the directors, only PSG Financial Services Ltd, Curro Holdings Ltd, PSG Konsult Ltd, PSG Private Equity (Pty) Ltd and Zeder Investments Ltd are considered material to the group.

Subsidiary ¹⁰⁾	Country of incorporation ¹⁾	Nature of business	Interest held ²⁾			Carrying value of non-controlling interest	
			2014 %	2013 %	2012 %	2014 R'000	2013 R'000
PSG Financial Services Ltd ³⁾	South Africa	Investment holding	100.0	100.0	100.0	1 564 713	1 254 247
Curro Holding Ltd	South Africa	Private Education	57.1	57.5	63.1	706 720	399 575
Ou Kollege Beleggings Ltd	South Africa	Financial services	100.0	100.0	100.0		
PSG Africa Holdings (Pty) Ltd	South Africa	Investment holding	98.0	94.2		6 003	17 660
CA Sales Holdings (Pty) Ltd	South Africa ⁵⁾	FMCG distributor	51.9	60.0		157 181	119 432
PSG Corporate Services (Pty) Ltd	South Africa	Financial services	100.0	100.0	100.0		
PSG Konsult Ltd	South Africa	Financial services	64.7	65.4	71.3	474 100	323 208
PSG Private Equity (Pty) Ltd	South Africa	Private equity	100.0	100.0	100.0		
Impak Onderwysdiens (Pty) Ltd	South Africa	Correspondence learning	76.9	80.5		14 637	10 064
Precrete Holding (Pty) Ltd ⁹⁾	South Africa	Mine safety and support services	52.8	44.9		67 356	
Zeder Investments Ltd ⁴⁾	South Africa	Investment holding	42.4	42.4	42.4	2 069 449	1 889 717
Zaad Holdings Ltd (previously Agricol Holdings Ltd)	South Africa ⁶⁾	Agricultural	92.0	92.0		76 400	24 045
Capespan Group Ltd	South Africa ⁷⁾	Fruit procurement/export	72.1	37.1		318 964	
Chayton Africa (previously Chayton Atlas Investments)	Mauritius ⁸⁾	Agricultural	76.7	73.4		140 594	85 064
Other						(4 522)	36 667
Total						5 591 595	4 159 679

¹⁾ Principle place of business is the country of incorporation, unless otherwise stated.

²⁾ Ownership interest equal voting rights.

³⁾ Non-controlling interest relates to PSG Financial Services Ltd's JSE-listed cumulative, non-redeemable, non-participating preference shares (refer note 20).

⁴⁾ The group exercises control over Zeder Investments Ltd through its shareholding, board representation and a management agreement in terms of which PSG Corporate Services (Pty) Ltd provides management and administration services to the Zeder Investments Ltd group.

⁵⁾ Operating through associates and subsidiaries in Southern Africa (mainly Botswana).

⁶⁾ Operating through subsidiaries in Southern Africa, Europe and the Middle East.

⁷⁾ Operating through an associate in the People's Republic of China and various subsidiaries in the rest of the world. The group obtained control over Capespan Group Ltd during the 2014 year (refer note 43.3).

⁸⁾ Operating through subsidiaries in Zambia.

⁹⁾ The group obtained control over Precrete Holdings (Pty) Ltd during the 2014 year (refer note 43.3).

¹⁰⁾ Curro Holdings Ltd, PSG Konsult Ltd, PSG Private Equity (Pty) Ltd (including PSG Africa Holdings (Pty) Ltd) and Zeder Investments Ltd represent four of the seven operating segments (refer Annexure C). PSG Financial Services Ltd, Ou Kollege Beleggings Ltd and PSG Corporate Services (Pty) Ltd all form part of the PSG Corporate operating segment, while the remaining two segments each comprises an associate (Capitec Bank Holdings Ltd and Thembeke Capital Ltd (RF)).

PSG GROUP LIMITED
ANNEXURE A – MATERIAL SUBSIDIARIES *(continued)*

for the year ended 28 February 2014

Subsidiary	Dividends paid			Profit attribu- table to non- controlling interest	Dividends paid			Profit/(loss) attribu- table to non- controlling interest
	To non- controlling interest	To owners of the parent	Total		To non- controlling interest	To owners of the parent	Total	
	2014	2014	2014		2013	2013	2013	
	R'000	R'000	R'000		R'000	R'000	R'000	
PSG Financial Services Ltd	101 369		101 369	116 002	94 133		94 133	93 356
Curro Holdings Ltd			–	18 197			–	5 683
PSG Konsult Ltd	48 574	89 365	138 977	104 508	35 949	82 695	119 468	10 227
PSG Private Equity (Pty) Ltd		5 883	13 269			73 000	76 446	
Zeder Investments Ltd	22 447	16 677	52 294	167 210	22 517	16 607	39 124	294 518
Other	21 594			50 321	4 270			(30 383)
	193 984			456 238	156 869			376 401

Subsidiary	Assets					
	Non- current	Current	Total	Non- current	Current	Total
	2014	2014	2014	2013	2013	2013
	R'000	R'000	R'000	R'000	R'000	R'000
Curro Holdings Ltd	2 633 913	117 573	2 751 486	1 544 829	57 520	1 602 349
PSG Konsult Ltd	12 001 245	5 374 495	17 375 740	8 428 520	5 376 770	13 805 290
PSG Private Equity (Pty) Ltd	1 576 081	164 425	1 740 506	1 086 774	307 399	1 394 173
Zeder Investments Ltd	3 638 042	3 166 754	6 804 796	2 838 505	1 346 966	4 185 471

Subsidiary	Liabilities					
	Non- current	Current	Total	Non- current	Current	Total
	2014	2014	2014	2013	2013	2013
	R'000	R'000	R'000	R'000	R'000	R'000
Curro Holdings Ltd	888 618	195 942	1 084 560	334 883	301 409	636 292
PSG Konsult Ltd	11 720 451	4 480 526	16 200 977	8 013 136	4 838 951	12 852 087
PSG Private Equity (Pty) Ltd	120 872	106 639	227 511	145 657	93 386	239 043
Zeder Investments Ltd	1 013 190	1 648 719	2 661 909	544 912	247 969	792 881

Subsidiary	Profitability (100%)							
	Profit from continuing operations	Other compre- hensive (loss)/ income	Total compre- hensive income for the year	Revenue	Profit from continuing operations	Other compre- hensive income	Total compre- hensive income for the year	Revenue
	2014	2014	2014	2014	2013	2013	2013	2013
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Curro Holdings Ltd	39 721	(489)	39 232	659 128	14 677		14 677	365 749
PSG Konsult Ltd	265 960	985	266 945	2 617 786	53 371	408	53 779	1 869 297
PSG Private Equity (Pty) Ltd								
Ltd	305 327	1 247	306 574	258 468	181 075	620	181 695	44 821
Zeder Investments Ltd	334 204	118 138	452 342	6 075 054	509 563	44 619	554 182	341 215

Consequences of changes in a parent's ownership interest in a subsidiary that do not result in a loss of control

- The impact on equity attributable to owners of the parent resulting from transactions with non-controlling interests, as disclosed in the statement of changes in equity, relates mainly to the group, through PSG Konsult Ltd, increasing its interest in Western Group Holdings Ltd ("Western"), being a short-term insurer, from 75% to 90%. Following approval from the Financial Services Board, the group acquired the remaining 10% minority shareholding in Western and then subsequently sold 40% of its shareholding to Santam.
- The 2013 year's impact relates mainly to a dilution in the group's shareholding in PSG Konsult Ltd, upon same issuing shares to acquire the aforementioned interest in Western.

Restrictions

There are no significant statutory, contractual or regulatory restrictions on the company's ability to access or use the assets and settle the liabilities of the group, nor are there significant protective rights relating to non-controlling interests that can significantly restrict the company's ability to access or use the assets and settle the liabilities of the group.

PSG GROUP LIMITED
ANNEXURE B – MATERIAL ASSOCIATES AND JOINT VENTURES

for the year ended 28 February 2014

Set out below is a voluntarily provided analysis of the group's associates and to what extent they contribute to the investment in associates carrying value reported in the statement of financial position. In the opinion of the directors, only Capitec Bank Holdings Ltd, Thembeke Capital Ltd, Kaap Agri Ltd and Agri Voedsel Ltd are considered material to the group. None of the group's joint ventures are considered to be material to an understanding of the group's interest in same.

Associate	Country of Incorporation ¹⁾	Nature of business	Interest held ²⁾			Carrying value		
			2014 %	2013 %	2012 %	2014 R'000	2013 R'000	2012 R'000
Listed								
Capitec Bank Holdings Ltd	South Africa	Retail banking	28.3	28.5	32.5	3 451 212	3 058 904	2 432 275
CSG Holdings Ltd (previously M&S Holdings Ltd)	South Africa	Personnel support services	15.7	38.9	29.1	35 898	1 681	
Poynting Holdings Ltd	South Africa	Antenna related products	27.9			48 424		
Erbacon Investment Holdings Ltd ⁸⁾	South Africa	Construction		10.8	26.9			
Petmin Ltd ⁸⁾	South Africa	Construction			12.4			220 290
						3 535 534	3 060 585	2 643 565
Unlisted								
Thembeke Capital Ltd	South Africa	Private Equity	49.0	49.0	49.0	757 971	624 252	464 198
Zeder Investments Ltd's investments								2 567 104
Zaad Holdings Ltd (previously Agricol Holdings Ltd) ¹¹⁾	South Africa ⁷⁾	Agricultural			25.1			
Capevin Holdings Ltd ⁹⁾	South Africa	Investment company with an effective interest of 15% in Distell			39.8			
Kaap Agri Ltd	South Africa ⁵⁾	Agricultural	39.9	34.9	33.4	412 961	271 555	
NKW Ltd	South Africa	Agricultural		19.9	19.9		220 027	
Agri Voedsel	South Africa	Investment company with a voting and economic interest in Pioneer Foods Group Ltd of 25% and 30% respectively	48.0	45.0	44.7	1 159 375	1 063 537	
Capespan Group Ltd	South Africa ⁶⁾	Fruit procurement / distribution		37.1	40.9		298 255	
Golden Wing Man	China	Fruit procurement / distribution	25.0			231 759		
Suidwes Investments Ltd	South Africa	Agricultural		24.1	23.7		101 405	
Thembeke OVB Holdings (Pty) Ltd	South Africa	Investment company with an effective interest of 20% in Overberg Agri Ltd		49.0	49.0		79 389	
Klein Karoo Seed Marketing (Pty) Ltd ⁴⁾	South Africa	Agricultural		49.0			90 851	
PSG Private Equity's investments								
Precrete Holdings (Pty) Ltd ^{4) 10)}	South Africa	Mining services		44.9	21.2		132 522	61 495
Propell Group Holdings (Pty) Ltd	South Africa	Bridge financing	30.0	30.0	34.5	19 683	17 851	17 913
Sub-total carried forward						2 580 749	2 899 644	3 110 710

PSG GROUP LIMITED
ANNEXURE B – MATERIAL ASSOCIATES AND JOINT VENTURES (continued)

for the year ended 28 February 2014

Associate	Country of Incorporation ¹⁾	Nature of business	Interest held ²⁾			Carrying value		
			2014 %	2013 %	2012 %	2014 R'000	2013 R'000	2012 R'000
Sub-total carried forward						2 580 749	2 899 644	3 110 710
GRW Holdings (Pty) Ltd	South Africa	Tank container manufacturer	37.7	37.7	39.6	57 378	51 680	49 124
NRGP Holdings (Pty) Ltd (t/a Energy Partners)	South Africa	Energy saving solutions	39.2	39.2	45.0	11 627	10 001	11 575
Friedshelf 903 (Pty) Ltd (t/a Protea Foundry)	South Africa	Non-ferrous casting	49.9	49.9	49.9	26 339	22 776	23 233
African Unity Insurance Ltd	South Africa	Insurance	47.5	47.5	43.2	43 719	39 408	21 218
Spirit Capital (Pty) Ltd	South Africa	Corporate finance	28.0	28.0	28.0	43 072	35 297	28 286
Stellenbosch Nanofiber Company (Pty) Ltd ⁸⁾	South Africa	Nanofiber technology	24.4	19.0	21.5			8 171
Impak Onderwysdiens (Pty) Ltd ¹¹⁾	South Africa	Distance learning			50.0			21 222
Logico Unlimited (Pty) Ltd	South Africa ³⁾	FMCG distributor	35.0	35.0		24 645	23 634	
SMC Brands SA (Pty) Ltd	South Africa	FMCG distributor	49.0			62 517		
Pack 'n Stack Investment Holdings (Pty) Ltd	South Africa	FMCG distributor	40.0			62 438		
IT School Innovation (Pty) Ltd	South Africa	Education solutions	47.0			2 389		
Other (including eliminations)						80 628	50 598	8 418
						2 995 501	3 133 038	3 281 957
Total						6 531 035	6 193 623	5 925 522

1) Principle place of business is the country of incorporation, unless otherwise stated.

2) Ownership interest equal voting rights.

3) Operating in Swaziland.

4) The group obtained control over these companies during the 2014 year (refer note 43.3).

5) Operating through various subsidiaries in Southern Africa.

6) Operating through an associate in the People's Republic of China and various subsidiaries in the rest of the world. The group obtained control over Capespan Group Ltd during the year (refer note 43.3).

7) Operating through subsidiaries in Southern Africa, Europe and the Middle East.

8) Significant influence exercised through, inter alia, board representation.

9) Capevin Holdings listed during the 2013 year, whereafter a significant portion of the group's interest was disposed of. The group's remaining interest for 2013, being 5.3% is classified as held-for-sale at the 2013 reporting date (refer note 17).

10) The preference share funding arrangement with Thembeke Crete Holdings was settled during the 2013 year whereby the group obtained the underlying investment in Precrete.

11) The group obtained control over these companies during the 2013 year (refer note 43.3).

Associate	Dividends received	
	2014 R'000	2013 R'000
Listed		
Capitec Bank Holdings Ltd	198 170	151 557
Unlisted		
Thembeke Capital Ltd	5 883	5 090
Kaap Agri Ltd	13 984	8 766
Agri Voedsel Ltd	34 320	27 590
Other	27 173	107 878
Total	279 530	300 881

Dividends received during the prior year included amounts from Capevin Holdings Ltd, Capespan Group Ltd, Overberg Agri Ltd, NWK Ltd and Suidwes Investments Ltd. These investments were either disposed of (refer note 4.1) or, in Capespan Group Ltd's instance, became a subsidiary (refer note 43.3).

ANNEXURE B – MATERIAL ASSOCIATES AND JOINT VENTURES (continued)

					Assets						
					Non-current	Current	Total	Non-current	Current	Total	Total
					2014	2014	2014	2013	2013	2013	2012
					R'000	R'000	R'000	R'000	R'000	R'000	R'000
Associates											
Listed											
Capitec Bank Holdings Ltd					1 310 956	44 880 010	46 190 966	909 654	37 437 070	38 346 724	23 621 844
Unlisted											
Thembeka Capital (RF) Ltd					2 785 583	154 727	2 940 310	2 317 812	131 081	2 448 893	2 007 627
Kaap Agri Ltd					454 567	1 664 015	2 118 582	408 381	1 464 031	1 872 412	
Agri Voedsel Ltd					2 067 645	6 203	2 073 848	1 963 249	4 758	1 968 007	
Liabilities											
					Non-current	Current	Total	Non-current	Current	Total	Total
					2014	2014	2014	2013	2013	2013	2012
					R'000	R'000	R'000	R'000	R'000	R'000	R'000
Associate											
Listed											
Capitec Bank Holdings Ltd					14 615 373	21 593 482	36 208 855	13 101 238	16 732 492	29 833 730	18 436 494
Unlisted											
Thembeka Capital (RF) Ltd					867 721	97 286	965 007	798 957	84 261	883 218	846 948
Kaap Agri Ltd					24 907	1 097 787	1 122 694	21 723	955 746	977 469	
Agri Voedsel Ltd						4 177	4 177		4 811	4 811	
Profitability (100%)											
	Profit for the year	Other comprehensive income	Total comprehensive income	Revenue	Profit/(loss) for the year	Other comprehensive (loss)/income	Total comprehensive income/(loss) for the year	Revenue	Profit for the year	Revenue	
	2014	2014	2014	2014	2014	2013	2013	2013	2012	2012	
Associate	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	
Listed											
Capitec Bank Holdings Ltd	2 037 554	96 790	2 134 344	13 526 094	1 604 581	(14 005)	1 590 576	10 929 926	1 094 340	7 583 584	
Unlisted											
Thembeka Capital (RF) Ltd	498 177		498 177	649 410	455 347		455 347	634 088	132 042		
Kaap Agri Ltd	129 054	76	129 130	4 007 807	102 658	(572)	102 086	3 211 637			
Agri Voedsel Ltd	139 380	29 954	169 334		(131 109)	43 011	(88 098)				
Profitability (group's interest)											
	Profit for the year	Other comprehensive income	Total comprehensive income					Profit for the year	Other comprehensive (loss)/income	Total comprehensive income	
	2014	2014	2014					2013	2013	2013	
Associate	R'000	R'000	R'000					R'000	R'000	R'000	
Listed											
Capitec Bank Holdings Ltd					570 666	29 705	600 371	499 932	(26 392)	473 540	
Unlisted											
Thembeka Capital (RF) Ltd					244 107		244 107	223 120		223 120	
Kaap Agri Ltd					48 879	30	48 909	32 620	(191)	32 429	
Agri Voedsel Ltd					72 488	21 835	94 323	75 137	19 217	94 354	
Other					5 945	10 582	16 527	205 811	13 724	219 535	
	942 085				62 152	1 004 237		1 036 620	6 358	1 042 978	

PSG GROUP LIMITED
ANNEXURE C – SEGMENT REPORT
for the year ended 28 February 2014

The group is organised into seven reportable segments, namely: Capitec, Curro, PSG Konsult, PSG Private Equity, Thembeke Capital, Zeder and PSG Corporate. These segments represent the major investments of the group and their respective businesses entail:

Capitec

Capitec is a JSE-listed South African retail bank focused on providing easy and affordable banking services to its clients via the use of innovative technology.

Curro

Curro is a JSE-listed provider of private school education.

PSG Konsult

PSG Konsult is a leading financial services company, delivering a broad range of financial services and products. It focuses on providing wealth management, asset management and insurance solutions to clients.

PSG Private Equity

PSG Private Equity invests in sectors other than agribusiness. Details of businesses forming part of this segment are disclosed in Annexures A and B.

Thembeke Capital

Thembeke is a black-owned and controlled investment company in which the group holds a 49% interest.

Zeder

Zeder is a JSE-listed investment holding company focused on the broad agribusiness industry. Details of businesses forming part of this segment are disclosed in Annexures A and B.

PSG Corporate (including PSG Capital)

PSG Corporate (including PSG Capital) offers investment management, treasury and corporate finance services.

Segments operate mainly in the Republic of South Africa, while PSG Private Equity and Zeder operate to a lesser extent elsewhere (refer Annexures A and B for further details). Additional geographical information has not been presented since same is not reviewed by the chief operating decision-maker (being PSG Group's Executive Committee) ("CODM"), nor is the information available and the cost to develop it would be excessive.

Intersegment income represents income derived from other segments within the group which is recorded at the fair value of the consideration received or receivable for services rendered in the ordinary course of the group's activities. The majority of the segmental income comprises intergroup management fees charged in terms of the respective management agreements.

Headline earnings comprise recurring and non-recurring headline earnings. Recurring headline earnings (being a measure of segment profit) are calculated on a proportional basis, and include the proportional headline earnings of underlying investments, excluding marked-to-market adjustments and one-off items. The result is that investments in which the group holds less than 20% and which are generally not equity accountable in terms of accounting standards, are equity accounted for the purpose of calculating the consolidated recurring headline earnings. Non-recurring headline earnings include one-off gains and losses and marked-to-market fluctuations as well as the resulting taxation charge on these items.

Sum-of-the-parts ("SOTP") is a key valuation tool used to measure the group's performance. In determining SOTP, listed assets and liabilities are valued using quoted market prices, whereas unlisted assets and liabilities are valued using appropriate valuation methods. SOTP values will not necessarily correspond with the values per the statement of financial position since the latter are measured using the relevant accounting standards which include historical cost and equity accounting methods.

ANNEXURE C – SEGMENT REPORT *(continued)*

The CODM evaluates the following information to assess the segments' performance:

	Income ***	Inter- segment income ***	Recurring headline earnings (segment profit)	Non- recurring headline earnings	Headline earnings	Sum-of- the-parts value ****
Year ended 28 February 2014	R'000	R'000	R'000	R'000	R'000	R'000
Capitec *			570 682		570 682	5 989 099
Curro	662 930		20 584		20 584	4 659 689
PSG Konsult	2 488 755		162 670	(4 312)	158 358	4 003 782
PSG Private Equity	2 189 078		51 413	5 722	57 135	948 700
Thembeke Capital *			23 169	100 286	123 455	1 242 841
Zeder	6 374 332		124 458	(16 890)	107 568	1 698 072
PSG Corporate (including PSG Capital)	301 123	(123 502)	48 388	51 963	100 351	1 370 462
Net fee income **			7 011	42 496	49 507	383 190
Cash, unit trust and share investments			15 137	9 467	24 604	712 192
BEE investments			26 240		26 240	275 080
Reconciling items						
Funding	42 186	(18 463)	(181 208)	54 234	(126 974)	(2 008 285)
Other			(2 323)		(2 323)	135 039
Total	12 058 404	(141 965)	817 833	191 003	1 008 836	18 039 399
Non-headline earnings					43 198	
Earnings attributable to non-controlling interests					456 238	
Taxation					287 892	
Profit before taxation					<u>1 796 164</u>	

	Income ***	Inter- segment income ***	Recurring headline earnings (segment profit)	Non- recurring headline earnings	Headline earnings	Sum-of- the-parts value ****
Year ended 28 February 2013	R'000	R'000	R'000	R'000	R'000	R'000
Capitec *	410 148		499 871		499 871	6 127 622
Curro	367 251		8 149		8 149	2 606 551
PSG Konsult	1 672 977		118 825	(115)	118 710	2 236 815
PSG Private Equity	1 690 896		75 030	(9 181)	65 849	680 700
Thembeke Capital *			27 951	140 000	167 951	898 836
Zeder	755 533		106 582	(23 239)	83 343	1 411 601
PSG Corporate (including PSG Capital)	190 654	(61 030)	48 263	85 910	134 173	1 855 166
Net fee income **			15 556	13 929	29 485	383 190
Cash, unit trust and share investments *				71 981	71 981	1 223 136
BEE investments			32 707		32 707	248 840
Reconciling items						
Funding *	39 041	(8 160)	(168 247)	(33 304)	(201 551)	(2 008 151)
Other			(1 500)		(1 500)	34 380
Total	5 126 500	(69 190)	714 924	160 071	874 995	13 843 520
Non-headline earnings					264 794	
Earnings attributable to non-controlling interests					376 401	
Taxation					248 075	
Profit before taxation					<u>1 764 265</u>	

PSG GROUP LIMITED
ANNEXURE C – SEGMENT REPORT *(continued)*
for the year ended 28 February 2014

	Income *** R'000	Inter- segment income *** R'000	Recurring headline earnings (segment profit) R'000	Non- recurring headline earnings R'000	Headline earnings R'000	Sum-of- the-parts value **** R'000
Year ended 29 February 2012						
Capitec *	182 443		362 405		362 405	5 978 269
Curro	170 335		(5 171)		(5 171)	1 118 006
PSG Konsult	1 461 315		107 855	7 825	115 680	1 482 888
PSG Private Equity	17 216		32 017	(32 374)	(357)	727 737
Thembeka Capital *			18 718	4 420	23 138	570 284
Zeder	55 962		115 425	11 557	126 982	1 067 004
PSG Corporate (including PSG Capital)	212 274	(60 426)	41 032	68 555	109 587	1 070 939
Net fee income **			20 424		20 424	338 250
Cash, unit trust and share investments				68 555	68 555	507 566
BEE investments			20 608		20 608	225 123
Reconciling items						
Funding	14 294	(1 503)	(134 435)	(29 771)	(164 206)	(1 650 228)
Other			(1 342)	420	(922)	(49 156)
Total	2 113 839	(61 929)	536 504	30 632	567 136	10 315 743
Non-headline earnings					135 949	
Earnings attributable to non-controlling interests					322 238	
Taxation					104 051	
Profit before taxation					1 129 374	

	GROUP		
	2014	2013	2012
	R'000	R'000	R'000
Reconciliation of segment revenue to IFRS revenue			
Segment revenue as stated above			
Income	12 058 404	5 126 500	2 113 839
Intersegment income	(141 965)	(69 190)	(61 929)
Less:			
Changes in fair value of biological assets	(90 510)	(28 703)	
Fair value gains and losses on financial instruments	(1 453 597)	(1 023 923)	(533 729)
Fair value adjustment to investment contract liabilities	1 342 712	1 186 618	624 103
Other operating income	(99 274)	(830 147)	(226 818)
IFRS revenue *****	11 615 770	4 361 155	1 915 466

Non-recurring headline earnings

One-off items	84 806	107 465	(8 572)
Net fair value gains	9 467	42 863	41 824
Other **	96 730	9 743	(2 620)
	191 003	160 071	30 632

* Equity accounted.

** Net fee income is presented after the deduction of salaries, operating expenses and taxation.

*** The total of "income" and "intersegment income" comprises the aggregate of "total income" and "revenue from sale of goods" per the income statement.

**** SOTP is a key valuation tool used to measure the group's performance, but does not necessarily correspond to net asset value.

***** Comprises "revenue from sale of goods", "investment income" and "commission and other fee income" per the income statement.

+ Non-recurring headline losses of R29.1 million pertaining to the group's interest rate hedge has been reclassified from PSG Corporate to Funding.

** Consists mainly of marked-to-market movements on the group's interest rate hedge.

DETAILS REGARDING PRINCIPAL PROPERTIES OCCUPIED

No.	Company	Location	Area (m²)	Tenure	Lease expiration	Monthly rental (R)
1.	PSG Group and PSG Financial Services	Ou Kollege Building, 35 Kerk Street, Stellenbosch	1 365	Note 1	Note 1	Note 1
2.	Curro	38 Oxford Street, Durbanville	2 240	Note 2	Note 2	Note 2
3.	PSG Konsult	Building A, Pro Sano Park, South Gate, Carl Cronje Drive, Tyger Waterfront, Tyger Valley, Bellville, 7530	1 534	Leasehold	30 June 2016	171 415

Notes:

1. The property is owned by wholly-owned subsidiaries of PSG Group.
2. The property is owned by wholly-owned subsidiaries of Curro.
3. The monthly rental (including parking) is shown as at 31 May 2014.

PSG RISK ANALYSIS AT A GROUP LEVEL

Risk	Risk description	Root causes to the risk	Consequences of the risk	Impact	Likelihood	Inherent risk exposure	Current business processes/controls in place to manage identified risks	Residual risk exposure
Accounting risk	Inaccurate accounting for significant transactions, inaccurate management information, etc.	Various	Various	Moderate	Possible	Moderate	Budgetary control processes, technical accounting updates with external auditor and group technical financial manager, ongoing communication with external auditors, obtaining external tax advice, etc.	Minor
Compliance risk	Transgression of laws or regulations	Inadvertent transgression of laws or regulations	Various	Moderate	Possible	Moderate	External tax advice, corporate advisors' and sponsors' involvement, group technical financial manager involvement, etc.	Minor
Information technology risk	Loss of data, business continuity, etc.	Insufficient back-up of data and business continuity support	Various	Minor	Unlikely	Minor	Not a live-system environment, regular scheduled data back-ups and off-site storage, etc.	Minor
Current investment and performance risk	Poor company performance	Various	Various	Critical	Possible	Critical	Well diversified investment portfolio, constant monitoring of investees' performance, representation on investees' boards, etc.	Moderate
New investment and strategic risk	Undesirable investments, poor sector performance, insufficient remedial action taken in respect of poor performance, etc.	Various	Various	Critical	Possible	Critical	Well diversified investment portfolio, predefined limits for capital at risk, highly skilled investment team, due diligences on new investments, constant monitoring of investees' and sector performance, representation on investees' boards, etc.	Moderate
Market risk (including funding risk)	Changes impacting adversely on market prices (interest rate, exchange rate, etc.), political instability, availability of funding, etc.	Various	Various	Critical	Possible	Critical	PSG does not take short term positions, market conditions monitored by management on an ongoing basis, conservative gearing policy, hedging, budgetary control processes (including cash flow forecasts), monitoring of debt covenants, etc.	Minor

Risk	Risk description	Root causes to the risk	Consequences of the risk	Impact	Likelihood	Inherent risk exposure	Current business processes/controls in place to manage identified risks	Residual risk exposure
People risk	Loss of key management personnel	Inadequate incentives, poor working environment, etc.	Various	Major	Unlikely	Major	Appropriate long-term incentives offered to key management personnel, focus on good working environment, etc.	Minor
Reputational risk	All other risks have an indirect impact on our reputation	Various	Various	Critical	Possible	Critical	Open communication, full disclosure, monitoring of shareholder queries and media sources, etc.	Major

Legend:

- Impact = Low, Minor, Moderate, Major, Critical
- Likelihood = Rare, Unlikely, Possible, Likely, Major
- Inherent risk exposure (i.e. a combination of Impact and Likelihood) = Low, Minor, Moderate, Major, Critical
- Residual risk exposure (i.e. the remaining risk following mitigation) = Minor, Moderate, Major, Extreme