Chairman's letter

Who are we?

PSG Group Ltd ("PSG") is an investment holding company consisting of 39 underlying investments that operate across industries which include financial services, banking, private equity, agriculture and education. PSG's market capitalisation is approximately R10,7bn, with our largest investment being a 32,5% interest in Capitec Bank. The companies in the group have a combined market capitalisation of R71bn.

Management has defined *seven main business units* on which we report:

- Capitec Bank (banking)
- PSG Konsult, including PSG Asset Management with effect from 1 March 2011 (wealth planning, asset management and stockbroking)
- Zeder Investments (investments in agriculture, food and beverage sectors)
- PSG Private Equity, previously known as Paladin Capital (investments in sectors other than agriculture, food and beverages)
- Curro Holdings (private school education)
- Thembeka Capital (BEE investment holding company)
- PSG Corporate (investment management and treasury services), including PSG Capital (corporate finance)

Our main objective

To create wealth for our shareholders through a combination of share price appreciation and the payment of dividends.

How have we performed?

We continue to use the following two measures to evaluate our performance:

- Total Return Index
- Recurring headline earnings per share

Total Return Index (TRI)

In our opinion performance should not be measured in terms of the size of a company, but rather on the return that an investor receives over time. As we are all PSG shareholders, we prefer to focus on *per share* wealth creation.

The TRI is the compounded annual growth rate (CAGR) of an investment, and is calculated by taking cognisance of both share price appreciation and dividends and other distributions paid. This is a sound measure of wealth creation and a means of benchmarking different companies.

If you bought R100 000 worth of PSG shares in November 1995 and:

- reinvested all the dividends that you received in PSG; and
- held onto the Capitec shares that you received in terms of its unbundling in 2003 and reinvested the dividends received from those shares into Capitec,

then your R100 000 would be worth approximately R136m today. This translates into a TRI of 55%, which is the highest of any listed company on the JSE over the 16-year period since PSG's establishment.

We acknowledge that it is improbable that we shall achieve this level of performance over the next 16 years. Although we cannot predict the future, we remain confident that we shall continue to deliver superior returns for our shareholders.

Recurring headline earnings

International Financial Reporting Standards (IFRS) have made our financial statements too complex and also difficult to use as a measure of our performance. We consequently introduced the *recurring headline earnings* concept as the predominant measure of the group's financial performance from an earnings perspective.

Consolidated *recurring headline earnings* is calculated on a see-through basis throughout the group and is the sum of PSG's effective interest in that of each strategic investment. The result is that investments in which PSG or an underlying company holds less than 20% and is generally not equity accountable in terms of accounting standards, are included in the calculation of our consolidated *recurring headline earnings*. Marked-to-market fluctuations and one-off items are excluded. This provides management and investors with a more realistic and simplistic way of evaluating PSG's earnings performance.

Recurring headline earnings per share increased by 27,6% to 308,6 cents. This represents a CAGR of 24,2% since we introduced this measure of performance in 2008.

The increase in *recurring headline earnings per share* was predominantly the result of Capitec's continued stellar performance in the past year.

Recurring headline earnings	28 Feb 2009 Rm	28 Feb 2010 Rm	28 Feb 2011 Rm	**29 Feb 2012 Rm**	Growth y-o-y %	CAGR 3 years %
PSG Konsult	102	92	94	**108**	15	2
Zeder Investments	71	84	109	**115**	5	18
PSG Private Equity (previously Paladin)	76	75	37	**32**	(12)	(25)
Thembeka Capital		2	9	**19**	120	
Curro Holdings		1	2	**(5)**	n/a	
PSG Corporate (including PSG Capital)	6	15	21	**20**	(3)	54
Other	38	20	18	**19**	2	(20)
Recurring headline earnings excluding Capitec Bank	293	289	290	**308**	6	2
Capitec Bank	104	151	223	**362**	63	51
Recurring headline earnings before funding	397	440	513	**670**	31	19
Funding	(104)	(81)	(109)	**(134)**	23	9
Recurring headline earnings	293	359	404	**536**	33	22
Non-recurring items	(183)	72	108	**31**	(72)	n/a
Headline earnings	110	431	512	**567**	11	73
Earnings per share (cents)						
– Recurring headline	174	207	242	**309**	28	21
– Headline	65	249	307	**326**	6	71

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

The CAGR in Capitec's contribution to PSG's *recurring headline earnings* over the last three years amounted to 51%, while that of the remainder of our portfolio was a mere 2%. The latter is simply not good enough – an increase in PSG's *sum-of-the-parts (SOTP) value per share* will ultimately depend on the sustained growth in the profitability of all our underlying investments.

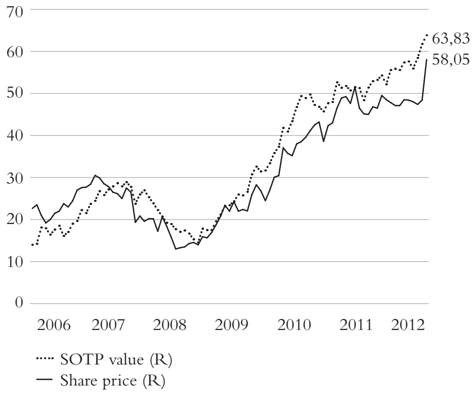
How to value PSG

As PSG is an investment holding company, a key valuation tool to measure PSG's performance by is the growth in its *SOTP value per share*. The calculation is simple and requires limited subjectivity as 82% of the *SOTP value* is calculated using quoted market prices, whilst the unlisted investments are valued using market-related multiples.

It is evident from the graph below that PSG's share price tracks its *SOTP value*.

At 29 February 2012, the *SOTP value* per PSG share was R55,92, which equated to a 54% CAGR over the last three years, and a CAGR of 34% since November 2005 when our *SOTP value* was R9,43 per share. At 25 April 2012, the *SOTP value* was R63,83 per share.

PSG share price vs *SOTP value* (25 April 2012)



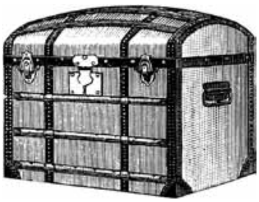
PSG's *SOTP value* is made up as follows:

Asset/liability	28 Feb 2009 Rm	28 Feb 2010 Rm	28 Feb 2011 Rm	**29 Feb 2012 Rm**	Of total assets %	Growth y-o-y %	CAGR 3 years %
PSG Konsult**	873	948	1 206	**1 483**	12	23	19
Zeder Investments*	342	742	1 069	**1 067**	9	0	46
PSG Private Equity (previously Paladin)†	413	834	1 242	**728**	6		
Thembeka Capital†				**570**	5	95	80
Curro Holdings*				**1 118**	9		
PSG Corporate (including PSG Capital)††	216	361	350	**338**	3	(3)	16
Other investments††	745	400	548	**684**	6	25	(3)
Total assets excluding Capitec Bank	2 589	3 285	4 415	**5 988**	50	36	32
Capitec Bank*	857	2 367	5 138	**5 978**	50	16	91
Total assets	3 446	5 652	9 553	**11 966**	100	25	51
Perpetual pref funding*	(486)	(541)	(1 028)	**(1 188)**			
Debt††	(350)	(539)	(507)	**(463)**			
SOTP value	2 610	4 572	8 018	**10 315**		29	58
SOTP value per share (R)	15,31	26,61	46,81	**55,92**		19	54

* *Listed on the JSE*
** *Over-the-counter*
† *SOTP value*
†† *Valuation*

Our investment strategy and philosophy

- We invest in companies with uncomplicated business models operating in industries with attractive growth prospects and led by talented, hard-working and passionate people.
- We believe in co-investing with management – management as owners are generally focused and dedicated to continuously grow their businesses.
- A culture of good corporate governance is instilled at board level and is applicable to the entire organisation. It remains a cornerstone of the way we do business. In our opinion, however, good corporate governance is not necessarily represented by set rules, policies or codes, committees or meetings. It is rather relevant, transparent, timely, accurate and succinct information provided to those charged with oversight who, by their nature, are trustworthy and ambitious to act in the best interest of the company.
- We are long-term strategic investors with no pre-defined exit strategy.
- We add value by challenging management to innovate and grow their businesses, both organically and by means of acquisitions. We provide funding when needed.
- A company can only grow when its customer base increases. A focus on client satisfaction thus remains vitally important for our continued success.
- Funding remains critically important and integral to what we do.



Funding

- PSG is a long-term investor and the challenge is to fund our investments with long-term capital. The use of ordinary share capital as funding instrument is, as a rule, expensive. We therefore believe that a healthy combination of ordinary share capital and debt is necessary to optimise shareholder returns. Being an investment holding company, we do not always control the cash flows from our underlying investments which calls for a conservative approach to gearing. We view PSG's interest cover (i.e. the number of times that PSG's free cash flow covers its debt obligations) as the most important measure of responsible borrowing and have set a minimum target of 2 times. As a further limit, PSG's gearing, inclusive of the cumulative, non-redeemable, non-participating (perpetual) preference shares in issue, should not exceed 40% of its balance sheet net asset value (NAV). We base our gearing calculation on NAV instead of PSG's *SOTP value* or market capitalisation, as NAV is less sensitive to movements in market prices. At the end of February 2012, our interest cover was 2,2 times and net gearing 35%. Excluding the perpetual preference shares, this figure is 10%.
- Perpetual preference shares are a great funding mechanism. It is essentially a cheaper form of permanent capital and reduces the refinancing risk associated with debt. We listed this instrument in 2004 and issued a further 1,5m perpetual preference shares for a cash consideration of R132m during the past year. We now have a nominal total of R1,34bn in perpetual preference share funding. Prior to the introduction of dividend withholding tax (DWT) and the abolishment of secondary tax on companies (STC) with effect from 1 April 2012, the perpetual preference shareholders received a dividend calculated at 75% of the prime interest rate. The board of directors has subsequently resolved to pass the future STC saving on to the perpetual preference shareholders by increasing the dividend rate to 83,33% of prime.
- Given the uncertainties surrounding interest rates, management adopted a strategy of fixing the cost of PSG's perpetual preference shares by means of an interest rate hedge. R440m has been fixed at 8,87% per annum until 31 August 2016 and R780m at 8,56% per annum until 31 August 2020. This in essence provides us with a hurdle rate when making investments with the proceeds from same.
- During the year, PSG raised R377m in cash through the issue of 8,2m ordinary shares at an average price of R46,09 per share. The issue was done at an opportune time when PSG's shares were trading at a small discount to its *SOTP value.*

Let me tell you about our major operating companies:

Capitec Bank

Capitec has without a doubt had the best share price performance of any JSE-listed company since listing in 2002. Its TRI is an impressive 67%.

Capitec, which represents 50% of PSG's total assets, continues to grow and provides us with superior returns. Capitec reported *headline earnings* of R1,08bn for the financial year ended 29 February 2012, with *headline earnings* per share having increased by 49% to R11,25.

Capitec has grown into a sizeable business with over 7 000 employees, 507 branches and a market capitalisation in excess of R22bn.

Contrary to a couple of years ago, Capitec is now considered a serious competitor to the big banks with its innovative, cost-effective solutions and increasing market share. Capitec has managed to add 877 000 new clients during the past year to bring the total number of active clients to 3,7m. Despite the fact that Capitec did not increase its fees, transaction fee income grew by 57% to R836m.

The big banks are all venturing into unsecured lending, resulting in increased competition. Much has been written about the growth in the unsecured lending market and whether there is potentially a risk of a credit bubble forming. There seems to have been a structural change in the market with unsecured lending taking the place of secured lending. New unsecured loans advanced, as reported by the National Credit Regulator, include a substantial amount of debt consolidations which overstate the actual growth in unsecured lending. We support the view of Capitec's management that the growth in unsecured lending will continue and that there is not a significant threat to the market as long as affordability and client behaviour are considered when granting credit. We also take comfort from Capitec's prudent provisioning policy, and its continued drive to improve net transaction fee income, making Capitec less dependent on growth in the unsecured credit market.

The Capitec management team has over the years demonstrated the importance of relentless *focus*. Although they were presented with various other opportunities, they remained focused on their single, easy-to-understand product strategy. This serves as an important lesson to all of us at PSG.

We continue to support Riaan Stassen and his team and we are proud to be associated with Capitec Bank.

PSG Konsult

PSG Konsult saw a reasonable improvement in its results for the year ended 29 February 2012 after three years of little earnings growth. *Recurring headline earnings* per share increased by 15,6% to 14,1 cents, or R151,3m, and *headline earnings* per share by 21,6% to 15,2 cents.

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

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

PSG Konsult to a large extent represents the PSG brand in the minds of the South African public. It is the largest independent financial intermediary in the country offering a one-stop solution for holistic financial planning to more than 150 000 clients. Its 694 (2011: 642) financial planners, stockbrokers and short-term insurance brokers operate out of 224 (2011: 216) offices countrywide.

Effective 1 March 2011, **PSG Asset Management** successfully merged with PSG Konsult. The key is now to manage more of PSG Konsult clients' assets, whilst maintaining the independence that is so important to our advisors. With PSG Konsult's countrywide distribution network and the top performance achieved by the PSG Asset Management team, we are confident that it is achievable going forward.

We support and share Willem Theron's vision to build PSG Konsult into a fully fledged financial services company.

Curro

Curro was listed on the JSE (AltX) on 2 June 2011. People we interact with constantly want to ask and talk about Curro – more so than with any other company I have been involved with. Housewives, business people, professionals, educators – everybody wants to make a contribution and a suggestion as to where we should open schools and how we should run them. The business is simple to understand and management has a clear plan of how they want to build the business.

Curro's business model revolves around the development, acquisition and management of private schools in South Africa. It has decided to expand its original affordable schools model to include three additional market segments, being:

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

When we identified the Curro opportunity in 2009, the company had three schools and management had a plan to build an additional seven schools over time. We convinced them of our dream to accelerate the growth to 15 schools. At the time of listing last year, the vision was expanded to 40 schools by 2020. However, judging by the number of opportunities that we currently see, this number could well be closer to 80 schools!

Curro now has 19 schools and its number of learners has increased from about 2 000 in 2009 to more than 11 800 at present.

Approximately once a month, Chris van der Merwe (CEO) and Bernardt van der Linde (FD) visit the PSG Exco to bring us up to date with the most recent developments at Curro. It is always exciting hearing about their progress and, more importantly, the extent of the opportunities they come across. Curro reported a loss as a result of its infrastructure investment in catering for future growth, as well as its investment in startup schools which will only turn profitable once they have a sufficient number of learners.

Despite not making profits yet, Curro seems to be well on its way to becoming a success story. We continue to support the team and shall invest extensively to build capacity for future growth. The Curro story is inspirational and we commend what Chris and his team are achieving.

Zeder

Zeder was listed on the JSE six years ago to house the agri, food and beverage interests of the PSG Group and to look for new opportunities in these sectors. The two main investment strategies at that stage were the 'arbitrage opportunity' and the so-called 'agri-evolution'.

- The **arbitrage opportunity** was the buying of quality listed companies at a discount when investing in unlisted agriculture companies such as Kaap Agri (Pioneer) and KWV (Distell). We have made a concerted effort to unlock these discounts over the last number of years, and have been successful in doing so.
- The **agri-evolution** refers to the transition whereby the old agricultural co-operatives (co-ops) are converted to companies with a profit motive as its primary objective. Pioneer Foods is a good example of a successful agri-evolution. However, in many other co-ops we have found that it may still take a long time for them to become more shareholder orientated.

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

The new opportunities, together with a solid investment base in the likes of Pioneer Foods and Distell, bode well for Zeder's future.

PSG Private Equity (previously Paladin Capital)

Paladin Capital was listed on the JSE (AltX) in September 2009. Our main objective with listing the business was to use its listed shares as currency when making investments. This, however, did not work:

- After we invested in Curro, we did not want to dilute our interest by issuing Paladin shares because of the vast growth potential that we saw in the private school education sector.
- We also found that the sellers of a business almost always prefer payment in cash as opposed to shares.

As a result, Paladin's holding in Curro was unbundled and PSG bought out the 18,7% minority shareholders in Paladin. Although the Paladin listing did not turn out as originally anticipated, it still provided shareholders with a compounded annual return of 43% since listing.

Recurring headline earnings from Paladin's current investment portfolio increased by 51% to R30,9m. Total *recurring headline earnings*, however, decreased from R45m to R37m, mainly due to the loss of earnings from CIC which had been sold. Paladin management invested a significant amount of time in the past year to restructure or turn investments around that have previously disappointed. We look forward to improved earnings from these investments going forward. Paladin's overall internal rate of return (IRR) across its portfolio (excluding the unbundled Curro) is currently 15%. Management's target remains an IRR in excess of 25%.

Paladin Capital has subsequently been rebranded *PSG Private Equity.* The investment mandate of PSG Private Equity remains unchanged. Zeder continues to invest in agri, food and beverage opportunities, and PSG Private Equity in the rest.

Thembeka Capital

Thembeka Capital is a BBBEE investment company in which we own 49%. BEE remains an important aspect of doing business in South Africa and we do not expect the rules and charters to be relaxed any time in the near future. Thembeka has a R1,6bn investment portfolio and is well positioned to make investments that are often inaccessible to PSG.

PSG Corporate, including PSG Capital

PSG Corporate is a profit centre and is managed by the PSG Exco. It acts as PSG Group treasurer, allocates capital and determines and monitors the group's gearing. PSG Corporate made a *recurring headline earnings* contribution of R20,4m (2011: R21m).

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

New developments

Education

We are concerned about the state of education in South Africa. The future success of our country depends on a quality educational system. We continue to see education as a substantial business opportunity in South Africa. Whilst Curro is well positioned in the private school market, we continue to evaluate other education opportunities. During the year under review, PSG Private Equity invested in *Impak Onderwysdiens,* a provider of correspondence learning to schoolchildren. Impak is still small, but we are cautiously optimistic about the potential it holds.

Africa

Africa has been called many things, but it is no longer viewed as the "dark continent". Instead, it is nowadays seen as the "land of opportunity" with investment into Africa being topical around the world. With gloomy outlooks in many developed countries, investors and businesses are looking at developing markets, and specifically Africa, for growth. We have always said that there are enough investment opportunities in South Africa at much lower risk. However, we have realised that we cannot afford to miss out on the vast opportunities that Africa presents. As South Africans, I believe we might be better positioned to compete in Africa than some of our counterparts elsewhere in the world.

To date, we have made the following investments in Africa:

- Zeder acquired an 81% interest in Chayton Africa, a commercial farming business in Zambia.
- PSG Private Equity acquired a 60% interest in CA Sales, a fast-moving consumer goods distributor based in Botswana. We understand the business model and we have brought an experienced management team on board to build out this company.

We shall continue to remain cautious whilst exploring and evaluating what Africa has to offer.

Our people

The PSG Group is fortunate to employ some of the best people in the business. We strive to be a workplace of choice and believe in ultimate empowerment through trust: *Choose competent people, place them in key positions and trust their judgment implicitly* – Conrad Hilton.

Our people are given responsibility and are encouraged to be entrepreneurial, creative, and to come up with ideas.

The year under review again saw PSG involved in numerous transactions. We are proud of achieving this with a small, energetic team of 14 professionals working alongside PSG Capital's 12 corporate financiers. I have faith in the leadership and business acumen of the PSG Group senior executives, Piet Mouton (CEO), Wynand Greeff (FD) and Johan Holtzhausen (CEO: PSG Capital). Considering the core management team, together with the extent of talent within the wider group, I am excited about the future of PSG.

Incentivisation

We attempt to align incentive structures across the group with the interests of shareholders. If a business does well, management should share in the upside, and vice versa. I am often surprised by the exorbitant bonuses that are paid by some companies, locally and abroad, even when shareholders are worse off compared to five years ago. Shareholders must evaluate performance on a *per share* basis and management should be rewarded accordingly.

The PSG Exco

The PSG Exco meets at least twice a month, and comprises myself as chairman, Piet Mouton, Wynand Greeff, Johan Holtzhausen, Chris Otto and Dries Mellet (secretary). The PSG Exco:

- Is responsible for determining and implementing the PSG strategy, as approved by the PSG Group board of directors
- Acts as the PSG investment committee
- Is the appointed manager to Zeder
- Manages PSG Private Equity
- Acts as the PSG group treasurer, monitors and manages the capital requirements, gearing and liquidity of the group, and allocates and invests the group's resources
- Monitors the group's performance and provides strategic input and direction to the underlying companies
- Is the custodian of good corporate governance throughout the group
- Assumes overall responsibility for growth and performance of PSG

The PSG Private Equity and Zeder investment teams form part of the Excos of their respective business units. Nico de Waal leads the *PSG Private Equity* team and is supported by Alex Volkwyn, Willem Kitshoff and Gerrit van Deventer, whilst the *Zeder* team consists of Willem Meyer, Albert Basson and newly appointed Norman Celliers. Antonie Jacobs recently resigned as Zeder CEO to join Agricol on a full-time basis.

Board of directors

The PSG Group board of directors comprises three executives and nine non-executive directors. I serve as the non-executive chairman of the board. Although our directors may not all appear to be independent as defined in terms of the King Code on Corporate Governance, I can assure you that all of the non-executive directors are independent of thought and action – they care about our company and our shareholders. I have little time for the so-called "professional independent" non-executives who do not bother to read their board packs, who do not contribute, and who only drink tea and eat cookies.

We believe that all directors should own shares in the company they look after, and it is no different with PSG Group. A director's interests should be aligned with those of the shareholders that he/she represents. At 29 February 2012, the directors owned 36,4% in the issued share capital of PSG, net of treasury shares.

During the past year, Markus Jooste and Christo Wiese exchanged their PSG shares for Steinhoff International Holdings (Steinhoff) shares. In so doing, Steinhoff acquired a 20% interest in PSG. We are fortunate to have them as a strategic shareholder in PSG, as it is a global company with a sizeable balance sheet, should the need arise for further capital.

Our contribution to the wider economy

There is often much said about capitalists and how companies should do more. A profitable company makes a large contribution to society – it employs people, provides training, makes donations and other contributions, pays taxes, etc. We need to applaud entrepreneurs and businesses, and government should give them due credit for their contribution.

Last year, the PSG group of companies donated more than R34m to a range of worthy causes and made more than R13m available for study bursaries. We paid R7,6bn in salaries to more than 39 000 people throughout the group, and taxes exceeding R4,5bn. Capitec alone created 1 863 new jobs during the past year. This serves to confirm our belief of making a contribution to the wider South African economy by creating jobs and paying taxes.

PSG subscribes to social upliftment through BEE. We have provided *Thembeka Capital* with more than R500m in funding for BEE investments, which has enabled broad-based black groups to acquire shares at virtually no cost. Thembeka has created R580m in value for its more than 500 direct and thousands of indirect black shareholders over the last seven years – we are proud of our association with this company.

Corporate social investment

PSG Group's formal donation policy reads as follows:

"PSG Group is an investment holding company with 39 different underlying businesses. The majority of the income that we earn comprises dividends from these investments. As such, we decided long ago that it makes more sense for the underlying businesses to make donations to their relevant communities as opposed to us. To put it in a different perspective: It is a bit like asking a unit trust to donate money – they will never do so. It is up to the individual investor instead to decide how to make his/her personal social contribution. PSG is essentially the same as a unit trust, but with a different corporate structure."

We therefore do not make donations or give sponsorships, except for our support to the following initiatives in education:

- The *PSG Group Bursary Loan Scheme* at the University of Stellenbosch has since our donation of 100 000 PSG shares supported a number of gifted but needy students. Their fields of study include medicine, actuarial science, accounting and science. We also committed to donate a further R100 000 per year to increase the number of students we can help.
- PSG continues to financially support *Akkerdoppies*, a pre-primary school, which is part of the Sibusisiwe charity. Akkerdoppies is committed to early childhood development, and provides essential education and skills to children from the needy communities of Stellenbosch. The school is attended by 160 (2011: 118) children, and now employs 15 (2011: 12) people. We are committed to a long-term relationship with this initiative and anticipate a significant positive contribution to the community.
- We continue to invest in *Curro* that currently operates 19 private schools. Through offering affordable private education, Curro plays an important role in educating South Africa. Arguably the biggest advantage of having a Curro is that government can now direct its focus on areas where the conditions of education are particularly poor and, in so doing, provide proper educational facilities to the disadvantaged.
- PSG committed R6m to a greenfields venture, *Siyavula Education*. Siyavula has, through the assistance of volunteers and the Shuttleworth Foundation, compiled Grade 10-12 science and maths textbooks that are made available for free. The Department of Basic Education has printed 2,5m copies of these books at a fraction of the cost of normal text books, and distributed it to schools across the country free of charge.
- During the year we founded the *Stellenbosch BEE Education Trust*. We funded the trust with R2m to buy shares in Thembeka Capital. We hope that this trust will over time assist many previously disadvantaged students to obtain a quality education.

Our future

Despite uncertainties in the world economy, all our companies have plans in place to grow their businesses over the next few years. We continually meet with the respective management teams to discuss their dreams and strategies.

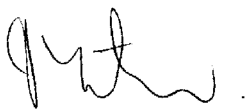
Our focus remains to create wealth for our shareholders by increasing both PSG's *recurring headline earnings* and *SOTP value* per share. We remain committed to uphold our reputation as a company that provides superior returns.

A word of thanks

At PSG I work with great people in a stimulating environment. I still come to the office every day and I hope to contribute to PSG for years to come.

I would like to thank my fellow directors, members of the PSG Exco and colleagues throughout the greater PSG Group – I enjoy working with you and appreciate your hard work. Also a special word of thanks to Kleintjie Bellinghan and Christo Wiese who both retired from the PSG board during the past year. I sincerely thank you for your contribution and devotion during your years of service, and wish you well with your future endeavours.

Lastly, to our clients, our shareholders and to all other stakeholders in PSG – thank you for your loyal support over the past year.



Jannie Mouton
Stellenbosch
15 May 2012