



PSG GROUP LIMITED

INTERIM RESULTS (UNAUDITED) for the six months ended 31 August 2009

- Recurring headline earnings increased by 10,8% to 81,8 cents per share
- Headline earnings increased by 359,1% to 135,9 cents per share

CONDENSED INCOME STATEMENT	31 Aug 2009 Rm	Change %	31 Aug 2008 Rm	28 Feb 2009 Rm
Income				
Investment income	208,9		113,6	452,5
Insurance income	2,0			54,0
Net fair value adjustments to financial instruments	(73,0)		(26,3)	(374,2)
Commission and other fee income	487,9		468,3	979,7
Other operating income	43,1		31,4	62,5
Total income	668,9		587,0	1 174,5
Expenses				
Insurance claims	3,5			43,2
Operating expenses	473,9		448,3	958,8
Total expenses	477,4		448,3	1 002,0
Net income from operating activities	191,5	38,1	138,7	172,5
Finance costs	(50,2)		(33,6)	(93,2)
Share of profits of associated companies	187,0		128,8	233,0
Net income before taxation	328,3	40,4	233,9	312,3
Taxation	(39,0)		(70,4)	(48,0)
Net income of the group	289,3	76,9	163,5	264,3
Attributable to:				
Non-controlling interests	95,6		112,5	213,1
Equity holders of the company	289,3	279,8	51,0	51,0
	289,3		163,5	264,3
Attributable to equity holders of the company	193,7		51,0	51,1
Non-headline items (note 2)	40,0		(1,1)	58,8
Headline earnings	233,7	368,3	49,9	109,9
Earnings per share (cents)				
– attributable	112,6	271,6	30,3	30,3
– headline	135,9	359,1	29,6	65,3
– diluted attributable	112,3	273,1	30,1	30,2
– diluted headline	135,6	361,2	29,4	64,9
Dividend per share (cents)				
– interim	13,0		19,0	19,0
– final				38,0
– special			200,0	200,0
	13,0		219,0	257,0
Number of shares (million)				
– in issue (net of treasury shares)	175,4		168,2	168,0
– weighted average	172,0		168,5	168,4
– diluted weighted average	172,4		169,8	169,3

CONDENSED STATEMENT OF COMPREHENSIVE INCOME	31 Aug 2009 Rm	31 Aug 2008 Rm	28 Feb 2009 Rm
Net income of the group	289,3	163,5	264,3
Share of other comprehensive income of associated companies	(0,9)		(12,2)
Currency translation adjustments and fair value (losses)/gains	(5,3)	(5,4)	5,4
Step acquisition of associated company			
Reversal of previous fair value gains on equity securities			(162,8)
Revaluation of assets and liabilities of associated company			125,3
Total comprehensive income for the period	283,1	158,1	220,0
Attributable to:			
Non-controlling interests	92,9	113,7	220,1
Equity holders of the company	190,2	44,4	(0,1)
	283,1	158,1	220,0

CONDENSED STATEMENT OF FINANCIAL POSITION	31 Aug 2009 Rm	31 Aug 2008 Rm	28 Feb 2009 Rm
Assets			
Property, plant and equipment	34,8	34,3	32,9
Intangible assets	786,0	742,6	736,4
Investments in associated companies (note 3)	3 960,4	3 489,1	3 568,8
Financial assets linked to investment contracts	8 285,0	9 422,6	7 717,0
Other financial assets	512,8	1 290,2	898,9
Deferred income tax	21,6	21,2	28,6
Receivables	260,8	228,8	665,0
Cash and cash equivalents	600,5	302,0	479,1
Total assets	14 461,9	15 530,8	14 126,7
Equity			
Ordinary shareholders' equity	2 986,2	2 827,9	2 755,4
Non-controlling interests	2 095,8	1 896,0	1 863,6
Total equity	5 082,0	4 723,9	4 619,0
Liabilities			
Insurance liabilities	31,5	1,7	30,8
Financial liabilities under investment contracts	8 285,0	9 422,6	7 717,0
Other financial liabilities	620,0	789,2	1 317,9
Deferred income tax	68,6	152,6	67,7
Payables and provisions	319,6	320,3	342,7
Current income tax liabilities	55,2	120,5	31,6
Total liabilities	9 379,9	10 806,9	9 507,7
Total equity and liabilities	14 461,9	15 530,8	14 126,7
Net asset value per share (cents)	1,703	1,681	1,640
Net tangible asset value per share (cents)	1,254	1,240	1,202

CONDENSED STATEMENT OF CHANGES IN OWNERS' EQUITY	31 Aug 2009 Rm	31 Aug 2008 Rm	28 Feb 2009 Rm
Ordinary shareholders' equity at beginning of period	2 755,4	3 295,4	3 295,4
Shares issued	119,9		
Net movement in treasury shares	(15,3)	(23,2)	(38,1)
Share-based payment costs	1,9	3,7	8,6
Total comprehensive income	190,2	44,4	(0,1)
Dividends paid	(65,9)	(492,4)	(510,4)
Ordinary shareholders' equity at end of period	2 986,2	2 827,9	2 755,4
Non-controlling interests	2 095,8	1 896,0	1 863,6
Beginning of period	1 863,6	1 773,6	1 773,6
Total comprehensive income	92,9	113,7	220,1
Dividends and capital distributions paid	(44,0)	(36,8)	(112,9)
Interest acquired from minority shareholders			(16,0)
Acquisition of subsidiaries	217,6	74,6	65,6
Preference dividend paid	(34,3)	(29,1)	(66,8)
Total equity at end of period	5 082,0	4 723,9	4 619,0

CONDENSED STATEMENT OF CASH FLOWS	31 Aug 2009 Rm	31 Aug 2008 Rm	28 Feb 2009 Rm
Cash generated by operations	454,2	100,4	312,3
Net change in financial instruments	199,5	(31,3)	(122,3)
Net cash flow from operating activities	653,7	69,1	190,0
Net cash flow from investment activities	(124,8)	86,6	31,7
Net cash flow from financing activities	275,7	(330,0)	(559,6)
Net increase/(decrease) in cash and cash equivalents	804,6	(174,3)	(337,9)
Cash and cash equivalents at beginning of period	(211,3)	126,6	126,6
Cash and cash equivalents at end of period*	593,3	(47,7)	(211,3)
* Include bank overdrafts and CFD financing of	(137,4)	(387,5)	(915,5)
* Include clients' cash linked to investment contracts of	130,2	37,8	225,1

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. Basis of presentation and accounting policies

The condensed interim financial statements have been prepared in terms of IAS 34 – Interim Financial Reporting and should be read in conjunction with the annual financial statements for the year ended 28 February 2009, which have been prepared in accordance with IFRS. The complete IAS 34 compliant financial statements and notes thereto can be viewed at www.psggroup.co.za.

The accounting policies used in the preparation of the interim financial statements are consistent with those used in the previous financial year, except for the following standards which are effective for the financial year beginning 1 March 2009:

- IAS 1 (revised) – ‘Presentation of Financial Statements’, and
- IFRS 8 – ‘Operating Segments’.

The adoption of these standards has no material effect on the results, nor has it required any restatement.

2. Non-headline items

	31 Aug 2009 Rm	31 Aug 2008 Rm	28 Feb 2009 Rm
<i>Net amounts after taxation and non-controlling interests</i>			
Impairment of investments in associated companies	(48,8)		(28,7)
Net (loss)/profit on sale/dilution of investments in subsidiaries	(0,3)	0,4	(9,1)
Net loss on sale/dilution of investments in associated companies	(2,9)	(3,6)	(9,3)
Negative goodwill on acquisition of subsidiaries	18,0		19,3
Profit on sale/(impairment) of available-for-sale assets	4,5		(20,0)
Impairment of intangible assets (incl. goodwill)	(13,5)		(12,7)
Impairment of shareholders' loans			(4,2)
Non-headline items of associated companies	2,2	4,7	6,8
Other investment activities	0,8	(0,4)	(0,9)
	(40,0)	1,1	(58,8)

3. Investments in associated companies

Carrying value

- listed: 1 575,3 / 1 296,1 / 1 503,3
- unlisted: 2 385,1 / 2 193,0 / 2 065,5
- 3 960,4 / 3 489,1 / 3 568,8**

Market and directors' valuation

- listed: 1 964,0 / 1 088,3 / 1 163,5
- unlisted: 2 442,7 / 2 313,3 / 2 123,0
- 4 406,7 / 3 401,6 / 3 286,5**

4. Commitments

Operating lease commitments: 87,6 / 69,8 / 61,0

5. PSG Financial Services Limited

The company is a wholly owned subsidiary of PSG Group Limited, except for the 6 079 738 preference shares which are listed on the JSE Limited. No separate interim financial statements are presented for the company as it is the only asset of PSG Group Limited.

CONTRIBUTION TO HEADLINE EARNINGS	Headline earnings			Number of shares	Net asset value		
	31 Aug 2009 Rm	31 Aug 2008 Rm	28 Feb 2009 Rm		31 Aug 2009 Rm	31 Aug 2008 Rm	28 Feb 2009 Rm
Recurring headline earnings (before funding and STC)	180,9	176,0	391,6		3 307,8	2 917,9	3 143,8
Capitec Bank	61,8	41,3	104,3	28,9	1 303,5	1 230,2	1 260,1
PSG Konsult	28,9	34,7	70,9	536,3	274,1	252,1	276,3
PSG Fund Management (including PSG FutureWealth)	9,8	13,9	31,2		137,5	123,3	148,4
Paladin Capital and other private equity	30,1	38,3	70,5	418,6	526,6	446,5	548,4
Zeder				396,9	839,9	492,1	568,1
Equity accounted earnings, dividends and other income	36,4	27,9	64,9				
Management fee earned by PSG after costs	4,0	3,3	8,9				
PSG Corporate					226,2	207,7	141,9
Investment income	2,9	3,6	17,8				
BEE funding	10,7	12,6	24,8				
Net operating costs	(3,7)	(6,2)	(8,7)				
Channel Life (sold)		6,6	7,0			166,0	200,6
Non-recurring headline earnings	92,9	(74,5)	(184,6)		503,7	904,6	542,3
<i>Marked-to-market profits/(losses)</i>							
Paladin Capital (mainly Thembeke)	68,1	(30,9)	(77,9)		226,0	162,7	153,3
Zeder	4,3	5,5	6,7		73,2	94,3	93,7
Other investments	23,3	(12,2)	(95,5)		154,3	618,9	242,3
Interest rate swap	(2,8)	(4,3)	(15,0)		0,1	13,6	2,9
Other		(35,4)	(35,4)				
STC (special dividend)			21,8				
PSG FutureWealth deferred tax credit		2,8	10,7				
Various				218,0	50,1	50,1	50,1
m Cubed Holdings							
Funding costs	(39,9)	(46,5)	(99,3)		(825,9)	(989,0)	(930,9)
Perpetual preference shares (net of interest on interest rate swap)	(27,4)	(29,3)	(61,1)		(555,3)	(558,1)	(561,0)
Net interest after tax (borrowings and cash)	(12,5)	(17,2)	(38,2)		(270,6)	(430,9)	(369,9)
STC	(0,2)	(5,1)	2,2		0,6	(5,6)	0,2
Total	233,7	49,9	109,9		2 986,2	2 827,9	2 755,4
Statistics				Change			
Recurring HEPS after funding and STC (cents)	81,8	73,8	174,9	10,8%			
HEPS (cents)	135,9	29,6	65,3	359,1%			

REVIEW OF RESULTS

Recurring headline earnings (refer to *Contribution to Headline Earnings* table) remains the board's predominant measure of PSG Group's financial performance. The sustainable earnings from subsidiary and associated companies are included in *recurring*, whereas marked-to-market profits/losses and once-off items are disclosed as *non-recurring headline earnings*.

A commendable performance by associated company, Capitec, resulted in PSG's *recurring headline earnings after funding and STC* increasing by 10,8% to 81,8 cents per share for the six-month period ended 31 August 2009.

Reportable headline earnings and attributable earnings per share increased by 359,1% to 135,9 cents and by 271,6% to 112,6 cents respectively for the six-month period ended 31 August 2009. This is mainly the result of positive marked-to-market movements in both PSG Corporate's and Thembeke Capital's listed investment portfolios.

CORPORATE ACTION

- PSG Group issued 3 million shares at R14,40 per share and 4,7 million shares at R16,23 per share for a cash consideration of R43,2 million and R76,7 million respectively during the period under review.
- AltX listing of and R150 million renounceable rights issue by Paladin Capital.
- Zeder rights issue, underwritten by PSG, in terms of which R495 million was raised.
- Unbundling of KVV's own operational business from the Distell investment, driven by Zeder as major shareholder.
- PSG Konsult's acquisition of T-Sec's private client stockbroking division for a consideration of R66,4 million.
- Merger of PSG Fund Management with PSG FutureWealth.
- Sale of 18% interest in MiWay Finance for R25 million.
- Conclusion of a R200 million, 4-year redeemable preference share facility, of which R100 million has been utilised.

CAPITEC BANK (34,8%)

Capitec's headline earnings increased by 50% to R178,3 million and headline earnings per share by 48% to 215 cents for the six months ended 31 August 2009. Capitec's return on equity for this period was 28%, exceeding management's 25% goal.

The bank remains financially sound with R1,5 billion in equity and R4,3 billion in assets (excluding cash). The risk-weighted capital adequacy ratio is 36%. Liquidity remains a high priority and at 31 August 2009 it would have been possible to repay all retail call savings deposits immediately.

Capitec now has 2,1 million clients served by 3 804 employees from 371 branches and more than 1 000 ATMs (own and in partnership).

Despite management's caution in these uncertain times, new clients are expected to increase. PSG remains optimistic about the future of this investment.

Capitec's comprehensive results for the six months ended 31 August 2009 are available on its website www.capitec.co.za.

PSG KONSULT (73,2%)

Taking cognisance of the current economic environment and the effects thereof on PSG Konsult's clientele, reasonable results were achieved for the period under review. Headline earnings decreased by 16,6% to R39,5 million and headline earnings per share by 16,9% to 5,4 cents compared to the corresponding six-month period in 2008.

SELECTED STATISTICS INCLUDE:

- Turnover increased by 5,4% to R391,2 million.
- The T-Sec acquisition added 10 500 new private clients to PSG Konsult's existing client base of more than 110 000.
- Funds under administration increased to approximately R63 billion (2008: R50 billion), which was largely driven by the assets obtained through the T-Sec acquisition.
- Short-term insurance premiums increased to R1,5 billion (2008: R1,4 billion) on an annualised basis.
- PSG Konsult's BEE initiative, PSG Konsult Nhluvuko, is now fully operational and has reported an encouraging profit for the period under review. The primary focus of Nhluvuko will be commercial and institutional business.

PSG Konsult's comprehensive results for the six months ended 31 August 2009 are available on its website www.psgkonsult.co.za.

ZEDER (40,6%)

Zeder successfully concluded a rights issue in terms of which R495 million was raised at R13,35 per share in June 2009. Zeder's recurring headline earnings increased by 17% to R74,8 million for the six months under review. However, recurring headline earnings per share decreased by 9,5% to 9,5 cents and reportable headline earnings per share by 20% to 10,9 cents. This was mainly attributable to the increased number of Zeder shares in issue following the aforementioned rights issue together with disappointing results from KVV's own operational business having made a headline loss of R17,9 million from its continuing operations for the year ended 30 June 2009.

Zeder's comprehensive results for the six months ended 31 August 2009 are available on its website www.zeder.co.za.