

PSG Group Limited
(Incorporated in the Republic of South Africa)
Registration number: 1970/008484/06
JSE share code: PSG
ISIN number: ZAE000013017
(“PSG Group” or “PSG” or “the company” or “the group”)

PSG Financial Services Limited
(Incorporated in the Republic of South Africa)
Registration number: 1919/000478/06
JSE share code: PGFP
ISIN number: ZAE000096079
(“PSG Financial Services”)

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 AUGUST 2012

Sum-of-the-parts value per share increased by 21,7% to R68,05 as at 31 August 2012
Recurring headline earnings per share increased by 19,9% to 162,5 cents
Interim dividend per share increased by 26,9% to 33 cents

OVERVIEW

PSG Group is an investment holding company consisting of 42 underlying investments that operate across industries which include financial services, banking, private equity, agriculture and education. PSG’s market capitalisation is approximately R12,9bn, with its largest investment being a 32,2% interest in Capitec Bank.

SUM OF THE PARTS (“SOTP”)

A key valuation tool to measure PSG’s performance by is the growth in its SOTP value per share. The calculation is simple and requires limited subjectivity as 81% of the SOTP value is calculated using quoted market prices, while the unlisted investments are valued using market-related multiples. At 31 August 2012, the SOTP value per PSG share was R68,05, which was 21,7% higher than that as at 29 February 2012. At 28 September 2012, the SOTP value was R71,08 per share.

	Feb 2010	Feb 2011	Feb 2012	Aug 2012	% of total assets
Asset/Liability	Rm	Rm	Rm	Rm	
Capitec Bank*	2 367	5 138	5 978	6 535	43,5%
PSG Konsult **	948	1 206	1 483	1 598	10,6%
Curro Holdings *			1 118	2 387	15,9%
Zeder Investments *	742	1 069	1 067	1 192	7,9%
PSG Private Equity #	834	1 242	728	879	5,9%
Thembeke Capital #			570	789	5,3%
PSG Corporate					

(incl. PSG Capital) ##	361	350	338	338	2,2%
Other investments, incl. cash ##	400	548	684	1 307	8,7%
Total Assets	5 652	9 553	11 966	15 025	100,0%
Perpetual pref funding *	(541)	(1 028)	(1 188)	(1 229)	
Other debt ##	(539)	(507)	(463)	(823)	
Total SOTP Value	4 572	8 018	10 315	12 973	
Shares in issue (net of treasury shares) (m)	171,8	171,3	184,5	190,6	
SOTP value per share (Rand)	26,61	46,81	55,92	68,05	

* Listed on the JSE Ltd

** Over-the-counter

SOTP value

Valuation

RESULTS

A continued increase in PSG's SOTP value over the long term will depend on sustained growth in the profitability of our underlying investments. PSG continues to use the recurring headline earnings method to provide management and investors with a more realistic and transparent way of evaluating PSG's earnings performance. Consolidated recurring headline earnings represent 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 are generally not equity accountable in terms of accounting standards, are included in the calculation of our consolidated recurring headline earnings. Marked-to-market fluctuations and one-off items are excluded.

	Year ended		Six months ended	
	29 Feb 2012	31 Aug 2011	Change %	31 Aug 2012
Recurring headline earnings	Rm	Rm	%	Rm
Capitec Bank	362,4	167,9	35%	226,3
PSG Konsult	107,9	42,5	22%	51,8
Curro Holdings	(5,2)	(5,1)	n/a	(2,0)

Zeder Investments	115,4	53,8	(34%)	35,3
PSG Private Equity	32,0	16,9	108%	35,2
Thembeke Capital	18,7	5,8	(5%)	5,5
Other	39,7	18,4	30%	23,8
Recurring headline earnings before funding	670,9	300,2	25%	375,9
Funding	(134,4)	(70,5)	n/a	(82,1)
Recurring headline earnings	536,5	229,7	28%	293,8
Non-recurring items	30,6	(54,7)	n/a	86,1
Headline earnings	567,1	175,0	117%	379,9
Non-headline items	135,9	(26,9)	n/a	(64,8)
Attributable earnings	703,0	148,1	113%	315,1
Weighted average number of shares in issue (net of treasury shares) (m)	173,9	169,5	7%	180,8
Earnings per share (cents)				
- Recurring headline	308,6	135,5	20%	162,5
- Headline	326,2	103,3	103%	210,2
- Attributable	404,4	87,4	99%	174,3
Dividend per share (cents)	82,0	26,0	27%	33,0

Recurring headline earnings per share increased by 19,9% to 162,5 cents for the six months ended 31 August 2012. Capitec continued its stellar performance, while both PSG Konsult and PSG Private Equity delivered improved results. Zeder on the other hand saw a decline in recurring headline earnings. Curro continued to sacrifice profitability while building capacity for future growth.

Headline earnings per share increased by 103,5% to 210,2 cents per share, and attributable earnings by 99,4% to 174,3 cents per share. This was mainly as a result of marked-to-market profits achieved in PSG's and Thembeke's investment portfolios of listed shares, net of a further marked-to-market loss incurred on PSG's interest rate hedge.

MATERIAL CORPORATE ACTIONS, FUNDING AND INVESTING

- Raised R361,2m in cash through the issue of 5,4m PSG ordinary shares at an average price of R67,42 per share.

- Raised R330m in cash through the issue of an unlisted five-year redeemable preference share with a fixed rate of 8,63% nacm.
- Curro raised R346m in cash by means of a rights issue and R128m by means of a specific issue of shares for cash to Thembeke. PSG exercised its rights for a further investment of R219,7m.
- PSG acquired an effective 57,7% interest in CA Sales (a Botswana-based distributor of fast-moving consumer goods) for R202m.
- Zeder acquired a controlling interest in Chayton, a company that acquires, develops and operates commercial grain production hubs in sub-Saharan Africa, mainly Zambia, for R276,9m.
- In addition, Zeder acquired the remaining 74,9% of the share capital in Agricol, a seed company operating primarily in the Republic of South Africa, for R150,4m.
- PSG Konsult raised R187,7m in cash by means of a rights issue at R1,75 per share during September 2012.
- On 26 September 2012, Capitec announced a rights issue of R2,25bn in anticipation of the growth prospects in the market in which it operates and of the new Basel III capital requirements. PSG has undertaken to follow its rights amounting to R724,5m.

CAPITEC BANK (32.2%)

Capitec continued to add more than 90 000 new clients per month. Their active client base totalled 4,2m at the end of August 2012. The bank's footprint was expanded by opening 27 new branches during the past six months, with another 28 new branches planned for the remainder of the financial year.

The bank's focus remains to acquire more transacting clients, to reduce the cost of credit and to maintain stringent credit criteria.

Capitec's headline earnings increased by 43% to R700m for the period under review. This was mainly as a result of the increase in loan revenue to R3,6bn and net transaction fee income to R583m, along with an improvement in the cost-to-income ratio to 42%.

Capitec now offers loans with a term of anywhere between one and 84 months, and a maximum amount of R230 000 per client. Loans with terms exceeding 12 months contributed 80% of sales compared to 66% for the six months ended August 2011. Higher income clients, with monthly income in excess of R15 000, have progressively accounted for an increased portion of unsecured credit granted. These clients carry a lower risk. Capitec's own analyses of the credit market also indicate that increased affordability, together with growth in disposable income means that the growth in unsecured lending has not necessarily resulted in borrowers becoming over-indebted.

The proceeds of the aforementioned rights issue will be utilised to fund the anticipated growth in Capitec's loan book, as well as the expansion of its branch network by between 50 and 75 branches per annum for the next three years.

Capitec's comprehensive results for the six months ended 31 August 2012 are available at www.capitecbank.co.za.

PSG KONSULT (71,3%)

PSG Konsult reported positive results for the six months ended 31 August 2012. Recurring headline earnings increased by 20,0% to R72,6m, and headline earnings by 21,8% to R77m. Funds under administration increased by 3,6% to R144,2bn since year-end. Short-term premiums administered decreased by R250m to R1 300m on an annualised basis, mainly due to the sale of the third-party short-term administration book of business.

Effective 1 March 2012, PSG Konsult acquired an interest in Western National, a short-term insurance company.

Negotiations have been concluded to further increase PSG Konsult's interest, which is subject to regulatory approval.

PSG Konsult will use the R187,7m in cash raised with the aforementioned rights issue for capital adequacy requirements and to fund acquisitions such as Western National.

PSG Online has won the 2012 Business Day Investors Monthly Stockbroker of the Year award for the second consecutive year. We are proud of this achievement.

At 31 August 2012, PSG Konsult had 228 offices with 621 financial planners, portfolio managers, stockbrokers and asset managers. Its professional associates (accountants and attorneys) totalled 375.

PSG Konsult's comprehensive results for the six months ended 31 August 2012 are available at www.psgkonsult.co.za.

CURRO HOLDINGS (57,5%)

Curro develops, acquires and manages private schools for children from the age of three months up to grade 12. The group currently consists of 22 (31 December 2011:12) schools with 12 497 (31 December 2011: 5 557) learners. When PSG initially invested in 2009, Curro had three schools with 1 678 learners.

Curro reported a headline loss of R3,1m (30 June 2011: R7,7m loss) for the six-month period ended 30 June 2012, as it continued to aggressively build capacity for the future. We anticipate that Curro will report a headline profit going forward.

Curro moved to the main board of the JSE following its R474m capital raising in July 2012. The additional capital, coupled with debt funding, has been invested to create capacity at existing campuses, to build five new campuses and to settle the outstanding consideration in respect of acquisitions made during the past six months.

The new learner enrolments for 2013 are exceeding expectations, further confirming the growth potential in the sector. PSG continues to support Curro's aggressive organic and acquisitive growth plan.

Curro's comprehensive results for the six months ended 30 June 2012 are available at www.curro.co.za.

ZEDER INVESTMENTS (42,4%)

Zeder is an investor in the agribusiness, food and beverage sectors. Its investment portfolio now amounts to R3,6bn of which Agri Voedsel Beleggings (Pioneer) and Capevin Holdings (Distell) represent 56,3% (29 February 2012: 62,4%). During the period under review, Zeder invested a further R439m, of which R427m related to the abovementioned acquisition of controlling interests in Chayton and Agricol.

Zeder's SOTP value per share increased by 5,1% to R3,31 since 29 February 2012. Its recurring headline earnings decreased by 35,1% to 8,5 cents per share, mainly due to a lower earnings contribution from Pioneer Foods, initial losses incurred by Chayton, a start-up business in its development phase, and a net interest expense as opposed to net interest income in the prior year as a result of the debt raised to fund the acquisitions of mainly Agricol and Chayton.

Zeder was instrumental in the recent JSE listing of Capevin Holdings, following its merger with and delisting of Capevin Investments. This created R264m in value for Capevin Holdings shareholders and R105m for Zeder shareholders in the period under review.

Zeder's comprehensive results for the six months ended 31 August 2012 are available at www.zeder.co.za.

PSG PRIVATE EQUITY (100%)

PSG Private Equity's recurring headline earnings for the period increased by 89% to R35,2m. This improvement is due to strong earnings growth from a number of its investments (notably in the financial services, manufacturing and personnel services industries), as well as no further losses being recognised from Erbacon.

Corporate actions at PSG Private Equity included:

- A further investment of R8,9m in African Unity Insurance to increase its shareholding from 43,2% to 49,9%.
- A further investment of R24m in Impak, a provider of long distance learning, to increase its shareholding from 50% to 89%.
- Increased its shareholding in M&S (previously Top Fix) from 28% to 38% through the sale of M&S's loss-making scaffolding division. The remaining businesses (personnel placements and safety surveillance) are expected to continue to perform profitably.
- Erbacon has been recapitalised by means of a debt restructuring agreement with its major shareholders in terms of which PSG Private Equity's shareholder loan of R15m was converted to equity, while its shareholding diluted from 27% to 11%.

THEMBEKA CAPITAL (49%)

Thembeke Capital is a black-owned and controlled investment company. Its investment portfolio of R2,1bn consists primarily of interests in PSG Group, Capitec Bank, Curro, Pioneer Foods, MTN Zakhele, Kaap Agri and Overberg Agri.

Thembeke's intrinsic value per share (after CGT) was R99,56 as at 31 August 2012, an increase of 34% since 29 February 2012.

Corporate actions at Thembeke included:

- Acquired a 4,4% interest in Pioneer Foods as the lead BEE partner in the Pioneer BEE deal for R514m. Thembeke's cash contribution to this transaction was R52m, with the balance being funded by a third party.
- Invested R128m to acquire a 9% interest in Curro.

Thembeke is uniquely positioned as a niche black investor with cash on its balance sheet and solid assets in its portfolio. This will allow it to capitalise on further opportunities within the BEE and private equity investment market.

PSG CAPITAL (100%)

PSG Capital is the corporate finance arm of PSG Group and provides a complete range of corporate finance and advisory services to a broad spectrum of clients. PSG Capital is a JSE-registered sponsor and designated advisor. They advise on mergers and acquisitions, fairness opinions and valuations, capital raisings and listings, JSE and regulatory advisory, private equity, BEE, management and leveraged transactions, corporate recovery and restructuring, and also provides debt and strategic advice. PSG Capital is the sponsor and designated advisor to 32 JSE-listed companies, and has an extensive list of unlisted clients. PSG Capital's services are available at www.psgcapital.com.

PSG CORPORATE (100%)

PSG Corporate is a profit centre. It acts as PSG Group treasurer, allocates capital and determines and monitors the group's gearing.

PROSPECTS

Our focus remains on the creation of wealth for our shareholders by increasing both PSG's SOTP value and recurring headline earnings per share. We remain committed to providing superior investment returns.

DIVIDENDS

Ordinary shares

PSG Group's policy remains to pay up to 100% of free cash flow as an ordinary dividend, of which one third is payable as an interim and the balance as a final dividend at year-end. The directors have consequently resolved to declare

an interim dividend of 33 cents (2011: 26 cents) per share.

Dividend income is subject to a local dividend withholding tax at a rate of 15%, unless the shareholder is exempt from dividend withholding tax or is entitled to a reduced rate in terms of the applicable double-tax agreement. The company, however, holds STC credits which will be applied in reducing the liability for dividend withholding tax. The STC credits utilised as part of this declaration amount to R68 667 026, and represent 33 cents per share. The portion of the dividend subject to dividend withholding tax is therefore nil cents per share and there will thus be no withholding. Accordingly, the net dividend that will be paid is 33 cents per share. The amount of STC credits available for future utilisation following this interim dividend approximates R160m. PSG Group's total number of issued ordinary shares at the date of this declaration is 208 081 896. The company's income tax reference number is 9950080714.

The following are the salient dates for the payment of the interim dividend:

Last day to trade cum dividend	Friday, 26 October 2012
Trading ex dividend commences	Monday, 29 October 2012
Record date	Friday, 2 November 2012
Day of payment	Monday, 5 November 2012

Share certificates may not be dematerialised or rematerialised between Monday, 29 October 2012, and Friday, 2 November 2012, both days inclusive.

Preference shares

The directors of PSG Financial Services have declared a dividend of 366,79 cents per share in respect of the cumulative, non-redeemable, non-participating preference shares for the six months ended 31 August 2012, which was paid on 25 September 2012. The detailed announcement in respect hereof was disseminated on SENS.

On behalf of the board

Jannie Mouton
Chairman

Wynand Greeff
Financial director

8 October 2012
Stellenbosch

Directors:

JF Mouton (chairman)+, PE Burton^, ZL Combi^, J de V du Toit^, MM du Toit^, WL Greeff*, JA Holtzhausen*, MJ Jooste+ (Alt:AB la Grange), JJ Mouton+, PJ Mouton*, CA Otto^, W Theron+

* Executive
+ Non-executive
^ Independent non-executive

Secretary:
PSG Corporate Services (Pty) Ltd

Registered office:
1st Floor, Ou Kollege, 35 Kerk Street, Stellenbosch, 7600; PO Box 7403, Stellenbosch, 7599

Transfer secretaries:
Computershare Investor Services (Pty) Ltd
70 Marshall Street, Johannesburg, 2001; PO Box 61051, Marshalltown, 2107

Sponsor:
PSG Capital

Auditor:
PricewaterhouseCoopers Inc.

CONDENSED GROUP INCOME STATEMENT

	Unaudited 31 Aug 2012 Rm	Unaudited 31 Aug 2011 Rm	Audited 29 Feb 2012 Rm
Revenue	665,4		
Cost of sales	(578,7)		
Gross profit	86,7	-	-
Income			
Investment income (note 4)	190,5	162,7	387,9
Net fair value gains and losses on financial instruments (note 4)	397,9	116,6	533,7
Fair value adjustment to investment contract liabilities (note 4)	(463,9)	(265,0)	(624,1)
Commission and other fee income	894,1	757,9	1 527,6
Other operating income	69,0	20,2	226,8
Total income	1 087,6	792,4	2 051,9
Expenses			
Insurance claims and loss adjustments	0,3	(0,5)	0,3
Operating expenses	(989,8)	(698,6)	(1 456,3)
Total expenses	(989,5)	(699,1)	(1 456,0)
Associated companies			
Share of profits of associated companies	442,6	249,0	684,1
Loss on impairment of associated companies	(56,8)		(41,0)
Total profit related to associated companies	385,8	249,0	643,1
Results of operating activities	570,6	342,3	1 239,0
Finance costs	(98,3)	(59,5)	(109,6)
Profit before taxation	472,3	282,8	1 129,4
Taxation	(43,4)	(30,5)	(104,1)
Profit for the period	428,9	252,3	1 025,3
Attributable to:			
Owners of the parent	315,1	148,1	703,0
Non-controlling interest	113,8	104,2	322,3
	428,9	252,3	1 025,3
Attributable to equity holders of the company	315,1	148,1	703,0
Non-headline items (note 2)	64,8	26,9	(135,9)
Headline earnings	379,9	175,0	567,1
Earnings per share (cents)			

- recurring headline	162,5	135,5	308,6
- headline	210,2	103,3	326,2
- attributable	174,3	87,4	404,4
- diluted headline	208,3	102,2	322,9
- diluted attributable	172,7	86,4	400,3

Dividend per share (cents)

- interim	33,0	26,0	26,0
- final			56,0
	33,0	26,0	82,0

Number of shares (million)

- in issue	208,1	198,4	202,7
- in issue (net of treasury shares)	185,8	175,2	179,6
- weighted average	180,8	169,5	173,9
- diluted weighted average	182,4	171,3	175,6

CONDENSED GROUP STATEMENT OF COMPREHENSIVE INCOME

	Unaudited 31 Aug 2012 Rm	Unaudited 31 Aug 2011 Rm	Audited 29 Feb 2012 Rm
Profit for the period	428,9	252,3	1 025,3
Currency translation adjustments and fair value gains	0,3		0,9
Share of other comprehensive income and equity movements of associated companies	(6,2)	(7,8)	(18,5)
Other	(0,5)	(2,9)	
Total comprehensive income for the period	422,5	241,6	1 007,7
Attributable to:			
Owners of the parent	308,8	143,3	685,4
Non-controlling interest	113,7	98,3	322,3
	422,5	241,6	1 007,7

CONDENSED GROUP STATEMENT OF FINANCIAL POSITION

	Unaudited 31 Aug 2012 Rm	Unaudited 31 Aug 2011 Rm	Audited 29 Feb 2012 Rm
Assets			
Property, plant and equipment	1 553,7	507,8	654,7
Biological assets	73,3		
Intangible assets	1 670,3	1 111,4	1 114,3
Investments in associated companies	6 230,0	5 446,2	6 117,6
Financial assets linked to investment contracts (note 4)	9 641,4	8 915,9	9 144,7
Cash and cash equivalents linked to investment contracts	31,3	83,8	97,2

Other financial assets linked to investment contracts	9 610,1	8 832,1	9 047,5
Other financial assets	760,7	612,8	751,7
Deferred income tax	85,6	64,3	51,3
Inventories	250,6		
Receivables (note 5)	627,8	188,1	2 491,5
Current income tax assets	10,3	4,1	6,5
Cash and cash equivalents	1 307,9	698,0	628,5
Non-current assets classified as held for sale	7,4	31,0	
Total assets	22 219,0	17 579,6	20 960,8
Equity			
Ordinary shareholders' equity	5 307,5	4 020,5	4 760,0
Non-controlling interests	3 691,9	3 117,8	3 187,6
Total equity	8 999,4	7 138,3	7 947,6
Liabilities			
Insurance contracts	30,0	30,3	29,9
Financial liabilities under investment contracts (note 4)	9 641,4	8 915,9	9 144,7
Other financial liabilities	2 271,5	845,0	952,2
Deferred income tax	236,0	133,5	139,9
Payables and provisions (note 5)	1 012,3	496,7	2 729,5
Current income tax liabilities	24,0	19,9	17,0
Non-current liabilities classified as held for sale	4,4		
Total liabilities	13 219,6	10 441,3	13 013,2
Total equity and liabilities	22 219,0	17 579,6	20 960,8
Net asset value per share (cents)	2 857	2 295	2 650
Net tangible asset value per share (cents)	1 958	1 660	2 030

CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY

	Unaudited 31 Aug 2012 Rm	Unaudited 31 Aug 2011 Rm	Audited 29 Feb 2012 Rm
Ordinary shareholders' equity at beginning of period	4 760,0	3 584,8	3 584,8
Shares issued	360,7	376,0	576,6
Net movement in treasury shares	13,2	16,7	(3,4)
Share-based payment costs	9,5	1,6	9,5
Transactions with non-controlling interests	(43,7)	(22,0)	33,8
Total comprehensive income for the period	308,8	143,3	685,4
Dividends paid	(101,0)	(79,9)	(126,7)
Ordinary shareholders' equity at end of period	5 307,5	4 020,5	4 760,0
Non-controlling interests	3 691,9	3 117,8	3 187,6
Beginning of period	3 187,6	3 025,8	3 025,8
Shares issued	403,1	71,0	201,5
Transactions with non-controlling interests	76,7	0,4	(240,3)

Acquisition of subsidiaries			4,8
Share-based payment costs	1,3		
Total comprehensive income	113,7	98,3	322,3
Dividends and capital distributions paid	(90,5)	(77,7)	(126,5)
Total equity at end of period	8 999,4	7 138,3	7 947,6

CONDENSED GROUP STATEMENT OF CASH FLOWS

	Unaudited 31 Aug 2012 Rm	Unaudited 31 Aug 2011 Rm	Audited 29 Feb 2012 Rm
Cash generated by operations	156,4	114,4	576,3
Cash movement in policyholder funds	(65,9)	(152,9)	(237,4)
Finance costs & taxation paid	(149,7)	(96,0)	(216,0)
Net cash flow from operating activities	(59,2)	(134,5)	122,9
Net cash flow from investment activities	(1 031,6)	(489,2)	(911,5)
Net cash flow from financing activities	1 558,2	278,2	291,9
Net increase/(decrease) in cash and cash equivalents	467,4	(345,5)	(496,7)
Cash and cash equivalents at beginning of period	630,6	1 127,3	1 127,3
Cash and cash equivalents at end of period *	1 098,0	781,8	630,6
* Include the following:			
Bank overdrafts and CFD financing	(241,1)		(95,1)
Clients' cash linked to investment contracts	31,2	83,8	97,2

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. Basis of presentation and accounting policies

The condensed interim group financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting and should be read in conjunction with the annual financial statements for the year ended 29 February 2012, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"); including the AC 500 standards; the requirements of the South African Companies Act of 2008, as amended, and the Listings Requirements of the JSE Limited. The accounting policies applied in the preparation of these condensed interim group financial statements are consistent with those used in the previous financial year. No new standards, interpretations or amendments, which are relevant to the group's operations, became effective during the period.

Results of operating activities, as presented in the condensed group income statement, include share of profits of associated companies as a significant part of PSG Group's business activity is performed through associated companies. The comparatives have been presented on a consistent basis.

2. Non-headline items

	Unaudited 31 Aug 2012 Rm	Unaudited 31 Aug 2011 Rm	Audited 29 Feb 2012 Rm
Net of taxation and non-controlling interests			
Impairment of investments in associated companies	(56,8)	(20,2)	(36,3)
Net profit on sale/dilution of investments in subsidiaries	1,7		0,2
Net (loss)/profit on sale/dilution of investments in associated companies	(10,1)	3,0	176,5
Profit/(loss) on sale of available-for-sale assets	0,3		(1,0)
Impairment of intangible assets (incl. goodwill)	(22,1)		(4,3)
Non-headline items of associated companies	9,5	(9,9)	0,7
Fair value gain resulting from step-up acquisition from associate to subsidiary	9,3		
Other investment activities	3,4	0,2	0,1
	(64,8)	(26,9)	135,9

3. Business combinations

The group's significant business combinations during the year under review were:

- 3.1 Effective 1 March 2012 the group acquired an effective 57,7% interest in CA Sales Holdings (Pty) Ltd (a Botswana-based distributor of fast-moving consumer goods) at a purchase consideration of R 202m. CA Sales Holdings (Pty) Ltd acquired a 100% interest in the CA Sales Group resulting in goodwill of R300,4m.
- 3.2 Effective 28 March 2012 the group, through Zeder Investments, acquired the remaining 74,9% of the share capital in Agricol Holdings for a cash consideration of R150,4m. Goodwill of R51,7m arose on the acquisition.
- 3.3 Effective 1 April 2012 the group, through Curro Holdings, acquired 100% of the share capital of both Woodhill College and Meridian College at a purchase consideration of R203,4m. Goodwill of R91,4m arose on the acquisition.
- 3.4 Effective 31 July 2012 the group, through Zeder Investments' subsidiary Chayton, acquired 100% of the share capital of Somawhe, a company operating in Zambia. The consideration payable is estimated at R204,1m, equating to the net identifiable asset value of Somawhe. Negotiations regarding the consideration will be finalised during the second half of the financial year.

4. Linked investment contracts

These represent PSG Asset Management Administration Services (previously PSG Futurewealth) clients' assets held under investment contracts, which are linked to a corresponding liability. The condensed group income statement impact of the returns on investment contract policy holder assets and liabilities, as well as the investment income earned by the ordinary shareholders of PSG Group Ltd and its subsidiaries, were as follows:

Investment contract policy holders	Equity holders	Total
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31 August 2012	Rm	Rm	Rm
Investment income	133,3	57,2	190,5
Net fair value gains and losses on financial instruments	336,4	61,5	397,9
Fair value adjustment to investment contract liabilities	(463,9)		(463,9)
Net investment return before taxation	5,8	118,7	124,5

	Investment contract policy holders Rm	Equity holders Rm	Total Rm
31 August 2011			
Investment income	107,0	55,7	162,7
Net fair value gains and losses on financial instruments	163,9	(47,3)	116,6
Fair value adjustment to investment contract liabilities	(265,0)		(265,0)
Net investment return before taxation	5,9	8,4	14,3

	Investment contract policy holders Rm	Equity holders Rm	Total Rm
29 February 2012			
Investment income	224,0	163,9	387,9
Net fair value gains and losses on financial instruments	422,9	110,8	533,7
Fair value adjustment to investment contract liabilities	(624,1)		(624,1)
Net investment return before taxation	22,8	274,7	297,5

5. Broker- and clearing accounts

Included under receivables are PSG Online broker- and clearing accounts of which R88,2m represents amounts owing by the JSE for trades in the last few days before period 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, with the settlement to the clients taking place within 3 days after the transaction date.

6. Segmental reporting

The group is organised into seven reportable segments, namely: Capitec, Zeder, PSG Private Equity (previously Paladin), Thembeke Capital, Curro, PSG Konsult (including PSG Asset Management, following its amalgamation) and PSG Corporate. These segments represent the major investments of the group. The services offered by PSG Konsult consist of financial advice, stock broking and fund management, while Curro offers private education services. The other segments offer financing, banking, investing and corporate finance services. All segments predominantly operate in the Republic of South Africa.

Income and intersegment income comprise total income per the condensed group income statement.

Headline earnings comprise recurring and non-recurring headline earnings. Consolidated recurring headline earnings are

calculated on a proportional basis, and include the proportional headline earnings of underlying investments, excluding marked-to-market adjustments and one-off items.

Six months ended 31 August 2012	Income Rm	Inter- segment income Rm	Recurring headline earnings Rm	Non- recurring headline earnings Rm	Headline earnings Rm	Sum-of- the-parts value Rm
Capitec *	(8,6)		226,3		226,3	6 535,0
Zeder	125,2		35,3	(11,0)	24,3	1 192,0
PSG Private Equity	21,1		35,1		35,1	879,0
Thembeke Capital *			5,5	76,1	81,6	789,0
Curro	160,6		(2,0)		(2,0)	2 387,0
PSG Konsult	762,6		51,8	3,1	54,9	1 598,0
PSG Corporate	40,1	(29,1)	13,8	54,6	68,4	1 645,0
Net fee income **			1,9	(1,7)	0,2	338,0
Unit trust, hedge fund and share investments				56,3	56,3	1 070,2
BEE investments			11,9		11,9	236,8
Funding	19,7	(4,0)	(71,4)	(36,7)	(108,1)	(2 052,0)
Other			(0,6)		(0,6)	
Total	1 120,7	(33,1)	293,8	86,1	379,9	12 973,0

Non-headline Earnings attributable to non-controlling interest					(64,8)	
Taxation					113,8	
Profit before taxation					43,4	
					472,3	

Six months ended 31 August 2011	Income Rm	Inter- segment income Rm	Recurring headline earnings Rm	Non- recurring headline earnings Rm	Headline earnings Rm	Sum-of- the-parts value Rm
Capitec *	4,5		167,9		167,9	6 090,0
Zeder	21,7		53,8	(17,5)	36,3	1 013,0
PSG Private Equity	15,4		16,9	2,3	19,2	841,0
Thembeke Capital *			5,8	0,7	6,5	
Curro	79,3		(5,1)		(5,1)	580,0
PSG Konsult	694,2		42,5	1,4	43,9	1 177,0
PSG Corporate	6,1	(34,4)	17,9	(1,1)	16,8	1 228,0
Net fee income **			7,8	0,3	8,1	350,0
Unit trust, hedge fund and share investments				(1,4)	(1,4)	663,4
BEE investments			10,1		10,1	214,6
Funding	6,9	(1,3)	(70,5)	(40,5)	(111,0)	(1 494,0)
Other			0,5		0,5	
Total	828,1	(35,7)	229,7	(54,7)	175,0	9 435,0

Non-headline Earnings attributable to non-controlling interest					(26,9)	
					104,2	

Taxation	30,5
Profit before taxation	282,8

Year ended 29 February 2012	Income Rm	Inter-segment income Rm	Recurring headline earnings Rm	Non-recurring headline earnings Rm	Headline earnings Rm	Sum-of-the-parts value Rm
Capitec *	182,4		362,4		362,4	5 978,3
Zeder	55,9		115,4	11,6	127,0	1 067,0
PSG Private Equity	17,2		32,0	(32,4)	(0,4)	727,7
Thembeke Capital *			18,7	4,4	23,1	570,3
Curro	170,3		(5,2)		(5,2)	1 118,0
PSG Konsult	1 461,3		107,9	7,8	115,7	1 482,9
PSG Corporate	212,4	(60,4)	41,0	68,6	109,6	1 071,0
Net fee income **			20,4		20,4	338,3
Unit trust, hedge fund and share investments				68,6	68,6	507,6
BEE investments			20,6		20,6	225,1
Funding	14,3	(1,5)	(134,4)	(29,8)	(164,2)	(1 650,2)
Other			(1,3)	0,4	(0,9)	(49,3)
Total	2 113,8	(61,9)	536,5	30,6	567,1	10 315,7
Non-headline Earnings attributable to non-controlling interest					135,9	
Taxation					322,3	
					104,1	
Profit before taxation					1 129,4	

* Equity accounted

** Net fee income is after the deduction of salaries, operating expenses and taxation.

7. Commitments and contingent liabilities	Unaudited 31 Aug 2012 Rm	Unaudited 31 Aug 2011 Rm	Audited 29 Feb 2012 Rm
Operating lease commitments	277,7	81,2	70,8
Other capital commitments	319,8		109,0
	597,5	81,2	179,8

8. Restatement of prior year figures

The net cash flows from investments in equity securities (other than those that are linked to investment contracts) have been reclassified from cash flows from operating activities in prior reporting periods to cash flows from investment activities.

PSG believes that this is the more appropriate way to view such investments from a cash flow perspective and has

consequently resolved to restate the figures in the statement of cash flows for the period ended 31 August 2011.
The effect of the reclassification was as follows:

	Reported previously Rm	Reclassi- fication Rm	Restated Rm
Net cash flow from operating activities	(316,3)	181,8	(134,5)
Net cash flow from investment activities	(307,4)	(181,8)	(489,2)

9. PSG Financial Services

The company is a wholly owned subsidiary of PSG Group, except for the 13 419 479 preference shares which are listed on the JSE Limited. No separate financial statements are presented for the company as it is the only asset of PSG Group.

UNAUDITED CONDENSED GROUP FINANCIAL STATEMENTS

These unaudited condensed group financial statements were compiled under the supervision of PSG Group's financial director, Mr W L Greeff, who is a Chartered Accountant (SA).