PSG Group Limited
Incorporated in the Republic of South Africa
Registration number: 1970/008484/06
JSE Ltd ("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")

REVIEWED RESULTS FOR THE YEAR ENDED 28 FEBRUARY 2014

- Sum-of-the-parts value per share increased by 31% year-on-year
- Recurring headline earnings increased by 14% to 446,9 cents per share
- Dividend for the year increased by 20% to 133 cents per share
- Sum-of-the-parts value of R106,42 per share as at 11 April 2014

COMMENTARY

OUR BUSINESS

PSG is an investment holding company consisting of underlying investments that operate across a diverse range of industries including financial services, banking, private equity, agriculture and education. PSG's market capitalisation (net of treasury shares) is approximately R18,6bn, with its largest investment a 28,3% interest in Capitec.

OUR OBJECTIVE

Our objective remains to continuously create wealth for all shareholders through share price appreciation and the payment of dividends.

STRATEGY - PROJECT INTERNAL FOCUS

In April last year, PSG introduced its latest strategy, Project Internal Focus, to the market. PSG's investment portfolio contains a healthy balance between established and start-up businesses, all of which offer attractive growth potential. The majority of PSG's most significant successes has been businesses that were either started by, or in conjunction with, PSG. Capitec, PSG Konsult and Zeder are all examples of same. In order to extract maximum value, we formalised Project Internal Focus, a strategy whereby our focus is primarily directed at the optimisation, refinement and growth of PSG's existing investment portfolio.

Capitec is a good example of an established business that requires limited attention from PSG management. It has achieved much success to date with exponential growth in headline earnings per share since establishment in 2001. Capitec continues to provide PSG with a solid earnings base to leverage. Investments in the development phase on the other hand, such as Curro and Chayton, require more active strategic input from PSG. These companies are likely to experience new business strain while expanding, and are anticipated to only start making a meaningful contribution to PSG's earnings in later years. This has a negative impact on PSG's earnings and dividend growth in the short to medium term as the cost of funding associated with the investment exceeds the investment yield achieved from an earnings and cash flow perspective.

Project Internal Focus in action

The drive to revisit and, if necessary, reformulate the business strategy of each investment throughout the group, is showing promise. Every underlying business has now compiled a revised strategic plan for the next few years, and the appointed successor CEOs at some of our larger investments have already made a positive contribution towards the future success of those businesses.

PERFORMANCE

We believe that performance should be measured on the return that an investor receives over time, with a specific focus on per share wealth creation.

When evaluating PSG’s performance over the long term, one should focus on the total return index (“TRI”) as measurement tool. The TRI is the compound annual growth rate (“CAGR”) of an investment, and is calculated by taking cognisance of share price appreciation, dividend and other distributions. This is a sound measure of wealth creation and a reliable method to benchmark different companies. PSG’s TRI as at 28 February 2014 was 50,1% per annum, measured over the 18-year period since PSG's establishment in November 1995. We are proud of this achievement.

When evaluating PSG’s performance over the short to medium term, we focus on the growth in PSG’s sum-of-the-parts (“SOTP”) value per share and recurring headline earnings per share. History confirms that PSG’s share price tracks its SOTP value per share. Positive growth in PSG’s SOTP value per share thus inevitably results in share price appreciation. However, an increase in PSG’s SOTP value per share over time will ultimately depend on sustained growth in the profitability of its underlying investments. PSG consequently introduced the recurring headline earnings per share concept to provide management and investors with a more realistic and transparent way of evaluating PSG’s performance from an earnings perspective.

RESULTS

PSG had a satisfactory year to 28 February 2014, both from a growth in SOTP value and recurring headline earnings per share perspective.

SOTP

The calculation of the SOTP value is simple and requires limited subjectivity as 83% of the value is calculated using listed and over-the-counter traded share prices, while other investments are included at market-related valuations. At 28 February 2014, the SOTP value per PSG share was R95,01 (2013: R72,67) - a 27% CAGR over the last three years. At 11 April 2014, the SOTP value was R106,42 per share.

Asset/Liability	28 Feb 2011 Rm	29 Feb 2012 Rm	28 Feb 2013 Rm	28 Feb 2014 Rm	% of total
Capitec*	5 138	5 978	6 128	5 989	30
Curro*		1 118	2 607	4 660	23
PSG Konsult**	1 206	1 483	2 237	4 004	20
Zeder*	1 069	1 067	1 412	1 698	8
PSG Private Equity***	1 242	728	681	949	5
Thembeka Capital***		570	899	1 243	6

PSG Corporate (including PSG Capital)****	350	338	383	383	2
Other investments (including cash)****	548	684	1 505	1 122	6
Total assets	9 553	11 966	15 852	20 048	100
Perpetual pref funding*	(1 028)	(1 188)	(1 163)	(1 393)	
Other debt****	(507)	(463)	(845)	(615)	
Total SOTP value	8 018	10 315	13 844	18 040	
Shares in issue (net of treasury shares) (m)	171,3	184,5	190,5	189,9	
SOTP value per share (rand)	46,81	55,92	72,67	95,01	
Net asset value per share (rand)	21,56	26,50	32,62	37,48	

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

Capitec remains PSG's largest investment and represented 30% (2013: 39%) of the SOTP value's total assets as at 28 February 2014. Its share price has virtually remained unchanged over the past three years following continuous negative publicity regarding the unsecured lending market and despite strong earnings growth. Its price earnings ("PE") ratio has as a result decreased from 21x to 11x over this period. Curro and PSG Konsult now respectively represent 23% (2013: 16%) and 20% (2013: 14%) of PSG's total assets following an increase in share price and the aforementioned Capitec PE-rerating. However, Capitec continues to be the major contributor to PSG's recurring headline earnings.

RECURRING HEADLINE EARNINGS

	29 Feb 2012 Rm	Change %	28 Feb 2013 Rm	Change %	28 Feb 2014 Rm
Capitec	362,4	38	499,9	14	570,7
Curro	(5,2)	n/a	8,1	154	20,6
PSG Konsult	107,9	10	118,8	37	162,7
Zeder	115,4	(8)	106,6	17	124,5
PSG Private Equity	32,0	134	75,0	(31)	51,4
Thembeka Capital	18,7	50	28,0	(17)	23,2
PSG Corporate (including PSG Capital)	20,4	(22)	15,9	(56)	7,0
Other	19,3	60	30,8	26	38,9
Recurring headline earnings before funding	670,9	32	883,1	13	999,0
Funding	(134,4)	25	(168,2)	8	(181,2)
Recurring headline earnings	536,5	33	714,9	14	817,8
Non-recurring items	30,6	423	160,1	19	191,0
Headline earnings	567,1	54	875,0	15	1 008,8
Non-headline items	135,9	95	264,8	(84)	43,2
Attributable earnings	703,0	62	1 139,8	(8)	1 052,0
Weighted average number of shares in issue (net of treasury shares) (m)	173,9		182,2		183,0
Earnings per share (cents)					
- Recurring headline	308,6	27	392,3	14	446,9

- Headline	326,2	47	480,2	15	551,3
- Attributable/basic	404,4	55	625,5	(8)	574,9
Dividend per share (cents)	82,0	35	111,0	20	133,0

Recurring headline earnings for the year ended 28 February 2014 increased by 14% to 446,9 cents per share, following exceptional earnings growth from PSG Konsult together with strong growth from Capitec and Zeder.

Headline earnings increased by 15% to 551,3 cents per share. Headline earnings included non-recurring gains of R191m (2013: R160m), resulting in headline earnings per share being 23% higher than recurring headline earnings per share. The non-recurring headline gains mainly consisted of marked-to-market profits achieved on PSG's interest rate hedge and Thembeka's portfolio of listed shares, as well as a performance fee earned from PSG's management of Zeder.

Attributable earnings decreased by 8% to 574,9 cents per share mainly as a result of the non-headline profits achieved on the disposal of PSG's Capitec rights offer shares and Zeder's disposal of a 15,1% interest in Capevin Holdings in the prior year.

CAPITEC (28,3%)

Capitec continued to deliver attractive results amidst challenging conditions in the unsecured credit market with a 15% increase in headline earnings per share for the year ended 28 February 2014. It continues to become less dependent on lending income with a 43% increase in net transaction fee income, which now covers 59% (2013: 45%) of operating expenses.

In our opinion, Capitec is an exceptional business managed by talented people. The company is well capitalised with a 39% capital adequacy ratio, has further tightened its credit criteria and maintains a conservative provisioning policy. PSG remains excited about this investment.

Capitec's comprehensive results for the year ended 28 February 2014 are available at www.capitecbank.co.za.

CURRO (57,1%)

Curro continues to assert its leading position in the South African private school market, albeit a small percentage of same.

It currently operates 31 (2013: 26) campuses accommodating 27 263 (2013: 20 840) learners from three months to grade 12, and continues to make private schooling more accessible to South Africans offering fees that range between R1 000 and R6 500 per month.

Curro reported an 80% increase in revenue and an 87% increase in headline earnings per share for its financial year ended 31 December 2013. It is well underway to achieve its target of 80 campuses by 2020 and plans to develop 10 new campuses in the year ahead.

Curro will undertake a R589m rights issue, underwritten by PSG, to help fund its capital expansion during the year ahead.

Curro's comprehensive results for the year ended 31 December 2013 are available at www.curro.co.za.

PSG KONSULT (64,7%)

PSG Konsult recently reported its first set of full year financial results under its refocused business model and Francois Gouws's leadership as new CEO. PSG Konsult's recurring headline earnings per share increased by 34% for the year ended

28 February 2014. Each of the three divisions, namely Wealth, Asset Management and Insure, produced commendable results.

PSG Wealth has maintained its upward revenue trend benefiting from positive client inflows, increased trading activity and favourable market conditions. PSG Asset Management is a high growth area and increased brand awareness has facilitated strong client inflows from both retail and institutional investors. PSG Insure has shown subdued revenue growth amidst a fiercely competitive market, particularly on the personal lines business. However, inward reinsurance income has shown significant growth.

Funds under management increased by 38% to R112bn, while funds under administration increased by 31% to R235bn during the year under review.

PSG Konsult's strategic focus for the year ahead is top line revenue growth, which will enable it to unlock operational leverage scale benefits now that it has successfully bedded down its repositioning.

PSG Konsult intends listing on the JSE during June 2014.

PSG Konsult's comprehensive results for the year ended 28 February 2014 are available at www.psg.co.za.

ZEDER (42,4%)

Zeder is an investor in the broad agribusiness industry with a specific focus on the food and beverage sectors. The value of its underlying investment portfolio amounted to R4,9bn as at 28 February 2014. Agri Voedsel (with its 30,4% interest in Pioneer Foods) remains a large strategic investment representing 39,8% of the portfolio. During the year under review, Zeder continued rebalancing its portfolio in line with its amended strategy. It disposed of investments valued at R529m and invested R879m primarily to acquire additional stakes in its existing core portfolio (including Agri Voedsel, Capespan, Chayton, Kaap Agri and Zaad).

Zeder reported a 26% increase in its SOTP value per share and a 16% increase in recurring headline earnings per share for the year ended 28 February 2014, with all its core portfolio investments contributing positively.

Zeder's comprehensive results for the year ended 28 February 2014 are available at www.zeder.co.za.

PSG PRIVATE EQUITY (100%)

PSG Private Equity's portfolio contains a range of businesses across various industries and in different stages of maturity. The portfolio delivered weaker than expected results for the year ended 28 February 2014 with a 31% decrease in recurring headline earnings. However, management remains optimistic about the earnings growth potential of this investment portfolio.

Corporate action at PSG Private Equity (and its underlying investments) during the year under review included:

- Acquired a stake of 26% in Alt-X listed Poynting, a provider of antenna related products;
- Acquired a stake of 50% in IT Schools Innovation, a provider of e-learning solutions to schools;
- M&S Holdings concluded its merger with BDM Holdings to form Alt-X listed CSG Holdings, a diversified outsourced services group; and
- CA Sales Holdings acquired a stake of 49% in SMC Brands, a distributor of liquor products.

THEMBEKA CAPITAL (49%)

Thembeka is a black-owned and controlled investment company. Its portfolio of R3,1bn includes investments in Capitec, Curro, Kaap Agri, MTN Zakhele, Pioneer Foods and PSG.

Thembeka has, under the leadership of KK Combi, grown its intrinsic value (net of CGT) by 52% per year over the past eight years and as such remains an extraordinary BEE success story. During the year ended 28 February 2014, Thembeka's net intrinsic value (after CGT) increased by 37% to R2,1bn.

Thembeka continues to support growth initiatives in its underlying investments with a view to enhancing portfolio returns.

Thembeka's comprehensive results for the year ended 28 February 2014 are available at www.thembekacapital.co.za.

PROSPECTS

PSG operates in a number of diverse industries, the performance of which is not always correlated. Although it is difficult to predict the future, we remain optimistic and believe our strategy will continue to deliver superior returns for shareholders.

DIVIDENDS

Ordinary shares

PSG'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 resolved to declare a gross final dividend of 90 cents (2013: 78 cents) per share for a total gross dividend of 133 cents (2013: 111 cents) for the year ended 28 February 2014.

The company will be utilising secondary tax on companies credits amounting to 16,1 cents per ordinary share and, as a result, the taxable final dividend per share will amount to 73,9 cents per share. The final dividend amount, net of South African dividend tax of 15% equating to 11.085 cents per share, is therefore 78,915 cents per share for those shareholders that are not exempt from dividend tax. The number of ordinary shares in issue at the declaration date is 207 589 426, and the income tax number of the company is 9950080714.

The salient dates of this dividend distribution are:

Last day to trade cum dividend	Friday, 9 May 2014
Trading ex dividend commences	Monday, 12 May 2014
Record date	Friday, 16 May 2014
Date of payment	Monday, 19 May 2014

Share certificates may not be dematerialised or rematerialised between Monday, 12 May 2014, and Friday, 16 May 2014, both days inclusive.

Preference shares

The directors of PSG Financial Services have declared a dividend of 354,67 cents per share in respect of the cumulative, non-redeemable, non-participating preference shares for the six months ended 28 February 2014, which was paid on 31 March 2014. The detailed announcement in respect hereof was disseminated on Stock Exchange News Services ("SENS").

On behalf of the board

Jannie Mouton	Piet Mouton	Wynand Greeff
Chairman	Chief Executive Officer	Financial Director

16 April 2014

Stellenbosch

The reviewed preliminary condensed financial information of PSG Group is presented below:

Condensed group income statement
for the year ended 28 February 2014

	Reviewed Feb-14 Rm	Audited Feb-13 Rm
Revenue from sale of goods	7 568,6	2 001,8
Cost of goods sold	(6 684,6)	(1 682,9)
Gross profit from sale of goods	884,0	318,9
Income		
Changes in fair value of biological assets	90,5	28,7
Investment income (note 6)	507,0	418,3
Fair value gains and losses (note 6)	1 453,6	1 023,9
Fair value adjustment to investment contract liabilities (note 6)	(1 342,7)	(1 186,6)
Commission, insurance and other fee income	3 540,1	1 941,1
Other operating income and expenses	99,3	830,1
	4 347,8	3 055,5
Expenses		
Insurance claims and loss adjustments, net of recoveries	(353,4)	(60,0)
Marketing, administration and other expenses	(3 737,6)	(2 276,6)
	(4 091,0)	(2 336,6)
Income from associates and joint ventures		
Share of profits of associates and joint ventures	943,1	1 036,6
Loss on impairment of associates	(24,5)	(104,2)
	918,6	932,4
Profit before finance costs and taxation	2 059,4	1 970,2
Finance costs	(263,3)	(206,0)
Profit before taxation	1 796,1	1 764,2
Taxation	(287,9)	(248,1)
Profit for the year	1 508,2	1 516,1
Attributable to:		
Owners of the parent	1 052,0	1 139,8
Non-controlling interests	456,2	376,3
	1 508,2	1 516,1

Earnings per share and number of shares in issue

	Change %	Reviewed Feb-14 cents	Audited Feb-13 cents

Earnings per share			
- recurring headline	13,9	446,9	392,3
- headline (note 4)	14,8	551,3	480,2
- attributable/basic	(8,1)	574,9	625,5
- diluted headline	14,8	546,8	476,3
- diluted attributable/basic	(8,1)	570,2	620,5
Number of shares (million)			
- in issue		207,6	208,1
- in issue (net of treasury shares)		182,9	183,6
- weighted average		183,0	182,2
- diluted weighted average		184,5	183,7

Condensed group statement of comprehensive income
for the year ended 28 February 2014

	Reviewed Feb-14 Rm	Audited Feb-13 Rm
Profit for the year	1 508,2	1 516,1
Other comprehensive income for the year, net of taxation	152,8	20,7
Items that may be subsequently reclassified to profit or loss		
Currency translation adjustments	161,6	15,6
Cash flow hedges	(15,9)	
Fair value gains and losses on investments and the reversal thereof upon disposal	(0,3)	(0,1)
Share of other comprehensive income of associates	62,2	6,4
Reversal of share of associates' other comprehensive income upon disposal	(55,9)	(1,2)
Items that will not be reclassified to profit or loss		
Remeasurement of post-employment benefit obligations	1,1	
Total comprehensive income for the year	1 661,0	1 536,8
Attributable to:		
Owners of the parent	1 115,1	1 132,4
Non-controlling interests	545,9	404,4
	1 661,0	1 536,8

Condensed group statement of financial position
as at 28 February 2014

	Reviewed Feb-14 Rm	Audited Feb-13 Rm
Assets		
Property, plant and equipment	3 326,8	1 799,7
Intangible assets	2 094,5	1 666,5
Biological assets	201,4	31,3
Investment in ordinary shares of associates and joint ventures	6 312,1	5 961,3

Investment in preference shares of/loans granted to associates and joint ventures	321,3	312,7
Deferred income tax assets	125,9	59,5
Financial assets linked to investment contracts (note 6)	12 692,8	10 272,4
Cash and cash equivalents (including money market funds)	51,3	65,1
Other financial assets	12 641,5	10 207,3
Other financial and employee benefit assets	1 536,0	734,0
Inventory	913,7	320,8
Trade and other receivables (note 7)	3 718,8	2 243,6
Current income tax assets	42,9	14,6
Cash and cash equivalents (including money market funds)	2 098,6	2 153,2
Non-current assets held for sale (note 9)	182,0	287,7
Total assets	33 566,8	25 857,3
Equity		
Ordinary shareholders' equity	6 855,2	5 989,7
Non-controlling interests	5 591,6	4 159,8
Total equity	12 446,8	10 149,5
Liabilities		
Insurance contracts	493,2	378,0
Financial liabilities under investment contracts (note 6)	12 692,8	10 272,4
Borrowings and other financial liabilities	3 740,9	2 373,4
Deferred income tax liabilities	331,6	243,5
Trade and other payables and employee benefit liabilities (note 7)	3 823,2	2 434,2
Current income tax liabilities	38,3	6,3
Total liabilities	21 120,0	15 707,8
Total equity and liabilities	33 566,8	25 857,3
Net asset value per share (cents)	3 747,6	3 261,6
Net tangible asset value per share (cents)	2 602,6	2 354,1

Condensed group statement of changes in equity
for the year ended 28 February 2014

	Reviewed Feb-14 Rm	Audited Feb-13 Rm
Ordinary shareholders' equity at beginning of the year	5 989,7	4 759,9
Total comprehensive income	1 115,1	1 132,4
Issue of shares		361,0
Share buy-back	(33,1)	
Share-based payment costs - employees	26,2	14,2
Net movement in treasury shares	(41,0)	(123,4)
Transactions with non-controlling interests	20,1	7,6
Dividends paid	(221,8)	(162,0)
Ordinary shareholders' equity at end of the year	6 855,2	5 989,7

Non-controlling interests at beginning of the year	4 159,8	3 187,7
Total comprehensive income	545,9	404,4
Issue of shares	737,3	551,5
Share-based payment costs - employees	9,5	3,3
Acquisition of subsidiaries (note 5)	366,4	202,0
Transactions with non-controlling interests	(33,3)	(32,2)
Dividends paid	(194,0)	(156,9)
Non-controlling interests at end of the year	5 591,6	4 159,8
Total equity	12 446,8	10 149,5
Dividend per share (cents)		
- interim	43,0	33,0
- final	90,0	78,0
	133,0	111,0

Condensed group statement of cash flows
for the year ended 28 February 2014

	Reviewed Feb-14 Rm	Audited Feb-13 Rm
Cash generated by operations	1 532,8	623,9
Cash movement in policyholder funds (note 6)	(13,8)	(32,1)
Finance costs and taxation paid	(512,4)	(467,2)
Net cash flow from operating activities	1 006,6	124,6
Net cash flow from investing activities	(1 235,8)	(12,0)
Net cash flow from financing activities	(164,6)	1 183,0
Net (decrease)/increase in cash and cash equivalents	(393,8)	1 295,6
Exchange gains on cash and cash equivalents	46,7	1,5
Cash and cash equivalents at beginning of the year	1 927,7	630,6
Cash and cash equivalents at end of the year	1 580,6	1 927,7
Cash and cash equivalents consists of:		
Cash and cash equivalents linked to investment contracts	51,3	65,1
Cash and cash equivalents attributable to equity holders	2 098,6	2 153,2
Bank overdrafts attributable to equity holders (included in borrowings)	(569,3)	(290,6)
	1 580,6	1 927,7

Notes to the condensed group financial statements

1. Basis of presentation and accounting policies

These condensed group financial statements have been prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board, including IAS 34 Interim Financial Reporting; 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 requirements of the South African Companies Act, 71 of 2008, as amended; and the

Listings Requirements of the JSE.

The accounting policies applied in the preparation of these condensed group financial statements are consistent in all material respects with those used in the prior financial year, apart from the following new accounting standards and amendments to IFRSs which were relevant to the group's operations from 1 March 2013:

- IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and amendments to IAS 28 Investments in Associates
  The group has adopted aforementioned suite of IFRSs and amendments 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
  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, apart from additional disclosures (note 10).

- Amendments to IAS 19 Employee Benefits
  The amendments became relevant to the group following its acquisition of a controlling interest in Capespan Group Ltd ("Capespan") (note 5), which operates defined benefit plans. Capespan previously elected to follow a policy of recognising remeasurements to employee benefit assets and liabilities in other comprehensive income, which has now become mandatory.

- Amendments to IAS 34 Interim Financial Reporting
  The amendments relate to the introduction of IFRS 13 Fair Value Measurement and changes to IFRS 7 Financial Instruments: Disclosures. The group has complied with these additional disclosure requirements.

The group also adopted the various other revisions to IFRS which were effective for its financial year ended 28 February 2014. These revisions have not resulted in material changes to the group's reported results and disclosures in these condensed group financial statements.

Enhanced disclosures, as required by IFRS 12 Disclosures of Interests in Other Entities, will be provided in the annual financial statements for the year ended 28 February 2014.

2. Preparation

These preliminary condensed group financial statements were compiled under the supervision of the group financial director, Mr WL Greeff, CA (SA), and were reviewed by PSG Group's external auditor, PricewaterhouseCoopers Inc. A copy of their unmodified review opinion is available from PSG Group's registered office. Any reference to future financial performance included in this announcement, has not been reviewed or reported on by the company's auditor.

The auditor's report does not necessarily report on all the information contained in this announcement. Users are therefore advised that in order to get a full understanding of the nature of the auditor's engagement, they should obtain a copy of the auditor's report together with the accompanying financial information from the company's registered office.

3. PSG Financial Services

PSG Financial Services is a wholly-owned subsidiary of PSG Group, except for the 17 415 770 (2013: 13 419 479) perpetual preference shares which are listed on the JSE. These preference shares are included in non-controlling interests in the statement of financial position. No separate financial statements are presented in this announcement for PSG Financial Services as it is the only asset of PSG Group.

	Reviewed Feb-14 Rm	Audited Feb-13 Rm
4. Reconciliation to headline earnings		
Profit for the year attributable to owners of the parent	1 052,0	1 139,8
Non-headline items	(43,2)	(264,8)
Gross amounts		
Impairment of investments in associates	24,5	104,1
Net profit on sale/dilution of investments in associates	(24,4)	(728,6)
Fair value gain on step-up from associate to subsidiary	(79,5)	(21,2)
Net loss on sale/impairment of intangible assets (including goodwill)	9,2	167,9
Non-headline items of associates	(16,7)	(23,2)
Other	3,6	6,9
Non-controlling interests	32,9	106,6
Taxation	7,2	122,7
Headline earnings	1 008,8	875,0

5. Business combinations

The group's most significant business combinations entered into during the year under review included:

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%.

The amounts of identifiable net assets acquired, goodwill and non-controlling interests recognised from aforementioned business combinations can be summarised as follows:

	Capespan Rm	Klein Karoo Rm	Precrete Rm	Embury Rm	Sub-total carried forward Rm
Identifiable net assets acquired	929,5	196,2	152,7	20,9	1 299,3
Goodwill recognised		69,1	77,0	37,7	183,8
Non-controlling interests recognised	(268,6)	(34,2)	(63,6)		(366,4)
	660,9	231,1	166,1	58,6	1 116,7
Derecognition of previously held associate interest or unit-linked investment at fair value	(403,0)	(101,0)	(146,4)		(650,4)
Cash consideration	257,9	130,1	19,7	58,6	466,3

	Sub-total brought forward Rm	Northern Academy Rm	PSG Optimal Income Fund Rm	Other Rm	Total Rm
Identifiable net assets acquired	1 299,3	64,7	97,0	26,1	1 487,1
Goodwill recognised	183,8	85,2			269,0
Non-controlling interests recognised	(366,4)				(366,4)
	1 116,7	149,9	97,0	26,1	1 389,7
Derecognition of previously held associate interest or unit-linked investment at fair value	(650,4)		(97,0)		(747,4)
Cash consideration	466,3	149,9	-	26,1	642,3

Goodwill recognised from these business combinations can be attributed to the employee corps, expected synergies, economies of scale and the businesses' growth potential. Transaction costs relating to aforementioned business combinations were insignificant and expensed in the income statement.

6. Linked investment contracts

These represent PSG Life Ltd clients' assets held under investment contracts, which are linked to a corresponding liability. The impact on the income statement from the returns on investment contract policy holder assets and liabilities, as well as the investment income earned by the ordinary shareholders of the group, were as follows:

28 February 2014 - Reviewed	Investment contract policy holders Rm	Equity holders Rm	Total Rm
Investment income	263,6	243,4	507,0
Fair value gains and losses	1 087,7	365,9	1 453,6
Fair value adjustment to investment contract liabilities	(1 342,7)		(1 342,7)
	8,6	609,3	617,9
28 February 2013 - Audited			
Investment income	272,0	146,3	418,3
Fair value gains and losses	937,1	86,8	1 023,9
Fair value adjustment to investment contract liabilities	(1 186,6)		(1 186,6)
	22,5	233,1	255,6

7. Trade and other receivables and payables

Included under trade and other receivables are PSG Online broker- and clearing accounts of which R1,9bn (2013: R1,6bn) represents amounts owing by the JSE for trades conducted during 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, with the settlement to clients taking place within three days after the transaction date.

8. Corporate actions

Apart from the transactions set out in note 5, the group's most significant corporate actions included the following:

- Repurchase of 492 471 PSG Group ordinary shares for R33,1m cash at R67,19 per share.
- Issue of 3 996 291 PSG Financial Services preference shares for cash proceeds of R300m at an effective dividend yield of 9,44% and partial utilisation thereof to redeem promissory notes upon maturity of R269,8m.
- Curro conducted a rights offer during May 2013, which was partially underwritten by the group. The group followed its rights and the additional investment amounted to R350,6m.
- Effective June 2013, the group, through PSG Konsult, increased its shareholding in Western Group Holdings Ltd ("Western"), being a short-term insurer, from 75% 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.

9. Non-current assets held for sale

Non-current assets held for sale consists mainly of JSE-listed equity securities to the amount of R177m (2013: R287,7m), held by the group, through Zeder, in Capevin Holdings Ltd. These equity securities are expected to be realised through sale in the coming months.

10. Financial instruments

10.1 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.

These condensed group financial statements do not include all financial risk management information and disclosures set out in the annual financial statements, and therefore they should be read in conjunction with the group's annual financial statements for the year ended 28 February 2014. Risk management continues to be carried out by each major entity within the group under policies approved by the respective boards of directors.

10.2 Fair value estimation

The group, through PSG Life Ltd, issues linked investment contracts (note 6) where the value of the policy benefits (i.e. liability) is directly linked to the fair value of the supporting assets, and as such does not expose the group to the market risk relating to fair value movements.

The information below analyses financial assets and liabilities, which are carried at fair value, by level of hierarchy as required by IFRS 13. The different levels in the hierarchy are defined below:

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.

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. As 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.

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.

The fair value of financial assets and liabilities carried at amortised cost approximates their fair value, while those measured at fair value in the statement of financial position can be summarised as follows:

28 February 2014 - Reviewed	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
Assets				
Derivative financial assets	1,0	29,1		30,1
Equity securities	767,8	1,0	42,6	811,4
Debt securities	32,9	804,8	237,3	1 075,0
Unit-linked investments		8 058,4	2 250,5	10 308,9
Investment in investment contracts		260,4	1,4	261,8
Non-current assets held for sale	177,0			177,0
Closing carrying value	978,7	9 153,7	2 531,8	12 664,2
Liabilities				
Derivative financial liabilities	15,2	38,6	45,7	99,5
Investment contracts		9 056,9	2 487,8	11 544,7
Trade and other payables			10,6	10,6
Third party liabilities arising on consolidation of mutual funds		372,2		372,2
Closing carrying value	15,2	9 467,7	2 544,1	12 027,0

28 February 2013 - Audited	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
Assets				
Derivative financial assets		16,0		16,0
Equity securities	1 015,0	97,5	0,8	1 113,3
Debt securities		338,5	250,1	588,6
Unit-linked investments		4 832,6	1 958,1	6 790,7
Investment in investment contracts		264,8	61,7	326,5
Non-current assets held for sale	287,7			287,7
Closing carrying value	1 302,7	5 549,4	2 270,7	9 122,8
Liabilities				
Derivative financial liabilities		94,4	45,7	140,1
Investment contracts		6 152,5	2 266,5	8 419,0
Trade and other payables			6,3	6,3
Third party liabilities arising on consolidation of mutual funds		25,1		25,1
Closing carrying value	-	6 272,0	2 318,5	8 590,5

The following table presents changes in level 3 financial instruments during the respective years:

	Feb-14	Feb-13

	Assets Rm	Liabilities Rm	Assets Rm	Liabilities Rm
Opening balance	2 270,7	2 318,5	1 983,9	2 048,3
Additions	1 602,0	1 562,9	1 028,0	702,4
Disposals	(1 506,2)	(1 504,1)	(969,8)	(707,8)
Subsidiaries sold			(3,7)	
Fair value adjustments	165,3	166,6	232,3	230,6
Other movements		0,2		45,0
	2 531,8	2 544,1	2 270,7	2 318,5

Derivative financial assets, equity securities, debt securities and unit-linked investments are all included in "other financial assets" in the statement of financial position, while derivative financial liabilities and third party liabilities arising on consolidation of mutual funds are included in "other financial liabilities".

There have been no significant transfers between level 1, 2 or 3 during the year under review, nor were there any significant changes to the valuation techniques and inputs used to determine fair values. Valuation techniques and main inputs used to determine fair value for financial instruments classified as level 2 can be summarised as follows:

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 contract	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

11. Capital commitments and contingencies

Zeder has previously announced the acquisition of Mpongwe Milling in its SENS announcement dated 13 November 2013, which became effective after the reporting date and is currently being implemented.

Curro announced in its recently released financial results that during the year ahead it intends to develop 10 new schools and embark on expansion projects at approximately seven existing campuses across the group.

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.

12. Segment report

The group's classification into seven reportable segments, namely: Capitec, Curro, PSG Konsult, PSG Private Equity, Thembeka Capital, Zeder and PSG Corporate, remains unchanged. These segments represent the major investments of the group. The services offered by PSG Konsult consist of financial advice, stock broking, fund management and insurance, while Curro offers private education services. The other segments offer financing, banking, investing and corporate finance services. All segments operate predominantly in the Republic of South Africa, however, Zeder has further expanded its offshore operations through the acquisition of Capespan and Klein Karoo (note 5).

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. Intersegment income mainly comprises intergroup management fees charged in terms of the respective management agreements.

Headline earnings comprise recurring and non-recurring headline earnings. 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. 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 PSG'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. These 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 the equity method of accounting.

The chief operating decision-maker (the PSG Group Executive Committee) evaluates the following information to assess the segments' performance:

Year ended 28 February 2014 - Reviewed	Income ** Rm	Inter-segment income ** Rm	Recurring headline earnings (segment profit) Rm	Non-recurring headline earnings Rm	Headline earnings Rm	SOTP^ Rm
Capitec*			570,7		570,7	5 989,1
Curro	662,9		20,6		20,6	4 659,7
PSG Konsult	2 488,8		162,7	(4,3)	158,4	4 003,8
PSG Private Equity	2 189,1		51,4	5,7	57,1	948,7
Thembeka Capital*			23,2	100,2	123,4	1 242,8
Zeder	6 374,3		124,5	(16,9)	107,6	1 698,1
PSG Corporate (including PSG Capital)	301,1	(123,5)	48,4	51,9	100,3	1 370,5
Reconciling items						
Funding	42,2	(18,5)	(181,2)	54,2	(127,0)	(2 008,3)
Other			(2,3)		(2,3)	135,0
Total	12 058,4	(142,0)	818,0	190,8	1 008,8	18 039,4
Non-headline items					43,2	
Earnings attributable to non-controlling interests					456,2	

Taxation					287,9	
Profit before taxation					1 796,1	

Year ended 28 February 2013 - Audited	Income ** Rm	Inter-segment income ** Rm	Recurring headline earnings (segment profit) Rm	Non-recurring headline earnings Rm	Headline earnings Rm	SOTP^ Rm
Capitec*	410,1		499,9		499,9	6 127,6
Curro	367,3		8,1		8,1	2 606,6
PSG Konsult	1 673,0		118,8	(0,1)	118,7	2 236,8
PSG Private Equity	1 690,9		75,0	(9,2)	65,8	680,7
Thembeka Capital*			28,0	140,0	168,0	898,8
Zeder	755,5		106,6	(23,2)	83,4	1 411,6
PSG Corporate (including PSG Capital)++	190,7	(61,0)	48,3	85,9	134,2	1 855,2
Reconciling items						
Funding++	39,0	(8,2)	(168,2)	(33,3)	(201,5)	(2 008,2)
Other			(1,6)		(1,6)	34,4
Total	5 126,5	(69,2)	714,9	160,1	875,0	13 843,5
Non-headline items					264,8	
Earnings attributable to non-controlling interests					376,3	
Taxation					248,1	
Profit before taxation					1 764,2	

Reconciliation of segment revenue to IFRS revenue:	Reviewed Feb-14 Rm	Audited Feb-13 Rm
Segment revenue as stated above		
Income	12 058,4	5 126,5
Inter-segment income	(142,0)	(69,2)
Less:		
Changes in fair value of biological assets	(90,5)	(28,7)
Fair value gains and losses	(1 453,6)	(1 023,9)
Fair value adjustment to investment contract liabilities	1 342,7	1 186,6
Other operating income and expenses	(99,3)	(830,1)
IFRS revenue	11 615,7	4 361,2

Non-recurring headline earnings comprised the following:

Non-recurring items from investments	84,7	107,5
Net fair value gains on unit trust and share investments	9,5	72,0
Other+	96,7	(19,4)
	190,9	160,1

* Equity method of accounting applied.

** The total of “income” and “intersegment income” comprises the total of “revenue from sale of goods” and “income” 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.
+ Current year consists mainly of marked-to-market gains on the group’s interest rate hedge.
++ Non-recurring headline losses of R29,1m pertaining to the group’s interest rate hedge has been reclassified from PSG Corporate to Funding.

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