PSG Group Limited
Incorporated in the Republic of South Africa
Registration number: 1970/008484/06
JSE Ltd ("JSE") share code: PSG
ISIN code: 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 code: ZAE000096079
("PSG Financial Services")

UNAUDITED RESULTS FOR THE SIX MONTHS ENDED 31 AUGUST 2014

- Sum-of-the-Parts value of R118,49 per share as at 10 October 2014
- Recurring headline earnings increased by 30% to 252,7 cents per share
- Headline earnings increased by 31% to 312,9 cents per share
- Interim dividend increased by 28% to 55 cents per share

COMMENTARY

OVERVIEW

PSG is an investment holding company consisting of underlying investments that operate across a diverse range of industries which include financial services, banking, private equity, agriculture and education. PSG's market capitalisation (net of treasury shares) is approximately R20bn, with its largest investment a 28,3% interest in Capitec.

The six-month period under review saw strong performance from all of PSG's key investments.

RESULTS

The two key benchmarks which PSG believes to measure performance by are sum-of-the-parts ("SOTP") value and recurring headline earnings per share.

SOTP

The calculation of the SOTP value is simple and requires limited subjectivity as 81% of the value is calculated using JSE-listed share prices, while other investments are included at market-related valuations. At 31 August 2014, the SOTP value per PSG share was R109,52 (28 February 2014: R95,01). At 10 October 2014, the SOTP value was R118,49 per share.

Asset/Liability	Feb 2012 Rm	Feb 2013 Rm	Feb 2014 Rm	Aug 2014 Rm	% of total
Capitec*	5 978	6 128	5 989	6 912	29
PSG Konsult*	1 483	2 237	4 004	5 219	22
Curro*	1 118	2 607	4 660	4 795	20
Zeder*	1 067	1 412	1 698	2 435	10
PSG Private Equity+	728	681	949	1 078	4
Thembeka Capital+	570	899	1 243	1 415	6
PSG Corporate (including PSG Capital)++	338	383	383	600	2
Other investments (including cash)++	684	1 505	1 122	1 767	7
Total assets	11 966	15 852	20 048	24 221	100
Perpetual pref funding*	(1 188)	(1 163)	(1 393)	(1 447)	
Other debt++	(463)	(845)	(615)	(624)	
Total SOTP value	10 315	13 844	18 040	22 150	
Shares in issue (net of treasury shares) (m)	184,5	190,5	189,9	202,3	

SOTP value per share (rand)	55,92	72,67	95,01	109,52

* Listed on the JSE + SOTP value ++ Valuation

Capitec remains PSG's largest investment and represented 29% (28 February 2014: 30%) of the SOTP value's total assets as at 31 August 2014. It continues to be the major contributor to PSG's recurring headline earnings.

RECURRING HEADLINE EARNINGS

	Year ended	Six months ended		
	Feb-14	Aug-13	Change	Aug-14
	Rm	Rm	%	Rm
Capitec	571	275	21	332
Curro	21	8	88	15
PSG Konsult	163	70	31	92
Zeder	125	38	79	68
PSG Private Equity	51	26	(38)	16
Thembeka Capital	23	8	100	16
PSG Corporate (including PSG Capital)	7	2	(50)	1
Other	38	16	25	20
Recurring headline earnings before funding	999	443	26	560
Funding	(181)	(87)	(2)	(85)
Recurring headline earnings	818	356	33	475
Non-recurring items	191	82	38	113
Headline earnings	1 009	438	34	588
Non-headline items	43	13	n/a	(13)
Attributable earnings	1 052	451	27	575
Weighted average number of shares in issue (net of treasury shares) (m)	183,0	183,1		187,9
Earnings per share (cents)				
- Recurring headline	446,9	194,3	30	252,7
- Headline	551,3	239,0	31	312,9
- Attributable/basic	574,9	246,2	24	305,8
Dividend per share (cents)	133,0	43,0	28	55,0

Recurring headline earnings for the six months ended 31 August 2014 increased by 30% to 252,7 cents per share, following commendable per share earnings growth from Capitec (21%), PSG Konsult (32%) and Zeder (78%). While Curro's earnings contribution remains relatively small, it reported a 76% increase in recurring headline earnings per share for the six months ended 30 June 2014. This investment is expected to become a major earnings contributor to PSG in years to come. PSG Private Equity reported a 49% decrease in recurring headline earnings per share following tough trading conditions at select investments, such as the recent platinum mining strikes.

Headline earnings increased by 31% to 312,9 cents per share. The non-recurring headline gains achieved during the period under review mainly comprised marked-to-market profits on Thembeka's portfolio of listed shares.

Attributable earnings increased by 24% to 305,8 cents per share.

CAPITAL RAISING

PSG has strengthened its capital base for further investing during the period under review. R920m was raised through the issue of new equity by means of a bookbuild during June 2014, and a further R155m through a private placement during August 2014.

CAPITEC (28,3%)

The recent demise of African Bank (as well as certain other players in the unsecured lending market) was a major event in Capitec's life - we commend the Capitec management team on the way they handled the situation!

Capitec is an exceptional business. It is very different to and not necessarily comparable with the majority of other players in the unsecured lending market. Key differences include the following:

- Capitec has a banking relationship with its clients, providing it with greater insight into their financial wellbeing and naturally favours the collection of debt;
- It has a lower appetite for risk. Capitec's credit screening models and affordability assessments are highly advanced – it focuses relentlessly on granting loans which clients are able to repay;
- Capitec prices credit at lower rates since it does not charge credit life and retrenchment insurance over and above the maximum interest rates allowed by the National Credit Act. It consequently lends to lower risk clients;
- It has a diversified income stream with net transaction fees from its banking operations now constituting 34% of total net income;
- Capitec has a diversified funding base comprising a healthy blend of wholesale fixed, retail fixed and call deposits;
- It has a high level of liquidity with R16,6bn in cash, representing 34% of total assets;
- Capitec's provisioning and bad debt write-off policies are the most conservative in the market. It provides for 8% of loans that are up to date, 46% of loans behind by one instalment, 74% of loans behind by two instalments and 87% of loans behind by three instalments. After 90 days in arrears, Capitec considers the loan bad and writes it off in full. Provisions are almost twice the size of loans in arrears, as demonstrated by the arrears coverage ratio of 194%;
- Capitec's capital adequacy ratio remains prudent at 38%; and
- In our opinion, Capitec has the best management team in this industry.

Capitec's comprehensive results for the six months ended 31 August 2014 are available at www.capitecbank.co.za.

PSG KONSULT (62,7%)

We are proud of PSG Konsult's listing on the JSE (and the NSX) during the period under review. It has been a dream of ours ever since the first stockbrokers joined our group in 1996.

All of PSG Konsult's divisions delivered a strong performance.

PSG Konsult's comprehensive results for the six months ended 31 August 2014 are available at www.psg.co.za.

CURRO (57,1%)

The education market offers significant investment opportunities and Curro continues to capitalise on same. The majority of its schools are either performing to expectation, or better. We look forward to Curro achieving (and even exceeding) its target of reaching 80 schools with 80 000 learners by 2020.

Curro's comprehensive results for the six months ended 30 June 2014 are available at www.curro.co.za.

ZEDER (42,8%)

The Zeder/Agri Voedsel merger was a new milestone for PSG as it constituted the largest single transaction in our history. Following implementation, Zeder will own an asset portfolio in excess of R10bn, with its 32% direct interest in Pioneer being the major investment. PSG's interest in Zeder will dilute to 29,1%. Zeder's portfolio, especially Pioneer and Capespan, reported strong earnings growth for the period under review.

Zeder's comprehensive results for the six months ended 31 August 2014 are available at www.zeder.co.za.

PSG PRIVATE EQUITY (100%)

PSG Private Equity serves as incubator to find the businesses of tomorrow. Management is continuously refining the existing portfolio and is actively searching for exciting new investment opportunities.

Given its nature, this portfolio will inevitably yield volatile earnings, while providing significant optionality.

THEMBEKA (49%)

Thembeka reported a 44% increase in recurring headline earnings per share for the period under review.

PSG has made a formal offer to acquire the 51% shareholding it does not already own in Thembeka by issuing 1,7 PSG shares for every 1 Thembeka share held. The objective of this transaction is to provide the 51% black-owned Thembeka shareholders with a mechanism to realise the underlying value that has been created since establishment in 2006. The financial effect of same on PSG will be negligible.

PROSPECTS

PSG is fortunate to have a quality asset portfolio with significant investment opportunities that should continue yielding above average returns in future.

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 interim dividend of 55 cents (2013: 43 cents) for the six months ended 31 August 2014.

The company will be utilising secondary tax on companies credits amounting to 1 cent per ordinary share and, as a result, the taxable interim dividend per share will amount to 54 cents per share. The dividend amount, net of South African dividend tax of 15% equating to 8,1 cents per share, is therefore 46,9 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 218 873 454, and the income tax reference number of the company is 9950080714. The ordinary dividend will be paid from income reserves.

The salient dates of this dividend distribution are:

Last day to trade cum dividend	Friday, 31 October 2014
Trading ex dividend commences	Monday, 3 November 2014
Record date	Friday, 7 November 2014
Payment date	Monday, 10 November 2014

Share certificates may not be dematerialised or rematerialised between Monday, 3 November 2014 and Friday, 7 November 2014, both days included.

Preference shares

The directors of PSG Financial Services Ltd have declared a dividend of 380,64 cents per share in respect of the cumulative, non-redeemable, non-participating preference shares for the six months ended 31 August 2014, which was paid on 22 September 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

Stellenbosch
13 October 2014

UNAUDITED RESULTS FOR THE SIX MONTHS ENDED 31 AUGUST 2014

	Unaudited		Audited
	Aug-14	Aug-13	Feb-14
	6 months	6 months	12 months
CONDENSED GROUP INCOME STATEMENT	Rm	Rm	Rm
Revenue from sale of goods	5 369,1	2 664,7	7 568,6

Cost of goods sold	(4 436,2)	(2 263,1)	(6 684,6)
Gross profit from sale of goods	932,9	401,6	884,0
Income			
Changes in fair value of biological assets	15,2	29,2	90,5
Investment income (note 6)	304,8	238,9	507,0
Fair value gains and losses (note 6)	1 009,8	823,0	1 453,6
Fair value adjustment to investment contract liabilities (note 6)	(1 066,3)	(832,2)	(1 342,7)
Commission, insurance and other fee income	1 835,7	1 373,9	3 540,1
Other operating income	28,8	37,0	99,3
	2 128,0	1 669,8	4 347,8
Expenses			
Insurance claims and loss adjustments, net of recoveries	(217,2)	(140,1)	(353,4)
Marketing, administration and other expenses	(2 324,5)	(1 506,8)	(3 737,6)
	(2 541,7)	(1 646,9)	(4 091,0)
Income from associates and joint ventures			
Share of profits of associates and joint ventures	654,4	464,5	943,1
Loss on impairment of associates and joint ventures	(2,7)	(15,7)	(24,5)
	651,7	448,8	918,6
Profit before finance costs and taxation	1 170,9	873,3	2 059,4
Finance costs	(165,0)	(123,3)	(263,3)
Profit before taxation	1 005,9	750,0	1 796,1
Taxation	(156,7)	(115,5)	(287,9)
Profit for the period	849,2	634,5	1 508,2
Attributable to:			
Owners of the parent	574,7	450,7	1 052,0
Non-controlling interests	274,5	183,8	456,2
	849,2	634,5	1 508,2

		Unaudited		Audited
		Aug-14	Aug-13	Feb-14
		6 months	6 months	12 months
EARNINGS PER SHARE AND NUMBER OF SHARES IN ISSUE	% Change	cents	cents	cents
Earnings per share				
- recurring headline	30,1	252,7	194,3	446,9
- headline (note 4)	30,9	312,9	239,0	551,3
- attributable/basic	24,2	305,8	246,2	574,9
- diluted headline	30,3	309,4	237,5	546,8
- diluted attributable/basic	23,6	302,4	244,6	570,2
Number of shares (m)				
- in issue		218,9	207,6	207,6
- in issue (net of treasury shares)		195,3	182,9	182,9
- weighted average		187,9	183,1	183,0
- diluted weighted average		190,0	184,3	184,5

	Unaudited		Audited
	Aug-14	Aug-13	Feb-14
	6 months	6 months	12 months
CONDENSED GROUP STATEMENT OF COMPREHENSIVE INCOME	Rm	Rm	Rm
Profit for the period	849,2	634,5	1 508,2
Other comprehensive income for the period, net of taxation			
Items that may be subsequently reclassified to profit or loss	(49,0)	116,4	151,7
Currency translation adjustments	(71,1)	102,0	161,6
Cash flow hedges	(6,6)		(15,9)
Reclassification of cash flow hedges	23,8		
Fair value gains and losses on investments and the reversal			

thereof upon disposal		(0,2)	(0,3)
Share of other comprehensive income and equity movements of associates	4,9	35,2	62,2
Reversal of share of associates' other comprehensive income and equity movements upon disposal		(20,6)	(55,9)
Items that will not be reclassified to profit or loss			
Remeasurement of post-employment benefit obligations	(4,6)		1,1
Total comprehensive income for the period	795,6	750,9	1 661,0
Attributable to:			
Owners of the parent	549,3	500,8	1 115,1
Non-controlling interests	246,3	250,1	545,9
	795,6	750,9	1 661,0

	Unaudited		Audited
	Aug-14	Aug-13*	Feb-14*
CONDENSED GROUP STATEMENT OF FINANCIAL POSITION	Rm	Rm	Rm
Assets			
Property, plant and equipment	3 783,4	2 581,5	3 326,8
Intangible assets	2 657,9	1 974,9	2 094,5
Biological assets	203,4	194,6	201,4
Investment in ordinary shares of associates and joint ventures	6 760,8	5 828,6	6 312,1
Investment in preference shares of/loans granted to associates and joint ventures	387,6	336,2	321,3
Deferred income tax assets	190,2	127,1	125,9
Employee benefits	35,5	29,0	33,1
Financial assets linked to investment contracts (note 6)	12 761,2	11 310,1	12 692,8
Cash and cash equivalents	14,7	149,0	51,3
Other financial assets	12 746,5	11 161,1	12 641,5
Other financial assets	5 370,0	988,4	1 502,9
Inventory	917,4	425,4	913,7
Trade and other receivables (note 7)	3 894,5	3 150,9	3 718,8
Current income tax assets	63,7	28,5	42,9
Cash and cash equivalents	1 399,2	1 793,4	2 098,6
Non-current assets held for sale (note 9)	1,4	633,4	182,0
Total assets	38 426,2	29 402,0	33 566,8
Equity			
Ordinary shareholders' equity	8 436,0	6 294,2	6 855,2
Non-controlling interests	6 069,3	5 197,0	5 591,6
Total equity	14 505,3	11 491,2	12 446,8
Liabilities			
Insurance contracts	502,7	415,6	493,2
Financial liabilities under investment contracts (note 6)	12 761,2	11 310,1	12 692,8
Borrowings and other financial liabilities	6 701,0	2 951,3	3 740,9
Employee benefits	291,8	202,7	295,5
Deferred income tax liabilities	452,1	361,0	331,6
Trade and other payables (note 7)	3 147,5	2 634,0	3 527,7
Current income tax liabilities	64,6	36,1	38,3
Total liabilities	23 920,9	17 910,8	21 120,0
Total equity and liabilities	38 426,2	29 402,0	33 566,8
Net asset value per share (cents)	4 319,5	3 440,9	3 747,6
Net tangible asset value per share (cents)	2 958,6	2 361,3	2 602,6

* Reclassified as set out in note 1.

	Unaudited		Audited
	Aug-14	Aug-13	Feb-14
	6 months	6 months	12 months

CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY	% Change	Rm	Rm	Rm
Ordinary shareholders' equity at beginning of the period		6 855,2	5 989,7	5 989,7
Total comprehensive income		549,3	500,8	1 115,1
Issue of shares		1 072,8		
Share buy-back			(33,1)	(33,1)
Share-based payment costs - employees		20,6	9,5	26,2
Net movement in treasury shares		38,9	(41,0)	(41,0)
Transactions with non-controlling interests		64,7	11,4	20,1
Dividends paid		(165,5)	(143,1)	(221,8)
Ordinary shareholders' equity at end of the period		8 436,0	6 294,2	6 855,2
Non-controlling interests at beginning of the period		5 591,6	4 159,8	4 159,8
Total comprehensive income		246,3	250,1	545,9
Issue of shares		459,3	642,0	737,3
Share-based payment costs - employees		3,4	1,9	9,5
Acquisition of subsidiaries (note 5)		12,0	333,5	366,4
Transactions with non-controlling interests		(104,3)	(81,7)	(33,3)
Dividends paid		(139,0)	(108,6)	(194,0)
Non-controlling interests at end of the period		6 069,3	5 197,0	5 591,6
Total equity		14 505,3	11 491,2	12 446,8
Dividend per share (cents)				
- interim	27,9	55,0	43,0	43,0
- final				90,0
		55,0	43,0	133,0

	Unaudited		Audited
	Aug-14	Aug-13*	Feb-14*
	6 months	6 months	12 months
CONDENSED GROUP STATEMENT OF CASH FLOWS	Rm	Rm	Rm
Net cash flow from operating activities			
Cash (utilised by)/generated from operations (note 8)	(364,6)	(95,0)	793,9
Interest income	235,8	171,2	392,2
Dividend income	289,4	227,5	363,2
Finance costs	(134,8)	(94,3)	(266,5)
Taxation paid	(141,6)	(85,7)	(262,4)
Net cash flow from operating activities before cash movement in policyholder funds	(115,8)	123,7	1 020,4
Cash movement in policyholder funds	(36,7)	83,9	(13,8)
Net cash flow from operating activities	(152,5)	207,6	1 006,6
Net cash flow from investing activities	(2 311,5)	(736,1)	(1 235,8)
Net cash flow from business combinations (note 5)	(1 613,0)	(123,8)	(215,7)
Acquisition of ordinary shares in associates	(237,8)	(244,1)	(439,2)
Proceeds from disposal of ordinary shares in associates	4,7	10,5	122,5
Acquisition of equity securities	(55,7)	(8,6)	(278,1)
Proceeds from disposal of equity securities		2,3	124,6
Proceeds from disposal of non-current assets held for sale	196,5	8,2	504,5
Acquisition of property, plant and equipment	(356,4)	(354,1)	(1 082,1)
Other investing activities	(249,8)	(26,5)	27,7
Net cash flow from financing activities	1 222,5	(192,7)	(164,6)
Dividends paid to group shareholders	(165,5)	(143,1)	(221,8)
Dividends paid to non-controlling interests	(139,0)	(108,6)	(194,0)
Capital contributions by non-controlling interests	259,4	617,7	679,4
Net (disposal to)/acquisition from non-controlling interests	(29,4)	(57,5)	47,7
Net borrowings drawn/(repaid)	193,1	(407,7)	(395,0)
Purchase of holding company's treasury shares		(60,4)	(60,4)
Proceeds from disposal of holding company's treasury shares	31,1		12,6

Shares issued	1 072,8		
Share buy-back		(33,1)	(33,1)
Net decrease in cash and cash equivalents	(1 241,5)	(721,2)	(393,8)
Exchange (losses)/gains on cash and cash equivalents	(0,8)	21,4	46,7
Cash and cash equivalents at beginning of the period	1 580,6	1 927,7	1 927,7
Cash and cash equivalents at end of the period	338,3	1 227,9	1 580,6
Cash and cash equivalents consists of:			
Cash and cash equivalents linked to investment contracts	14,7	149,0	51,3
Cash and cash equivalents attributable to equity holders	1 399,2	1 793,4	2 098,6
Bank overdrafts attributable to equity holders (included in borrowings)	(1 075,6)	(714,5)	(569,3)
	338,3	1 227,9	1 580,6

* Reclassified as set out in note 1.

Notes to the condensed interim group financial statements

1. Basis of presentation and accounting policies

These condensed interim 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 Ltd.

The accounting policies applied in the preparation of these condensed interim group financial statements are consistent in all material respects with those used in the prior financial year, apart from the adoption of various revisions to IFRS which are effective for the financial year ending 28 February 2015, none of which resulted in a material impact on the group's reported interim results or disclosures.

The statement of cash flows for the six months ended 31 August 2013 were disaggregated in order to provide greater clarity on the group's operating, investing and financing cash flows. Furthermore, employee benefit assets and liabilities were disaggregated in order to present same as separate lines on the statement of financial position. These reclassifications had no impact on previously reported amounts of profit, cash flow, equity, assets or liabilities.

2. Preparation

These condensed interim group financial statements were compiled under the supervision of the group financial director, Mr WL Greeff, CA (SA), and were not reviewed or audited by the company's external auditor, PricewaterhouseCoopers Inc.

3. PSG Financial Services Ltd

PSG Financial Services Ltd is a wholly owned subsidiary of PSG Group Ltd, except for the 17 415 770 (31 August 2013 and 28 February 2014: 17 415 770) preference shares which are listed on the JSE Ltd. 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 Ltd as it is the only asset of PSG Group Ltd.

	Unaudited		Audited
	Aug-14	Aug-13	Feb-14
	6 months	6 months	12 months
	Rm	Rm	Rm
4. Headline earnings			
Profit for the period attributable to owners of the parent	574,7	450,7	1 052,0
Non-headline items	13,3	(13,1)	(43,2)
Gross amounts			

Impairment of investments in associates	2,6	15,7	24,5
Net (profit)/loss on sale/dilution of investments in associates	(8,9)	5,6	(24,4)
Fair value gain on step-up from associate to subsidiary	(17,3)	(40,7)	(79,5)
Impairment of intangible assets (including goodwill)	7,9		9,2
Non-headline items of associates	27,6	(34,5)	(16,7)
Other	(0,8)	(1,2)	3,6
Non-controlling interests	1,4	21,3	32,9
Taxation	0,8	20,7	7,2
Headline earnings	588,0	437,6	1 008,8

5. Business combinations

The group’s most significant business combinations entered into during the period under review included:

Mpongwe Milling (2009) Ltd (“Mpongwe Milling”)
During April 2014, the group, through Zeder, acquired the entire issued share capital of Mpongwe Milling, a maize and wheat mill operating in the Copperbelt province of Zambia, for a Zambian kwacha denominated cash consideration equating to R307,6m. Mpongwe Milling compliments the group’s existing farming operations in Zambia and the acquisition provides the group with an opportunity to expand its product offering across the value chain. Goodwill arose in respect of, inter alia, synergies pertaining to the procurement and marketing functions of the mill and farming operations. Since acquisition, revenue of R56,6m and profit of R1,3m were included in the group’s income statement in respect of same. Had the acqusition been effected at the beginning of the reporting period, additional revenue of R61,1m and profit of R5m would have been recognised by the group.

Animalzone (Pty) Ltd (“Animalzone”)
During July 2014, the group, through Zeder, acquired the remaining 50% shareholding not yet held in Animalzone (a joint venture) for a nominal cash consideration of R1. Animalzone manufactures seed-based pet food and goodwill arose in respect of, inter alia, expected synergies and its growth potential.

Pack 'n Stack Investment Holdings (Pty) Ltd (“Pack ’n Stack”)
During June 2014, the group, through PSG Private Equity, increased its interest in Pack 'n Stack (an associate) from 30% to 50,2% for a purchase consideration of R52m. Pack 'n Stack is involved in the distribution of fast moving consumer goods and compliments the group's existing investments in same. Goodwill arose in respect of, inter alia, the employee corps and expected synergies. Non-controlling interest in Pack ’n Stack was recognised based on their proportional share of identifiable net assets. Since acquisition, revenue of R37,3m and profit of R5,5m were included in the group’s income statement in respect of same. Had the acquisition been effected at the beginning of the reporting period, additional revenue of R139,8m and profit of R21,6m would have been recognised by the group.

Mutual fund
During June 2014, the group invested excess cash in the PSG Money Market Fund (“PSGMMF”) following the capital raising set out in note 9 below. In light of the larger interest held by the group and PSG Konsult managing the fund, the group commenced consolidation of the PSGMMF. The PSGMMF invests in various money market instruments with an average maturity of 90 days or less. Money market instruments issued by ABSA, FirstRand, Nedbank, Standard Bank and the South African government comprised 84% of funds under management at the reporting date.

Grantleigh business
During March 2014, the group, through Curro, acquired the business properties and operations of Grantleigh, a private school in Kwazulu Natal, South Africa, for a cash consideration of R30m.

Waterstone College (Pty) Ltd (“Waterstone”)
During June 2014, the group, through Curro, acquired the entire issued share capital of Waterstone, a private school in Gauteng, South Africa, for a cash consideration of R130,8m (of which R30m is deferred) and Curro equity instruments of R1,4m. Goodwill arose in respect of, inter alia, the employee corps and expected synergies.

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

	Mpongwe Milling Rm	Animalzone Rm	Pack 'n Stack Rm	Mutual fund Rm	Sub-total Rm
Identifiable net assets/ (liabilities) acquired	142,5	(5,8)	30,7	3 033,7	3 201,1
Goodwill recognised	165,1	5,9	110,0		281,0
Non-controlling interests recognised			(12,0)		(12,0)
Third-party liabilities arising on consolidation of mutual fund				(1 544,8)	(1 544,8)
	307,6	0,1	128,7	1 488,9	1 925,3
Derecognition of previous associate/joint venture investment		(0,1)	(76,7)		(76,8)
Cash consideration	307,6	-	52,0	1 488,9	1 848,5
Cash consideration paid	(307,6)		(52,0)	(1 488,9)	(1 848,5)
Cash and cash equivalents acquired	13,6	(1,9)	22,0	314,2	347,9
Net cash outflow from subsidiaries acquired	(294,0)	(1,9)	(30,0)	(1 174,7)	(1 500,6)

	Sub-total Rm	Grantleigh Rm	Waterstone College Rm	Total Rm
Identifiable net assets/ (liabilities) acquired	3 201,1	30,0	73,3	3 304,4
Goodwill recognised	281,0		58,9	339,9
Non-controlling interests recognised	(12,0)			(12,0)
Third-party liabilities arising on consolidation of mutual fund	(1 544,8)			(1 544,8)
	1 925,3	30,0	132,2	2 087,5
Derecognition of previous associate/joint venture investment	(76,8)			(76,8)
Equity instruments issued			(1,4)	(1,4)
Deferred purchase consideration			(30,0)	(30,0)
Cash consideration	1 848,5	30,0	100,8	1 979,3
Cash consideration paid	(1 848,5)	(30,0)	(100,8)	(1 979,3)
Cash and cash equivalents acquired	347,9	7,8	10,6	366,3
Net cash outflow from subsidiaries acquired	(1 500,6)	(22,2)	(90,2)	(1 613,0)

Transaction costs relating to the aforementioned business combinations were insignificant and expensed in "marketing, administration and other expenses" in the income statement. The accounting for the aforementioned business combinations are provisional and they did not contain any contingent liabilities, contingent consideration or indemnification asset arrangements. No goodwill is expected to be deductible for income tax purposes. Unless otherwise stated, aforementioned business combinations did not contribute significant amounts of revenue or profit to the group's income statement since the respective acquisition dates, nor would it have, had the acquisitions been effected at the beginning of the period under review.

6. Linked investment contracts

These represent PSG Life 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:

	Investment contract policy holders Rm	Equity holders Rm	Total Rm
31 August 2014			
Investment income	141,5	163,3	304,8

Fair value gains and losses	925,8	84,0	1 009,8
Fair value adjustment to investment contract liabilities	(1 066,3)		(1 066,3)
	1,0	247,3	248,3
31 August 2013			
Investment income	142,8	96,1	238,9
Fair value gains and losses	695,4	127,6	823,0
Fair value adjustment to investment contract liabilities	(832,2)		(832,2)
	6,0	223,7	229,7
28 February 2014			
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

7. Trade and other receivables and payables

Included under trade and other receivables are PSG Online broker- and clearing accounts of which R1,6bn (31 August 2013: R1,2bn and 28 February 2014: R1,9bn) represents amounts owing by the JSE Ltd for trades conducted during the last few days before the reporting date. These balances fluctuate on a daily basis depending on the activity in the financial 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.

	Unaudited		Audited
	Aug-14 6 months Rm	Aug-13 6 months Rm	Feb-14 12 months Rm
8. Cash (utilised by)/generated from operations			
Profit before taxation	1 005,9	750,0	1 796,1
Share of profits of associates and joint ventures	(654,4)	(464,5)	(943,1)
Depreciation and amortisation	133,5	83,5	209,5
Investment income	(304,8)	(238,9)	(507,0)
Finance costs	165,0	123,3	263,3
Working capital changes and other non-cash items	(709,8)	(348,4)	(24,9)
	(364,6)	(95,0)	793,9

9. Corporate actions and subsequent events

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

- The group has strengthened its capital base for further investing during the period under review. R920m was raised through the issue of new equity by means of a bookbuild during June 2014, and a further R155m through a private placement during August 2014.
- The group, through Zeder, disposed of its remaining Capevin Holdings Ltd shares (being classified as non-current assets held for sale) during the period under review for cash proceeds of R193,5m.
- The group has made a formal offer to acquire the 51% shareholding it does not already own in Thembeka Capital (RF) Ltd ("Thembeka") by issuing 1,7 PSG shares for every 1 Thembeka share held. The objective of this transaction is to provide the 51% black-owned Thembeka shareholders with a mechanism to realise the underlying value that has been created since establishment in 2006. The financial effect of same on the group will be negligible.
- On 15 September 2014, the proposed scheme of arrangement between Agri Voedsel Ltd ("AVL") and its shareholders was approved, in terms of which the group, through Zeder, will acquire all the shares in AVL not already held by Zeder. AVL shareholders will receive 16,2 newly issued JSE-listed Zeder ordinary shares for every one unlisted AVL share disposed of in terms of the aforementioned scheme. Upon implementation of the transaction on 20 October 2014, the group, through Zeder, will hold a direct economic interest of 31,7% in Pioneer Foods Group Ltd ("Pioneer Foods"). As a result of aforementioned Zeder share issue, the group's interest in Zeder will dilute to 29,1%, although the

group will continue to exercise control over Zeder through the existing management agreement.

- The board of directors of Pioneer Foods previously resolved to unbundle its 100% shareholding in Quantum Foods Ltd ("Quantum Foods") to Pioneer Foods' shareholders. Quantum Foods' ordinary shares listed on the JSE on 6 October 2014 and the unbundling became effective since. Following the implementation of aforementioned transactions pertaining to Pioneer Foods, the group, through Zeder, will hold a direct economic interest of approximately 31% in Quantum Foods.
- During June 2014, Curro conducted a rights offer which was fully underwritten by the group. The group followed its rights and the additional investment amounted to R338,6m.

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 interim 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 financial 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. The fair value of financial assets and liabilities carried at fair value in the statement of financial position can be summarised as follows:

	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
31 August 2014 (unaudited)				
Assets				
Derivative financial assets		40,5		40,5

Equity securities	1 136,8	106,4	47,4	1 290,6
Debt securities	24,2	662,1		686,3
Unit-linked investments		9 795,5	1 344,5	11 140,0
Investment in investment contracts		227,3	0,9	228,2
	1 161,0	10 831,8	1 392,8	13 385,6
Liabilities				
Derivative financial liabilities		68,6	46,7	115,3
Investment contracts		10 413,0	1 344,5	11 757,5
Trade and other payables			13,7	13,7
Third party liabilities arising on consolidation of mutual funds		2 611,5		2 611,5
	-	13 093,1	1 404,9	14 498,0
31 August 2013 (unaudited)				
Assets				
Derivative financial assets		24,1		24,1
Equity securities	520,4	119,6	4,3	644,3
Debt securities	31,2	718,5	226,5	976,2
Unit-linked investments		6 466,4	2 465,2	8 931,6
Investment in investment contracts		300,2		300,2
	551,6	7 628,8	2 696,0	10 876,4
Liabilities				
Derivative financial liabilities		38,6	45,7	84,3
Investment contracts		7 306,9	2 688,1	9 995,0
Trade and other payables			4,9	4,9
Third party liabilities arising on consolidation of mutual funds		174,6		174,6
	-	7 520,1	2 738,7	10 258,8
28 February 2014 (audited)				
Assets				
Derivative financial assets	1,0	29,1		30,1
Equity securities	767,8	101,3	42,6	911,7
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
	801,7	9 254,0	2 531,8	12 587,5
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
	15,2	9 467,7	2 544,1	12 027,0

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

	Unaudited		Audited
	Aug-14 6 months Rm	Aug-13 6 months Rm	Feb-14 12 months Rm
Assets			
Opening carrying value	2 531,8	2 270,8	2 270,8
Additions	3 110,6	259,9	1 557,7
Disposals	(4 387,0)	(209,6)	(1 503,7)
Transfers			41,7
Gains recognised in profit or loss	137,4	371,4	165,3
Movements recognised in other comprehensive income		3,5	
Closing carrying value	1 392,8	2 696,0	2 531,8

Liabilities			
Opening carrying value	2 544,1	2 318,5	2 318,5
Investment contract receipts and additions	3 113,6	264,3	1 556,2
Investment contract benefits paid and disposals	(4 391,5)	(215,1)	(1 501,6)
Transfers			4,2
Losses recognised in profit or loss	138,6	371,3	0,2
Movements recognised in other comprehensive income	0,1	(0,3)	166,6
Closing carrying value	1 404,9	2 738,7	2 544,1

Derivative financial assets, equity securities, debt securities and unit-linked investments, to the extent not being policyholder assets, 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 likewise included in "other financial liabilities".

There have been no significant transfers between level 1, 2 or 3 during the period 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 assets 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

Non-current assets held for sale included assets measured at fair value, as set out in note 9, which was either based on the JSE-listed share price or other observable inputs.

11. Capital commitments

For the 2014 calendar year, Curro is developing a further 11 education campuses and land banking more than 20 sites for future development. At the reporting date, Curro's capital expenditure authorised but not yet contracted amounts to R1,3bn.

12. Segment report

The group's classification into seven reportable segments, namely: Capitec, Zeder, PSG Private Equity, Thembeka Capital, Curro, PSG Konsult 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.

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 accounting method.

The chief operating decision-maker (the executive committee) evaluates the following information to assess the segments' performance:

Six-month period ended 31 August 2014 (unaudited)	Income ** Rm	Inter-segment income ** Rm	Recurring headline earnings Rm	Non-recurring headline earnings Rm	Headline earnings (segment profit) Rm	Sum-of-the-parts value^ Rm
Capitec*			331,6		331,6	6 911,5
Curro	491,3		15,4		15,4	4 795,1
PSG Konsult	1 488,0		92,4	(1,2)	91,2	5 219,4
PSG Private Equity	1 133,2		16,4	(1,6)	14,8	1 078,0
Thembeka Capital*			15,7	125,9	141,6	1 415,2
Zeder	4 359,8		68,3	14,1	82,4	2 435,2
PSG Corporate (including PSG Capital)	62,0	(55,0)	29,9	(1,5)	28,4	2 315,3
Reconciling items						
Funding	27,8	(10,0)	(85,1)	(22,6)	(107,7)	(2 071,6)
Other			(9,7)		(9,7)	51,4
Total	7 562,1	(65,0)	474,9	113,1	588,0	22 149,5
Non-headline items					(13,3)	
Earnings attributable to non-controlling interests					274,5	
Taxation					156,7	
Profit before taxation					1 005,9	
Six-month period ended 31 August 2013 (unaudited)						
Capitec*			274,8		274,8	6 029,8
Curro	317,3		7,8		7,8	3 341,4
PSG Konsult	1 109,1		70,4		70,4	2 747,0
PSG Private Equity	875,7		25,9	3,6	29,5	700,9
Thembeka Capital*			8,3	20,8	29,1	964,2
Zeder	1 907,8		38,2	3,7	41,9	1 693,9
PSG Corporate (including PSG Capital)	135,9	(31,9)	19,6	7,6	27,2	1 780,4
Reconciling items						
Funding	25,0	(4,4)	(87,5)	46,2	(41,3)	(2 288,6)
Other			(1,8)		(1,8)	68,5
Total	4 370,8	(36,3)	355,7	81,9	437,6	15 037,5
Non-headline items					13,1	
Earnings attributable to non-controlling interests					183,8	
Taxation					115,5	
Profit before taxation					750,0	

Year ended 28 February 2014
(audited)

Capitec*			570,7		570,7	5 989,1
Curro Holdings	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	

	Unaudited Aug-14 6 months Rm	Unaudited Aug-13 6 months Rm	Audited Feb-14 12 months Rm
Reconciliation of segment revenue to IFRS revenue:			
Segment revenue as stated above			
Income	7 562,1	4 370,8	12 058,4
Inter-segment income	(65,0)	(36,3)	(142,0)
Less:			
Changes in fair value of biological assets	(15,2)	(29,2)	(90,5)
Fair value gains and losses	(1 009,8)	(823,0)	(1 453,6)
Fair value adjustment to investment contract liabilities	1 066,3	832,2	1 342,7
Other operating income and expenses	(28,8)	(37,0)	(99,3)
IFRS revenue	7 509,6	4 277,5	11 615,7
Non-recurring headline earnings comprised the following:			
Non-recurring items from investments	137,2	28,1	84,7
Net fair value (losses)/gains on liquid investment portfolio	(1,5)	7,6	9,5
Other (losses)/gains	(22,6)	46,2	96,6
	113,1	81,9	190,8

* Equity accounted
** 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.

DIRECTORS:
JF Mouton (Chairman)+, PE Burton^, ZL Combi^, J de V du Toit^, MM du Toit^, FJ Gouws+, WL Greeff (FD)*, JA Holtzhausen*, MJ Jooste^ (Alt: AB la Grange), JJ Mouton+, PJ Mouton (CEO)*, CA Otto^, W Theron+
* Executive + Non-executive ^ Independent non-executive

SECRETARY AND REGISTERED OFFICE:
PSG Corporate Services (Pty) Ltd, 1st Floor, Ou Kollege, 35 Kerk Street, Stellenbosch, 7600;
PO Box 7403, Stellenbosch, 7599

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

SPONSOR:
PSG Capital

AUDITOR:
PricewaterhouseCoopers Inc.