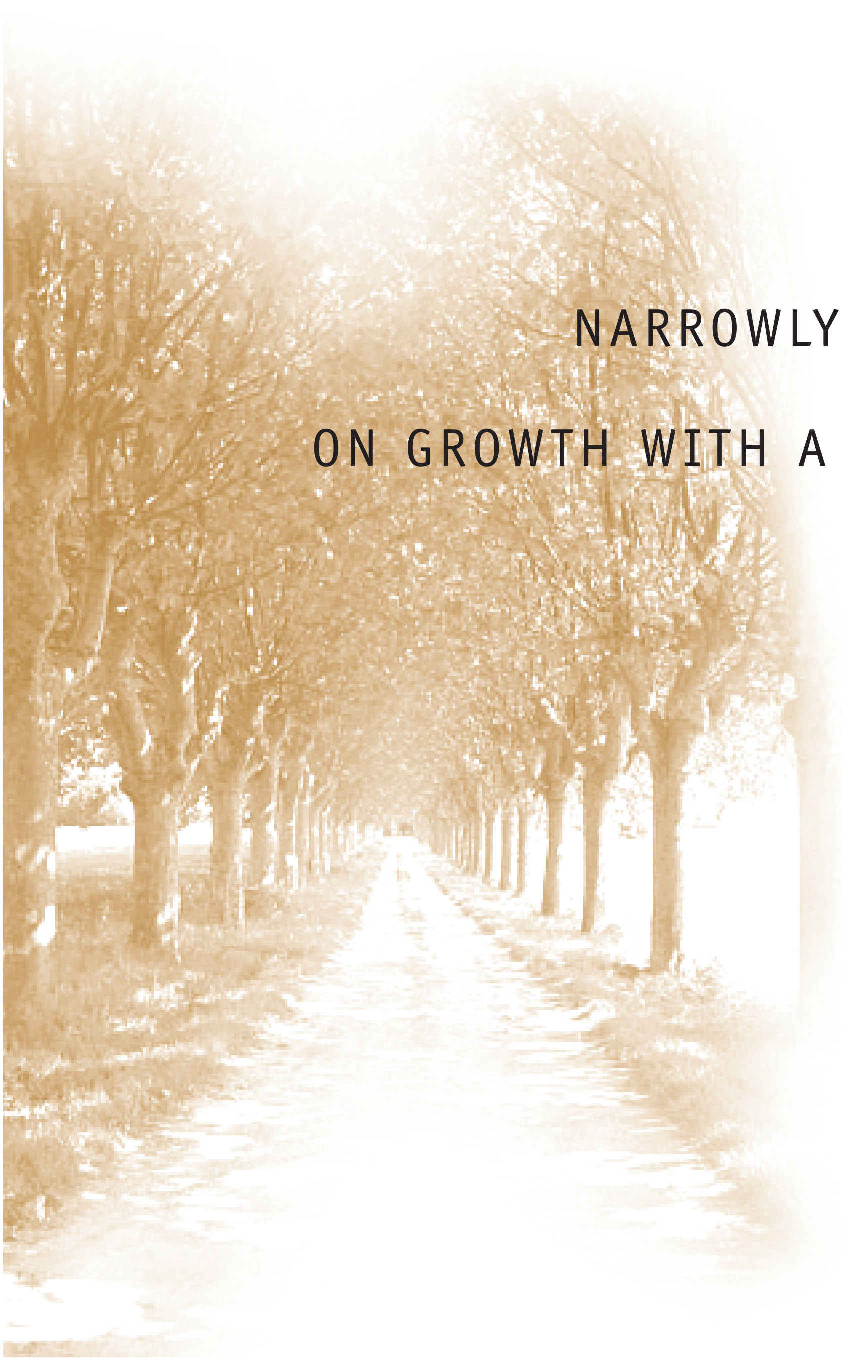

NARROWLY FOCUSED

ON GROWTH WITH A FRESH PERSPECTIVE

ANNUAL REPORT 2004

PSG GROUP LIMITED

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Administration	IBC

BOARD OF DIRECTORS

JF (Jannie) MOUTON (57)
BCom (Hons), CA(SA), AEP
Executive chairman

L VAN A (Kleintjie) BELLINGAN (58) [1, 2, 3]
BCom, LLB, CA(SA)
Entrepreneur

PE (Patrick) BURTON (51) [1, 3]
BCom (Hons), PG Dip Tax
Financial director – Snoek Wholesalers

J DE V (Jaap) DU TOIT (49)
BAcc, CA(SA), CFA
Chief executive officer – PSG Investment Services

MJ (Markus) JOOSTE (43) [1, 3]
BAcc, CA(SA)
Managing director – Steinhoff International

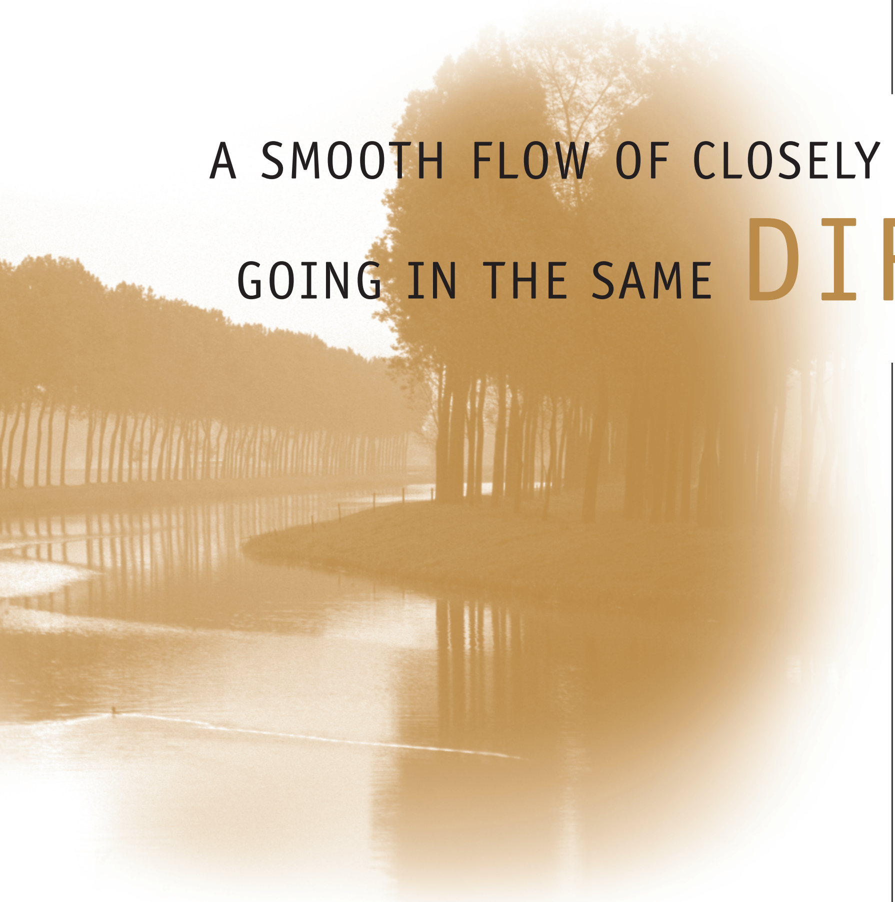
D (Desmond) LOCKEY (42) [1, 3]
BA (Law), BA (Hons) Business Management and Administration
Entrepreneur

CA (Chris) OTTO (54)
BCom, LLB
Chief executive officer – PSG Capital

J (Jacobus) VAN ZYL SMIT (Dr) (62) [1, 2, 3]
BCom, LLB, CA(SA), DCom
Director of companies

1 Independent non-executive
2 Member of audit and risk committee
3 Member of remuneration committee

A NARROWLY FOCUSED VIEW CONTINUES TO BUILD THE GROUP INTO WHAT WE HAVE ENVISIONED FOR IT.



A SMOOTH FLOW OF CLOSELY RELATED BUSINESS GOING IN THE SAME DIRECTION

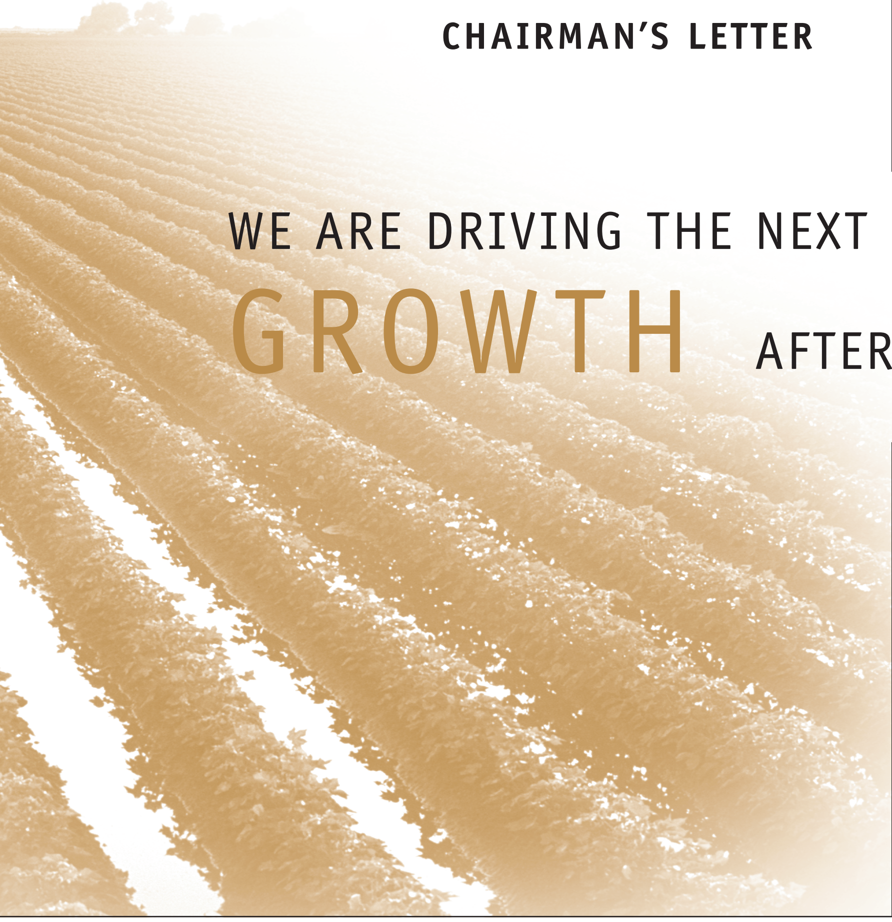
PSG Group is an investment holding company in financial services. Our integrity and transparency are reasons we have achieved a remarkable balance between client and shareholders' needs. PSG has built close relationships based on trust and appreciation for the value we add to the welfare of our clients. We have entered a new phase of sustainable growth that is sourced by the needs of our clients.

KEY FINANCIAL INFORMATION

for the year ended 29 February 2004

	2004	2003	2002
Headline earnings per share (cents)	**72,6**	70,7	141,1
Headline earnings (Rm)	**81,1**	84,8	175,2
Distribution per share (cents)			
– Normal		20	50
– Special	**100**	200	
Net asset value per share (cents)	**316**	828	1 015

CHAIRMAN'S LETTER



WE ARE DRIVING THE NEXT PHASE OF NEW GROWTH AFTER A GOOD CROP

I am pleased to be able to report that the following key goals and objectives that the board set in respect of the year under review were achieved:

REAL GROWTH IN EARNINGS OF 34%

On a comparable basis with the prior financial year headline earnings increased by 34% as illustrated in the table below.

	2004	2003
Reported headline earnings per share (cents)	**72,6**	70,7
Adjusted for:		
– Loss of interest following payment of 200c special dividend in March 2003 [1]	**(1,3)**	(15,0)
– Capitec unbundling [2]	**(16,1)**	(13,5)
– Loss of interest following planned payment of 100c special dividend in May 2004 [1]	**(7,5)**	(6,6)
Base headline earnings per share (cents)	**47,7**	35,6
Growth (%)	**34,0**	

1 Adjustment for loss of interest previously earned (after-tax rate 7,5%)
2 Adjustment for earnings contribution previously received from Capitec

PROJECT UNLOCK VALUE

I wrote in the 2003 annual report:

> ***"PSG Group is trading at a discount to NAV. We do not like this situation and as a result embarked on a project to unlock this discount, mainly turning NAV into cash.***
>
> ***"(Surplus) cash belongs to shareholders (as always) and will be returned to shareholders unless we find a great opportunity.***
>
> ***"A shareholder who receives a special distribution can purchase additional shares in (PSG) – as I am planning to do."***

The share price calculation below illustrates that a shareholder who used the 200c special dividend cash, as recommended in last year's annual report, to acquire additional PSG shares at the monthly average share price ruling at the time and who retained the Capitec shares that were unbundled to PSG shareholders, would have earned an effective 99,1% return on their investment.

	Cents per share	Number of shares	Cash flow R
Share price 28 February 2003	520	1 000	5 200
Special dividend – last day to register 20 March 2003	200		2 000
Special dividend – cash used to buy PSG shares			
(Average share price 26 March 2003 to 23 April 2003)	273	732	(2 000)
		1 732	5 200
Value as at 29 February 2004			
Capitec shares unbundled – ratio 33,08 for 100 PSG shares	580	573	3 323
Ordinary dividend	20	1 732	346
Interest earned on ordinary dividend at 7,5% for eight months			17
PSG share price at 27 February 2004	385	1 732	6 668
Total value PSG and Capitec shares including cash			10 354

Project unlock value had a favourable effect on return on equity:

	2004	2003	2002
Headline earnings (cps)	**72,6**	70,7	141,1
Net asset value (cps)	**316**	828	1 015
Percentage return	**23,0**	8,5	13,9
Our target will be 20%.			

In addition, shareholders are reminded that a further special dividend of 100c per share was declared in February 2004 and will be paid to shareholders in May. This, together with the 200c special cash distribution paid in 2003 and the unbundling of Capitec shares, concludes PSG Group's project unlock value.

REVIEW OF OPERATIONS

PSG Group is a holding company for investments in the financial services sector. The group's main investments comprise:

- PSG Capital Ltd (91%) – investment banking and corporate finance
- Channel Life Ltd (89%) – life insurance and employee benefits
- PSG Investment Services (Pty) Ltd (PSGIS)
  - PSG Konsult Ltd (85%) – independent financial planning and distribution services company
  - PSG Fund Management (100%) – local and offshore asset management business
  - PSG Online Holdings Ltd (100%) – stockbroking and investor education
  - mCubed Holdings Ltd (21%) – multi-fund manager

With effect from the beginning of the new financial year, PSGIS has been separated into three companies, each with its own board of directors, CEO and business plan, reporting directly to PSG Group. These companies will be overseen by Jaap du Toit, previously CEO of PSGIS, who will in addition continue to oversee the group's interest in mCubed.

Chris Otto will continue to oversee PSG Capital and Channel Life. This will enable me to focus my attention on delivering external growth and the group's BEE initiatives for which I am taking personal responsibility.

PSG CAPITAL – CEO CHRIS OTTO

The business of PSG Capital, which consists of PSG Trade Finance, PSG Treasury Outsourcing, PSG Quantitative, Corporate Finance, Alternative Investments and Private Equity, had a successful year significantly increasing profits from R10 million to R23 million.

CHANNEL LIFE – CEO LEON DE WIT

Channel Life continued to perform satisfactorily and managed to grow assets under management to more than R1 billion this financial year. One of the highlights of the year was the successful conclusion of a BEE transaction, which has resulted in the creation of one of the few true black-controlled life companies in the country. Looking forward we expect to see renewed and accelerated growth from Channel now that it has attracted appropriate BEE credentials.

PSG INVESTMENT SERVICES – CEO JAAP DU TOIT

The past financial year has been a challenging financial year for PSGIS management as they had the tough task of streamlining, restructuring and integrating the various Appleton businesses into PSGIS. In order to achieve the above objective during the year under review, the following key transactions were completed by PSGIS management:

- Appleton's hedge fund businesses in Dublin and London were sold.
- Appleton's institutional asset management business was sold to Tradek in a BEE transaction, with PSGIS retaining a 10% interest in the business.
- The business of PSG Konsult was merged with the Wealth Management division.
- The remaining Appleton businesses were successfully integrated into PSGIS's underlying operations.
- The successful conclusion of the above transactions has enabled PSGIS management to repay the debt they had to raise to complete the Appleton transaction.

The net effective cost of the Appleton acquisition is summarised in the table below:

	Rm
Total cost of acquiring 100% of the shares in Appleton	97
Add: Retrenchment and restructure costs	16
Less: Cash and near cash assets warranted by Appleton	(55)
Less: Net cash realised as a result of the disposals	(40)
Net effective cost of the Appleton acquisition	18

The successful conclusion of the Appleton transaction for an effective cost of R18 million provided PSGIS with the following key benefits:

- Provided PSGIS with access to an additional 6 000 clients and expanded PSGIS's distribution network
- Provided PSGIS with an additional R2,5 billion in funds under management
- Provided PSG Online with additional stockbroking clients and R1,7 billion in safe custody assets

mCUBED – CEO JOHN STOREY

Shareholders are referred to the combined mCubed and Momentum Group Ltd's announcement of 1 December 2003:

> *"mCubed, to a large extent, operates as an integrated entity and the additional value of synergies and scale generated for mCubed from the combined businesses are substantial.*
>
> *"mCubed's original strategy did not include partial deals. As agreement could not be reached, the board of mCubed has decided to return to their prior stated objective of implementing an empowerment strategy, whereby a value-adding empowerment shareholder would obtain a meaningful interest in the company."*

mCubed had a good financial year and we have confidence in the future of this investment.

CAPITEC – CEO MICHIEL LE ROUX

Capitec Bank, which specialises in micro-finance and mass-market banking, has continued to contribute excellent results until the unbundling at the end of November 2003. I have confidence in Capitec management's ability to continue to deliver strong performance going forward and intend to hold my shares in Capitec.

I am also pleased to see that Capitec's institutional investors continue to hold their collective 20% shareholding in Capitec following the unbundling. They are positive about Capitec going forward, and so are we. We expect them to do well in the coming years.

PROJECT GROWTH

Having concluded project unlock value, an investment in PSG now offers investors the opportunity to come on board for project growth.

Management's attention will be focused on achieving real growth in earnings and further improving the group's return on equity. In respect of the year ahead we have set a target return on equity (ROE) of 20% which we shall strive to achieve having now distributed surplus cash to shareholders.

SHAREHOLDING

The PSG board members believe in PSG and have significantly increased their percentage shareholding in the company as illustrated in the following table:

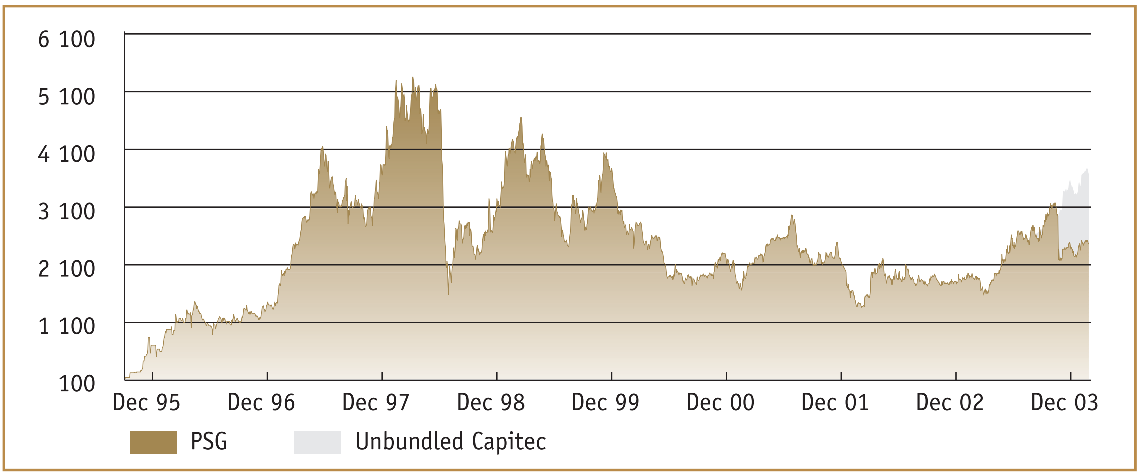
As at 28 February	2004	2003
Directors (000)	**28 501**	21 068
Total issued (000)	**105 000**	120 000
Percentage interest (%)	**27,1**	17,6
Percentage increase (%)	**35,3**	–

In addition to that, our friends and families were also aggressive buyers of PSG shares.

SHARE BUYBACKS

We have bought back 15 million shares in PSG during the past financial year at prices substantially lower than net asset value. We have cancelled 5 million of these shares thereby reducing the issued share capital to 115 million. Ten million are kept as treasury stock. We are in the process of issuing these shares for cash in a BEE transaction with Arch Equity. PSG achieved a return of 34,6% on the 10 million treasury shares bought in the market and sold to Arch Equity.

Total return index for PSG



LONG-TERM INVESTMENT IN PSG SHARES

The graph portrays the return of a shareholder who has been invested in PSG since the original take-over in 1995. An original investment of R100 and the reinvestment in PSG of all dividends are assumed. Based on this assumption a compound annual rate of return of 55% over the period from November 1995 to February 2004 was achieved.

Shareholders noticing that total return is approaching the R4 100 level on our index might be concerned that their investment is entering into overpriced territory and that a correction is due. Rest assured, on the previous occasions when returns were above the R4 100 level it was due to an inflated share price. The recent sharp increase in total return is due to project unlock value, the payout of dividends and the unbundling of Capitec.

As an illustration of the extent to which your current situation differs from the situation of investors during 1997, consider the following:

- On 20 August 1997, PSG was trading at R13,60 while the net asset value per share was R1,47. This inflated share price translated into a price-earnings ratio of 53.
- On 27 February 2004, PSG was trading at R3,85 (Capitec R5,80) while the net asset value per share was at R3,16 (Capitec R5,84). On this date the historic price-earnings ratio of PSG was a mere 5,3 (Capitec 8,8).

Companies do not distribute all their profits to shareholders as dividends, but retain a portion of the profits to reinvest in the business. Thus there is an element of compound interest operating in favour of shareholders. Warren Buffett, the world's most celebrated investor, does not pay out dividends to shareholders but rather reinvests all earnings into his company, Berkshire Hathaway.

It is this element of compound interest which Buffett recognises and employs in favour of his shareholders. The total return index above mimics the compound interest effect that would have been obtained if PSG's management had reinvested all earnings since 1995.

BLACK ECONOMIC EMPOWERMENT ("BEE")

The PSG Group sees much value and many opportunities in South Africa, not only for the group but for all South Africans. The group is however aware of the fact that realising these opportunities requires both active participation and investment by the private sector in a structured development process. Therefore the group endorses the Financial Sector Charter. In order to ensure that we fully comply with the Charter, the CEOs of the group's core operating subsidiaries are currently completing the financial sector score cards so that we can clearly identify the key areas that we need to focus on and in this way ensure that we meet the conditions set out in the Charter by 2008.

Progress on transformation is continuously monitored by the group board. In addition, I have assumed personal responsibility of concluding a BEE transaction at PSG Group level and supporting the group's executives in devising plans to ensure that we meet the conditions set out in the Charter.

An empowerment consortium led by Desmond Lockey recently acquired a significant holding in Channel Life. The Channel board was also pleased to welcome Mr Lockey as a non-executive director of Channel Life. We are confident that he will make a significant contribution to the transformation and future success of Channel Life.

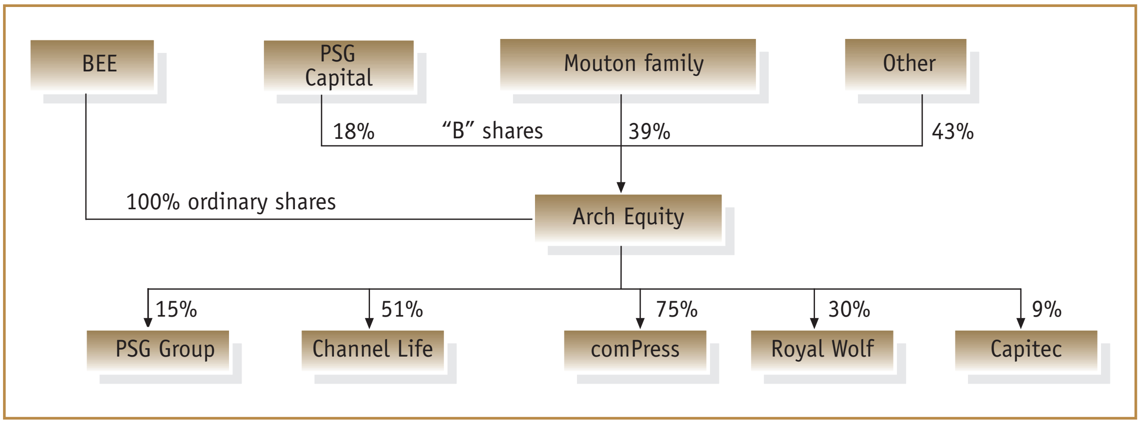
On 26 February 2004, PSG announced a BEE strategy at PSG level, which was approved at a shareholder meeting on 22 April 2004.

Desmond Lockey is the controlling shareholder in Arch Equity (Pty) Ltd, the vehicle through which the transactions will be done.

Arch Equity will be defined as a "black company", meaning a company that is more than 50% owned and controlled by black people.

The board of directors of Arch Equity are:
- Independent black chairperson – Nomazizi Mtshotshisa
- Independent black non-executive director – Japie Moropa
- Chief executive officer – Desmond Lockey
- Executive director – Piet Mouton
- Non-executive director – Jannie Mouton

Capital structure after private placement and initial dealings



DIVIDENDS
PSG Group has now completed the payout of special dividends. Going forward it is our intention to declare an interim and final dividend in aggregate approximately 30% of headline earnings.

CORPORATE GOVERNANCE
We support the furtherance of proper corporate governance and have established risk management committees under the leadership of Dr Van Zyl Smit at the key operating subsidiary level.

The board has resolved that PSG Group will be managed by myself as executive chairman (and I no longer serve as CEO) with an executive committee consisting of executive directors Chris Otto and Jaap du Toit and chief financial officer Attie Swanepoel.

I believe that a non-executive director owns shares in PSG to align his interest with yours. The directors bought an additional 7,4 million shares in the market in the past year and collectively own 27,1% of PSG.

> ***"Charlie and I love such honest-to-God ownership. After all, who ever washes a rental car?" Berkshire Hathaway – Chairman's letter 2004.***

PROSPECTS
Shareholders are cautioned that, following the unbundling of Capitec and payment of special dividends, next year's results will not be comparable with the group's results for the year ended 29 February 2004. The new focus of the PSG Group, with project growth, is the growth of its businesses, both organically and, where appropriate, by investment.

APPRECIATION
Finally, I would like to thank Dr Jacobus van Zyl Smit, who is chairing all our audit committees, and Poen Hoffman, who is in charge of all our remuneration committees, for their dedication in fulfilling their respective roles. I would also like to thank PSG management, staff and my colleagues on the board for their commitment and support throughout the past financial year, without which these results could not have been achieved.

Thanks also to our clients and shareholders for their valued support, which is so important to PSG's continued success.

Jannie Mouton

Jannie Mouton

Stellenbosch
19 April 2004

PSG CAPITAL

PSG CAPITAL LIMITED – 91%

Investment banking and private equity

Year-end 28 February	2004	2003*
Headline earnings (Rm)	**23,0**	10,0
Return on shareholders' funds (%)	**38,4**	30,8
Headline earnings per share (cents)	**55,8**	25,0
Dividends per share (cents)	**20,0**	
NAV per share (cents)	**156**	139
Number of employees	**397**	378

** Seven-month period*

HIGHLIGHTS OF THE PAST YEAR

The past financial year was once again a tough one for the financial services industry. The volatility of the rand played a major role in a number of the PSG Capital business units not achieving their respective budgets.

It was also a year of consolidating the strategy and business of PSG Capital having regard to its origins, largely ex PSG Investment Bank. The basis for future growth has now been established.

PSG Capital, as a group, had a successful year increasing its headline earnings to R23 million. This is mainly attributable to management's concerted efforts to make use of every opportunity to generate profits. Of these profits Private Equity contributed R10,1 million, Corporate Finance R1,8 million and Centre & Finance R11,1 million.

OUR FOCUS

- PSG Capital continues to focus on *investment banking* (including alternative investments) and *private equity*.

OUR BUSINESS

- Private Equity supported by Corporate Finance

  Team

  Pierre Malan (Stellenbosch) and Jannie Grobbelaar (Johannesburg) – team leaders
  Johan Holtzhausen, Christoff Hamman, Ben van der Westhuizen, Gerhard Swart, Barry Groenewald

  Services

  - Proprietary Investments – focus is on smaller to midsize companies
  - Corporate advice/JSE sponsorship/Altx listings
  - Structured products
  - Empowerment structuring and advice

  Our ***Private Equity*** investments are also expected to contribute substantially to our growth in the coming years. We will continue to seek and invest in high cash positive companies that can give us superior returns in the medium to long term. A few of the private equity achievements include:

  - An investment of R728 000 in *Axon Financial Services*, a company that specialises in scrip lending, for a 25% equity stake.
  - An investment of R5,8 million in *Petra Mining* for a 20% equity stake.
  - *Cullinan Industrial Porcelain* maintained its strong contribution to PSG Capital's bottom line and accounted for headline earnings of R5,5 million.
  - An investment of R10,4 million in *Algoa Insurance Company* for a 60% shareholding. This transaction, in partnership with management and an empowerment partner, will become formal on 28 April 2004.
  - A proposed investment of R14 million in "B" ordinary shares in *Arch Equity (Pty) Ltd*, the BEE investment company of Desmond Lockey.

- **PSG Treasury Outsourcing (Proprietary) Limited (100%)**
  Trevor Hayter – CEO
  PSG Treasury Outsourcing manages corporates' foreign exchange risk on a mandate basis through the application of uniquely developed systems. It is concentrating on generating annuity income.

- **PSG Trade Finance (Proprietary) Limited (66,7%)**
  Eric Finaughty – CEO
  PSG Trade Finance focuses on acting as an intermediary to large and midsize corporates that require trade finance. An exclusive arrangement with China Construction Bank allows PSG Trade Finance to place significant amounts of debt facilities with them. The emphasis remains to increase volumes at acceptable margins.

- **Cullinan Industrial Porcelain (Proprietary) Limited (100%)**
  Mike Ralston – CEO
  Cullinan is currently the sole manufacturer of porcelain insulators of its type in the Southern Hemisphere. The various products are used in both the telecommunication industry and electricity reticulation. Cullinan currently supplies both the local and growing export markets.

ALTERNATIVE ASSET MANAGEMENT

- **PSG Capital Quantitative (Proprietary) Limited (78%)**
  Derick Burger – CEO

  Achievements
  - PSG Capital Quantitative (Pty) Ltd paid its maiden dividend.
  - Launch of, and trading for, the PSG Capital Quant Fund during May 2004, resulting in additional brokerage income.
  - Quant Fund's five-year growth in excess of 16% per annum.

- **PSG Absolute Investments (Proprietary) Limited (51%)**
  Jean-Pierre Matthews – CEO
  This company specialises in the development, packaging and distribution of absolute return investment products. This includes alternative investment strategies as well as structured products.

- **Tanzanite Capital Limited**
  Jan Mouton – Managing Director

  Approach
  Tanzanite Capital Limited targets high absolute returns by using value investment, hedging and trading strategies.

  Achievements
  For the eleven months since inception, Tanzanite achieved an effective annualised return of 31,1% (after fees, before tax), whilst being on average 61,9% invested in cash.

- **Diamond Capital Fund**
  James Henry – Operational Head

  Approach
  The Diamond Capital Fund is an offshore long/short fund based on fundamental research on stocks listed on the different stock exchanges in the United States of America.

  Achievements
  The fund has a 14% annualised US dollar return track record for three years, and remains optimistic about generating absolute returns regardless of global developed stock market conditions.

THE FUTURE

- Concentrate on strategies, business plans and budgets.
- Find replacement income for banking assets turned to cash.
- Develop annuity income – target 70%.
- Strengthen capital base.

CHANNEL LIFE LIMITED – 89%

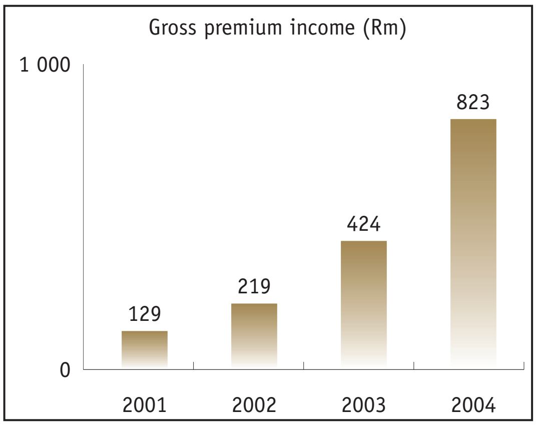
Life assurance and employee benefits in southern Africa

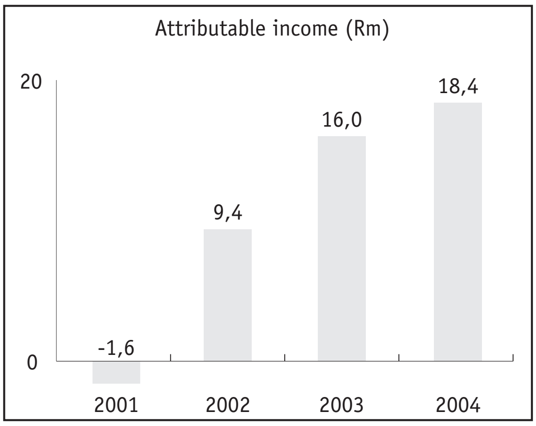
Year-end 28 February	2004	2003	2002
Headline earnings (Rm)	**19,8**	20,1	14,1
Dividend (Rm)	**8,0**	8,0	5,6
Return on shareholders' funds (%)	**17,9**	19,2	14,1
Number of shares in issue (million)	**176**	174	180
Number of employees	**198**	184	204

BACKGROUND

Channel Life is a niche life assuror that participates (and competes) in the large and influential life assurance industry of South Africa. Unlike other companies within PSG, Channel Life's roots go back many years to the late sixties when a small group of entrepreneurs decided to establish the then Anchor Life. PSG acquired Anchor Life in 1997, and late in the year 2000 it was decided that Anchor should become part of the Channel Group, hence the change in name to Channel Life. This is the third annual report on the fully re-engineered Channel Life.

South Africa's life assurance industry is in a state of flux, with premium income in 2003 down 6% from the previous year. Some of the best known brands in the industry had to report reductions in revenue and profits. One or two of the medium-sized players had to be supported by special capital injections of their shareholders. It was not an easy year for life offices, to say the least.





HIGHLIGHTS OF THE PAST YEAR

Against this background, it is indeed a pleasure to report that Channel Life held its own in the reporting year. Here are some of the financial highlights:

- Assets under administration increased from R739 million to R1 284 million.
- Headline earnings remained constant at the R20 million mark.
- Attributable earnings increased by 15% to R18,4 million.
- Premium income increased by 94% from R424 million to R823 million.
- Management expenses increased by only 2% from R84 million to R86 million.
- The ratio of expenses to premium income reduced from 19,7% to 10,4%, and is now in line with that of medium to large-sized life offices.
- Commission as a percentage of premium income at 5,2% is below the industry average of 6,0%.
- Policy lapses in the year averaged 11,4% of the in-force policy book, well below last year's figure of 16,0%.
- All subsidiaries recorded profits, with Namibia continuing to perform excellently.
- Average return on assets increased from 11,0% to 15,3%.

We are indeed satisfied with the results, although we are somewhat disappointed with the fact that we could not report a comparable increase in headline earnings. The primary reason for the lack of profit growth has been a disappointing performance in South Africa in terms of recurring premium new business sales.

Channel's focus in the year ahead will be on increasing recurring premium business in South Africa. However, we are cautious not to take on new business at any cost. Nor are we prepared to compromise on quality. We have to date refrained from getting involved with opportunities that are doubtful in terms of the quality of business written. That principle will not be sacrificed. However, there are new business opportunities that have sound foundations, and the challenge will be to home in on those opportunities in the months to come.

BLACK ECONOMIC EMPOWERMENT

Channel's recently acquired BEE credentials, brought about by a significant investment made by Desmond Lockey, are bound to open many doors for Channel Life. As a member of the financial services industry, we aspire to be a leader in terms of the Financial Sector Charter Scorecard. This is possible without any compromises or reduction in standards, given our nimble positioning and entrepreneurial culture. The fact that Desmond Lockey and PSG have a close working relationship is clearly an added advantage. Every effort will be made to optimise Channel's BEE credentials in an industry that is certain to struggle to transform in reasonable time.

PEOPLE

Channel employs a total of 198 people, of which 80 reside in Windhoek, Namibia. A similar number works at the life office in Johannesburg. Nearly 44% of these are people of colour, the majority (64%) are females and some 90% have matric or higher qualification. A successful Channel employee is a person that portrays the company's unique AIRxQE culture, which we believe will become a strong and definitive competitive advantage in the life assurance industry in years to come.

THE WAY FORWARD

During the last three years we have aspired to become a smart and nimble life office. To a certain extent this objective has been met, and we are looking forward to new challenges. In future, we will be working even smarter in order to have Channel's new generation type image fully embedded. We aspire to do things differently in an old, established and mostly stagnant industry. This means that we wish to become a top ten life office in South Africa by 2007, with headline earnings more than double the current figure.

PSG INVESTMENT SERVICES

PSG INVESTMENT SERVICES (PTY) LIMITED – 98%

Financial advice, funds management and stockbroking

Year-end 28 February	2004	2003	2002
Headline earnings (Rm)	**11,5**	2,1	10,7
Return on shareholders' funds (%)	**11,4**	5,2	24,2
Assets under administration (Rbn)	**16,8**	8,8	7,2
Number of shares in issue (million)	**180**	95	95
Number of employees	**254**	194	186

PSG Investment Services (Pty) Ltd ("PSGIS's") main investments comprise:

- PSG Konsult Limited (85%) – independent financial planning and distribution services company
- PSG Online Holdings Limited (100%) – stockbroking and investor education
- PSG Fund Management (100%) – local and offshore asset management
- mCubed Holdings Limited (21%) – multi-fund manager

With effect from the beginning of 1 March 2004, PSGIS has been separated into four separate standalone companies, each with its own board of directors, CEO and business plan, reporting directly to PSG Group. This reorganisation was implemented in order to streamline the management structures and in order to integrate the various Appleton businesses into PSGIS's existing structures.

PSG KONSULT LIMITED – 85%

Independent financial planning and distribution services

Willem Theron – CEO

HIGHLIGHTS

Much time and energy went into merging PSGIS's and Appleton's Wealth Management businesses with Konsult during the latter part of the year. Notwithstanding this and despite the fact that markets have not been conducive to good business for a fifth year in a row, the company succeeded in achieving its growth targets. Acquisitions of a number of short-term businesses will ensure an increase in recurring income. Relations with product suppliers have also been strengthened. This has already resulted in the rolling-out of white labelled short-term and investment products. All necessary preparations for licensing with the Financial Services Board in terms of the Financial Advisory and Intermediary Services Act have been finalised. The application was lodged in March, well ahead of the closing date of 1 July 2004.

PEOPLE

The PSG Konsult business is now one of the largest independent financial planning and advisory businesses in South Africa and operates throughout the country via its 89 branch offices and employs 165 financial planners and stockbrokers.

The focus on providing the best independent financial advice has led to an increased focus on support to our financial planners and stockbrokers. Therefore three regional operational officers and a specialist in training and products have been appointed on a full-time basis to further empower our marketing staff and to ensure the highest standards of products and advice.

THE WAY FORWARD

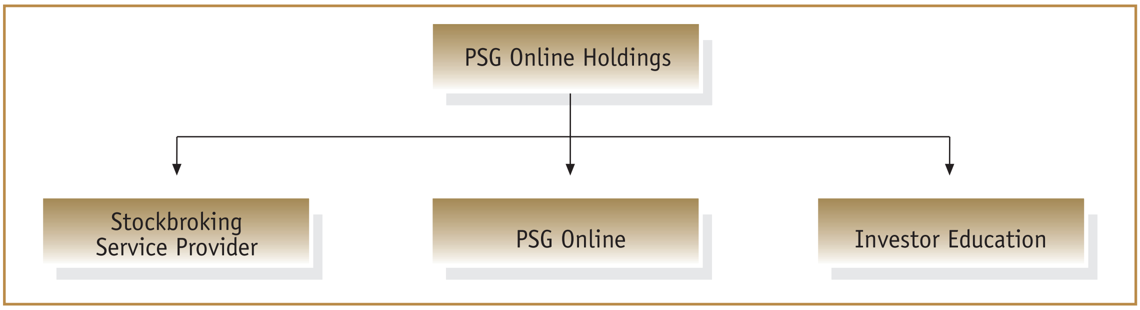
We believe that the "new" PSG Konsult is now well placed to meet the challenges for the year ahead. An additional 5% shareholding will be made available to staff and associates early in 2004. The capital gained by this will be utilised to expand our short-term and investment portfolios. New investment solutions, similar to the recently launched balanced fund, will be given top priority, especially with regard to investments in foreign portfolios. Special attention will also be given to expanding the professional client bases for financial planners. The company has already adopted the Financial Services Charter and will actively strive to start implementing the principles thereof.

PSG ONLINE HOLDINGS LIMITED – 100%

Stockbroking and investor education

Charles Chapman – CEO

OUR STRUCTURE



HIGHLIGHTS

Stockbroking service provider

The past year was our start-up year as a stockbroking service provider. PSG Konsult is the largest of our current eighteen Financial Services Board approved clients.

PSG Online

PSG Online's client base grew by 22% with an increase of 25% in revenue.

Investor education

During the past year we strengthened our distribution network through joint ventures. An example of this is eDegree.

PEOPLE

We have an experienced management team consisting of Kerstin Jatho, Janine McCann and Shaun van den Berg.

THE WAY FORWARD

Stockbroking service provider

Online Securities Limited will be the company going forward that will provide the stockbroking community with execution, settlement, finance, corporate actions and reporting at affordable rates.

PSG Online

PSG Online remains a strong brand in online stockbroking, and we intend improving on the superior electronic offering.

Investor education

The focus of Investor Education will change to also include an electronic offering that can be subscribed to on a monthly basis. We are in the process of obtaining a FASSET accreditation for our course.

PSG FUND MANAGEMENT – 100%

Local and offshore asset management

Dawie Klopper – CEO

HIGHLIGHTS

The past financial year has been a challenging year for PSG Fund Management ("PSGFM") as they had the tough task of restructuring and disposing of certain of the non-core businesses inherited following the conclusion of the Appleton transaction. The following non-core businesses were successfully disposed of during the year under review: Appleton International (London) and Appleton Capital Management (Dublin) hedge fund businesses as well as Appleton's institutional asset management business. Transactions to restructure PSGFM are now complete and we look forward to a year where we can concentrate our efforts in growing our asset management business in South Africa and Guernsey. Capitus once again had an excellent year with sales surpassing our expectations.

PSG Fund Management's core business components include:

- Asset management (local and offshore)
- Manco (local unit trust management company)
- Capitus (specialised investment product)

In respect of the 2003 calendar year, we received three Standard & Poor's awards:

- The PSG Growth Fund was voted best fund in the Equity Growth Sector over a one-year period on a relative risk-adjusted basis.
- The Appleton Managed Flexible Fund was voted best fund in the Domestic Flexible Asset Allocation category over a three-year period on a relative risk-adjusted basis.
- The PSG Global Growth Fund (Guernsey) was voted best fund in the category Asset Allocation Global Dynamic over a five-year period.

PEOPLE

The restructuring of PSG Fund Management has meant that a number of people were unfortunately retrenched during the year. The team is small but highly committed to providing unique solutions to our selected target market.

THE WAY FORWARD

- We plan to grow our assets under management by providing asset management solutions to our target market. The independent financial advisory ("IFA") market needs asset management solutions in order for them to cope with the requirements of the new Financial and Advisory Intermediary Services Act (FAIS Act). PSG Fund Management is in a unique position to provide the necessary solutions to the IFA market through strategic partnerships and our unique quantitative and qualitative processes. These solutions will be multi-manager driven. The PSG Balanced Fund is a prime example of such a solution.
- Our management companies, locally and abroad, will also continue to use their licences to provide solutions to those IFAs capable of doing their own asset management or those who require unique solutions on a unit trust level.
- Capitus will continue to structure new products, staying one step ahead of the market.
- We plan to introduce a local PSG fund of hedge funds as soon as the Financial Services Board has sorted out the regulatory matters surrounding this "new" absolute return asset class.

The result of these strategic priorities and relationships will be the creation of a highly successful niche asset management company capable of adjusting rapidly to an ever-changing environment.

m Cubed Capital

mCUBED HOLDINGS LIMITED – 21%

Multi-manager and provider of risk-targeted investment solutions

John Storey – CEO

mCubed Holdings Limited ("mCubed") is a premier provider of risk-targeted investment solutions for institutional and individual investors, and South Africa's largest independent multi-manager. mCubed administers more than 200 000 client records with in excess of R61 billion in third-party assets. The group has offices nationwide, in the UK and in Guernsey. mCubed's core business components include:

- Institutional multi-manager asset management
- Wealth management
- Specialised investments, lending and treasury

HIGHLIGHTS

- **Cost cuts and restructure result in Wealth Management business turnaround**
  The challenging local and international investment market conditions that impacted negatively on our 2003 results followed us into the early part of 2004, necessitating remedial action which mainly impacted our Wealth Management and supporting businesses. After a rigorous strategic analysis of the entire business, the focus turned to margins and costs. We withdrew from certain low-margin business lines, and streamlined and refocused the Wealth Management and supporting areas, cutting their staff complement by nearly a third. By year-end, the positive impact of the restructure and attendant cost savings, together with improved market conditions, resulted in the meaningful turnaround of the Wealth Management business.

- **BEE process results in Momentum offer**
  For some time, the mCubed board has been seeking to implement a mutually beneficial black economic empowerment ("BEE") initiative. As part of this process, an offer was received from Momentum to buy certain of the mCubed asset management businesses, subject to certain suspensive conditions, for a purchase consideration of R175 million. One of these conditions was that the parties should finalise agreements and negotiations to agree certain post-implementation working relationships. mCubed, to a large extent, operates as an integrated entity and the additional value of synergies and scale generated for mCubed from the combined businesses are substantial. The parties could not agree, inter alia, on the extent and the value of certain post-implementation contractual arrangements and the mCubed board therefore declined the Momentum offer.

STAFF

The restructure of the Wealth Management business in early 2004 (together with natural attrition) has resulted in a 16% reduction in the group's total staff complement (from 340 to 286).

PROSPECTS GOING FORWARD

- **BEE remains a priority**
  mCubed has returned to its prior stated objective of implementing an empowerment strategy, whereby a value-adding shareholder would obtain a meaningful interest in the company.

- **Cost containment and relationship building remain key group focus areas.**

CAPITEC Bank

CAPITEC BANK HOLDINGS LIMITED

Retail banking for the lower income groups in South Africa

Year-end 28 February	2004	%	2003
Earnings (Rm) [1]	**45**	51	30
Headline earnings per share (cents)	**70,2**	53	46,0
Dividend per share (cents)	**20,0**	5	19,0
Shareholders' funds (Rm)	**428**	11	386
Market capitalisation (Rm)	**398**	143	164
Loans advanced (Rm) [2]	**1 904**	29	1 477
Bad debt (%) [2]	**1,4**	(46)	2,6

1 PSG Group only consolidated nine months of these results.
2 Excludes Namibia and Botswana subsidiaries sold in 2003.

A PROFIT MARGIN OF 2,4% (2003: 2,0%)

All Capitec Bank's profits for the year are derived from short-term loans. They increased their turnover to R1,9 billion, an increase of 29% over 2003. Their profit is equal to 2,4% of turnover. Much remains to be done before they can report a decent return on capital of more than 20%.

THE NETWORK EFFECT

On Sunday, 22 February 2004, the Capitec branch in Idutywa was converted to a full Capitec Bank branch. This is Capitec's 148th bank branch. Since May 2003 they have been converting ten to fifteen branches a month and they plan to have over 200 bank branches throughout South Africa by July 2004. It is not possible to do retail banking out of a single branch. Banking has become an example of the network effect, and Capitec Bank has established a national network.

MANAGING LIQUIDITY CAUTIOUSLY

Since year-end Capitec Bank has signed an agreement with Futuregrowth for funding of R50 million for five years, half of which is guaranteed by USAid. In a big bank this would be a small and routine transaction. For Capitec Bank it was an exciting first. They are slowly overcoming the legacy of the small bank crisis of two years ago, which prevented them from obtaining term funding. At year-end they had R160 million in cash.

DO AFFORDABLE BANK PRODUCTS EXIST?

The mass market is the market for basic, affordable bank products. Capitec Bank's savings accounts have the lowest cost and pay the highest interest rates in South Africa. An ATM withdrawal costs only R2, and they pay 10% interest on savings accounts with a maximum balance of R25 000. Their debit card, which carries the Maestro mark from MasterCard, gives customers access to all Saswitch ATMs. At Capitec Bank a debit order costs only R2. They have few products, but those they have are the best and cheapest of their kind.

stock exchange performance

Year-end 28 February	**2004**	2003	2002	2001	2000	1999	1998	1997	1996
Market price (cents)									
– High for the year	**520**	650	885	986	1 585	1 900	1 550	510	300
– Low for the year	**255**	375	440	527	800	495	445	210	20
– Closing price	**385***	520	476	660	1 000	1 170	1 530	470	225
– Average	**460**	512	675	685	1 114	1 172	966	401	78
Closing price/earnings	**5,3**	7,4	3,4	4,4	8,3	13,6	32,3	17,9	16,4
Volume of shares traded (000)	**56 204**	42 636	47 775	49 009	45 265	30 219	23 443	14 120	22 210
Value of shares traded (R000)	**258 285**	218 168	322 493	335 512	504 273	354 050	226 564	56 557	17 238
Volume/weighted average shares (%)	**50,3**	35,5	38,5	36,8	33,1	37,1	32,2	36,7	101,8

** After special distribution of 200 cents per share and unbundling of Capitec Bank*

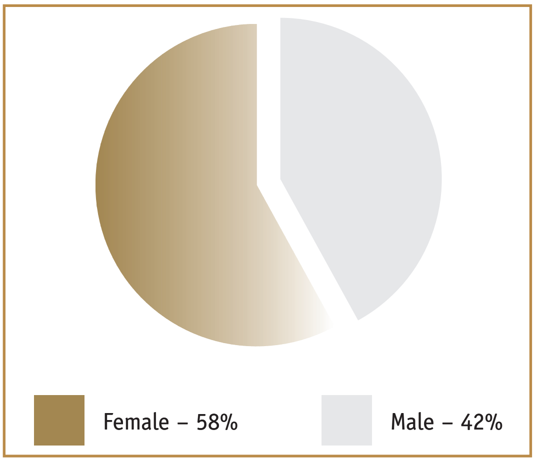
our track record

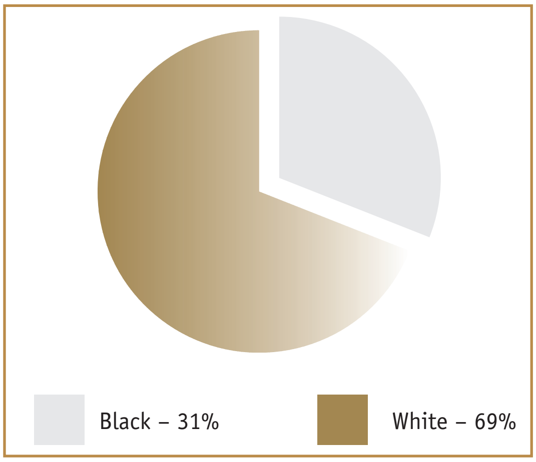
Year-end 28 February	**2004**	2003	2002	2001	2000	1999	1998	1997	1996
Headline earnings per share (cents)	**72,6**	70,7	141,0	150,3	120,6	85,9	47,3	25,5	14,4
Headline earnings (R000)	**81 121**	84 824	175 152	200 211	164 745	82 031	34 467	10 105	3 133
Distribution per share (cents)									
– Normal		20	50	45	36	25			
– Special	**100**	200							
Ordinary shareholders' funds (Rm)	**332**	993	1 218	1 141	1 085	638	535	78	7
Net worth per share (cents)	**316**	828	1 015	899	778	669	617	147	34
ROE (%)	**12,2**	7,7	14,9	18,0	19,1	14,0	11,3	23,7	42,6
Total assets (Rm)	**2 380**	2 594	4 477	3 416	3 474	2 543	1 258	233	25
Market capitalisation (Rm)	**404**	624	571	838	1 395	1 117	1 172	249	49
Number of shares (000)									
– Issued	**105 000**	120 000	120 000	126 900	139 500	95 445	86 611	52 930	21 818
– Weighted average	**111 700**	120 000	124 204	133 200	136 613	95 445	72 869	39 588	21 818

group employee statistics

as at 29 February 2004

	Number	%
GENDER		
Female	301	58
Male	222	42
RACE		
Black	162	31
White	361	69
EDUCATION		
Up to grade 11	53	10
Grade 12	163	31
Post-grade 12 (e.g. diploma/certificate)	141	27
University degree	86	17
Postgraduate degree or professional qualification	80	15
HIERARCHY		
Executive directors (including CEOs and MDs)	48	9
Executive management	58	11
Operational	242	46
Support	175	34
Total number of employees	523	





value added statement

for the year ended 29 February 2004

	2004		2003	
	R000	**%**	R000	%
VALUE ADDED				
Net interest income	**316 308**	**48**	377 705	53
Investment income	**32 158**	**5**	20 796	3
Other operating income	**313 638**	**47**	317 575	44
	662 104	**100**	716 076	100
Net operating expenses	**269 033**	**41**	219 908	31
	393 071	**59**	496 168	69
VALUE ALLOCATED				
To employees				
Salaries, wages and other benefits	**223 901**	**57**	242 654	49
To providers of capital	**29 065**	**7**	219 981	44
Interest on loans	**3 670**	**1**	27 162	5
Dividends – own shareholders	**23 018**	**6**	39 600	8
– outside shareholders	**2 377**	**0**	153 219	31
To government	**21 771**	**6**	42 902	9
Normal taxation	**11 845**	**3**	26 781	5
Value added tax	**3 515**	**1**	10 441	2
Financial services levies	**736**	**0**	519	0
Regional services council levies	**1 992**	**1**	2 410	1
Stamp duties	**3 683**	**1**	2 751	1
To expansion and growth	**118 334**	**30**	(9 369)	(2)
Depreciation	**34 909**	**9**	47 261	10
Retained income – own shareholders	**65 341**	**17**	48 938	10
– outside shareholders	**18 084**	**4**	(105 568)	(22)
	393 071	**100**	496 168	100

The PSG Group is committed to the principles of transparency, integrity and accountability as advocated in the King II Report on Corporate Governance. Accordingly PSG Group's corporate governance policies have in all respects been appropriately applied during the period under review.

The group's major subsidiaries are similarly committed having, inter alia, their own audit, risk and remuneration committees.

BOARD OF DIRECTORS

Details of PSG Group's directors are provided on the inside front cover of this annual report.

The board met six times during the past year and had close to a 100% attendance. Only at one meeting Dr J van Zyl Smit was unable to attend due to unforeseen circumstances. The board comprises three executive directors and five independent non-executive directors.

Executive directors do not have service contracts and may not be appointed for a period exceeding five years. Where appropriate, the chief executives and executive directors of subsidiary companies have entered into service contracts and/or restraints of trade with that subsidiary.

PSG Group is a financial services holding company with no day-to-day operations and has not filled the office of chief executive officer. There is a clear division of responsibilities at board level to ensure a balance of power and authority, such that no one individual has unfettered powers of decision making. Mr JF Mouton fills the role of executive chairman.

The board's key roles and responsibilities are:
- Promoting the interests of shareholders
- Ultimate accountability and responsibility for the performance and affairs of the company
- Retaining full and effective control

The board has appointed the following committees to assist it in the performance of its duties:
- Remuneration committee
- Audit and risk committee

REMUNERATION COMMITTEE

The remuneration committee comprises Mr J Hoffman, BA LLB (chairman), and all the non-executive directors, being Messrs L van A Bellingan, PE Burton, MJ Jooste, D Lockey and Dr J van Zyl Smit. The committee met once during the past year and all the members were present.

The committee is chaired by an independent non-executive. Each major group subsidiary has its own remuneration committee chaired by the same independent non-executive.

This committee operates according to a board-approved charter and is primarily responsible for overseeing the remuneration and incentives of the executive directors as well as providing strategic guidance to the other remuneration committees in the group. It takes cognisance of both local and international best remuneration practices in order to ensure that such total remuneration is fair and reasonable to both the employee and the company.

AUDIT AND RISK COMMITTEE

The audit and risk committee comprises Dr J van Zyl Smit (chairman), Messrs L van A Bellingan and JA Swanepoel.

The committee met twice during the past year and had a 100% attendance.

The committee is chaired by an independent non-executive director. Each major group subsidiary has its own audit and risk committees and all audit committees are chaired by the same independent non-executive director.

The committee ensures that there is appropriate independence relating to services provided by the external auditors. A policy has been adopted as to which services are permissible. The committee is satisfied that the independence of the external auditors is not compromised by the present scale of non-audit fees paid to them.

EXECUTIVE DIRECTORS' REMUNERATION

The remuneration of the executive directors of PSG Group is dealt with in the directors' report.

RISK MANAGEMENT AND INTERNAL CONTROL

The board acknowledges that it is accountable for the process of risk management and the system of internal control of the group.

The group operates in a highly regulated environment. Compliance officers have been appointed at each of the group's key operating subsidiary levels for ensuring adherence to the various Acts and Codes that govern the day-to-day operations.

Each group company has its own board of directors responsible for the management, including risk management and internal control, of that company and its business. Detailed risk management plans were implemented during the course of the year, thereby ensuring that all significant business risks, including operational risk, are identified and appropriately managed.

A consolidated risk management report has been compiled at PSG Group level and, in doing so, has provided the group with valuable input regarding managing risk within our group of companies.

The group audit and risk committee assists the board in discharging the responsibilities and monitors the advice given by the other operating companies' audit committees to the respective boards.

INTERNAL AUDIT

On the recommendation of the audit and risk committee the board has decided not to establish an internal audit function. The committee's recommendation is based on the fact that PSG Group is an investment holding company and internal audit functions have been established, where necessary, throughout the PSG Group. These functions are well formalised and any major issues are referred to PSG Group audit and risk committee.

SUSTAINABILITY

Stakeholder relations

PSG Group subscribes to the principles of objective, honest, timeous, balanced, relevant and understandable communication of financial and non-financial information to stakeholders.

The group acknowledges the task and responsibility of regulators, and our relationships with them are maintained in a businesslike manner – frank, open and with mutual respect.

Safety, health and environment

PSG Group is committed to ensuring that employees work in a safe, healthy and clean environment. Our activities do not have an adverse effect on the environment.

Of growing importance is the impact of HIV/Aids on the workforce and the South African economy in general. The operating companies are in the process of implementing their strategies in this regard.

Social responsibility

PSG Group has established a chairman's fund, which is funded by PSG Group, to co-ordinate its social responsibility affairs. The areas of endeavour are socio-economic, the youth and education in a wide sense. The long-term aim is to make a contribution to the advancement of stability in South Africa.

Human resources

PSG Group regards its people as one of the most important elements of its business. It is therefore important to make the best use of the human capital we have available.

All employees are encouraged and motivated to better themselves through training and study. Training programmes initiated by companies in the group are regarded as an essential element of PSG Group's investment in human capital.

Employee participation

In order to retain and attract entrepreneurs, the group has a philosophy of encouraging management and key employees in the group to acquire a meaningful interest in the group and in its underlying businesses. A significant percentage of employees are shareholders in the company, participants in the share incentive schemes and shareholders in subsidiary companies. Employees are co-owners of the business and are treated as such with transparent communication a priority.

Employment equity

The group is committed to being a new South Africa company and is representative of all the people in South Africa. PSG Group subscribes to the principles of equal opportunity and employment equity. Group companies have set their own targets and specific action plans whilst PSG Group has instituted a tertiary bursary programme for disadvantaged students.

Ethics

PSG Group's code of ethics commits the group to maintaining high ethical and moral codes of conduct in our professional and social dealings. This is ingrained in the culture of the group.

Products and product development

PSG Group acts as investor for own account, as financier and finance conduit for the group. Group companies develop their own specialist product range such as insurance, investment, broking, multi-management, financial training, asset management and investor support products.

The group also provides legal, financial and regulatory support and advice to listed and to non-listed clients.

Distribution

In the main, each company has its own distribution channel. These channels are based on one to one to many, internet, or professional intermediary network according to its products and client profile.

A meaningful volume of cross-selling into the various client bases is already taking place and continues to be a priority for growth.

Financial Services Charter

The group endorses the Financial Services Charter and, in order to comply with the Charter, enjoys the attention of senior management in the group.

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approval of annual financial statements

The directors are responsible for the maintenance of adequate accounting records and to prepare annual financial statements that fairly represent the state of affairs and the results of the group. The external auditors are responsible for independently auditing and reporting on the fair presentation of these annual financial statements. Management fulfils this responsibility primarily by establishing and maintaining accounting systems and practices adequately supported by internal accounting controls. Such controls provide assurance that the group's assets are safeguarded, that transactions are executed in accordance with management's authorisations and that the financial records are reliable. The annual financial statements are prepared in accordance with South African Statements of Generally Accepted Accounting Practice and incorporate full and reasonable disclosure. Appropriate and recognised accounting policies are consistently applied.

The audit committee of the group meets regularly with the external auditors as well as senior management, to evaluate matters concerning accounting policies, internal control, auditing and financial reporting. The external auditors have unrestricted access to all records, assets and personnel as well as to the audit committee.

The financial statements are prepared on the going concern basis, since the directors have every reason to believe that the group has adequate resources to continue for the foreseeable future.

The financial statements set out on pages 26 to 61 were approved by the board of directors of PSG Group Limited and are signed on its behalf by:

JF Mouton
Chairman

CA Otto
Director

19 April 2004
Stellenbosch

report of the independent auditors

To the members of PSG Group Limited
We have audited the annual financial statements and group annual financial statements of PSG Group Limited set out on pages 26 to 61 for the period ended 29 February 2004. These financial statements are the responsibility of the directors of the company. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope
We conducted our audit in accordance with statements of South African Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures included in the financial statements;
- assessing the accounting principles used and significant estimates made by management; and
- evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion.

Audit opinion
In our opinion the financial statements fairly present, in all material respects, the financial position of the company and group at 29 February 2004 and the results of their operations, and cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice, and in the manner required by the Companies Act in South Africa.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Registered Accountants and Auditors
Chartered Accountants (SA)

19 April 2004
Cape Town

declaration by the company secretary

We declare that, to the best of our knowledge, the company has lodged with the Registrar all such returns as are required of a public company in terms of the Companies Act and that all such returns are true, correct and up to date.

PSG Corporate Services (Pty) Limited
Per JA Swanepoel
Company secretaries

19 April 2004
Stellenbosch

directors' report

NATURE OF BUSINESS

The company's subsidiaries and associated entities offer diversified financial services.

OPERATING RESULTS

The operating results and the state of affairs of the company and the group are fully set out in the attached income statements, balance sheets and notes thereto. The group's headline earnings attributable to shareholders amounted to R81,1 million (2003: R84,8 million).

SHARE CAPITAL

Details of the authorised and issued share capital appear in note 14 to the financial statements.

DIVIDENDS

Details of dividends appear in note 36 to the financial statements.

SHARE INCENTIVE SCHEME

The PSG Group Share Incentive Trust currently holds 1 786 390 PSG Group shares (2003: 5 660 990) and 591 019 Capitec Bank Holdings Limited shares (originated from the unbundling of Capitec) with a market value of R10,3 million (2003: R29,4 million), which have been allocated to participants at a total consideration of R5,1 million (2003: R29,0 million). Shares vest over a period of five years and at year-end none of the scheme shares have vested. No shares were allocated to participants during the year. The decrease in shares held is mainly as a result of the cancellation of the participation of group companies in the PSG Group Share Incentive Trust. The participation of Mr JF Mouton, a director of PSG Group, in this scheme is 1 338 615 PSG Group shares and 442 874 Capitec shares.

DIRECTORATE

The directors of the company at the date of this report appear on the inside front cover. Since the date of the previous report Mr D Lockey has been appointed as a director of the company. In terms of the company's articles of association, Mr D Lockey, being a new appointment to the board, retires as a director at the next annual general meeting but, being eligible, offers himself for re-election. Messrs L van A Bellingan and MJ Jooste retire by rotation, but being eligible, offer themselves for re-election.

DIRECTORS' EMOLUMENTS

The following directors' emoluments have been paid by the company and its subsidiaries for the year ended 29 February 2004:

R000	Fees	Basic salaries	Company contributions	Performance related [1]	**Total 2004**	Total 2003
Executive						
JF Mouton		2 212	140	1 500	**3 852**	2 352
J de V du Toit		1 200		750	**1 950**	934
CA Otto		1 522	80	750	**2 352**	1 740
Non-executive						
L van A Bellingan	80				**80**	80
PE Burton	40				**40**	40
MJ Jooste	80				**80**	80
D Lockey					**n/a**	n/a
Dr J van Zyl Smit [2]	279				**279**	n/a
Retiring directors						40
	479	4 934	220	3 000	**8 633**	5 266

1 Approved by remuneration committee on 19 April 2004 in respect of 2004 financial year.

2 Includes R54 000 in respect of directors' fees and R144 000 as chairman of audit committees at subsidiary level.

SHAREHOLDING OF DIRECTORS

The shareholding of directors in the issued share capital of the company as at 29 February 2004 was as follows:

	Beneficial		Non-beneficial		**Total shareholding 2004**		Total shareholding 2003	
	Direct	Indirect	Direct	Indirect	**Number**	**%**	Number	%
L van A Bellingan				220 000	**220 000**	**0,2**	220 000	0,2
PE Burton				100 000	**100 000**	**0,1**	–	–
J de V du Toit				2 720 000	**2 720 000**	**2,6**	1 220 000	1,0
MJ Jooste				3 172 537	**3 172 537**	**3,0**	1 597 147	1,3
D Lockey				19 700	**19 700**	**–**	n/a	n/a
JF Mouton	581 975			18 789 994	**19 371 969**	**18,4**	16 250 000	13,5
CA Otto	100			1 960 362	**1 960 462**	**1,9**	1 780 862	1,5
Dr J van Zyl Smit	935 937				**935 937**	**0,9**	n/a	n/a
	1 518 012	–	–	26 982 593	**28 500 605**	**27,1**	21 068 009	17,5

No changes in shareholding between year-end and the date of this report.

SUBSIDIARIES

Details of the holding company's interest in subsidiaries are set out in Annexure A.

During the year the group has unbundled its interest in Capitec Bank Holdings Limited (refer note 34). The only significant addition was the acquisition of the remaining 69% shares in Appleton Limited, previously an associated company of the group (refer note 46).

SPECIAL RESOLUTIONS OF SUBSIDIARY COMPANIES

Details of special resolutions passed by subsidiaries during the year under review which are material to the group, are as follows:

PSG Capital Limited

Creation of 70 million cumulative redeemable "A" preference shares.

PSG Investment Services (Pty) Limited

Approval of the proposal to implement a scheme of arrangement between Appleton Limited and certain of its shareholders.

EVENTS AFTER BALANCE SHEET DATE

An empowerment consortium led by Desmond Lockey acquired a significant holding in Channel Life Limited.

PSG Group also announced an issue for cash of 10 million shares (using its treasury stock) to Arch Equity (Pty) Limited, a BEE company, of which Mr Lockey is the controlling shareholder. Full details of this transaction were mailed to shareholders for approval at a shareholders' meeting on 22 April 2004.

SECRETARY

The secretary of the company is PSG Corporate Services (Pty) Limited. The business and postal addresses are shown on the inside back cover.

accounting policies

BASIS OF PRESENTATION

The annual financial statements have been prepared on the historical cost basis in conformity with South African Statements of Generally Accepted Accounting Practice. These policies are consistent with those adopted in the previous year, except for the implementation of the new accounting statement AC133 (Financial Instruments: Recognition and Measurement) for the first time this year, as well as the consolidation of the share incentive scheme. Refer note 44 for the effect of these changes in accounting policies.

In accordance with AC133, the principles of the statement are applied prospectively and historical figures are not adjusted to the new basis of accounting. The cumulative effect on prior years is dealt with as an opening adjustment to retained earnings.

GROUP FINANCIAL STATEMENTS

The group annual financial statements comprise those of the company, its subsidiaries, associated companies and the PSG Group Share Incentive Trust.

Subsidiaries

Subsidiary undertakings, which are those companies in which the group, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has power to exercise control over the operations, have been consolidated. Subsidiaries are consolidated from the date on which the effective control is transferred to the group and are no longer consolidated from the date of disposal. All intercompany transactions and balances between group companies have been eliminated. Investments by group companies in the policyholders' funds of assurance subsidiaries are however not eliminated.

Associated companies

Associated companies are those companies which are not subsidiaries and in which the group holds a long-term investment and exercises significant influence over their financial and operating policies. The results of associated companies are accounted for according to the equity method, based on their most recent audited financial statements or latest management information where the financial year-ends do not coincide.

Equity accounting involves recognising in the income statement the group's share of the associates' profit or loss for the year. Post-acquisition attributable income and movements in reserves since acquisition, less dividends, are added to the carrying value of these investments.

FIXED ASSETS

Fixed assets are stated at cost less accumulated depreciation.

Land is not depreciated. Depreciation on other fixed assets is calculated on the straight-line method at rates considered appropriate to reduce book values to estimated residual values over the useful lives of the assets, as follows:

– Buildings	25 years
– Motor vehicles	5 years
– Plant	15 years
– Office equipment	5 years
– Computer equipment	3 years

INTANGIBLE ASSETS

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net assets of the acquired subsidiary/associated company undertaking at the date of acquisition. Goodwill is reported in the balance sheet as an intangible asset and is amortised using the straight-line method over its estimated useful life.

Goodwill arising on major strategic acquisitions of the group to expand its product or geographical coverage is amortised over a maximum period of 20 years. For all other acquisitions, goodwill is generally amortised over a shorter period not exceeding five years.

The carrying amount of goodwill is reviewed annually and written down for permanent impairment where it is considered necessary.

Negative goodwill arises where the net assets of a subsidiary at the date of acquisition, fairly valued, exceed the cost of the acquisition. Negative goodwill – to the extent that it does not exceed the fair value of acquired non-monetary assets – is reported on the balance sheet net of other intangible assets and amortised over the estimated useful lives of the non-monetary assets. Other negative goodwill is taken directly to income.

Expenditure on acquired patents, trademarks and licences is capitalised and amortised using the straight-line method over their useful lives, generally over 20 years. The carrying amount of each intangible asset is reviewed annually and adjusted for impairment.

FOREIGN CURRENCY TRANSLATION

Foreign transactions

Transaction in foreign currencies are converted to South African rand at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated using rates of exchange ruling at the financial year-end. Foreign exchange trading positions, including spot and forward exchange contracts, are valued at current market rates taking maturity profiles into account. Resulting exchange differences are accounted for in net income.

Foreign operations and entities

Monetary assets and liabilities of subsidiaries, which are considered to be integrated foreign operations, are translated at rates of exchange ruling at the financial year-end. Income and expenditure of foreign operations are translated at the weighted average rate of exchange during the year. Exchange differences arising from the translation of integrated foreign operations are dealt with in the income statement in the year in which the difference occurs.

Assets and liabilities in subsidiaries, which are considered to be foreign entities, are translated into South African rand at middle closing rates of exchange ruling at the year-end. Income, expenditure and cash flow items are translated at the weighted average rates of exchange during the relevant financial year. Exchange differences arising on translation are taken to a non-distributable reserve.

When a foreign entity is sold, such exchange differences are transferred from non-distributable reserves to retained income.

FINANCIAL INSTRUMENTS

Financial instruments carried on the balance sheet include investments, receivables, loans and advances, investment and trading securities, cash and short-term funds, deposits and current accounts, trade creditors and borrowings. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

The company and group are also parties to financial instruments that reduce exposure to fluctuations in foreign currency exchange and interest rates. These instruments, which mainly comprise foreign currency forward contracts and interest rate swap agreements, are not recognised in the financial statements on inception but subsequently reported at fair value. The purpose of these instruments is to reduce risk.

Disclosure about financial instruments to which the group is a party is provided in note 43 to the financial statements.

INVESTMENTS

Investments of assurance subsidiaries

Investments attributable to policyholders are classified as financial assets at fair value, through net income. Investments attributable to shareholders are treated in accordance with the appropriate classification as set out under other investments and trading securities. Gains and losses arising on remeasurement of investments are included in the income statement as investment gains or losses and are shown as attributable to shareholders' or policyholders' funds as appropriate.

accounting policies continued

Other investments and trading securities

The group's investments in debt or equity securities which do not meet the criteria for subsidiaries or associated companies are classified into one of the following categories: trading, held-to-maturity and available-for-sale. The classification is dependent on the purpose for which the investments were acquired. Management determines the classification of its investment at the time of purchase and re-evaluates such designation on a regular basis.

Investments that are acquired principally for the purpose of generating a profit from short-term fluctuations in price are classified as trading investments and included under trading securities. Investments with a fixed maturity that management has the intent and ability to hold to maturity are classified as held-to-maturity and included under other investments. Investments intended to be held for an indefinite period, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale and included under other investments.

Trading and available-for-sale investments are carried at fair value. Held-to-maturity investments are carried at amortised cost. The fair value of investments are based on quoted share prices for listed securities, or for unlisted securities, estimates based on applicable price-earnings or dividend yield ratios. Equity securities for which fair values cannot be measured reliably are recognised at cost less impairment. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement. Purchases and sales of investments are recognised on the trade date, which is the date that the group commits to purchase or sell the asset.

ACCOUNTS RECEIVABLE

Trade receivables are carried at anticipated realisable values. An estimate is made for doubtful receivables based on a review of all outstanding amounts at the year-end. Bad debts are written off during the year in which they are identified.

LOANS AND ADVANCES

Advances are stated net of amounts for specific and general provisions. Specific provisions are made against identified doubtful advances. General provisions are maintained to cover potential losses which, although not specifically identified, may be present in any financial institution's portfolio of advances. The provisions created net of any recovery are included in net income.

Accrual of interest on advances is suspended when the recoverability of the advance becomes uncertain. Advances are written off once the probability of recovering any significant amounts becomes remote.

POLICYHOLDER LIABILITIES

Policyholder contracts that transfer significant insurance risk are classified as insurance contracts. These contracts are valued in terms of the Financial Soundness Valuation basis contained in PGN104 issued by the Actuarial Society of South Africa and are reflected as policyholder liabilities under insurance contracts.

Policyholder contracts that do not transfer significant insurance risk are reflected in the financial statements at fair value, with changes in fair value being accounted for in the income statement. These contracts are disclosed on the balance sheet as policyholder liabilities under investment contracts. The premium income, benefit payments, investment income, commissions and taxation relating to the assets backing these investment contracts, have been excluded from the income statement and accounted for directly against the liability. Fees earned from these products were included separately in the income statement.

OFFSETTING

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

DEFERRED TAXATION

Deferred income tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Currently enacted tax rates are used to determine deferred income tax.

Deferred tax assets relating to the carry forward of unused tax losses are recognised to the extent that it is probable that future taxable profits will be available against which the unused tax losses can be utilised.

PROVISIONS

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Employee entitlements to annual leave and long-service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long-service leave as a result of services rendered by employees up to the balance sheet date.

REVENUE RECOGNITION

Interest income and expenses

Interest income and expense are recognised on a time proportion basis, taking account of the principal amount outstanding and the effective rate over the period to maturity.

Investment income

Realised and unrealised gains and losses arising from changes in the fair value of trading investments are included in the income statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognised in equity.

Income from assurance activities

The life assurance operating profits are determined in accordance with the guidance note on Financial Soundness Valuations issued by the Actuarial Society of South Africa, PGN104.

The operating surpluses arising from life and health insurance business are determined by the annual actuarial valuation. These surpluses are arrived at after taking into account the increase in actuarial liabilities under unmatured policies, provisions for policyholder bonuses and adjustments to contingency and other reserves within the life funds.

Gains or losses arising from the fair valuation of shareholders' assets designated as available-for-sale are accounted for directly to equity.

Commission and other operating income

Other trading income comprises fees earned from brokerage activities and related services, advisory services, and portfolio management. Fee income is recognised when the company is unconditionally entitled thereto. No profit is recognised if the outcome of a transaction cannot be estimated reliably. Where income has been recognised and uncertainties arise regarding the outcome of the transaction, a provision is raised against the income.

RETIREMENT BENEFITS

Current contributions to retirement funds are charged against income as incurred. The group has no liabilities with regard to post-retirement medical benefits.

TRUST AND FIDUCIARY ACTIVITIES

The group acts as a trustee or in other fiduciary capacities that result in the holding, placing or managing of assets for the account of, and the risk of, clients. As these are not the assets of the group, they are not reflected on the balance sheet.

balance sheets

as at 29 February 2004

	Notes	Group 2004 R000	Group 2003 R000	Company 2004 R000	Company 2003 R000
Assets					
Non-current assets					
Fixed assets	1	**28 267**	165 423		
Net intangible assets	2	**40 421**	65 636		
Investment in subsidiaries	3			**808 182**	1 188 238
Investment in associated companies	4	**67 496**	80 134		
Investments of assurance subsidiaries	5	**1 083 375**	557 648		
Linked-product investments	6	**598 158**	283 339		
Other investments and non-current assets	7	**49 070**	56 607		
Deferred tax asset	8	**38 082**	104 997		
Current assets					
Inventories	9	**13 484**	14 131		
Accounts receivable	10	**137 477**	774 082	**50 000**	
Loans and advances	11	**20 834**	191 186		
Trading securities	12	**96 746**	72 653		
Cash and short-term funds	13	**206 827**	228 406	**264**	195
Total assets		**2 380 237**	2 594 242	**858 446**	1 188 433
Shareholders' funds					
Share capital	14	**1 050**	1 200	**1 150**	1 200
Share premium			382 820		382 820
Treasury shares held by subsidiary		**(31 100)**			
Non-distributable reserves	15	**6 548**	1 995		
Retained earnings	16	**355 084**	607 035	**635 223**	672 930
Ordinary shareholders' funds		**331 582**	993 050	**636 373**	1 056 950
Outside shareholders' funds		**29 513**	190 423		
Total shareholders' funds		**361 095**	1 183 473	**636 373**	1 056 950
Liabilities					
Non-current liabilities					
Policyholders' contracts					
Insurance contracts	17	**114 577**	556 902		
Investment contracts	17	**968 160**			
Linked-product liabilities	6	**598 158**	283 339		
Long-term liabilities	18	**2 491**	3 730	**98 628**	131 143
Deferred tax liability	8	**461**	359		
Current liabilities					
Deposits and current accounts	19		25 836		
Accounts payable	20	**296 077**	420 289	**115 689**	340
Provisions	21	**18 014**	32 404		
Current tax liabilities		**11 281**	3 227	**7 756**	
Short-term borrowings	22	**9 923**	84 683		
Total liabilities		**2 019 142**	1 410 769	**222 073**	131 483
Total liabilities and shareholders' funds		**2 380 237**	2 594 242	**858 446**	1 188 433

income statements

for the year ended 29 February 2004

	Notes	Group 2004 R000	Group 2003 R000	Company 2004 R000	Company 2003 R000
Revenue	23	**1 614 617**	1 657 997	**243 389**	39 847
Net interest income	24	**316 308**	377 705		
Investment income	25	**32 158**	20 796	**242 955**	39 600
Income from assurance activities	26	**21 570**	8 127		
Commission and other operating income	27	**274 176**	231 941	**434**	247
Gross profit from trading operations	28	**17 892**	77 507		
Operating income		**662 104**	716 076	**243 389**	39 847
Other operating expenses		**569 210**	553 502	**434**	247
Net income from normal operations	29	**92 894**	162 574	**242 955**	39 600
Financing costs	30	**(3 670)**	(27 162)		
Income from associated companies	31	**11 151**	5 614		
Exceptional items	32	**(15 932)**	(236 790)		
Net income before taxation		**84 443**	(95 764)	**242 955**	39 600
Taxation	33	**31 253**	42 522	**7 756**	
Net income of the group		**53 190**	(138 286)	**235 199**	39 600
Attributable to outside shareholders		**20 461**	47 651		
Earnings attributable to ordinary shareholders		**32 729**	(185 937)	**235 199**	39 600
Earnings per share (cents)	35				
Headline earnings		**72,6**	70,7		
Total earnings		**29,3**	(154,9)		
Distribution per share (cents)	36				
Normal dividend					
Final		**–**	20	**–**	20
Special distribution					
Dividend		**100**	100	**100**	100
Capital			100		100
		100	200	**100**	200

statements of changes in owners' equity

for the year ended 29 February 2004

	Group		Company	
	2004	2003	**2004**	2003
	R000	R000	**R000**	R000
Ordinary shareholders' funds at beginning of year	**993 050**	1 217 982	**1 056 950**	1 056 950
Movements in share capital				
Repurchase of shares	**(50)**		**(50)**	
Treasury shares held by subsidiary	**(100)**			
	(150)	–	**(50)**	–
Movements in share premium				
Repurchase of shares	**(17 654)**		**(17 654)**	
Treasury shares held by subsidiary	**(31 100)**			
Capital distribution	**(120 000)**		**(120 000)**	
Capitec Bank Holdings Limited unbundling	**(245 166)**		**(245 166)**	
	(413 920)	–	**(382 820)**	–
Movements in non-distributable reserves				
Available-for-sale fair value adjustment	**6 031**			
Transferred from/(to) retained earnings	**387**	(22 186)		
Foreign exchange translation	**(1 245)**	605		
Other	**(620)**			
	4 553	(21 581)	**–**	–
Movements in retained earnings				
Change in accounting policy (refer note 44)	**(11 387)**			
Net income for the year	**32 729**	(185 937)	**235 199**	39 600
Ordinary dividends	**(258 018)**	(39 600)	**(258 018)**	(39 600)
Transfer from/(to) non-distributable reserves	**(387)**	22 186		
Capitec Bank Holdings Limited unbundling	**(14 888)**		**(14 888)**	
	(251 951)	(203 351)	**(37 707)**	–
Ordinary shareholders' funds at end of year	**331 582**	993 050	**636 373**	1 056 950

cash flow statements

for the year ended 29 February 2004

	Notes	Group 2004 R000	Group 2003 R000	Company 2004 R000	Company 2003 R000
Cash retained from operating activities					
Cash generated by operating activities	46.1	**665 207**	411 427	**242 955**	39 600
Change in net current assets	46.2	**28 743**	(179 602)	**(49 649)**	(1)
Financing costs		**(3 670)**	(27 162)		
Taxation paid	46.3	**(6 009)**	(45 059)		
Cash available from operating activities		**684 271**	159 604	**193 306**	39 599
Dividends and capital distributions	46.4	**(263 018)**	(39 600)	**(263 018)**	(39 600)
Net cash retained		**421 253**	120 004	**(69 712)**	(1)
Cash utilised in investing activities					
Net investment in fixed assets and trademarks		**(32 078)**	(79 466)		
Cash movements in respect of sale of PSGIB					
Cash received on sale of PSGIB		**619 710**			
Cash paid for acquisition of certain assets		**(219 579)**			
Investments					
Subsidiaries acquired	46.5	**(63 396)**	(22 619)		
Additional shares in subsidiaries acquired		**(11 634)**	(8 951)		
Subsidiaries sold	46.6	**(107 060)**	(28 898)		
Shares in subsidiaries disposed of		**389**			
Acquisition of associates		**(814)**			
Proceeds on disposal of associates			13 497		
Capital reduction by subsidiary				**120 000**	
Loans to subsidiaries and associates		**(71)**	949	**(32 515)**	71
Investments made by assurance subsidiaries		**(525 727)**	(186 042)		
Linked product investments – funds received		**314 819**	271 904		
Linked product investments – funds invested		**(314 819)**	(271 904)		
Other investments and loans		**28 056**	57 143		
Foreign exchange translation		**(1 907)**	(21 006)		
		(314 111)	(275 393)	**87 485**	71
Cash flow attributable to investment in short-term income-earning assets					
Change in deposits and current accounts		**(13 033)**	(514 260)		
Change in loans and advances		**38 784**	(100 507)		
Change in trading securities		**(31 653)**	320 143		
Change in short-term money market assets			470 837		
		(5 902)	176 213	**–**	–
Cash flow from financing activities					
Share buyback by PSG Group Limited		**(17 704)**		**(17 704)**	
Share buyback by subsidiary companies		**(31 200)**	(18 728)		
Dividends paid to outside shareholders		**(2 377)**	(153 219)		
Cash distributions to outside shareholders			(62 018)		
Outside shareholder funding		**4 023**	394		
Change in long-term borrowings		**(80 298)**	(17 636)		
Change in short-term borrowings		**3 968**	10 690		
		(123 588)	(240 517)	**(17 704)**	–
Net increase/(decrease) in cash and equivalents		**(22 348)**	(219 693)	**69**	70
Cash and equivalents at beginning of year		**223 352**	443 045	**195**	125
Cash and equivalents at end of year	46.7	**201 004**	223 352	**264**	195

notes to the financial statements

for the year ended 29 February 2004

	Land and buildings R000	Vehicles and plant R000	Office equipment R000	Computer equipment and software R000	Total R000
1. FIXED ASSETS					
For the year ended 29 February 2004					
Balance at beginning of year	**3 966**	**1 677**	**46 556**	**113 224**	**165 423**
Additions	**132**	**976**	**11 006**	**40 410**	**52 524**
Disposals	**(14 101)**	**(64)**	**(1 911)**	**(1 036)**	**(17 112)**
Impairment charges		**(19)**	**(587)**	**(3 545)**	**(4 151)**
Depreciation	**(550)**	**(642)**	**(12 226)**	**(21 491)**	**(34 909)**
Subsidiaries acquired	**14 276**	**38**	**1 319**	**1 621**	**17 254**
Subsidiaries sold		**(282)**	**(36 979)**	**(113 501)**	**(150 762)**
Balance at end of year	**3 723**	**1 684**	**7 178**	**15 682**	**28 267**
Cost	**4 589**	**13 289**	**19 149**	**58 745**	**95 772**
Accumulated depreciation	**866**	**11 605**	**11 971**	**43 063**	**67 505**
Balance at end of year	**3 723**	**1 684**	**7 178**	**15 682**	**28 267**
For the year ended 28 February 2003					
Balance at beginning of year	12 202	126 777	48 278	105 697	292 954
Additions	1 800	31 400	19 061	29 632	81 893
Disposals		(40)	(2 266)	(121)	(2 427)
Depreciation	(491)	(9 726)	(14 800)	(22 244)	(47 261)
Subsidiaries acquired		890	768	2 654	4 312
Subsidiaries sold	(9 545)	(147 624)	(4 485)	(2 394)	(164 048)
Balance at end of year	3 966	1 677	46 556	113 224	165 423
Cost	4 457	12 883	72 190	156 053	245 583
Accumulated depreciation	491	11 206	25 634	42 829	80 160
Balance at end of year	3 966	1 677	46 556	113 224	165 423

Details of land and buildings are available at the registered offices of the relevant group companies.

The market value of land and buildings at 29 February 2004, as determined by the directors of the relevant property-owning group companies, amounted to R7 397 000 (2003: R6 881 000).

	Trademarks R000	Goodwill R000	Negative goodwill R000	Total R000
2. INTANGIBLE ASSETS				
For the year ended 29 February 2004				
Balance at beginning of year	**6 499**	**140 405**	**(29 810)**	**117 094**
Adjustments to prior year balances		**(7 833)**		**(7 833)**
Goodwill on acquisitions		**61 225**		**61 225**
Realised on disposal	**(3 334)**	**(85 544)**		**(88 878)**
Amortisation	**(531)**	**(31 441)**		**(31 972)**
Impairment charges		**(6 800)**		**(6 800)**
Balance at end of year	**2 634**	**70 012**	**(29 810)**	**42 836**
Cost	**4 795**	**120 467**	**(29 810)**	**95 452**
Accumulated amortisation	**2 161**	**50 455**		**52 616**
Balance at end of year	**2 634**	**70 012**	**(29 810)**	**42 836**
Attributable to outside shareholders		**2 415**		**2 415**
Net carrying value	**2 634**	**67 597**	**(29 810)**	**40 421**
For the year ended 28 February 2003				
Balance at beginning of year	1 980	178 691	(29 810)	150 861
Adjustments to prior year balances		7 074		7 074
Goodwill on acquisitions		10 351		10 351
Realised on disposal		(872)		(872)
Amortisation	(1 685)	(27 558)		(29 243)
Impairment charges		(20 213)		(20 213)
Subsidiaries acquired	6 204			6 204
Subsidiaries sold		(7 068)		(7 068)
Balance at end of year	6 499	140 405	(29 810)	117 094
Cost	10 616	213 666	(29 810)	194 472
Accumulated amortisation	4 117	73 261		77 378
Balance at end of year	6 499	140 405	(29 810)	117 094
Attributable to outside shareholders		51 458		51 458
Net carrying value	6 499	88 947	(29 810)	65 636

The maximum remaining amortisation period of goodwill is five years whilst negative goodwill will be amortised in relation to utilisation of assessed losses.

notes to the financial statements

for the year ended 29 February 2004

	Group		Company	
	2004	2003	**2004**	2003
	R000	R000	**R000**	R000
3. INVESTMENT IN SUBSIDIARIES				
Unlisted shares at cost less goodwill written off			**808 182**	1 188 238
Refer Annexure A				
4. INVESTMENTS IN ASSOCIATED COMPANIES				
Listed				
Carrying value of shares	**24 219**	44 187		
Retained earnings	**40 898**	34 358		
	65 117	78 545		
Unlisted				
Carrying value of shares	**400**	113		
Retained earnings	**1 345**	913		
Unsecured loans	**634**	563		
	2 379	1 589		
	67 496	80 134		
Market value of listed investments	**59 369**	53 493		
Directors' valuation of unlisted investments	**7 216**	2 716		
Refer Annexure A				
5. INVESTMENTS OF ASSURANCE SUBSIDIARIES				
Unit trusts	**115 102**	174 093		
Government, public utility and municipal stock	**49 898**	60 070		
Preferential investment	**1 750**	2 828		
Equity portfolios	**11 521**	5 545		
Secured loans	**66 096**	65 210		
Structured products	**93 187**	86 877		
Cash	**85 940**	17 060		
NCDs and promissory notes	**396 605**	145 965		
Unit portfolios	**263 276**			
Investments at market value	**1 083 375**	557 648		

6. LINKED-PRODUCT INVESTMENTS

The group has an investment product, Capitus, through its subsidiary PSG Investment Services (Pty) Limited. Funds invested by clients, shown as a liability on the balance sheet, are directly linked with funds invested. These investments are disclosed as linked-product investments and are represented by deposits with A1 banking institutions.

	Group		Company	
	2004	2003	**2004**	2003
	R000	R000	**R000**	R000
7. OTHER INVESTMENTS AND NON-CURRENT ASSETS				
Securities available for sale				
Listed				
mCubed Holdings Limited		4 341		
Capitec Bank Holdings Limited	**14 541**	894		
Other	**2 144**	6 444		
Unlisted				
Appleton Capital Management Limited	**8 593**			
Transvaal Ferochrome Limited	**9 979**			
Other	**6 951**	13 914		
Amounts advanced to share incentive scheme participants	**5 133**	29 404		
Other	**1 729**	1 610		
	49 070	56 607		
Market value of listed investments	**16 685**	9 594		
Directors' valuation of unlisted investments	**25 523**	13 574		
8. DEFERRED TAXATION				
Movements in deferred taxation				
Balance at beginning of year	**104 638**	255 117		
Charges to income statement	**(13 493)**	(9 918)		
Adjustments to prior year tax losses	**485**	(7 074)		
Subsidiaries acquired	**208**	161		
Subsidiaries disposed of	**(54 217)**	(133 648)		
Balance at end of year	**37 621**	104 638		
Analysis of deferred taxation				
Prepaid expenses	**(61)**	(595)		
Provisions	**1 141**	2 704		
Investment revaluation	**(1 576)**			
Assessed losses	**38 137**	102 529		
Other	**(20)**			
	37 621	104 638		
Composition of deferred taxation				
Deferred tax assets	**38 082**	104 997		
Deferred tax liabilities	**(461)**	(359)		
	37 621	104 638		

notes to the financial statements

for the year ended 29 February 2004

	Group		Company	
	2004	2003	**2004**	2003
	R000	R000	**R000**	R000
9. INVENTORIES				
Raw materials	**4 420**	3 214		
Work-in-progress	**5 691**	5 452		
Finished goods	**3 373**	5 465		
	13 484	14 131		
10. ACCOUNTS RECEIVABLE				
Trade debtors	**70 274**	46 821		
Prepayments and sundry debtors	**67 203**	107 551	**50 000**	
Receivable in respect of disposal of PSGIB		619 710		
	137 477	774 082	**50 000**	–
11. LOANS AND ADVANCES				
Category analysis				
Secured loans	**20 010**	78 364		
Unsecured loans	**6 158**	1 508		
Cash loans		148 191		
	26 168	228 063		
Specific and general provisions	**5 334**	36 877		
	20 834	191 186		
Maturity analysis				
On demand to one month	**1 035**	142 725		
One month to six months	**4 176**	55 856		
Six months to one year	**2 397**	5 417		
More than one year	**18 560**	24 065		
	26 168	228 063		
Analysis of provisions				
Specific provisions for bad and doubtful debts	**5 291**	35 829		
General provision	**43**	1 048		
	5 334	36 877		
Movement in provisions				
Balance at beginning of year	**36 877**	64 257		
Debts written off	**(41 002)**	(42 450)		
Subsidiaries disposed of	**(25 631)**	(35 869)		
Charge to income statement to increase provision	**35 090**	50 939		
Provision at end of year	**5 334**	36 877		

	Group		Company	
	2004	2003	**2004**	2003
	R000	R000	**R000**	R000
12. TRADING SECURITIES				
Government and government guaranteed	**36 998**	24 818		
Listed securities	**16 798**	4 220		
Unlisted securities	**6 042**			
Derivative instruments	**36 908**	43 615		
	96 746	72 653		
13. CASH AND SHORT-TERM FUNDS				
Balances with other banks	**25 711**	95 672		
Money on call and short notice	**129 483**	56 681		
Bank and cash	**51 633**	76 053	**264**	195
	206 827	228 406	**264**	195
14. SHARE CAPITAL				
Authorised				
200 000 000 shares of 1 cent each	**2 000**	2 000	**2 000**	2 000
Issued				
115 000 000 shares of 1 cent each (2003: 120 000 000)	**1 150**	1 200	**1 150**	1 200
10 000 000 shares held by a subsidiary company	**(100)**			
	1 050	1 200	**1 150**	1 200

The unissued shares in the company are placed under the control of the directors until the next annual general meeting. The directors are authorised to buy back shares subject to certain limitations and JSE requirements.

	Group 2004 R000	Group 2003 R000	Company 2004 R000	Company 2003 R000
15. NON-DISTRIBUTABLE RESERVES				
Available-for-sale reserve	**6 031**			
Foreign exchange translation	**1 137**	1 995		
Other	**(620)**			
	6 548	1 995		
16. RETAINED EARNINGS				
Company	**9 835**	47 542	**635 223**	672 930
Consolidated subsidiaries	**345 249**	559 493		
	355 084	607 035	**635 223**	672 930

notes to the financial statements

for the year ended 29 February 2004

	Group		Company	
	2004	2003	**2004**	2003
	R000	R000	**R000**	R000
17. POLICYHOLDERS' CONTRACTS				
Liabilities under insurance contracts				
Opening balance	**556 902**	372 146		
Transfer (to)/from income statement	**(36 381)**	184 756		
Reclassification to investment contracts in terms of AC133	**(405 944)**			
Closing balance	**114 577**	556 902		
Liabilities under investment contracts				
Reclassification from insurance contracts in terms of AC133	**405 944**			
Net premium income	**603 757**			
Investment income	**103 279**			
Commission and administration expenses	**(25 183)**			
Taxation	**(816)**			
Policyholder benefits	**(112 185)**			
Transfer to insurance income statement	**(6 636)**			
Closing balance	**968 160**	–		
18. LONG-TERM LIABILITIES				
Redeemable preference shares		75 000		
Loans from subsidiary companies			**98 628**	131 143
Unsecured loans	**2 623**	8 359		
	2 623	83 359	**98 628**	131 143
Less: Transferred to short-term borrowings	**(132)**	(79 629)		
	2 491	3 730	**98 628**	131 143

	Group		Company	
	2004	2003	**2004**	2003
	R000	R000	**R000**	R000
19. DEPOSITS AND CURRENT ACCOUNTS				
Category analysis				
Term deposits		25 836		
	–	25 836		
Maturity analysis				
On demand to one month		1 138		
One month to six months		5 000		
Six months to one year		11 938		
More than one year		7 760		
	–	25 836		
20. ACCOUNTS PAYABLE				
Accounts payable and accruals	**88 399**	154 617	**689**	340
Derivative financial instruments	**39 038**	24 818		
Reassurers	**23 774**	2 616		
Outstanding insurance claims	**29 866**	18 659		
Shareholders for dividends	**115 000**		**115 000**	
Payable in respect of assets acquired as part of disposal of PSGIB		219 579		
	296 077	420 289	**115 689**	340

21. PROVISIONS	**Liquidity provision R000**	**Suretyship R000**	**Onerous leases R000**	**Total 2004 R000**	Total 2003 R000
Balance at beginning of year	**3 950**	**15 000**	**13 454**	**32 404**	13 514
Additional provisions	**260**		**15 592**	**15 852**	41 273
Utilised during the year	**(1 205)**	**(15 000)**	**(15 712)**	**(31 917)**	(8 869)
Subsidiaries acquired			**3 537**	**3 537**	
Subsidiaries sold			**(1 862)**	**(1 862)**	(13 514)
	3 005	**–**	**15 009**	**18 014**	32 404

Movements in the provisions were charged to income.

Onerous lease obligations relate mainly to uneconomical leases from subsidiaries ex PSG Investment Bank. The outstanding term of these leases is one to four years.

notes to the financial statements

for the year ended 29 February 2004

	Group		Company	
	2004	2003	**2004**	2003
	R000	R000	**R000**	R000
22. SHORT-TERM BORROWINGS				
Bank overdrafts	**5 823**	5 054		
Unsecured loans	**3 968**			
Short-term portion of long-term liabilities	**132**	79 629		
	9 923	84 683		
23. REVENUE				
Interest received	**324 749**	472 036		
Investment income	**32 158**	20 796	**242 955**	39 600
Assurance income	**853 966**	395 880		
Commission and financial services income	**274 176**	231 941	**434**	247
Capitus	**67 761**	11 317		
Sales of trading operations	**61 807**	526 027		
	1 614 617	1 657 997	**243 389**	39 847
24. NET INTEREST INCOME				
Interest income				
Loans and advances	**305 314**	435 570		
Investment and trading securities	**609**	1 991		
Short-term money market assets		12 139		
Cash and short-term funds	**18 675**	22 246		
Other	**151**	90		
	324 749	472 036		
Interest expense				
Deposits and current accounts	**6 395**	82 541		
Other interest-bearing liabilities	**2 046**	11 790		
	8 441	94 331		
	316 308	377 705		
25. INVESTMENT INCOME				
Interest	**9 930**	28 638		
Dividends	**4 941**	5 871	**242 955**	39 600
Profit on realisation of investments	**10 353**	3 532		
Foreign exchange losses		(17 245)		
Fair value gains	**6 934**			
	32 158	20 796	**242 955**	39 600

	Group		Company	
	2004	2003	**2004**	2003
	R000	R000	**R000**	R000
26. INCOME FROM ASSURANCE ACTIVITIES				
Premium income				
Recurring premiums	**257 664**	224 784		
Single premiums	**565 107**	199 353		
Gross premium income	**822 771**	424 137		
Less: Premiums paid	**(92 126)**	(82 472)		
Net premium income	**730 645**	341 665		
Investment income				
Interest and dividends	**42 906**	34 120		
Net property income		25		
Realised surplus/(deficit) on investments	**12 682**	(10 766)		
Unrealised surplus on investments	**64 488**	17 356		
Net investment income	**120 076**	40 735		
Other income	**3 245**	13 480		
Total income	**853 966**	395 880		
Expenses				
Operating expenses	**128 251**	122 083		
Claims and other policyholders' benefits	**178 312**	80 914		
	306 563	202 997		
Transfer – policyholders' funds	**(525 833)**	(184 756)		
Taxation	**(1 882)**	(1 913)		
Net income from assurance operations (refer Appendix B)	**19 688**	6 214		
Add back taxation expense	**1 882**	1 913		
	21 570	8 127		

notes to the financial statements

for the year ended 29 February 2004

	Group		Company	
	2004	2003	**2004**	2003
	R000	R000	**R000**	R000
27. COMMISSION AND OTHER OPERATING INCOME				
Commission and fees	**183 892**	162 366		
Dealing and structuring transactions	**32 034**	22 725		
Treasury operations	**9 962**	27 989		
Other operating income	**48 288**	18 861		
Linked-product investments				
Investment income received	**67 761**	11 317		
Investment returns paid to investors	**(67 761)**	(11 317)		
Management fees – subsidiary companies			**434**	247
	274 176	231 941	**434**	247
28. GROSS PROFIT FROM TRADING OPERATIONS				
Sales of goods	**61 807**	526 027		
Cost of sales	**(43 915)**	(448 520)		
	17 892	77 507		
29. NET INCOME FROM NORMAL OPERATIONS				
The following items have been charged in arriving at net income from normal operations:				
Depreciation				
Land and buildings	**550**	491		
Motor vehicles and plant	**642**	9 726		
Office equipment	**12 226**	14 800		
Computer equipment and software	**21 491**	22 244		
	34 909	47 261		
Amortisation of trademarks	**531**	1 685		
Amortisation of goodwill	**31 441**	27 558		
Attributable to outside shareholders	**511**	149		
	30 930	27 409		
Rental and operating lease charges				
Properties	**41 710**	53 212		
Other	**7 218**	5 314		
	48 928	58 526		
Fair value adjustments – trading investments	**6 934**	–		

	Group		Company	
	2004	2003	**2004**	2003
	R000	R000	**R000**	R000
29. NET INCOME FROM NORMAL OPERATIONS (continued)				
Foreign exchange differences				
Foreign exchange gains	**4 787**	1 181		
Foreign exchange losses	**(2 348)**	(3 037)		
	2 439	(1 856)		
Auditors' remuneration				
Audit fees	**6 151**	5 099		
Taxation services	**402**	63		
Other consulting services	**456**	679		
	7 009	5 841		
Remuneration other than to employees				
Administration and managerial	**31 502**	23 969		
Secretarial	**760**	259		
Technical	**5 281**	763		
	37 543	24 991		
Staff costs				
Salaries wages and allowances	**209 789**	221 860		
Contributions to retirement funds	**7 643**	9 432		
Social security costs	**1 854**	1 682		
Termination benefits	**884**	7 813		
Training costs	**3 731**	1 867		
	223 901	242 654		
Directors' emoluments				
Refer directors' report				
30. FINANCING COSTS				
Long-term liabilities	**775**	14 167		
Other interest-bearing liabilities	**2 895**	12 995		
	3 670	27 162		

notes to the financial statements

for the year ended 29 February 2004

	Group		Company	
	2004	2003	**2004**	2003
	R000	R000	**R000**	R000
31. INCOME FROM ASSOCIATED COMPANIES				
Headline attributable income for the year	**12 321**	11 935		
Share of goodwill amortisation	**(501)**	(4 853)		
Share of exceptional items	**(669)**	(1 468)		
Share of net income before taxation	**11 151**	5 614		
Share of taxation (included in taxation line)	**3 826**	5 823		

32. EXCEPTIONAL ITEMS

	Profit before taxation R000	**Taxation R000**	**Outside shareholders R000**	**Group Net 2004 R000**	Group Net 2003 R000
Loss on discontinuance of operations	**8 637**			**8 637**	183 344
Goodwill impairment	**6 800**		**(136)**	**6 664**	21 230
Other impairment charges	**(662)**	**(354)**	**(106)**	**(1 122)**	16 609
Restructuring costs					18 280
Investment activities	**1 157**	**877**	**79**	**2 113**	(2 432)
Net total	**15 932**	**523**	**(163)**	**16 292**	237 031
Taxation				**(523)**	1 397
Outside shareholders				**163**	(1 638)
				15 932	236 790

	Group		Company	
	2004	2003	**2004**	2003
	R000	R000	**R000**	R000
33. TAXATION				
South African normal taxation				
Current taxation – current year	**3 738**	9 934		
Current taxation – previous year	**(97)**	(244)		
Deferred taxation – current year	**13 002**	10 854		
Deferred taxation – previous year	**463**	180		
	17 106	20 724	**–**	–
Foreign taxation				
Current taxation	**2 089**	2 007		
Deferred taxation	**28**	(1 116)		
Secondary tax on companies	**8 204**	15 084	**7 756**	
Taxation related to income from associates	**3 826**	5 823		
	31 253	42 522	**7 756**	–
Reconciliation of rate of taxation	**%**	%	**%**	%
South African normal tax rate	**30,0**	(30,0)	**30,0**	30,0
Adjusted for:				
Non-taxable income	**(59,5)**	(36,9)	**(30,0)**	(30,0)
Non-deductible charges	**34,3**	89,7		
Foreign tax rate differential	**(3,5)**	2,2		
Income from associated companies	**0,6**	4,3		
Secondary tax on companies	**9,7**	15,8	**3,2**	
Prior year overprovision	**0,4**	(0,7)		
Deferred tax asset not provided for	**25,0**			
Effective rate of tax	**37,0**	44,4	**3,2**	–
Gross calculated tax losses at the end of the year available for utilisation against future taxable income	**288 095**	402 452		
Deferred tax asset provided on	**127 123**	341 763		
Available for future utilisation *	**160 972**	60 689		
STC credits available within the group	**91 898**	47 960	**52 950**	3 013

** This is dependent on there being sufficient taxable income in the future.*

34. DISCONTINUED OPERATIONS

On 29 September 2003, the group publicly announced its intention to unbundle its investment in Capitec Bank Holdings Limited. This unbundling was approved at a general meeting of the company held on 13 November 2003.

The effective date of the transaction was 1 December 2003.

The revenue, results, cash flows and net assets of the discontinued operations were as follows:

	9 months to 30 Nov 2003 R000	12 months to 28 Feb 2003 R000
Income statement		
Revenue	308 302	326 909
Operating income	305 309	328 315
Operating expenses	(267 121)	(295 624)
Net income from operations	38 188	32 691
Financing costs	132	
Exceptional items	(8 637)	(56)
Profit before taxation	29 683	32 635
Taxation	(14 500)	(17 064)
Profit after taxation	15 183	15 571
Cash flows		
Operating cash flows	44 205	50 041
Investing cash flows	(33 487)	(22 357)
Financing cash flows	(2 558)	
Total cash flows	8 160	27 684

Based on unaudited financial results for the period to 30 November 2003.

	At 30 Nov 2003 R000	At 28 Feb 2003 R000
Assets and liabilities		
Total assets	466 360	444 355
Total liabilities	(46 467)	(51 666)
Net assets	419 893	392 689

The loss on disposal was determined as follows:

Net assets as above	419 893	
Minority shareholders	(186 806)	
Group's investment in Capitec Bank	233 087	
Goodwill realised on unbundling	35 604	
Carrying value of investment	(260 054)	
Loss on unbundling	8 637	–

	Group		Company	
	2004	2003	**2004**	2003
	R000	R000	**R000**	R000
35. EARNINGS PER SHARE				
The calculations of earnings per share are based on the following:				
Total earnings attributable to ordinary shareholders	**32 729**	(185 937)		
Adjustments (net of tax and outside shareholders):				
Goodwill amortisation	**30 930**	27 409		
Exceptional items	**16 292**	237 031		
Non-headline items of associated companies	**1 170**	6 321		
Headline earnings	**81 121**	84 824		
Weighted average number of shares (000)	**111 700**	120 000		
36. DISTRIBUTIONS TO SHAREHOLDERS				
Normal dividend				
Final				
0 cents per share (2003: 20 cents)		24 000		24 000
Special distribution				
Dividend				
100 cents per share (2003: 100 cents)	**115 000**	120 000	**115 000**	120 000
Capital				
0 cents per share (2003: 100 cents)		120 000		120 000
	115 000	264 000	**115 000**	264 000

Dividends payable are not accounted for until they have been declared. The special distribution of 100 cents per share for 2004 was declared on 4 February 2004 and accordingly provided for as a liability on the balance sheet (included in accounts payable), whilst the 2003 financial statements did not reflect the final dividends and special distributions in respect of 28 February 2003 due to those only being declared after year-end. They have been accounted for in shareholders' equity as an appropriation of retained earnings in the year ended 29 February 2004.

	Group 2004 R000	Group 2003 R000	Company 2004 R000	Company 2003 R000
37. CAPITAL EXPENDITURE APPROVED				
Expenditure contracted for		13 865		
Expenditure authorised but not contracted for	**1 675**	39 632		
	1 675	53 497		

Capital expenditure will be financed from working capital generated within the group.

notes to the financial statements

for the year ended 29 February 2004

	Group		Company	
	2004	2003	**2004**	2003
	R000	R000	**R000**	R000
38. OPERATING LEASE COMMITMENTS				
Future commitments in terms of:				
Rental agreements				
Due within one year	**4 589**	6 647		
One to five years	**1 917**	5 682		
Operating leases – premises				
Due within one year	**20 546**	46 127		
One to five years	**32 484**	67 002		
39. CONTINGENT LIABILITIES				
Guarantees				
Contingent liability in respect of risk sharing	**20 000**	22 486		
Foreign exchange				
US dollar commitments	**–**	1 335		

Axiam Holdings Limited ("Axiam") claims

Following the acquisition of Axiam by PSG Investment Bank Holdings ("PSGIB") in November 2001 and subsequent elimination of the minorities, PSGIB has an obligation to the former minority shareholders of Axiam, who together held 2% of Axiam's shares as of that date, to the effect that any recoveries resulting from actions against parties responsible for the erosion of shareholder value of Axiam before then, would be distributed to such minority shareholders pro rata to their respective shareholding as at 21 December 2001. Upon sale of PSGIB, this obligation was taken over by PSG Group Limited.

Ringfenced assets

Upon the acquisition of the business of Keynes Rational by Capitec Bank Holdings Limited, PSGIB warranted to and in favour of the minority shareholders of the former Keynes Rational Holdings Limited and to Capitec Bank Holdings Limited that the tangible net asset value of the acquired business as at 28 February 2001, would not be less than R100 million. During 2002, this liability was assumed by PSG Group following the sale of PSGIB.

In addition to the above, certain ringfenced assets and liabilities in existence at, or eminating from activities prior to 1 March 2001, would be held and administered for the exclusive benefit, risk, profit and loss of PSGIB. This benefit was transferred to Axiam Holdings Limited, a 100% subsidiary of PSG Group Limited, upon the sale of PSGIB.

Deferred tax liabilities

Deferred tax liabilities have not been established for any normal income tax that would be payable on the unremitted earnings of certain offshore subsidiaries, as it is the intention that such amounts will be permanently reinvested.

40. BORROWING POWERS

In terms of the company's articles of association, borrowing powers are unlimited. Details of actual borrowings are disclosed in note 18 to the financial statements.

41. RETIREMENT FUND

The group provides retirement benefits to all employees by way of a defined contribution fund regulated by the Pension Funds Act.

42. RELATED-PARTY TRANSACTIONS

PSG Group Limited and its subsidiaries enter into various financial services transactions with members of the PSG Group. These transactions include a range of investment, administrative, advisory and corporate services in the normal course of business. These transactions are executed on terms no less favourable than those arranged with third parties. All intergroup transactions have been eliminated on consolidation.

Apart from the group's retirement fund's investments being managed by mCubed, no significant transactions with associated companies occurred.

The shareholding of directors and the directors' remuneration are set out in the directors' report.

During the year the following amounts were paid to directors and senior management of subsidiary companies in respect of:

	R000
– additional shares in subsidiaries acquired from directors	5 745
– cancellation of options held by senior management to acquire shares in subsidiary companies	7 080

43. FINANCIAL INSTRUMENTS

Fair values

At year-end the carrying values of financial instruments reported in the financial statements approximate their fair value.

Credit risk

Potential concentrations of credit risk principally exist in the area of investments, trading securities, loans and advances, accounts receivable and cash and short-term funds. Credit risk in respect of the linked-product investments are borne by the investors.

Loans and advances and accounts receivable are disclosed net of provisions for doubtful debts. Sufficient measures are taken by the group to limit credit risk in respect of individual items to acceptable levels. Following the discontinuance of the investment banking and retail banking operations during the past two years, the group's exposure to credit risk was significantly reduced. Apart from credit swaps to the value of R20 million (2003: R43 million), originated from South African government-issued loans, the remainder of the balance does not present any significant concentration of credit risk.

The group only deposits surplus cash with major banks of high credit standing.

Interest rate risk

The group's exposure to interest rate risk is limited due to low levels of debt on the balance sheet and loans and advances being repayable within a relatively short period.

Foreign currency risk

Apart from certain unit trusts being administered in Mauritius, limited business is conducted outside South Africa. Foreign currency risk relating to the import of goods and services is managed by the use of forward exchange contracts.

44. CHANGE IN ACCOUNTING POLICIES

Application of AC133

The group has applied AC133 for the first time this year. The prior year balances have not been restated. The cumulative effect on prior years shown as a negative adjustment against equity as at the beginning of the year, was R11,4 million. The negative adjustment reported as at 31 August 2003, was R1,1 million. This change mainly relates to different bases of valuation adopted for valuing credit derivatives.

The effect of the change in accounting policy on the current year earnings is as follows:

	R000
Increase in net income before tax	6 934
Income tax effect	(2 019)
Outside shareholders	(94)
	4 821

Application of AC133 on assurance business

Contracts with policyholders are now classified as either investment or insurance contracts. Insurance contracts are those contracts which carry significant insurance risk. Where no significant insurance risk exists, contracts are classified as investment contracts. Investment contracts now fall within the scope of AC133 and are accounted for in terms of that statement. The liabilities in respect of each are disclosed separately on the balance sheet.

Premiums, investment returns, benefit payments, sales remuneration and taxation in respect of investments contracts are not included in the income statement of the life operation, but are accounted for directly against the investment contract liabilities.

The application of AC133 in respect of the assurance business and resultant split between investment and insurance contracts had no effect on the attributable earnings of the group. A reconciliation of the results as reported under AC133 and the previous basis, is presented in Appendix B.

Consolidation of the share trust

The PSG Group Share Incentive Trust was consolidated in the group financial statements for the first time this year. The consolidation had no effect on earnings or opening retained income as all scheme shares had already been allocated to participants.

45. COMPARATIVE FIGURES

Certain comparative figures have been regrouped and reclassified to provide more meaningful comparison. In compliance with AC101, gross revenue is now disclosed separately on the face of the income statement, whilst operating income represents the net revenue from each of the main revenue sources. To accomplish this, interest income of R11 million and a corresponding finance charge in 2003 were reclassified to other operating income, and employee compensation of R30 million in respect of assurance subsidiaries – previously disclosed under operating expenses – was set off against assurance income. On the balance sheet, components of the linked-product investments amounting to R11 million – previously disclosed under accounts receivable and accounts payable in 2003 – were reclassified to the linked-product investment line and linked-product liabilities line respectively.

	Group		Company	
	2004	2003	**2004**	2003
	R000	R000	**R000**	R000
46. NOTES TO THE CASH FLOW STATEMENT				
46.1 Cash generated by operating activities				
Net income from normal operations	**92 894**	162 574	**242 955**	39 600
Transfer to policyholders' fund	**525 835**	184 756		
Adjustment for other non-cash items	**46 478**	64 097		
	665 207	411 427	**242 955**	39 600
46.2 Change in net current assets				
Change in accounts receivable	**32 433**	(146 763)	**(50 000)**	
Change in inventories	**647**	(14 131)		
Change in other liabilities and provisions	**(4 337)**	(18 708)	**351**	(1)
	28 743	(179 602)	**(49 649)**	(1)
46.3 Taxation paid				
Balance at beginning of year	**(3 227)**	(7 622)		
Charge in income statement	**(31 253)**	(42 522)	**(7 756)**	
Deferred tax adjustment	**13 493**	9 918		
Share of associates' tax	**3 826**	5 823		
Charge in lieu of tax payable		(9 546)		
Subsidiaries acquired/sold	**(129)**	(4 337)		
Balance at end of year	**11 281**	3 227	**7 756**	
	(6 009)	(45 059)	**–**	–
46.4 Dividends and capital distributions				
Dividends and capital distributions for the year	**(378 018)**	(39 600)	**(378 018)**	(39 600)
Provision for payments to shareholders at end of year	**115 000**		**115 000**	
	(263 018)	(39 600)	**(263 018)**	(39 600)

notes to the financial statements

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	Group		Company	
	2004	2003	**2004**	2003
	R000	R000	**R000**	R000
46.5 Subsidiaries acquired				
Net assets of subsidiaries acquired				
Fixed assets	**(17 254)**	(4 312)		
Trademarks		(6 204)		
Investments in associated companies		(29 822)		
Other investments and non-current assets	**(20 113)**	(8 592)		
Deferred taxation	**(208)**	(161)		
Accounts receivable	**(39 112)**	(10 477)		
Loans and advances		(109 480)		
Trading securities	**(598)**	(56 906)		
Cash and short-term funds	**(13 259)**	(23 078)		
Long-term liabilities	**(438)**	995		
Short-term liabilities		537		
Accounts payable	**27 926**	13 738		
Income tax liabilities	**36**	5 566		
Provisions	**3 537**			
Outside shareholders	**7 114**	4 737		
Goodwill on acquisition	**(40 585)**	(4 509)		
Total purchase price	**(92 954)**	(227 968)		
Less: Carrying value of associate	**16 299**			
Less: Paid for by non-cash means		182 271		
Cash consideration paid	**(76 655)**	(45 697)		
Deposits and cash of subsidiaries	**13 259**	23 078		
Net cash flow	**(63 396)**	(22 619)		

	Group		Company	
	2004	2003	**2004**	2003
	R000	R000	**R000**	R000
46.6 Subsidiaries sold				
Net assets of subsidiaries sold				
Fixed assets	**150 762**	164 048		
Goodwill within subsidiaries		7 068		
Investments in associated companies		192 186		
Other investments and non-current assets	**470**	42 936		
Deferred taxation	**54 217**	133 648		
Accounts receivable	**23 553**	233 584		
Loans and advances	**131 568**	1 092 015		
Trading securities		221 347		
Short-term money market assets		185 527		
Cash and short-term funds	**113 809**	364 228		
Deposits and current accounts	**(12 803)**	(799 217)		
Long-term liabilities		(43 993)		
Accounts payable	**(43 222)**	(98 210)		
Provision for liabilities	**(1 862)**	(13 514)		
Income tax liabilities	**93**	(1 229)		
Outside shareholders		(62 127)		
Net assets of subsidiaries	**416 585**	1 618 297		
Outside shareholders	**(186 806)**	(513 692)		
Goodwill realised on disposal	**37 293**	872		
Loss on sale of subsidiaries	**(269)**	(177 330)		
Proceeds on sale	**266 803**	928 147		
Unsettled at year-end		(592 817)		
Carrying value of subsidiary unbundled	**(260 054)**			
Deposits and cash of subsidiaries	**(113 809)**	(364 228)		
Net cash flow	**(107 060)**	(28 898)		
46.7 Cash and equivalents at end of year				
Cash and short-term funds	**206 827**	228 406	**264**	195
Bank overdrafts	**(5 823)**	(5 054)		
	201 004	223 352	**264**	195

annexure a – investments

INTEREST IN SUBSIDIARIES

Company	Proportion held directly or indirectly by holding company 2004 %	2003 %	Issued share capital 2004 R000	2003 R000
PSG Financial Services Limited	**100**	100	**45 872**	45 872
PSG Investment Services (Pty) Limited	**98**	95	**1 802**	950
PSG Corporate Services (Pty) Limited	**100**	100	**4**	4
PSG Capital Limited	**91**	100	**4**	4
Channel Life Limited	**89**	88	**3 105**	1 743
Capitec Bank Holdings Limited (listed)		55		631

The company's interest in attributable income and losses of subsidiaries amounts to R54 836 000 (2003: R10 147 000) and R14 351 000 (2003: R12 740 000) respectively.

Information is only disclosed in respect of subsidiaries of which the financial position or results are material. All of the above are incorporated in the Republic of South Africa. Details of the nature of activities of each of the above subsidiaries are disclosed in the front section of this annual report. Further details of investments are available at the registered offices of the relevant group companies.

INTEREST IN ASSOCIATED COMPANIES

Company	Nature of business	Proportion held directly or indirectly by holding companies 2004 %	2003 %	Group Carrying value 2004 R000	2003 R000
Listed					
mCubed Holdings Limited	Financial services	**21**	21	**65 117**	62 739
Appleton Limited	Asset management		31		15 806
				65 117	78 545
Unlisted					
Risk Monitor Group Limited	Health consulting	**41**	41	**1 266**	1 228
Other				**1 113**	361
				2 379	1 589

Information is only disclosed in respect of associates of which the financial position or results are material. Further details of investments are available at the registered offices of the relevant group companies.

FINANCIAL INFORMATION IN RESPECT OF PRINCIPAL ASSOCIATED COMPANY
mCubed Holdings Limited

	2004 R000	2003 R000
Balance sheet		
Property, plant and equipment	**20 310**	31 236
Investments	**20 883 654**	23 777 646
Goodwill	**170 700**	183 950
Other non-current assets	**13 189**	19 963
Current assets	**164 912**	118 715
	21 252 765	24 131 510
Share capital and reserves	**367 411**	368 024
Policyholder liabilities	**20 818 507**	23 702 670
Current liabilities	**66 847**	60 816
	21 252 765	24 131 510
Income statement		
Net profit before taxation	**42 595**	32 889
Taxation	**(25 033)**	(20 322)
Net profit for the year	**17 562**	12 567

annexure b – income from assurance subsidiaries

RECONCILIATION OF INCOME STATEMENT EFFECT OF APPLICATION OF AC133

	Statutory income statement R000	Investment contracts R000	Insurance contracts R000
Income			
Gross premiums	822 771	603 757	219 014
Reassurance premiums	(92 126)		(92 126)
Net premium income	730 645	603 757	126 888
Policyholders' investment income	10 182	386	9 796
Linked policyholders' investment income	103 258	102 821	437
Shareholders' investment income	6 636		6 636
Investment policy fee			6 636
Other income	3 245	72	3 173
Total income	853 966	707 036	153 566
Outgo			
Sales remuneration	62 357	15 509	46 848
Reinsurance commissions	(19 555)		(19 555)
Net commissions	42 802	15 509	27 293
Administration expenses	85 449	9 676	75 773
Policyholders' benefits	178 312	112 185	66 127
Total outgo	306 563	137 370	169 193
Excess			
Excess of income over outgo	547 403	569 666	(15 627)
Transfer from/(to) policyholders' fund	(525 833)	(562 214)	36 381
Taxation	(1 882)	(816)	(1 066)
Transfer to insurance income statement		(6 636)	
Income from assurance operations	19 688	–	19 688

annexure c – segment report

Primary reporting segment
The group is organised in three main business segments:
– Investment banking and corporate finance
– Assurance and employee benefits
– Financial advice and funds management

Elimination of transactions between business segments have been included in the "Other" category. Segment assets and liabilities include all assets and liabilities categories as listed in the balance sheet of the group. Capital expenditure comprises additions to fixed assets and trademarks.

For the year ended 29 February 2004	Total revenue R000	Segment result R000	Segment assets R000	Segment liabilities R000
Investment banking and corporate finance	127 340	31 379	129 402	62 224
Assurance and employee benefits	871 949	19 393	1 284 215	1 169 743
Financial advice and funds management	216 950	(2 522)	764 305	654 593
Retail banking	308 302	47 153		
Other	90 076	(2 509)	202 315	132 582
	1 614 617	92 894	2 380 237	2 019 142

	Capital expenditure R000	Depreciation R000	Amortisation R000	Impairment charges R000
Investment banking and corporate finance	3 430	2 087	1 726	1 554
Assurance and employee benefits	8 833	6 972	1 947	
Financial advice and funds management	1 779	3 511	7 818	7 125
Retail banking	37 401	22 139	8 965	
Other	1 081	200	11 516	(2 541)
	52 524	34 909	31 972	6 138

For the year ended 28 February 2003	Total revenue R000	Segment result R000	Segment assets R000	Segment liabilities R000
Investment banking and corporate finance	754 811	84 542	314 950	256 450
Retail banking	326 909	47 142	434 429	48 496
Assurance and employee benefits	405 981	22 653	732 385	622 849
Financial advice and funds management	139 327	24 186	435 705	396 578
Other	30 969	(15 949)	676 773	86 396
	1 657 997	162 574	2 594 242	1 410 769

	Capital expenditure R000	Depreciation R000	Amortisation R000	Impairment charge R000
Investment banking and corporate finance	8 018	17 591	4 448	
Retail banking	31 329	21 402		4 901
Assurance and employee benefits	4 636	4 713	2 209	2 176
Financial advice and funds management	1 851	3 088	3 300	608
Other	1 950	467		12 528
	47 784	47 261	9 957	20 213

Reconciliation of segment result	2004 R000	2003 R000
Segment result (operating profit)	**92 894**	162 574
Finance charges	**(3 670)**	(27 162)
Income from associated companies	**11 151**	5 614
Exceptional items	**(15 932)**	(236 790)
Net income before taxation	**84 443**	(95 764)

Secondary reporting segment

No secondary reporting segment has been included as the group derives substantially all of its revenue from inside the Republic of South Africa.

share analysis

as at 29 February 2004

	Shareholders		Shares held	
	Number	%	Number	%
Range of shareholding				
1 – 1 000	1 864	52,9	644 320	0,6
1 001 – 10 000	1 279	36,3	4 942 607	4,7
10 001 – 100 000	302	8,6	9 589 891	9,1
100 001 – 1 000 000	57	1,6	18 974 262	18,1
Over 1 000 000	21	0,6	70 848 920	67,5
	3 523	100,0	105 000 000	100,0
Type of shareholder				
Individuals	3 015	85,6	12 390 259	11,8
Investment companies and trusts	406	11,5	70 240 070	66,9
Banks and nominee companies	74	2,1	18 692 528	17,8
Pension and provident funds	28	0,8	3 677 143	3,5
	3 523	100,0	105 000 000	100,0
Public and non-public shareholding				
Non-public				
Directors	8	0,2	28 500 605	27,1
Associates of directors	4	0,1	3 365 333	3,2
Directors of subsidiaries	8	0,2	2 485 516	2,4
Employee share scheme	1		1 786 390	1,7
	21	0,5	36 137 844	34,4
Public	3 502	99,5	68 862 156	65,6
	3 523	100,0	105 000 000	100,0

Individual shareholders holding more than 5% as at 29 February 2004

JF Mouton Family Trust	19 371 969	18,4
Old Mutual Asset Management	14 916 390	14,2
Sanlam Asset Management	12 682 832	12,1
RMB Asset Management	7 430 268	7,1
	54 401 459	51,8

shareholders' diary

	2004
Financial year-end	29 February
Profit announcement	19 April
Annual general meeting	18 June
Interim report	October

notice of annual general meeting

Notice is hereby given of the annual general meeting of shareholders of PSG Group Limited ("PSG Group" or "the company") to be held at Protea Hotel Stellenbosch, Techno Avenue, Techno Park, Stellenbosch, on Friday, 18 June 2004, at 12:00.

AGENDA

1. To receive and consider the annual financial statements of the company and the reports of the directors and the auditors for the year ended 29 February 2004.

2. To confirm the dividends to shareholders set out in the financial statements in 1 above.

3. Re-election of directors:
   3.1. To re-elect as director Mr D Lockey, being a new appointment to the board, who retires in terms of the articles of association of the company and, being eligible, offers himself for re-election.

   Summary curriculum vitae of Desmond Lockey
   Mr Lockey, aged 42, obtained a BA (Law) degree from the University of the Western Cape and a BA (Hons) degree in Business Management and Administration from the University of Stellenbosch Business School.

   He was a representative at the multi-party negotiation forum that negotiated the transition to democracy in South Africa and as a member of the South African parliament he served on various committees.

   His experience as a director includes non-executive positions in information technology, telecommunications and mining exploration companies. He is also a director of PSG Capital Limited and Channel Life Limited, subsidiaries of the company.

   3.2. To re-elect as director Mr L van A Bellingan who retires by rotation in terms of the articles of association of the company and, being eligible, offers himself for re-election.

   Summary curriculum vitae of Lourentius van Andringa Bellingan
   Mr Bellingan, aged 58, obtained his academic qualifications, including a BCom and an LLB, from the University of Stellenbosch. He also qualified as a chartered accountant (SA). He is an entrepreneur and director of various companies.

   3.3. To re-elect as director Mr MJ Jooste who retires by rotation in terms of the articles of association of the company and, being eligible, offers himself for re-election.

   Summary curriculum vitae of Markus Johannes Jooste
   Mr Jooste, aged 43, obtained a BAcc degree from the University of Stellenbosch and also qualified as a chartered accountant (SA).

   He is the chief executive officer of Steinhoff International Holdings Limited and serves on several boards in the Steinhoff group's operations in Europe, the UK and Australia.

   He also serves on the boards of other listed companies, including Unitrans (member of the remuneration committee) and Freedom Group (listed in Australia).

4. To re-appoint PricewaterhouseCoopers Inc. as auditors for the ensuing year.

5. To authorise the directors to determine and pay the auditors' remuneration for the year ended 29 February 2004.

6. To confirm the directors' remuneration, as disclosed in the annual financial statements, for the year ended 29 February 2004.

7. To consider and, if deemed fit, pass, with or without modification, the following ordinary and special resolutions:

   7.1 As an ordinary resolution
   "Resolved that the unissued shares in the company be and are hereby placed under the control of the directors until the next annual general meeting and that they be and are hereby authorised to issue any

notice of annual general meeting

such shares as they may deem fit subject to the Companies Act 1973 (Act 61 of 1973), the articles of association of the company, and the rules and regulations of the JSE Securities Exchange South Africa."

7.2 As an ordinary resolution

"Resolved that, subject to not less than 75% of those shareholders of the company present in person or represented by proxy and entitled to vote at the annual general meeting at which this resolution is proposed, voting in favour of this resolution, the directors of the company be and are hereby authorised and empowered, by way of a general authority, to allot and issue for cash without restriction, all or any of the unissued shares in the share capital of the company placed under their control as they in their discretion may deem fit, subject to the provisions of the Listings Requirements of the JSE Securities Exchange South Africa ("JSE"):

- the authority shall be valid until the date of the next annual general meeting of the company, provided it shall not extend beyond fifteen months from the date of this resolution;
- a paid press announcement giving full details, including the impact on net asset value and earnings per share, will be published after any issue representing, on a cumulative basis within any one financial year, 5% or more of the number of shares in issue prior to such issue;
- the general issues of shares for cash in the aggregate in any one financial year may not exceed 15% of the applicant's issued share capital (number of securities) of that class. The securities of a particular class will be aggregated with the securities that are compulsorily convertible into securities of that class; and, in the case of the issue of compulsorily convertible securities, aggregated with the securities of that class into which they are compulsorily convertible. The number of securities of a class which may be issued shall be based on the number of securities of that class in issue at the date of such application less any securities of the class issued during the current financial year, provided that any securities of that class to be issued pursuant to a rights issue (announced and irrevocable and underwritten) or acquisition (concluded up to the date of application) may be included as though they were securities in issue at the date of application;
- in determining the price at which an issue of shares will be made in terms of this authority the maximum discount permitted will be 10% of the weighted average traded price of such shares, as determined over the 30 trading days prior to the date that the price of the issue is determined or agreed by the directors. The committee of the JSE should be consulted for a ruling if the applicant's securities have not traded in such 30 business day period;
- any such issue will only be made to public shareholders as defined in paragraph 4.22 of the Listings Requirements of the JSE and not to related parties; and
- any such issue will only be securities of a class already in issue."

7.3 As special resolution number 1

"Resolved as a special resolution that the company be and is hereby authorised, as a general approval, to repurchase any of the shares issued by the company, upon such terms and conditions and in such amounts as the directors may from time to time decide, but subject to the provisions of section 85 to section 88 of the Companies Act 1973 (Act 61 of 1973) and the Listing Requirements of the JSE Securities Exchange South Africa ("JSE") and the requirements of any stock exchange on which the shares of the company may be quoted or listed namely that:

- the general repurchase of the shares may only be implemented on the open market of the JSE and done without any prior understanding or arrangement between the company and the counterparty;
- this general authority shall only be valid until the next annual general meeting of the company, provided that it shall not extend beyond fifteen months from the date of this resolution;
- an announcement must be published as soon as the company has acquired shares constituting, on a cumulative basis, 3% of the number of shares in issue, pursuant to which the aforesaid 3% threshold is reached, containing full details thereof;
- the general authority to repurchase is limited to a maximum of 20% of the company's issued share capital at the time the authority is granted;
- the general repurchase is authorised by the company's articles of association;
- repurchases must not be made at a price more than 10% above the weighted average of the market value of the shares for five business days immediately preceding the date of repurchase;
- the company will only effect a general repurchase if it complies with paragraphs 3.37 to 3.41 of the Listings Requirements concerning shareholder spread requirements;
- the company may at any point in time only appoint one agent to effect any repurchase(s) on the company's behalf; and
- the company must ensure that its sponsor provides the JSE with the required working capital letters before it commences to repurchase any shares."

7.4 As special resolution number 2

"Resolved as a special resolution that the company, insofar as it may be necessary to do so, hereby approves of, as a general approval, and authorises the acquisition by any subsidiary of the company of shares issued by such subsidiary and/or by the company, upon such terms and conditions and in such amounts as the directors of such subsidiary/ies may from time to time decide, but subject to the provisions of section 85 to section 88 of the Companies Act 1973 (Act 61 of 1973), and (if listed) the Listings Requirements of the JSE Securities Exchange South Africa ("JSE") and the requirements of any stock exchange on which the shares of the acquiree company may be quoted or listed, namely that:

- the general repurchase of shares may only be implemented on the open market of the JSE and done without any prior understanding or arrangement between the company and the counterparty;
- this general authority shall only be valid until the next annual general meeting of the company, provided that it shall not extend beyond fifteen months from the date of this resolution;
- an announcement must be published as soon as the subsidiary has acquired shares constituting, on a cumulative basis, 3% of the number of shares of the acquiree company in issue, prior to the acquisition, pursuant to which the aforesaid 3% threshold is reached, containing full details thereof;
- this general authority to repurchase is limited to a maximum of 20% in the aggregate of the acquiree company's issued share capital at the time the authority is granted, subject to a maximum of 10% in the event that it is the company's share capital that is repurchased by a subsidiary;
- the general repurchase is authorised by the company's articles of association;
- repurchases must not be made at a price more than 10% above the weighted average of the market value of the shares for the five business days immediately preceding the date of purchase;
- the company will only effect a general repurchase if it complies with paragraphs 3.37 to 3.41 of the Listings Requirements concerning shareholder spread requirements;
- the company may at any point in time only appoint one agent to effect any repurchase(s) on the company's behalf; and
- the company must ensure that its sponsor provides the JSE with the required working capital letters before it commences to repurchase any shares."

Reasons for and effects of the special resolutions

1. The reason for and effect of special resolution number 1 is to grant the directors a general authority in terms of the Companies Act 1973 (Act 61 of 1973) for the acquisition by the company of shares issued by it on the basis reflected in the special resolution.

   In terms of the Listings Requirements of the JSE any general repurchase by the company must, inter alia, be limited to a maximum of 20% of the company's issued share capital in any one financial year of that class at the time the authority is granted.

2. The reason for and effect of special resolution number 2 is to approve that the board of directors of any subsidiary of the company could acquire shares issued by such subsidiary and/or by the company on the basis reflected in the special resolution.

   In terms of the Listings Requirements of the JSE any general purchase by a subsidiary of listed shares must, inter alia, be limited to a maximum of 20% of the issued share capital of the acquiree company in any one financial year of that class at the time the authority is granted, subject to a maximum of 10% in the event that it is the company's share capital that is repurchased by a subsidiary.

3. The directors of the company or its subsidiaries will only utilise the general authority to purchase shares of the company and/or the subsidiary as set out in special resolutions number 1 and 2 to the extent that the directors, after considering the maximum shares to be purchased, are of the opinion that the company and its subsidiaries' ("PSG Group") position would not be compromised as to the following:
   - the PSG Group's ability in the ordinary course of business to pay its debts for a period of 12 months after the date of the notice of the annual general meeting;
   - the consolidated assets of the PSG Group will be in excess of the consolidated liabilities of the PSG Group. The assets and liabilities should be recognised and measured in accordance with the accounting policies used in the latest audited annual financial statements of the PSG Group;
   - the ordinary capital and reserves of the PSG Group after the purchase will remain adequate for the purpose of the business of the PSG Group for a period of 12 months after the date of the notice of the annual general meeting; and
   - the working capital available to the PSG Group after the purchase will be sufficient for the PSG Group's requirements for a period of 12 months after the date of the notice of the annual general meeting.

4. General information in respect of directors (inside front cover), major shareholders (page 62), directors' interests in securities and material changes (page 27) and the share capital of the company (page 41) is contained in the annual report to which this notice is attached.

notice of annual general meeting

5. The company is not involved in any legal or arbitration proceedings, nor are any proceedings pending or threatened of which the company is aware that may have or have had in the previous 12 months, a material effect on the company's financial position.

6. The directors, whose names are on the inside front cover of the annual report to which this notice is attached, collectively and individually accept full responsibility for the accuracy of the information given and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts that have been made, and that the notice contains all information required by JSE Listings Requirements.

7. Special resolutions 1 to 2 are renewals of resolutions taken at the previous annual general meeting on 13 June 2003.

VOTING
Shareholders entitled to attend and vote at the annual general meeting may appoint one or more proxies to attend, speak and vote thereat in their stead. A proxy need not be a member of the company. A form of proxy, in which are set out the relevant instructions for its completion, is enclosed for the use of a certificated shareholder or "own name" registered dematerialised shareholder who wishes to be represented at the annual general meeting. Completion of a form of proxy will not preclude such shareholder from attending and voting (in preference to that shareholder's proxy) at the annual general meeting.

The instrument appointing a proxy and the authority (if any) under which it is signed must reach the transfer secretaries of the company at the address given below by not later than 12:00 on Thursday, 17 June 2004.

Dematerialised shareholders, other than "own name" registered dematerialised shareholders, who wish to attend the annual general meeting in person will need to request their Central Securities Depository Participant ("CSDP") or broker to provide them with the necessary authority in terms of the custody agreement entered into between such shareholders and the CSDP or broker.

On a poll, ordinary shareholders will have one vote in respect of each share held. Dematerialised shareholders other than "own name" registered dematerialised shareholders, who are unable to attend the annual general meeting and who wish to be represented thereat, must provide their CSDP or broker with their voting instructions in terms of the custody agreement entered into between themselves and the CSDP or broker in the manner and time stipulated therein.

By order of the board

PSG Corporate Services (Proprietary) Limited
Company Secretaries

Stellenbosch
27 May 2004

Registered office
PSG Group Limited
1st Floor
Ou Kollege Building
35 Kerk Street
Stellenbosch 7600
(PO Box 7403, Stellenbosch 7599)

Transfer secretaries
Ultra Registrars (Proprietary) Limited
5th Floor
11 Diagonal Street
Johannesburg 2001
(PO Box 4844, Johannesburg 2000)

PSG GROUP LIMITED

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

Form of proxy – For use by certificated and own name dematerialised shareholders only

For use at the annual general meeting of ordinary shareholders of the company to be held at 12:00 at Protea Hotel Stellenbosch, Techno Avenue, Techno Park, Stellenbosch, on Friday, 18 June 2004.

I/We ____

Being the registered holder of [ ] shares hereby appoint:

1. ______________________ of ______________________ or failing him/her,

2. ______________________ of ______________________ or failing him/her,
3. the chairman of the meeting,

as my proxy to vote for me/us at the annual general meeting for purposes of considering and, if deemed fit, passing, with or without modification, the special resolutions and ordinary resolutions to be proposed thereat and at each adjournment thereof and to vote for and/or against the resolutions and/or abstain from voting in respect of the shares registered in my/our name/s in accordance with the following instructions (see Notes):

	Number of shares		
	In favour of	Against	Abstain
1. To adopt the annual financial statements and reports			
2. To confirm the dividend to shareholders set out in the annual financial statements			
3.1 To re-elect D Lockey as director			
3.2 To re-elect L van A Bellingan as director			
3.3 To re-elect MJ Jooste as director			
4. To re-appoint the auditors, PricewaterhouseCoopers Inc.			
5. To authorise the directors to determine and pay the auditors' remuneration			
6. To confirm the directors' remuneration			
7.1 Ordinary resolution re unissued shares			
7.2 Ordinary resolution re authority to issue shares for cash			
7.3 Special resolution number 1 re share buyback by PSG			
7.4 Special resolution number 2 re share buyback by subsidiaries			

Please indicate your voting instruction by way of inserting the number of shares or by a cross in the space provided.

Signed at ______________ on this ______________ day of ______________ 2004

Signature(s) ____

Assisted by *(where applicable) (state capacity and full name)*

____

Each PSG shareholder is entitled to appoint one or more proxy(ies) (who need not be a shareholder(s) of the company) to attend, speak and vote in his stead at the annual general meeting.

notes

1. A PSG Group shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space(s) provided, with or without deleting "the chairman of the annual general meeting". The person whose name appears first on the form of proxy and who is present at the meeting will be entitled to act as proxy to the exclusion of those whose names follow.

2. A PSG Group shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of shares to be voted on behalf of that shareholder in the appropriate box provided. Failure to comply with the above will be deemed to authorise the chairman of the annual general meeting, if he/she is the authorised proxy, to vote in favour of the resolutions at the meeting, or any other proxy to vote or to abstain from voting at the meeting as he/she deems fit, in respect of all the shares concerned. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholder or his/her proxy, but the total of the votes cast and in respect whereof abstentions are recorded may not exceed the total of the votes exercisable by the shareholder or his/her proxy.

3. When there are joint registered holders of any shares, any one of such persons may vote at the meeting in respect of such shares as if he/she were solely entitled thereto, but, if more than one of such joint holders be present or represented at any meeting, that one of the said persons whose name stands first in the register in respect of such shares or his/her proxy, as the case may be, shall alone be entitled to vote in respect thereof. Several executors or administrators of a deceased member, in whose name any shares stand, shall be deemed joint holders thereof.

4. Forms of proxy must be completed and returned to be received by the transfer secretaries of the company, Ultra Registrars (Proprietary) Limited, 11 Diagonal Street, Johannesburg, 2001 (PO Box 4844, Johannesburg, 2000), by not later than 12:00 on Thursday, 17 June 2004.

5. Any alteration or correction made to this form of proxy must be initialled by the signatory/ies.

6. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the company's transfer secretaries or waived by the chairman of the annual general meeting.

7. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so.

administration

DETAILS OF THE COMPANY

PSG Group Limited
Registration number 1970/008484/06
Share code: PSG
ISIN: ZAE000013017

SECRETARIES AND REGISTERED OFFICE

PSG Corporate Services (Pty) Limited
Registration number 1996/004840/07
Ou Kollege
35 Kerk Street
Stellenbosch 7600
PO Box 7403
Stellenbosch 7599
Telephone 021 887 9602
Telefax 021 887 9619

TRANSFER SECRETARIES

Ultra Registrars (Pty) Limited
11 Diagonal Street
Johannesburg 2001
PO Box 4844
Johannesburg 2000
Telephone 011 834 2265
Telefax 011 834 4398

CORPORATE ADVISOR AND JOINT SPONSOR

PSG Capital Limited

JOINT SPONSOR

PricewaterhouseCoopers Corporate Finance (Pty) Limited

BROKERS

PSG Online Securities Limited

AUDITORS

PricewaterhouseCoopers Inc

PRINCIPAL BANKERS

Absa Bank Limited

ATTORNEYS

Hofmeyr, Herbstein & Ghiwala Inc

WEBSITE ADDRESS

www.psggroup.co.za

GRAPHICOR
30725

www.psg.co.za