ON COURSE FOR THE NEXT 10 YEARS

LEARNING FROM
PAST SUCCESSES BUILDS
NEW OPPORTUNITIES

ANNUAL REPORT 2005

PSG GROUP LIMITED

PSG FINANCIAL SERVICES LIMITED

CONTENTS

BOARD OF DIRECTORS

The boards of directors of PSG Group Limited and PSG Financial Services Limited are identical

JF (Jannie) MOUTON (58)
BCom (Hons), CA(SA), AEP
Executive chairman

L VAN A (Kleintjie) BELLINGAN (59) [1, 2, 3]
BCom, LLB, CA(SA)
Entrepreneur

PE (Patrick) BURTON (52) [1, 3]
BCom (Hons), PG Dip Tax
Financial director – Snoek Wholesalers

J DE V (Jaap) DU TOIT (50)
BAcc, CA(SA), CFA
Executive director

MJ (Markus) JOOSTE (44) [1, 3]
BAcc, CA(SA)
Managing director – Steinhoff International

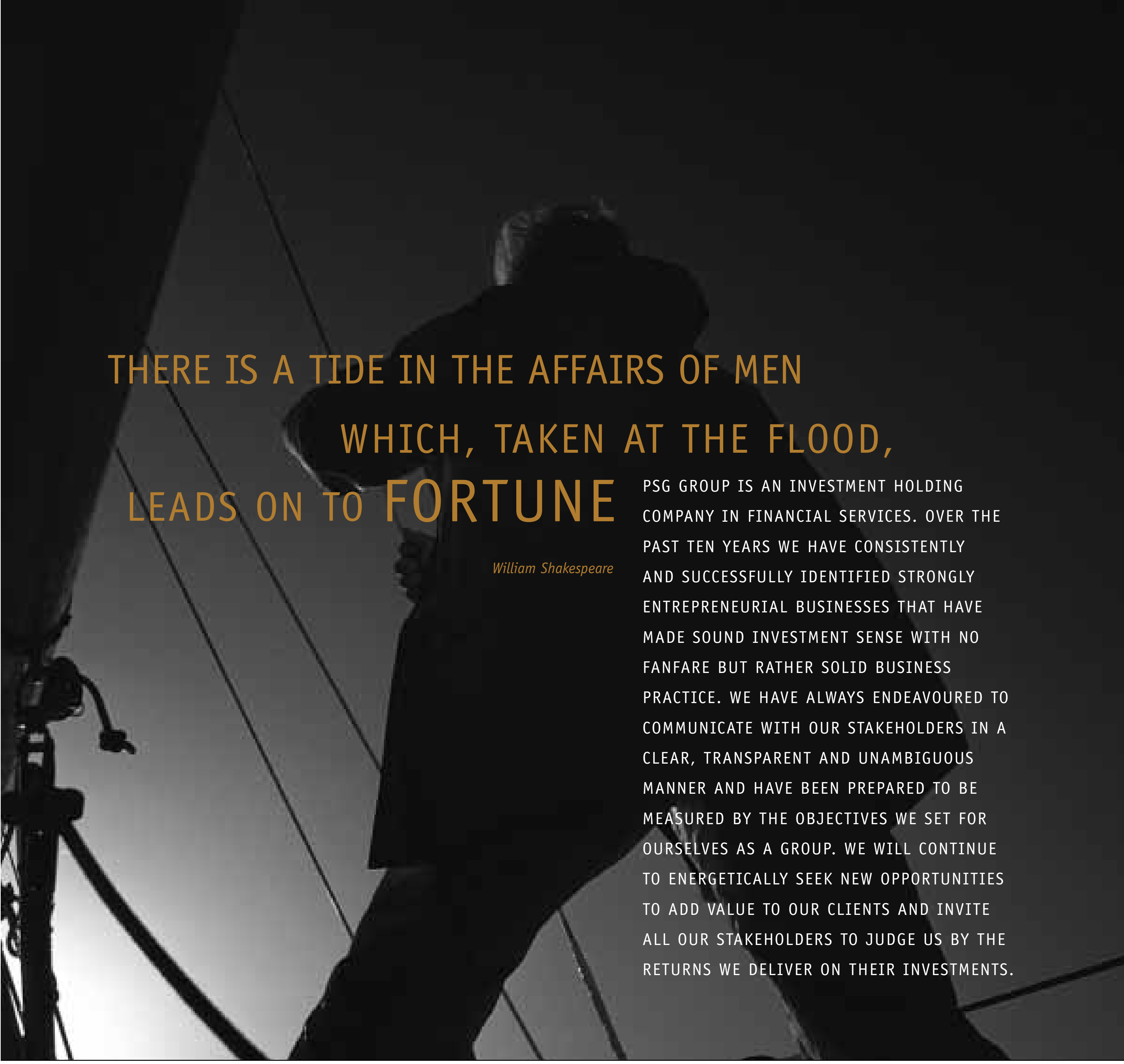
D (Desmond) LOCKEY (43) [1, 3]
BA (Law), BA (Hons) Business Management and Administration
Managing director – Arch Equity

JJ (Jan) MOUTON (30) [4]
BAcc (Hons), CA(SA), MPhil (Cambridge)
Managing director – PSG Tanzanite Opportunities Fund

CA (Chris) OTTO (55)
BCom, LLB
Executive director

J VAN ZYL (Jacobus) SMIT (Dr) (63) [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
4 Non-executive



THERE IS A TIDE IN THE AFFAIRS OF MEN WHICH, TAKEN AT THE FLOOD, LEADS ON TO FORTUNE

William Shakespeare

PSG GROUP IS AN INVESTMENT HOLDING COMPANY IN FINANCIAL SERVICES. OVER THE PAST TEN YEARS WE HAVE CONSISTENTLY AND SUCCESSFULLY IDENTIFIED STRONGLY ENTREPRENEURIAL BUSINESSES THAT HAVE MADE SOUND INVESTMENT SENSE WITH NO FANFARE BUT RATHER SOLID BUSINESS PRACTICE. WE HAVE ALWAYS ENDEAVOURED TO COMMUNICATE WITH OUR STAKEHOLDERS IN A CLEAR, TRANSPARENT AND UNAMBIGUOUS MANNER AND HAVE BEEN PREPARED TO BE MEASURED BY THE OBJECTIVES WE SET FOR OURSELVES AS A GROUP. WE WILL CONTINUE TO ENERGETICALLY SEEK NEW OPPORTUNITIES TO ADD VALUE TO OUR CLIENTS AND INVITE ALL OUR STAKEHOLDERS TO JUDGE US BY THE RETURNS WE DELIVER ON THEIR INVESTMENTS.

FINANCIAL HIGHLIGHTS

for the year ended 28 February 2005

	2005	2004	2003
Base headline earnings per share (cents)	**88,1**	47,7	35,6
Headline earnings per share (cents)	**103,0**	76,3	70,7
Distribution per share (cents)			
– Normal	**45**		20
– Special		100	200
Net asset value per share (cents)	**375**	320	828
Return on equity (%)	**31,2**	12,8	7,7

JUDGMENT IS MORE THAN SKILL

IT SETS FORTH ON INTELLECTUAL SEAS BEYOND THE SHORES OF HARD INDISPUTABLE FACTUAL INFORMATION

Kingman Brewster

CHAIRMAN'S LETTER

REFLECTION ON THE PAST 10 YEARS

This is our 10th annual report. Looking back I am proud of what we have achieved over the past 10 years. We have had ups and downs. Business is not always straightforward and predictable. To be honest, it is full of surprises and challenges.

Ten years ago I was a worried man. I was uncertain about how the new government would manage South Africa, the stability of our business environment and our prospects for peace and economic growth. I was also without a job in 1995. The future was therefore uncertain, unpredictable and even scary.

In the midst of this uncertainty we have built a successful company in what we believe to be a country of great opportunities.

TO OUR OPERATING ENVIRONMENT

Sound macro-economic management and the concerted efforts of committed South Africans led to a number of positive changes to our operating environment.

- We had a miracle transition, establishing South Africa as one of the most politically stable countries in the world.

- In the decade before 1994, average GDP growth was less than 1%. An average of 4,2% growth is expected over the next three years.
- The budget deficit has decreased from 9% of GDP in 1993, to a level of 2,3% expected for 2005.
- Inflation reached a high of 19% in 1986. This rate has been kept within the inflation target band of 3% to 6% for the last 18 months, with a level of 4% expected for 2005.
- Between 1994 and 2004, South African real exports increased by 53,4%.
- Since 1994, 10 million households have gained access to safe water, and 3,8 million households to electricity.
- The "privileged classes" are growing, with more than 7,5 million South Africans now earning more than R35 000 per annum (almost 50% of which are black).
- Since 1995, the company tax rate has come down from 35% to its current level of 29% and the maximum personal tax rate has decreased from 45% to 40%.
- According to a survey conducted by Markinor and the South African Chamber of Business, business confidence has increased steadily between 1999 and 2004.
- The JSE has grown to become the world's 15th largest stock exchange.

These are memorable achievements that have laid the foundation for South African businesses to prosper and grow. Further growth and investment, however, require an environment where education, training and labour market flexibility is adequate to feed the appetite of the expanding economy.

PSG'S HISTORY

Investors, management and I bought control of PAG Limited on 25 November 1995. Our first annual report, in 1996, contained little information about strategies for the future. We did however state that:

> *"The affairs of the company have been stabilised since the change of control towards the end of November 1995. The controlling consortium consisting of senior management and investors has, since assuming control of the company, been able to concentrate on the affairs of the company and to formulate future strategy.*
>
> *"The stock exchange brokerage, Professional Securities Limited ("PSG") (member of the JSE) in which the company has a 50% interest, commenced business on 2 March 1996. PSG has resolved to further expand its activities through the inclusion of a Fixed Interest Securities division with effect from 1 April 1996. Further details will be published as soon as possible."*

In 1997 I wrote the following:

> *"We will maximise shareholders' wealth by aggressively building each of the individual business units. All of these companies are owner managed by entrepreneurs with solid track records who know and understand their respective markets and clients' needs.*
>
> *"It is fully intended to establish long-term relationships with previously disadvantaged groups who are able to make a meaningful contribution to the growth of South Africa and PSG Group Limited in particular."*

In 1998 I was even bolder, and wrote the following with regard to our key values and the direction, or "true north", that PSG will be following:

> *"It is now just over two years since we assumed control of the listed personnel placement company, PAG Limited. At the time, we stated that we intended transforming the personnel placement company into a fully-fledged financial services group. The experience gained over the past two years has established the following key values and profile for the group:*
>
> - *We will focus on financial services, giving special attention to insurance, banking activities and asset management.*

- *Our primary attention will be to enhance shareholders' wealth over time.*
- *We believe that all employees of PSG should be shareholders in our company.*
- *PSG does not invest in capital-intensive industries, but prefers to focus on cash-generating companies.*
- *The quality of our people and management is our most important asset.*
- *We will seek out, and invest in, start-up and greenfield operations.*
- *We believe in moderate remuneration coupled with meaningful incentives when profit targets are achieved.*
- *We believe in frank and honest management information on a monthly basis.*
- *The cost of running the company and its divisions are tightly controlled.*
- *We do not believe in red tape and bureaucratic structures; the person in charge can take the best decision.*
- *We have regular strategic sessions where we refine our vision and set our goals to expand our group."*

WHAT HAPPENED IN THE MARKET

In the 1999 financial year we saw the share price reaching a level of 1900 cents per share, more than a 40 price/earnings ratio. During the following year the share price fell to 495 cents per share, representing a drop of 74%. What a wonderful wake-up call. We also experienced the tough side of business in the A2 banking crises that led to the sale of PSG Investment Bank to Absa in 2003.

PSG rose to these challenges, and now have great stories to tell regarding the listing of PSG Noble and PSG Investment Bank and the formation of Capitec Bank. We have also continued to deliver on the promises made to shareholders in our annual reports.

PROJECT UNLOCK VALUE

Project unlock value was launched in 2002. In the 2003 annual report we noted that:

> *"PSG Group is trading at a discount to net asset value (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."*

PROJECT GROWTH

In the 2004 annual report, we were able to comment on the successful conclusion of project unlock value, and initiate project growth:

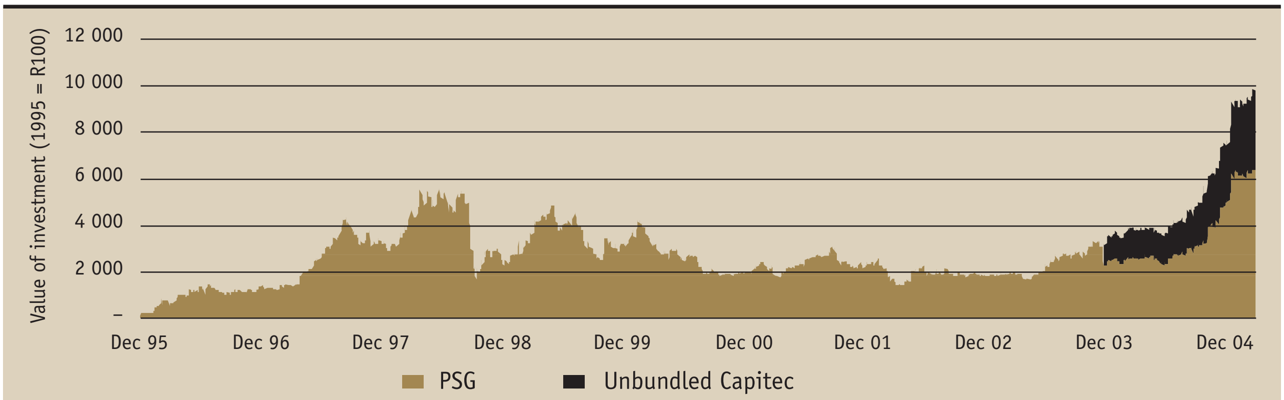
> *"Having concluded project unlock value, an investment in PSG now offers investors the opportunity to come on board for project growth.*
>
> *"Management's attention will be focused on achieving real growth in earnings and further improving the group's return on equity. In respect of the year ahead we have set a target return on equity (ROE) of 20% which we shall strive to achieve having now distributed surplus cash to shareholders."*

We have promised, and we have delivered. From 2003 to 2004, annual growth in terms of the total return index was 93%, and from 2004 to 2005 this index grew by 155%.

In accordance with our commitment to maximise shareholders' wealth, management's performance over time is measured by the total return index.

The graph below reflects the total return index for an investor buying 100 PSG shares for R35 on day one of the management buy-out (on 25 November 1995), who reinvested all dividends, and kept the Capitec shares acquired in the unbundling of PSG's Capitec shares in 2003. The graph shows returns until 28 February 2005 – approximately nine years and three months after PSG's management buy-out. The investor would have enjoyed compound growth of 63,7% over this nine-year period.

Total return index for PSG



Please note: Investment of R35 was rebased to R100.

Total return index for PSG

Date	Number of PSG shares	Number of Capitec shares	PSG investment (R)	Capitec investment (R)	Total investment (R)	Annual growth in total investment
25 Nov 95	100,00		35		35	
29 Feb 96	100,00		225		225	
28 Feb 97	105,00		504		504	124%
28 Feb 98	107,10		1 639		1 639	225%
26 Feb 99	107,10		1 253		1 253	-24%
29 Feb 00	110,51		1 083		1 083	-14%
28 Feb 01	116,79		771		771	-29%
28 Feb 02	124,98		595		595	-23%
28 Feb 03	133,07		692		692	16%
29 Feb 04	231,62	76,63	892	444	1 336	93%
28 Feb 05	317,72	79,23	2 224	1 181	3 405	155%

PSG'S PERFORMANCE IN 2005

We had a wonderful 2005 financial year, with base headline earnings growing by 84,7% to 88,1 cents per share. In calculating our base headline earnings, we eliminated the contribution made by the non-recurring deferred tax credit to headline earnings. Yes, can you believe it? The accountants tell us that a tax loss is not only an asset (intangible, I agree) but that the full value should be shown as headline earnings!

We are aware of the fact that the years ahead may be more volatile as a result of the new accounting standard, AC133, which requires a company to revalue its investments to market value at year-end – with the difference going through the income statement. As investors we are more exposed to the vagaries of the market and this could lead to more volatile earnings. To put it simply: in bull markets we should make more than good profits, and in bear markets we will not be able to achieve such impressive growth. We do not believe that this should concern shareholders. Project growth is still on course – the ride may just be a bit bumpy.

CALCULATION OF BASE HEADLINE EARNINGS

We unbundled Capitec in December 2003. To compare apples with apples I have thus excluded Capitec's contribution in the 2003 and 2004 financial years. During project unlock value we have paid two massive special dividends. We no longer have the cash and have consequently lost substantial interest income. We have adjusted the comparative financial information accordingly. In the 2005 financial year, earnings increased by a non-recurring R15,2 million due to the one-off recognition of a deferred tax asset for assessed losses that were generated in prior years.

	2005 cps	2004 cps	2003 cps
Reported headline earnings	**103,0**	76,3	70,7
Adjusted for:			
Loss of interest following payment of 200c special dividend in March 2003		(1,3)	(15,0)
Capitec Bank unbundling		(16,1)	(13,5)
Loss of interest following payment of 100c special dividend in May 2004	**(1,3)**	(7,5)	(6,6)
Non-recurring deferred tax credit	**(13,6)**	(3,7)	
Base headline earnings	**88,1**	47,7	35,6
Percentage increase	**84,7%**	34,0%	
Average net asset value	**348**	574	921
ROE based on base headline earnings	**25,4%**	8,3%	3,9%

MILESTONES

The following milestones were reached in 2005:

- An 84,7% increase in base headline earnings.
- We successfully established and listed the BEE investment company, Arch Equity, with Desmond Lockey as our partner.

- PSG issued and placed R200 million perpetual preference shares.
- We increased our ROE using base headline earnings per share to 25,4% (keep in mind our target is 20%).
- PSG paid a dividend of 45 cents per share (our dividend payout ratio is 50% of base headline earnings).
- The percentage of shares held by directors, friends and family increased to about 50%.
- We have improved the rating of PSG from trading at a 30% to 40% discount to net asset value to a premium of 60% to 80%.
- All businesses are profitable and staffed by exciting and dedicated individuals.

The activities and performance of individual companies within the group will be discussed in more detail later in the report.

DIVIDENDS AND RETURN TO SHAREHOLDERS

We as a team cannot determine PSG's share price. Our focus is therefore on making sustainable and increasing profits. On these we shall continue to declare and pay good dividends. Many of our executives and managers are also PSG shareholders. They are therefore more inspired to deliver good profits – the better the profits, the better the dividends.

PSG'S POSITION IN SOCIETY

Businesses cannot deny their own embeddedness in the societies in which they operate. We acknowledge the opportunities provided by South Africa's current economic stability and its potential for growth, and recognise the responsibility of businesses in terms of meeting the country's national goals (including increased employment, economic growth/wealth creation and meaningful black participation in the economy). Our commitment to these goals is evident in our tangible contributions to employment, wealth creation and black economic empowerment (BEE).

OUR CONTRIBUTION TO JOB CREATION

In an environment of exceptionally high, and rising, unemployment, PSG has created more than 3 700 job opportunities over the past 10 years.

OPEN THE WINDOWS, LET IN THE YEAR WE'RE LIVING IN

Kitty D'Alessio

THE NEXT CHAPTER IN THE PSG STORY WILL BE WELL WORTH READING

	Number	%
Gender		
Male	2 000	54
Female	1 700	46
Total	**3 700**	**100**
Race		
Black	2 400	65
White	1 300	35
Total	**3 700**	**100**

OUR CONTRIBUTION TO WEALTH CREATION

We have added value to society through remuneration, dividend, tax and interest payments. The table below reflects our contribution to wealth creation (in rounded figures) between 1995 and 2005.

	Rm	%
Remuneration paid to employees	1 500	54
Dividends paid to shareholders (ordinary and special)	760	28
Taxation paid to government	400	14
Interest paid to bankers	100	4
Total	**2 760**	**100**

THE FINANCIAL SECTOR CHARTER AND BLACK ECONOMIC EMPOWERMENT

PSG endorses the Financial Sector Charter. We recognise broad-based BEE not only as a social responsibility, but as an opportunity to stimulate progressive economic growth in South Africa. The group's progress with transformation, in terms of ownership and control, employment equity, human capital development, affirmative procurement and broadened access to financial services, is continuously monitored by the board.

We have concluded a BEE transaction at group level, which has significantly enhanced our compliance to the ownership and control requirements in the Charter. On 26 February 2004, we announced a BEE transaction with Arch Equity. Arch Equity is a "black company", meaning that it is more than 50% owned and controlled by black people. Arch Equity holds a 23% interest in PSG.

THE NEW YEAR

PSG will always perform strongly in a robust equity market. I expect that the equity market will remain strong for the 2006 financial year. PSG should thus have a good year ahead. Shareholders are informed of the non-recurring profits in the creation of deferred tax assets (refer to the calculation of base headline earnings).

APPRECIATION

Finally, I would like to thank PSG management, staff, the chairmen of board committees 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

Stellenbosch
18 April 2005

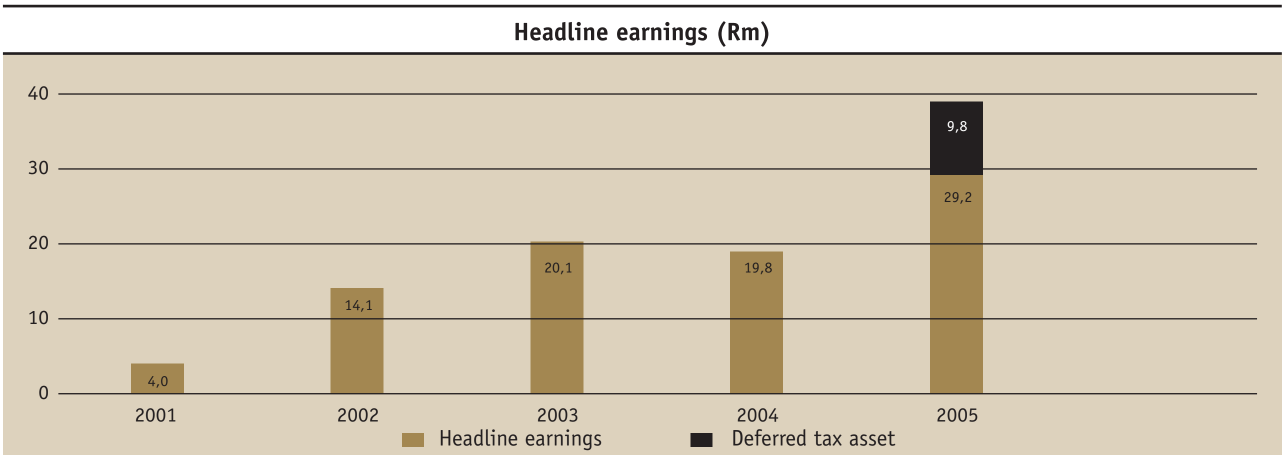
CHANNEL LIFE LIMITED – 80%

CEO – René Otto

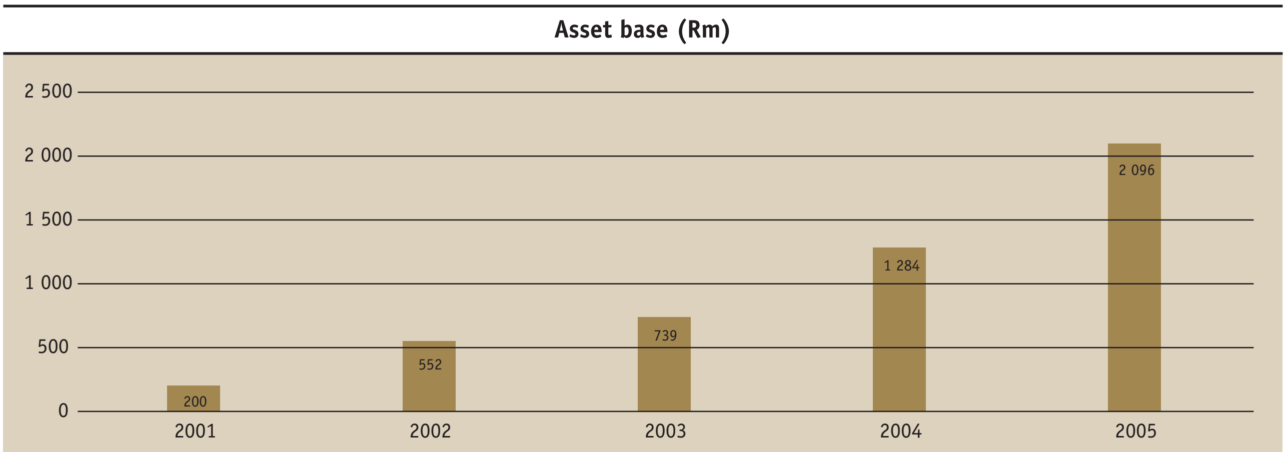
The company reached an important strategic objective, namely to establish Channel Life as a fast-growing, mid-sized life office.

This year's consolidated financial highlights may be summarised as follows:

- Headline earnings increased to R39 million for the year. This includes a one-off deferred tax credit of R9,8 million. Without the deferred tax credit, the earnings grew by 47%.



- Return on shareholders' funds increased to 32,8%, comfortably exceeding PSG's target ROE of 20% per annum.
- Gross premium income grew from R822 million in the previous financial year to R1 125 million at the end of February 2005. This represents an overall increase of 37%.
- The asset base reached R2,1 billion by year-end, a growth of 63%. Once the acquisition of m Cubed Investment Life has been bedded down, which is expected to take place by June 2005, Channel Life will boast a balance sheet with assets in excess of R6 billion.



- The CAR ratio is confirmed at 231%, which means that Channel Life covers its prescribed liabilities 2,3 times with excess assets – which is more than the 100% ratio prescribed by legislation.

Channel Life has become a profitable company with sustainable earnings and it is expected that this trend will continue into the future. The quality of earnings has improved consistently over the last five years, although we believe that work remains to be done in this area. The potential for earnings growth lies in the expansion of our retail business in South Africa, which is where our focus currently lies.

The disposal of Channel Life Namibia, as well as Channel Consulting, bolstered the company's cash resources by nearly R90 million. The Namibian investment has been a resounding success, but we believe that growth prospects for Channel are greater in South Africa than in Namibia. Hence, the board took the decision to re-establish the highly successful Namibian leadership team in the Western Cape, with effect from January 2005.

With Channel's focus now entirely on expanding its life assurance business in South Africa, the staff and management have ventured into a number of exciting growth strategies, especially for recurring premium sales. These "Africanised" distribution initiatives are already providing promising results. We are however also aware of some areas that we still need to work on, in order to reach our true potential.

Our investment business continued to show consistent growth and is supported by the presence of an accrued tax loss in our individual policyholders' fund. This has given us the ability to develop and market competitive interest-based products for our retail and institutional investment clients. To improve the management of institutional risk, we have recently invested in acquiring a linked life licence that will enable us to draw greater support from our institutional wholesale clients.

Channel Life identified the need to develop a strong, reliable brand personality to position and align the company as a serious player in our chosen niche markets. We have therefore invested in building a strong personality that reflects our reliable brand. Externally, this includes creating an enhanced public presence and recognisable message. Internally, it involves ongoing communication with our employees and facilitation to align the hearts of our people with our external message, namely Channel Life as "smart business friends".

We differentiate ourselves from our competition by encouraging our employees to develop smart solutions and we prefer to do business with people we consider friends. We are in the process of growing and developing our company culture to embrace our core brand values of trust, responsibility and freedom. In the long run, we believe our people and brand positioning will provide a sustainable competitive advantage.

Finally, the stimulus brought about by the investment in Channel Life by Arch Equity earlier last year, was an important contributing factor in Channel's success. With Arch Equity's support in transformation and BEE, Channel Life is the ideal choice for businesses that seek to build their BEE scorecard rating in terms of procurement and distribution, or for a company requiring a BEE-compliant partner for a tender process. Channel Life is highly committed to South Africa and its people and believes that BEE is a natural part of our business – it is not a score that needs to be kept. Channel Life is well positioned to lead South Africa's BEE transformation in the life industry by example.

As a result of the company's growth and transformation, Channel Life has expanded its long-term strategy and updated the positioning to reflect the following revised corporate objectives for 28 February 2007:

- Position Channel Life in the marketplace as "smart business friends"
- To be a top ten life office measured by gross assets
- To grow our total assets to over R10 billion
- To double our 2004 embedded value by February 2007
- To achieve headline earnings of R50 million

With effect from June 2005, Channel Life shares will be available to the public on PSG Online's (www.psg-online.co.za) trading platform for unlisted shares.

We believe that Channel Life is well on its way to reach the stated corporate objectives and also to list the company as planned in 2007.

PSG CAPITAL

PSG CAPITAL LIMITED – 100%

Investment banking and private equity

FINANCIAL RESULTS

Year-end 28 February	2005	2004	2003*
Headline earnings (Rm)	**31,8**	23,0	10,0
Shareholders' funds (Rm)	**75,0**	64,2	55,7
Return on shareholders' funds (%)	**45,6**	38,4	35,8
Number of shares in issue (m)	**41,92**	41,26	40,00
Headline earnings per share (cents)	**75,8**	55,8	25,0
NAV per share (cents)	**178,9**	155,7	139,1
Number of employees (including Private Equity)	**407**	397	378

** Seven-month period*

HIGHLIGHTS OF THE PAST YEAR

The past financial year saw the financial services industry benefiting from a stable economy, stronger local currency and a bullish stock market. PSG Capital was fortunate to have capitalised on the favourable market conditions which is not necessarily recurring.

It has now been two and a half years since PSG Capital's inception and the company has positioned itself as an investment banking operator focusing on private equity and alternative investments. Furthermore, progress has been made in resolving a number of ex-PSG Investment Bank legacies and turning assets to cash.

PSG Capital, as a group, increased its headline earnings from R23 million to R31,8 million during the past year. This included a non-recurring credit to income due to a deferred tax asset raised of R5,6 million. In future full tax will be provided for in this company.

All divisions and investments contributed to profits with an exceptional contribution by Special Investments.

OUR BUSINESS

Private equity supported by Corporate Finance

CORPORATE FINANCE

Team

Pierre Malan (Stellenbosch) and Jannie Grobbelaar (Johannesburg) – team leaders
Johan Holtzhausen, Gerhard Swart, Barry Groenewald, Anje Maasdorp, Wilhelm Hertzog

Services

- Proprietary investments – focus is on small to mid-size companies
- Corporate advice/JSE and Altx sponsorships and listings
- Structured products/capital raisings/placement of shares and similar instruments
- Empowerment structuring and advice
- Restructurings
- Mergers and acquisitions

Achievements

- As investment advisors, PSG Capital was rated joint 9th by Dealmakers in terms of deal flow with transactions worth more than R2,2 billion in calendar year 2004.
- In terms of general corporate finance, PSG Capital was rated 6th by transaction flow (these transactions only relate to notices that appeared in the national press).
- Expanded client base within the agriculture sector.

PRIVATE EQUITY

Our ***Private Equity*** investments contributed headline earnings of R7,1 million in 2005. Our strategy remains to invest in cash positive companies with strong management that can yield superior returns in the medium to long term. A few of the private equity achievements include:

- We acquired a 54% equity stake in *Algoa Insurance Company Limited*.
- Increasing our shareholding in *Axon Exchange* from 25% to 35,7%. This company yielded a return on investment in excess of 80%.
- *Cullinan Industrial Porcelain* remains a reliable source of earnings and contributed R4,5 million to PSG Capital's bottom line.
- An investment in *Indevco* for a 58,8% shareholding, with co-investor Arch Equity as BEE partner. This group of companies provides consultancy services relating to various incentive schemes. The transaction is effective 1 March 2005.

PSG Treasury Outsourcing (Proprietary) Limited (50,01%)

Sean O'Sullivan – CEO

PSG Treasury Outsourcing is a niche foreign exchange risk management company with more than 100 corporate customers that use the service and systems on a mandate basis. Headline earnings increased substantially due to concerted efforts to improve market share via a successful acquisition and organic growth. Much is expected of this company in the future.

PSG Trade Finance (Proprietary) Limited (66,7%)

Eric Finaughty – CEO

PSG Trade Finance focuses on acting as an intermediary to large and mid-size 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. This relationship continues to strengthen and is expanding into other regions, particularly Hong Kong and Singapore.

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 supplies both the local and export markets. With the rand strength, prices and margins remain under pressure.

Algoa Insurance Company Limited (54%)

Johnny Johnson – CEO

Algoa specialises in managing and taking risk for sick absenteeism (temporary disability) in the workplace. The company has a proven track record in reducing the direct costs of absenteeism and saving its clients considerably more in indirect related costs after the implementation of its management systems and tools. Although Algoa had a slower than expected start during the past year, the prospects for the medium term are positive with a full marketing pipeline and increased operational capacity. Substantial cash reserves are held in this company.

Axon Exchange (Proprietary) Limited (35,7%)

Philip Croeser – CEO

Axon operates in a joint venture with SocGen, specialising in scrip lending and money market placings. The company continued to perform above expectations with both securities lending and treasury marketing increasing in book size and market share.

ALTERNATIVE INVESTMENTS

PSG Capital Quantitative (Proprietary) Limited (80,5%)

Derick Burger – CEO

PSG Capital Quantitative delivered positive results despite another year where market conditions did not suit its trading approach and strategy. This coming year will see the company expand its business beyond its current trading activities through trading the international markets and investing in a business that specialises in equity arbitrage transactions.

PSG Absolute Investments (Proprietary) Limited (51%)

Jean-Pierre Matthews – CEO

PSG Absolute Investments specialises in fixed-interest asset management and financial product development. The business is comprised of three divisions:

• Asset Management:	Fixed-interest and money market funds
• Financial Engineering:	Development of derivative-based and yield-enhanced investment products
• Special Projects:	Debt origination, asset repackaging and special opportunities

During the past year, the company obtained its asset management licence and is currently managing the PSG Money Fund, with R650 million of assets under management. Having been profitable, the company declared its maiden dividend in 2005.

PSG Tanzanite Flexible Fund

Jan Mouton – Fund Manager

On 1 November 2004 the Tanzanite Capital hedge fund was converted to a regulated unit trust, PSG Tanzanite Flexible Fund, which made the fund more attractive from a tax perspective and also enabled marketing on a retail basis. As a result of the conversion, funds under management increased to R63,9 million as at 28 February 2005 (2004: R11,2 million) and to R100 million since. This hedge fund produced a combined return (after fees, before tax) of 33,0% in 2005 (2004: 31,1%).

As from 1 March 2005 the PSG Tanzanite Flexible Fund will be incorporated under PSG Fund Management Limited together with the other unit trust activities of the group. This should lead to further increases in funds under management (FUM) as PSG Fund Management Limited will assist in marketing the fund.

SPECIAL INVESTMENTS

During favourable market conditions, PSG Capital will seek out special opportunities. We benefited substantially from such investments during the past year.

We shall endeavour to capitalise on such lucrative opportunities, both listed and unlisted, in the future.

THE FUTURE

- Focus on growth – organic as well as acquisitions.
- Focus on private equity and investment banking opportunities.
- Develop annuity income to act as foundation.
- Develop synergies with Arch Equity and other PSG Group companies.

PSG KONSULT

PSG KONSULT LIMITED – 82%

CEO – Willem Theron

Independent financial planning, investments, stockbroking, portfolio management and long and short-term insurance

HIGHLIGHTS

Although positive market conditions played an important role in the company's growth in earnings per share as reflected in the financial results, much of this can also be attributed to strong organic growth as well as the successful integration of the PSG Investment Services and Appleton Wealth Management businesses into that of PSG Konsult. The establishment of an investment product committee has proved to be an invaluable tool to provide our financial planners with well-founded and unique investment solutions. We are also pleased to report that we further strengthened our excellent relationships with our product suppliers. In terms of the Financial Advisory and Intermediary Services Act our Financial Services Board licence was awarded in December 2004.

FINANCIAL RESULTS

Year-end 28 February	2005	2004	2003
Revenue (Rm)	**162,2**	72,3	27,6
Net profit before tax	**17,2**	6,7	1,5
Headline earnings (Rm)	**11,4**	4,5	1,1
Headline earnings per share (cents)	**3,06**	1,95	1,02
Growth in headline earnings per share (%)	**56,9**	91,2	51,0
Number of shares (million)			
– in issue	**373**	365	108
– weighted average	**372**	229	107
Net asset value per share (cents)	**15,27**	14,00	2,34

PEOPLE

With 103 branch offices and 194 financial planners and stockbrokers, PSG Konsult is now one of the largest independent financial planning and advisory businesses in South Africa. To enable us to continuously be aware of the needs of our clients, financial planners and associates, a regional board structure has been put in place. It has already proved its value with valuable feedback to management and the main board. In view of an ever-increasing regulatory environment in which we operate, special attention has been given to compliance with six training workshops held countrywide. A second trainee financial planner programme was launched with 14 university and tertiary educated trainees who commenced their two-year learnership programme with us in January 2005.

THE FUTURE

It is our goal to further focus on the acquisition of private client and short-term portfolios during the year ahead. With regard to our short-term division, a senior executive in the industry has agreed to join the company to co-ordinate and expand the division. A number of opportunities is currently being investigated which, if successful, could lead to a rise in turnover and net profit. An agreement was recently concluded with the Senior Citizens Association who has undertaken to recommend PSG Konsult as its preferred financial services provider to its 27 000 members countrywide. This presents an enormous challenge to our financial planners and stockbrokers to expand their client base. Our BEE initiative will be implemented according to our plan which is in line with the BEE Charter provisions. With effect from 7 March 2005, PSG Konsult shares are available to the public on PSG Online's (www.psg-online.co.za) trading platform for unlisted shares.

PSG FUND MANAGEMENT

PSG FUND MANAGEMENT – 98%

CEO – Ross Breedt

Local and offshore investment platform and asset management

FINANCIAL RESULTS

Year-end 28 February	2005
Revenue (R000)	46 165
Headline earnings (R000)	7 095

Note: No comparative figures are presented for the consolidated entity due to the restructuring of the PSG Fund Management Group in the past financial year.

HIGHLIGHTS

The past financial year was again filled with many changes and challenges. We operate within a dynamic industry that is constantly evolving and changing, which means change will be a constant going forward. We believe we are well positioned to adjust and adapt to this challenge.

As at 28 February 2005, PSG Fund Management (PSGFM) had R4,6 billion worth of assets under administration. This was an increase of R1,6 billion (52%).

Our business consists of the following major components which were the drivers of our business in the past year:

- Local collective investments (PSG Collective Investments Limited)
- Offshore collective investments (Guernsey and Mauritius)
- Structured investments
- Asset management

The past financial year was marked by a strong performance in the local equity market. This, in addition to our good long-term performance, created good inflows into our local unit trusts business. Further to this, our focus to provide solution-based products to financial advisor channels, helping them to limit their FAIS risk in terms of asset management, also enhanced our local asset growth. We are particularly pleased with the support we received from our strategic distribution partners such as PSG Konsult, Destiny Asset Managers and Bond Street Financial Services.

We are also pleased with the successful merger of PSG Unit Trusts and Appleton Unit Trusts which will now be known as PSG Collective Investments Limited effective 1 March 2005. This merger will result in both an enhanced product offering and cost savings.

Despite declining interest rates and low inflation we still had a good year with Capitus, offering secured and competitive after-tax returns to investors. Our in-house developed administration system also proved robust, allowing us to roll out various different products and simultaneously administer existing investments. We were thus able to maintain our competitive edge in the market.

We are also glad to report the conclusion of a transaction whereby the management of the "old" PSG Asset Management acquired a 50% shareholding in that company. The name was subsequently changed to Alphen Asset Management effective 1 September 2004. The effect of this transaction already delivered beyond our expectations. The team under Adrian Clayton runs a very focused and niche multimanager and single-manager business managing R808 million of our local unit trust funds. Alphen Asset Management also manages segregated portfolios and wrap funds, bringing its total assets under management to R1,3 billion as at 28 February 2005.

The strong local currency as well as the amnesty for offshore investors meant that offshore collective investment products were not favoured as an investment vehicle of choice during this period. We experienced negative flows in this business in the past year. Although it was a very difficult year on the offshore front, our cost-saving excercises during the past year still allowed us to make good profits.

PEOPLE

We have a very experienced, young and dynamic staff complement of 23 employees.

BLACK ECONOMIC EMPOWERMENT

PSG Fund Management, in terms of its staff complement, is exempt from certain components of the Financial Sector Charter. However, we have aligned our commitment to the Charter with the PSG Group and view this as an opportunity for growth and development. Our areas of participation to the core components of the Charter will be focused on skills development through learnership programmes and various industry initiatives such as consumer education and access to financial services through the Association of Collective Investments.

THE WAY FORWARD

- We shall continue to enhance our business model in securing long-term strategic alliances with distribution channels, as well as strategic alliances with producers of performance (asset managers).
- We shall continue to focus on creating and providing solution-driven products in conjunction with our distribution and asset management partners.
- We shall enhance our platform capability by taking part in consolidations that are happening in our industry.
- We shall focus on consolidating our offshore platforms in line with our local collective investment business, resulting in solution-driven products and removing unnecessary duplicate structures. We believe having an offshore platform is key to our long-term strategy.
- Capitus's first three-year product matures in October 2005. Our effective administration system will allow us to use the opportunity that exists to offer various competitive products with the least amount of effort for clients and advisors wishing to reinvest the matured amounts.

PSG ONLINE

PSG ONLINE HOLDINGS (PTY) LIMITED – 94%

CEO – Charles Chapman

Stockbroking and investor education

FINANCIAL RESULTS

Year-end 28 February	2005	2004	2003
Headline earnings (Rm)	**5,5**	3,1	2,2
Assets under administration (Rbn)	**12,8**	9,0	6,5
Number of transactions	**147 107**	138 558	134 219
Number of active internet clients	**7 128**	5 417	3 075
Number of employees	**40**	34	35

OUR DIVISIONAL STRUCTURE

STOCKBROKING SERVICE PROVIDER

The stockbroking service provider provides the stockbroking community with execution, settlement, finance, corporate actions and reporting at affordable rates.

PSG ONLINE

PSG Online provides the infrastructure for investors to gain electronic access to financial markets and manage their investments.

INVESTOR EDUCATION

Investor education, through its accredited products, empowers the private individual to gain knowledge and understanding of financial markets.

HIGHLIGHTS OF THE PAST YEAR

- Contracts for differences (CFDs) were added to our product range.
- PSG Online's client base grew by 24%, with an increase of 20% in revenue.
- Transactions now equate 12% of the entire private client market.
- We obtained our FASSET accreditation. We are now an accredited provider of higher education and training in the SETA for finance, accounting, management consulting and other financial services.

MANAGEMENT TEAM

We have an experienced and well-settled management team.

THE WAY FORWARD

STOCKBROKING SERVICE PROVIDER

Continuously strives to make the settlement process more cost effective by adding volumes.

PSG ONLINE

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

INVESTOR EDUCATION

The investor education products and services will be re-engineered to be more consumer orientated, with the use of multimedia applications and CRM-driven distribution.

SALES AND MARKETING INFRASTRUCTURE

PSG Online is setting up an in-house sales and marketing infrastructure to take the re-engineered investor education product to market and increase our online broking market share.

ARCH EQUITY LIMITED – 20%

CEO – Desmond Lockey

BACKGROUND

Arch Equity is a BEE investment management company that focuses on empowerment transactions and private equity investments. At 28 February 2005 the company had a market capitalisation of R323 million. It is well positioned as one of the largest and more prominent broad-based BEE companies situated in the Western Cape. It has a direct and indirect black shareholder base in excess of 10 000 people. The total black shareholding is presently at 53,2%. Other major shareholders include PSG with 20% and Sanlam with 8%. The company has a strong balance sheet, with investments that will provide a combination of strong cash flows and high-growth opportunities in the years to come.

OPERATIONAL HIGHLIGHTS

Arch Equity was officially launched on 17 May 2004. The company raised R167 million to date, in three private placements.

The company made six investments since inception:

• PSG Group	22,6%
• Capitec Bank	15,6%
• Channel Life	30,0%
• Unitrans	4,5%
• Big Box	30,0%
• Compress	75,0%

On 10 December 2004 Arch Equity listed on the JSE AltX. The private placement that accompanied the listing was 70% oversubscribed.

FINANCIAL HIGHLIGHTS

The intrinsic value of Arch Equity increased by 107% to R345 million or 240 cents per share. At year-end the company had R66 million cash available to make further investments. The board of directors has recommended a dividend of 4 cents per share, payable in July 2005.

DIRECTORS

Japie Moropa joined Arch Equity on 1 April 2005 as a full-time executive director based in Gauteng. Japie was previously a non-executive of Arch Equity, as well as the executive chairman of Securicor South Africa.

PROSPECTS GOING FORWARD

The process of black economic empowerment has presented the company with a number of opportunities to acquire significant stakes in quality companies. Arch Equity is in an advanced stage in concluding three promising transactions. New and exciting opportunities are also pursued with our current partners. Management believes that Arch Equity's first financial year has set the foundations for what promises to be a prosperous future.

m CUBED CAPITAL

m CUBED HOLDINGS LIMITED – 28%

m Cubed Holdings Limited (m Cubed) is a premier provider of risk-targeted investment solutions for institutional and individual investors. The group operates nationwide and in Guernsey. m Cubed's core business components include:

- Wealth management
- Specialised investments, lending and treasury
- Institutional multimanager asset management (50% ownership in Advantage Asset Managers)

GROUP HIGHLIGHTS FOR 2005

ASSET MANAGEMENT MERGER CREATES ADVANTAGE ASSET MANAGERS

A major focus for the year was the merger of m Cubed and Momentum's domestic multimanagement businesses to form a new asset management company, Advantage Asset Managers. m Cubed and Momentum each hold 50% of this new company. For m Cubed shareholders, the merger unlocks value and offers the opportunity to share the fruits of the combined multimanager's potential. With more than R38 billion of assets under management and administration, Advantage Asset Managers is the second largest multimanager in the industry by a significant margin, and operates independently of any asset manager and asset management consultant.

FOCUS ON WEALTH MANAGEMENT BUSINESS

The asset management merger has provided m Cubed with the opportunity to refocus and further develop the core wealth and specialised investment businesses where it has developed a strong reputation for innovation and service levels in the upper end of the private client market where it competes. It also allows us to provide other fund managers' products on our platform. Major growth opportunities lie in the employee benefits business, which provides umbrella and private benefit schemes administration, and in the life investment products area, both of which are showing pleasing inflows.

STREAMLINING OF OPERATIONS

In line with the renewed direction post the merger, we are streamlining our operations and exiting our non-core businesses. This tighter structure will better position m Cubed to pursue its core wealth management business.

PROSPECTS GOING FORWARD

FOCUS ON WEALTH MANAGEMENT

The expected growth in our employee benefit and life investment product areas is expected to make a positive contribution to the group in the forthcoming year.

UNLOCKING VALUE THROUGH STREAMLINED OPERATIONS

Exiting non-core businesses will further unlock value for m Cubed stakeholders in the year to come.

STOCK EXCHANGE PERFORMANCE

Year-end 28 February	**2005**	2004	2003	2002	2001	2000	1999	1998	1997	1996
Market price (cents)										
– High for the year	**705**	520	650	885	986	1 585	1 900	1 550	510	300
– Low for the year	**253**	255	375	440	527	800	495	445	210	20
– Closing price	**700**	385	520	476	660	1 000	1 170	1 530	470	225
– Average	**428**	460	512	675	685	1 114	1 172	966	401	78
Closing price/earnings	**6,8**	5,0	7,4	3,4	4,4	8,3	13,6	32,3	17,9	16,4
Volume of shares traded (000)	**48 528**	56 204	42 636	47 775	49 009	45 265	30 219	23 443	14 120	22 210
Value of shares traded (R000)	**207 742**	258 285	218 168	322 493	335 512	504 273	354 050	226 564	56 557	17 238
Volume/weighted average shares (%)	**43,3**	50,3	35,5	38,5	36,8	33,1	37,1	32,2	36,7	101,8

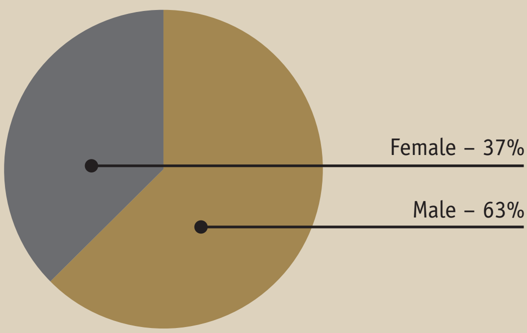
OUR TRACK RECORD

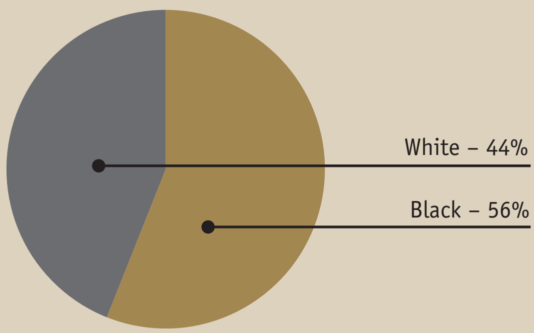
Year-end 28 February	**2005**	2004	2003	2002	2001	2000	1999	1998	1997	1996
Headline earnings per share (cents)	**103,0**	76,3	70,7	141,0	150,3	120,6	85,9	47,3	25,5	14,4
Headline earnings (R000)	**115 383**	85 184	84 824	175 152	200 211	164 745	82 031	34 467	10 105	3 133
Distribution per share (cents)										
– Normal	**45**		20	50	45	36	25			
– Special		100	200							
Ordinary shareholders' funds (Rm)	**404**	336	993	1 218	1 141	1 085	638	535	78	7
Net worth per share (cents)	**375**	320	828	1 015	899	778	669	617	147	34
Total assets (Rm)	**3 402**	2 384	2 594	4 477	3 416	3 474	2 543	1 258	233	25
Market capitalisation (Rm)	**754**	404	624	571	838	1 395	1 117	1 172	249	49
Number of shares (000)										
– Issued	**107 700**	105 000	120 000	120 000	126 900	139 500	95 445	86 611	52 930	21 818
– Weighted average	**112 045**	111 700	120 000	124 204	133 200	136 613	95 445	72 869	39 588	21 818
ROE (%)	**31,2**	12,8	7,7	14,9	18,0	19,1	14,0	11,3	23,7	42,6

GROUP EMPLOYEE STATISTICS

as at 28 February 2005

	Number	%
GENDER		
Male	498	63
Female	298	37
RACE		
Black	446	56
White	350	44
EDUCATION		
Up to grade 11	279	35
Grade 12	204	26
Post-grade 12 (e.g. diploma/certificate)	146	18
University degree	93	12
Post-graduate degree or professional qualification	74	9
HIERARCHY		
Executive directors (including CEOs and MDs)	44	6
Executive management	58	7
Operational	500	63
Support	194	24
Total number of employees	796	





VALUE ADDED STATEMENT

for the year ended 28 February 2005

	2005		2004	
	R000	%	R000	%
VALUE ADDED				
Net interest income	**11 216**	**3**	316 308	48
Investment income	**40 594**	**10**	32 158	5
Income from assurance activities	**27 979**	**6**	21 570	3
Commission and other operating income	**335 333**	**81**	292 068	44
	415 122	**100**	662 104	100
Net operating expenses	**125 990**	**30**	269 033	41
	289 132	**70**	393 071	59
VALUE ALLOCATED				
To employees				
Salaries, wages and other benefits	**166 482**	**58**	223 901	57
To providers of capital	**22 242**	**8**	29 065	7
Interest on loans	**5 543**	**2**	3 670	1
Dividends – own shareholders	**11 000**	**4**	23 018	6
– outside shareholders	**5 699**	**2**	2 377	1
To government	**24 032**	**8**	21 771	6
Normal taxation	**12 277**	**4**	11 845	3
Value added tax	**6 580**	**2**	3 515	1
Financial services levies	**383**	**0**	736	0
Regional services council levies	**1 204**	**1**	1 992	1
Stamp duties	**3 588**	**1**	3 683	1
To expansion and growth	**76 376**	**26**	118 334	30
Depreciation	**9 002**	**3**	34 909	9
Retained income – own shareholders	**59 940**	**21**	65 341	17
– outside shareholders	**7 434**	**2**	18 084	5
	289 132	**100**	393 071	100

CORPORATE GOVERNANCE

The PSG Group is committed to the principles of transparency, integrity and accountability as advocated in the King Report 2002 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 a 100% attendance. The board comprises three executive directors, five independent non-executive directors and one non-executive director.

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 CEO. 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.

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 the 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.

The group recognises that South Africa is facing an HIV/Aids epidemic of considerable proportions. Although our healthcare system will bear (and is already bearing) the initial brunt of the epidemic, there is little doubt that it will affect every aspect of our society including our companies and workplaces.

The board accepts that it is ultimately responsible for the group's response to the evolving HIV/Aids epidemic, but holds the respective boards of the subsidiary and associated companies responsible for the development and implementation of HIV/Aids response strategies to suit their particular needs and circumstances. These strategies include the following:

- An assessment of the potential impact of the epidemic on the company's workforce and business activities
- The development and implementation of programmes to monitor, minimise and manage the potential impact of the epidemic on the organisation and its business activities
- The establishment of a non-discriminatory and supportive workplace environment where the rights of people living with, or affected by, HIV/Aids are respected and protected
- Assistance to employees living with HIV/Aids to gain access to appropriate medical care (including anti-retroviral drugs) to enhance their quality of life and life expectancy and extend the duration of gainful employment.

To "kick-start" the latter process (appropriate medical care) the PSG Group will provide all employees of subsidiary companies who do not already enjoy such benefits via their medical scheme membership, with free access to voluntary counselling and HIV testing and, if found HIV positive, appropriate medical care, including anti-retroviral therapy.

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 scheme 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, multimanagement, financial training, asset management and investor support products.

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

DISTRIBUTION

In the main, each company has its own distribution channel. These channels are based on one to one, 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 SECTOR CHARTER

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

CONTENTS

PSG GROUP LIMITED

ANNUAL FINANCIAL STATEMENTS

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 28 to 62 were approved by the board of directors of PSG Group Limited and are signed on its behalf by:

JF Mouton
Chairman

J de V du Toit
Director

CA Otto
Director

18 April 2005
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 28 to 62 for the year ended 28 February 2005. 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 28 February 2005 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)

18 April 2005
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

18 April 2005
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 R115,4 million (2004: R85,2 million).

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

During the year under review the number of shares in issue changed as follows:

000	Number of shares
At beginning of year	115 000
Shares held by a subsidiary company at beginning of year	10 000
Net shares in issue	105 000
Issued to Arch Equity Limited in terms of a specific issue for cash	10 000
Issued to PSG Capital Limited minorities	1 820
Issued to Arch Equity Limited in terms of a specific issue for cash	4 675
Shares bought back and cancelled	(2 300)
At end of year	119 195
Shares bought back by a subsidiary company during the year	11 495
Net shares in issue at end of year	107 700

DIVIDENDS
Details of dividends appear in note 35 to the financial statements.

SHARE INCENTIVE SCHEME
The PSG Group Share Incentive Trust currently holds 6 124 160 PSG Group Limited shares and 451 330 Capitec Bank Holdings Limited shares, which have been allocated to participants at a total consideration of R17,8 million. Shares vest over a period of five years. The maximum number of shares which may be offered to participants is 10% of the issued share capital of the company at any time.

The following is a summary of the number of shares allocated to participants:

	PSG Group Limited		Capitec Bank Holdings Limited	
	2005	2004	**2005**	2004
Number of shares allocated at beginning of year	**1 786 390**	5 660 990	**591 019**	
Shares obtained through unbundling				591 019
Number of shares allocated during the year	**4 755 550**			
Number of shares released to participants during the year	**(417 780)**	(3 866 600)	**(139 689)**	
Cancellation of shares previously allocated		(8 000)		
Number of shares allocated at end of year	**6 124 160**	1 786 390	**451 330**	591 019

Participation of executive directors in the scheme is as follows:

	Offer date	cps	PSG Group Limited **Number 2005**	Number 2004	Capitec Bank Holdings Limited **Number 2005**	Number 2004
JF Mouton	15/12/2000	600	**357 925**	644 265	**118 418**	213 152
	12/03/2002	375	**522 550**	522 550	**172 883**	172 883
	20/11/2002	465	**120 260**	171 800	**39 787**	56 839
	13/07/2004	301	**1 300 000**			
			2 300 735			
J de V du Toit	13/07/2004	301	**1 000 000**			
CA Otto	13/07/2004	301	**1 000 000**			
	01/11/2004	445	**730 000**			
			1 730 000			
			5 030 735	1 338 615	**331 088**	442 874

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 JJ Mouton has been appointed as a director of the company. In terms of the company's articles of association, Mr Mouton, 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. In terms of the company's articles of association, Mr PE Burton and Dr J van Zyl Smit retire by rotation at the forthcoming annual general meeting 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 28 February 2005:

R000	Fees	Basic salaries	Company contributions	Performance related [1]	**Total 2005**	Total 2004
Executive						
JF Mouton		1 852		1 900	**3 752**	3 852
J de V du Toit		755 [2]			**755**	1 950
CA Otto		1 752		1 100	**2 852**	2 352
Non-executive						
L van A Bellingan	95				**95**	80
PE Burton	65				**65**	40
MJ Jooste	65				**65**	80
D Lockey	65				**65**	n/a
Dr J van Zyl Smit [3]	312				**312**	279
	602	4 359	–	3 000	**7 961**	8 633

1 Approved by remuneration committee on 18 April 2005 in respect of 2005 financial year.

2 This represents 49% of the basic salary paid by an associated company.

3 Includes R65 000 in respect of directors' fees and R187 000 as chairman of audit committees at subsidiary level.

SHAREHOLDING OF DIRECTORS

The shareholding of directors, excluding the participation in the share incentive scheme, in the issued share capital of the company as at 28 February 2005 was as follows:

	Beneficial		Non-beneficial		**Total shareholding 2005**		Total shareholding 2004	
	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**	100 000	0,1
J de V du Toit				2 720 000	**2 720 000**	**2,5**	2 720 000	2,6
MJ Jooste				3 877 609	**3 877 609**	**3,6**	3 172 537	3,0
D Lockey				19 700	**19 700**	**–**	19 700	–
JF Mouton	919 855			17 189 994	**18 109 849**	**16,8**	19 371 969	18,4
CA Otto	100			2 986 219	**2 986 319**	**2,8**	1 960 462	1,9
Dr J van Zyl Smit	943 937				**943 937**	**0,9**	935 937	0,9
	1 863 892	–	–	27 113 522	**28 977 414**	**26,9**	28 500 605	27,1

There were no changes in shareholding between year-end and the date of this report.

SUBSIDIARIES

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

SPECIAL RESOLUTIONS OF SUBSIDIARIES

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

PSG Financial Services Limited

Creation of 200 million cumulative, non-redeemable, non-participating preference shares.

PSG Capital Limited

Approval of share buyback

PSG Investment Services (Pty) Limited

Approval of share buyback

SECRETARIES

The secretaries of the company are 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 AC501 (Accounting for Secondary Tax on Companies) with effect from 1 March 2004. Refer note 43 for the effect of this change in accounting policies.

In accordance with AC501, the principles of the statement are applied retrospectively and historical figures are adjusted to the new basis of accounting.

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, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are initially recognised at cost. 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. The group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

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. Goodwill on acquisition of associates is included in investments in associates.

Goodwill arising on acquisitions after 31 March 2004 is tested annually for impairment and carried at cost less accumulated impairment losses.

Goodwill arising on acquisitions before 31 March 2004 is amortised as follows:

- On major strategic acquisitions of the group to expand its product or geographical coverage, goodwill 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 arising on acquisitions after 31 March 2004 is taken directly to income. Negative goodwill arising on transactions before 31 March 2004 – 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.

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 rates 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 of 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.

SHARE CAPITAL

Ordinary shares are classified as equity. Cumulative non-redeemable preference shares, with mandatory dividend terms, are classified as liabilities.

Incremental costs directly attributable to the issue of new shares are accounted for against share premium.

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, cumulative non-redeemable preference shares 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 42 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.

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 is 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.

LONG-TERM LIABILITIES

Cumulative non-redeemable preference shares, with mandatory dividend payment terms, are classified as liabilities. The dividends on these preference shares are recognised in the income statement as interest expense.

POLICYHOLDER LIABILITIES

Policyholder contracts that transfer significant assurance risk are classified as assurance 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 assurance contracts.

Policyholder contracts that do not transfer significant assurance 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, commission 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 are 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 (PGN104) issued by the Actuarial Society of South Africa.

The operating surpluses arising from life and health assurance 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 fund.

Gains and losses arising from the fair value 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 28 February 2005

	Notes	GROUP 2005 R000	GROUP 2004 R000	COMPANY 2005 R000	COMPANY 2004 R000
Assets					
Non-current assets					
Fixed assets	1	**19 892**	28 267		
Net intangible assets	2	**10 906**	40 421		
Investment in subsidiaries	3			**819 286**	808 182
Investment in associated companies	4	**168 408**	67 496		
Investments of assurance subsidiaries	5	**1 940 633**	1 083 375		
Linked-product investments	6	**285 210**	549 831		
Other investments and non-current assets	7	**39 179**	49 070		
Deferred tax asset	8	**89 643**	42 145		
Current assets					
Inventories	9	**12 209**	13 484		
Accounts receivable	10	**100 370**	137 477		50 000
Loans and advances	11	**20 211**	20 834		
Linked-product investments	6	**326 072**	48 327		
Trading securities	12	**179 387**	96 746		
Cash and short-term funds	13	**210 334**	206 827	**151**	264
Total assets		**3 402 454**	2 384 300	**819 437**	858 446
Shareholders' funds					
Share capital	14	**1 077**	1 050	**1 192**	1 150
Share premium		**4 181**		**4 181**	
Treasury shares held by subsidiary		**(53 089)**	(31 100)		
Non-distributable reserves	15	**(814)**	6 548		
Retained earnings	16	**453 010**	359 147	**812 858**	635 223
Ordinary shareholders' funds		**404 365**	335 645	**818 231**	636 373
Outside shareholders' funds		**58 499**	29 513		
Total shareholders' funds		**462 864**	365 158	**818 231**	636 373
Liabilities					
Non-current liabilities					
Policyholders' contracts					
Insurance contracts	17	**140 079**	114 577		
Investment contracts	17	**1 795 651**	968 160		
Linked-product liabilities	6	**285 210**	549 831		
Long-term liabilities	18	**198 714**	2 491		98 628
Deferred tax liability	8	**1 913**	461		
Current liabilities					
Accounts payable	19	**153 090**	296 077	**885**	115 689
Provisions	20	**16 236**	18 014		
Current tax liabilities		**14 843**	11 281	**321**	7 756
Linked-product liabilities	6	**326 072**	48 327		
Short-term borrowings	21	**7 782**	9 923		
Total liabilities		**2 939 590**	2 019 142	**1 206**	222 073
Total liabilities and shareholders' funds		**3 402 454**	2 384 300	**819 437**	858 446

INCOME STATEMENTS

for the year ended 28 February 2005

	Notes	GROUP 2005 R000	GROUP 2004 R000	COMPANY 2005 R000	COMPANY 2004 R000
Revenue	22	**1 841 950**	1 614 617	**183 287**	244 389
Net interest income	23	**11 216**	316 308		
Investment income	24	**40 594**	32 158	**182 353**	242 955
Income from assurance activities	25	**2 693**	21 570		
Commission and other operating income	26	**319 137**	274 176	**934**	434
Gross profit from trading operations	27	**16 196**	17 892		
Operating income		**389 836**	662 104	**183 287**	243 389
Other operating expenses		**313 744**	569 210	**934**	434
Net income from normal operations	28	**76 092**	92 894	**182 353**	242 955
Financing costs	29	**(5 543)**	(3 670)		
Income from associated companies	30	**40 238**	7 325		
Exceptional items	31	**(26 986)**	(15 932)		
Net income before taxation		**83 801**	80 617	**182 353**	242 955
Taxation	32	**(30 954)**	23 364	**(7 432)**	7 756
Attributable to own shareholders		**(5 668)**	23 364	**(7 432)**	7 756
Attributable to policyholders		**(25 286)**			
Net income of the group		**114 755**	57 253	**189 785**	235 199
Attributable to outside shareholders		**13 133**	20 461		
Earnings attributable to ordinary shareholders		**101 622**	36 792	**189 785**	235 199
Earnings per share (cents)	34				
Headline earnings		**103,0**	76,3		
Total earnings		**90,7**	32,9		
Distribution per share (cents)	35				
Normal dividend					
Interim		**10,0**		**10,0**	
Final		**35,0**		**35,0**	
		45,0	–	**45,0**	–
Special distribution					
Dividend		**–**	100	**–**	100

STATEMENTS OF CHANGES IN OWNERS' EQUITY

for the year ended 28 February 2005

	GROUP		COMPANY	
	2005 R000	2004 R000	**2005 R000**	2004 R000
Ordinary shareholders' funds at beginning of year	**335 645**	993 050	**636 373**	1 056 950
Movements in share capital				
Shares issued	**65**		**65**	
Repurchase of shares	**(23)**	(50)	**(23)**	(50)
Treasury shares held by subsidiary	**(15)**	(100)		
	27	(150)	**42**	(50)
Movements in share premium				
Shares issued	**19 625**		**19 625**	
Repurchase of shares	**(15 444)**	(17 654)	**(15 444)**	(17 654)
Treasury shares held by subsidiary	**(21 989)**	(31 100)		
Capital distribution		(120 000)		(120 000)
Capitec Bank Holdings Limited unbundling		(245 166)		(245 166)
	(17 808)	(413 920)	**4 181**	(382 820)
Movements in non-distributable reserves				
Available-for-sale fair value adjustment	**(4 201)**	6 031		
Transferred from retained earnings		387		
Foreign exchange translation	**(3 781)**	(1 245)		
Other	**620**	(620)		
	(7 362)	4 553	**–**	–
Movements in retained earnings				
Change in accounting policy (AC133)		(11 387)		
Net income for the year	**101 622**	36 792	**189 785**	235 199
Ordinary dividends	**(11 000)**	(258 018)	**(12 150)**	(258 018)
Profit on sale of treasury shares	**3 241**			
Transfer to non-distributable reserves		(387)		
Capitec Bank Holdings Limited unbundling		(14 888)		(14 888)
	93 863	(247 888)	**177 635**	(37 707)
Ordinary shareholders' funds at end of year	**404 365**	335 645	**818 231**	636 373

CASH FLOW STATEMENTS

for the year ended 28 February 2005

		GROUP		COMPANY	
	Notes	**2005 R000**	2004 R000	**2005 R000**	2004 R000
Cash retained from operating activities					
Cash generated by operating activities	45.1	**1 084 339**	665 207	**181 274**	242 955
Change in net current assets	45.2	**29 522**	28 743	**50 196**	(49 649)
Financing costs		**(5 543)**	(3 670)		
Taxation paid	45.3	**(10 557)**	(6 009)	**(3)**	
Cash available from operating activities		**1 097 761**	684 271	**231 467**	193 306
Dividends and capital distributions	45.4	**(126 000)**	(263 018)	**(127 150)**	(263 018)
Net cash retained		**971 761**	421 253	**104 317**	(69 712)
Cash utilised in investing activities					
Net investment in fixed assets and trademarks		**(5 993)**	(32 078)		
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	45.5	**(9 150)**	(63 396)		
Additional shares in subsidiaries acquired		**(9 760)**	(11 634)	**(50 000)**	
Subsidiaries sold	45.6	**31 759**	(107 060)		
Shares in subsidiaries disposed of		**999**	389	**51 079**	
Acquisition of associates		**(36 836)**	(814)		
Capital reduction by subsidiary					120 000
Loans to subsidiaries and associates		**(12 876)**	(71)	**(109 732)**	(32 515)
Investments made by assurance subsidiaries		**(1 036 272)**	(525 727)		
Linked-product investments – funds received		**13 124**	314 819		
Linked-product investments – funds invested		**(13 124)**	(314 819)		
Other investments and loans		**(4 289)**	28 056		
Foreign exchange translation		**(3 161)**	(1 907)		
		(1 085 579)	(314 111)	**(108 653)**	87 485
Cash flow attributable to investment in short-term income-earning assets					
Change in deposits and current accounts			(13 033)		
Change in loans and advances		**(295)**	38 784		
Change in trading securities		**(60 681)**	(31 653)		
		(60 976)	(5 902)	**–**	–
Cash flow from financing activities					
Share buyback by PSG Group Limited		**(15 467)**	(17 704)	**(15 467)**	(17 704)
Share buyback by subsidiary company		**(53 204)**	(31 200)		
Shares issued for cash		**19 690**		**19 690**	
Treasury shares sold by subsidiary company		**34 556**			
Preference shares issued by subsidiary company		**196 812**			
Dividends paid to outside shareholders		**(5 699)**	(2 377)		
Outside shareholder funding		**4 112**	4 023		
Change in long-term borrowings		**(490)**	(80 298)		
Change in short-term borrowings		**(3 077)**	3 968		
		177 233	(123 588)	**4 223**	(17 704)
Net increase/(decrease) in cash and equivalents		**2 439**	(22 348)	**(113)**	69
Cash and equivalents at beginning of year		**201 004**	223 352	**264**	195
Cash and equivalents at end of year	45.7	**203 443**	201 004	**151**	264

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 28 February 2005

	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 28 February 2005					
Balance at beginning of year	**3 723**	**1 684**	**7 178**	**15 682**	**28 267**
Additions	**314**	**1 022**	**2 854**	**2 937**	**7 127**
Disposals			**(164)**	**(338)**	**(502)**
Depreciation	**(352)**	**(539)**	**(1 854)**	**(6 257)**	**(9 002)**
Subsidiaries acquired			**92**	**186**	**278**
Subsidiaries sold	**(25)**	**(114)**	**(1 555)**	**(4 582)**	**(6 276)**
Balance at end of year	**3 660**	**2 053**	**6 551**	**7 628**	**19 892**
Cost	**4 828**	**13 903**	**18 806**	**48 507**	**86 044**
Accumulated depreciation	**1 168**	**11 850**	**12 255**	**40 879**	**66 152**
Balance at end of year	**3 660**	**2 053**	**6 551**	**7 628**	**19 892**
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

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

The market value of land and buildings at 28 February 2005, as determined by the directors of the relevant property-owning group companies, amounted to R7 840 000 (2004: R7 397 000).

	Trademarks R000	Goodwill R000	Negative goodwill R000	Total R000
2. INTANGIBLE ASSETS				
For the year ended 28 February 2005				
Balance at beginning of year	**2 634**	**70 012**	**(29 810)**	**42 836**
Adjustments to prior year balances		**943**		**943**
Goodwill on acquisitions		**4 470**	**(8 679)**	**(4 209)**
Realised on disposal	**(1 575)**	**(13 136)**		**(14 711)**
Amortisation	**(481)**	**(21 550)**	**8 679**	**(13 352)**
Balance at end of year	**578**	**40 739**	**(29 810)**	**11 507**
Cost	**15 184**	**106 084**	**(29 810)**	**91 458**
Accumulated amortisation	**14 606**	**65 345**		**79 951**
Balance at end of year	**578**	**40 739**	**(29 810)**	**11 507**
Attributable to outside shareholders		**601**		**601**
Net carrying value	**578**	**40 138**	**(29 810)**	**10 906**
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

The maximum remaining amortisation period of goodwill resulting from acquisitions before 31 March 2004 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 28 February 2005

	GROUP 2005 R000	GROUP 2004 R000	COMPANY 2005 R000	COMPANY 2004 R000
3. INVESTMENT IN SUBSIDIARIES				
Unlisted shares at cost less goodwill written off			**808 182**	808 182
Amount due by subsidiary company			**11 104**	
			819 286	808 182

Refer Annexure A

	GROUP 2005 R000	GROUP 2004 R000
4. INVESTMENTS IN ASSOCIATED COMPANIES		
Listed		
Carrying value of shares	**68 033**	24 219
Retained earnings	**80 081**	40 898
	148 114	65 117
Unlisted		
Carrying value of shares	**869**	400
Retained earnings	**5 915**	1 345
Unsecured loans	**13 510**	634
	20 294	2 379
	168 408	67 496
Market value of listed investments	**137 210**	59 369
Directors' valuation of unlisted investments	**20 294**	7 216

Refer Annexure A

	GROUP 2005 R000	GROUP 2004 R000
5. INVESTMENTS OF ASSURANCE SUBSIDIARIES		
Unit trusts	**22 778**	115 102
Government, public utility and municipal stock	**17 526**	49 898
Preferential investment	**2 719**	1 750
Equity portfolios	**5 591**	11 521
Secured loans	**11 085**	66 096
Structured products	**104 679**	93 187
Cash	**271 284**	85 940
NCDs and promissory notes	**876 069**	396 605
Unit portfolios	**628 902**	263 276
Investments at market value	**1 940 633**	1 083 375

6. LINKED-PRODUCT INVESTMENTS

The group promotes 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	
	2005 R000	2004 R000	**2005 R000**	2004 R000
7. OTHER INVESTMENTS AND NON-CURRENT ASSETS				
Securities available for sale				
Listed				
Capitec Bank Holdings Limited		14 541		
Other	**3 001**	2 144		
Unlisted				
Appleton Capital Management Limited	**7 438**	8 593		
Transvaal Ferochrome Limited		9 979		
JSE Rights	**8 114**	4 981		
Other	**2 827**	3 490		
Amounts advanced to share incentive scheme participants	**17 799**	5 133		
Other		209		
	39 179	49 070		
Market value of listed investments	**3 001**	16 685		
Directors' valuation of unlisted investments	**18 379**	27 043		

The directors do not consider that a suitable valuation technique is available at this time to determine a reliable fair value for JSE Rights and, accordingly, the Rights are carried at amortised cost.

	GROUP		COMPANY	
	2005 R000	2004 R000	**2005 R000**	2004 R000
8. DEFERRED TAXATION				
Movements in deferred taxation				
Balance at beginning of year	**41 684**	104 638		
Credit/charges to income statement	**46 031**	(9 430)		
Adjustments to prior year tax losses	**15**	485		
Subsidiaries acquired		208		
Subsidiaries disposed of		(54 217)		
Balance at end of year	**87 730**	41 684		
Analysis of deferred taxation				
Prepaid expenses	**(105)**	(61)		
Provisions	**3 886**	1 141		
Investment revaluation	**(4 368)**	(1 576)		
STC credits	**11 522**	4 063		
Assessed losses	**75 979**	38 137		
Other	**816**	(20)		
	87 730	41 684		
Composition of deferred taxation				
Deferred tax assets	**89 643**	42 145		
Deferred tax liabilities	**(1 913)**	(461)		
	87 730	41 684		

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 28 February 2005

	GROUP		COMPANY	
	2005 R000	2004 R000	**2005 R000**	2004 R000
9. INVENTORIES				
Raw materials	**3 900**	4 420		
Work-in-progress	**5 780**	5 691		
Finished goods	**2 529**	3 373		
	12 209	13 484		
10. ACCOUNTS RECEIVABLE				
Trade debtors	**57 417**	70 274		
Prepayments and sundry debtors	**42 953**	67 203		50 000
	100 370	137 477	**–**	50 000
11. LOANS AND ADVANCES				
Category analysis				
Secured loans	**18 957**	20 010		
Unsecured loans	**1 268**	6 158		
	20 225	26 168		
Specific and general provisions	**14**	5 334		
	20 211	20 834		
Maturity analysis				
On demand to one month	**1 179**	1 035		
One month to six months	**13 311**	4 176		
Six months to one year	**41**	2 397		
More than one year	**5 694**	18 560		
	20 225	26 168		
Analysis of provisions				
Specific provisions for bad and doubtful debts		5 291		
General provision	**14**	43		
	14	5 334		
Movement in provisions				
Balance at beginning of year	**5 334**	36 877		
Debts written off		(41 002)		
Subsidiaries disposed of		(25 631)		
Credit/charge to income statement	**(5 320)**	35 090		
Provision end of year	**14**	5 334		
12. TRADING SECURITIES				
Government and government guaranteed	**12 500**	36 998		
Listed securities	**94 935**	16 798		
Unlisted securities	**38 336**	6 042		
Derivative instruments	**33 616**	36 908		
	179 387	96 746		

	GROUP		COMPANY	
	2005 R000	2004 R000	**2005 R000**	2004 R000
13. CASH AND SHORT-TERM FUNDS				
Money on call and short notice	**135 374**	129 483		
Bank and cash	**74 960**	77 344	**151**	264
	210 334	206 827	**151**	264
14. SHARE CAPITAL				
Authorised				
200 000 000 shares of 1 cent each	**2 000**	2 000	**2 000**	2 000
Issued				
119 195 000 shares of 1 cent each (2004: 115 000 000)	**1 192**	1 150	**1 192**	1 150
11 495 000 shares held by a subsidiary company (2004: 10 000 000)	**(115)**	(100)		
	1 077	1 050	**1 192**	1 150

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		COMPANY	
	2005 R000	2004 R000	**2005 R000**	2004 R000
15. NON-DISTRIBUTABLE RESERVES				
Available-for-sale reserve	**1 830**	6 031		
Foreign exchange translation	**(2 644)**	1 137		
Other		(620)		
	(814)	6 548		
16. RETAINED EARNINGS				
Company	**187 470**	9 835	**812 858**	635 223
Consolidated subsidiaries	**262 299**	345 249		
Prior year adjustment		4 063		
Profit on sale of treasury shares	**3 241**			
	453 010	359 147	**812 858**	635 223

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 28 February 2005

	GROUP		COMPANY	
	2005 R000	2004 R000	**2005 R000**	2004 R000
17. POLICYHOLDERS' CONTRACTS				
Liabilities under assurance contracts				
Opening balance	**114 577**	556 902		
Transfer from income statement	**85 497**	(36 381)		
Subsidiary sold	**(64 531)**			
Subsidiary acquired	**4 536**			
Reclassification to investment contracts in terms of AC133		(405 944)		
Closing balance	**140 079**	114 577		
Liabilities under investment contracts				
Opening balance	**968 160**			
Reclassification from assurance contracts in terms of AC133		405 944		
Subsidiary sold	**(96 487)**			
Net premium income	**778 092**	603 757		
Investment income	**252 596**	103 279		
Commission and administration expenses	**(19 652)**	(25 183)		
Taxation	**25 286**	(816)		
Policyholder benefits	**(94 551)**	(112 185)		
Transfer to assurance income statement	**(17 793)**	(6 636)		
Closing balance	**1 795 651**	968 160		
18. LONG-TERM LIABILITIES				
Unsecured				
Cumulative, non-redeemable, non-participating preference shares of a subsidiary company	**196 812**			
Loans from subsidiary companies				98 628
Unsecured loans	**1 902**	2 623		
	198 714	2 623	**–**	98 628
Less: Transferred to short-term borrowings		(132)		
	198 714	2 491	**–**	98 628
Cumulative, non-redeemable, non-participating preference shares of subsidiary company				
Authorised				
200 000 000 cumulative, non-redeemable, non-participating preference shares of R0,01 each	**2 000**	–		
Issued				
200 000 000 cumulative, non-redeemable, non-participating preference shares of R0,01 each	**2 000**	–		

The preference shares were issued by a subsidiary company during the financial year ended 28 February 2005 at a price of R1,00 per share.

The preference dividend is calculated on a daily basis at 75% of the prime overdraft rate of Absa and is payable in two semi-annual instalments. Arrear preference dividends shall accrue interest at the prime overdraft rate of Absa.

	GROUP		COMPANY	
	2005 R000	2004 R000	**2005 R000**	2004 R000
19. ACCOUNTS PAYABLE				
Accounts payable and accruals	**97 450**	88 399	**885**	689
Derivative financial instruments	**36 862**	39 038		
Reassurers	**14 442**	23 774		
Outstanding assurance claims	**4 336**	29 866		
Shareholders for dividends		115 000		115 000
	153 090	296 077	**885**	115 689

	Liquidity provision	**Onerous leases**	**Total 2005**	Total 2004
20. PROVISIONS				
Balance at beginning of year	**3 005**	**15 009**	**18 014**	32 404
Additional provisions	**1 235**	**4 364**	**5 599**	15 852
Utilised during the year	**(84)**	**(6 959)**	**(7 043)**	(31 917)
Subsidiaries acquired			**–**	3 537
Subsidiaries sold		**(334)**	**(334)**	(1 862)
	4 156	**12 080**	**16 236**	18 014

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 three years.

	GROUP		COMPANY	
	2005 R000	2004 R000	**2005 R000**	2004 R000
21. SHORT-TERM BORROWINGS				
Bank overdrafts	**6 891**	5 823		
Unsecured loans	**891**	3 968		
Short-term portion of long-term liabilities		132		
	7 782	9 923		
22. REVENUE				
Interest received	**12 723**	324 749		
Investment income	**40 594**	32 158	**182 353**	243 955
Assurance income	**1 345 604**	853 966		
Commission and financial services income	**319 137**	274 176	**934**	434
Linked-product investments	**64 056**	67 761		
Sales of trading operations	**59 836**	61 807		
	1 841 950	1 614 617	**183 287**	244 389

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 28 February 2005

	GROUP		COMPANY	
	2005 R000	2004 R000	**2005 R000**	2004 R000
23. NET INTEREST INCOME				
Interest income				
Loans and advances	**6 385**	305 314		
Investment and trading securities	**990**	760		
Cash and short term funds	**5 348**	18 675		
	12 723	324 749		
Interest expense				
Deposits and current accounts	**849**	6 395		
Other interest-bearing liabilities	**658**	2 046		
	1 507	8 441		
	11 216	316 308		
24. INVESTMENT INCOME				
Interest	**4 548**	9 930	**583**	
Dividends	**3 831**	4 941	**181 274**	242 955
Profit on realisation of investments	**10 255**	10 353	**496**	
Fair value gains	**21 960**	6 934		
	40 594	32 158	**182 353**	242 955
25. INCOME FROM ASSURANCE ACTIVITIES				
Premium income				
Recurring premiums	**327 713**	257 664		
Single premiums	**806 937**	565 107		
Gross premium income	**1 134 650**	822 771		
Less: Premiums paid	**(102 975)**	(92 126)		
Net premium income	**1 031 675**	730 645		
Investment income				
Interest and dividends	**30 678**	42 906		
Realised surplus on investments	**224 919**	12 682		
Unrealised surplus on investments	**56 874**	64 488		
Net investment income	**312 471**	120 076		
Other income	**1 458**	3 245		
Total income	**1 345 604**	853 966		

	GROUP		COMPANY	
	2005 R000	2004 R000	**2005 R000**	2004 R000
25. INCOME FROM ASSURANCE ACTIVITIES – *continued*				
Expenses				
Operating expenses	**176 246**	128 251		
Claims and other policyholders' benefits	**157 571**	178 312		
Total expenses	**333 817**	306 563		
Transfer – policyholders' funds	**(1 009 094)**	(525 833)		
Taxation	**34 992**	(1 882)		
Net income from assurance operations (refer Annexure B)	**37 685**	19 688		
Add back taxation	**(34 992)**	1 882		
	2 693	21 570		
26. COMMISSION AND OTHER OPERATING INCOME				
Commission and fees	**229 190**	183 892		
Dealing and structuring transactions	**60 875**	32 034		
Treasury operations	**14 689**	9 962		
Other operating income	**14 383**	48 288		
Linked-product investments				
Investment income received	**64 056**	67 761		
Investment returns paid to investors	**(64 056)**	(67 761)		
Management fees – subsidiary companies			**934**	434
	319 137	274 176	**934**	434
27. GROSS PROFIT FROM TRADING OPERATIONS				
Sales of goods	**59 836**	61 807		
Cost of sales	**(43 640)**	(43 915)		
	16 196	17 892		
28. NET INCOME FROM NORMAL OPERATIONS				
The following items have been charged in arriving at net income from normal operations:				
Depreciation				
Land and buildings	**352**	550		
Motor vehicles and plant	**539**	642		
Office equipment	**1 854**	12 226		
Computer equipment and software	**6 257**	21 491		
	9 002	34 909		
Amortisation of trademarks	**481**	531		
Amortisation of goodwill	**21 550**	31 441		
Negative goodwill	**(8 679)**			
Attributable to outside shareholders	**(601)**	(511)		
	12 270	30 930		

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 28 February 2005

	GROUP 2005 R000	GROUP 2004 R000	COMPANY 2005 R000	COMPANY 2004 R000
28. NET INCOME FROM NORMAL OPERATIONS – *continued*				
Rental and operating lease charges				
Properties	**13 075**	41 710		
Other	**2 319**	7 218		
	15 394	48 928		
Foreign exchange differences				
Foreign exchange gains	**1 558**	4 787		
Foreign exchange losses	**(433)**	(2 348)		
	1 125	2 439		
Auditors' remuneration				
Audit fees	**4 601**	6 151		
Taxation services	**385**	402		
Other services	**436**	456		
	5 422	7 009		
Remuneration other than to employees				
Administration and managerial	**19 403**	31 502		
Secretarial	**770**	760		
Technical	**4 674**	5 281		
	24 847	37 543		
Staff costs				
Salaries, wages and allowances	**156 210**	209 789		
Contributions to retirement funds	**8 249**	7 643		
Social security costs	**293**	1 854		
Termination benefits	**118**	884		
Training costs	**1 612**	3 731		
	166 482	223 901		
Directors' emoluments				
Refer directors' report				
29. FINANCING COSTS				
Long-term liabilities		775		
Preference share dividends	**4 611**			
Other interest-bearing liabilities	**932**	2 895		
	5 543	3 670		
30. INCOME FROM ASSOCIATED COMPANIES				
Headline attributable income for the year	**18 239**	8 495		
Share of goodwill amortisation		(501)		
Share of exceptional items *	**21 999**	(669)		
Share of net income	**40 238**	7 325		

** Mainly profit on sale of subsidiary*

	Profit before taxation R000	Taxation R000	Outside shareholders R000	GROUP Net 2005 R000	Net 2004 R000
31. EXCEPTIONAL ITEMS					
Loss on discontinuance of operations				–	8 637
Goodwill impairment				–	6 664
Other impairment charges	10 978			10 978	(1 122)
Loss on sale of subsidiaries	21 840		(3 794)	18 046	
Investment activities	(5 832)	545	(247)	(5 534)	2 113
Net total	26 986	545	(4 041)	23 490	16 292
Taxation				(545)	(523)
Outside shareholders				4 041	163
				26 986	15 932

	GROUP 2005 R000	GROUP 2004 R000	COMPANY 2005 R000	COMPANY 2004 R000
32. TAXATION				
South African normal taxation				
Current taxation – current year	11 030	3 738	324	
Current taxation – previous year	166	(97)		
Deferred taxation – current year	(29 578)	13 002		
Deferred taxation – previous year	(8 994)	463		
	(27 376)	17 106	324	–
Foreign taxation				
Current taxation	2 800	2 089		
Deferred taxation		28		
Secondary tax on companies				
Current taxation	1 081	8 204	(7 756)	7 756
Deferred taxation	(7 459)	(4 063)		
	(30 954)	23 364	(7 432)	7 756
Analysis of taxation				
Attributable to own shareholders	(5 668)	23 364	(7 432)	7 756
Attributable to policyholders	(25 286)			
	(30 954)	23 364	(7 432)	7 756

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 28 February 2005

	GROUP		COMPANY	
	2005	2004	**2005**	2004
	R000	R000	**R000**	R000
32. TAXATION – *continued*				
Reconciliation of rate of taxation	**%**	%	**%**	%
South African normal tax rate	**30,0**	30,0	**30,0**	30,0
Adjusted for:				
Non-taxable income	**(36,0)**	(62,3)	**(29,8)**	(30,0)
Non-deductible charges	**26,1**	36,0		
Foreign tax rate differential	**(5,8)**	(3,7)		
Income from associated companies	**(14,4)**	(2,7)		
Secondary tax on companies	**(7,6)**	5,1	**(4,3)**	3,2
Prior year overprovision	**(10,5)**	0,5		
Deferred tax asset previously not recognised	**(32,9)**			
Deferred tax asset not provided for	**14,2**	26,1		
Effective rate of tax	**(36,9)**	29,0	**(4,1)**	3,2
Gross calculated tax losses at the end of the year available for utilisation against future taxable income.	**233 207**	288 095		
Deferred tax asset provided on	**175 420**	127 123		
Available for future utilisation	**57 787**	160 972		
STC credits available within the group	**160 920**	91 898		52 950
Deferred tax asset provided on	**(92 176)**	(32 504)		
Utilised to reduce current STC liability		(52 950)		(52 950)
Available for future utilisation	**68 744**	6 444	**–**	–

33. 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
Income statement	
Revenue	308 302
Operating income	305 309
Operating expenses	(267 121)
Net income from operations	38 188
Financing costs	132
Exceptional items	(8 637)
Profit before taxation	29 683
Taxation	(14 500)
Profit after taxation	15 183

	9 months to 30 Nov 2003 R000
33. DISCONTINUED OPERATIONS – *continued*	
Cash flows	
Operating cash flows	44 205
Investing cash flows	(33 487)
Financing cash flows	(2 558)
Total cash flows	8 160

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

The loss on disposal was determined as follows:

Net assets at unbundling	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	
	2005 R000	2004 R000	**2005 R000**	2004 R000
34. EARNINGS PER SHARE				
The calculations of earnings per share are based on the following:				
Total earnings attributable to ordinary shareholders	**101 622**	36 792		
Adjustments (net of tax and outside shareholders):				
Goodwill amortisation	**12 270**	30 930		
Exceptional items	**23 490**	16 292		
Non-headline items of associated companies	**(21 999)**	1 170		
Headline earnings	**115 383**	85 184		
Weighted average number of shares (000)	**112 045**	111 700		
35. DISTRIBUTIONS TO SHAREHOLDERS				
Normal dividend				
Interim				
10 cents per share (2004: 0 cents)	**11 000**		**11 000**	
Proposed final				
35 cents per share (2004: 0 cents)				
Special distribution				
0 cents per share (2004: 100 cents)		115 000		115 000

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).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 28 February 2005

	GROUP		COMPANY	
	2005 R000	2004 R000	**2005 R000**	2004 R000
36. CAPITAL EXPENDITURE APPROVED				
Expenditure authorised but not contracted for	**244**	1 675		
	244	1 675		
Capital expenditure will be financed from working capital generated within the group.				
37. OPERATING LEASE COMMITMENTS				
Future commitments in terms of:				
Rental agreements				
Due within one year	**3 057**	4 589		
One to five years	**2 647**	1 917		
Operating leases – premises				
Due within one year	**18 772**	20 546		
One to five years	**44 223**	32 484		
38. CONTINGENT LIABILITIES				
Contingent liability in respect of risk sharing	**20 000**	20 000		

Axiam Holdings Limited ("Axiam") claims

Following the acquisition of Axiam by PSG Investment Bank Holdings Limited ("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. Based on recoveries to date this is not expected to result in such a distribution.

Ringfenced assets

Upon the acquisition of the business of Keynes Rational by Capitec Bank Holdings Limited, PSG Investment Bank Holdings ("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 emanating 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.

39. 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.

40. RETIREMENT FUND

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

41. 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.

During the year certain subsidiaries paid management and other fees amounting to R7 117 000 to Crest SA Holdings (Pty) Limited. Crest SA Holdings (Pty) Limited is an associated company, with Mr J de V du Toit as director and shareholder (41%).

During the year PSG Group Limited issued 14 675 000 ordinary shares for cash to Arch Equity Limited for a total consideration of R49 479 500. Arch Equity Limited is an associate company, with Messrs JF Mouton and D Lockey being directors of both companies.

During the year PSG Financial Services Limited bought out the minority interests in PSG Capital Limited and PSG Investment Services (Pty) Limited at market value. The minorities consisted of management and the following PSG Group Limited directors:

	PSG CAPITAL LIMITED		PSG INVESTMENT SERVICES (PTY) LIMITED	
	Number of shares	**R000**	**Number of shares**	**R000**
JF Mouton	200 000	320		
J de V du Toit	100 000	160	4 440 000	3 927
D Lockey	100 000	160		

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

42. 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.

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 to loans and advances and the preference shares issued by a subsidiary company.

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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 28 February 2005

43. CHANGE IN ACCOUNTING POLICIES

Application of AC501

The group has applied AC501 (Accounting for Secondary Tax on Companies (STC)) for the first time this year. The prior year balances have been restated. There was no significant impact on equity as at 1 March 2003. As required by the new statement, a deferred tax asset is recognised for unused STC credits to the extent that it is probable that the credits will be utilised to reduce future STC liabilities. The impact of adopting AC501 is as follows:

	2005 R000	2004 R000
Income statement		
Reduction in taxation and increase in earnings	**7 459**	4 073
Balance sheet		
Increase in retained earnings and deferred tax asset	**11 532**	4 073

44. COMPARATIVE FIGURES

Certain comparative figures have been regrouped and reclassified to provide more meaningful comparison. On the balance sheet, components of the linked-products investments and the linked-product liabilities, amounting to R48,3 million, previously disclosed under non-current are now disclosed as current. On the income statement income from associates is now disclosed net of taxation, previously taxation related to income from associates of R3,8 million was included in the taxation line.

	GROUP		COMPANY	
	2005 R000	2004 R000	2005 R000	2004 R000
45. NOTES TO THE CASH FLOW STATEMENTS				
45.1 Cash generated by operating activities				
Net income from normal operations	**76 092**	92 894	**182 353**	242 955
Transfer to policyholders' fund	**1 008 756**	525 835		
Adjustment for other non-cash items	**(509)**	46 478	**(1 079)**	
	1 084 339	665 207	**181 274**	242 955
45.2 Change in net current assets				
Change in accounts receivable	**8 317**	32 433	**50 000**	(50 000)
Change in inventories	**1 275**	647		
Change in other liabilities and provisions	**19 930**	(4 337)	**196**	351
	29 522	28 743	**50 196**	(49 649)
45.3 Taxation paid				
Balance at beginning of year	**(11 281)**	(3 227)	**(7 756)**	
Credit/(charge) in income statement	**30 954**	(23 364)	**7 432**	(7 756)
Deferred tax adjustment	**(46 031)**	9 430		
Subsidiaries acquired/(sold)	**958**	(129)		
Balance at end of year	**14 843**	11 281	**321**	7 756
	(10 557)	(6 009)	**(3)**	–
45.4 Dividends and capital distributions				
Dividends and capital distributions for the year	**(126 000)**	(378 018)	**(127 150)**	(378 018)
Provision for payments to shareholders at end of year		115 000		115 000
	(126 000)	(263 018)	**(127 150)**	(263 018)

	GROUP		COMPANY	
	2005 R000	2004 R000	**2005 R000**	2004 R000
45.5 Subsidiaries acquired				
Net assets of subsidiaries acquired				
Fixed assets	**(278)**	(17 254)		
Investments of assurance subsidiaries	**(36 164)**			
Other investments and non-current assets		(20 113)		
Deferred taxation		(208)		
Accounts receivable	**(2 998)**	(39 112)		
Trading securities		(598)		
Cash and short-term funds	**(233)**	(13 259)		
Life assurance fund	**4 536**	(438)		
Accounts payable	**5 338**	27 926		
Income tax liabilities		36		
Provisions		3 537		
Outside shareholders	**13 708**	7 114		
Goodwill on acquisition	**6 708**	(40 585)		
Total purchase price	**(9 383)**	(92 954)		
Less: Carrying value of associate		16 299		
Cash consideration paid	**(9 383)**	(76 655)		
Deposits and cash of subsidiaries	**233**	13 259		
Net cash flow	**(9 150)**	(63 396)		
45.6 Subsidiaries sold				
Net assets of subsidiaries sold				
Fixed assets	**6 270**	150 762		
Investments of long-term assurance subsidiaries	**215 178**			
Other investments and non-current assets		470		
Deferred taxation		54 217		
Accounts receivable	**31 788**	23 553		
Loans and advances	**918**	131 568		
Cash and short-term funds	**50 323**	113 809		
Deposits and current accounts		(12 803)		
Life assurance fund	**(160 299)**			
Long-term liabilities	**(231)**			
Accounts payable	**(48 625)**	(43 222)		
Provision for liabilities	**(6 408)**	(1 862)		
Income tax liabilities	**(958)**	93		
Net assets of subsidiaries	**87 956**	416 585		
Outside shareholders		(186 806)		
Goodwill realised on disposal	**13 893**	37 293		
Loss on sale of subsidiaries	**(19 767)**	(269)		
Proceeds on sale	**82 082**	266 803		
Carrying value of subsidiary unbundled		(260 054)		
Deposits and cash of subsidiaries	**(50 323)**	(113 809)		
Net cash flow	**31 759**	(107 060)		
45.7 Cash and equivalents at end of year				
Cash and short-term funds	**210 334**	206 827	**151**	264
Bank overdrafts	**(6 891)**	(5 823)		
	203 443	201 004	**151**	264

ANNEXURE A – INVESTMENTS

INTEREST IN SUBSIDIARIES

Company	Proportion held directly or indirectly by holding company 2005 %	2004 %	Issued share capital 2005 R000	2004 R000
PSG Financial Services Limited	**100**	100	**45 872**	45 872
PSG Investment Services (Pty) Limited	**100**	98	**1 769**	1 802
PSG Corporate Services (Pty) Limited	**100**	100	**4**	4
PSG Capital Limited	**100**	91	**4**	4
Channel Life Limited	**80**	89	**3 105**	3 105

The company's interest in attributable income and losses of subsidiaries amounts to R95 326 000 (2004: R54 836 000) and R1 136 000 (2004: R14 351 000) 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 2005 %	2004 %	Group Carrying value 2005 R000	2004 R000
Listed					
m Cubed Holdings Limited	Financial services	**28**	21	**98 277**	65 117
Arch Equity Limited	Private equity	**20**		**49 837**	
				148 114	65 117
Unlisted					
Risk Monitor Group Limited	Health consulting	**41**	41	**1 676**	1 266
Axon Exchange (Pty) Limited	Script lending	**38**	25	**1 699**	828
Crest SA Holdings (Pty) Limited	Management services	**49**		**3 525**	
Kumani Holdings (Pty) Limited	Private equity	**49**		**13 394**	
Other					285
				20 294	2 379

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 COMPANIES

	Arch Equity Limited		m Cubed Holdings Limited	
	2005 R000	2004 R000	**2005 R000**	2004 R000
Balance sheet				
Property, plant and equipment	**246**		**10 945**	20 310
Investment in associated companies	**245 512**			
Investments	**1**		**22 028 044**	20 883 654
Goodwill			**89 804**	170 700
Other non-current assets	**46**		**63 492**	13 189
Current assets	**68 224**		**172 013**	164 912
	314 029	–	**22 364 298**	21 252 765
Share capital and reserves	**249 532**		**335 847**	367 411
Policyholder liabilities			**21 953 064**	20 818 507
Long-term liabilities	**59 353**			
Current liabilities	**5 144**		**75 387**	66 847
	314 029	–	**22 364 298**	21 252 765
Income statement				
Net profit before taxation	**92 052**		**102 361**	42 595
Taxation	**(9 348)**		**(26 499)**	(25 033)
Net profit for the year	**82 704**	–	**75 862**	17 562

ANNEXURE B – INCOME FROM ASSURANCE SUBSIDIARIES

For the year ended 28 February 2005	Statutory income statement R000	Investment contracts R000	Insurance contracts R000
Income			
Gross premiums	1 134 650	778 092	356 558
Reassurance premiums	(102 975)		(102 975)
Net premium income	1 031 675	778 092	253 583
Policyholders' investment income	294 678	252 596	42 082
Investment policy fee	17 793		17 793
Other income	1 458		1 458
Total income	1 345 604	1 030 688	314 916
Outgo			
Sales remuneration	73 541	19 655	53 886
Reassurance commissions	(37 004)		(37 004)
Net commissions	36 537	19 655	16 882
Administration expenses	122 635		122 635
Policyholders' benefits	156 852	94 551	62 301
Total outgo	316 024	114 206	201 818
Excess			
Excess of income over outgo	1 029 580	916 482	113 098
Transfer to policyholders' fund	(756 498)	(671 379)	(85 119)
Fair value adjustment	(252 596)	(252 596)	
Taxation	34 992	25 286	9 706
Transfer to assurance income statement	(17 793)	(17 793)	
Income from assurance operations	**37 685**	**–**	**37 685**

For the year ended 29 February 2004	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		6 636
Other income	3 245	72	3 173
Total income	860 602	707 036	153 566
Outgo			
Sales remuneration	62 357	15 509	46 848
Reassurance 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	554 039	569 666	(15 627)
Transfer to policyholders' fund	(525 833)	(562 214)	36 381
Taxation	(1 882)	(816)	(1 066)
Transfer to assurance income statement	(6 636)	(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:

- Private equity and corporate finance
- Assurance
- 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 28 February 2005	Total revenue R000	Segment result R000	Segment assets R000	Segment liabilities R000
Private equity and corporate finance	127 022	38 442	247 549	110 326
Assurance	1 333 293	5 158	2 096 314	1 972 459
Financial advice and funds management	274 405	32 227	755 124	672 496
Other	107 230	265	303 467	184 309
	1 841 950	76 092	3 402 454	2 939 590

	Capital expenditure R000	Depreciation R000	Amortisation R000	Impairment charges R000
Private equity and corporate finance	1 626	1 102	(6 054)	10 978
Assurance	2 785	5 537	1 697	
Financial advice and funds management	1 518	2 133	7 055	
Other	1 198	230	10 654	
	7 127	9 002	13 352	10 978

ANNEXURE C – SEGMENT REPORT

as at 28 February 2005

For the year ended 29 February 2004	Total revenue R000	Segment result R000	Segment assets R000	Segment liabilities R000
Private equity and corporate finance	127 340	31 379	129 402	62 224
Assurance	871 949	19 393	1 284 215	1 169 743
Financial advice and funds management	216 950	(2 522)	768 368	654 593
Retail banking	308 302	47 153		
Other	90 076	(2 509)	202 315	132 582
	1 614 617	92 894	2 384 300	2 019 142

	Capital expenditure R000	Depreciation R000	Amortisation R000	Impairment charges R000
Private equity and corporate finance	3 430	2 087	1 726	1 554
Assurance	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

Reconciliation of segment result	2005 R000	2004 R000
Segment result (operating profit)	**76 092**	92 894
Finance charges	**(5 543)**	(3 670)
Income from associated companies	**40 238**	7 325
Exceptional items	**(26 986)**	(15 932)
Net income before taxation	**83 801**	80 617

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.

PSG FINANCIAL SERVICES LIMITED

ANNUAL FINANCIAL STATEMENTS

CONTENTS

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 65 to 73 were approved by the board of directors of PSG Financial Services Limited and are signed on its behalf by:

JF Mouton	**J de V du Toit**	**CA Otto**
Chairman	*Director*	*Director*

18 April 2005
Stellenbosch

REPORT OF THE INDEPENDENT AUDITORS

To the members of PSG Financial Services Limited

We have audited the annual financial statements of PSG Financial Services Limited set out on pages 65 to 73 for the year ended 28 February 2005. 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 at 28 February 2005 and the results of its 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
Registered Accountants and Auditors
Chartered Accountants (SA)

18 April 2005
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

18 April 2005
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 are fully set out in the attached income statements, balance sheets and notes thereto. The company's earnings attributable to shareholders amounted to R139,2 million (2004: R228,5 million).

SHARE CAPITAL

Details of the authorised and issued share capital appear in note 5 to the financial statements.

DIVIDENDS

Ordinary

Dividends paid during the year amounted to R231 274 000 (2004: R312 955 000).

Preference

The directors have declared a first dividend of 2,305 cents per share in respect of the cumulative, non-redeemable, non-participating preference shares for the period ended 28 February 2005.

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

Last day to trade cum dividend	Friday, 3 June 2005
Trading ex dividend commences	Monday, 6 June 2005
Record date	Friday, 10 June 2005
Day of payment	Monday, 13 June 2005

Share certificates may not be dematerialised between Monday, 6 June 2005, and Friday, 10 June 2005, both days inclusive.

DIRECTORATE

The directors of the company at the date of this report appear on the inside front cover. Since the previous financial year Messrs L van A Bellingan, PE Burton, J de V du Toit, MJ Jooste, D Lockey, JJ Mouton and Dr J van Zyl Smit have been appointed as directors of the company. In terms of the company's articles of association these directors retire at the next annual general meeting but, being eligible, offer themselves for re-election.

HOLDING COMPANY

The company is a wholly owned subsidiary of PSG Group Limited, except for the 200 million preference shares which are listed on the JSE Securities Exchange South Africa. No consolidated annual financial statements are presented for the company as the relevant information for the company and PSG Group Limited is identical, the company being the only asset of PSG Group Limited.

DIRECTORS' INTEREST

The directors of the company at the date of this report had no interest in the preference share capital of the company.

SECRETARIES

The secretaries of the company are 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 are prepared on the historical cost basis in accordance with South African Statements of Generally Accepted Accounting Practice, and incorporate the following policies of the company which are consistent with those of the previous year.

INVESTMENTS

Investments in subsidiaries are stated at cost. No consolidated financial statements are prepared, as the company is a wholly owned subsidiary of another company incorporated in the Republic of South Africa.

Investments in associates are stated at cost or the fair value on the date significant influence was obtained by the company.

Investments in which the group has a long-term interest, but which do not meet the criteria for subsidiaries or associated companies, are stated at fair value using appropriate valuation techniques. Changes in the fair value of available-for-sale investments are recognised directly in equity. On disposal of an investment, the accumulated fair value adjustments are charged to the income statement.

Loans and advances are included as part of investments and are carried at amortised cost.

DEFERRED TAXATION

Deferred taxation 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 taxation 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.

FINANCIAL INSTRUMENTS

Financial instruments carried on the balance sheet include investments, intergroup loans, receivables, cumulative non-redeemable preference shares and trade and other payables. The recognition methods adopted are disclosed in the individual policy statements associated with each item.

SHARE CAPITAL

Ordinary shares are classified as equity. Cumulative non-redeemable preference shares, with mandatory dividend terms, are classified as liabilities. Incremental costs directly attributable to the issue of new shares are accounted for against share premium.

INTEREST INCOME AND EXPENSES

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

INVESTMENT INCOME

Dividends are recognised when the right to receive payment or transfer is established.

BALANCE SHEETS

as at 28 February 2005

	Notes	2005 R000	2004 R000
Assets			
Non-current assets			
Investment in subsidiaries	1	**208 257**	236 947
Investment in associated companies	2	**45 609**	
Other investments	3	**343 330**	305 991
Current assets			
Trading securities	4	**34 299**	
Accounts receivable		**4 921**	3 600
Total assets		**636 416**	546 538
Shareholders' funds			
Share capital	5	**45 872**	45 872
Share premium		**92 175**	92 175
Non-distributable reserves	6	**29 787**	13 915
Retained earnings		**250 653**	292 765
Total shareholders' funds		**418 487**	444 727
Liabilities			
Non-current liabilities			
Long-term liabilities	7	**207 152**	51 811
Deferred taxation	8	**5 733**	
Current liabilities			
Shareholders for dividends	9	**4 611**	50 000
Current tax liability		**433**	
Total liabilities		**217 929**	101 811
Total liabilities and shareholders' funds		**636 416**	546 538

INCOME STATEMENTS

for the year ended 28 February 2005

	Notes	2005 R000	2004 R000
Revenue	10	**139 544**	68 948
Preference dividend received		**1 321**	
Investment income	11	**138 223**	68 948
Operating income		**139 544**	68 948
Operating expenses		**–**	–
Net income from normal operations		**139 544**	68 948
Financing costs	12	**(4 611)**	
Exceptional items	13	**6 306**	159 595
Net income before taxation		**141 239**	228 543
Taxation	14	**2 077**	
Earnings attributable to ordinary shareholders		**139 162**	228 543

STATEMENTS OF CHANGES IN OWNERS' EQUITY

for the year ended 28 February 2005

	2005 R000	2004 R000
Ordinary shareholders' funds at beginning of year	**444 727**	831 893
Movements in share capital	**–**	–
Movements in share premium		
Capital distribution		(120 000)
Capitec Bank Holdings Limited unbundling		(260 054)
	–	(380 054)
Movements in non-distributable reserves		
Available-for-sale fair value adjustment	**15 872**	7 300
	15 872	7 300
Movements in retained earnings		
Net income for the year	**139 162**	228 543
Ordinary dividends	**(181 274)**	(242 955)
	(42 112)	(14 412)
Ordinary shareholders' funds at end of year	**418 487**	444 727

CASH FLOW STATEMENTS

for the year ended 28 February 2005

	Notes	2005 R000	2004 R000
Cash retained from operating activities			
Cash generated by operating activities	15.1	**121 634**	69 342
Change in net current assets	15.2		(9 428)
Taxation paid	15.3		
Cash available from operating activities		**121 634**	59 914
Dividends and capital distributions	15.4	**(231 274)**	(312 955)
Net cash retained		**(109 640)**	(253 041)
Cash utilised in investing activities			
Investments			
Subsidiaries acquired		**(20 743)**	(138 700)
Subsidiaries sold		**55 762**	739 111
Unbundling of Capitec Bank Holdings Limited			(260 054)
Loans from subsidiaries		**(49 950)**	44 333
Investments acquired		**(119 787)**	(91 200)
Investments sold		**34 441**	5 778
Loans to holding company		**161 310**	(46)
Loans from holding company		**11 104**	
Loans to subsidiaries		**(156 684)**	(46 181)
		(84 547)	253 041
Cash flow from financing activities			
Preference shares issued		**194 187**	
		194 187	–
Net increase/(decrease) in cash and equivalents		**–**	–
Cash and equivalents at beginning of year		**–**	–
Cash and equivalents at end of year		**–**	–

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 28 February 2005

	2005 R000	2004 R000
1. INVESTMENT IN SUBSIDIARIES		
Unlisted shares at cost less goodwill written off	**208 257**	236 947
Refer Annexure A		
2. INVESTMENT IN ASSOCIATED COMPANIES		
Listed		
Arch Equity Limited (20%) (28 725 700 shares)	**45 609**	–
Unlisted		
Kumani Holdings (Pty) Limited (49%)	**–**	–
Market value of listed investments	**64 633**	–
3. OTHER INVESTMENTS		
Securities available for sale		
Listed		
PSG Group Limited (11 495 000 shares) (2004: 10 000 000 shares)	**80 465**	38 500
Loan to holding company		161 310
Loan to subsidiary company	**202 865**	46 181
Preference shares of subsidiary company	**60 000**	60 000
	343 330	305 991
Market value of listed investments	**80 465**	38 500
4. TRADING SECURITIES		
Unlisted preference shares	**31 912**	
Derivative instruments	**2 387**	
	34 299	–
Directors' valuation of trading investments	**34 299**	–
5. SHARE CAPITAL		
Authorised		
1 000 000 000 shares of 8 cents each	**80 000**	80 000
Issued		
573 401 094 shares of 8 cents each (2004: 573 401 094)	**45 872**	45 872

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.

	2005 R000	2004 R000
6. NON-DISTRIBUTABLE RESERVES		
Available-for-sale reserve	**23 172**	7 300
Capital reduction	**6 615**	6 615
	29 787	13 915
7. LONG-TERM LIABILITIES		
Cumulative, non-redeemable, non-participating preference shares net of issuing costs	**194 187**	
Loans from subsidiary companies	**1 861**	51 811
Loans from holding company	**11 104**	
	207 152	51 811
Cumulative, non-redeemable, non-participating preference shares		
Authorised		
200 000 000 cumulative, non-redeemable, non-participating preference shares of R0,01 each	**2 000**	–
Issued		
200 000 000 cumulative, non-redeemable, non-participating preference shares of R0,01 each	**2 000**	–

The preference shares were issued during the financial year ended 28 February 2005 at a price of R1,00 per share. The preference shares are classified as a financial liability.

The preference dividend is calculated on a daily basis at 75% of the prime overdraft rate of Absa and is payable in two semi-annual instalments. Arrear preference dividends shall accrue interest at the prime overdraft rate of Absa.

	2005 R000	2004 R000
8. DEFERRED TAXATION		
Charge to income statement	**1 644**	
Revaluation of available-for-sale investments	**4 089**	
	5 733	–
9. SHAREHOLDERS FOR DIVIDENDS		
Preference shareholders	**4 611**	
Ordinary shareholders		50 000
	4 611	50 000
10. REVENUE		
Preference dividend received	**1 321**	
Investment income	**138 223**	68 948
	139 544	68 948
11. INVESTMENT INCOME		
Dividends	**121 632**	69 342
Profit/(loss) on realisation of investments	**3 241**	(394)
Fair value gains – trading securities	**13 350**	
	138 223	68 948

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 28 February 2005

	2005 R000	2004 R000
12. FINANCING COSTS		
Preference dividends	**4 611**	–
13. EXCEPTIONAL ITEMS		
Profit on sale of shares in subsidiaries	**6 329**	159 595
Other	**(23)**	
	6 306	159 595
14. TAXATION		
Capital gains tax		
Deferred taxation	**1 644**	
Secondary tax on companies	**433**	
	2 077	–
Reconciliation of rate of taxation	**%**	%
South African normal tax rate	**30,0**	30,0
Adjusted for:		
Non-taxable income	**(27,7)**	(30,0)
CGT rate differential	**(1,1)**	
Secondary tax on companies	**0,3**	
Effective rate of tax	**1,5**	–

No provision for normal taxation has been made as the company had no taxable income.

	2005 R000	2004 R000
15. NOTES TO THE CASH FLOW STATEMENTS		
15.1 Cash generated by operating activities		
Net income from normal operations	**139 544**	68 948
Adjustment for other non-cash items	**(17 910)**	394
	121 634	69 342
15.2 Change in net current assets		
Change in accounts receivable		(3 600)
Change in shareholders for dividends		(5 828)
	–	(9 428)

	2005 R000	2004 R000
15. NOTES TO THE CASH FLOW STATEMENTS – *continued*		
15.3 Taxation paid		
Balance at beginning of year		
Charge in income statement	**(433)**	
Balance at end of year	**433**	
	–	–
15.4 Dividends and capital distributions		
Provision for payments to shareholders at beginning of year	**(50 000)**	
Dividends and capital distributions for the year	**(181 274)**	(362 955)
Provision for payments to shareholders at end of year		50 000
	(231 274)	(312 955)

16. RELATED-PARTY TRANSACTIONS

The company is a wholly owned subsidiary of PSG Group Limited for financial statement reporting purposes.

Related-party relationships exist with some companies within the PSG Group. Transactions with the parties mainly comprise intergroup loan accounts and intercompany charges.

ANNEXURE A – INTEREST IN SUBSIDIARIES

Company	Proportion held directly or indirectly by holding company 2005 %	2004 %	Issued share capital 2005 R000	2004 R000
Channel Life Holdings (Pty) Limited	**74**		**4**	
Channel Life Limited	**43**	89	**3 105**	3 105
PSG Capital Limited	**100**	91	**4**	4
PSG Channel Holdings Limited	**100**		**370**	
PSG Corporate Services (Pty) Limited	**100**	100	**4**	4
PSG Investment Services (Pty) Limited	**100**	98	**1 769**	1 802

PSG GROUP LIMITED

ORDINARY SHARE ANALYSIS

as at 28 February 2005

	Shareholders		Shares held	
	Number	%	Number	%
Range of shareholding				
1 – 500	1 262	36,7	223 431	0,2
501 – 1 000	450	13,1	377 269	0,4
1 001 – 5 000	992	28,9	2 635 770	2,4
5 001 – 10 000	320	9,3	2 585 577	2,4
10 001 – 100 000	348	10,1	10 740 299	10,0
100 001 – 1 000 000	50	1,5	19 964 487	18,5
Over 1 000 000	15	0,4	71 173 167	66,1
	3 437	100,0	107 700 000	100,0
Treasury stock *	1		11 495 000	
	3 438		119 195 000	

** Held by a wholly owned subsidiary, PSG Financial Services Limited.*

	Shareholders		Shares held	
	Number	%	Number	%
Public and non-public shareholding				
Non-public				
Directors	8	0,2	28 977 414	26,9
Arch Equity Limited	1	–	24 375 000	22,6
Employee share scheme	1	–	6 124 160	5,7
Directors of subsidiaries	11	0,3	2 686 277	2,5
	21	0,5	62 162 851	57,7
Public	3 416	99,5	45 537 149	42,3
	3 437	100,00	107 700 000	100,0

	Number	%
Individual shareholders holding 5% or more as at 28 February 2005		
Arch Equity Limited	24 375 000	22,6
JF Mouton Family Trust	17 189 994	16,0
Employee share scheme	6 124 160	5,7
	47 689 154	44,3

PSG FINANCIAL SERVICES LIMITED

PREFERENCE SHARE ANALYSIS

as at 28 February 2005

	Shareholders		Shares held	
	Number	%	Number	%
Range of shareholding				
1 – 50 000	269	28,2	9 373 129	4,7
50 001 – 100 000	367	38,5	34 546 850	17,3
100 001 – 500 000	268	28,1	71 617 840	35,8
500 001 – 1 000 000	28	2,9	22 697 581	11,3
Over 1 000 000	22	2,3	61 764 600	30,9
Public shareholders	954	100,0	200 000 000	100,0

	Number	%
Individual shareholders holding 5% or more as at 28 February 2005		
Capitec Bank Limited	10 000 000	5,0

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given of the annual general meeting of shareholders of PSG Financial Services Limited ("PSL" or "the company") to be held at Lanzerac Hotel, Lanzerac Road, Jonkershoek, Stellenbosch, on Friday, 24 June 2005, at 12:15.

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 28 February 2005.

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

3. To re-elect as directors of the company Messrs L van A Bellingan, PE Burton, J de V du Toit, MJ Jooste, D Lockey, JJ Mouton and Dr J van Zyl Smit.

4. To reappoint PricewaterhouseCoopers Inc. as auditors for the ensuing year.

5. To authorise the directors to determine and pay the auditors' remuneration for the year ended 28 February 2005.

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

6.1 Ordinary resolution number 1

"Resolved that the unissued ordinary 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 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 provisions of the Listings Requirements of the JSE Securities Exchange South Africa."

6.2 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 (if listed) 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."

6.3 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 itself and by any subsidiary of the company of shares issued by such subsidiary and/or by the company and/or by its holding company, upon such terms and conditions and in such amounts as the directors of PSG Group Limited may from time to time decide, but subject to the provisions of section 85 to section 89 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 other 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 and/or 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 and/or in the event that it is the company's holding company's share capital that is repurchased by the company and/or a subsidiary;
- the general purchase 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."

6.4 Special resolution number 3

"Resolved as a special resolution that, in terms of section 75 of the Companies Act, 1973 (Act 61 of 1973), and with effect from the date of adoption of this special resolution, the authorised share capital of the company be and is hereby increased from R82 000 000 divided into 1 000 000 000 ordinary shares of R0,08 each and 200 000 000 cumulative, non-redeemable, non-participating preference shares of R0,01 each, to R84 000 000 divided into:
- 1 000 000 000 ordinary par value shares of R0,08 each; and
- 400 000 000 cumulative, non-redeemable, non-participating preference shares of R0,01 each; and

it being recorded that the issued share capital still remains as 573 401 094 ordinary shares with a par value of R45 872 087,52 and 200 000 000 cumulative, non-redeemable, non-participating preference shares with a par value of R2 000 000,00."

6.5 Special resolution number 4

"Resolved as a special resolution that, in terms of section 62 of the Companies Act, 1973 (Act 61 of 1973), and with effect from the date of adoption of this special resolution, the articles of association of the company be and is hereby amended as follows:

By deleting article 146.1.9 in its entirety and the insertion of the following in its stead:
"preference shares" means the 400 000 000 (four hundred million) cumulative, non-redeemable, non-participating, variable rate, par value preference shares at R0,01 (one cent) each in the share capital of the company; and"

6.6 Ordinary resolution number 2

"Resolved that, subject to the passing of, and the registration of special resolutions number 3 and 4, the unissued cumulative, non-redeemable, non-participating preference shares ("preference shares") in the authorised share capital of the company be and are hereby placed under the control of the directors of the company who are authorised to allot and issue the preference shares in their discretion until the next annual general meeting, subject to the provisions of the Companies Act, 1973 (Act 61 of 1973), and the Listings Requirements of the JSE Securities Exchange South Africa."

6.7 Ordinary resolution number 3

"Resolved that, subject to the passing of, and the registration of special resolutions number 3 and 4 and subject further to any allotment and issue of the unissued cumulative, non-redeemable, non-participating preference shares by the directors as contemplated in ordinary resolution number 2 above, the company shall apply to the JSE Securities Exchange South Africa for the listing of the aforementioned preference shares in the Specialist Securities – "Preference Shares" sector."

6.8 Ordinary resolution number 4

"Resolved that any of the directors of the company be and are hereby authorised to sign any documents purporting to give effect to the aforementioned special resolutions and ordinary resolutions and that the aforesaid directors are specifically authorised to sign any amendment to any document in order to give effect hereto. Any document so signed purporting to give effect to the aforegoing special resolutions and ordinary resolutions shall conclusively be deemed against the company to be the resolution and/or authorisations so given."

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 grant the board of directors of the company and/or any subsidiary of the company a general authority to acquire shares issued by such subsidiary and/or by the company and/or the company's holding 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 and/or the company's holding company's share capital that is repurchased by a subsidiary.

3. The directors of the company's holding company and/or the company or its subsidiaries will only utilise the general authority to purchase shares in the company's holding company and/or the subsidiary as set out in special resolutions number 1 and 2 to the extent that the directors of the PSG Group, 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 74), directors' interest in securities and material changes (page 30) and the share capital of the company (pages 70 and 71) is contained in the annual report to which this notice is attached.

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 the JSE Listings Requirements.

7. Special resolutions 1 to 2 are renewals of resolutions taken at the previous annual general meeting on 2 June 2004.

8. The reasons for and the effects of special resolutions numbers 3 and 4 are to create additional preference share capital and to increase the company's authorised share capital accordingly.

By order of the board

PSG Corporate Services (Proprietary) Limited
Company secretaries

Stellenbosch
27 May 2005

Registered office
PSG Financial Services 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)

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 Lanzerac Hotel, Lanzerac Road, Jonkershoek, Stellenbosch, on Friday, 24 June 2005, at 12:30.

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 28 February 2005.

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 PE Burton 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 Patrick Ernest Burton
Mr Burton, aged 52, obtained his academic qualifications, including a BCom (Hons) Financial Management and a post-graduate Diploma in Tax Law, from the University of Cape Town.

He was one of the founding members of Siphumelele Investments Limited, a black economic empowerment company established in 1995 with a shareholder base representing in excess of 150 000 previously disadvantaged individuals.

His experience as a director includes executive and non-executive positions in fishing, telecommunications, media and entertainment, technology and financial services. He is a member of the audit committees of Johnnic Holdings Limited and Siphumelele Investments Limited.

3.2. To re-elect as director Mr JJ Mouton, 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 Johannes Jacobus Mouton
Jan Mouton, aged 30, obtained an MPhil Finance (2002) from the University of Cambridge and also holds a BAcc cum laude (1996) and BAcc (Hons) (1997) from the University of Stellenbosch. He qualified as chartered accountant (South Africa) in 2001.

He completed his articles with PricewaterhouseCoopers in 2000. After a further six months at Pricewaterhouse-Coopers in Amsterdam, he read an MPhil Finance on a Cambridge Commonwealth Trust Scholarship. His studies specifically focused on asset valuations, principles of finance and topics in financial economics. On 1 July 2002 he joined PSG Capital Limited and his responsibilities included managing the Tanzanite Capital Limited hedge fund and assisting the corporate finance team in making investment decisions. As from 1 November 2004 he manages the PSG Tanzanite Flexible Fund unit trust. He serves as a non-executive director.

3.3. To re-elect as director Dr J van Zyl Smit 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 Jacobus van Zyl Smit
Dr Van Zyl Smit, aged 63, obtained his academic qualifications, including an LLB and DCom, from the University of Stellenbosch. He also qualified as chartered accountant.

He has extensive experience as chartered accountant, including seven years as a partner of Coopers & Lybrand Chartered Accountants and 15 years as professor of accounting at the University of Stellenbosch. He has been a member of legal and other committees of the Accountancy Board and is currently a member of the examination committee of this board. He also acts as financial and research consultant.

His experience as a director includes executive and non-executive positions with banking, financial and publishing companies such as Capitec Bank Holdings Limited, British American Tobacco Holdings SA (Pty) Limited ("BAT") and

Alnet (Pty) Limited. He also acts as chairman of the audit committees of PSG Group as well as Capitec Bank Holdings Limited, BAT and Alnet (Pty) Limited.

4. To reappoint PricewaterhouseCoopers Inc as auditors for the ensuing year.

5. To authorise the directors to determine and pay the auditors' remuneration for the year ended 28 February 2005.

6. To confirm the directors' remuneration, as disclosed in the annual financial statements, for the year ended 28 February 2005.

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

7.1 Ordinary resolution number 1

"Resolved that the unissued shares in the company, limited to 10% of the number of shares in issue at 28 February 2005, 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 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 provisions of the Listings Requirements of the JSE Securities Exchange South Africa."

7.2 Ordinary resolution number 2

"Resolved that the directors of the company be and are hereby authorised by way of a general authority, to allot and issue any of its unissued shares for cash, subject to the provisions of the Listings Requirements of the JSE Securities Exchange South Africa ("JSE"), and subject to the proviso that the aggregate number of ordinary shares able to be allotted and issued in terms of this resolution, shall be limited to 10% of the issued share capital at 28 February 2005, provided that:

- the approval 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."

At least 75% of the shareholders present in person or by proxy and entitled to vote at the annual general meeting must cast their vote in favour of this resolution.

7.3 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 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 89 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 other 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 purchase 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 grant the board of directors of any subsidiary of the company a general authority to 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 74), directors' interest in securities and material changes (page 30) and the share capital of the company (page 45) is contained in the annual report to which this notice is attached.

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 the JSE Listings Requirements.

7. Special resolutions 1 and 2 are renewals of resolutions taken at the previous annual general meeting on 18 June 2004.

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 12:30 on Thursday, 23 June 2005.

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 2005

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)

FORM OF PROXY

P S G GROUP LIMITED

(Incorporated in the Republic of South Africa)
(Registration number 1970/008484/06)
JSE share code: PSG
ISIN code: ZAE 000013017
("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 12:30 at Lanzerac Hotel, Lanzerac Road, Jonkershoek, Stellenbosch, on Friday, 24 June 2005.

I/We ____

of ____

being the registered holder of [ ] ordinary shares in the company 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 annual financial statements and reports			
2. To confirm the dividend to shareholders set out in the annual financial statements			
3.1 To re-elect PE Burton as director			
3.2 To re-elect JJ Mouton as director			
3.3 To re-elect J van Zyl Smit as director			
4. To reappoint the auditors, PricewaterhouseCoopers Inc			
5. To authorise the directors to determine and pay the auditor's remuneration			
6. To confirm the directors' remuneration			
7.1 Ordinary resolution number 1 – unissued shares			
7.2 Ordinary resolution number 2 – authority to issue shares for cash			
7.3 Special resolution number 1 – share buyback by PSG Group			
7.4 Special resolution number 2 – share buyback by subsidiaries of PSG Group			

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 ______________ 2005

Signature(s) ____

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

Each PSG Group 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.

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 12:30 on Thursday, 23 June 2005.

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 PSG GROUP LIMITED
Registration number 1970/008484/06
Share code: PSG
ISIN: ZAE000013017

DETAILS OF PSG FINANCIAL SERVICES LIMITED
Registration number 1919/000478/06
Share code: PSFP
ISIN: ZAE000060166

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 +27 21 887 9602
Telefax +27 21 887 9619

TRANSFER SECRETARIES
Ultra Registrars (Pty) Limited
11 Diagonal Street
Johannesburg 2001
PO Box 4844
Johannesburg 2000
Telephone +27 11 834 2266
Telefax +27 11 834 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

WEBSITE ADDRESS
www.psggroup.co.za

SHAREHOLDERS' DIARY

	2005
Financial year-end	28 February
Profit announcement	18 April
Annual general meeting	24 June
Interim report	10 October

GRAPHICOR
32599

PSG GROUP LIMITED

www.psggroup.co.za