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ANNUAL REPORT 2006

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PSG Group Limited

Contents

Board of directors

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

EXECUTIVE DIRECTORS

JF (Jannie) MOUTON (59)
BCom (Hons), CA(SA), AEP
Executive chairman

J DE V (Jaap) DU TOIT (51)
BAcc, CA(SA), CFA

CA (Chris) OTTO (56)
BCom, LLB

NON-EXECUTIVE DIRECTORS

JJ (Jan) MOUTON (31)
BAcc (Hons), CA(SA), MPhil (Cantab)
Manager – PSG Tanzanite
Flexible Fund

W (Willem) THERON (54)
BCompt (Hons), CA(SA)
Managing director – PSG Konsult

INDEPENDENT DIRECTORS

L VAN A (Kleintjie) BELLINGAN (60)[1, 2]
BCom, LLB, CA(SA)
Entrepreneur

PE (Patrick) BURTON (53)[2]
BCom (Hons), PG Dip Tax
Financial director – Snoek Wholesalers

MJ (Markus) JOOSTE (45)[2]
BAcc, CA(SA)
Managing director – Steinhoff
International

D (Desmond) LOCKEY (44)[2]
BA (Hons), MBA
Executive chairman – Arch Equity

BE (Bruno) STEINHOFF (German) (68)[2]
Chairman – Steinhoff International

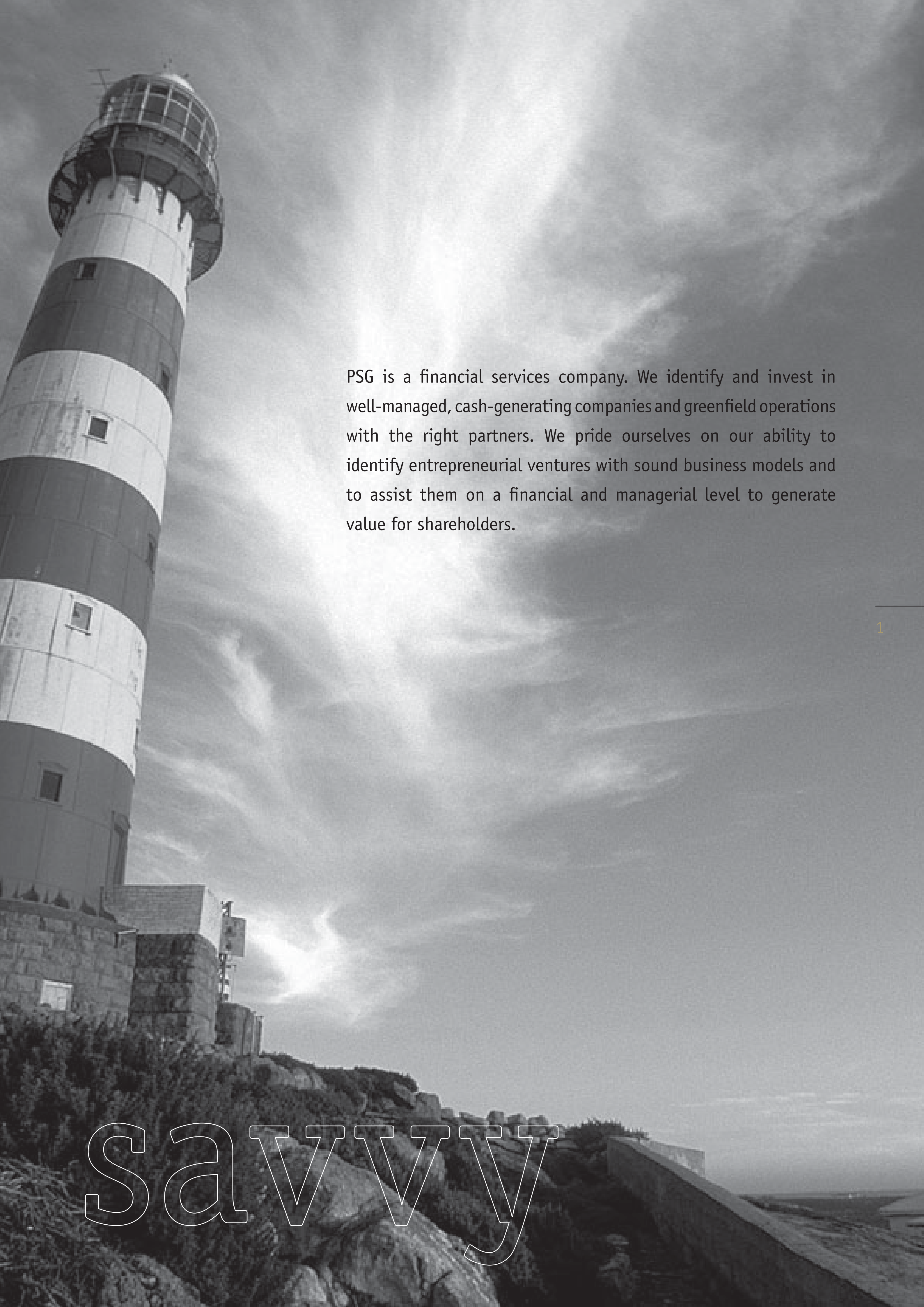
J VAN ZYL (Jacobus) SMIT (64)[1, 2]
BCom, LLB, CA(SA), DCom
Director of companies

ALTERNATE DIRECTOR

P (Pierre) MALAN (38)
Alternate director to CA Otto
BCompt (Hons), CA(SA)
Head of Corporate Finance

1 Member of audit and risk committee
2 Member of remuneration committee

PSG is a financial services company. We identify and invest in well-managed, cash-generating companies and greenfield operations with the right partners. We pride ourselves on our ability to identify entrepreneurial ventures with sound business models and to assist them on a financial and managerial level to generate value for shareholders.



> *"In die tien jaar het ons die bul gesien, en ook die beer. 'n Beerfase sal weer kom maar hoe meer gevestig jy is, hoe beter hanteer jy dit."*
>
> *Jaap du Toit*
> *In "Gee vir my Geleenthede"*

FINANCIAL HIGHLIGHTS
for the year ended 28 February 2006

Cents per share	2006	2005	2004	2003	Notes
Reported headline earnings	**351,8**	90,0	76,3	70,7	
Adjusted for:					
Capitec unbundling			(16,1)	(13,5)	
Interest effect of special dividends		(1,4)	(8,8)	(21,6)	A
Non-recurring deferred tax		(14,1)	(3,7)		
Strategic investments – short-term fluctuations	**(223,5)**				
Less: Dividends	**(4,8)**				B
Unrealised/realised surplus on investments	**(231,6)**				C
Plus: Long-term investments return of 15%	**12,9**				D
Base headline earnings	**128,3**	74,5	47,7	35,6	
Percentage increase	**72,2**	56,2	34,0		
Net asset value per share	**704**	356	320	828	
ROE on base headline earnings (%)	**24,2**	23,0	8,0	3,9	
Distribution per share					
• Normal	**67,5**	45,0	30,0	20,0	
• Special			70,0	200,0	

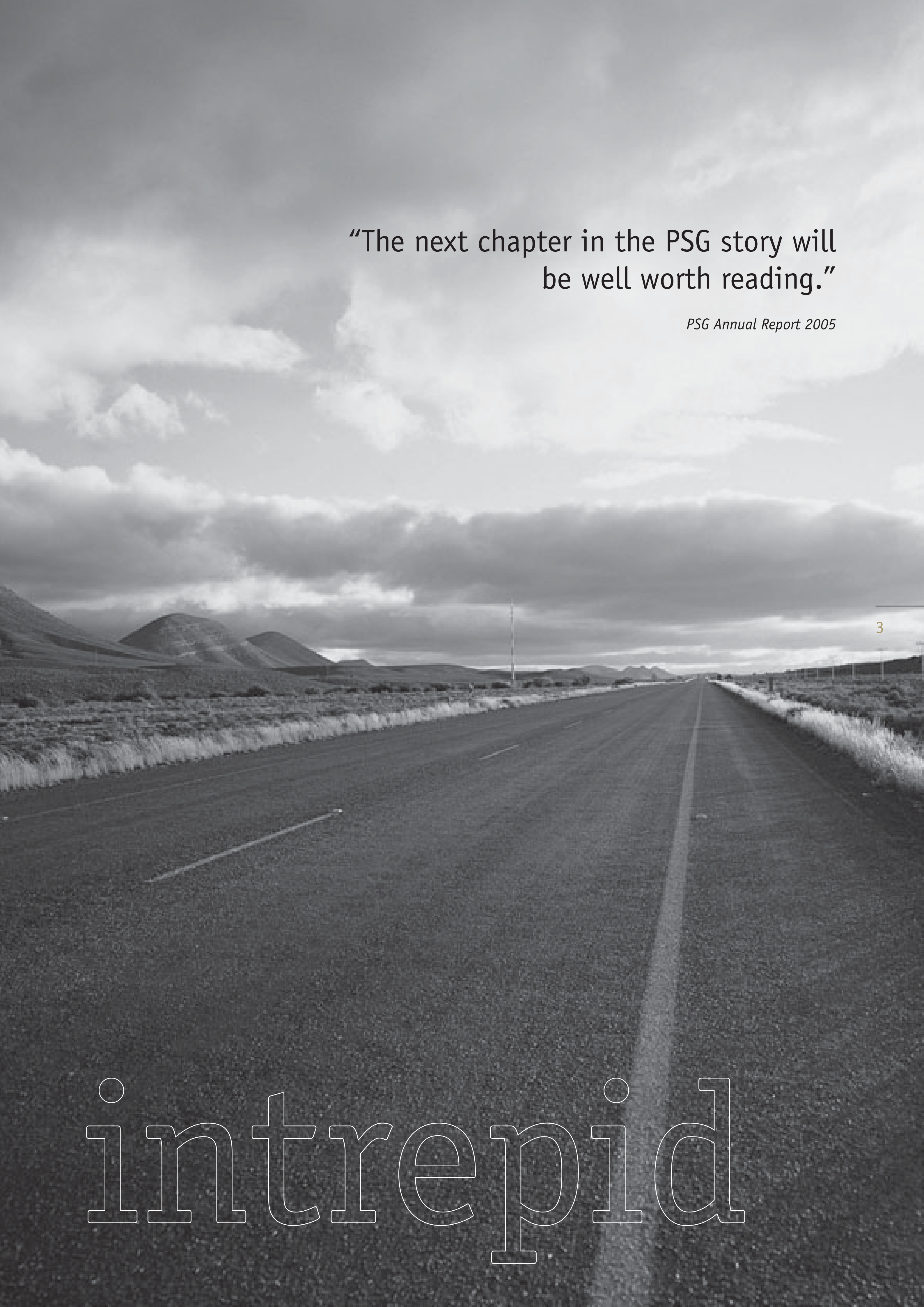
Notes

A Adjustment for loss of interest previously earned (after-tax rate 7,5%)

B All dividends received from strategic investments

C All unrealised/realised surplus on strategic investments

D The rate of 15% is an estimate of PSG's targeted long-term after-tax investment return. A weighted average cost for the year for each of the strategic investments is calculated and the long-term investment return of 15% is then applied to the weighted average cost.



"The next chapter in the PSG story will be well worth reading."

PSG Annual Report 2005

intrepid

The Top 10 – over ten years*

	Share name	Open Cents per share	Close Cents per share	Final value R	Compound growth, 10 yrs
1	**PSG Group**	45	1230	1 224 568	61,73%
2	**African Bank**	69	2125	462 866	46,74%
3	**Wilson Bayly Holmes – Ovcon**	220	3840	259 104	38,47%
4	**Grindrod**	400	5620	241 502	37,50%
5	**MTN Group**	230	5269	240 264	37,43%
6	**Impala Platinum Holdings**	9050	72300	143 673	30,54%
7	**Hyprop Investments**	635	2680	142 936	30,47%
8	**Octodec Investments**	315	860	140 295	30,23%
9	**FirstRand**	174	1695	132 110	29,45%
10	**Invicta Holdings**	230	1620	130 736	29,31%

** Top 100 Business Times, 13 November 2005. Source: I-NET BRIDGE*

CURRENT INVESTMENTS

Company	Interest	Description
INVESTMENTS		
Arch Equity (currently restructuring)	23%	Empowerment transactions and private equity investments
Channel Life	36%	Life insurance
m Cubed	30%	Cash shell
PSG Capital Corporate Finance	50%	Corporate finance services
JSE	15%	Equity and derivative exchanges
Agri companies	Various	Includes a strategic stake in the unlisted food company, *Pioneer Food Group Limited*, and various agricultural companies
Petmin	11%	Mining
Other private equity investments		
PSG Treasury Outsourcing	50%	Foreign exchange risk management
Rand-Asia Trade Finance	33%	Trade finance intermediary
PSG Capital Quantitative	30%	Proprietary trading
Axon Xchange	36%	Scrip lending joint venture with SocGen
Indevco	59%	Investment incentives consulting
ZS Rational Finance	30%	Financial services, with a focus on bridging finance
PSG Absolute Investments	51%	Asset management and financial product development
Crest Holdings	49%	Management services and new ventures
Algoa Insurance	54%	Specialises in sick leave management
WEALTH MANAGEMENT		
PSG Fund Management	98%	Local and offshore investments and asset management
PSG Konsult	79%	Independent financial planning, investments, stockbroking, portfolio management, long and short-term insurance broker
PSG Online	93%	Stockbroking and investor education

KEY OBJECTIVES

Our primary goal is to enhance shareholders' wealth over time.

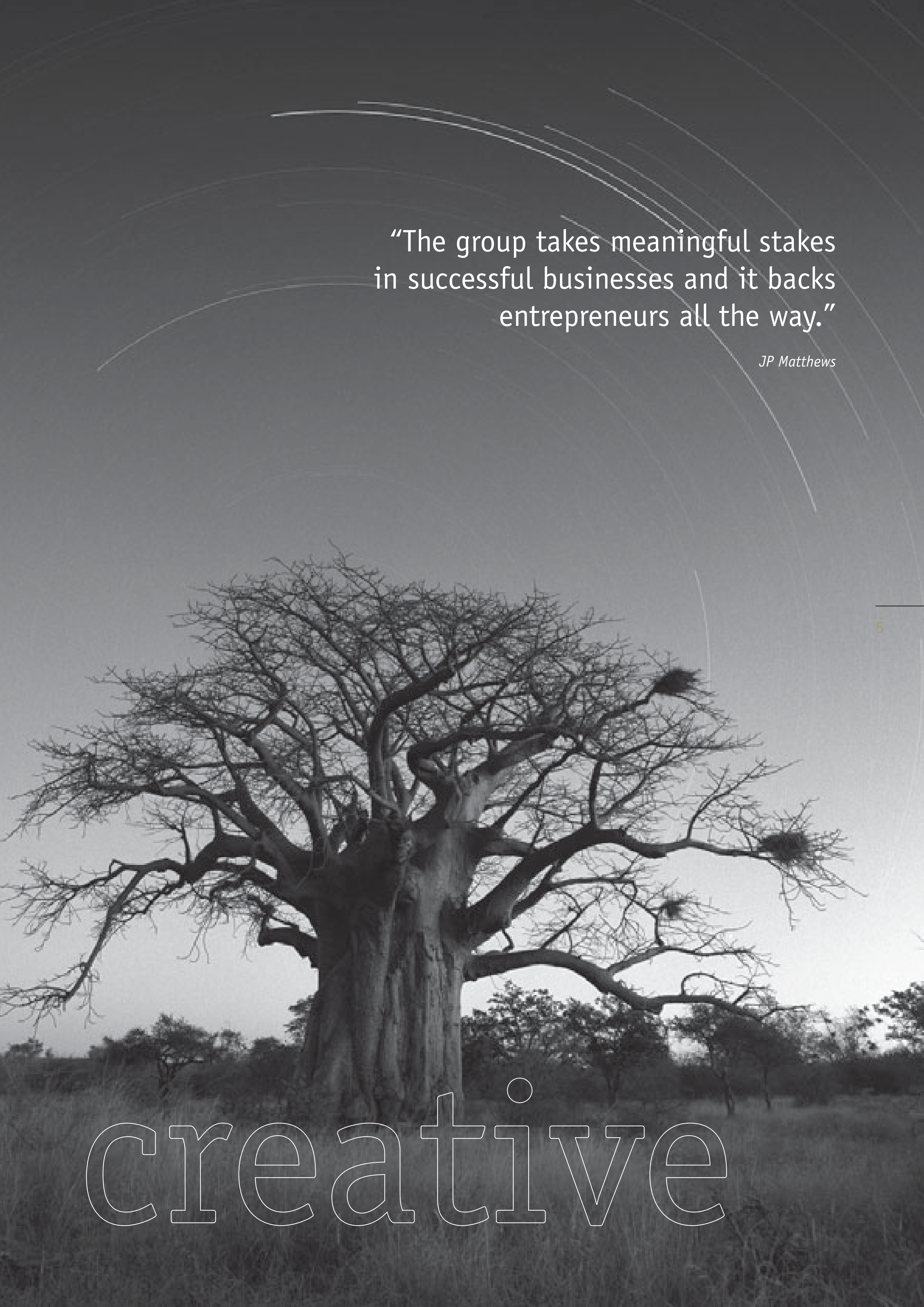
Over the past 10 years we have pursued this goal through buying and growing good businesses, building a strong annuity income base and meaningful corporate actions – including share issues, share buybacks and the declaration of special dividends. Throughout this process we have ensured that shareholders are aware of what we are planning and we have encouraged investors to judge our performance by our ability to achieve our stated objectives and the returns we deliver on their investments.

SUCCESS IN ACHIEVING OUR KEY OBJECTIVES

We have enjoyed remarkable success in our effort to deliver consistent returns on shareholders' funds. On 13 November 2005, the Sunday Times rated PSG number one in a ranking of JSE-listed companies in terms of shareholders' wealth created over the past ten years (as measured by capital growth and the value of reinvested dividends). PSG also had the most consistent record of generating shareholders' wealth over shorter periods, being the only company in the top 20 over a period of ten, five and one years.

We bought control of PAG (now PSG) on 25 November 1995, and for all of us – investors, colleagues and friends – it has been 10 exciting years. The above-mentioned accolade was received a few days before PSG's 10th anniversary celebration. It marked the end of a successful decade and posed the challenge of matching and exceeding this performance in the years ahead.

PSG's compounded annual growth rate at that stage (thus: from November 1995 to November 2005) was 66,2%. PSG's shares have, however, performed exceptionally well over the last three months and, by year-end 2006, this figure has risen to 73,5%.



"The group takes meaningful stakes in successful businesses and it backs entrepreneurs all the way."

JP Matthews

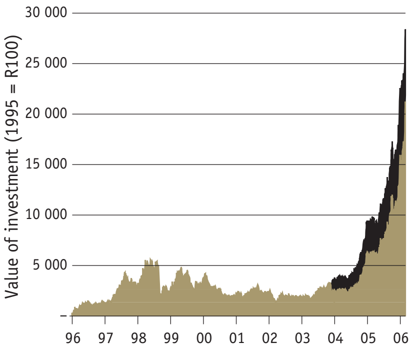
creative

As in the past, the total return index bears witness to our ability to produce consistent returns (see table below). The index shows the returns on an investment of R35 at the inception of the company in November 1995 – for an investor who reinvested all dividends and kept the Capitec shares acquired in PSG's unbundling of its stake in Capitec in 2003.

Total return index for PSG

Date	Number of PSG shares	Number of Capitec shares	PSG investment (R)	Capitec investment (R)	Total investment (R)	Annualised growth in total investment
17 Nov 95	285,71		100		100	
29 Feb 96	285,71		643		643	
28 Feb 97	300,00		1 440		1 440	124%
28 Feb 98	306,00		4 682		4 682	225%
28 Feb 99	306,00		3 580		3 580	(24%)
29 Feb 00	315,74		3 094		3 094	(14%)
28 Feb 01	333,68		2 202		2 202	(29%)
28 Feb 02	357,09		1 700		1 700	(23%)
28 Feb 03	380,20		1 977		1 977	16%
29 Feb 04	661,78	218,95	2 548	1 270	3 818	93%
28 Feb 05	907,78	226,37	6 354	3 373	9 727	155%
28 Feb 06	964,13	230,75	21 847	7 165	29 012	198%

Total return index for PSG



WHAT HAS BEEN THE FOUNDATION OF PSG'S SUCCESS?

I ascribe our success over the past 10 years to our unwavering commitment to our key values – the "true north" to which we adhere in all our decision-making.

These values include:

- Enthusiasm – above all else.
- Continuous attention to and renewal of our vision, and the formulation of clear strategies through which this vision can be achieved.
- Clear, unambiguous communication to all stakeholders, to ensure a thorough understanding of the company's activities and what can be expected from us in the future.
- We appoint competent people and identify and support hard-working, intelligent entrepreneurs who are empowered through trust.
- Assertiveness and decisiveness. We make quick decisions, and when we make mistakes, we acknowledge it and learn from them.
- Promoting shareholding amongst management and staff – we believe that all PSG Group employees should be shareholders in their respective companies.

"Met lojaliteit kan en sal 'n mens dit vêr bring in enige aspek van die lewe."

Chris Otto
In "Gee vir my Geleenthede"

Our returns are generated by a small but loyal staff. Many of our employees have been with the group since the establishment of their various companies. They still remember some of our first experiences as a maverick stockbroking outfit in Johannesburg and the small beginnings (and scant furniture!) of our first offices in Cape Town. Over the past ten years, this core of "founders" has been augmented by enterprising individuals who share our passion for hunting business opportunities. More than 73% of PSG shares are owned by PSG management, directors, friends and family (up from 28% in 2002). The close association between PSG as a company and the people who are responsible for its growth is considered an essential element of its success.

EARNINGS PERFORMANCE IN 2006

The 2006 financial year was the best in the history of PSG. Base headline earnings grew by 72% to 128,3 cents per share. In calculating the base headline earnings we have eliminated the contributions of non-recurring deferred tax credits and the marked-to-market profits on our strategic investments. Instead, we have replaced these fair value adjustments with a target after-tax return of 15% on the carrying value of the investments which we believe to be a more realistic reflection of the expected long-term trends. We classify our 15% stake in the JSE, as well as our shareholding in Pioneer Foods, various Agri companies, Petmin and the PSG Tanzanite Flexible Fund as strategic long-term investments.

We have set a target return on equity (ROE) of 20% in our 2004 annual report and are pleased to report that the ROE improved from 8,0% in 2004 to 24,2% in 2006.

"Phila – live with passion!"

Johnny Macrides
In "Gee vir my Geleenthede"

SHARE PRICE PERFORMANCE IN 2006

In February 2003, PSG closed at 520 cents per share which reflected a discount of 37,2% to our net asset value (NAV) of 828 cents. We did not like the situation as a number of hostile investors seemed eager to get control of our company. We paid special dividends, unbundled our investment in Capitec and encouraged shareholders to keep their Capitec shares and to invest all dividends back into PSG and Capitec.

Over the three-year period from 28 February 2003 to year-end 2006, an investment of R1 000 would have grown by 354,7% to a value of R4 547.

	2006	2005	2004	2003
Value of interest (R)	**4 547**	2 991	1 930	1 000
Percentage increase	**52**	55	93	16

COMMENT ON PERFORMANCE

We are very proud of PSG's performance over the past couple of years – and especially in 2006. We believe that well-planned strategic moves and the innovation and hard work of the PSG staff and management have enabled us to capitalise on positive trends in our operating environment.

A WORD OF CAUTION

The earnings and share price of PSG have grown exponentially. We have always made it clear that PSG will perform better in buoyant market conditions. This is exactly what we have been experiencing over the last couple of years.

Given the alignment of PSG's earnings with the performance of the South African economy and the JSE, the prospects of the local bourse has to be a primary consideration in attempts to determine realistic expectations from an investment in our company. The tremendous bull run which the JSE has enjoyed over the last three years renders the prospects of the equity market a more complex matter than it was two or three years ago.

Discount dividend model:

$$V = \frac{\text{dividend } (1 + \text{growth rate})}{\text{required rate-growth rate}}$$

Gordon Growth Model

I rely on a classical equity pricing model, namely the discounted dividend model (Gordon Growth Model) to give you my views on the JSE.

On 28 February 2006, the JSE all-share index closed on 19085 points. On this date the dividend yield of this index was 2,34%. The growth rate which we will use is the GDP growth rate of 4,9% for 2005 plus inflation of 4%, so that growth rate equals 8,9%. Because we know the current value of the JSE all-share index, its dividend yield and have an estimate for growth (namely 8,9%), we can calculate the required rate of return using the discounted dividend model.

Given the abovementioned assumptions, the required rate of return is 11,45%. If these assumptions prove correct, an investor in the JSE can thus expect to earn 11,45% after tax if he invests in the JSE at current levels. An expected return of 11,45% is a far cry from the 45,7% return of the JSE all-share index (including dividends) that investors have experienced in the year to 28 February 2006. It is, however, important to keep in mind that the 11,45% is the average expected return from the JSE and does not equate to the return for every company on the bourse. So, although it seems like average future returns may be significantly lower, it by no means implies that there are no opportunities for PSG or the discerning investor.

> *"For South Africa to succeed as a country, BEE must succeed. It is absolutely fundamental that black people in far greater numbers are assimilated into the mainstream of the South African economy."*
>
> *Desmond Lockey*
> *In "Gee vir my Geleenthede"*

2005 – 2006: THE YEAR OF OPPORTUNITIES

The following highlights have marked 2005/06 as the year of realised opportunities:

REMARKABLE GROWTH IN EARNINGS PER SHARE

Base headline earnings per share increased from 74,5 cents in 2005, to 128,3 cents in 2006 – an increase of 72%.

DIVIDEND GROWTH

Our normal distribution per share increased from 45 cents in 2005, to 67,5 cents in 2006 (an increase of 50%). Between 2003 and 2006, normal distributions per share have increased by 237,5%.

RETURN ON EQUITY

PSG's ROE has increased from 3,9% in 2003 to 24,2% in 2006.

PERPETUAL PREFERENCE SHARES

We have raised R190 million through a perpetual preference share rights issue, as well as an additional R103,7 million through a private placement. The total perpetual preference share capital now amounts to R493,7 million.

ARCH EQUITY MERGER

We are in the process of simplifying our group structure through a merger with Arch Equity. Through this transaction, PSG will obtain a direct interest in two promising business assets (19,3% in Capitec, and 49,9% in Arch Equity Investment Holdings), and will increase our direct black shareholding to more than 10%.

JSE

We have acquired a 15% stake in JSE Limited – making us the largest single shareholder in this company. Between 2004 and 2005, this company had a 52,6% increase in earnings per share. We expect strong returns from this investment in the future.

CORPORATE FINANCE

Our corporate finance team plays a major role in PSG's investment strategy. In 2005/06 we expanded our private equity investments in a broad range of economic sectors – including financial services, agriculture and manufacturing. The corporate finance team was rated 8th in terms of transactions announced where it acted as adviser.

Our offer for Naspers shareholders succeeded in unlocking enormous value in Naspers A, N, Nasbel and Keeromstraat shares. As a result of our offer, the value of these shares increased by 41 614%, 22%, 17 million per cent and 418 900% respectively.

MARKET CAPITALISATION

At year-end 2005, PSG's market capitalisation was R834 million. Over the past year this has been increased to R2,7 billion, mainly due to a substantial increase in our share price during the period under review.

CONTRIBUTING THROUGH SUCCESS

It is my conviction that businesses contribute to society through their role as the source of goods and services, the creators of value to shareholders, the suppliers of employment opportunities and one of the main contributors to the government's income from taxation. Businessmen and businesswomen are ultimately hired by shareholders, business partners and communities to create value over time – thus, to remain profitable.

In the long run our ability to sustain our contribution to society is determined by our success. Success allows us to continue providing services, hiring capable men and women, paying dividends, contributing to worthy causes and creating our share of the wealth which is distributed by government through the national budget. Over the last ten years PSG has met this challenge, and we consider our success our greatest contribution to South Africa's continued growth and development.

Given South Africa's history of unequal development, we do however recognise the need for retributive justice in our society, and laud the government's attempt to achieve this in a structured manner through its broad-based black economic empowerment ("BBBEE") initiatives. We therefore endorse the Financial Sector Charter, and continue to improve our compliance with the objectives set in the Charter Scorecard.

Once approved, the merger between PSG and the BEE company Arch Equity will increase the direct black shareholding in PSG to more than 10%. Black shareholding is also being promoted through a share incentive trust. At the moment, more than 48% of PSG's employees are black South Africans.

We acknowledge the role of BEE initiatives and the consequent broadening of the economic base in the stimulation of progressive economic growth and look forward to continue sharing in South Africa's success.

LOOKING AHEAD

PSG will be holding two Growth Conferences in the near future to identify growth opportunities and strategies for the effective utilisation of such opportunities. The conferences serve to encourage senior players in PSG Group to come forward with external growth plans.

We will also continue to grow our businesses internally. We believe that our businesses are run by talented individuals and teams who flourish under the purpose and freedom we give them.

We view BBBEE as an exciting business opportunity. In co-operation with Arch Equity, we believe that we have the knowledge, finances and commitment to successfully execute BEE transactions which will serve as a boost to both our own bottomline and the national economy.

As mentioned above, the current tempo of market increases can not realistically be expected to continue. One of our key goals is therefore to enhance annuity income streams which are not directly dependent on the equity market.

PSG has built a reasonably strong base of private clients. The PSG brand is strong and we continue to punch above our weight. In the years ahead we will attempt to utilise our strong brand to expand our client base, and explore the expansion of PSG's personal financial services (possibly in the form of a new banking initiative).

A WORD OF THANKS

PSG relies on enthusiastic people to drive its vision of identifying and realising opportunities. I would therefore like to thank PSG's management, staff, the chairmen of board committees and my colleagues on the board for the unrelenting commitment and passion with which they contribute to the company's activities. Your efforts are recognised and appreciated. You play an indispensable role in our success.

I also want to thank our clients and shareholders for their valued support.

Jannie Mouton

Stellenbosch
18 April 2006

"Die laaste paar jaar het ek baie oor my toekoms en die toekoms van PSG gedink. Wat PSG betref is dit maklik. Ons het uitstekende mense en goeie maatskappye in die groep – so ons moet net van krag tot krag voortspoed."

Jannie Mouton
In "Gee vir my Geleenthede"

CONTRIBUTION TO HEADLINE EARNINGS

Year-end 28 February	2006 Rm	2005 Rm
Investments		
Arch Equity Limited and BEE financing	**60,6**	16,9
Channel Life Limited	**16,6**	15,7
Corporate Finance	**6,6**	2,4
JSE Limited	**118,0**	
Agri companies	**43,5**	(0,8)
Pioneer Food Group Limited	**54,6**	
Petmin Limited	**24,8**	0,2
m Cubed Holdings Limited		10,4
Other private equity investments	**6,3**	11,3
Wealth management	**34,3**	23,3
PSG Konsult Limited	**13,3**	9,1
PSG Fund Management Holdings (Pty) Limited	**10,6**	6,5
PSG Online Holdings (Pty) Limited	**7,1**	5,2
Other	**3,3**	2,5
PSG corporate office	**14,9**	21,9
Perpetual preference dividends	**(21,8)**	(4,6)
Total headline earnings	**358,4**	96,7
Total attributable earnings	**409,1**	103,1

Review of results

On a comparable basis, headline earnings per share for the year ended 28 February 2006 increased by 290,9% from 90 cents per share to 351,8 cents per share. Attributable earnings per share increased by 318,7% to 401,5 cents per share.

The economic environment continued to be favourable for the group's operations and the strong performance of the local equity markets had a positive impact on the group's results. A substantial portion of the headline earnings for the year emanated from investments. These profits may not necessarily be of a recurring nature. The majority of the operating subsidiaries performed in line with expectations or better.

PROPOSED PSG/ARCH EQUITY MERGER

The proposed merger between PSG Group Limited and Arch Equity Limited was announced in the press on 14 February 2006. The announcement made mention of the ratio to be utilised in this regard whereby Arch Equity shareholders will be offered one PSG ordinary share for every 2,71 Arch Equity shares held. This ratio will be confirmed by a fair and reasonable opinion to be obtained from an independent expert.

RATIONALE FOR THE MERGER

- The enlarged PSG Group will enjoy *improved BEE credentials*.
- PSG Group will have a *strengthened balance sheet* by way of the incorporation of the Arch Equity investments, which are capable of generating *substantial annuity income streams*.
- PSG will have a significant direct stake in *Capitec Bank Holdings Limited*.
- With an enlarged and diversified investment base, coupled with direct empowerment credentials, the restructured PSG Group will be equipped to become a formidable player in the BEE sphere.
- The proposed merger facilitates a more *streamlined structure* for the PSG Group as a whole and eliminates the circumspection that has shrouded the Arch Equity/PSG relationship.

ARCH EQUITY LIMITED

FINANCIAL HIGHLIGHTS

Headline earnings increased by 69% to R137,9 million due to a strong performance from the company's underlying investments, with the largest contribution from PSG Group. This performance, combined with the fact that the company issued 13,8 million new shares at R5,14 (listing price R1,80), ensured that the net asset value per share increased by 75% to R3,02.

RESTRUCTURING

In December 2005 Arch Equity restructured its investment portfolio whereby it sold all of its unlisted investments, as well as a 3,1% stake in PSG Group, to a wholly owned subsidiary, *Arch Equity Investment Holdings (Pty) Limited* ("AE Investment Holdings"). As part of the restructuring, Arch Equity sold 50,1% of the ordinary shares of AE Investment Holdings to black individuals and broad-based black groups. The black shareholders' shares are unencumbered and the shares carry full equity and voting rights. In terms of this structure, AE Investment Holdings is a black company as defined in the revised Codes of Good Practice.

Following the restructuring, *Arch Equity* has investments in the following companies: *PSG Group* (21,1%), *Capitec Bank Holdings* (21,2%) and *AE Investment Holdings* (49,9%).

REVIEW OF OPERATIONS

The Arch Equity group (including AE Investment Holdings) made seven new investments during 2006 as well as increasing its stake in Capitec substantially. The company sold its investment in Channel Life to PSG Group for R26,6 million following the acquisition by Sanlam of a controlling interest in Channel Life.

AE INVESTMENT HOLDINGS

AE Investment Holdings has interests in the following companies:

PSG Group	3,1%	Indevco	29,4%
Capitec Bank Holdings	1,9%	Grainco	25,1%
Unitrans	4,5%	Value Furnishers	84,7%
Orion Telecom	30,0%	Compress	75,0%
JSE	4,2%	Big Box	30,0%
BKB	5,0%	Curamelior	30,0%

PROSPECTS

Following the merger with PSG Group, Arch Equity will disappear in the PSG Group structure and the management of Arch Equity would be 100% focused on AE Investment Holdings' operations. Management believes that the current portfolio is well positioned to continue to create value for shareholders in the years ahead. The current structure could also assist AE Investment Holdings to participate in further black economic empowerment ("BEE") transactions in the future.

arch equity

ARCH EQUITY LIMITED – 23%

Executive Chairman –
Desmond Lockey

BEE investments and private equity

CHANNEL LIFE LIMITED

Channel Life experienced a year of exceptional growth by establishing several new distribution lines, whilst simultaneously increasing embedded value. The company is currently close to being ranked in 6th position (from a South African Life Insurer position of 40 a mere five years ago) – both in respect of balance sheet size and premium income.

During the financial year under review, the recurring premium book, which represents the core driver of Channel Life's success, has increased by 44%. This growth is viewed as indicative that the entry-level market is responding positively to the products and service offering of Channel Life. This is encouraging, especially in the light of the Channel Life vision to Africanise the industry.

Channel life

CHANNEL LIFE LIMITED – 36%

CEO – René Otto

FINANCIAL HIGHLIGHTS for the year as at 28 February 2006 are summarised:

Growth in embedded value
The Channel Life worth is a function of its embedded value and strong growth was experienced in this area. Ignoring capital injected during the year, Channel's embedded value increased by R51 million or 31,6% for the year. Taking capital injected into consideration, the embedded value increased from R161 million to R276 million.

Embedded value earnings
This term represents the value added to shareholders, expressed as a percentage of the opening embedded value, and is a more appropriate measure of value creation than that of net earnings. The embedded value earnings percentage increased from 19% to 41% as at 28 February 2006, consistently exceeding inflation.

"We must always be mindful of the fact that while a healthy company can have a positive and seemingly infinite impact on others, a sick company is a drag on the social order of things. It cannot sustain jobs, much less widen the opportunities available to its employees. It cannot serve customers. It cannot give to philanthropic causes.

Roberto C Goizueta
CEO, Coca-Cola

Embedded value per share
Embedded value per share increased from 91 cents to 120 cents, representing a growth of 32%. When compared to Channel's privately traded share price, a premium of 34% is reflected over embedded value.

Consolidated financial highlights

- Gross assets increased by 105% from R2 096 million to R4 298 million
- Gross premium income up by 18,3%, from R1 038 million to R1 228 million
- Attributable earnings increased by 77,7% to R31,1 million
- ROE increased to 26%
- The CAR ratio was confirmed at 160%, which means that Channel Life covers its prescribed liabilities 1,6 times with excess assets. This is well in excess of the 100% ratio prescribed by legislation.

During the previous financial year, the need to expand distribution in the South African retail business was identified as a priority. As a result, the following new distribution lines were established during the past financial year: *Channel2U* (in-house call centre), *Channel4Life* (referral marketing business), *Alternative Channel* (institutional and retail investment business) and *Channel South* (broker distribution). All these businesses have been stabilised and are currently meeting expectations.

Due to the above expansion, it was necessary to bolster the company's shareholders' funds and capital adequacy requirements. This was accomplished on 24 February 2006, when 95% of the Channel Life shareholders opted to follow their rights at R1,25 per share. With PSG Group underwriting the remaining 5%, R49,8 million in new capital was secured with the shareholders' continued loyal support.

Corporate activity
The group sold a controlling interest in Channel Life to Sanlam with effect from 28 February 2006. The deal was concluded at an effective price of R1,25 per share, with Channel valued at R230 million for this purpose. This price reflected a premium of 38% above Channel's embedded value. After the rights issue by Channel Life, PSG retained a 36% interest in this company.

Over-the-counter ("OTC") listing
An OTC listing of Channel Life shares was initiated on the PSG Online trading platform in June 2005. Since then, more than one million Channel Life shares have changed hands, with the share price having increased from R1,35 to R1,61 per share at year-end.

Acquisitions

- On 1 May 2005, a transaction was concluded with Capital Alliance, the owner of Rentmeester Assurance Company, for the acquisition of its group life and funeral business book. In the process, 350 000 lives were obtained, translating into annual premium income of R120 million.

- Channel Life required a second life licence to host the pure investment business separate from the underwriting licence and therefore acquired m Cubed Investment Life for R20 million, representing its net asset value. In the process, access was obtained to collective client investments of R3 billion. This business was renamed *Alternative Channel*.
- As part of the Sanlam transaction, Sanlam's 55% interest in *Safrican* was transferred to Channel Life on 1 January 2006, with the remaining 45% being held by Thebe Investment Holdings. Much synergy exists between Channel Life and Safrican, with both companies focusing on the entry-level markets.

Channel's *long-term credit rating*, as certified by Global Credit Ratings, improved from BBB+ to A- during the year under review due to the exercising of sound corporate governance principles, supported by strong financial discipline.

CORPORATE FINANCE

CORPORATE FINANCE – 50% JV

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

SERVICES

- Proprietary investments
- Corporate advice/JSE and Alt^X sponsorships and listings
- Structured products/capital raisings/placement of shares and similar instruments
- Empowerment structuring and advice
- Restructurings
- Mergers and acquisitions
- Valuations of companies and fair and reasonable reports

ACHIEVEMENTS

- As investment advisors, PSG Capital was rated joint 8th by *Dealmakers* in terms of deal flow with transactions worth more than R1 billion in calendar year 2005.
- In terms of general corporate finance, PSG Capital was rated 10th by transaction flow (these transactions only relate to tombstones that appeared in the national press and do not include unlisted transactions).
- As sponsors, PSG Capital was rated 10th in terms of both deal flow and deal value.
- Headline earnings contribution increased by 175% to R6,6 million.

The team plays an important role in the investment strategy of PSG Group and is expected to continue to make a positive contribution to the group's profitability.

JSE LIMITED

JSE LIMITED – 15%

We believe in the future of *JSE Limited ("the JSE")* and have consequently increased our shareholding to 15%. In our opinion the JSE is one of the companies with the strongest competitive positions in the South African economy. It is a classic "tollroad" business that benefits from the network effects of being the pioneer and only player in the South African stock exchange market. PSG is the single largest shareholder in the JSE. The current year profit of R118 million represents the after-tax fair value adjustment to our investment.

The JSE has announced its proposed main board listing in June 2006. It is PSG's intention to equity account this investment once the accounting criteria have been met.

AGRI COMPANIES

AGRI COMPANIES

PSG holds strategic stakes in a number of companies in the agricultural sector, as well as in *Pioneer Food Group Limited*, a large unlisted South African food company. Our investment strategy is based upon our long-term positive view of these companies.

petmin
breaking new ground

PETMIN LIMITED – 11%

PETMIN LIMITED

Petmin is a BEE company listed on the JSE in the general mining sector. It owns and manages the largest silica and anthracite mining companies in South Africa, and has a market capitalisation of approximately R470 million. It is currently developing a new anthracite mine at a cost of approximately R120 million which will come into production in the second quarter of 2007.

PSG made its first investment in Petmin at a share price of 30 cents per share, with the share currently trading around R1,30. PSG believes in the future of this company.

m Cubed

m CUBED HOLDINGS LIMITED – 30%

m CUBED HOLDINGS LIMITED

In order to unlock maximum value for shareholders, PSG played a strategic role in initiating and successfully concluding the following corporate transactions during the year under review:

- Disposal of m Cubed's 42,5% equity interest in Advantage Asset Managers (Pty) Limited to Momentum International Multi-Managers (Pty) Limited for R140 million.
- Disposal of Escher UK Asset Management Limited to Close Brothers Plc for R40 million.
- Disposal of m Cubed Unit Trust Management Company for R16,5 million, Policy Exchange (Pty) Limited for R10 million and Automated Outsourcing Services Limited for R16 million.
- Disposal of Corporate Money Managers (Pty) Limited to investors and management for R5,5 million.
- Disposal of m Cubed Employee benefits for R2,54 million to management.
- Disposal of m Cubed Life Limited for R139 million. Finalisation of this deal is subject to securing Financial Services Board ("FSB") approval.
- Disposal of AOS Fund Services Limited – Guernsey for R2,5 million and m Cubed Capital Management (Guernsey) Limited for R10 million. Finalisation of these two deals is subject to Guernsey Financial Services Commission approval.

The board of PSG Group has decided not to include any of the operational results of m Cubed in its current year results as m Cubed is still trading under cautionary as significant uncertainty exists as to the final outcome of the prolonged dispute resolution negotiations the company is having with a regulator, coupled with the fact that the majority of m Cubed's operating businesses have been disposed of.

OTHER PRIVATE EQUITY INVESTMENTS (consolidated/equity accounted profits)

The *Private Equity division* also includes interests in a number of other performing companies:

PSG TREASURY OUTSOURCING (PTY) LIMITED – 50%

CEO – Sean O'Sullivan

PSG Treasury Outsourcing is a niche foreign exchange risk management company with more than 150 corporate customers that use the service and systems on a mandate basis. The company continued to perform profitably with a 62,6% increase in headline earnings. This achievement was a result of organic growth as well as the acquisition of Decillion Treasury Management Solutions during the year under review.

INDEVCO HOLDINGS (PTY) LIMITED – 60%

CEO – Trevor Hayter

The group acquired a 60% stake in Indevco Holdings (Pty) Limited, which manages government imports/exports incentives on behalf of clients. This company made a profit of R6,9 million for the year under review. The group is implementing a merger with PSG Treasury Outsourcing, with a proposed listing of the new combined entity on the JSE in due course.

ALGOA INSURANCE COMPANY LIMITED – 54%

CEO – Carl Kirstein

Algoa Insurance Company (absenteeism and funeral insurance) had a profitable 2006 with a 158% increase in headline earnings.

AXON XCHANGE (PTY) LIMITED – 36%

CEO – Philip Croeser

Axon Xchange, a scrip lending joint venture with SocGen, increased its profits by 29% to R2,8 million during the year under review. The company has grown considerably since its start-up two years ago, with two main areas of focus, namely Securities Lending and Treasury Marketing.

- The Securities Lending client base has increased from nine active clients in early 2004 to 26 in 2006, with a peak book size of R5,3 billion.
- The Treasury Marketing increased from a zero assets base in 2004 to a deposit book of around R2,5 billion at year-end.

ZS RATIONAL FINANCE (PTY) LIMITED – 30%

Manager – Willem le Roux

The group has acquired a 30% interest in ZS Rational Finance, a money lender focused mainly on property bridging finance. This venture had a profitable first year of operations and is an exciting prospect in PSG's private equity portfolio.

PSG CAPITAL QUANTITATIVE (PTY) LIMITED – 30%

CEO – Derick Burger

PSG now owns 30% in PSG Capital Quantitative after having sold 50% in the company to management during the year under review. This company had a profitable year with a 432% increase in headline earnings.

"I am extremely proud of what PSG has achieved over the past 10 years and very happy as a long-term investor. For the next 10 years, I trust that the management of PSG will continue to build sustainable long-term businesses which will reward shareholders with a stable growing dividend."

Jan Mouton (jr.)
In "Gee vir my Geleenthede"

PSG KONSULT LIMITED – 79%

CEO – Willem Theron

PSG KONSULT LIMITED

HIGHLIGHTS

- The company's turnover increased by 51,2% to R242,3 million, and headline earnings by 52,4%. These figures were mainly due to organic growth, strong financial markets and the acquisition of Vleissentraal short-term broking division during the year.
- Welsh Magodla has been appointed as Manager: Emerging markets and has already firmly established this division. The company's success in this division will be important in the long run.
- To ensure quality of advice and furthermore look after the well-being of our clients, training is a priority. As a result, the *PSG Konsult Academy* has been established in association with the Business School of the University of Stellenbosch. Courses commenced on 1 January 2006, not only for our own advisors but also for the industry at large.

FINANCIAL RESULTS

Year ended 28 February	**2006**	2005	2004
Revenue (Rm)	**242,0**	160,4	72,3
Net profit before tax (Rm)	**25,5**	16,4	6,7
Headline earnings (Rm)	**16,6**	10,9	4,5
Headline earnings per share (cents)	**4,4**	2,9	2,0
Growth in headline earnings per share (%)	**51,7**	48,8	91,2
Number of shares (million)			
– in issue	**379**	373	365
– weighted average	**376**	372	229
Net asset value per share (cents)	**19,4**	16,2	14,0

PROSPECTS

The national short-term broking firm, *Multinet*, was acquired for R180 million. The rationale behind this acquisition was:

- Professional client base – 25 000 clients
- Own strong management team
- Modern effective IT system and computer network
- No other financial services currently marketed to their clients

At the end of March 2006, PSG Konsult had a successful *rights issue* raising R86 million in cash, the proceeds of which will be utilised to pay for the Multinet acquisition.

PEOPLE

At year-end PSG Konsult had *122 offices* with *274 financial planners*, *stockbrokers* and *short-term insurance brokers*. Our professional associates (accountants and attorneys) increased to *286*.

PSG FUND MANAGEMENT HOLDINGS (PTY) LIMITED – 98%

CEO – Ross Breedt

PSG FUND MANAGEMENT HOLDINGS (PTY) LIMITED

FINANCIAL RESULTS

Year ended 28 February	**2006**	2005
Headline earnings* (Rm)	**10,8**	6,5
Growth in headline earnings per share (%)	**65,0**	
Total assets under management (Rm)	**8 092**	5 032
Number of employees	**36**	34

* *Adjusted for the adoption of IFRS*

The PSG Fund Management business consists of the following major components which were the key drivers of the business during the past year:

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

HIGHLIGHTS

Total assets under management increased from R5,0 billion to R8,1 billion (62%) from the previous year, and assets under administration increased by 84% to R10,8 billion, up from R5,8 billion. Apart from the strong equity markets, new inflows into unit trust funds were R1,6 billion backed by excellent performance by *Alphen Asset Management, PSG Tanzanite Division* and *PSG Absolute Investments*. These managers manage R4,8 billion of the aforementioned total assets in various funds and segregated portfolios.

The PSG Alphen Growth Fund won a *Personal Finance Raging Bull* award for best general and overall equity fund over a three-year period as well as a *Financial Mail Standard & Poors* award.

During the past financial year PSG Fund Management acquired a 51% equity holding in PSG Absolute Investments (Pty) Limited ("PSG Absolute Investments") (managed by Jean-Pierre Matthews), who has managed the PSG Money Market Fund since October 2004. Apart from the PSG Money Market Fund, PSG Absolute Investments also manages R1,1 billion in segregated money market portfolios.

The PSG Tanzanite Fund Management division (manager: Jan Mouton) was incorporated in the past year in line with the company's incubator asset management strategy, whereby a platform is created for niche asset managers to showcase their ability until they become self-sufficient independent asset managers.

Alphen Asset Management, headed up by Adrian Clayton, delivered a significant contribution to headline earnings following their continued long-term sustainable performance on all the funds they manage. Alphen Asset Management manages R3,1 billion of PSG Fund Management's assets and it is foreseen that the need for niche boutique asset managers with proven abilities will continue during the following year.

PEOPLE

PSG Fund Management has an experienced, young and dynamic staff complement of 36 employees. It arguably has some of the best individual asset managers in the industry given the proven relative performance of its funds.

PROSPECTS

- PSG Fund Management will continue to enhance its business model. The company provides an excellent platform for niche asset managers, in which it has considerable equity ownership, by providing them with a springboard to benefit from PSG's brand name.
- Opportunities where an asset management business can complement the company's existing product offerings will be searched for.
- A large part of PSG Fund Management's success is the support of existing strategic distribution relationships and management will focus on enhancing these existing relationships, as well as seek similar arrangements.

PSG ONLINE

PSG ONLINE HOLDINGS (PTY) LIMITED – 93%

CEO – Charles Chapman

PSG ONLINE HOLDINGS (PTY) LIMITED

FINANCIAL RESULTS

Year ended 28 February	**2006**	2005	2004
Headline earnings (Rm)	**8,1**	5,5	3,1
Assets under administration (Rbn)	**20,4**	12,8	9,0
Number of transactions	**197 620**	147 107	138 558
Number of active internet clients	**8 704**	7 128	5 417
Number of employees	**35**	40	34

REVIEW OF RESULTS

PSG Online delivered satisfactory results during the year under review with headline earnings increasing by 49,6%. Online concluded 197 620 transactions this financial year which is 34% higher than last year and increased assets under administration by 59% to R20,4 billion. At year-end Online had 24 649 JSE client accounts with cash and/or scrip.

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 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

- PSG Online's client base increased by 22%, with an increase of 50% in earnings.
- The Contracts for Differences (CFDs) product was launched successfully.
- The first *Make a Million* online share investment game was a success. A total of 964 participants traded 5 324 times in the three-month period. The winner made a return of 235%.

PROSPECTS

- Continuously strive to make the settlement process more cost-effective by adding volumes.
- PSG Online remains a strong brand in online stockbroking, and it intends to improve on its superior electronic offering.

Stock exchange performance

as as 28 February 2006

Year-end 28 February	**2006**	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
Market price (cents)											
– High for the year	**2 300**	705	520	650	885	986	1 585	1 900	1 550	510	300
– Low for the year	**620**	253	255	375	440	527	800	495	445	210	20
– Closing price	**2 266**	700	385	520	476	660	1 000	1 170	1 530	470	225
– Average for the year	**1 060**	428	460	512	675	685	1 114	1 172	966	401	78
Closing price/earnings	**6,4**	7,8	5,0	7,4	3,4	4,4	8,3	13,6	32,3	17,9	16,4
Volume of shares traded (000)	**13 933**	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)	**147 660**	207 742	258 285	218 168	322 493	335 512	504 273	354 050	226 564	56 557	17 238
Volume/weighted average shares (%)	**13,7**	45,1	50,3	35,5	38,5	36,8	33,1	31,7	32,2	35,7	101,8

Our track record

as as 28 February 2006

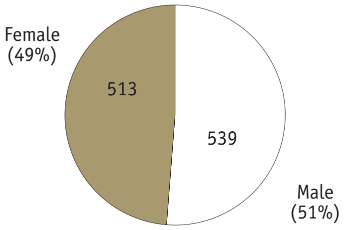
Year-end 28 February	**2006**	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
Headline earnings per share (cents)*	**351,8**	90,0	76,3	70,7	141,0	150,3	120,6	85,9	47,3	25,5	14,4
Headline earnings (Rm)*	**358,4**	96,7	85,2	84,8	175,2	200,2	164,7	82,0	34,5	10,1	3,1
Distribution per share (cents)											
– Normal	**67,5**	45,0	30,0	20,0	50,0	45,0	36,0	25,0			
– Special			70,0	200,0							
Ordinary shareholders' funds (Rm)	**719**	362	336	993	1 218	1 141	1 085	638	535	78	7
Net worth per share (cents)	**704**	356	320	828	1 015	899	778	669	617	147	34
Total assets (Rm)	**1 833**	2 794	2 384	2 594	4 477	3 416	3 474	2 543	1 258	233	25
Market capitalisation (Rm)	**2 701**	834	443	624	571	838	1 395	1 117	1 325	249	49
Number of shares (000)											
– Issued	**119 195**	119 195	115 000	120 000	120 000	126 900	139 500	95 445	86 611	52 930	21 818
– Treasury shares	**17 015**	17 619	10 000								
– Net	**102 180**	101 576	105 000	120 000	120 000	126 900	139 500	95 445	86 611	52 930	21 818
– Weighted average	**101 888**	107 519	111 700	120 000	124 204	133 200	136 613	95 445	72 869	39 588	21 818
ROE (%)	**66,3**	27,7	12,8	7,7	14,9	18,0	19,1	14,0	11,3	23,8	88,6

** The financial results for the 1996 – 2004 financial years were not adjusted for IFRS.*

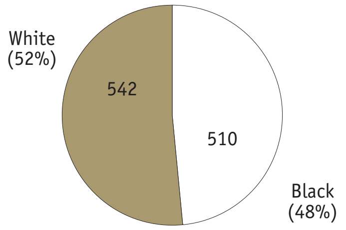
Group employee statisitics

as at 28 February 2006

Staff complement by gender



Staff complement by race



	Number	%
GENDER		
Male	539	51
Female	513	49
RACE		
Black	510	48
White	542	52
EDUCATION		
Up to grade 11	215	20
Grade 12	306	29
Post grade 12 (e.g. diploma/certificate)	326	31
University degree	123	12
Post-graduate degree or professional qualification	82	8
HIERARCHY		
Executive directors (including CEOs & MDs)	50	5
Executive management	79	7
Operational	627	60
Support	296	28
TOTAL NUMBER OF EMPLOYEES	1 052	

Value added statement

for the year ended 28 February 2006

	2006		2005	
	R000	**%**	R000	%
VALUE ADDED				
Total income	**1 863 211**		912 115	
Dividend income associated companies	**8 727**		4 827	
Total expenses excluding employee costs and depreciation	**(1 116 784)**		(688 717)	
	755 154		228 225	
Non-recurring items				
(Profit)/loss on sale of subsidiaries	**(59 814)**		21 840	
Impairment charges	**12 603**		10 978	
Other	**1 782**		(14 511)	
	709 725		246 532	
VALUE ALLOCATED				
To employees				
Salaries, wages and other benefits	**228 405**	**32**	167 388	68
To providers of capital	**84 707**	**12**	18 127	7
Finance costs	**11 031**	**2**	2 439	1
Dividends – own shareholders	**56 014**	**8**	9 989	4
– outside shareholders	**17 662**	**2**	5 699	2
To government				
Normal tax and STC	**23 663**	**3**	12 277	5
To expansion and growth	**372 950**	**53**	48 740	20
Depreciation	**7 412**	**1**	9 236	4
Retained income – own shareholders	**322 836**	**46**	32 780	13
– outside shareholders	**42 702**	**6**	6 724	3
	709 725	**100**	246 532	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 five times during the past year and had close to a 100% attendance.

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 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 independent non-executive directors, being: Messrs L van A Bellingan, PE Burton, MJ Jooste, D Lockey, BE Steinhoff 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 have been implemented, 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.

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 antiretroviral drugs) to enhance their quality of life and life expectancy and extend the duration of gainful employment.

To kickstart 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 antiretroviral 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, multi-management, 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

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 International Financial Reporting Standards ("IFRS") 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 69 were approved by the board of directors of PSG Group Limited and are signed on its behalf by:

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

18 April 2006
Stellenbosch

Report of the independent auditors

To the members of PSG Group Limited

PSG GROUP LIMITED

We have audited the consolidated annual financial statements of PSG Group Limited set out on pages 28 to 69 for the year ended 28 February 2006. These financial statements are the responsibility of the directors of the company. Our responsibility is to express an opinion on these consolidated annual financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. 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 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.

In our opinion, the financial statements fairly present, in all material respects, the financial position of the group at 28 February 2006, and the results of the operations, changes in equity and cash flows for the year then ended, in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

PricewaterhouseCoopers Inc

PricewaterhouseCoopers Inc
Registered Accountants and Auditors
Chartered Accountants (SA)

18 April 2006
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 secretary

18 April 2006
Stellenbosch

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 R358,4 million (2005: R96,7 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:

	Number of shares 2006	2005
At beginning of year	**119 195 000**	115 000 000
Held by a subsidiary company	**(11 495 000)**	(10 000 000)
Held by the Share Incentive Trust	**(6 124 160)**	(1 786 390)
Net shares in issue at beginning of year	**101 575 840**	103 213 610
Issued to Arch Equity Limited in terms of a specific issue for cash		10 000 000
Issued to Arch Equity Limited in terms of a specific issue for cash		4 675 000
Issued to PSG Capital Limited minorities		1 820 000
Released to participants of the Share Incentive Trust	**603 780**	417 780
Bought back by a subsidiary company		(11 495 000)
Acquired by the Share Incentive Trust		(4 755 550)
Bought back and cancelled		(2 300 000)
Net shares in issue at end of year	**102 179 620**	101 575 840

DIVIDENDS

Details of dividends appear in note 32 to the financial statements.

DIRECTORS

The directors of the company at the date of this report appear on the inside front cover. Since the date of the previous report, Messrs BE Steinhoff and W Theron were appointed to the board on 1 September 2005 and 2 March 2006 respectively. Mr P Malan was appointed as Mr CA Otto's alternate on 2 March 2006.

DIRECTORS' EMOLUMENTS

The following directors' emoluments have been paid by the company and its subsidiaries for the year ended 28 February 2006:

CASH-BASED REMUNERATION R000	Fees	Basic salaries	Company contributions	Performance related [1]	**Total 2006**	Total 2005
EXECUTIVE						
JF Mouton		2 052		4 000	**6 052**	3 752
J de V du Toit [2]		843			**843**	755
CA Otto		1 840		3 000	**4 840**	2 852
NON-EXECUTIVE						
L van A Bellingan	90				**90**	95
PE Burton	58				**58**	65
MJ Jooste	58				**58**	65
D Lockey	58				**58**	65
JJ Mouton		408		783	**1 191**	n/a
BE Steinhoff	21				**21**	n/a
Dr J van Zyl Smit [3]	295				**295**	312
	580	5 143	–	7 783	**13 506**	7 961

1 Approved by remuneration committee on 18 April 2006 in respect of 2006 financial year.
2 This represents 49% of the basic salary paid by an associated company.
3 Includes R58 000 in respect of directors' fees and R173 000 as chairman of audit committees at subsidiary level.

EQUITY-BASED REMUNERATION R000	Share–based payments	Shares vested [1]	**Total 2006**	Total 2005
EXECUTIVE				
JF Mouton	304	6 711	**7 015**	2 522
J de V du Toit	234		**234**	148
CA Otto	541		**541**	249
	1 079	6 711	**7 790**	2 919

1 Surplus market value of shares vested during the year.

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 2006 was as follows:

	Beneficial		Non-beneficial		**Total shareholding 2006**		Total shareholding 2005	
	Direct	Indirect	Direct	Indirect	**Number**	**%**	Number	%
L van A Bellingan				220 000	**220 000**	**0,2**	220 000	0,2
PE Burton				88 075	**88 075**	**0,1**	100 000	0,1
J de V du Toit				2 720 000	**2 720 000**	**2,7**	2 720 000	2,7
MJ Jooste				4 500 000	**4 500 000**	**4,4**	3 877 609	3,8
D Lockey							19 700	
P Malan	115 000			30 000	**145 000**	**0,1**	n/a	
JF Mouton	1 534 843			17 333 061	**18 867 904**	**18,5**	18 109 849	17,8
JJ Mouton				600 000	**600 000**	**0,6**	n/a	
CA Otto	100			3 046 900	**3 047 000**	**3,0**	2 986 319	2,9
BE Steinhoff							n/a	
W Theron				50 362	**50 362**		n/a	
Dr J van Zyl Smit	300 000				**300 000**	**0,3**	943 937	0,9
	1 949 943	–	–	28 588 398	**30 538 341**	**29,9**	28 977 414	28,4

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

Participation of executive directors in the PSG Group Share Incentive Scheme is as follows:

	Offer date	Cents per share	PSG Group Limited **Number 2006**	PSG Group Limited Number 2005	Capitec Bank Holdings Limited **Number 2006**	Capitec Bank Holdings Limited Number 2005
J de V du Toit	13/07/2004	301	**1 000 000**	1 000 000		
JF Mouton	15/12/2000	600	**143 170**	357 925	**47 367**	118 418
	12/03/2002	375	**335 925**	522 550	**111 139**	172 883
	20/11/2002	465	**77 310**	120 260	**25 577**	39 787
	13/07/2004	301	**1 300 000**	1 300 000		
			1 856 405	2 300 735		
CA Otto	13/07/2004	301	**1 000 000**	1 000 000		
	01/11/2004	445	**730 000**	730 000		
			1 730 000	1 730 000		
			4 586 405	5 030 735	**184 083**	331 088

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.

SECRETARY

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

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented.

BASIS OF PREPARATION

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). They have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial assets and financial liabilities (including derivative instruments) at fair value through profit and loss.

The financial statements were prepared in accordance with South African Statements of Generally Accepted Accounting Principles (SA GAAP) until 28 February 2005. SA GAAP differs in some areas from IFRS. In preparing these financial statements, management has amended certain accounting, valuation and consolidation methods applied in the SA GAAP financial statements to comply with IFRS. The comparative figures in respect of 2005 were restated to reflect these adjustments, except as described in the accounting policies.

Reconciliations and descriptions of the effect of the transition from SA GAAP to IFRS on the group's equity and its net income are provided in note 1.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed below.

STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS THAT ARE NOT YET EFFECTIVE

Certain new standards, amendments and interpretations to existing standards have been published but have effective dates applicable to future annual financial statements of the group and which the group has not early adopted:

- **IAS 39 (Amendment), The Fair Value Option (effective for years commencing on or after 1 January 2006).** This amendment changes the definition of financial instruments classified at fair value through profit and loss and restricts the ability to designate financial instruments as part of this category. The group's initial assessment of this amendment is that it should not have a significant impact on the classification of financial instruments, as the group should be able to comply with the amended criteria for the designation of financial instruments at fair value through profit and loss. The group will apply this amendment from annual periods beginning 1 March 2006.
- **IFRS 7, Financial Instruments: Disclosures, and a complementary Amendment to IAS 1, Presentation of Financial Statements – Capital Disclosures (effective from 1 January 2007).** IFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. It replaces IAS 30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions, and disclosure requirements in IAS 32, Financial Instruments: Disclosure and Presentation. It is applicable to all entities that report under IFRS. The amendment to IAS 1 introduces disclosures about the level of an entity's capital and how it manages capital. The group assessed the impact of IFRS 7 and the amendment to IAS 1 and concluded that the main additional disclosures will be the sensitivity analysis to market risk and the capital disclosures required by the amendment of IAS 1. The group will apply IFRS 7 and the amendment to IAS 1 for annual periods beginning 1 March 2007.
- **IFRIC 4, Determining whether an Arrangement contains a Lease (effective for years commencing on or after 1 January 2006).** IFRIC 4 requires the determination of whether an arrangement is or contains a lease to be based on the substance of the arrangement. It requires an assessment of whether: (a) fulfilment of the arrangement is dependent on the use of a specific asset or assets (the asset); and (b) the arrangement conveys a right to use the asset. Management is currently assessing the impact of IFRIC 4 on the group's operations.
- **IAS 21, Amendment to International Accounting Standard 21 – The Effects of Changes in Foreign Exchange Rates: Net Investment in a Foreign Operation (effective for years commencing on or after 1 January 2006).** Management is currently assessing the impact of this amendment on the group's operations.

The following new standards, amendments and interpretations will, at present, have no effect on the group.

- IAS 39 and IFRS 4 (Amendment), Financial Guarantee Contracts (effective from 1 January 2006)
- IAS 19 (Amendment), Employee Benefits (effective from 1 January 2006)
- IAS 39 (Amendment), Cash Flow Hedge Accounting of Forecast Intragroup Transactions (effective from 1 January 2006)
- IFRS 1 (Amendment), First-time Adoption of International Financial Reporting Standards and IFRS 6 (Amendment), Exploration for and Evaluation of Mineral Resources (effective from 1 January 2006)
- IFRS 6, Exploration for and Evaluation of Mineral Resources (effective from 1 January 2006)
- IFRIC 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds (effective from 1 January 2006)

- IFRIC 6, Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment (effective from 1 December 2005)
- IFRIC 7, Applying the Restatement Approach under IAS29 – Financial reporting in hyperinflationary economies (effective from 1 March 2006)
- IFRIC 8, Scope of IFRS 2 (effective from 1 May 2006)
- IFRIC 9, Reassessment of embedded derivatives (effective from 1 June 2006).

GROUP FINANCIAL STATEMENTS

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

Subsidiaries

Subsidiaries are all entities (including special purpose entities and collective investment schemes) over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group and are no longer consolidated from the date on which control ceases.

The group uses the purchase method of accounting to account for the acquisition of subsidiaries. The cost of an acquisition is measured, as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill (see note 3). If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Intra-group transactions, balances and unrealised gains on intra-group transactions are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred.

Shares in the company held by the Share Trust have been consolidated into the financial results of the group, as the group has effective control over these shares.

Transactions with minorities

The group applies a policy of treating transactions with minority interests as transactions with parties external to the group. Disposals to minority interests result in gains and losses for the group that are recorded in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

Associated companies

Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associated companies are accounted for by the equity method of accounting and are initially recognised at cost. The group's investment in associated companies includes goodwill (net of any accumulated impairment loss) identified on acquisition (see note 5).

The results of associated companies are accounted for according to the equity method, based on their most recent audited financial statements or latest management information where the financial year-ends do not coincide. Equity accounting involves recognising the group's share of its associated companies' post-acquisition profits or losses in the income statement, and its share of post-acquisition movements in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the group's share of losses in an associated company equals or exceeds its interest in the associated company, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associated company.

Unrealised gains on transactions between the group and its associated companies are eliminated to the extent of the group's interest in the associated companies. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Associates' accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Group.

SEGMENT REPORTING

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. No geographical segment is disclosed as revenue is derived mainly from within South Africa. Therefore all risks and returns are subject to the same economic environment.

FOREIGN CURRENCY TRANSLATION

Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency").

The consolidated financial statements are presented in South African rand, which is the group's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available for sale are included in the fair value reserve in equity.

Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet.
- Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions).
- All resulting exchange differences are recognised as a separate component of equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as the foreign entity's assets and liabilities and are translated at the closing rate.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation 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

Land is not depreciated.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

INTANGIBLE ASSETS

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable 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 associated companies is included in investments in associated companies. Goodwill is tested annually for impairment and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

An excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities arises where the net assets of a subsidiary at the date of acquisition, fairly valued, exceed the cost of the acquisition. This excess arising on acquisitions is taken directly to income.

Trademarks
Acquired patents and trademarks are shown at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method over their estimated useful lives, which varies from 5 to 20 years and is reassessed annually. The carrying amount of each intangible asset is reviewed annually and adjusted for impairment.

Customer lists
Acquired customer lists are shown at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method over their estimated useful lives ranging between 5 and 20 years, which reflect the expected life of the book of business acquired. The carrying amount is reviewed annually and adjusted for impairment.

Deferred acquisition costs
Commissions, fees and other costs that vary with and are related to securing new contracts and renewing existing contracts are capitalised as deferred acquisition cost ("DAC"), an intangible asset. All other costs are recognised as expenses when incurred. The DAC is subsequently amortised over the expected life of the contracts.

IMPAIRMENT OF NON-FINANCIAL ASSETS
Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

FINANCIAL INSTRUMENTS
Financial instruments recognised on the balance sheet include investments, receivables, loans and advances, cash and short-term funds, derivatives, trade creditors and borrowings. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

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

FINANCIAL ASSETS
The group classifies its financial assets into the following categories: financial assets at fair value through profit and loss, held-to-maturity financial assets, available-for-sale assets and loans and advances. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this at every reporting date.

Financial assets at fair value through profit and loss
This category has two subcategories: financial assets held for trading, and those designated at fair value through profit and loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges.

Held-to-maturity financial assets
Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities – other than those that meet the definition of loans and advances – that the group's management has the positive intention and ability to hold to maturity.

Loans and advances
Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the group intends to sell in the short term.

Loans and advances are carried at amortised cost using the effective interest method. Specific provisions are made against identified doubtful advances.

Available-for-sale financial assets
Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories.

Recognition and measurement of financial assets
Purchases and sales of financial assets are recognised on trade date – the date on which the group commits to purchase or sell the asset. Financial assets are initially recognised for all financial assets not carried at fair value through profit or loss, at fair value plus transaction costs that are directly attributable to their acquisition. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit and loss' category 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 non-monetary securities classified as available for sale are recognised in equity. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investment activities.

The fair values of quoted financial assets are based on current bid prices. If the market for a financial asset is not active, the group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, and discounted cash flow analysis refined to reflect the issuer's specific circumstances.

The group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

The group does not apply hedge accounting.

INVENTORIES
Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in first-out (FIFO) method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

RECEIVABLES
Receivables are carried at cost, due to the short-term nature thereof, less provision for impairment. A provision for impairment is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

CASH AND CASH EQUIVALENTS
Cash and cash equivalents include cash in hand, other deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are included within borrowings on the balance sheet.

SHARE CAPITAL
Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax.

Where any group company purchases the company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold, reissued or otherwise disposed of, any consideration received is included in equity attributable to the company's equity holders, net of any directly attributable incremental transaction costs and the related income tax effects.

Subsidiary preference shares
Cumulative, non-redeemable, non-participating subsidiary preference shares, where the dividend declaration is subject to the discretion of the subsidiary's board, are classified as equity.

INSURANCE AND INVESTMENT CONTRACTS – CLASSIFICATION
The group issues contracts that transfer insurance risk or financial risk or both.

A distinction is made between investment contracts (which fall within the scope of IAS 39, Financial Instruments: Recognition and Measurement), investment contracts with discretionary participating features and insurance contracts (where the financial soundness valuation (FSV) method continues to apply, subject to certain requirements specified in IFRS 4, Insurance Contracts). A contract is classified as insurance where the group accepts significant insurance risk by agreeing with the policyholder to pay benefits if a specified uncertain future event (the insured event) adversely affects the policyholder or other beneficiary. Significant insurance risk exists where it is expected that for the duration of the policy or part thereof, policy benefits payable on the occurrence of the insured event will exceed the amount payable on early termination before allowance for expense deductions at early termination. Once a contract has been classified as an insurance contract, the classification remains unchanged for the remainder of its lifetime, even if the insurance risk reduces significantly during this period.

Investment contracts are those contracts that transfer financial risk with no significant insurance risk.

INSURANCE CONTRACTS AND INVESTMENT CONTRACTS WITH DISCRETIONARY PARTICIPATING FEATURES ("DPF")
The actuarial value of the policy liabilities is determined using the FSV method as described in the actuarial guidance note PGN 104 of the Actuarial Society of South Africa ("ASSA"), which is consistent with the valuation method prescribed in the Long-term Insurance Act, 1998 ("LTIA") and consistent with the valuation of assets at fair value as described in the accounting policy for investments. The underlying philosophy is to recognise profits prudently over the term of each contract consistent with the work done and risk borne. In the valuation of liabilities, provision is made for:

- the best estimate of future experience;
- the compulsory margins prescribed in the LTIA; and
- discretionary margins determined to release profits to shareholders consistent with policy design and company policy.

The policy liabilities exceeded the minimum requirements in terms of the LTIA and actuarial guidance notes PGN 104 and PGN 110.

The application of the PGN 104 and PGN 110 principles is described below in the context of major product classifications.

BEST ESTIMATE OF FUTURE EXPERIENCE
The best estimate of future experience is determined as follows:

- Future investment return assumptions are derived from market-related interest rates on risk-free fixed-interest securities with adjustments for the other asset classes. The appropriate asset composition of the various asset portfolios, investment, management expenses, taxes at current tax rates and charges for investment guarantees are taken into account.
- Unit expenses are based on the 2006 actual expenses and escalated at estimated expense inflation rates per annum. The allocation of initial and renewal expenses is based on functional case analyses.
- Assumptions with regard to future mortality, disability and disability payment termination rates and surrender and lapse rates are consistent with the experience for the five years up to 28 February 2006. Mortality and disability rates are adjusted to allow for expected deterioration in mortality rates as a result of Aids and for expected improvements in mortality rates as a result of Aids and for expected improvements in mortality rates in the case of annuity business.

ASSET PORTFOLIOS
Separate asset portfolios are maintained in support of policy liabilities for each of the major lines of business – each portfolio consisting of an asset mix appropriate for the specific product. Bonus rates are declared for each class of participating business in relation to the funding level of each portfolio and the expected future net investment return on the assets of the particular investment portfolio.

UNRECOUPED EXPENSES
The timing of fees recovered from some individual life policies do not correspond to the timing of the expenses incurred in respect of the policies. For certain of these policies an unrecouped expense account is created and included in the valuation of the policy liabilities. The unrecouped expense account is increased with expenses incurred and reduced by an allocation of policy charges. Policy charges are designed to ensure that on average the unrecouped expense account is redeemed over the lifetime of the related policies.

BONUS STABILISATION RESERVES
The individual stabilised bonus portfolios are valued on a retrospective basis. If the fair value of the assets in such a portfolio is greater than the policyholders' investment accounts (net premiums invested plus declared bonuses), a positive bonus stabilisation reserve is

created which will be used to enhance future bonuses. Conversely, if assets are less than the investment accounts, a negative bonus stabilisation reserve will be limited to the amount that the statutory actuary expects will be recovered through the declaration of lower bonuses during the ensuing three years, if investment returns are in line with long-term assumptions. Negative bonus stabilisation reserves in excess of 7,5% of the investment accounts are specifically disclosed. Bonus stabilisation reserves are included in insurance liabilities.

PROVISION FOR FUTURE BONUSES

Provision was made for future bonuses so that each asset portfolio, less charges for expenses (including investment guarantee charges) and profit loadings, for each line of business would be fully utilised for the benefit of the policyholders of that portfolio. As all the portfolios had positive bonus stabilisation reserves, the provision for future bonuses for these portfolios exceeded the expected long-term investment returns less expense recoveries.

HIV/AIDS

A specific provision for HIV/Aids-related claims is maintained. A prospective calculation according to the relevant guidelines is performed for non-participating individual policies and for those with a small savings element. The provision for other individual policies is built up by increasing the opening provision by the HIV/Aids risk premiums and investment returns on the underlying assets. It is then reduced by claims attributed to HIV/Aids and further limited to a maximum of the prospective calculation without allowance for future increases in HIV/Aids risk premiums. This retrospectively built-up provision is higher than a prospective calculation done according to the relevant guidelines allowing for possible increases in future HIV/Aids risk premiums. This difference can be regarded as a discretionary margin. It is the intention to rerate premiums as experience develops.

Premium rates for group business are reviewed annually. The HIV/Aids provision is based on the expected HIV/Aids claims in a year and the time that may elapse before premium rates and underwriting conditions can be suitably adjusted should actual experience be worse than expected.

PROVISION FOR MINIMUM INVESTMENT RETURN GUARANTEES

In addition to the liabilities described above, a stochastic modelling approach was used to provide for the possible cost of minimum investment return guarantees provided by some participating and market-related policies, consistent with actuarial guidance note PGN 110.

LIABILITY ADEQUACY TEST

At each balance sheet date, liability adequacy tests are performed to ensure the adequacy of the contract liabilities net of related DAC assets. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities, are used. Any deficiency is immediately charged to profit or loss initially by writing off DAC and by subsequently establishing a provision for losses arising from liability adequacy tests (the unexpired risk provision).

As set out above, long-term insurance contracts with fixed terms are measured based on assumptions set out at the inception of the contract. When the liability adequacy test requires the adoption of new best estimate assumptions, such assumptions (without margins for adverse deviation) are used for the subsequent measurement of these liabilities.

Any DAC written off as a result of this test cannot subsequently be reinstated.

REINSURANCE CONTRACTS HELD

Contracts entered into with reinsurers under which the group is compensated for losses on one or more contracts issued by the group and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held.

The benefits to which the group is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers, as well as longer-term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

RECEIVABLES AND PAYABLES RELATED TO INSURANCE CONTRACTS AND INVESTMENT CONTRACTS

Receivables and payables are recognised when due. These include amounts due to and from agents, brokers and insurance contract holders.

If there is objective evidence that the insurance receivable is impaired, the group reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the income statement. The group gathers the objective evidence that an insurance receivable is impaired using the same process adopted for loans and advances. The impairment loss is also calculated under the same method used for these financial assets.

FINANCIAL LIABILITIES

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Preference shares, which are mandatory redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised in the income statement as interest expense.

Investment contracts without discretionary participating features ("DPF")

The group issues investment contracts with fixed and guaranteed terms (fixed and variable interest rates).

Valuation techniques are used to establish the fair value at inception and each reporting date.

The group's main valuation techniques incorporate all factors that market participants would consider and are based on observable market data.

DEFERRED INCOME TAX

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associated companies, except where the group controls the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

EMPLOYEE BENEFITS

Pension obligations

The group only has defined contribution plans. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Other post-retirement benefits

The group has no liabilities with regard to post-retirement medical benefits.

Share-based compensation

The Group operates an equity-settled share-based compensation plan as well as a cash-settled scheme where the calculation of the compensation is based on the group share price ("cash scheme").

For the equity settled share-based compensation scheme the fair value of the employee services received in exchange for the grant of the scheme shares is recognised as an expense. The total amount to be expensed over the vesting period, which is between three and five years, is determined by reference to the fair value of the scheme shares granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of scheme shares that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of scheme shares that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period.

The share-based payment costs are recognised in the income statement and a share-based payment reserve is recognised as part of equity and represents the fair value of the shares that will be delivered at grant date.

A liability is raised for the fair value of the cash share scheme at each balance sheet date.

Profit sharing and bonus plans

The group recognises a liability and an expense for bonuses and profit sharing. The group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

PROVISIONS

Provisions are recognised when:

- the group has a present legal or constructive obligation as a result of past events;
- it is more likely than not that an outflow of resources will be required to settle the obligation; and
- the amount has been reliably estimated.

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

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pretax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as an interest expense.

REVENUE RECOGNITION

Revenue comprises the fair value of the consideration received or receivable for services in the ordinary course of the group's activities. Revenue is shown net of value added tax, after eliminating revenue within the group. Revenue is recognised as follows:

Sales of goods

Sales of goods are recognised when the subsidiary has delivered products to the customer, the customer has accepted the products and collectibility of the related receivables is reasonably assured.

Rendering of services

Investment management fees and initial fees

Upfront payments received for asset management services relating to the rendering of future services are deferred and amortised in proportion to the stage of completion of the service for which they were paid.

Recurring fees

Revenue arising from brokerage activities and other related services, advisory services and portfolio management offered by the group is recognised in the accounting period in which the services are rendered with reference to completion of the specific transaction.

Fee income is recognised when the related company is unconditionally entitled thereto. No profit is recognised when the outcome of a transaction cannot be estimated reliably.

Interest income

Interest income for financial assets that are not classified as at fair value through profit and loss is recognised using the effective interest method. When a receivable is impaired, the group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument and continues unwinding discount as interest income. Interest income from financial assets that are classified as at fair value through profit and loss is included in investment income.

Dividend income

Dividend income is recognised when the right to receive payment is established. Dividend income from financial assets that are classified as at fair value through profit and loss is included in investment income.

Insurance premium income

Premium income from policies is accounted for when receivable. Where premiums are not determined in advance they are accounted for upon receipt.

The unearned portion of accrued premiums is included within long-term policy contracts.

POLICY CONTRACT BENEFITS

Underwriting benefits

Life insurance policy claims received up to the last day of each financial period and claims incurred but not reported ("IBNR") are provided for and included in liabilities under insurance contracts and trade and other receivables. Past claims experience is used as the basis for determining the extent of the IBNR claims.

LEASES

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

DIVIDEND DISTRIBUTIONS

Dividend distributions to the company's shareholders are recognised as a liability in the period in which the dividends are approved by the company's shareholders.

CONTINGENCIES

A contingent liability is either a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the company or a present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability. These contingent liabilities are not recognised in the balance sheet but disclosed in the notes to the financial statements.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. These contingent assets are not recognised in the balance sheet but are disclosed in the notes to the financial statements unless the inflow of financial benefits is probable.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under circumstances.

Estimated impairment of goodwill

The group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy on goodwill. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

Fair value of derivatives and other unlisted financial instruments

The fair value of financial instruments that are trading on recognised OTC platforms is based on the closing bid price and classified as quoted instruments. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques as disclosed in the policy relating to financial instruments.

Revenue recognition

Fees and commissions are generally recognised on an accrual basis when the service has been provided.

Expense provisions

Management use their discretion to make an estimate of the expenditure required to settle the present obligation at the balance sheet date of the amount they estimate that the group would rationally pay to settle the obligation or to transfer it to a third party.

Impairment of assets

An impairment of assets is considered when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgement. In making this judgement, the following factors may be considered: normal volatility in share price, the financial health of the investee, sector performance and changes in operational and financing cash flow.

Employee benefits

Refer to note 14 on share-based compensation schemes.

FINANCIAL RISK MANAGEMENT

The group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance.

Risk management is carried out by each major entity within the group under policies approved by the board of directors. Each entity identifies, evaluates and hedges financial risks. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Market risk

Price risk

The group is exposed to equity securities price risk because of investments held by the group and classified on the consolidated balance sheet either as available for sale or at fair value through profit or loss. The group is not exposed to commodity price risk.

Foreign exchange risk
The group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the group's foreign operations is monitored by management and cover is used where appropriate.

Credit risk
The group has no significant concentrations of credit risk. Derivative counterparties and cash transactions are limited to high-credit-quality financial institutions. The group has policies that limit the amount of credit exposure to any financial institution.

Liquidity risk
Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, each entity aims to maintain flexibility in funding by keeping committed credit lines available.

Cash flow and fair value interest rate risk
The group's interest rate risk arises from interest-bearing investments and long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the group to fair value interest rate risk. The group manages its cash flow interest rate risk by monitoring interest rates on a regular basis. Consideration is given to hedging options which will be utilised if viable.

Insurance risk
The sale of Channel Life at year-end resulted in the group not having any significant insurance risk at year-end.

Balance sheets

as as 28 February 2006

PSG Group Limited

	Notes	GROUP 2006 R000	GROUP 2005 R000	COMPANY 2006 R000	COMPANY 2005 R000
ASSETS					
Property, plant and equipment	2	**18 597**	22 416		
Intangible assets	3	**116 922**	28 824		
Investments in subsidiaries	4			**819 234**	819 286
Investments in associated companies	5	**323 159**	168 425		
Financial assets					
Equity securities	6	**953 832**	295 068		
Debt securities	7	**4 890**	1 752 223		
Loans and advances	8	**60 188**	31 296		
Derivative financial instruments	9	**16 535**	33 616		
Deferred income tax	10		89 643		
Inventories	11	**11 657**	12 209		
Receivables	12	**105 369**	100 370		
Cash and cash equivalents	13	**222 181**	259 742	**214**	151
Total assets		**1 833 330**	2 793 832	**819 448**	819 437
CAPITAL AND RESERVES ATTRIBUTABLE TO THE COMPANY'S EQUITY HOLDERS					
Share capital	14	**1 022**	1 016	**1 192**	1 192
Share premium		**4 181**	4 181	**4 181**	4 181
Treasury shares		**(73 869)**	(75 212)		
Other reserves	15	**2 366**	(961)		
Retained earnings		**785 597**	432 516	**812 921**	812 858
Ordinary shareholders' funds		**719 297**	361 540	**818 294**	818 231
Minority interest	16	**548 685**	246 624		
Total equity		**1 267 982**	608 164	**818 294**	818 231
LIABILITIES					
Insurance contracts	17	**4 380**	140 079		
Financial liabilities					
Borrowings	18	**314 352**	9 684		
Derivative financial instruments	9	**14 257**	36 862		
Investment contracts	19		1 795 651		
Deferred income tax	10	**19 488**	1 913		
Provisions for other liabilities and charges	20	**28 574**	16 236		
Trade and other payables	21	**154 214**	170 400	**982**	885
Current income tax liabilities		**30 083**	14 843	**172**	321
Total liabilities		**565 348**	2 185 668	**1 154**	1 206
Total liabilities and shareholders' funds		**1 833 330**	2 793 832	**819 448**	819 437

Income statements

for the year ended 28 February 2006

PSG GROUP LIMITED

	Notes	GROUP 2006 R000	GROUP 2005 R000	COMPANY 2006 R000	COMPANY 2005 R000
INCOME					
Insurance premium income	22	**363 370**	337 862		
Insurance premium ceded to reinsurers	22	**(90 601)**	(102 975)		
Net insurance premium revenue		**272 769**	234 887	**–**	–
Sales from non-financial operations	23	**43 179**	59 836		
Investment income	24	**51 274**	51 556	**65 557**	181 857
Fair value gains and losses on financial instruments	25	**904 252**	258 950	**74**	496
Commission and other fee income	26	**494 005**	282 499	**951**	934
Other operating income	27	**97 732**	24 387		
Total income		**1 863 211**	912 115	**66 582**	183 287
EXPENSES					
Insurance claims and loss adjustments	22	**152 295**	147 420		
Cost of sales of non-financial operations	23	**39 622**	43 640		
Fair value adjustment to investment contract liabilities	19	**499 744**	252 596		
Marketing, administration and other expenses	28	**660 940**	421 685	**951**	934
Total expenses		**1 352 601**	865 341	**951**	934
Results of operating activities		**510 610**	46 774	**65 631**	182 353
Finance costs	29	**(11 031)**	(2 439)		
Share of profits of associated companies		**57 519**	40 255		
Profit before taxation		**557 098**	84 590	**65 631**	182 353
Taxation	30	**(87 639)**	30 954	**(11)**	7 432
Net profit for the year		**469 459**	115 544	**65 620**	189 785
Attributable to:					
Minority interests		**60 364**	12 423		
Equity holders of the company		**409 095**	103 121	**65 620**	189 785
		469 459	115 544	**65 620**	189 785
Earnings per share (cents)	31				
Basic		**401,5**	95,9		
Diluted		**388,9**	95,3		
Dividend per share (cents)	32				
Interim		**20,0**	10,0	**20,0**	10,0
Final		**47,5**	35,0	**47,5**	35,0
		67,5	45,0	**67,5**	45,0

Statements of changes in owners' equity

for the year ended 28 February 2006

GROUP	Share capital and premium R000	Other reserves R000	Retained earnings R000	Minority interests R000	Total R000
Balance at 1 March 2004	(30 050)	5 875	336 143	26 147	338 115
Employee share scheme costs		906			906
Currency translation adjustments		(3 781)			(3 781)
Fair value losses on investments		(4 581)			(4 581)
Issue of share capital	19 690				19 690
Repurchase of shares	(15 467)				(15 467)
Acquisition of subsidiary				13 708	13 708
Net income for the period			103 121	12 423	115 544
Treasury shares	(44 188)				(44 188)
Issue preference shares in subsidiary				196 812	196 812
Other		620		3 233	3 853
Profit on sale of treasury shares			3 241		3 241
Dividend paid			(9 989)	(5 699)	(15 688)
Balance at 28 February 2005	(70 015)	(961)	432 516	246 624	608 164
Employee share scheme costs		**1 810**			**1 810**
Currency translation adjustments		**300**			**300**
Fair value losses on investments		**(777)**			**(777)**
Capital reduction by subsidiary				**(3 338)**	**(3 338)**
Acquisition of subsidiary				**48 916**	**48 916**
Disposal of subsidiaries				**(30 998)**	**(30 998)**
Net income for the period			**409 095**	**60 364**	**469 459**
Treasury shares sold	**1 349**				**1 349**
Issue preference shares in subsidiary				**244 731**	**244 731**
Other		**1 994**		**48**	**2 042**
Dividend paid			**(56 014)**	**(17 662)**	**(73 676)**
Balance at 28 February 2006	**(68 666)**	**2 366**	**785 597**	**548 685**	**1 267 982**

COMPANY	Share capital and premium R000	Other reserves R000	Retained earnings R000	Minority interests R000	Total R000
Balance at 1 March 2004	1 150		635 223		636 373
Issue of share capital	19 690				19 690
Repurchase of shares	(15 467)				(15 467)
Net income for the period			189 785		189 785
Dividend paid			(12 150)		(12 150)
Balance at 28 February 2005	5 373	–	812 858	–	818 231
Net income for the period			**65 620**		**65 620**
Dividend paid			**(65 557)**		**(65 557)**
Balance at 28 February 2006	**5 373**	**–**	**812 921**	**–**	**818 294**

Cash flow statements

for the year ended 28 February 2006

		GROUP		COMPANY	
	Notes	**2006 R000**	2005 R000	**2006 R000**	2005 R000
Cash retained from operating activities					
Cash generated by operating activities	37.1	**(277 989)**	84 721	**65 654**	231 470
Interest paid		**(11 031)**	(5 543)		
Taxation paid	37.2	**(7 949)**	(10 557)	**(160)**	(3)
Net cash flow from operating activities		**(296 969)**	68 621	**65 494**	231 467
Cash utilised in investing activities					
Acquisition of subsidiary	37.3	**(55 943)**	(9 150)		
Additional shares in subsidiaries acquired			(9 760)	**(8 581)**	(50 000)
Acquisition of associated company		**(43 918)**	(52 910)		
Acquisition of intangibles		**(60 272)**	(22 320)		
Proceeds from sale of subsidiary	37.4	**(53 197)**	31 759		
Shares in subsidiaries disposed of			999	**8 655**	51 079
Proceeds from disposal of fixed assets		**1 482**	502		
Purchase of fixed assets		**(10 514)**	(7 127)		
Loans to subsidiaries				**52**	(109 732)
Net cash flow from investment activities		**(222 362)**	(68 007)	**126**	(108 653)
Cash flows from financing activities					
Dividends and capital distributions paid to group shareholders		**(56 014)**	(126 000)	**(65 557)**	(127 150)
Dividends paid to minorities		**(17 662)**	(5 699)		
Other capital movements		**(3 338)**	4 112		
Increase in borrowings		**15 800**	(3 567)		
Proceeds from issue of ordinary shares		**1 349**	19 690		19 690
Proceeds from preference shares issued by subsidiary company		**244 731**	196 812		
Repurchase of shares			(15 467)		(15 467)
Purchase of treasury shares by subsidiary company			(53 204)		
Treasury shares sold by subsidiary company			34 556		
Net cash flow from financing activities		**184 866**	51 233	**(65 557)**	(122 927)
Net increase/(decrease) in cash and cash equivalents		**(334 465)**	51 847	**63**	(113)
Cash and cash equivalents at beginning of year		**252 851**	201 004	**151**	264
Cash and cash equivalents at end of year	37.5	**(81 614)**	252 851	**214**	151

1. FIRST-TIME ADOPTION OF IFRS

PSG Group and its subsidiaries, for the first time, have adopted International Financial Reporting Standards ("IFRS"). The date of transition to IFRS is 1 March 2004. This note provides a reconciliation of net equity at 1 March 2004 and 28 February 2005.

The following transitional provisions were applied by the group:

IFRS 1, First-time Adoption of International Financial Reporting Standards, requires retrospective compliance with all IFRS effective at the reporting date. However, it contains a number of exemptions to this full retrospective application of IFRS and the group has applied the following exemptions.

Business combinations
The group has taken this exemption and will not apply IFRS 3, Business Combinations, retrospectively to business combinations that occurred prior to 1 March 2004. No adjustments to the accounting treatment of these business combinations were required.

Property, plant and equipment
The group has taken this exemption to use the previous SA GAAP revaluation of selected property, plant and equipment as deemed cost on the date of transition to IFRS.

Designation of financial instruments
The group has taken this exemption and has elected to redesignate selected financial instruments to the 'at fair value through profit or loss' category in IAS 39, Financial Instruments: Recognition and Measurement.

Share-based payments
The group has taken this exemption and have therefore elected not to apply IFRS 2, Share-based Payments, to equity instruments granted on or before 7 November 2002 or granted after 7 November 2002 but which had vested prior to 1 January 2005.

The following transitional provisions were not applicable or not applied by the group:

- Employee benefits
- Compound financial instruments
- Assets and liabilities of subsidiaries, associated companies and joint ventures
- Comparatives
- Decommissioning liabilities included in the cost of property, plant and equipment
- Leases
- IFRS 6, Exploration for and evaluation of mineral resources
- Cumulative translation differences
- Fair value of financial instruments at initial recognition

The group applied the following mandatory exceptions from retrospective application:

- Derecognition of financial assets and liabilities exception
- Hedge accounting exception
- Estimates exception
- Assets held for sale and discontinued operations exception

The following new accounting policies were applied for IFRS reporting:

- Goodwill is tested annually for impairment and is carried at cost less accumulated impairment losses
- Equity-settled share-based payments are recognised as an expense in the income statement with the corresponding credit to a share-based payment reserve
- Cumulative, non-redeemable, non-participating preference shares issued to external parties by a subsidiary company are reclassified as minority interests. These preference shares were previously reported as long-term liabilities
- Expenses incurred relating to investment products are recognised upfront and are not recognised over the period the services are provided

Accounting principles under IFRS differ in various areas from SA GAAP. The most significant differences between IFRS and SA GAAP affecting net income and shareholder equity are detailed below.

1. FIRST-TIME ADOPTION OF IFRS *(continued)*

RECONCILIATION OF IFRS CHANGES IN SHAREHOLDERS' EQUITY

	Share capital and premium R000	Other reserves R000	Retained earnings R000	Minority interests R000	Total R000
AT TRANSITION DATE:					
Balance at 1 March 2004 reported under SA GAAP	(30 050)	6 548	359 147	29 513	365 158
Reclassifications					
Adjustments for:					
Revaluation of property, plant and equipment			2 758		2 758
Revenue recognition in respect of investment contracts			(27 774)		(27 774)
Other		(673)	2 012		1 339
Minority interests					
Share in restatement for IFRS				(3 366)	(3 366)
Balance at 1 March 2004 reported under IFRS	(30 050)	5 875	336 143	26 147	338 115
Balance at 28 February 2005 reported under SA GAAP	(47 831)	(814)	453 010	58 499	462 864
Reclassifications					
Adjustments for:					
Reversal of goodwill amortisation			21 550		21 550
Revaluation of property, plant and equipment			2 524		2 524
Revenue recognition in respect of investment contracts			(44 195)		(44 195)
Shares granted to employees in terms of share incentive trust		906	(906)		
Other		(1 053)	(478)		(1 531)
Consolidation of share incentive trust	(22 184)		1 011		(21 173)
Minority interests					
Share in restatement for IFRS				(8 687)	(8 687)
Preference shares of a subsidiary previously reported as long-term liabilities				196 812	196 812
Balance at 28 February 2005 reported under IFRS	(70 015)	(961)	432 516	246 624	608 164

RECONCILIATION OF IFRS CHANGES IN PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS

	2005 R000
Net profit after tax for the year ended 28 February 2005 reported under SA GAAP	101 622
Adjustments for:	
Reversal of goodwill impairment	21 550
Share-based payments	(906)
Revenue recognition in respect of investment contracts	(16 421)
Additional depreciation on revaluations	(234)
Other	(2 490)
Net profit after tax for the year ended 28 February 2005 reported under IFRS	103 121

GROUP	Land and buildings R000	Vehicles and plant R000	Office equipment R000	Computer equipment R000	Total R000
2. PROPERTY, PLANT AND EQUIPMENT					
As at 28 February 2006					
Cost	**3 298**	**22 454**	**11 131**	**22 353**	**59 236**
Accumulated depreciation	**(370)**	**(13 226)**	**(7 510)**	**(19 533)**	**(40 639)**
Balance at end of year	**2 928**	**9 228**	**3 621**	**2 820**	**18 597**
Reconciliation					
Balance at beginning of year	**3 660**	**4 577**	**6 551**	**7 628**	**22 416**
Additions	**44**	**6 105**	**939**	**3 426**	**10 514**
Disposals	**(841)**		**(483)**	**(157)**	**(1 481)**
Depreciation	**(89)**	**(1 445)**	**(1 995)**	**(3 883)**	**(7 412)**
Subsidiaries acquired	**870**	**268**	**624**	**308**	**2 070**
Subsidiaries sold	**(716)**	**(277)**	**(2 015)**	**(4 502)**	**(7 510)**
Balance at end of year	**2 928**	**9 228**	**3 621**	**2 820**	**18 597**
As at 28 February 2005					
Cost	4 828	13 903	18 806	48 507	86 044
Accumulated depreciation	(1 168)	(9 326)	(12 255)	(40 879)	(63 628)
Balance at end of year	3 660	4 577	6 551	7 628	22 416
Reconciliation					
Balance at beginning of year	3 723	4 442	7 178	15 682	31 025
Additions	314	1 022	2 854	2 937	7 127
Disposals			(164)	(338)	(502)
Depreciation	(352)	(773)	(1 854)	(6 257)	(9 236)
Subsidiaries acquired			92	186	278
Subsidiaries sold	(25)	(114)	(1 555)	(4 582)	(6 276)
Balance at end of year	3 660	4 577	6 551	7 628	22 416

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 2006, as determined by the directors of the relevant property-owning group companies, amounted to R8 620 000 (2005: R7 840 000).

GROUP	Deferred acquisition costs R000	Customer lists R000	Trademarks R000	Goodwill R000	Total R000
3. INTANGIBLE ASSETS					
As at 28 February 2006					
Cost	**20 097**	**44 890**	**1 000**	**71 691**	**137 678**
Accumulated amortisation	**(9 489)**	**(10 306)**	**(961)**		**(20 756)**
Balance at end of year	**10 608**	**34 584**	**39**	**71 691**	**116 922**
Reconciliation					
Balance at beginning of year	**8 335**	**934**	**578**	**18 977**	**28 824**
Additions	**23 579**	**16 004**		**20 689**	**60 272**
Acquisition of subsidiaries		**27 267**		**50 380**	**77 647**
Realised on disposal of subsidiaries		**(7 514)**		**(16 411)**	**(23 925)**
Impairment				**(1 944)**	**(1 944)**
Amortisation	**(21 306)**	**(2 107)**	**(539)**		**(23 952)**
Balance at end of year	**10 608**	**34 584**	**39**	**71 691**	**116 922**

GROUP	Deferred acquisition costs R000	Customer lists R000	Trademarks R000	Goodwill R000	Total R000
3. INTANGIBLE ASSETS *(continued)*					
As at 28 February 2005					
Cost	16 468	1 873	1 059	18 977	38 377
Accumulated amortisation	(8 133)	(939)	(481)		(9 553)
Balance at end of year	8 335	934	578	18 977	28 824
Reconciliation					
Balance at beginning of year	6 682	700	2 634	32 405	42 421
Additions	18 369	1 368		2 583	22 320
Realised on disposal of subsidiaries		(348)	(1 575)	(13 136)	(15 059)
Impairment				(2 875)	(2 875)
Amortisation	(16 176)	(786)	(481)		(17 983)
Balance at end of year	8 335	934	578	18 977	28 824

Details on impairment tests performed

Goodwill is allocated to cash generating units identified according to the business segments. A segment level summary of goodwill allocation is as follows:

	GROUP 2006 R000	GROUP 2005 R000
Private equity and corporate finance	**35 201**	
Assurance		13 581
Financial advice and fund management	**36 490**	5 396
	71 691	18 977

The recoverable amount of cash-generating units is determined based on directors' valuation of the respective business units taking the value of use into account. Estimates include using industry-related price earnings ratios for similar businesses.

	GROUP 2006 R000	GROUP 2005 R000	COMPANY 2006 R000	COMPANY 2005 R000
4. INVESTMENT IN SUBSIDIARIES				
Unlisted shares at cost less goodwill written off			**808 182**	808 182
Amount due by PSG Financial Services Limited			**11 052**	11 104
			819 234	819 286
The loans to PSG Financial Services Limited are current in nature, have no fixed repayment terms and are interest-free.				
Refer Annexure A				
5. INVESTMENTS IN ASSOCIATED COMPANIES				
Carrying value of shares				
Listed	**204 186**	148 131		
Unlisted	**106 033**	6 784		
	310 219	154 915		
Unsecured loans – Unlisted	**12 940**	13 510		
	323 159	168 425		

	GROUP 2006 R000	GROUP 2005 R000	COMPANY 2006 R000	COMPANY 2005 R000
5. INVESTMENTS IN ASSOCIATED COMPANIES *(continued)*				
Reconciliation				
Carrying value at beginning of year	**154 915**	66 577		
Equity accounted earnings:				
Share of profit after tax	**57 519**	40 255		
Impairment charges	**(12 603)**			
Movement in investment value:				
Dividends received	**(8 727)**	(4 827)		
Acquisitions	**43 918**	52 910		
Disposal of associated companies	**(2 455)**			
Transfer from subsidaries	**77 652**			
Carrying value at end of year	**310 219**	154 915		
The loans to associated companies are current in nature.				
Investments in associated companies include goodwill of R23 676 000 (2005: R10 923 000)				
Market value of listed investments	**372 791**	137 210		
Directors' valuation of unlisted investments	**184 040**	20 294		
Refer Annexure A				
6. EQUITY SECURITIES				
Quoted				
Petmin Limited	**50 038**	8 855		
PSG Money Market Fund	**14 974**	17 348		
PSG International Flexible Fund of Funds	**10 155**			
Apexhi Properties Limited – B units	**16 886**			
PSG Alphen Growth Fund	**21 311**			
PSG Tanzanite Flexible Fund*	**108 475**	40 344		
KAP International Limited	**11 280**	21 946		
Contracts for difference (CFDs)	**294 278**	9 391		
Investments of assurance subsidiary		138 067		
JSE Limited	**187 506**	4 654		
Pioneer Food Group Limited	**139 704**			
Agricultural businesses	**64 139**	8 251		
Other	**18 777**	52		
Unquoted	**16 309**	46 160		
	953 832	295 068		

* *This is the total amount of investors' funds which are predominantly invested in listed equities.*

GROUP	Available for sale R000	Fair value through profit and loss R000	Total R000
6. EQUITY SECURITIES *(continued)*			
Reconciliation of movements			
Carrying amount at 1 March 2004	1 466	165 591	167 057
Additions	934	502 089	503 023
Disposals	(807)	(406 244)	(407 051)
Unrealised fair value net gains	2 182	40 717	42 899
Impairment charges		(10 860)	(10 860)
Carrying amount at 28 February 2005	3 775	291 293	295 068
Additions		**3 023 567**	**3 023 567**
Disposals	**(3 323)**	**(1 514 583)**	**(1 517 906)**
Unrealised fair value net gains	**787**	**526 766**	**527 553**
Acquisitions of subsidiaries		**34 051**	**34 051**
Disposal of subsidiaries		**(1 408 501)**	**(1 408 501)**
Carrying amount at 28 February 2006	**1 239**	**952 593**	**953 832**

The fair value of the unquoted securities is based on directors' valuations which incorporated discounted cash flows based on the market interest rate and the risk premium specific to the unquoted securities.

	GROUP		COMPANY	
	2006 R000	2005 R000	**2006 R000**	2005 R000
Current portion	**953 384**	291 381		
Non-current portion	**448**	3 687		
	953 832	295 068		
7. DEBT SECURITIES				
Quoted	**4 890**	72 784		
Unquoted		1 679 439		
	4 890	1 752 223		

GROUP	Held to maturity R000	Fair value through profit and loss R000	Total R000
Reconciliation of movements			
Carrying amount at 1 March 2004	160 499	557 545	718 044
Additions	137 391	1 024 964	1 162 355
Disposals	(5 546)	(355 499)	(361 045)
Unrealised fair value net gains	19 219	177 486	196 705
Acquisition of subsidiaries		36 164	36 164
Carrying amount at 28 February 2005	311 563	1 440 660	1 752 223
Government bonds		16 615	16 615
Other listed debt securities with fixed interest rates	311 563	920 310	1 231 873
Other listed debt securities with floating interest rates		503 735	503 735
Carrying amount at 28 February 2005	311 563	1 440 660	1 752 223

GROUP	Held to maturity R000	Fair value through profit and loss R000	Total R000
7. DEBT SECURITIES *(continued)*			
Carrying amount at 28 February 2005	311 563	1 440 660	1 752 223
Additions	**19 066**	**2 612 486**	**2 631 552**
Disposals	**(15 469)**	**(2 038 523)**	**(2 053 992)**
Unrealised fair value net gains	**34 412**	**177 486**	**211 898**
Disposal of subsidiaries	**(349 248)**	**(2 187 543)**	**(2 536 791)**
Carrying amount at 28 February 2006	**324**	**4 566**	**4 890**
Other listed debt securities with fixed interest rates	**324**	**4 566**	**4 890**
Carrying amount at 28 February 2006	**324**	**4 566**	**4 890**

	GROUP		COMPANY	
	2006 R000	2005 R000	**2006 R000**	2005 R000
Current portion	**340**	1 752 223		
Non-current portion	**4 550**			
	4 890	1 752 223		

The fair value of the unquoted debt securities is stated at directors' valuation based on discounted cash flow valuation methodologies using market interest rate and the risk premium specific to the unquoted securities.

8. LOANS AND ADVANCES

	GROUP 2006 R000	GROUP 2005 R000	COMPANY 2006 R000	COMPANY 2005 R000
Secured loans	**50 467**	27 816		
Unsecured loans	**3 284**	1 268		
Other	**6 437**	2 212		
	60 188	31 296		
Current portion	**39 129**	31 296		
Non-current portion	**21 059**			
	60 188	31 296		

The secured loans are secured by pledge of quoted shares.

The non-current portion becomes due and payable from two to five years.

The effective interest rates applied to calculate fair values ranged between 9,5% and 11,5% (2005: 10,0% and 12,0%).

	GROUP 2006 R000	GROUP 2005 R000	COMPANY 2006 R000	COMPANY 2005 R000
9. DERIVATIVE FINANCIAL INSTRUMENTS				
Derivative financial assets	**16 535**	33 616		
Derivative financial liabilities	**(14 257)**	(36 862)		
Net derivative financial instruments	**2 278**	(3 246)		
Derivative financial assets				
Current portion	**16 535**	33 616		
Derivative financial liabilities				
Current portion	**(14 257)**	(36 862)		
	2 278	(3 246)		
Analysis of net derivative balance				
Equity/index contracts				
Over the counter ("OTC")	**16 535**	9 683		
Exchange traded	**(14 257)**	(12 929)		
	2 278	(3 246)		
Trading derivatives are classified as current assets and liabilities.				
10. DEFERRED INCOME TAX				
Deferred income tax assets		89 643		
Deferred income tax liabilities	**(19 488)**	(1 913)		
Net deferred income tax (liabilities)/assets	**(19 488)**	87 730		

The movement in the deferred tax assets and liabilities during the year is as follows:

	Provisions R000	Tax losses and STC credits R000	Unrealised profits R000	Other R000	Total R000
At 1 March 2004	(1 141)	(42 200)	1 576	66	(41 699)
(Credit)/charges to income statement	(2 745)	(45 301)	2 792	(777)	(46 031)
At 28 February 2005	(3 886)	(87 501)	4 368	(711)	(87 730)
(Credit)/charges to income statement	**(3 438)**	**26 060**	**41 299**	**(1 056)**	**62 865**
Disposal of subsidiary	**57**	**36 368**	**(3)**	**256**	**36 678**
Acquisition of subsidiary		**(1 706)**		**8 634**	**6 928**
Other movements				**747**	**747**
At 28 February 2006	**(7 267)**	**(26 779)**	**45 664**	**7 870**	**19 488**

The total temporary differences relating to investments in associated companies, for which deferred tax liabilities have not been recognised, are approximately R42 015 000 (2005: R4 498 000).

	GROUP 2006 R000	GROUP 2005 R000	COMPANY 2006 R000	COMPANY 2005 R000
11. INVENTORIES				
Raw materials	**3 593**	3 900		
Work in progress	**4 324**	5 780		
Finished goods	**3 740**	2 529		
	11 657	12 209		
12. RECEIVABLES				
Trade receivables	**39 042**	27 906		
Less: Specific impairment charges	**(5 440)**	(134)		
Net trade receivables	**33 602**	27 772		
Brokers and clearing houses	**64 288**	28 610		
Prepayments and sundry debtors	**6 197**	42 953		
Premium debtors and other insurance receivables	**1 282**	1 035		
	105 369	100 370		
Current portion	**100 830**	71 760		
Non-current portion	**4 539**	28 610		
	105 369	100 370		
13. CASH AND CASH EQUIVALENTS				
Cash at bank and in hand	**202 927**	124 368	**214**	151
Short-term deposits	**19 254**	135 374		
	222 181	259 742	**214**	151

The effective interest rate on short-term deposits was 6,65% (2005: 7,25%). These deposits have an average maturity of 30 days.

	GROUP 2006 R000	GROUP 2005 R000	COMPANY 2006 R000	COMPANY 2005 R000
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 (2005: 119 195 000)	**1 192**	1 192	**1 192**	1 192
11 495 000 shares held by a subsidiary company (2005: 11 495 000)	**(115)**	(115)		
5 520 380 shares held by a share incentive trust (2005: 6 124 164)	**(55)**	(61)		
	1 022	1 016	**1 192**	1 192

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.

Share schemes

PSG Group has two share incentive schemes, being the deferred delivery and cash-settled share schemes. In terms of these schemes, shares are granted to executive directors, senior and middle management.

For the equity-settled scheme the shares are allocated to participants at grant date at market price. The settlement of the purchase consideration in terms of the shares granted occurs on vesting.

14. SHARE CAPITAL *(continued)*

For the cash-settled scheme the settlement of the consideration is dependent on the employee being in service on the vesting date.

The fair value of the equity-settled share schemes and the cash-settled scheme, calculated using the Black and Scholes model, was R4 395 660 (2005: R4 395 660) and R811 529 (2005: Rnil) respectively.

Significant inputs into the model are the scheme share exercise price, vesting period and the volatility of the share price. Volatility is measured as the standard deviation of the expected share price returns and is based on a statistical analysis of daily share prices over the last six years and ranges between 28,94% and 42,49%. The assumptions made were as follows:

- Expected volatility of the PSG share price is best estimated by reference to the historical volatility in the period immediately preceding grant date.
- A constant dividend yield was assumed, as opposed to projecting discrete dividends over the period of the share's life. This ranged between 3,7% and 6,7%.
- The risk-free rate applied is the relevant yield to maturity of the BESA yield curve on the day prior to the grant date of the scheme share.

The total share-based payment cost recognised in the income statement was R2 645 000 (2005: R906 000). A share-based payment reserve of R2 716 000 (2005: R906 000) was recognised as part of equity and represents the fair value of the shares that will be delivered at grant date. A liability of R835 000 (2005: Rnil) was also raised and represents the fair value of the cash-settled scheme at balance sheet date.

The PSG Group Share Incentive Trust currently holds 5 520 380 PSG Group Limited shares and 253 039 Capitec Bank Holdings Limited shares, which have been allocated to participants at a total consideration of R16,6 million. The maximum number of shares which may be offered to participants is 10% of the issued share capital of the company at any time.

	PSG Group Limited		Capitec Bank Holdings Limited	
	2006	2005	**2006**	2005
Number of shares allocated at beginning of year	**6 124 160**	1 786 390	**451 330**	591 019
Number of shares allocated during the year		4 755 550		
Number of shares released to participants during the year	**(603 780)**	(417 780)	**(198 291)**	(139 689)
Number of shares allocated at end of year	**5 520 380**	6 124 160	**253 039**	451 330

	Number of shares	Price R	**Number of shares**	Price R
Granting of shares occurred as follows:				
15 December 2000	**168 220**	2,05	**55 655**	3,47
12 March 2002	**444 600**	0,45	**147 092**	1,52
20 November 2002	**152 010**	1,09	**50 292**	2,30
28 April 2004	**410 000**	2,80		
13 July 2004	**3 500 000**	3,01		
30 August 2004	**115 550**	3,35		
1 November 2004	**730 000**	4,45		
	5 520 380		**253 039**	

Vesting of shares occurs as follows:	**%**
2 years after grant date	**30**
3 years after grant date	**25**
4 years after grant date	**20**
5 years after grant date	**15**
6 years after grant date	**10**
	100

	Available for sale R000	Foreign exchange transactions R000	Share-based payments R000	Other R000	Total R000
15. OTHER RESERVES					
Balance as at 1 March 2004	6 031	1 137		(1 293)	5 875
Employee share scheme costs			906		906
Currency translation adjustments		(3 781)			(3 781)
Fair value losses on investments	(4 581)				(4 581)
Other				620	620
Balance as at 28 February 2005	1 450	(2 644)	906	(673)	(961)
Employee share scheme costs			**1 810**		**1 810**
Currency translation adjustments		**300**			**300**
Fair value losses on investments	**(777)**				**(777)**
Other				**1 994**	**1 994**
Balance as at 28 February 2006	**673**	**(2 344)**	**2 716**	**1 321**	**2 366**

	GROUP 2006 R000	GROUP 2005 R000	COMPANY 2006 R000	COMPANY 2005 R000
16. MINORITY INTEREST				
Minority interest	**107 142**	49 812		
Cumulative, non-redeemable, non-participating preference shares of subsidiary company	**441 543**	196 812		
	548 685	246 624		
Cumulative, non-redeemable, non-participating preference shares of subsidiary company				
Authorised				
600 000 000 (2005: 200 000 000) cumulative, non-redeemable, non-participating preference shares of R0,01 each				
Issued				
458 933 981 (2005: 200 000 000) cumulative, non-redeemable, non-participating preference shares of R0,01 each				
The following preference shares had been issued at year-end:				
Nominal value	**4 589**	2 000		
Net share premium	**436 954**	194 812		
	441 543	196 812		

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

	GROUP 2006 R000	GROUP 2005 R000	COMPANY 2006 R000	COMPANY 2005 R000
17. INSURANCE CONTRACTS				
Balance at beginning of period	**140 079**	89 176		
Premiums received	**284 321**	156 282		
Liabilities released for payments on death, surrender and other terminations for the year	**(145 236)**	(25 147)		
Fees deducted from account balances	**(1 202)**	(460)		
Expenses and commission	**(134 855)**	(32 830)		
Interest accrued	**11 074**	(2 646)		
Changes in unit prices	**6 009**	2 733		
Acquisition of subsidiaries		4 536		
Disposal of subsidiaries	**(156 762)**	(64 531)		
Other	**952**	12 966		
Balance at end of period	**4 380**	140 079		
18. BORROWINGS				
Non-current				
Unsecured loans	**2 000**	542		
Redeemable preference shares	**1 360**	1 360		
Total non-current borrowings	**3 360**	1 902		
Current				
Bank overdrafts and CFD facilities	**303 795**	6 891		
Unsecured loans	**7 197**	891		
Total current borrowings	**310 992**	7 782		
Total borrowings	**314 352**	9 684		

The carrying amount of short-term borrowings approximates their fair value.

The effective interest rates applied to borrowings range between 7% and 9% (2005: 8% and 10%).

	GROUP 2006 R000	GROUP 2005 R000	COMPANY 2006 R000	COMPANY 2005 R000
19. INVESTMENT CONTRACTS				
Balance at beginning of period	**1 795 651**	968 160		
Investment contract receipts	**904 311**	778 092		
Investment contracts benefits paid	**(2 226 172)**	(94 551)		
Commission and administration expenses	**(7 470)**	(19 652)		
Fair value adjustment to investment contract liability	**499 744**	252 596		
Investment contracts acquired	**2 845 809**			
Disposal of subsidiaries	**(3 806 044)**	(96 487)		
Other	**(5 829)**	7 493		
Balance at end of period	**–**	1 795 651		

	GROUP 2006 R000	GROUP 2005 R000	COMPANY 2006 R000	COMPANY 2005 R000
19. INVESTMENT CONTRACTS *(continued)*				
Investment contracts at:				
– Amortised cost				
Non-current portion		236 993		
– Fair value through profit and loss				
Non-current portion		1 558 658		
	–	1 795 651		

20. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

	Onerous leases R000	Employee benefits R000	Other R000	**Total 2006 R000**	Total 2005 R000
Balance at beginning of year	3 304	1 500	11 432	**16 236**	18 014
Additional provisions		14 921	22 125	**37 046**	5 599
Utilised during the year	(1 101)	(1 500)	(5 728)	**(8 329)**	(7 043)
Subsidiaries sold			(16 379)	**(16 379)**	(334)
	2 203	14 921	11 450	**28 574**	16 236

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.

Employee benefits provision relates to performance-based remuneration.

Other provisions mainly include current obligations in respect of expenses of which the timing is uncertain.

	GROUP 2006 R000	GROUP 2005 R000	COMPANY 2006 R000	COMPANY 2005 R000
21. TRADE AND OTHER PAYABLES				
Accounts payable and accruals	**100 475**	85 401	**982**	885
Brokers and clearing houses	**38 837**	19 759		
Reassurers		14 442		
Deferred revenue	**14 902**	50 798		
	154 214	170 400	**982**	885
Current portion	**154 214**	170 400	**982**	885
22. INSURANCE INCOME AND EXPENSES				
Net insurance premium revenue				
Insurance premium income				
Recurring premiums	**363 370**	337 862		
Insurance premium ceded to reinsurers	**(90 601)**	(102 975)		
	272 769	234 887		
Insurance claims and loss adjustments				
Individual life long-term insurance contracts:				
death, maturity, surrender and other benefits	**(152 295)**	(147 420)		
	(152 295)	(147 420)		

	GROUP 2006 R000	GROUP 2005 R000	COMPANY 2006 R000	COMPANY 2005 R000
23. INCOME FROM NON-FINANCIAL SUBSIDIARIES				
Sales from trading operations	**43 179**	59 836		
Cost of sales	**(39 622)**	(43 640)		
Gross profit	**3 557**	16 196		
24. INVESTMENT INCOME				
Interest income				
Loans and advances	**9 751**	9 807		
Equity securities – At fair value through profit and loss	**8 495**	7 205		
Debt securities – At fair value through profit and loss	**7 292**	5 019		
Cash and short-term funds	**13 396**	18 920		583
	38 934	40 951	**–**	583
Dividend income				
Equity securities – At fair value through profit and loss	**12 340**	10 605		
Dividend income from subsidiary company			**65 557**	181 274
	12 340	10 605	**65 557**	181 274
Investment income	**51 274**	51 556	**65 557**	181 857
25. FAIR VALUE GAINS AND LOSSES ON FINANCIAL INSTRUMENTS				
Impairment of financial assets		(10 978)		
Foreign exchange gains	**21**	1 558		
Foreign exchange losses	**(30)**	(433)		
Net fair value gains on financial assets at fair value through income:				
unrealised fair value gains	**311 767**	229 198		
realised fair value gains	**591 234**	39 373		
Net realised gains on available-for-sale financial assets	**1 260**	232	**74**	496
	904 252	258 950	**74**	496
26. COMMISSION AND OTHER FEE INCOME				
Commissions and fees	**399 323**	206 935		
Dealing and structuring	**75 136**	60 875		
Treasury operations	**19 546**	14 689		
Management fees – Subsidiary companies			**951**	934
	494 005	282 499	**951**	934
27. OTHER OPERATING INCOME				
Other operating income	**29 278**	24 387		
Bad debt recoveries	**8 640**			
Profit on sale of subsidiaries	**59 814**			
	97 732	24 387	**–**	–

	GROUP 2006 R000	GROUP 2005 R000	COMPANY 2006 R000	COMPANY 2005 R000
28. MARKETING, ADMINISTRATION AND OTHER EXPENSES				
Expenses by nature				
Depreciation				
Land and buildings	**89**	352		
Motor vehicle and plant	**1 445**	773		
Office equipment	**1 995**	1 854		
Computer equipment	**3 883**	6 257		
	7 412	9 236		
Amortisation of intangible assets	**23 952**	17 983		
Operating lease rentals				
Properties	**19 938**	11 075		
Other	**4 511**	2 319		
	24 449	13 394		
Audit fees				
Audit fees	**7 624**	4 601		
Tax services	**547**	385		
Other services	**124**	436		
	8 295	5 422		
Employee benefit expenses				
Salaries, wages and allowances	**211 924**	152 419		
Termination benefits	**8**	118		
Training costs		1 612		
Social security costs (e.g. UIF, medical benefits)	**7 167**	4 084		
Share-based payment costs				
Equity settled	**1 810**	906		
Cash settled	**835**			
Pension costs – defined contribution plans	**6 661**	8 249		
	228 405	167 388		
Loss on sale of subsidiaries	**–**	21 840		
Impairment of associated company	**12 603**	–		
Impairment of goodwill	**1 944**	2 875		
Refer to directors' report for directors' emoluments				
29. FINANCE COSTS				
Bank overdrafts and CFD facilities	**3 336**	849		
Dividend on redeemable preference shares	**2 271**			
Unsecured loans	**5 424**	1 590		
	11 031	2 439		

	Group 2006 R000	Group 2005 R000	Company 2006 R000	Company 2005 R000
30. TAXATION				
Current taxation				
Current year	**21 465**	11 030	**11**	324
Prior year	**499**	166		
	21 964	11 196	**11**	324
Deferred taxation				
Current year	**44 506**	(29 578)		
Prior year	**10 873**	(8 994)		
	55 379	(38 572)	**–**	–
Foreign taxation				
Current taxation	**1 111**	2 800		
	1 111	2 800	**–**	–
Secondary tax on companies				
Current taxation	**1 699**	1 081		(7 756)
Deferred taxation	**7 486**	(7 459)		
	9 185	(6 378)	**–**	(7 756)
	87 639	(30 954)	**11**	(7 432)
Reconciliation of income tax charge:				
Reconciliation of rate of taxation	**%**	%	**%**	%
South African normal tax rate	**29,0**	30,0	**29,0**	30,0
Adjusted for:				
Non-taxable income	**(8,4)**	(36,1)	**(29,0)**	(30,0)
Capital gains tax differential in rates	**(7,4)**			
Non-deductible charges	**1,7**	25,9		
Foreign tax rate differential	**(0,1)**	(5,7)		
Income from associated companies	**(3,0)**	(14,3)		
Secondary tax on companies	**1,7**	(7,5)		3,2
Prior year under/(over)provision	**2,0**	(10,4)		
Deferred tax asset previously not recognised		(32,6)		
Deferred tax asset not provided for	**0,2**	14,1		
Effective rate of tax	**15,7**	(36,6)	**–**	3,2
Gross calculated tax losses at the end of the year available for utilisation against future taxable income	**97 347**	233 207		
Deferred tax asset provided on	**(52 610)**	(175 420)		
Available for future utilisation	**44 737**	57 787	**–**	–
STC credits available within the group	**57 210**	160 920		
Deferred tax asset provided on	**(32 288)**	(92 176)		
Available for future utilisation	**24 922**	68 744	**–**	–

	GROUP 2006 R000	GROUP 2005 R000	COMPANY 2006 R000	COMPANY 2005 R000
31. EARNINGS PER SHARE				
The calculations of earnings per share are based on the following:				
Total earnings attributable to ordinary shareholders	**409 095**	103 121		
Adjustments (net of tax and outside shareholders):				
Investment activities	**(403)**	(5 534)		
(Profit)/loss on sale of subsidiary	**(58 296)**	18 046		
Other impairment charges	**12 603**	1 643		
Non-headline items of associated companies	**(4 604)**	(20 541)		
Headline earnings	**358 395**	96 735		

	Number of shares 000	Number of shares 000
The calculation of the weighted average number of shares and diluted weighted average number of shares is as follows:		
Number of shares at beginning of the year	**101 576**	105 000
Weighted number of shares repurchased in the year		(8 736)
Weighted number of shares issued in the year	**312**	11 255
Weighted number of shares at end of the year	**101 888**	107 519
Number of shares to be issued in terms of share options at fair value	**3 298**	729
Diluted weighted number of shares at end of the year	**105 186**	108 248

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the company's shares) based on the monetary value of the equity-settled shares granted to participants. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the vesting of all equity-settled scheme shares.

	GROUP 2006 R000	GROUP 2005 R000	COMPANY 2006 R000	COMPANY 2005 R000
32. DIVIDEND PER SHARE				
Normal dividend				
Interim				
20 cents per share (2005: 10 cents)	**56 014**	9 989	**65 557**	12 150
Proposed final				
47,5 cents per share (2005: 35 cents)				
Dividends payable are not accounted for until they have been declared.				
33. CAPITAL COMMITMENTS AND CONTINGENCIES				
Expenditure contracted or authorised but not incurred	**226 773**	244		

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

	GROUP		COMPANY	
	2006	2005	**2006**	2005
	R000	R000	**R000**	R000
33. CAPITAL COMMITMENTS AND CONTINGENCIES *(continued)*				
Operating lease commitments				
Future commitments in terms of:				
Rental agreements				
Due within one year	**4 411**	3 057		
One to five years	**10 473**	2 647		
Operating leases – premises				
Due within one year	**13 966**	18 772		
One to five years	**25 283**	44 223		
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, 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 existance at, or emanating from the 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, a 100% subsidiary of PSG Group Limited, upon the sale of PSGIB.

34. 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.

35. 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.

In 2005 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 associated company with Messrs JF Mouton and D Lockey being directors of both companies. During 2006 PSG Financial Services Limited increased its investment by 6 800 000 shares in Arch Equity Limited through a cumulative, non-redeemable, non-participating preference (JSE-listed) share swap arrangement with a company controlled by Mr MJ Jooste, who is a director of PSG Group Limited. The total consideration was R34 952 000 which equated to the current market price at transaction date.

During the year certain subsidiaries paid management fees amounting to R8 684 000 (2005: 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%).

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

Key management compensation

Key management are those persons having authority and responsibility for planning, directing and controlling the activities of the group.

	GROUP	
	2006	2005
	R000	R000
Salaries and performance bonuses	**16 203**	10 542

36. COMPARATIVE FIGURES

With the transition to IFRS certain changes in presentation of the 2005 disclosures were made as follows:

Balance sheet – Assets

	Equity securities R000	Debt securities R000	Loans and advances R000	Cash and short-term funds R000	Derivative financial instruments R000	Total R000
Investment in assurance subsidiaries	140 417	1 739 723	11 085	49 408		1 940 633
Other investments and non-current assets	21 380		17 799			39 179
Loans and advances			20 211			20 211
Trading securities	133 271	12 500			33 616	179 387
	295 068	1 752 223	49 095	49 408	33 616	2 179 410

Balance sheet – Liabilities

	Borrowings R000	Derivative financial instruments R000	Minorities R000	Trade and other payables R000	Total R000
Long-term liabilities	1 902		196 812		198 714
Short-term borrowings	7 782				7 782
Accounts payable		36 862		116 228	153 090
	9 684	36 862	196 812	116 228	359 586

The balance sheet is presented in order of liquidity. Previously the non-current/current classification was used in presenting the balance sheet.

Income statement	R000
Income from assurance activities was reallocated as follows:	
Insurance premium income	356 558
Insurance premium ceded to reinsurers	(102 975)
Investment income	30 454
Commission and other fee income	(21 293)
Other operating income	10 004
Insurance claims and loss adjustments	(147 420)
Marketing, administration and other expenses	(122 635)
	2 693
Exceptional items were reallocated as follows:	
Fair value gains and losses on financial instruments	26 986

Other

The Capitus business has always ceded and pledged the investments it acquired in favour of the liabilities. Prior interpretation of the facts recognised the linked investments and liabilities in the balance sheet and the related linked interest income and expense in the income statement. The specific nature of the cession and pledge agreement, accompanied by the acceptance by the creditors of the pledged investments in settlement of the liabilities due to them, meets the requirements for derecognition and hence the investments and liabilities should have been derecognised. Accordingly, the related linked interest income and expenses should not have been recognised. The comparatives have been restated to reflect the aforementioned. This has resulted in a decrease in both investments and liabilities as at 28 February 2005 of R611 million. The net effect on equity is Rnil.

	GROUP 2006 R000	GROUP 2005 R000	COMPANY 2006 R000	COMPANY 2005 R000
37. NOTES TO THE CASH FLOW STATEMENT				
37.1 Cash generated by operating activities				
Net income from normal operations	**557 098**	84 590	**65 631**	182 353
Adjustment for other non-cash items	**(303 790)**	30 770	**(74)**	(1 079)
	253 308	115 360	**65 557**	181 274
Change in working capital	**49 403**	29 522	**97**	50 196
Change in financial instruments and insurance contracts	**(580 700)**	(60 161)		
	(277 989)	84 721	**65 654**	231 470
37.2 Taxation paid				
(Charge)/credit in income statement	**(87 639)**	30 954	**(11)**	7 432
Deferred tax adjustment	**62 865**	(46 031)		
Movement in taxation liability	**16 825**	4 520	**(149)**	(7 435)
	(7 949)	(10 557)	**(160)**	(3)
37.3 Subsidiaries acquired				
Net assets of subsidiaries acquired				
Property, plant and equipment	**(2 070)**	(278)		
Intangibles	**(77 647)**			
Financial assets				
Equity securities	**(34 051)**			
Debt securities		(36 164)		
Loans and advances	**(22)**			
Deferred taxation	**5 478**			
Receivables	**(5 697)**	(2 998)		
Cash and short-term funds	**683**	233		
Insurance contracts		4 536		
Financial liabilities				
Borrowings	**5 090**			
Trade and other payables	**4 025**	5 338		
Current income tax liabilities	**35**			
Minority interests	**48 916**	13 708		
	(55 260)	(15 625)		
Bank overdrafts acquired	**(683)**	(233)		
Excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost		6 708		
Total purchase price	**(55 943)**	(9 150)		

	Group 2006 R000	Group 2005 R000	Company 2006 R000	Company 2005 R000
37. NOTES TO THE CASH FLOW STATEMENT *(continued)*				
37.4 Subsidiaries sold				
Net assets of subsidiaries sold				
Property, plant and equipment	**7 510**	6 276		
Intangibles	**23 925**	13 893		
Investment in associated companies	**2 455**			
Financial assets				
Equity securities	**1 408 501**			
Debt securities	**2 536 791**	215 172		
Loans and advances	**14 577**	918		
Derivative financial instruments	**33 616**			
Deferred income tax asset	**38 133**			
Inventories	**39**			
Receivables	**105 474**	31 788		
Cash and short-term funds	**184 314**	50 323		
Insurance contracts	**(156 761)**	(160 299)		
Financial liabilities				
Borrowings	**(12 556)**	(231)		
Derivative financial instruments	**(36 862)**			
Investment contracts	**(3 806 044)**			
Provision for other liabilities and charges	**(16 379)**	(6 408)		
Trade and other payables	**(145 160)**	(48 625)		
Current income tax liabilities	**(1 620)**	(958)		
Minority interests	**(30 998)**			
Loss on sale of subsidiaries	**148 955**	101 849		
Transfer to investment in associated company	**(77 652)**			
Profit/(loss) on sale of subsidiaries	**59 814**	(19 767)		
Cash proceeds on sale	**131 117**	82 082		
Cash and cash equivalents of subsidiaries	**(184 314)**	(50 323)		
Net cash flow	**(53 197)**	31 759		
37.5 Cash and cash equivalents at end of year				
Cash and short-term funds	**222 181**	259 742	**214**	151
Bank overdrafts and CFD facilities	**(303 795)**	(6 891)		
	(81 614)	252 851	**214**	151

INTEREST IN SUBSIDIARIES

Company	Proportion held directly or indirectly by holding company 2006 %	2005 %	Issued share capital 2006 R000	2005 R000
PSG Financial Services Limited	**100**	100	**45 872**	45 872
PSG Investment Services (Pty) Limited	**100**	100	**1 769**	1 769
Professional Securities Group Limited	**98**	98	**1**	1
PSG Konsult Limited	**79**	82	**3 791**	3 734
PSG Online Holdings (Pty) Limited	**93**	94	**1**	1
PSG Corporate Services (Pty) Limited	**100**	100	**4**	4
PSG Capital Limited	**100**	100	**4**	4
Axiam Holdings Limited	**100**	100	**166**	166
Channel Life Limited – *now an associated company*		80		3 105

The company's interest in attributable income and losses of subsidiaries amounts to R361 096 000 (2005: R95 326 000) and R5 798 000 (2005: R1 136 000) 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.

INVESTMENTS IN ASSOCIATED COMPANIES

Company	Nature of business	Proportion held directly or indirectly by holding company 2006 %	2005 %	Group carrying value 2006 R000	2005 R000
Listed					
Arch Equity Limited	Private equity	**23**	20	**113 754**	49 854
m Cubed Holdings Limited	Financial services	**30**	28	**90 432**	98 277
				204 186	148 131
Unlisted					
Channel Life Limited *	Life insurance	**36**		**72 680**	
Crest SA Holdings (Pty) Limited	Management services	**49**	49	**4 080**	3 525
Kumani Holdings (Pty) Limited	Private equity	**49**	49	**33 818**	13 394
Other				**8 395**	3 375
				118 973	20 294

* *Previously a subsidiary*

Information is only disclosed in respect of associated companies of which the financial position or results are material. All of the above are incorporated in the Republic of South Africa. Further details of investments are available at the registered offices of the relevant group companies.

FINANCIAL INFORMATION IN RESPECT OF PRINCIPAL ASSOCIATED COMPANIES

	Assets R000	Liabilities R000	Revenue R000	Profits R000
2006				
Arch Equity Limited	**546 967**	**72 290**	**23 355**	**161 116**
m Cubed Holdings Limited [1]				
Channel Life Limited [2]	**4 385 483**	**4 222 734**		
	4 932 450	**4 295 024**	**23 355**	**161 116**
2005				
Arch Equity Limited	313 335	65 339	84 278	81 168
m Cubed Holdings Limited	22 436 452	22 086 022	411 380	95 881
	22 749 787	22 151 361	495 658	177 049

[1] Not available at the date of approval of this report.
[2] Revenue and profits are included in the consolidated results.

Primary reporting segment

The group is organised in three main business segments:

- Private equity and corporate finance
- Assurance
- Financial advice and funds management

The private equity and corporate finance segment consists of the PSG Capital Group which includes the corporate finance business and the investment business.

The assurance segment consists of Channel Life of which the controlling interest was sold in the year.

PSG Online, PSG Konsult and PSG Fund Management make up the financial advice and fund management segment and mainly provide investment support and advice to third parties.

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 2006	**Total revenue R000**	**Segment result R000**	**Segment assets R000**	**Segment liabilities R000**
Private equity and corporate finance	**549 370**	**387 958**	**1 216 184**	**94 685**
Assurance	**892 444**	**35 373**	**36 053**	**4 380**
Financial advice and funds management	**421 397**	**87 279**	**581 093**	**436 201**
	1 863 211	**510 610**	**1 833 330**	**535 266**

	Capital expenditure R000	**Depreciation R000**	**Amortisation R000**	**Impairment charges R000**
Private equity and corporate finance	**4 281**	**2 586**		**12 603**
Assurance	**2 673**	**2 904**	**21 306**	
Financial advice and funds management	**3 560**	**1 922**	**2 646**	
	10 514	**7 412**	**23 952**	**12 603**

For the year ended 28 February 2005	Total revenue R000	Segment result R000	Segment assets R000	Segment liabilities R000
Private equity and corporate finance	162 323	33 051	502 507	110 003
Assurance	539 443	(14 604)	2 096 314	1 970 859
Financial advice and funds management	210 349	28 327	195 011	89 963
	912 115	46 774	2 793 832	2 170 825

	Capital expenditure R000	Depreciation R000	Amortisation R000	Impairment charges R000
Private equity and corporate finance	2 824	1 566		10 978
Assurance	2 785	5 537	16 716	
Financial advice and funds management	1 518	2 133	1 267	
	7 127	9 236	17 983	10 978

Reconciliation of segment result	**2006 R000**	2005 R000
Segment result – operating profit	**510 610**	46 774
Finance charges	**(11 031)**	(2 439)
Income from associated companies	**57 519**	40 255
Net income before taxation	**557 098**	84 590

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.

	Shareholders		Shares held	
	Number	%	Number	%
RANGE OF SHAREHOLDING				
1 – 500	1 259	34,2	227 725	0,2
501 – 1 000	513	13,9	434 263	0,4
1 001 – 5 000	1 163	31,6	3 014 927	2,9
5 001 – 10 000	344	9,3	2 738 199	2,7
10 001 – 100 000	336	9,1	10 380 411	10,2
100 001 – 1 000 000	50	1,4	17 038 002	16,7
Over 1 000 000	17	0,5	68 346 093	66,9
	3 682	100,0	102 179 620	100,0
Employee share scheme	1		5 520 380	
Treasury stock*	1		11 495 000	
	3 684		119 195 000	

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

	Number	%	Number	%
PUBLIC AND NON-PUBLIC SHAREHOLDING				
Non-public				
Directors	10	0,3	30 538 341	29,9
Arch Equity Limited	1		21 540 000	21,1
Directors of subsidiaries	5	0,1	1 177 417	1,1
	16	0,4	53 255 758	52,1
Public	3 666	99,6	48 923 862	47,9
	3 682	100,0	102 179 620	100,0

	Number	%
INDIVIDUAL SHAREHOLDERS HOLDING 5% OR MORE AS AT 28 FEBRUARY 2006		
Arch Equity Limited	21 540 000	21,1
JF Mouton Family Trust	17 220 267	16,9
	38 760 267	38,0

PSG FINANCIAL SERVICES LIMITED

ANNUAL FINANCIAL STATEMENTS

Contents

PSG Financial Services Limited

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 company. 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 company'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 International Financial Reporting Standards (IFRS) and incorporate full and reasonable disclosure. Appropriate and recognised accounting policies are consistently applied.

The audit committee of the company 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 company has adequate resources to continue for the foreseeable future.

The financial statements set out on pages 74 to 90 were approved by the board of directors of PSG Financial Services Limited and are signed on its behalf by:

JF Mouton
Chairman

J de V du Toit
Director

CA Otto
Director

18 April 2006
Stellenbosch

Report of the independent auditors

To the members of PSG Financial Services Limited

We have audited the stand-alone financial statements of PSG Financial Services Limited set out on pages 74 to 90 for the year ended 28 February 2006. These financial statements are the responsibility of the directors of the company. Our responsibility is to express an opinion on these annual financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. 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 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.

In our opinion, the financial statements fairly present, in all material respects, the financial position of the company standing alone at 28 February 2006, and the results of the operations, changes in equity and cash flows for the year then ended, in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

PricewaterhouseCoopers Inc

PricewaterhouseCoopers Inc
Registered Accountants and Auditors
Chartered Accountants (SA)

18 April 2006
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 secretary

18 April 2006
Stellenbosch

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 R175,3 million (2005: R143,8 million).

SHARE CAPITAL

Details of the authorised and issued share capital appear in note 9 to the financial statements.

DIVIDENDS

Ordinary

Dividends paid during the year amounted to R65 557 000 (2005: R181 274 000).

Preference

The directors have declared the following dividends in respect of the cumulative, non-redeemable, non-participating preference shares for the period ended 28 February 2006:

Cents per share	**2006**	2005
Interim	**4,016**	n/a
Final	**3,905**	2,305
Total	**7,921**	2,305

DIRECTORS

The directors of the company at the date of this report appear on the inside front cover. Since the date of the previous report, Messrs BE Steinhoff and W Theron were appointed to the board on 1 September 2005 and 2 March 2006 respectively. Mr P Malan was appointed as Mr CA Otto's alternate on 2 March 2006.

HOLDING COMPANY

The company is a wholly owned subsidiary of PSG Group Limited, except for the 458,9 million preference shares which are listed on the JSE Limited.

SHAREHOLDING OF DIRECTORS

The shareholding of directors in the preference share capital of the company as at 28 February 2006 was as follows:

	Beneficial		Non-beneficial		Total shareholding		
					2006		2005
	Direct	Indirect	Direct	Indirect	**Number**	**%**	Number
J de V du Toit				5 263 158	**5 263 158**	**1,1**	
MJ Jooste				33 933 981	**33 933 981**	**7,4**	
CA Otto	200 000				**200 000**		
Dr J van Zyl Smit	4 000 000				**4 000 000**	**0,9**	
	4 200 000	–	–	39 197 139	**43 397 139**	**9,4**	–

Since the year-end and the date of this report, Mr L van A Bellingan bought 5 000 000 shares (beneficial – indirect) and 3 000 000 shares (non-beneficial – indirect).

SECRETARY

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

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented.

BASIS OF PREPARATION

The company has prepared these stand-alone financial statements only as the company is the only significant asset of PSG Group Limited. The consolidated financial statements of the company is therefore very similar to PSG Group Limited's consolidated financial statements which are included on pages 28 to 69.

The company has also prepared consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") for the company and its subsidiaries (the "PSL Group"). In the consolidated financial statements, subsidiary undertakings – which are those companies in which the PSL Group, directly or indirectly, has an interest of more than half of the voting rights or otherwise has power to exercise control over the operations – have been fully consolidated. The consolidated financial statements can be obtained from the registered office.

Users of these stand-alone financial statements should read them together with the PSG Group Limited's financial statements or the PSL Group's consolidated financial statements as at and for the year ended 28 February 2006 in order to obtain full information on the financial position, results of operations and changes in financial position of the PSL Group as a whole.

These stand-alone financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial assets and financial liabilities (including derivative instruments) at fair value through profit and loss.

The financial statements were prepared in accordance with South African Statements of Generally Accepted Accounting Principles (SA GAAP) until 28 February 2005. SA GAAP differs in some areas from IFRS. In preparing these financial statements, management has amended certain accounting methods applied in the SA GAAP financial statements to comply with IFRS. The comparative figures in respect of 2005 were restated to reflect these adjustments, except as described in the accounting policies.

Reconciliations and descriptions of the effect of the transition from SA GAAP to IFRS on the company's equity and its net income are provided in note 1.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed below.

STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS THAT ARE NOT YET EFFECTIVE

Certain new standards, amendments and interpretations to existing standards have been published but have effective dates applicable to future annual financial statements of the company and which the company has not early adopted:

- **IFRS 7, Financial Instruments: Disclosures, and a complementary Amendment to IAS 1, Presentation of Financial Statements – Capital Disclosures (effective from 1 January 2007).** IFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. It replaces IAS 30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions, and disclosure requirements in IAS 32, Financial Instruments: Disclosure and Presentation. It is applicable to all entities that report under IFRS. The amendment to IAS 1 introduces disclosures about the level of an entity's capital and how it manages capital. The company assessed the impact of IFRS 7 and the amendment to IAS 1 and concluded that the main additional disclosures will be the sensitivity analysis to market risk and the capital disclosures required by the amendment of IAS 1. The company will apply IFRS 7 and the amendment to IAS 1 for annual periods beginning 1 March 2007.

The following new standards, amendments and interpretations will, at present, have no effect on the company:

- IAS 39 (Amendment), The Fair Value Option (effective for years commencing on or after 1 January 2006)
- IAS 39 and IFRS 4 (Amendment), Financial Guarantee Contracts (effective from 1 January 2006)
- IAS 19 (Amendment), Employee Benefits (effective from 1 January 2006)
- IAS 39 (Amendment), Cash Flow Hedge Accounting of Forecast Intracompany Transactions (effective from 1 January 2006)
- IFRS 1 (Amendment), First-time Adoption of International Financial Reporting Standards and IFRS 6 (Amendment), Exploration for and Evaluation of Mineral Resources (effective from 1 January 2006)
- IFRIC 4, Determining whether an Arrangement contains a Lease (effective for years commencing on or after 1 January 2006)
- IAS 21, Amendment to International Accounting Standard 21 – The Effects of Changes in Foreign Exchange Rates: Net Investment in a Foreign Operation (effective for years commencing on or after 1 January 2006)

- IFRS 6, Exploration for and Evaluation of Mineral Resources (effective from 1 January 2006)
- IFRIC 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds (effective from 1 January 2006)
- IFRIC 6, Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment (effective from 1 December 2005)
- IFRIC 7, Applying the Restatement Approach under IAS29 – Financial reporting in hyperinflationary economies (effective from 1 March 2006)
- IFRIC 8, Scope of IFRS 2 (effective from 1 May 2006)
- IFRIC 9, Reassessment of embedded derivatives (effective from 1 June 2006)

INVESTMENTS IN SUBSIDIARIES AND ASSOCIATED COMPANIES

Investments in subsidiaries are stated at cost.

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

FINANCIAL INSTRUMENTS

Financial instruments recognised on the balance sheet include equity securities, receivables, loans and advances, derivatives, trade and other payables, and borrowings. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

OFFSETTING FINANCIAL INSTRUMENTS

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

FINANCIAL ASSETS

The company classifies its financial assets into the following categories: financial assets at fair value through profit and loss, available-for-sale assets and loans and advances. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this at every reporting date.

Financial assets at fair value through profit and loss

This category has two subcategories: financial assets held for trading, and those designated at fair value through profit and loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges.

Loans and advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the company intends to sell in the short term.

Loans and advances are carried at amortised cost using the effective interest method. Specific provisions are made against identified doubtful advances.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories.

Recognition and measurement of financial assets

Purchases and sales of financial assets are recognised on trade date – the date on which the company commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus, for all financial assets not carried at fair value through profit or loss, transaction costs that are directly attributable to their acquisition. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit and loss' category 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 non-monetary securities classified as available for sale are recognised in equity. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investment activities.

The fair values of quoted financial assets are based on current bid prices. If the market for a financial asset is not active, the company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, and discounted cash flow analysis refined to reflect the issuer's specific circumstances.

The company assesses at each balance sheet date whether there is objective evidence that a financial asset or a company of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

The company does not apply hedge accounting.

RECEIVABLES

Receivables are carried at cost, due to the short-term nature thereof, less provision for impairment. A provision for impairment is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

SHARE CAPITAL

Ordinary shares are classified as equity.

Cumulative, non-redeemable, non-participating preference shares, where the dividend declaration are subject to discretion of the board, is classified as equity.

Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax.

FINANCIAL LIABILITIES

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

DEFERRED INCOME TAX

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associated companies, except where the company controls the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

PROVISIONS

Provisions are recognised when:

- the company has a present legal or constructive obligation as a result of past events;
- it is more likely that not that an outflow of resources will be required to settle the obligation; and
- the amount has been reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pretax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as an interest expense.

REVENUE RECOGNITION

Interest income

Interest income for financial assets that are not classified as at fair value through profit and loss is recognised using the effective interest method. When a receivable is impaired, the company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument and continues unwinding discount as interest income. Interest income from financial assets that are classified as at fair value through profit and loss is included in fair value gains and losses.

Dividend income

Dividend income is recognised when the right to receive payment is established. Dividend income from financial assets, subsidiary and associated companies are included in investment income.

DIVIDEND DISTRIBUTIONS

Dividend distributions to the company's ordinary shareholders is recognised as a liability in the period in which the dividends are approved by the company's shareholders.

CONTINGENCIES

A contingent liability is either a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the company or a present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability. These contingent liabilities are not recognised in the balance sheet but disclosed in the notes to the financials statements.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. These contingent assets are not recognised in the balance sheet but are disclosed in the notes to the financial statements unless the inflow of financial benefits is probable.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under circumstances.

Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques as disclosed in the policy relating to financial instruments.

Impairment of assets

An impairment of assets is considered when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgement. In making this judgement, the following factors may be considered: normal volatility in share price, the financial health of the investee, sector performance and changes in operational and financing cash flow.

FINANCIAL RISK MANAGEMENT

The company's activities expose it to a variety of financial risks: market risk (including fair value interest rate risk and price risk), credit risk, and cash flow interest rate risk. The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance.

Risk management is carried out under policies approved by the PSG Group's board of directors. The PSG Group's board provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Market risk

Price risk

The company is exposed to equity securities price risk because of investments held by the company and classified on the balance sheet either as available for sale or at fair value through profit or loss. The company is not exposed to commodity price risk.

Credit risk

The company has no significant concentrations of credit risk to external parties. Derivative counterparties and cash transactions are limited to high-credit-quality financial institutions. The company has policies that limit the amount of credit exposure to any financial institution.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, each entity aims to maintain flexibility in funding by keeping committed credit lines available.

Cash flow and fair value interest rate risk

The company's interest rate risk arises from interest-bearing investments, long-term borrowings and preference shares issued. Borrowings issued at variable rates expose the company to cash flow interest rate risk. Borrowings issued at fixed rates expose the company to fair value interest rate risk.

The company manages its cash flow interest rate risk by monitoring interest rates on a regular basis. Consideration is given to hedging options which will be utilised if viable.

Balance sheets

as at 28 February 2006

	Notes	2006 R000	2005 R000
ASSETS			
Investment in subsidiaries	2	**172 095**	208 257
Investments in associated companies	3	**80 649**	45 609
Financial assets			
Equity securities	4	**260 362**	80 465
Loans and advances	5	**624 262**	294 777
Derivative financial instruments	6	**13 641**	2 387
Receivables	8	**9 718**	4 921
Total assets		**1 160 727**	636 416
CAPITAL AND RESERVES ATTRIBUTABLE TO THE COMPANY'S EQUITY HOLDERS			
Share capital	9		
Ordinary share capital		**45 872**	45 872
Preference share capital		**4 589**	2 000
Share premium			
Ordinary share capital		**92 175**	92 175
Preference share capital		**435 139**	192 187
Other reserves	10	**183 736**	29 787
Retained earnings		**338 560**	250 653
Total equity		**1 100 071**	612 674
LIABILITIES			
Financial liabilities			
Borrowings	11	**11 052**	12 965
Deferred income tax	7	**31 682**	5 733
Trade and other payables	12	**17 922**	4 611
Current income tax liabilities			433
Total liabilities		**60 656**	23 742
Total liabilities and shareholders' funds		**1 160 727**	636 416

Income statements

for the year ended 28 February 2006

	Notes	**2006 R000**	2005 R000
INCOME			
Investment income	13	**118 958**	122 953
Fair value gains	14	**56 251**	22 897
Total income		**175 209**	145 850
EXPENSES			
Marketing, administration and other expenses		**339**	
Profit before taxation		**174 870**	145 850
Taxation	15	**(433)**	2 077
Net profit for the year		**175 303**	143 773
Attributable to:			
– equity holders of the company		**175 303**	143 773

Statements of changes in owners' equity

for the year ended 28 February 2006

	Ordinary shares Share capital R000	Ordinary shares Share premium R000	Preference shares Share capital R000	Preference shares Share premium R000	Retained earnings R000	Other reserves R000	Total R000
Balance at 1 March 2004	45 872	92 175			292 765	13 915	444 727
Fair value gains on investments						15 872	15 872
Issue of preference share capital			2 000	192 187			194 187
Net income for the period					143 773		143 773
Dividend – ordinary shares					(181 274)		(181 274)
Dividend – preference shares					(4 611)		(4 611)
Balance at 28 February 2005	45 872	92 175	2 000	192 187	250 653	29 787	612 674
Fair value gains on investments						**153 949**	**153 949**
Issue of preference share capital			**2 589**	**242 952**			**245 541**
Net income for the period					**175 303**		**175 303**
Dividend – ordinary shares					**(65 557)**		**(65 557)**
Dividend – preference shares					**(21 839)**		**(21 839)**
Balance at 28 February 2006	**45 872**	**92 175**	**4 589**	**435 139**	**338 560**	**183 736**	**1 100 071**

Cash flow statements

for the year ended 28 February 2006

	Notes	2006 R000	2005 R000
Cash retained from operating activities			
Cash generated by operating activities	18.1	**113 823**	121 634
Taxation paid	18.2		
Net cash flow from operating activities		**113 823**	**121 634**
Cash utilised in investing activities			
Acquisition of subsidiary		**(11 706)**	(20 743)
Acquisition of associated companies		**(35 040)**	
Investments acquired			(119 787)
Investments sold/redeemed		**13 331**	34 441
Loans to holding company			161 310
Loans from holding company			11 104
Shares in subsidiaries disposed of		**92 865**	55 762
Borrowings repaid		**(1 913)**	(49 950)
Loans to intergroup companies		**(342 816)**	(156 684)
Net cash flow from investment activities		**(285 279)**	(84 547)
Cash flows from financing activities			
Preference shares issued		**245 541**	194 187
Dividends paid to preference shareholders	18.3	**(8 528)**	
Dividend and capital distributions	18.3	**(65 557)**	(231 274)
Net cash flow from financing activities		**171 456**	(37 087)
Net increase/(decrease) in cash and cash equivalents		**–**	–
Cash and cash equivalents at beginning of year		**–**	–
Cash and cash equivalents at end of year	18.4	**–**	–

1. FIRST-TIME ADOPTION OF IFRS

PSG Financial Services Limited, for the first time, have adopted International Financial Reporting Standards (IFRS). The date of transition to IFRS is 1 March 2004. This note provides a reconciliation of net equity at 1 March 2005 and 28 February 2006.

The following transitional provisions where applied by the company:
IFRS 1, First-time Adoption of International Financial Reporting Standards, requires retrospective compliance with all IFRS effective at the reporting date. However, it contains a number of exemptions to this full retrospective application of IFRS and the company has applied the following exemptions.

Designation of financial instruments
The group has taken this exemption and has elected to redesignate selected financial instruments to the 'at fair value through profit or loss' category in IAS 39, Financial Instruments: Recognition and Measurement.

The following transitional provisions were not applicable or not applied by the company:

- Business combinations
- Property, plant and equipment
- Share-based payments
- Employee benefits
- Compound financial instruments
- Assets and liabilities of subsidiaries, associated companies and joint ventures
- Comparatives
- Decommissioning liabilities included in the cost of property, plant and equipment
- Leases
- IFRS 6, Exploration for and evaluation of mineral resources
- Cumulative translation differences
- Fair value of financial instruments at initial recognition

Accounting principles under IFRS differ in various areas from SA GAAP. The most significant differences between IFRS and SA GAAP affecting net income and shareholder equity are detailed below.

RECONCILIATION OF IFRS CHANGES IN SHAREHOLDERS' EQUITY

	Share capital and premium R000	Other reserves R000	Retained earnings R000	Preference shares R000	Total R000
AT TRANSITION DATE					
Balance at 1 March 2004 reported under SA GAAP and IFRS	138 047	13 915	292 765		444 727
Balance at 28 February 2005 reported under SA GAAP	138 047	29 787	250 653		418 487
Reclassifications					
Adjustments for:					
Preference shares previously reported as long-term liabilities				194 187	194 187
Balance at 28 February 2005 reported under IFRS	138 047	29 787	250 653	194 187	612 674

1. FIRST-TIME ADOPTION OF IFRS *(continued)*

RECONCILIATION OF IFRS CHANGES IN PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS

	2005 R000
Net profit after tax for the year ended 28 February 2005 reported under SA GAAP	139 162
Adjustments for:	
Preference share dividends	4 611
Net profit after tax for the year ended 28 February 2005 reported under IFRS	143 773

	2006 R000	2005 R000
2. INVESTMENT IN SUBSIDIARIES		
Unlisted shares at cost	**172 095**	208 257
Refer Annexure A		
3. INVESTMENTS IN ASSOCIATED COMPANIES		
Carrying value of shares		
Listed		
Arch Equity Limited (35 275 000 shares) (2005: 28 725 700 shares)	**80 649**	45 609
Reconciliation		
Carrying value at beginning of year	**45 609**	
Acquisitions	**35 040**	45 609
Carrying value at end of year	**80 649**	45 609
Market value of listed investments	**287 758**	64 633
Refer Annexure A		
4. EQUITY SECURITIES		
Quoted		
PSG Group Limited	**260 362**	80 465

	Available for sale R000
Reconciliation of movements	
Carrying amount at 1 March 2004	38 500
Additions	22 004
Fair value adjustment	19 961
Carrying amount at 28 February 2005	80 465
Fair value adjustment	179 897
Carrying amount at 28 February 2006	260 362

	2006 R000	2005 R000
Non-current portion	**260 362**	80 465

	2006 R000	2005 R000
5. LOANS AND ADVANCES		
Unsecured loans to subsidiaries		
Axiam Holdings Limited	**251 738**	27 950
PSG Corporate Services (Pty) Limited	**200 759**	104 655
PSG Channel Holdings Limited	**34 821**	24 862
PSG Investment Services (Pty) Limited	**3 707**	
Channel Life Limited		45 398
Channel Life Holdings (Pty) Limited	**54 656**	
Preference shares		
Associated companies	**18 581**	31 912
PSG Capital Limited	**60 000**	60 000
	624 262	294 777
Non-current portion	**564 262**	294 777
Current portion	**60 000**	
	624 262	294 777

The unsecured loans are interest-free and have no fixed repayment terms.

The preference shares in associated companies are redeemable within two to four years and carry dividend rates that are linked to the prime overdraft rate.

The preference shares in PSG Capital Limited are redeemable within one year and carries a fixed dividend rate of 12% per annum.

	2006 R000	2005 R000
6. DERIVATIVE FINANCIAL INSTRUMENTS		
Derivative financial assets – current portion	**13 641**	2 387
Analysis of derivative balance		
Equity contracts	**13 641**	2 387
7. DEFERRED INCOME TAX		
Deferred income tax liabilities		
To be recovered after more than 12 months	**(31 682)**	(5 733)

	Unrealised profits R000
The movement in the deferred income tax liabilities during the year is as follows:	
At 1 March 2004	
Charged to income statement	(1 644)
Charged to equity	(4 089)
At 28 February 2005	(5 733)
Charged to income statement	
Charged to equity	**(25 949)**
At 28 February 2006	**(31 682)**

The total temporary differences relating to investments in associated companies, for which deferred tax liabilities have not been recognised, are approximately R207 million (2005: R19 million).

	COMPANY 2006 R000	2005 R000
8. RECEIVABLES		
Sundry debtors	**9 219**	4 921
Taxation	**499**	
	9 718	4 921
Current portion	**9 718**	4 921
9. SHARE CAPITAL		
Ordinary 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 (2005: 573 401 094 shares)	**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 and JSE requirements.

	COMPANY 2006 R000	2005 R000
Preference share capital		
Authorised		
600 000 000 shares of 1 cent each (2005: 200 000 000 shares)	**6 000**	2 000
Issued		
458 933 981 shares of 1 cent each (2005: 200 000 000 shares)	**4 589**	2 000

The preference shares are cumulative, non-redeemable, non-participating preference shares of 1 cent each. Shares were issued during the financial year ended 28 February 2005 at a price of R1,00 per share. For the financial year ended 28 February 2006, three issues occurred, namely: 200 000 000 shares at R0,95, 33 933 981 shares at R1,03 and 25 000 000 shares at R1,04 per share.

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

	Available for sale R000	Other R000	Total R000
10. OTHER RESERVES			
Balance as at 1 March 2004	7 300	6 615	13 915
Fair value gains on investments	15 872		15 872
Balance as at 28 February 2005	23 172	6 615	29 787
Fair value gains on investments	**153 949**		**153 949**
Balance as at 28 February 2006	**177 121**	**6 615**	**183 736**

	2006 R000	2005 R000
11. BORROWINGS		
Non-current		
Unsecured loan from holding company	**11 052**	11 104
Unsecured loan from PSG Investment Services (Pty) Limited		1 861
	11 052	12 965
The loans are interest-free and have no fixed repayment terms.		
12. TRADE AND OTHER PAYABLES		
Shareholders for dividends – preference shares	**17 922**	4 611
Current portion	**17 922**	4 611
13. INVESTMENT INCOME		
Interest income		
Preference dividend income	**9 625**	6 721
Dividend income		
Equity securities – available for sale	**6 322**	1 150
Dividend from subsidiaries	**101 862**	115 082
Dividend from associated companies	**1 149**	
	118 958	122 953
14. FAIR VALUE GAINS		
Realised gains on sale of investments in subsidiaries	**44 997**	6 306
Net fair value gains on financial assets at fair value through profit and loss: unrealised fair value gains	**11 254**	13 350
Net realised fair value gains		3 241
	56 251	22 897
15. TAXATION		
Deferred taxation		
Current year		1 644
Secondary tax on companies		
Current taxation	**(433)**	433
	(433)	2 077
Reconciliation of income tax charge:	**%**	%
Reconciliation of rate of taxation		
South African normal tax rate	**29,0**	30,0
Adjusted for:		
Non-taxable income	**(29,0)**	(27,7)
Capital gains tax differential in rates		(1,1)
Secondary tax on companies		0,3
Effective rate of tax	**–**	1,5

	2006 R000	2005 R000
15. TAXATION *(continued)*		
STC credits available within the company	**12 262**	1 350
Deferred tax asset provided on		
Utilised to reduce current STC liability		
Available for future utilisation	**12 262**	1 350

16. RELATED-PARTY TRANSACTIONS

The company is a wholly owned subsidiary of PSG Group Limited. Related-party transactions exist with some companies within the group. Transactions with the parties mainly comprise intergroup loan accounts (detailed in notes 5 and 11).

In 2005, 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 associated company with Messrs JF Mouton and D Lockey being directors of both companies. During 2006, PSG Financial Services Limited increased its investment by 6 800 000 shares in Arch Equity Limited through a cumulative, non-redeemable, non-participating preference share swap arrangement with a company controlled by Mr MJ Jooste, who is a director of PSG Financial Services Limited. The total consideration was R34 952 000 which equated to the current market price at transaction date.

17. COMPARATIVE FIGURES

With the transition to IFRS certain changes in presentation of the 2005 disclosures were made as follows:

Balance sheet – Assets

	Equity securities R000	Loans and advances R000	Derivative financial instruments R000	Total R000
Other investments	80 465	262 865		343 330
Trading securities		31 912	2 387	34 299
	80 465	294 777	2 387	377 629

Balance sheet – Liabilities

	Borrowings R000	Preference share capital R000	Preference share premium R000	Total R000
Long-term liabilities	12 965	2 000	192 187	207 152

Income statement

	Investment income R000	Fair value gains R000	Total R000
Preference dividend received	1 321		1 321
Investment income	121 632	16 591	138 223
Exceptional items		6 306	6 306
	122 953	22 897	139 544

	2006 R000	2005 R000
18. NOTES TO THE CASH FLOW STATEMENT		
18.1 Cash generated by operating activities		
Net income from normal operations	**174 870**	145 850
Adjustments for:		
Other non-cash items	**(16 050)**	(17 910)
Profit on sale of shares in subsidiary	**(44 997)**	(6 306)
	113 823	121 634
18.2 Taxation paid		
Credit/(charge) in income statement	**433**	(433)
Movement in taxation liability	**(433)**	433
	–	–
18.3 Dividend and capital distributions – ordinary shares		
Provision for payment to shareholders at beginning of year		(50 000)
Dividends and capital distributions for the year	**(65 557)**	(181 274)
Provision for payment to shareholders at end of year		
	(65 557)	(231 274)
Dividend paid – preference shares		
Provision for payment at beginning of year	**(4 611)**	
Preference dividends accrued for the year	**(21 839)**	(4 611)
Provision for payment at end of year	**17 922**	4 611
	(8 528)	–
18.4 Cash and cash equivalents at end of year		
Cash and short-term funds		
Bank overdrafts		
	–	–

INTEREST IN SUBSIDIARIES

	Proportion held directly		Issued share capital		Carrying value	
Company	**2006 %**	2005 %	**2006 R000**	2005 R000	**2006 R000**	2005 R000
Channel Life Holdings (Pty) Limited	**100**	74	**4**	4	**11 709**	3
Channel Life Limited		43		3 105		47 868
PSG Capital Limited	**100**	100	**4**	4	**48 209**	48 209
PSG Channel Holdings Limited	**100**	100	**370**	370	**12 531**	12 531
PSG Corporate Services (Pty) Limited	**100**	100	**4**	4	**4 096**	4 096
PSG Investment Services (Pty) Limited	**100**	100	**1 769**	1 769	**95 550**	95 550
					172 095	208 257

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.

INVESTMENTS IN ASSOCIATED COMPANIES

		Proportion held directly		Carrying value	
Company	Nature of business	**2006 %**	2005 %	**2006 R000**	2005 R000
Listed					
Arch Equity Limited	Private equity	**23**	20	**80 649**	45 609

Financial information in respect of principal associated companies

	Assets R000	Liabilities R000	Revenue R000	Profit R000
2006				
Arch Equity Limited	**546 967**	**72 290**	**23 355**	**161 116**
2005				
Arch Equity Limited	313 335	65 339	84 278	81 168

	Shareholders		Shares held	
	Number	%	Number	%
RANGE OF SHAREHOLDING				
1 – 50 000	389	30,4	12 635 133	2,8
50 001 – 100 000	395	30,9	34 852 749	7,6
100 001 – 500 000	374	29,2	92 669 938	20,2
500 001 – 1 000 000	64	5,0	47 881 792	10,4
Over 1 000 000	57	4,5	270 894 369	59,0
	1 279	100,0	458 933 981	100,0
PUBLIC AND NON-PUBLIC SHAREHOLDING				
Non-public				
Directors	4	0,3	43 397 139	9,5
Directors of subsidiaries	1	0,1	1 000 000	0,2
	5	0,4	44 397 139	9,7
Public	1 274	99,6	414 536 842	90,3
	1 279	100,0	458 933 981	100,0
INDIVIDUAL SHAREHOLDERS HOLDING 5% OR MORE AS AT 28 FEBRUARY 2006				
Mayfair Speculators (Pty) Limited			33 933 981	7,4
Lavanren Nominees (Pty) Limited			25 000 000	5,4

Notice is hereby given of the annual general meeting of shareholders of PSG Financial Services Limited ("PSL" or "the company") to be held at Lanzarac Hotel, Lanzarac Road, Jonkershoek, Stellenbosch, on Friday, 23 June 2006, at 12:00.

AGENDA

1. To receive and consider the annual financial statements of the company and the reports of the directors and the auditors for the year ended 28 February 2006.

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, MJ Jooste, BE Steinhoff and W Theron.

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 2006.

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 shares in the company, limited to 10% of the number of shares in issue at 28 February 2006, 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 Limited."

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 the Listings Requirements of the JSE Limited ("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/or 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 Limited ("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 have 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 insure 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 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 or its subsidiaries will only utilise the general authority to purchase shares of the company's holding company and/or the company and/or the subsidiary as set out in special resolutions numbers 1 and 2 to the extent that the directors of 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 91), directors' interest in securities and material changes (page 74) and the share capital of the company (page 86) 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 24 June 2005.

By order of the board

PSG Corporate Services (Proprietary) Limited
Company secretary

Stellenbosch
31 May 2006

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 is hereby given of the annual general meeting of shareholders of PSG Group Limited ("PSG Group" or "the company") to be held at Lanzarac Hotel, Lanzarac Road, Jonkershoek, Stellenbosch, on Friday, 23 June 2006, at 12:05.

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 2006.

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

   Summary curriculum vitae of Lourentius van Andringa Bellingan
   Mr Bellingan, aged 60, obtained his academic qualifications, including a BCom and an LLB, from the University of Stellenbosch. He also qualified as a Chartered Accountant (SA). He is an entrepreneur and director of various companies.

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

   Summary curriculum vitae of Markus Johannes Jooste
   Mr Jooste, aged 45, obtained a BAcc degree from the University of Stellenbosch and qualified as a Chartered Accountant (SA).

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

   He also serves on the boards of other listed companies, including Unitrans Limited, KAP International Limited and Homestyle Group plc.

   3.3. To re-elect as director Mr BE Steinhoff, 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 Bruno Edward Steinhoff
   Mr Steinhoff, aged 68, serves as executive chairman of Steinhoff International Holding Limited.

   He has more than 41 years experience in the furniture business and serves on the boards of several other companies, including the regional board of Commerzbank for Northern Germany.

   3.4. To re-elect as director Mr W Theron, 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 Willem Theron
   Mr Theron, aged 54, obtained his BCom degree at the University of Stellenbosch and BCompt (Hons) through the University of South Africa. He did his articles in Stellenbosch at the current firm of PricewaterhouseCoopers. In 1976, he qualified as a Chartered Accountant (SA).

   He started the chartered accountancy firm, Theron du Plessis, in 1976 in Middelburg Eastern Cape, which in 1998 had 10 offices in the Western and Eastern Cape.

   In 1998, he was the founder of PSG Konsult and has since been in his current position as chief executive officer. He serves as a non-executive director.

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 2006.

6. To confirm the directors' remuneration, as disclosed in the annual financial statements, for the year ended 28 February 2006.

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 2006, 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 Limited."

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 Limited ("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 2006, 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 Listings Requirements of the JSE Limited ("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 Limited ("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 insure 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 70), directors' interest in securities and material changes (page 29) and the share capital of the company (page 54) 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 24 June 2005.

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 12:05 on Thursday, 22 June 2006.

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 secretary

Stellenbosch
31 May 2006

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

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

PSG Group Limited

(Incorporated in the Republic of South Africa)
(Registration number 1970/008484/06)
JSE share code: PSG
ISIN code: 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 12:05 at Stellenbosch, on Friday, 23 June 2006.

I/We ____

being the registered holder of ______________________________ ordinary shares hereby appoint:

1. ______________________________ of ____________________ or failing him/her,

2. ______________________________ of ____________________ or failing him/her,

3. the chairman of the meeting,

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

	Number of shares		
	In favour of	Against	Abstain
1. To adopt annual financial statements and reports			
2. To confirm the dividend to shareholders set out in the annual financial statements			
3.1 To re-elect L van A Bellingan as director			
3.2 To re-elect MJ Jooste as director			
3.3 To re-elect BE Steinhoff as director			
3.4 To re-elect W Theron as director			
4. To reappoint the auditors, PricewaterhouseCoopers Inc			
5. To authorise the directors to determine and pay the auditors' remuneration			
6. To confirm the directors' remuneration			
7.1 Ordinary resolution 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 ____________________ 2006

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 was 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 12:05 on Thursday, 22 June 2006.

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.

PSG FINANCIAL SERVICES LIMITED

(Incorporated in the Republic of South Africa)
(Registration number 1919/000478/06)
JSE share code: PGFP
ISIN code: ZAE 000060166
("PSL" or "the company")

Form of proxy – For use by ordinary shareholders only

For use at the annual general meeting of ordinary shareholders of the company to be held at 12:00 at Lanzerac Hotel, Lanzerac Road, Jonkershoek, Stellenbosch, on Friday, 23 June 2006.

I/We, ____

being the registered holder of ____ ordinary shares in the company hereby appoint:

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:

	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 L van A Bellingan as director			
3.2 To re-elect M J Jooste as director			
3.3 To re-elect B E Steinhoff as director			
3.4 To re-elect W Theron as director			
4. To reappoint the auditors, PricewaterhouseCoopers Inc			
5. To authorise the directors to determine and pay the auditor's remuneration			
6.1 Ordinary resolution number 1 – unissued shares			
6.2 Special resolution number 1 – share buyback by PSL			
6.3 Special resolution number 2 – share buyback by subsidiaries			

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

Signed at ________________________________ on this ______________ day of __________________________ 2006

Signature(s)____

Administration
continued

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 ADVISER 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

	2006
Financial year-end	28 February
Profit announcement	18 April
Annual general meeting	23 June
Interim report	9 October

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PSG Group Limited