CHALLENGE. MATCH. EXCEED.

PSG GROUP LIMITED

ANNUAL REPORT **2007**

CHALLENGE. MATCH. EXCEED.

BUSINESS OBJECTIVES AND RETURNS DELIVERED ON INVESTMENTS

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PSG GROUP LIMITED

Chairman's letter

FINANCIAL HIGHLIGHTS

For the year ended 28 February 2007

PSG Group Limited ("PSG")'s headline earnings per share for the year ended 28 February 2007 amounted to 519,3 cents per share (2006: 351,8 cents). This number however includes substantial profits attributable to market fluctuations which are not necessarily recurring in nature. We as management have consequently calculated a so-called base headline earnings per share of 192 cents (2006: 128,3 cents) which we believe to be a more realistic reflection of the group's core sustainable earnings.

Cents per share	2007	2006	2005	2004	2003	Notes
Reported headline earnings	519,3	351,8	90,0	76,3	70,7	
Adjusted for						
m Cubed loss	15,1					A
Capitec unbundling				(16,1)	(13,5)	
Interest effect of special dividends			(1,4)	(8,8)	(21,6)	
Non-recurring deferred tax			(14,1)	(3,7)		
Strategic investments – short-term fluctuations	(342,4)	(223,5)				
Less: Dividends	(11,8)	(4,8)				B
Unrealised/realised surplus on investments	(399,4)	(231,6)				C
Plus: Long-term investment return	68,8	12,9				D
Base headline earnings	192,0	128,3	74,5	47,7	35,6	
Percentage increase	49,6%	72,2%	56,2%	34,0%		
Net asset value per share	1585	704	356	320	828	
Distribution per share						
• Normal	90,0	67,5	45,0	30,0	20,0	
• Special				70,0	200,0	

NOTES

A m Cubed's equity accounted loss for the financial year ended 28 February 2006

B All dividends received from strategic investments

C All unrealised/realised surplus on strategic investments

D The aforementioned surplus is substituted by a deemed investment return based on PSG's after-tax cost of its perpetual preference share funding. The long-term investment return has been calculated by applying the deemed rate to the weighted average carrying value of PSG's strategic investments

KEY OBJECTIVES

PSG is an investment holding company. Our key objective is to enhance shareholders' wealth over time.

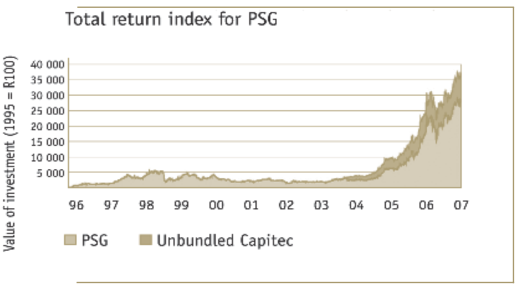
Over the past eleven years we have pursued this goal through founding, buying and growing good businesses, building a strong annuity income base as well as meaningful corporate action – including share issues, share buybacks, unbundling and the declaration of special dividends. Throughout this process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

When establishing businesses, we instil a culture of independence and sense of responsibility. We do not interfere with the day-to-day management of the companies we invest in. However, we are always available to provide strategic input. It is in the interest of shareholders that our focus remains on the most effective allocation of PSG Group's capital, either in funding current investments or searching for new opportunities.

Every company we establish or invest in has its own board of directors and CEO, and adheres to best practice in corporate governance. The employees manage these companies as if it were their own. That is why we encourage management to own shares in these respective companies. The intention is to list most of these investments over time. In our opinion, independent outside shareholding remains the ultimate form of accountability that leads to the creation of shareholders' wealth.

People remain our most important asset. We believe in appointing intelligent, hard-working individuals with the ability to manage significant companies. One can not overemphasise the importance of the CEO.

SUCCESS IN ACHIEVING OUR KEY OBJECTIVES



RETURN TO SHAREHOLDERS

We are pleased that we have delivered another year of growth. Over the past eleven years the annualised compounded return has been 68,5% compared to the JSE All Share Total Return Index of 18%. In context, a R100 investment in the JSE All Share Index would have been worth R650 today, while a similar investment in PSG is currently worth more than R36 000.

RIGHTS ISSUE

The rights issue in October 2006 was well accepted by the market. We issued 12,6 million shares at R17,00 per share to raise more than R200 million. Altogether 98,7% of the rights were exercised by shareholders and therefore only 1,3% by the underwriter. This exudes a vote of confidence.

ZEDER INVESTMENTS LIMITED

Zeder was established when PSG transferred its interests in agricultural companies to a separate public company. Since its listing on the JSE on 1 December 2006, tradability has improved and the market capitalisation has increased by 50% to R1,5 billion.

PSG is responsible for managing Zeder together with CEO Antonie Jacobs. Zeder has R500 million available in cash to invest, which will ultimately result in an increase in shareholders' wealth.

PSG KONSULT LIMITED

PSG Konsult, PSG Online and Crest SA concluded a successful merger during the 2007 financial year. PSG Online now provides a further platform to distribute products and improve levels of service to PSG Konsult's clients through a focused wealth management offering.

PSG Konsult is a great company. The wealth management industry is a space where some of my co-directors and I have not succeeded like Willem Theron has. The business that he has built is the jewel in the PSG crown; he managed to turn R2 million capital provided by PSG nine years ago into a company worth more than R1 billion today. The achievement is even more significant in light of the legal and competitive pressures the industry has been subjected to in the past years, while PSG Konsult continued to exceed expectations and break records.

The business model, that of a 30/70 distribution of gross profits, offers the employees and partners enough freedom to combine entrepreneurial flair with ample corporate support to maximise benefits for themselves and PSG. The PSG Konsult staff turnover remains low – employees are happy.

In keeping with our high standards of corporate governance and integrity, PSG Konsult advisors remain independent at all times. We believe that is one of the reasons we are considered to be the largest independent wealth management company which boasts the highest sales per broker in life, short-term and wealth products.

knowledge

KNOWLEDGE & HISTORY SERVE SUCCESS

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 strategic level to generate value for shareholders.

While PSG Fund Management and Channel Life offer attractive products, advisors are under no pressure to support them and in fact distribute very few of their associated products.

We expect the business to expand further in the coming year, both organically and through acquisitions. It will remain a significant contributor to PSG's annuity income.

CAPITEC BANK HOLDINGS LIMITED
PSG obtained a 20% direct interest in Capitec through its merger with Arch Equity Limited in August 2006. The recently announced BEE transaction, whereby Capitec issued 10 million shares to a BEE consortium, diluted PSG's interest. We remain positive about our investment in Capitec and have recently announced an offer to Capitec shareholders whereby PSG endeavours to increase its interest in Capitec to 34,9% through the exchange of 1,4545 PSG shares for a Capitec share.

PALADIN CAPITAL LIMITED
This private equity holding company was launched in January 2007. Paladin has no sector-specific focus and invests in cash-generating companies with strong, incentivised management that has a passion to yield superior returns for shareholders. Its investment portfolio includes a 49,9% interest in Thembeka Capital (Pty) Limited, formerly Arch Equity Investment Holdings (Pty) Limited.

This company enjoys positive cash flows and we are looking to list during 2007.

THEMBEKA CAPITAL (PTY) LIMITED
Thembeka is a black owned and managed company with entrepreneur KK Combi as its newly appointed CEO.

The past few years saw numerous black economic empowerment ("BEE") transactions and stock market gains resulting in significant unrealised gains for BEE players. However, the landscape is changing and there are opportunities for new partners to consolidate diversified BEE shareholdings and in the process realise the so-called paper gains for initial BEE investors.

As a BEE consolidator of choice, Thembeka is in a favourable position to benefit from numerous opportunities and, through access to adequate funding, has the opportunity to acquire quality assets at reasonable prices.

PSG FUND MANAGEMENT HOLDINGS (PTY) LIMITED
PSG is proud of its asset management operations. We currently manage or co-manage eleven unit trusts, several money market mandates as well as unregulated hedge funds.

The *PSG Alphen Growth Fund*, managed by Shaun le Roux, is the top performing general unit trust over five years. Of the 194 funds with a five-year performance history, it is ranked number eight with an absolute increase in value of 340%.

The *PSG Tanzanite Flexible Fund* is rated second in its class and returned 76% over the past two years. Fund manager Jan Mouton commenced managing this fund in November 2004. On a risk-adjusted basis the returns are also noteworthy. Of 347 unit trusts, this fund has over the past year had the second highest Sharpe ratio, which means that only one other unit trust offered a better return for the level of risk that investors were subjected to.

INVESTMENT IN THE JSE LIMITED
JSE Limited has contributed significantly to our earnings in the last couple of years. Our investment was originally acquired for less than R50 million, while the total proceeds on disposal amounted to approximately R679 million.

OUR SHARES

Capital management remains essential to our business and decisions in this regard are based on what we believe to be the fair value of a PSG share, regardless of the ruling market price. We don't exchange company stock without receiving similar (or greater) value in return. Consequently we shall not be buying back shares of the company when it is trading at a premium to intrinsic value. It may make sense to declare a special dividend instead. However, if the market value of the share is below its intrinsic value, we may, in the absence of other higher yielding investment opportunities, decide to invest in PSG by buying back its shares.

NEW INITIATIVES

QUINCE CAPITAL HOLDINGS LIMITED
Quince is a niche financing company with Nashua Finance as its primary asset. Reunert Limited, PSG and Michiel le Roux respectively own 46,6%, 39,7% and 6,8% in Quince.

Its primary business is providing asset-backed finance against rental agreements of Nashua office equipment. The current book is about R1,5 billion. Other activities include bridging and related finance through ZS Rational Finance, as well as Quince Scripfin where share portfolios are used as collateral for finance.

performance

SUCCESS & PERFORMANCE EQUATE OBJECTIVES

Our primary goal is to enhance shareholders' wealth over time. Over the past 11 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.

PSG'S POSITION IN SOCIETY

PSG remains committed to South Africa and continues to contribute to the society in which we operate.

In the past eleven years PSG contributed more than R1 billion in payments to the government. This was in the form of income tax, secondary tax on companies, market securities tax, employees tax and value added tax.

Our contribution was enough to pay the annual salaries of more than 1 000 police officers for the eleven years (of our existence), buy more than 6 600 police cars, or build 20 000 low-cost houses.

In terms of the social contract which citizens have with their government, we abide by paying the required taxes. We expect Government to fulfil its responsibilities of providing adequate safety and security to its people. This will ensure the prolonged contribution of taxes by its citizens.

PSG, its subsidiaries and associates currently employ more than 4 500 people. We are also contributing to skills development – Capitec Bank for instance trains more than 50 people per month at a cost of more than R10 000 per person.

The PSG Group Bursary Fund was recently initiated which provides financial assistance to needy and gifted tertiary students.

BEE

We believe in the spirit of broad-based black economic empowerment. Achieving total economic equality is however impossible. Irrespective of country or culture, there will always be the poor, middle class and wealthy.

Addressing the inequalities of the past is key to the sustainable cohesion of the society as a whole. In our opinion, targeting education will be the best approach that will ensure sustainable empowerment and welfare distribution amongst the broad society. Unfortunately this is not something that can be achieved overnight but should be national priority number one.

PSG welcomes Government's more structured approach to black economic empowerment with the emphasis on broad-based economic transition. The Broad-based Black Economic Empowerment (BBBEE) Act and its codes of good governance, although putting an administrative burden on enterprises, should contribute to a more equitable distribution of economic wealth.

We have taken action and embraced economic transformation. Our first initiative was the establishment of TAG (Tourism Assignments Group), a joint venture with the black-led women's group, Nozala Investments, in 1996.

In 1998 broad-based business people, Siphumelele Investments, acquired an 11% stake in PSG. Financial markets however did not play along and consequently the shares could not be held onto by the company.

Arch Equity Limited ("Arch Equity") was established in May 2004. It owned, inter alia, a 19,3% interest in PSG until 1 August 2006, the date that PSG and Arch Equity merged. At the time, 22,2% of PSG's issued share capital was in black hands. Disappointment followed when the major individual black shareholder decided to realise his investment after having enjoyed substantial gains over a period of less than three years.

PSG obtained a direct 49,9% interest in Thembeka Capital as a result of the aforementioned merger with Arch Equity with effect from 1 August 2006. PSG also has an approximate R230 million preference share investment in Thembeka to help fund this black owned and controlled company. PSG remains committed to BEE and will continue to assist Thembeka with BEE funding as and when the need arises.

As a result of our initiatives at least 32% of share capital has to date been owned by BEE shareholders. We have done our duty.

Siphumelele Investments	6,5%
Arch Equity Limited	14,0%
Kumani Holdings	2,8%
Thembeka Capital	2,5%
Tokara Employees Trust	2,4%
Mandisa Holdings	2,0%
Other	1,8%
Total*	32,0%

** Based on shares in issue (net of treasury shares) as at 28 February 2007*

We have created wealth of more than R300 million in the hands of BEE shareholders. Thembeka, which started with a net asset value ("NAV") of R1, currently has a NAV of more than R300 million of which 50,1% is unencumbered to the benefit of black people. PSG's previous strategic BEE partner personally realised a net gain of approximately R120 million when he decided to cash in shortly after the Arch Equity merger had been effected. In addition, value of at least R65 million has been created to the benefit of BEE beneficiaries through their 51% investment in Kumani Holdings (Pty) Limited.

THE FOUNDATION OF PSG'S SUCCESS

We will continue to abide by our key values in building a sustainable successful company. These include:

- Enthusiasm, passion and loyalty – above all else
- Continuous attention to 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 future
- The appointment of competent people and identification and support of hard-working, intelligent entrepreneurs who are empowered through trust
- Assertiveness and decisiveness. We make quick decisions, we make mistakes, we acknowledge it and learn from them
- Promoting shareholding amongst management and staff

CONTINUING THE DREAM

PSG was a dream – the establishment of a financial services firm.

Our goal is for PSG to be a leading financial services institution that will be an investment advisor and partner of choice looking for value and creating long-term shareholders' wealth.

Personally I am now a young 60. I have (again) stopped smoking and enjoy good health. I now enjoy PSG, its business, its people and clients even more. PSG is and will remain my life's passion: I look forward to my continued strategic leadership of this great company. I should also add that PSG has many talented and loyal managers: the future of your company is not in doubt.

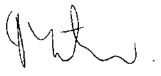
A WORD OF THANKS

My gratitude goes out to the PSG management, staff and my colleagues on the board of directors. Your commitment to the PSG Group and its vision has made the company the success it has been for just over eleven years. I trust you will continue to do so in future.

A special word of thanks to Jaap du Toit who founded PSG's stockbroking and wealth management activities on 1 March 1996. As from 1 March 2007, his status has changed to that of a non-executive director. He shall however remain a member of PSG Group's Executive Committee and chairman of the Wealth Cluster.

Also to Johan van der Westhuizen, co-founder of wealth management with Jaap, thanks and a happy retirement.

To all our clients and shareholders, at the end of the day we are here to look after your interests. Thank you for your loyal support and confidence in us – we will not disappoint you.



Jannie Mouton
11 May 2007

Board of directors

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

EXECUTIVE DIRECTORS

JF (Jannie) MOUTON (60)
BCom (Hons), CA(SA), AEP
Executive chairman

CA (Chris) OTTO (57)
BCom, LLB

NON-EXECUTIVE DIRECTORS

J DE V (Jaap) DU TOIT (52)
BAcc, CA(SA), CFA

JJ (Jan) MOUTON (32)
BAcc (Hons), CA(SA), MPhil (Cantab)
Manager – PSG Tanzanite Flexible Fund

W (Willem) THERON (55)
BCompt (Hons), CA(SA)
Managing director – PSG Konsult

INDEPENDENT NON-EXECUTIVE DIRECTORS

L VAN A (Kleintjie) BELLINGAN (61)[1, 2]
BCom, LLB, CA(SA)
Entrepreneur

PE (Patrick) BURTON (54)[1, 2]
BCom (Hons), PG Dip Tax
Financial director – Snoek Wholesalers

MJ (Markus) JOOSTE (46)[2]
BAcc, CA(SA)
Managing director – Steinhoff International

BE (Bruno) STEINHOFF (German) (69)[2]
Chairman – Steinhoff International

J VAN ZYL (Jacobus) SMIT (65)[1, 2]
BCom, LLB, CA(SA), DCom
Director of companies

ALTERNATE DIRECTOR

P (Pierre) MALAN (40)
BCompt (Hons), CA(SA)
CEO – Paladin Capital

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

PSG GROUP LIMITED

insight

OBJECTIVES & INSIGHT FACILITATE RESULTS

Clear, unambiguous communication to all stakeholders. We ensure that shareholders are aware of what we are planning and we encourage investors to judge our performance by our ability to achieve our stated objectives and the returns we deliver on their investments.

Group structure

PSG GROUP LIMITED

PSG FINANCIAL SERVICES LIMITED 100%

[R550 MILLION LISTED PERPETUAL PREFERENCE SHARES IN ISSUE]

PSG CORPORATE SERVICES 100%

[HOLDS INVESTMENTS IN DATAPRO, PETMIN, UNIT TRUSTS]

PSG FUND MANAGEMENT 97,3%

CHANNEL LIFE 34,4%

PALADIN CAPITAL 97,5%

QUINCE CAPITAL HOLDINGS 39,7%

[EFFECTIVE 1 MAY 2007]

CAPITEC BANK HOLDINGS 18,3%

ZEDER INVESTMENTS 35,8%

PSG KONSULT 74%

PSG CAPITAL 60%

[CORPORATE FINANCE]

PRIVATE EQUITY

[VARIOUS, NOT INDUSTRY SPECIFIC]

THEMBEKA CAPITAL 49,9%

Review of operations

PSG achieved its highest profit ever with headline earnings of R651,4 million and attributable profit of R692 million. Headline earnings per share for the year ended 28 February 2007 increased by 47,6% from 351,8 cents per share to 519,3 cents per share. Attributable earnings increased by 37,4% to 551,7 cents per share. Our internally calculated base headline earnings increased by 49,7% from 128,3 cents per share to 192 cents per share.

The positive economic climate continued to be favourable for the group's business and the strong performance of the local equity markets once again had a positive impact on the group's results. A substantial portion of the headline earnings for the year emanated from investments, predominantly from PSG's investment in JSE Limited ("JSE"). The majority of the operating subsidiary and associated companies exceeded expectations.

The past year saw a hive of corporate activity, including the following:

- The merger with Arch Equity Limited, with PSG obtaining a 20% direct interest in Capitec Bank Holdings Limited. We retain a 49,9% in BEE company Thembeka Capital (Pty) Limited, formerly known as Arch Equity Investment Holdings. This transaction was effected by means of a share swap.
- PSG Group Limited successfully raising R269 million through a rights issue and private placement.
- The establishment and subsequent listing of Zeder Investments Limited through the transfer of PSG's agri investments.
- The formation of Paladin Capital Limited, the group's private equity company.
- The merger of PSG Konsult and PSG Online together with the acquisition of Multinet, Topexec and Advance Wealth Management.

PSG KONSULT LIMITED – **74%** *Chief executive officer – Willem Theron*

FINANCIAL RESULTS

Year ended 28 February	2007	2006	2005
Revenue (Rm)	**466,3**	242,0	160,4
Net profit before tax (Rm)	**76,3**	16,4	25,5
Headline earnings (Rm)	**46,3**	16,6	10,9
Headline earnings per share (cents)	**8,2**	4,4	2,9
Growth in headline earnings per share (%)	**86,4**	51,7	48,8
Number of shares (million)			
– in issue	**695**	379	373
– weighted average	**567**	376	372
Net asset value per share (cents)	**49,4**	19,4	16,2

HIGHLIGHTS

- The company's turnover increased by 92% to R466,3 million. Headline earnings increased by 179% to R46,3 million. Headline earnings per share increased by 86% to 8,2 cents per share. Funds under administration increased to R42 billion and short-term premiums to R820 million on an annualised basis.

- Successfully completed corporate actions include the R178 million acquisition of Multinet and Topexec in April 2006, Advance Wealth Management for R93 million in October 2006 and PSG Online for R128 million in November 2006.

- The *PSG Konsult Academy* established in association with the Business School of the University of Stellenbosch. Since inception, 583 students were trained in programmes pertaining to the wealth management industry. It already has a reputation as one of the leading training institutions in the industry.

- In addition, *PSG Konsult Trust* was established in March 2007 to provide trust and fiduciary services to our client base.

PROSPECTS

The primary focus for the forthcoming year will be the bedding down of the past year's acquisitions. The new entities will be effectively introduced to existing structures in order to enjoy optimum synergies.

PSG Konsult will seek to increase existing client bases, expand the service offerings to clients, streamline and improve efficiencies within the various divisions.

Overall preference will be given to organic growth through the recruitment of additional advisors and increasing the support platform. Although large acquisitions will not be likely in the current year, small opportune acquisitions may be considered.

PEOPLE

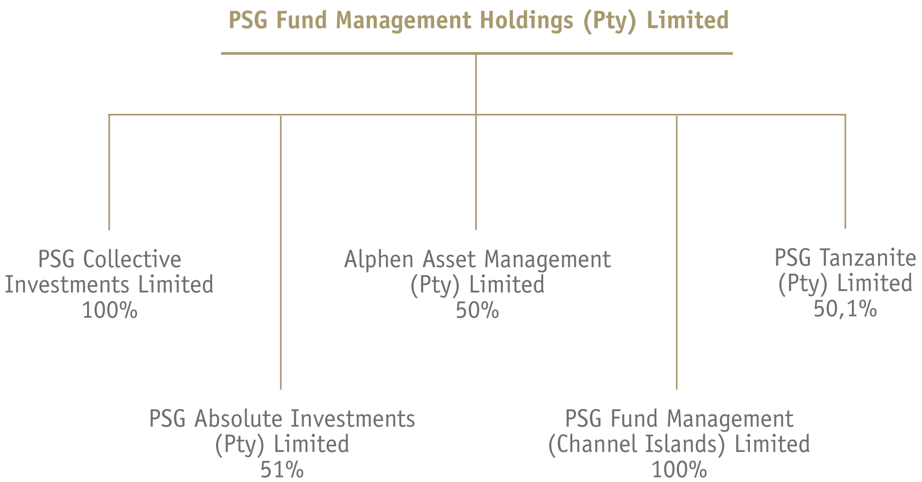
At year-end PSG Konsult had 179 (2006: 122) offices with 431 (2006: 274) financial planners, stockbrokers and short-term insurance brokers. Our professional associates (accountants and attorneys) increased to 306 (2006: 286).

PSG FUND MANAGEMENT HOLDINGS (PTY) LIMITED – **97,3%** *Chief executive officer – Ross Breedt*

FINANCIAL RESULTS

Year ended 28 February	**2007**	2006	2005
Headline earnings (Rm)	**15,8**	10,8	6,5
Total assets under management (Rm)	**11 271**	8 092	5 032
Total assets under administration (Rm)	**17 292**	10 760	5 835
Headline earnings growth	**46%**	65%	41%
Number of employees	**46**	36	34

COMPANY STRUCTURE



PSG Fund Management's business encompasses local and offshore collective investments and asset management. We believe in partnerships where ownership is shared with management; this ensures the enhancement of entrepreneurial qualities as well as staff retention of key individuals.

HIGHLIGHTS

Total assets under administration increased by 61% to R17,3 billion. Although the business benefited from the strong performance of the equities market, it also experienced a healthy increase in net inflows. This was as a result of our focused efforts in distribution as well as the long-term sustainable performance of all our funds. The business matured to a stage where sustainable annuity income underlies the earnings.

PSG Alphen Asset Management continued with their strong performance in the past year and was a major contributor to the headline earnings of our business. Adrian Clayton and his team once again proved their fund management abilities with a long-term track record of delivering superior returns, supported by comprehensive risk management and quantitative processes.

PSG Absolute Investments increased their assets under management to R3,4 billion from R1,6 billion as at 28 February 2006. In addition, a prime stockbroker was established during the year under review.

We added various new funds (including hedge funds) to our product range, as well as offshore solutions. The new funds provide more offshore exposure options to our clients and strategic distribution partners.

Our funds (as at 28 February 2007) include:

Local funds	
PSG Money Market Fund	2 293
PSG Alphen Growth Fund	1 197
PSG Balanced Fund	628
PSG Alphen Prudential Fund of Funds	541
PSG Alphen Equity Fund of Funds	445
PSG Alphen Income Fund of Funds	345
PSG Alphen Flexible Fund	321
PSG Tanzanite Flexible Fund	249
PSG Macro Active Fund of Funds	134
PSG International Flexible Fund of Funds	74
PSG Alphen Optimal Income Fund	60
PSG Alphen Foreign Flexible Fund of Funds	35
PSG Preferred Dividend Fund	11
Foreign funds	
PSG Global Balanced Fund of Funds	126
PSG Alphen Global Managed Flexible Fund	63
Other foreign funds	626
Hedge funds	83

The initiative to consolidate the offshore platforms into one unit (based in Guernsey) is well under way and should be substantially completed within the first months of the new financial year. The offshore operations will be managed by Theo Cloete who has been part of the management team of PSG Fund Management for more than five years.

PEOPLE

To ensure adequate support for the company's rapid growth over the past year, we have strengthened the employee numbers in both fund administration and management. Our dynamic staff complement currently comprises 46 employees. The relative performance of our funds proved that we have some of the best individual asset managers in the industry.

FUTURE

- Engaging in a concerted effort to expand the offshore business platform in line with the successful strategies of the local business.
- We will incorporate the Advance Wealth Management funds during the next financial year and ensure the smooth transfer of the assets into PSG solutions and onto our platform.

CAPITEC BANK HOLDINGS LIMITED – **18,3%** *Chief executive officer – Riaan Stassen*

FINANCIAL RESULTS

Year ended 28 February	2007	2006	2005
Headline earnings (Rm)	**160**	115	67
Headline earnings per share (cents)	**222**	165	101
Growth in headline earnings per share (%)	**35**	52	49
Return on equity (%)	**26**	23	16
Value of loans advanced (Rm)	**3 449**	2 863	2 259
Number of loans advanced (000)	**2 924**	2 650	2 486
Number of savings clients (000)	**554**	375	143
Cost to income ratio (%)	**60**	66	73
Number of active clients (000)	**1 010**	706	513

Capitec focuses on accessible and affordable banking and has increased its client base in excess of 1 million persons.

Capitec's headline earnings increased by 28% to R160 million. Its headline earnings per share increased by 35% to 222 cents. Capitec also concluded a specific issue of 10 million ordinary shares to a BEE consortium in February 2007, which saw PSG's shareholding being diluted to 18,3%.

The company currently has 280 branches, 2 129 employees and more than 400 ATMs. Capitec intends to increase its distribution network to 345 branches and 700 ATMs in the coming year.

As from June 2007, the National Credit Act will come into force. The Act aims to protect the credit consumers. Whilst Capitec supports the aims of the Act, it unfortunately also prescribes maximum price levels, which will have an effect on the company's profitability. Increased efficiency and volumes will partly counter this impact.

The confidence in the business model means Capitec will be aggressive in the execution of its expansion plans. However, care is taken in the planning of the expansion, as uncertainties regarding the reaction of competitors to the changing regulatory environment exist. This, together with the prescription of maximum price levels, has resulted in management budgeting for lower growth for the coming year. Capitec Bank continues to pursue its ambition to revolutionise banking in and beyond South Africa.

CHANNEL LIFE LIMITED – **34,4%** *Chief executive officer – René Otto*

The growth that commenced at Channel Life in 2005, continued in the year ended 31 December 2006, whilst strategic acquisitions helped Channel Life to gain critical mass in key areas.

During the year under review, Channel Life focused on building an even stronger distribution platform for growth and customer service. The new distribution divisions introduced during the preceding year, grew in line with expectation. Similarly, Alfinanz, the Channel Life international award-winning technology and administration solutions provider, has aptly supported the aggressive growth experienced during the year under review.

The company's share in new business, within the targeted developing market, has grown from 1,2% to 6,5% during the last 18-month reporting period leading up to December 2006.

FINANCIAL HIGHLIGHTS for the period ended 31 December 2006
Due to Sanlam's acquisition of a controlling interest in Channel Life, the company experienced a change in year-end from February to December. Sanlam provided Channel Life with the opportunity to grow without being unduly concerned about new business strain. With the continued involvement of PSG, Channel Life benefits from the combination of shareholding.

Channel Life's comparable year-on-year headline earnings as at 31 December 2006 increased by 44% to R36 million.

Growth in embedded value (value added to shareholders)

- Embedded value increased by 132% to R466 million
- Embedded value per share increased by 34% to 146 cents
- New business embedded value increased by 95% to R37 million

Summary of main growth indicators

- APE (annual premium equivalent) increased by 104% to R265 million
- Gross assets up by 9,8% to R6,2 billion
- Total gross premium income increased by 94% to R2,3 billion
- CAR ratio was confirmed at 125% (legal minimum requirement is 100%), which means that Channel Life covers its prescribed liabilities 1,25 times with excess assets

Acquisition of Safrican

As part of the Sanlam transaction, Sanlam's 55% interest in the Safrican insurance company was transferred to Channel Life on 1 February 2006. Much synergy exists between Channel Life and Safrican, with both companies focusing on the entry-level market.

Channel Life acquired the remaining 45% shareholding in Safrican from Thebe Investment Corporation, with an effective date of 1 December 2006. Channel Life now enjoys a dominant position in the South African funeral insurance market.

CORPORATE GOVERNANCE

- The overall BEE staff ratio increased from 68% in 2005 to 74% in 2006. BEE is an inherent part of Channel Life's business and at Channel Life this ratio is not about achieving scorecard numbers, but embracing our country's diversity in order to reach the company's full potential.

- Channel Life created over 325 job opportunities during 2006 and paid millions in commission to representatives of previously disadvantaged communities through, inter alia, the introduction of Ubuntu Point Containers servicing branches all over South Africa. This initiative also ensures greater accessibility to financial services in the developing market.

ZEDER INVESTMENTS LIMITED – **35,8%** *Chief executive officer – Antonie Jacobs*

FINANCIAL RESULTS

For the six months ended 28 February	2007
Headline earnings (Rm)	136,5
Earnings per share (cents)	
– attributable	27,8
– headline	27,8
Final dividend per share (cents)	2,0
Number of shares (million)	
– in issue	571,3
– weighted average	490,5
Ordinary shareholders' equity at 28 February 2007 (Rm)	1 282,9

PSG transferred its agricultural investments to Zeder on 1 September 2006 in exchange for shares in Zeder. Thereafter, Zeder completed a private placement, raising R698 million. It also exchanged Zeder shares for investments in various agri companies. Zeder listed on the JSE Main Board on 1 December 2006.

HIGHLIGHTS

Its investment portfolio increased by 122% to R776,3 million since 1 September 2006. The company reported headline earnings of R136,5 million for the six months to 28 February 2007.

Zeder's profitability depends on dividend income emanating from its investments as well as the positive market movements in this portfolio. With regard to the quality of the portfolio and depending on the markets, this portfolio should experience modest growth.

Zeder invested R190,9 million of the cash raised during the six-month period ended 28 February 2007. At year-end the cash balance amounted to R537,4 million.

PROSPECTS
Zeder is increasing its shareholding in certain of its underlying investments and is constantly exploring new investment opportunities which may require substantial cash outlays.

Zeder identified the following attributes in making the investment case:

- Long, established track records
- Strong brands that deliver good underlying cash flows
- Strong management with extensive experience
- Asset-rich and relative low price-earnings ratios

PALADIN CAPITAL LIMITED – **97,5%** *Chief executive officer – Pierre Malan*

Paladin Capital is PSG's private equity investment company with an unlisted bias. On 1 November 2006 the private equity investments previously held by PSG Group were transferred to Paladin. As at 28 February 2007, the portfolio consisted of the following investments:

Financial services		**Other**	
Algoa Insurance	54%	CIC*	47%
CEO – Carl Kirstein		CEO – Trevor Rodgers	
Axon	36%	Dynarc Properties*	30%
CEO – Phillip Croeser		CEO – Willie van Heerden	
IQuad	47%	Precrete*	39%
CEO – Trevor Hayter		CEO – Piet du Toit	
PSG Capital (Corporate Finance)	60%	Thembeka Capital*	49,9%
CEO – Johan Holtzhausen		Executive chairman – KK Combi	

** Investment acquired during the financial year*

Headline earnings for the four months amounted to R51,8 million. The performance of the investee companies in the portfolio was above expectation with an exceptional performance by Thembeka Capital (Pty) Limited, our BEE investment.

COMMENTARY
Thembeka Capital
Thembeka (previously Arch Equity Investment Holdings) changed its name and its management during the period under review. Mr KK Combi took over as executive chairman of Thembeka and has added significant impetus to the company.

As a fully compliant broad-based black economic empowerment company (with 50,1% in BEE hands) we are seeing a number of transactions being offered to Thembeka. With the Codes now being legislated, we see Thembeka as a major participant in future empowerment transactions.

Thembeka's portfolio consisted of the following investments as at 28 February 2007:

Capitec	4%	Datapro	3%
PSG Group	2,5%	Grainco	25,1%
Unitrans	4,5%	GRW	25,1%
JSE	4,2%	Compress	75%
BKB	5%	Master Currency	11%
IQuad	10%	Big Box	30%
Value Furnishers	85%	Mamela Media	47%
E-Best Buy Beds	67%		

Algoa Insurance
Algoa Insurance performed well with headline earnings growth of 30%. The underwriting surplus is pleasing with small growth in members insured. Further products will be added in the coming year. The management structure in this niche life insurer has been restructured and will receive further attention in the year ahead.

IQuad
IQuad reported smaller than expected growth in headline earnings mainly as a result of delays at the Department of Trade and Industry. The work in progress is very encouraging and should result in a significant improvement in profitability for the coming year.

PSG Capital (Corporate Finance)
Johan Holtzhausen (CEO), Pierre Malan, Jannie Grobbelaar (team leader, Johannesburg), Gerhard Swart, Barry Groenewald, Dino Theodorou, André Geldenhuys, Anjé Maasdorp, David Tosi, Francois Swart, Samara Totaram, Chris Pretorius, Melissa Harris

The PSG Capital team has an excellent track record and focuses on medium to large companies. It further serves as the scouts for private equity transactions and assists with the evaluation and implementation of such transactions. The team offers a one-stop service to its clients.

It is expected that the listing mandates obtained during this period will come to fruition during the new financial year. As part of its social responsibility, it has provided advice to BEE companies below the market rate in order to assist them to receive the best advice available.

CIC
CIC, listed on the Namibian Stock Exchange ("NSX"), has the agency for a number of fast-moving consumer goods in Namibia, Mozambique, Botswana, South Africa and Swaziland. Paladin acquired a 47% interest in CIC during the year under review.

The company has seen significant change over the last three years and has repositioned itself in the markets that it operates in. It is the intention to grow its footprint further within certain specified segments of its target market. The performance has been encouraging with further growth expected in the years ahead.

Precrete Nozala
Precrete specialises in the production and distribution of premixed concrete products for construction, support and other related mining applications. Its wholly owned subsidiary, GFC Construction (Pty) Limited ("GFC"), focuses on guniting or shotcreting, which involves applying the concrete pre-mixes to the walls of mine shafts.

All products and services are aimed at the platinum mining sector in the Rustenburg and surrounding area.

The financial performance of Precrete has exceeded our expectations as a result of a number of lucrative supply agreements with several platinum mines. It is in the process of acquiring certain affiliated businesses that would further increase the business bulk in anticipation of a listing this year.

FUTURE PROSPECTS
It is the intention to list Paladin during the 2008 financial year, market conditions permitting. This will further enhance the existing capital position of the company and would enable Paladin to further grow its investment portfolio. A number of interesting transactions are currently under evaluation and should add to the company's future growth. We expect Paladin to be a significant contributor to the future profitability of PSG.

M CUBED HOLDINGS LIMITED – 30%

Due to the uncertainty of the outcome of a dispute arising from the settlement with a Regulator as well as additional tax assessments issued by SARS, we have again assessed the value of our investment in m Cubed (currently 23 cents per share). With the information at our disposal, we have decided not to impair the investment any further.

OTHER LISTED EQUITY INVESTMENTS

PETMIN LIMITED – 11%

Petmin remains our only direct exposure to natural resources. The company's share price remains volatile, in line with other smaller mining and exploration companies.

It is expected that the company will continue to render solid results from its silica and anthracite mining operations. Completed expansion projects will contribute to a more solid and sustainable growth in cash flow.

DATAPRO GROUP LIMITED – 4%

In February 2007, PSG acquired its 4% interest in Datapro at 112 cents per share, with the share price trading closer to 137 cents per share at year-end.

The company is a leading alternative telecom operator, providing data and voice services through acquiring broadband capacity and utilising technologies like least-cost routing and Voice-Over-Internet-Protocol ("VOIP"). It is also an established first-tier internet service provider that focuses on the retail and corporate market where its profitability is largely derived from annuity-based income that generates positive cash flows.

Datapro acquired Orion Telecom, a leading least-cost service provider in which Thembeka had a 30% interest.

JSE LIMITED

The investment in JSE Limited contributed significantly to PSG's earnings over the past years. PSG has realised its 15% (4% post year-end) interest in JSE Limited in order to pursue other strategic investment options.

PSG GROUP LIMITED

Stock exchange performance

as at 28 February 2007

Year-end – 28 February	**2007**	2006	2005	2004	2003
Market price (cents)					
– High for the year	**2 925**	2 300	705	520	650
– Low for the year	**1 570**	620	253	255	375
– Closing price	**2 720**	2 266	700	385	520
– Average	**2 257**	1 060	428	460	512
Closing price/earnings	**5,2**	6,4	7,8	5,0	7,4
Volume of shares traded (000)	**37 787**	13 933	48 528	56 204	42 636
Value of shares traded (R000)	**853 000**	147 660	207 742	258 285	218 168
Volume/weighted average shares (%)	**30,1**	13,7	45,1	50,3	35,5

Our track record

as at 28 February 2007

Year-end – 28 February	**2007**	2006	2005	2004	2003
Headline earnings per share (cents)*	**519,3**	351,8	90,0	76,3	70,7
Headline earnings (Rm)*	**651,4**	358,4	96,7	85,2	84,8
Distribution per share (cents)					
– Normal	**90,0**	67,5	45,0	30,0	20,0
– Special				70,0	200,0
Ordinary shareholders' funds (Rm)	**2 373**	719	362	336	993
Net worth per share (cents)	**1 585**	704	356	320	828
Total assets (Rm)	**5 418**	1 833	2 794	2 384	2 594
Market capitalisation (Rm)	**4 621**	2 701	834	443	624
Number of shares (000)					
– Issued	**169 885**	119 195	119 195	115 000	120 000
– Treasury shares	**20 133**	17 015	17 619	10 000	
– Net	**149 752**	102 180	101 576	105 000	120 000
– Weighted average	**125 446**	101 888	107 519	111 700	120 000
ROE (%)	**42,1**	66,3	27,7	12,8	7,7

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

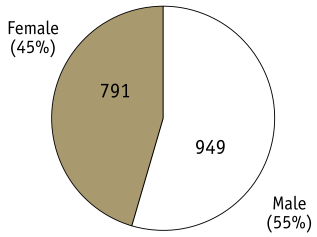
PSG GROUP LIMITED

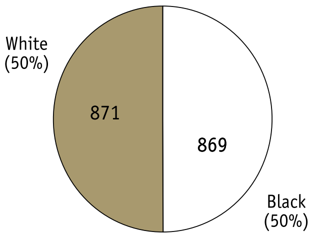
2002	2001	2000	1999	1998	1997	1996
885	986	1 585	1 900	1 550	510	300
440	527	800	495	445	210	20
476	660	1 000	1 170	1 530	470	225
675	685	1 114	1 172	966	401	78
3,4	4,4	8,3	13,6	32,3	17,9	16,4
47 775	49 009	45 265	30 219	23 443	14 120	22 210
322 493	335 512	504 273	354 050	226 564	56 557	17 238
38,5	36,8	33,1	31,7	32,2	35,7	101,8

2002	2001	2000	1999	1998	1997	1996
141,0	150,3	120,6	85,9	47,3	25,5	14,4
175,2	200,2	164,7	82,0	34,5	10,1	3,1
50,0	45,0	36,0	25,0			
1 218	1 141	1 085	638	535	78	7
1 015	899	778	669	617	147	34
4 477	3 416	3 474	2 543	1 258	233	25
571	838	1 395	1 117	1 325	249	49
120 000	126 900	139 500	95 445	86 611	52 930	21 818
120 000	126 900	139 500	95 445	86 611	52 930	21 818
124 204	133 200	136 613	95 445	72 869	39 588	21 818
14,9	18,0	19,1	14,0	11,3	23,8	88,6

Group employee statistics

as at 28 February 2007





	Number	%
GENDER		
Male	949	55
Female	791	45
RACE		
Black	869	50
White	871	50
EDUCATION		
Up to grade 11	493	28
Grade 12	680	39
Post grade 12 (e.g. diploma/certificate)	321	19
University degree	152	9
Post-graduate degree or professional qualification	94	5
HIERARCHY		
Executive directors (including CEOs & MDs)	58	3
Executive management	56	3
Operational	917	53
Support	709	41
TOTAL NUMBER OF EMPLOYEES (excluding associated companies)	1 740	

Value added statement

for the year ended 28 February 2007

	2007 R000	%	2006 R000	%
VALUE ADDED				
Total income	**1 462 950**		1 863 211	
Dividend income – associated companies	**6 827**		8 727	
Total expenses excluding employee costs and depreciation	**(305 560)**		(1 116 784)	
	1 164 217		755 154	
Non-recurring items				
Profit on sale of subsidiaries	**(17 620)**		(59 814)	
Loss on sale of subsidiaries	**8 052**			
Impairment charges	**21 249**		12 603	
Other	**2 031**		1 782	
	1 177 929		709 725	
VALUE ALLOCATED				
To employees				
Salaries, wages and other benefits	**261 716**	**22**	228 405	32
To providers of capital	**187 544**	**16**	84 707	12
Finance costs	**40 151**	**3**	11 031	2
Dividends – own shareholders	**92 574**	**8**	56 014	8
– outside shareholders	**54 819**	**5**	17 662	2
To government				
Normal tax and secondary tax on companies	**127 468**	**11**	23 663	3
To expansion and growth	**601 201**	**51**	372 950	53
Depreciation	**4 468**		7 412	1
Retained income – own shareholders	**507 287**	**43**	322 836	46
– outside shareholders	**89 446**	**8**	42 702	6
	1 177 929	**100**	709 725	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 and associated companies 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 page 8 of this annual report.

The board met six 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 chief executive officer. There is a clear division of responsibilities at board level to ensure a balance of power and authority, such that no one individual has unfettered powers of decision making. Mr JF Mouton fills the role of executive chairman.

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

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

EXECUTIVE COMMITTEE

The executive committee comprises Messrs JF Mouton (chairman), CA Otto, J de V du Toit and WL Greeff (chief financial officer). This committee meets regularly, at least twice a month, and is primarily responsible for the allocation and investing of the group's resources, including capital.

The major operating subsidiaries and major associated companies all operate on the same principle.

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, 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 an 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 PE Burton.

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 and associated company has its own audit and risk committee 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 and associated company 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. We encourage all our people to act responsibly at all times.

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. In addition, the PSG Group Bursary Fund was recently initiated with a donation of 100 000 PSG Group shares to this fund, which provides financial assistance to needy and gifted tertiary students. 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 the most important element 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/or in its underlying businesses. A significant percentage of employees are shareholders in the company, participants in the share incentive scheme and shareholders in subsidiary and associated companies. Employees are co-owners of the business and are treated as such, with transparent communication a priority.

EMPLOYMENT EQUITY

The group is 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.

ETHICS

PSG Group's code of ethics commits the group to maintaining high ethical and moral codes of conduct in its 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 the implementation enjoys the attention of senior management in the group.

Annual financial statements
PSG Group Limited

Contents

PSG GROUP LIMITED

Approval of annual financial statements

PSG GROUP LIMITED

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 applied consistently.

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 29 to 72 were approved by the board of directors of PSG Group Limited and are signed on its behalf by:

JF Mouton
Chairman

CA Otto
Director

11 May 2007
Stellenbosch

Report of the independent auditor

To the members of PSG Group Limited

PSG GROUP LIMITED

We have audited the annual financial statements of PSG Group Limited, which comprise the directors' report, the balance sheets as at 28 February 2007, the income statements, the statements of changes in equity and the cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 29 to 72.

Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the group at 28 February 2007, and its financial performance and its 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
Director: HD Nel
Registered auditor

11 May 2007
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 WL Greeff
Company secretary

11 May 2007
Stellenbosch

Directors' report

PSG GROUP LIMITED

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 R651,4 million (2006: R358,4 million).

SHARE CAPITAL

Details of the authorised and issued share capital appear in note 13 to the financial statements.

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

	Number of shares	
	2007	2006
At beginning of year	**119 195 000**	119 195 000
Held by a subsidiary company	**(11 495 000)**	(11 495 000)
Held by the Share Incentive Trust	**(5 520 380)**	(6 124 160)
Net shares in issue at beginning of year	**102 179 620**	101 575 840
Specific share issues/buyback in terms of the merger with Arch Equity Limited		
Issued to section 311 scheme of arrangement participants	**27 154 826**	
Issued to Jasmyn Corporate Holdings (Pty) Limited shareholders	**17 827 762**	
Issued to Arch Equity Limited Share Incentive Trust participants	**564 549**	
Bought back from Arch Equity Limited and cancelled	**(21 540 000)**	
Issued in terms of a rights offer to all PSG Group Limited shareholders at a ratio of 1 ordinary share for every 12 shares held	**12 696 447**	
Specific issue for cash to Titan Financial Services (Pty) Limited	**4 831 237**	
Specific issue for cash to Kumani Holdings (Pty) Limited, an associated company	**1 200 000**	
Specific issue in exchange for shares in KWV Limited	**7 955 230**	
Movement in treasury shares		
Shares acquired by Kumani Holdings (Pty) Limited, an associated company	**(2 094 765)**	
Shares acquired by Thembeka Capital (Pty) Limited, an associated company	**(1 897 323)**	
Shares acquired by the Share Incentive Trust	**(1 276 166)**	
Shares released to participants of the Share Incentive Trust	**2 150 370**	603 780
Net shares in issue at end of year	**149 751 787**	102 179 620

DIVIDENDS

Details of dividends appear in note 31 to the financial statements.

DIRECTORS

Details of the directors of the company at the date of this report appear on page 8. Since the date of the previous report, Mr D Lockey resigned as a director with effect from 4 August 2006.

DIRECTORS' EMOLUMENTS

Details of the following directors' emoluments have been paid by the company and its subsidiaries for the year ended 28 February 2007:

CASH-BASED REMUNERATION (R000)	Fees	Basic salaries	Company contributions	Performance-related[1]	**Total 2007**	Total 2006
Executive						
JF Mouton		2 147	81	5 500	**7 728**	6 052
J de V du Toit[2]*		541			**541**	843
CA Otto		1 947	81	4 000	**6 028**	4 840
Non-executive						
L van A Bellingan	110				**110**	90
PE Burton	75				**75**	58
MJ Jooste	75				**75**	58
D Lockey	40				**40**	58
JJ Mouton	70	450			**520**	1 191
BE Steinhoff	58				**58**	21
W Theron	58	1 400		1 050	**2 508**	
P Malan	70	1 103	97	4 394	**5 664**	
Dr J van Zyl Smit[3]	163				**163**	295
	719	7 588	259	14 944	**23 510**	13 506

PSG GROUP LIMITED

EQUITY-BASED REMUNERATION

	Number of shares as at 28 February 2006	Number of scheme shares during year Granted	Vested	Notional gain on shares delivered R'000	Vesting price per share R	Date awarded	**Number of shares as at 28 February 2007**
PSG Group Limited shares							
Executive							
JF Mouton	143 170		(143 170)	3 620		15/12/2000	
	335 925		(149 300)	3 210	0,01	12/03/2002	**186 625**
	77 310		(34 360)	789	0,65	20/11/2002	**42 950**
	1 300 000		(390 000)	6 782	2,57	13/07/2004	**910 000**
		120 000			22,25	26/10/2006	**120 000**
	1 856 405	120 000	(716 830)	14 401			**1 259 575**
J de V du Toit*	1 000 000		(300 000)	5 217	2,57	13/07/2004	**700 000**
		120 000			22,25	26/10/2006	**120 000**
	1 000 000	120 000	(300 000)	5 217			**820 000**
CA Otto	1 000 000		(300 000)	5 217	2,57	13/07/2004	**700 000**
	730 000		(219 000)	4 156	4,01	01/11/2004	**511 000**
		120 000			22,25	26/10/2006	**120 000**
	1 730 000	120 000	(519 000)	9 373			**1 331 000**
Non-executive							
JJ Mouton		120 000			22,25	26/10/2006	**120 000**
W Theron		200 000			22,25	26/10/2006	**200 000**
P Malan		200 000			22,25	26/10/2006	**200 000**
	–	520 000	–	–			**520 000**
Total PSG Group Limited	4 586 405	880 000	(1 535 830)	28 991			**3 930 575**
Capitec Bank Holdings Limited shares							
Executive							
JF Mouton	47 367		(47 367)	1 403		15/12/2000	
	111 139		(49 395)	1 362	1,52	12/03/2002	**61 744**
	25 577		(11 368)	315	2,30	20/11/2002	**14 209**
Total Capitec Bank Holdings Limited	184 083	–	(108 130)	3 080			**75 953**

1 Approved by remuneration committee on 17 April 2007 in respect of 2007 financial year

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

3 Includes R58 333 in respect of directors' fees and R78 000 as chairman of audit committees at subsidiary level

** Executive until 28 February 2007; non-executive with effect from 1 March 2007*

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 2007 was as follows:

	Beneficial		Non-beneficial		**Total shareholding 2007**		Total shareholding 2006	
	Direct	Indirect	Direct	Indirect	**Number**	**%**	Number	%
L van A Bellingan				20 000	**20 000**		220 000	0,2
PE Burton				127 055	**127 055**	**0,1**	88 075	0,1
J de V du Toit				3 020 000	**3 020 000**	**2,0**	2 720 000	2,7
MJ Jooste				14 205 874	**14 205 874**	**9,5**	4 500 000	4,4
P Malan	124 583			32 500	**157 083**	**0,1**	145 000	0,1
JF Mouton	1 824 480			30 766 552	**32 591 032**	**21,8**	18 867 904	18,5
JJ Mouton	111 000			650 000	**761 000**	**0,5**	600 000	0,6
CA Otto	108			3 308 865	**3 308 973**	**2,2**	3 047 000	3,0
BE Steinhoff	833 334				**833 334**	**0,6**		
W Theron				81 543	**81 543**		50 362	
Dr J van Zyl Smit	325 000				**325 000**	**0,2**	300 000	0,3
	3 218 505	–	–	52 212 389	**55 430 894**	**37,0**	30 538 341	29,9

Subsequent to the year-end, Mr JF Mouton obtained a further 111 975 PSG Group ordinary shares having taken delivery of same in terms of the Share Incentive Trust. There were no other changes to the directors' shareholding between 28 February 2007 and the date of this report.

SUBSIDIARIES

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

SPECIAL RESOLUTIONS OF SUBSIDIARIES

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

PSG Konsult Limited

The increase in the authorised share capital of the company from R5 000 000 divided into 500 000 000 ordinary shares of 1 cent each to R7 500 000 divided into 750 000 000 ordinary shares of 1 cent each.

Zeder Investments Limited

The main business and object of the company in terms of its newly adopted memorandum of association is "to carry on the business of acquiring interests in and making investments in companies, business undertakings, operations and any other entities in the agricultural, beverage, food and related sectors or having as their investments interests in the agricultural, beverage, foods and related sectors, whether nationally or internationally".

The subdivision of the company's authorised share capital of 1 000 ordinary shares with a par value of R1 each into 100 000 ordinary shares with a par value of 1 cent each.

The increase in the authorised share capital of the company from R1 000 divided into 100 000 ordinary shares of 1 cent each to R17 500 000 through the creation of 1 499 900 000 ordinary shares of 1 cent each and 250 000 000 cumulative, non-redeemable, non-participating preference shares of 1 cent each.

SECRETARY

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

Balance sheets

as at 28 February 2007

PSG GROUP LIMITED

	Notes	GROUP 2007 R000	GROUP 2006 R000	COMPANY 2007 R000	COMPANY 2006 R000
ASSETS					
Property, plant and equipment	1	**40 063**	18 597		
Intangible assets	2	**648 858**	116 922		
Investment in subsidiary	3			**1 966 102**	819 234
Investment in associated companies	4	**1 104 911**	323 159		
Financial assets					
Equity securities	5	**1 691 173**	953 832		
Debt securities	6	**5 363**	4 890		
Loans and advances	7	**59 463**	60 188		
Derivative financial instruments	8		16 535		
Deferred income tax	9	**34 102**		**15 823**	
Inventories	10	**90 372**	11 657		
Receivables	11	**403 122**	105 369		
Cash and cash equivalents	12	**1 340 761**	222 181	**287**	214
Total assets		**5 418 188**	1 833 330	**1 982 212**	819 448
CAPITAL AND RESERVES ATTRIBUTABLE TO THE COMPANY'S EQUITY HOLDERS					
Share capital	13	**1 457**	1 022	**1 699**	1 192
Share premium		**1 286 985**	4 181	**1 286 985**	4 181
Treasury shares		**(132 819)**	(73 869)		
Other reserves	14	**5 973**	2 366		
Retained earnings		**1 211 398**	785 597	**692 404**	812 921
Ordinary shareholders' funds		**2 372 994**	719 297	**1 981 088**	818 294
Minority interest	15	**1 692 612**	548 685		
Total equity		**4 065 606**	1 267 982	**1 981 088**	818 294
LIABILITIES					
Insurance contracts	16	**1 612**	4 380		
Financial liabilities					
Borrowings	17	**664 938**	314 352		
Derivative financial instruments	8	**28 644**	14 257		
Investment contracts	18				
Deferred income tax	9	**112 577**	19 488		
Provisions for other liabilities and charges	19	**51 701**	28 574		
Trade and other payables	20	**404 138**	154 214	**1 113**	982
Current income tax liabilities		**88 972**	30 083	**11**	172
Total liabilities		**1 352 582**	565 348	**1 124**	1 154
Total liabilities and shareholders' funds		**5 418 188**	1 833 330	**1 982 212**	819 448

Income statements

for the year ended 28 February 2007

PSG GROUP LIMITED

	Notes	GROUP 2007 R000	GROUP 2006 R000	COMPANY 2007 R000	COMPANY 2006 R000
INCOME					
Insurance premium income	21	**14 402**	363 370		
Insurance premium ceded to reinsurers	21		(90 601)		
Net insurance premium revenue		**14 402**	272 769	**–**	–
Sales from non-financial operations	22		43 179		
Investment income	23	**119 280**	51 274	**217 250**	65 557
Fair value gains and losses on financial instruments	24	**691 835**	904 252		74
Commission and other fee income	25	**594 728**	494 005	**1 048**	951
Other operating income	26	**42 705**	97 732		
Total income		**1 462 950**	1 863 211	**218 298**	66 582
EXPENSES					
Insurance claims and loss adjustments	21	**2 772**	152 295		
Cost of sales of non-financial operations	22		39 622		
Fair value adjustment to investment contract liabilities	18		499 744		
Marketing, administration and other expenses	27	**560 920**	660 940	**1 092**	951
Total expenses		**563 692**	1 352 601	**1 092**	951
Results of operating activities		**899 258**	510 610	**217 206**	65 631
Finance costs	28	**(40 151)**	(11 031)		
Share of profits of associated companies		**124 774**	57 519		
Profit before taxation		**983 881**	557 098	**217 206**	65 631
Taxation	29	**(147 584)**	(87 639)	**(12 635)**	(11)
Net profit for the year		**836 297**	469 459	**204 571**	65 620
Attributable to:					
Minority interests		**144 265**	60 364		
Equity holders of the company		**692 032**	409 095	**204 571**	65 620
		836 297	469 459	**204 571**	65 620
Earnings per share (cents)	30				
Basic		**551,7**	401,5		
Diluted		**538,8**	388,9		
Dividend per share (cents)	31				
Interim		**26,0**	20,0	**26,0**	20,0
Final		**64,0**	47,5	**64,0**	47,5
		90,0	67,5	**90,0**	67,5

Statements of changes in equity

for the year ended 28 February 2007

PSG GROUP LIMITED

GROUP	Share capital and premium R000	Treasury shares R000	Other reserves R000	Retained earnings R000	Minority interest R000	Total R000
Balance at 1 March 2005	5 197	(75 212)	(961)	432 516	246 624	608 164
Employee share option 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 year				409 095	60 364	469 459
Treasury shares sold	6	1 343				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	5 203	(73 869)	2 366	785 597	548 685	1 267 982
Issue of share capital	**1 355 391**					**1 355 391**
Share issue cost	**(3 181)**					**(3 181)**
Repurchase of shares	**(68 899)**			**(220 522)**		**(289 421)**
Revaluation of associated company				**46 865**		**46 865**
Employee share option scheme costs			**2 491**			**2 491**
Currency translation adjustments			**1 003**			**1 003**
Fair value gains on investments			**410**			**410**
Capital reduction by subsidiary					**(4 237)**	**(4 237)**
Acquisition of subsidiary					**144 238**	**144 238**
Disposal of subsidiaries					**(14 543)**	**(14 543)**
Capital contributions by minority shareholders					**833 886**	**833 886**
Net income for the year				**692 032**	**144 265**	**836 297**
Treasury shares sold	**9**	**5 608**				**5 617**
Treasury shares acquired	**(81)**	**(64 558)**				**(64 639)**
Issue preference shares by subsidiary					**94 794**	**94 794**
Other			**(297)**		**343**	**46**
Dividend paid				**(92 574)**	**(54 819)**	**(147 393)**
Balance at 28 February 2007	**1 288 442**	**(132 819)**	**5 973**	**1 211 398**	**1 692 612**	**4 065 606**

COMPANY	Share capital and premium R000	Treasury shares R000	Other reserves R000	Retained earnings R000	Minority interest R000	Total R000
Balance at 1 March 2005	5 373			812 858		818 231
Net income for the year				65 620		65 620
Dividend paid				(65 557)		(65 557)
Balance at 28 February 2006	5 373	–	–	812 921	–	818 294
Issue of share capital	**1 355 391**					**1 355 391**
Share issue cost	**(3 181)**					**(3 181)**
Repurchase of shares	**(68 899)**			**(220 522)**		**(289 421)**
Net income for the year				**204 571**		**204 571**
Dividend paid				**(104 566)**		**(104 566)**
Balance at 28 February 2007	**1 288 684**	**–**	**–**	**692 404**	**–**	**1 981 088**

Cash flow statements

for the year ended 28 February 2007

PSG GROUP LIMITED

	Notes	GROUP 2007 R000	GROUP 2006 R000	COMPANY 2007 R000	COMPANY 2006 R000
Cash retained from operating activities					
Cash generated by operating activities	35.1	**111 299**	(329 263)	**87**	97
Interest income		**65 657**	38 934		
Dividend income		**53 623**	12 340	**217 250**	65 557
Interest paid		**(40 151)**	(11 031)		
Taxation paid	35.2	**(72 896)**	(7 949)	**(28 619)**	(160)
Net cash flow from operating activities		**117 532**	(296 969)	**188 718**	65 494
Cash utilised in investing activities					
Acquisition of subsidiaries	35.3	**(89 075)**	(55 943)		
Additional shares in subsidiaries acquired					(8 581)
Acquisition of associates		**(250 099)**	(43 918)		
Proceeds from sale of associated companies		**31 807**			
Acquisition of intangibles		**(34 579)**	(60 272)		
Proceeds from sale of book of business		**26 918**			
Proceeds from sale of subsidiaries	35.4	**(2 613)**	(53 197)		
Shares in subsidiaries disposed of					8 655
Proceeds from disposal of fixed assets		**18**	1 482		
Purchase of fixed assets		**(11 070)**	(10 514)		
Loans to subsidiaries				**(1 146 868)**	52
Net cash flow from investment activities		**(328 693)**	(222 362)	**(1 146 868)**	126
Cash flows from financing activities					
Dividends and capital distributions paid to group shareholders		**(92 574)**	(56 014)	**(104 566)**	(65 557)
Dividends/capital distributions paid to minorities		**(59 056)**	(17 662)		
Capital contibutions by minorities		**833 886**			
Other capital movements			(3 338)		
Increase in borrowings		**179 751**	15 800		
Proceeds from issue of ordinary shares		**297 421**	1 349	**1 352 210**	
Proceeds from preference shares issued by subsidiary company		**94 794**	244 731		
Repurchase of shares				**(289 421)**	
Treasury shares sold by subsidiary company		**5 608**			
Net cash flow from financing activities		**1 259 830**	184 866	**958 223**	(65 557)
Net increase/(decrease) in cash and cash equivalents		**1 048 669**	(334 465)	**73**	63
Cash and cash equivalents at beginning of year		**(81 614)**	252 851	**214**	151
Cash and cash equivalents at end of year	35.5	**967 055**	(81 614)	**287**	214

Accounting policies

PSG GROUP LIMITED

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

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

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 EFFECTIVE FOR THE FIRST TIME IN 2007

- **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 or loss and restricts the ability to designate financial instruments as part of this category. This amendment did not have a significant impact on the classification of financial instruments, as the group was able to comply with the amended criteria for the designation of financial instruments at fair value through profit or loss.

- **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. This amendment did not have a significant impact on the financial statements.

- **IAS 21 (Amendment), The Effects of Changes in Foreign Exchange Rates: Net Investment in a Foreign Operation (effective for years commencing on or after 1 January 2006)**
  This amendment did not have a significant impact on the financial statements.

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:

- **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/IAS. The amendment to IAS 1 introduces disclosures about the level of an entity's capital and how it manages capital. The group will apply IFRS 7 and the amendment to IAS 1 for annual periods beginning 1 March 2007.

- **IFRS 8, Operating Segments (effective from 1 January 2009)**
  IFRS 8 supersedes IAS 14, Segment Reporting. Under IAS 14, segments were identified and reported on a risk and return analysis. Under IFRS 8, segments are components of an entity that are regularly reviewed by an entity's chief operating decision-makers. Items will be reported based on the internal reporting rather than using the accounting policies used for external reporting as currently required. The group will apply IFRS 8 for the annual period beginning 1 March 2009.

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

- IFRIC 7, Applying the Restatement Approach under IAS 29, 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)
- IFRIC 10, Interim Financial Reporting and Impairment (effective from 1 November 2006)
- IFRIC 11, IFRS 2 – Group and Treasury Share Transactions (effective from 1 March 2007)

- IFRIC 12, Service Concession Arrangements (effective from 1 January 2008)
- AC 503, Accounting for Black Economic Empowerment Transactions (effective from 1 May 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 2). 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

Associated companies 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 4).

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. 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 exposed 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.

If the initial accounting for business combinations has been determined provisionally, then adjustments to these values resulting from the emergence of new information within twelve months after the acquisition date are made against goodwill. In addition, goodwill is adjusted for changes in the estimated value of contingent considerations given in the business combination when they arise.

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.

Computer software
Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with identifiable and unique software products controlled by the group and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include staff costs of the software development team and an appropriate portion of relevant overheads.

Expenditure that enhances or extends the performance of computer software programmes beyond their original specifications is recognised as capital improvement and added to the original cost of the software. Computer software development costs recognised as assets are amortised using the straight-line method over their useful lives not exceeding a period of two years. Expenditure to acquire licences is capitalised and amortised using the straight-line method over their useful lives not exceeding a period of two years.

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 or 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 or loss

This category has two subcategories: financial assets held for trading, and those designated at fair value through profit or 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. Financial assets designated at fair value through profit or loss at inception are those that are managed and whose performance is evaluated on a fair value basis. Information about these financial assets is provided internally on a fair value basis to the group's key management personnel. Derivatives are 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 or 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 or 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 movement in 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

PSG Group disposed of its controlling interest in Channel Life Limited effective 28 February 2006. Channel Life 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 2007 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 2007. 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 be reinstated subsequently.

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 mandatorily 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 company 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.

Profitsharing and bonus plans
The group recognises a liability and an expense for bonuses and profitsharing. 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 or 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 or 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 or 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. 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 have been declared by the company's board of directors.

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 and fair value less cost to sell calculations. These calculations require the use of estimates (see note 2).

Fair value of derivatives and other unlisted financial instruments
The fair value of financial instruments that are trading on recognised over-the-counter ("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 assets.

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 13 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 as appropriate. 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 (see note 17).

Insurance risk
The group did not have any significant insurance risk at year-end.

GROUP	Land and buildings R000	Vehicles and plant R000	Office equipment R000	Computer equipment R000	Total R000
1. PROPERTY, PLANT AND EQUIPMENT					
As at 28 February 2007					
Cost	**3 432**	**29 784**	**15 832**	**29 273**	**78 321**
Accumulated depreciation	**(581)**	**(6 223)**	**(9 134)**	**(22 320)**	**(38 258)**
Balance at end of year	**2 851**	**23 561**	**6 698**	**6 953**	**40 063**
Reconciliation					
Balance at beginning of year	**2 928**	**9 228**	**3 621**	**2 820**	**18 597**
Additions	**14**	**1 006**	**4 182**	**5 868**	**11 070**
Disposals		**(4 986)**	**(783)**	**(527)**	**(6 296)**
Depreciation	**(91)**	**(357)**	**(1 485)**	**(2 535)**	**(4 468)**
Subsidiaries acquired		**18 670**	**1 163**	**1 327**	**21 160**
Balance at end of year	**2 851**	**23 561**	**6 698**	**6 953**	**40 063**
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

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 2007, as determined by the directors of the relevant property-owning group companies, amounted to R9 560 000 (2006: R8 620 000).

GROUP	Deferred acquisition costs R000	Customer lists R000	Trademarks R000	Goodwill R000	Total R000
2. INTANGIBLE ASSETS					
As at 28 February 2007					
Cost	**45 853**	**160 847**	**33 227**	**462 082**	**702 009**
Accumulated amortisation	**(33 394)**	**(17 564)**	**(2 193)**		**(53 151)**
Balance at end of year	**12 459**	**143 283**	**31 034**	**462 082**	**648 858**
Reconciliation					
Balance at beginning of year	**10 608**	**34 584**	**39**	**71 691**	**116 922**
Additions	**26 692**	**3 767**	**2 621**	**1 499**	**34 579**
Disposals		**(21 597)**		**(5 321)**	**(26 918)**
Acquisition of subsidiaries		**133 787**	**29 606**	**414 084**	**577 477**
Realised on disposal of subsidiaries				**(19 871)**	**(19 871)**
Amortisation	**(24 841)**	**(7 258)**	**(1 232)**		**(33 331)**
Balance at end of year	**12 459**	**143 283**	**31 034**	**462 082**	**648 858**

GROUP	Deferred acquisition costs R000	Customer lists R000	Trademarks R000	Goodwill R000	Total R000
2. INTANGIBLE ASSETS *(continued)*					
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

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 2007 R000	GROUP 2006 R000
Investments and corporate finance	**266 964**	35 201
Financial advice and fund management	**195 118**	36 490
	462 082	71 691

Investments and corporate finance

The recoverable amount is determined based on value-in-use calculations. These calculations use post-tax cash flow projections based on two years' historical results and the following financial year's management-approved budget. Cash flows are discounted using a single-stage cash flow model with the parameters indicated below.

The key assumptions used for the value-in-use calculations are as follow:

Cost of capital	14%
Growth rate	10%
Discount rate[1]	4%

[1] *Post-tax discount rate applied to the cash flow projections*

These assumptions have been used for the analysis of the majority of goodwill allocated.

Management determined budgeted margins based on past performances adjusted for current and expected developments in the market in which the entities operate. The cost of capital used is based on a cost of equity of 17,5% and cost of debt of 9,6% weighted according to the capital structure of the entity. The growth rate is consistent with leading economic indicators considered to be appropriate for the entity's industry.

Financial advice and fund management

The recoverable amount of cash-generating units is based on the fair value less cost to sell. As there is no active market, fair value was determined on a price-earnings ratio by multiplying the earnings for the current year by an applicable price-earnings ratio. Ratios for similar listed companies, as well as recent transactions within the group, were used to determine an applicable price-earnings ratio of 7,5.

	GROUP 2007 R000	GROUP 2006 R000	COMPANY 2007 R000	COMPANY 2006 R000
3. INVESTMENT IN SUBSIDIARY				
Unlisted shares at cost less goodwill written off			**808 182**	808 182
Amount due by PSG Financial Services Limited			**1 157 920**	11 052
			1 966 102	819 234
The loan to PSG Financial Services Limited is current in nature, has no fixed repayment terms and is interest-free.				
Refer Annexure A				
4. INVESTMENT IN ASSOCIATED COMPANIES				
Carrying value of shares				
Listed	**470 820**	204 186		
Unlisted*	**386 812**	118 973		
	857 632	323 159		
Loans and preference shares – Unlisted	**247 279**			
Thembeka Capital (Pty) Limited				
Preference share investments				
"A" preference shares	**110 000**			
The preference shares are unsecured, carry a dividend rate of prime plus 1% and are redeemable on 1 December 2015.				
"B" preference shares	**42 000**			
The preference shares are unsecured, carry a dividend rate of 95% of prime and are redeemable on 1 December 2015.				
Arch Equity Market Holdings (Pty) Limited preference shares	**55 289**			
The preference shares are unsecured, carry a dividend rate of prime plus 4% and are redeemable on 2 June 2011.				
Accrued preference dividends	**23 503**			
ZS Rational Finance (Pty) Limited	**16 487**			
Unsecured loan bearing interest at prime, repayable within 12 months.				
	1 104 911	323 159		

** The 2006 comparative numbers were reclassified by including unsecured loans of R12 940 000 as part of the unlisted share investments*

	GROUP		COMPANY	
	2007 R000	2006 R000	**2007 R000**	2006 R000
4. INVESTMENT IN ASSOCIATED COMPANIES *(continued)*				
Reconciliation				
Carrying value at beginning of year	**323 159**	154 915		
Equity accounted earnings:				
Share of profit after tax	**124 774**	57 519		
Impairment charges	**(21 249)**	(12 603)		
Movement in investment value:				
Reclassification of unsecured loans		12 940		
Dividends received	**(6 827)**	(8 727)		
Acquisitions	**612 448**	43 918		
Revaluations	**46 865**			
Disposal of associated companies	**(27 227)**	(2 455)		
Transfer to subsidiaries	**(177 300)**			
Transfer from subsidaries	**24 460**	77 652		
Treasury shares held by associated companies	**(41 471)**			
Carrying value at end of year	**857 632**	323 159		
Investments in associated companies include goodwill of R274 004 000 (2006: R23 676 000).				
Market value of listed investments	**612 163**	372 791		
Directors' valuation of unlisted investments	**832 738**	184 040		
Refer Annexure A				
5. EQUITY SECURITIES				
Quoted				
Pioneer Food Group Limited	**301 110**	139 704		
KWV Limited	**264 623**	4 554		
PSG Tanzanite Flexible Fund	**231 187**	108 475		
Contracts for difference (CFDs)	**220 148**	294 278		
JSE Limited	**188 269**	187 506		
Agricultural businesses	**153 422**	15 151		
Petmin Limited	**69 705**	50 038		
Kaap Agri	**57 146**	44 434		
PSG Alphen Growth Fund	**48 070**	21 311		
DataPro Group Limited	**42 750**			
BJM Limited	**25 574**			
PSG International Flexible Fund of Funds	**12 620**	10 155		
Apexhi Properties Limited – B units		16 886		
KAP International Limited		11 280		
Other	**36 229**	33 751		
Unquoted				
Other	**40 320**	16 309		
	1 691 173	953 832		

GROUP	Available-for-sale R000	Fair value through profit or loss R000	Total R000
5. EQUITY SECURITIES *(continued)*			
Reconciliation of movements			
Carrying amount at 1 March 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
Additions		**1 130 561**	**1 130 561**
Disposals		**(773 759)**	**(773 759)**
Unrealised fair value net gains	**218**	**380 321**	**380 539**
Carrying amount at 28 February 2007	**1 457**	**1 689 716**	**1 691 173**

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

	GROUP **2007** **R000**	2006 R000
Current portion	**304 252**	324 767
Non-current portion	**1 386 921**	629 065
	1 691 173	953 832

The non-current portion represents strategic investments.

	GROUP **2007** **R000**	2006 R000
6. DEBT SECURITIES		
Unquoted	**5 363**	4 890

GROUP	Held-to-maturity R000	Fair value through profit or loss R000	Total R000
Reconciliation of movements			
Carrying amount at 1 March 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
Acquisition of subsidiaries	(349 248)	(2 187 543)	(2 536 791)
Carrying amount at 28 February 2006	324	4 566	4 890
Unquoted debt securities with fixed interest rates	324	4 566	4 890
Carrying amount at 28 February 2006	324	4 566	4 890
Additions	**259**	**44**	**303**
Disposals	**(224)**		**(224)**
Unrealised fair value net gains	**44**	**350**	**394**
Carrying amount at 28 February 2007	**403**	**4 960**	**5 363**
Unquoted debt securities with fixed interest rates	**403**	**4 960**	**5 363**

		GROUP 2007 R000	GROUP 2006 R000
6.	**DEBT SECURITIES** *(continued)*		
	Current portion	**4 741**	340
	Non-current portion	**622**	4 550
		5 363	4 890

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

		GROUP 2007 R000	GROUP 2006 R000
7.	**LOANS AND ADVANCES**		
	Secured loans	**6 366**	50 467
	Unsecured loans	**45 327**	3 284
	Other	**7 770**	6 437
		59 463	60 188
	Current portion	**52 463**	39 129
	Non-current portion	**7 000**	21 059
		59 463	60 188

The secured loans are secured by pledge of unquoted shares with a fair value approximating the carrying value of the loans.

The non-current portion becomes due and payable after 5 years (2006: 2 to 5 years).

Included as part of unsecured loans is an amount of R14 157 000 that is payable in March 2007. This amount incurred no interest.

The effective interest rates applied to calculate fair values ranged from 11,5% to 12% (2006: 9,5% to 11,5%).

		GROUP 2007 R000	GROUP 2006 R000
8.	**DERIVATIVE FINANCIAL INSTRUMENTS**		
	Derivative financial assets		16 535
	Derivative financial liabilities	**(28 644)**	(14 257)
	Net derivative financial instruments	**(28 644)**	2 278
	Derivative financial assets		
	Current portion		16 535
	Non-current portion		
	Derivative financial liabilities		
	Current portion	**(21 647)**	(14 257)
	Non-current portion	**(6 997)**	
		(28 644)	2 278
	Analysis of net derivative balance		
	Equity/index contracts		
	Over-the-counter ("OTC")		16 535
	Fixed-for-variable rate interest rate hedge	**(6 997)**	
	Exchange traded	**(21 647)**	(14 257)
		(28 644)	2 278

Trading derivatives are classified as current financial assets and liabilities valued at fair value through profit or loss.

	GROUP 2007 R000	GROUP 2006 R000	COMPANY 2007 R000	COMPANY 2006 R000
9. DEFERRED INCOME TAX				
Deferred income tax assets	**34 102**		**15 823**	
Deferred income tax liabilities	**(112 577)**	(19 488)		
Net deferred income tax (liabilities)/assets	**(78 475)**	(19 488)	**15 823**	–
Deferred income tax assets				
To be recovered within 12 months	**34 102**		**15 823**	
To be recovered after 12 months				
	34 102	–	**15 823**	–
Deferred income tax liabilities				
To be recovered within 12 months	**25 543**			
To be recovered after 12 months	**87 034**	19 488		
	112 577	19 488	**–**	–

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

GROUP	Provisions R000	Tax losses and STC credits R000	Unrealised profits R000	Other R000	Total R000
At 1 March 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
(Credit)/charges to income statement	**(198)**	**13 464**	**16 092**	**(5 165)**	**24 193**
Disposal of subsidiary				**1 267**	**1 267**
Acquisition of subsidiary	**(3 496)**	**(3 792)**		**40 815**	**33 527**
At 28 February 2007	**(10 961)**	**(17 107)**	**61 756**	**44 787**	**78 475**

COMPANY	Provisions R000	Tax losses and STC credits R000	Unrealised profits R000	Other R000	Total R000
At 1 March 2006					
(Credit)/charges to income statement		**(15 823)**			**(15 823)**
At 28 February 2007	**–**	**(15 823)**	**–**	**–**	**(15 823)**

The secondary tax on companies liability, should all distributable reserves be paid out, amounts to R134 600 000 (2006: R87 289 000).

Deferred tax on temporary differences relating to financial assets that are measured at fair value through profit or loss which forms part of the company's long-term investment strategy is calculated using the capital gains tax rate.

The total temporary differences relating to investments in associated companies, for which deferred tax liabilities have not been recognised, are approximately R219 344 000 (2006: R42 015 000).

	GROUP		COMPANY	
	2007	2006	**2007**	2006
	R000	R000	**R000**	R000
10. INVENTORIES				
Raw materials		3 593		
Work in progress		4 324		
Finished goods	**90 372**	3 740		
	90 372	11 657		
11. RECEIVABLES				
Retail trade receivables	**187 033**			
Other trade receivables	**41 584**	39 042		
Less: Specific impairment charges		(5 440)		
Net trade receivables	**228 617**	33 602		
Brokers and clearing houses	**148 083**	64 288		
Prepayments and sundry debtors	**26 422**	6 197		
Premium debtors and other insurance receivables		1 282		
Total trade and other receivables	**403 122**	105 369		
Current portion	**402 430**	100 830		
Non-current portion	**692**	4 539		
	403 122	105 369		
12. CASH AND CASH EQUIVALENTS				
Cash at bank and money market funds	**1 308 115**	202 927	**287**	214
Short-term deposits	**32 646**	19 254		
	1 340 761	222 181	**287**	214

The effective interest rate on short-term deposits was 7,75% (2006: 6,65%). These deposits have an average maturity of 30 days.

	GROUP		COMPANY	
	2007	2006	**2007**	2006
	R000	R000	**R000**	R000
13. SHARE CAPITAL				
Authorised				
200 000 000 shares of 1 cent each (2006: 200 000 000)	**2 000**	2 000	**2 000**	2 000
Issued				
169 885 051 shares of 1 cent each (2006: 119 195 000)	**1 699**	1 192	**1 699**	1 192
11 495 000 shares held by a subsidiary company (2006: 11 495 000)	**(115)**	(115)		
8 077 283 shares held by associated companies (2006: nil)	**(81)**			
4 646 176 shares held by a share incentive trust (2006: 5 520 380)	**(46)**	(55)		
	1 457	1 022	**1 699**	1 192

Unissued shares, limited to 10% of the number of the company's shares in issue at 28 February 2006, 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.

13. SHARE CAPITAL *(continued)*

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.

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

The weighted fair value of the shares issued in terms of the equity-settled and the cash-settled share schemes during the period under review, calculated using the Black and Scholes valuation model, was R5,39 (2006: R1,56) per share.

Significant inputs into the model are the scheme share exercise price at date of issue of R22,25 (2006: R6,60), 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 scheme share 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 costs recognised in the income statement were R4 711 000 (2006: R2 645 000). A share-based payment reserve of R5 207 000 (2006: R2 716 000) was recognised as part of equity and represents the fair value of the shares that will be delivered at grant date. A liability of R3 055 000 (2006: R835 000) was also raised and represents the fair value of the cash-settled scheme at balance sheet date. All shares to be delivered in terms hereof are held by the PSG Group Share Incentive Trust as set out below. There are no uncovered liabilities in the PSG Group Share Incentive Trust.

The PSG Group Share Incentive Trust currently holds 4 613 676 (2006: 5 520 380) PSG Group Limited shares and 85 398 (2006: 253 039) Capitec Bank Holdings Limited shares, which have been allocated to participants at a total consideration of R33,7 million (2006: 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	
	2007	2006	**2007**	2006
Number of shares allocated at beginning of year	**5 520 380**	6 124 160	**253 039**	451 330
Number of shares allocated during the year	**1 276 166**			
Number of shares released to participants during the year	**(2 150 370)**	(603 780)	**(167 641)**	(198 291)
Number of shares cancelled during the year	**(32 500)**			
Number of shares allocated at end of year	**4 613 676**	5 520 380	**85 398**	253 039

The weighted average market share price of the shares released during the year amounted to R21,53 (2006: R10,30).

	PSG Group Limited Number of shares	PSG Group Limited Vesting price* R	Capitec Bank Holdings Limited Number of shares	Capitec Bank Holdings Limited Vesting price R
13. SHARE CAPITAL *(continued)*				
Granting of shares occurred as follows:				
12 March 2002	198 675	0,01	65 730	1,52
20 November 2002	59 450	0,65	19 668	2,30
28 April 2004	210 000	2,36		
13 July 2004	2 310 000	2,57		
30 August 2004	63 385	2,91		
1 November 2004	511 000	4,01		
26 October 2006	1 261 166	22,25		
	4 613 676		85 398	

** In October 2006, PSG Group undertook a rights offer whereby 1 rights offer share was allocated for every 12 PSG shares held. As a result, the PSG Group Share Incentive Trust was allocated 315 343 rights offer shares. At the time, the ruling price of a rights offer share amounted to R5,25 per share. The vesting price of each deferred delivery share tranche was consequently reduced by 43,75 cents per share.*

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

GROUP	Available-for-sale R000	Foreign exchange translation R000	Share-based payment R000	Other R000	Total R000
14. OTHER RESERVES					
Balance as at 1 March 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
Employee share scheme costs			**2 491**		**2 491**
Currency translation adjustments		**1 003**			**1 003**
Fair value gains on investments	**410**				**410**
Other				**(297)**	**(297)**
Balance as at 28 February 2007	**1 083**	**(1 341)**	**5 207**	**1 024**	**5 973**

	GROUP 2007 R000	2006 R000
15. MINORITY INTEREST		
Minority interest	**1 136 932**	107 142
Cumulative, non-redeemable, non-participating preference shares of subsidiary company	**555 680**	441 543
	1 692 612	548 685
Cumulative, non-redeemable, non-participating preference shares of subsidiary company		
Authorised		
600 000 000 (2006: 600 000 000) cumulative, non-redeemable, non-participating preference shares of R0,01 each		
Issued		
550 000 000 (2006: 458 933 981) cumulative, non-redeemable, non-participating preference shares of R0,01 each		
The following preference shares were issued during the financial year:		
Nominal value of 91 066 019 shares (2006: 258 933 981)	**911**	2 589
Net share premium	**93 883**	242 142
	94 794	244 731

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 2007 R000	2006 R000
16. INSURANCE CONTRACTS		
Balance at beginning of year	**4 380**	140 079
Premiums received		284 321
Liabilities released for payments on death, surrender and other terminations for the year	**(2 768)**	(145 236)
Fees deducted from account balances		(1 202)
Expenses and commission		(134 855)
Interest accrued		11 074
Changes in unit prices		6 009
Disposal of subsidiaries		(156 762)
Other		952
Balance at end of year	**1 612**	4 380

	GROUP 2007 R000	GROUP 2006 R000
17. BORROWINGS		
Non-current		
Unsecured loans	**17 563**	2 000
Unsecured bonds	**114 594**	
Secured loans	**75 816**	
Redeemable preference shares		1 360
Total non-current borrowings	**207 973**	3 360
Current		
Bank overdrafts and CFD facilities	**373 706**	303 795
Unsecured loans	**77 142**	7 197
Unsecured bonds	**4 757**	
Redeemable preference shares	**1 360**	
Total current borrowings	**456 965**	310 992
Total borrowings	**664 938**	314 352

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

The secured loans are secured by the pledge of JSE Limited shares to the value of R54 109 111 (2006: Rnil) and Capitec Bank Holdings Limited shares to the value of R86 210 000 (2006: Rnil).

The effective interest rates applied to borrowings range between 10% and 12% (2006: 7% and 9%).

A subsidiary listed the following bonds on the Bond Exchange of South Africa during the year under review:

- PSG01 Bond, nominal issued value R110 000 000. The maturity date is 12 October 2011 and the bond bears interest at the R153 rate plus 2,05%. Accrued interest amounts to R4 594 000.

- PSG02 Bond, nominal issued value R4 627 000. The maturity date is 5 November 2007 and the bond bears interest at 9% fixed. Accrued interest amounts to R130 000.

	GROUP 2007 R000	GROUP 2006 R000
18. INVESTMENT CONTRACTS		
Balance at beginning of year		1 795 651
Investment contract receipts		904 311
Investment contracts benefits paid		(2 226 172)
Commission and administration expenses		(7 470)
Fair value adjustment to investment contract liability		499 744
Acquisition of subsidiaries		2 845 809
Disposal of subsidiaries		(3 806 044)
Other movements		(5 829)
Balance at end of year	**–**	–

GROUP	Lease obligations R000	Employee benefits R000	Other R000	Total R000
19. PROVISIONS FOR OTHER LIABILITIES AND CHARGES				
As at 28 February 2007				
Balance at beginning of year	**2 203**	**14 921**	**11 450**	**28 574**
Additional provisions		**21 744**	**4 915**	**26 659**
Utilised during the year	**(994)**	**(13 958)**		**(14 952)**
Subsidiary acquired	**12 057**			**12 057**
Subsidiaries sold			**(637)**	**(637)**
	13 266	**22 707**	**15 728**	**51 701**
As at 28 February 2006				
Balance at beginning of year	3 304	1 500	11 432	16 236
Additional provisions		14 921	22 125	37 046
Utilised during the year	(1 101)	(1 500)	(5 728)	(8 329)
Subsidiaries sold			(16 379)	(16 379)
	2 203	14 921	11 450	28 574

	GROUP	
	2007 R000	2006 R000
Current portion	**47 163**	23 986
Non-current portion	**4 538**	4 588
	51 701	28 574

Movements in the provisions were charged to income.

Onerous lease obligations amounting to R1 209 000 (2006: R2 203 000) included in lease obligations, relate mainly to uneconomical leases from subsidiaries ex PSG Investment Bank. The outstanding term of these leases is 1 to 2 years (2006: 1 to 3 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		COMPANY	
	2007 R000	2006 R000	**2007 R000**	2006 R000
20. TRADE AND OTHER PAYABLES				
Accounts payable and accruals	**91 176**	139 312	**1 113**	982
Retail creditors	**191 688**			
Deferred revenue	**14 253**	14 902		
Subsidiary purchase consideration payable	**107 021**			
	404 138	154 214	**1 113**	982
Current portion	**404 138**	154 214	**1 113**	982
Non-current portion				
	404 138	154 214	**1 113**	982

	GROUP 2007 R000	GROUP 2006 R000	COMPANY 2007 R000	COMPANY 2006 R000
21. INSURANCE INCOME AND EXPENSES				
Net insurance premium revenue				
Insurance premium income				
Recurring premiums	**14 402**	363 370		
Insurance premium ceded to reinsurers		(90 601)		
	14 402	272 769		
Insurance claims and loss adjustments				
Individual life long-term insurance contracts: death, maturity, surrender and sick leave benefits	**(2 772)**	(152 295)		
22. INCOME FROM NON-FINANCIAL SUBSIDIARIES				
Sales from trading operations		43 179		
Cost of sales		(39 622)		
Gross profit	**–**	3 557		
23. INVESTMENT INCOME				
Interest income				
Loans and advances	**3 249**	9 751		
Equity securities – at fair value through profit or loss	**18 761**	8 495		
Debt securities – at fair value through profit or loss	**521**	7 292		
Cash and short-term funds	**43 126**	13 396		
	65 657	38 934		
Dividend income				
Equity securities – at fair value through profit or loss	**32 736**	12 340		
Preference shares – debt securities	**20 887**			
Dividend income from subsidiary company			**217 250**	65 557
	53 623	12 340	**217 250**	65 557
Investment income	**119 280**	51 274	**217 250**	65 557
24. FAIR VALUE GAINS AND LOSSES ON FINANCIAL INSTRUMENTS				
Foreign exchange gains	**739**	21		
Foreign exchange losses	**(740)**	(30)		
Net fair value gains on financial assets and financial liabilities at fair value through profit or loss:				
unrealised fair value gains	**345 948**	311 767		
realised fair value gains	**345 888**	591 234		
Net realised gains on available-for-sale financial assets		1 260		74
	691 835	904 252	**–**	74

	GROUP		COMPANY	
	2007	2006	**2007**	2006
	R000	R000	**R000**	R000
25. COMMISSION AND OTHER FEE INCOME				
Commissions and fees	**521 166**	399 323		
Dealing and structuring	**73 562**	75 136		
Treasury operations		19 546		
Management fees – subsidiary companies			**1 048**	951
	594 728	494 005	**1 048**	951
26. OTHER OPERATING INCOME				
Other operating income	**25 085**	29 278		
Bad debt recoveries		8 640		
Profit on sale of subsidiaries and businesses	**17 620**	59 814		
	42 705	97 732		
27. MARKETING, ADMINISTRATION AND OTHER EXPENSES				
Expenses by nature				
Depreciation				
Land and buildings	**91**	89		
Motor vehicles and plant	**357**	1 445		
Office equipment	**1 485**	1 995		
Computer equipment	**2 535**	3 883		
	4 468	7 412		
Amortisation of intangible assets	**33 331**	23 952		
Operating lease rentals				
Properties	**14 275**	19 938		
Other	**1 795**	4 511		
	16 070	24 449		
Auditors’ remuneration				
Audit fees	**7 184**	7 624		
Tax services	**351**	547		
Other services	**737**	124		
	8 272	8 295		
Employee benefit expenses				
Salaries, wages and allowances	**249 267**	211 924		
Termination benefits		8		
Social security costs (e.g. UIF, medical benefits)	**5 768**	7 167		
Share-based payment costs				
Equity-settled	**2 491**	1 810		
Cash-settled	**2 220**	835		
Pension costs – defined contribution plans	**1 970**	6 661		
	261 716	228 405		
Loss on sale of subsidiaries	**8 052**			
Impairment of associated company	**21 249**	12 603		
Impairment of goodwill		1 944		
Marketing and administration costs	**207 762**	353 880	**1 092**	951
Total	**560 920**	660 940	**1 092**	951

Refer to directors’ report for directors’ emoluments.

	GROUP		COMPANY	
	2007	2006	**2007**	2006
	R000	R000	**R000**	R000
28. FINANCE COSTS				
Bank overdrafts and CFD facilities	**24 089**	3 336		
Dividend on redeemable preference shares	**711**	2 271		
Secured loans	**3 111**			
Unsecured loans	**12 240**	5 424		
	40 151	11 031		
29. TAXATION				
Current taxation				
Current year	**94 356**	21 465		11
Prior year	**(486)**	499	**(162)**	
	93 870	21 964	**(162)**	11
Deferred taxation				
Current year	**47 109**	44 506		
Prior year	**(1 495)**	10 873		
	45 614	55 379		
Foreign taxation				
Current taxation	**65**	1 111		
Secondary tax on companies				
Current taxation	**29 456**	1 699	**28 620**	
Deferred taxation	**(21 421)**	7 486	**(15 823)**	
	8 035	9 185	**12 797**	–
	147 584	87 639	**12 635**	11
Reconciliation of income tax charge				
Reconciliation of rate of taxation	**%**	%	**%**	%
South African normal rate of taxation	**29,0**	29,0	**29,0**	29,0
Adjusted for:				
Non-taxable income	**(1,7)**	(8,4)	**(29,0)**	(29,0)
Capital gains tax differential in rates	**(10,7)**	(7,4)		
Non-deductible charges	**1,3**	1,7		
Foreign tax rate differential		(0,1)		
Income from associated companies	**(3,7)**	(3,0)		
Secondary tax on companies	**0,8**	1,7	**5,8**	
Prior year (over)/underprovision	**(0,2)**	2,0		
Deferred tax asset not provided for	**0,2**	0,2		
Effective rate of tax	**15,0**	15,7	**5,8**	–

	GROUP		COMPANY	
	2007 R000	2006 R000	**2007 R000**	2006 R000
29. TAXATION *(continued)*				
Gross calculated tax losses at the end of the year available for utilisation against future taxable income	**19 369**	97 347		
Deferred tax asset provided for		(52 610)		
Available for future utilisation	**19 369**	44 737		
STC credits available within the group	**195 808**	57 210	**126 580**	
Deferred tax asset provided for	**(195 808)**	(32 288)	**(126 580)**	
Available for future utilisation	**–**	24 922	**–**	–
30. EARNINGS PER SHARE				
The calculations of earnings per share are based on the following:				
Total earnings attributable to ordinary shareholders	**692 032**	409 095		
Adjustments (net of tax and outside shareholders):				
Investment activities	**304**	(403)		
Net pofit on sale of subsidiaries	**(38 181)**	(58 296)		
Impairment of associated company	**21 249**	12 603		
Non-headline items of associated companies	**(24 017)**	(4 604)		
Headline earnings	**651 387**	358 395		
	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 year	**102 180**	101 576		
Weighted number of shares repurchased in the year	**(12 511)**			
Weighted number of shares issued in year	**37 071**	312		
Net movement in treasury shares	**(1 294)**			
Weighted number of shares at end of year	**125 446**	101 888		
Number of shares to be issued in terms of share purchase scheme at fair value	**3 000**	3 298		
Diluted weighted number of shares at end of year	**128 446**	105 186		
Basic				
Earnings attributable to ordinary shareholders (R000)	**692 032**	409 095		
Headline earnings (R000)	**651 387**	358 395		
Weighted average number of ordinary shares in issue (thousands)	**125 446**	101 888		
Attributable earnings per share (cents)	**551,7**	401,5		
Headline earnings per share (cents)	**519,3**	351,8		

30. EARNINGS PER SHARE *(continued)*

Diluted

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 volume weighted 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		COMPANY	
	2007	2006	**2007**	2006
Earnings attributable to ordinary shareholders (R000)	**692 032**	409 095		
Headline earnings (R000)	**651 387**	358 395		
Diluted weighted average number of ordinary shares in issue (thousands)	**128 446**	105 186		
Diluted attributable earnings per share (cents)	**538,8**	388,9		
Diluted headline earnings per share (cents)	**507,1**	340,7		

	R000	R000	**R000**	R000
31. DIVIDEND PER SHARE				
Normal dividend				
Interim				
26 cents per share (2006: 20 cents)	**92 574**	56 014	**104 566**	65 557
Final				
64 cents per share (2006: 47,5 cents)				
Dividends are not accounted for until they have been declared.				
32. CAPITAL COMMITMENTS AND CONTINGENCIES				
Capital expenditure contracted or authorised but not incurred	**–**	226 773		
Capital expenditure will be financed from working capital generated within the group.				
Operating lease commitments				
Future commitments in terms of:				
Rental agreements				
Due within one year	**7 209**	4 411		
One to five years	**2 915**	10 473		
Operating leases – premises				
Due within one year	**6 826**	13 966		
One to five years	**7 650**	25 283		
Contingent liability in respect of risk sharing	**–**	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 the sale of PSGIB, this obligation was taken over by PSG Group Limited. These matters have all been finalised and, based on the recoveries, no such a distribution will be made.

32. CAPITAL COMMITMENTS AND CONTINGENCIES *(continued)*

m Cubed Holdings Limited

An announcement was made to m Cubed shareholders in which shareholders were advised that the South African Revenue Services ("SARS") had issued additional tax assessments against m Cubed Life Limited and m Cubed Specialised Lending. Objections have been lodged against these assessments and the tax specialist appointed to represent and advise m Cubed on this matter is of the opinion that the company has a strong case against SARS. However, the assessments, if successful, will have a material negative impact on the value of m Cubed's shares.

33. BORROWING POWERS

In terms of the company's articles of association, borrowing powers are unlimited. Details of actual borrowings are disclosed in note 17 to the financial statements.

34. RELATED-PARTY TRANSACTIONS

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

During the year, Mr P Malan acquired a 1,2% interest in Paladin Capital Limited, a subsidary of PSG Group, at effectively net asset value amounting to R3 240 000.

A subsidiary company of the group has entered into an equity-linked joint venture with an entity in which Mr P Malan has an insignificant beneficial interest amounting to R10 100 000. No benefits have realised in this entity during the reporting year.

During 2006, Arch Equity Limited ("Arch Equity") was an associated company of PSG Group, with Messrs JF Mouton and D Lockey having been directors of both companies. PSG Group Limited increased its investment by 6 800 000 shares in Arch Equity through a 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.

PSG Group merged with Arch Equity with effect from 1 August 2006. In terms of the section 311 scheme of arrangement and Jasmyn Corporate Holdings (Pty) Limited ("Jasmyn") share swap, Arch Equity and Jasmyn shareholders received 1 PSG share for every 2,71 Arch Equity shares held. As a result, the following PSG Group directors participated in the aforementioned share swap transactions obtaining PSG shares:

Name	Number of PSG shares 000
PE Burton	49
MJ Jooste	7 124
D Lockey	5 259
JF Mouton	8 643
JJ Mouton	111
CA Otto	166
W Theron	15
	21 367

During the year certain subsidiaries paid management fees amounting to R8 415 000 (2006: R8 684 000) to Crest SA Holdings (Pty) Limited. Crest SA Holdings (Pty) Limited was an associated company which was sold to PSG Konsult Limited on 31 January 2007. Mr J de V du Toit as director and shareholder (41%) received 5 125 000 PSG Konsult Limited shares in exchange for his shareholding in Crest SA Holdings (Pty) Limited.

The shareholding of directors and the directors' remuneration are 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	
	2007 R000	2006 R000
Salaries and performance bonuses	**17 997**	16 203

	GROUP 2007 R000	GROUP 2006 R000	COMPANY 2007 R000	COMPANY 2006 R000
35. NOTES TO THE CASH FLOW STATEMENT				
35.1 Cash generated by operating activities				
Net income from normal operations	**983 881**	557 098	**217 206**	65 631
Adjustment for:				
Non-cash items	**(420 259)**	(303 790)		(74)
Interest income	**(65 657)**	(38 934)		
Dividend income	**(53 623)**	(12 340)	**(217 250)**	(65 557)
	444 342	202 034	**(44)**	–
Change in working capital	**(148 198)**	49 403	**131**	97
Change in financial instruments and insurance contracts	**(184 845)**	(580 700)		
	111 299	(329 263)	**87**	97
35.2 Taxation paid				
Charge in income statement	**(147 584)**	(87 639)	**(12 635)**	(11)
Deferred tax adjustment	**24 193**	62 865	**(15 823)**	
Movement in taxation liability	**50 495**	16 825	**(161)**	(149)
	(72 896)	(7 949)	**(28 619)**	(160)

35.3 Subsidiaries acquired

The group acquired the following significant subsidiaries during the year.

Arch Equity

The group acquired 100% of the issued shares in Arch Equity Limited with effect from 1 August 2006. The transaction was effected by means of a share swap whereby a net number of 24 007 137 PSG shares were issued in exchange for the Arch Equity shares. The transaction value amounted to R1 063 418 000. Goodwill amounting to R254 028 000 was recognised on acquisition.

The acquired Arch Equity group contributed revenues of R9 900 000 and net profit of R45 079 000 to the group for the period from 1 August 2006 to 28 February 2007. The majority of the net profit was contributed by Arch Equity's equity accounted earnings from its investments in associated companies.

PSG Konsult acquisitions

PSG Konsult acquired 100% of the issued shares of Multinet and Topexec on 21 April 2006 for R180 351 000, and 100% of the operations of Advance Wealth Management on 1 November 2006 for R97 413 000. Goodwill amounting to R150 730 000 was recognised on these acquisitions.

The acquired businesses contributed revenues of R90 314 000 and net profit of R25 234 000 to the group for the period from 21 April 2006 to 28 February 2007.

CIC Holdings

The Group acquired a 63% interest in CIC Holdings Limited through piecemeal acquisitions from September 2006 to January 2007. The purchase cost allocations for this transaction have only been determined provisionally owing to the fact that the controlling interest was only obtained shortly before the financial year-end. The purchase cost of R70 957 000 has been provisionally allocated as detailed below, with goodwill of R9 326 000 being recognised on acquisition.

The CIC Holdings acquisition contributed net profit of R6 004 000 to the group for the period from September 2006 to 28 February 2007.

The goodwill on these acquisitions is attributable to the high profitability of the acquired businesses and the significant synergies expected to arise following the group's acquisitions.

GROUP	PSG Konsult acquisitions 2007 R000	Arch Equity 2007 R000	CIC Holdings 2007 R000	**Total 2007 R000**	Total 2006 R000
35. NOTES TO THE CASH FLOW STATEMENT *(continued)*					
35.3 Subsidiaries acquired *(continued)*					
Net assets of subsidiaries acquired					
Property, plant and equipment	**(2 572)**		**(18 588)**	**(21 160)**	(2 070)
Intangibles	**(163 393)**			**(163 393)**	(77 647)
Investments in associated companies	**(14 568)**	**(577 954)**		**(592 522)**	
Equity securities		**(288 421)**		**(288 421)**	(34 051)
Loans and advances	**(2 757)**			**(2 757)**	(22)
Deferred taxation	**40 470**		**(6 943)**	**33 527**	5 478
Inventories	**(125)**		**(90 284)**	**(90 409)**	
Receivables	**(4 711)**	**(64)**	**(187 033)**	**(191 808)**	(5 697)
Cash and cash equivalents	**(15 121)**	**(14 813)**	**(63 013)**	**(92 947)**	
Bank overdrafts			**16 041**	**16 041**	683
Borrowings	**11 285**	**69 838**	**19 904**	**101 027**	5 090
Provisions for other liabilities and charges			**12 057**	**12 057**	
Trade and other payables	**14 957**	**2 024**	**191 688**	**208 669**	4 025
Current income tax liabilities	**7 024**		**3 364**	**10 388**	35
Minority interests			**61 176**	**61 176**	48 916
	(129 511)	**(809 390)**	**(61 631)**	**(1 000 532)**	(55 260)
Goodwill on acquisition	**(150 730)**	**(254 028)**	**(9 326)**	**(414 084)**	
	(280 241)	**(1 063 418)**	**(70 957)**	**(1 414 616)**	(55 260)
Shares issued		**883 563**		**883 563**	
Shares issued by subsidiary company	**83 062**			**83 062**	
Deferred consideration outstanding	**104 710**			**104 710**	
Transfer from investment in associated company		**177 300**		**177 300**	
Cash consideration paid	**(92 469)**	**(2 555)**	**(70 957)**	**(165 981)**	(55 260)
Bank overdrafts acquired			**(16 041)**	**(16 041)**	(683)
Cash and cash equivalents acquired	**15 121**	**14 813**	**63 013**	**92 947**	
Net cash outflow on acquisition of subsidiaries	**(77 348)**	**12 258**	**(23 985)**	**(89 075)**	(55 943)

During 2006 the group acquired the short-term broking division of Vleissentraal and a 60% interest in Indevco Holdings Limited.

35.4 Disposal of subsidiaries

During the year the group disposed of the following subsidiary companies:

- On 1 March 2006 the group sold its 50% interest in PSG Treasury Outsourcing (Pty) Limited and its 60% interest in Indevco Holdings (Pty) Limited for a 49% interest in Iquad Group Limited.

The 2006 disposal of subsidiaries relates mainly to the sale of the controlling interest in Channel Life with effect from 28 February 2006.

	GROUP		COMPANY	
	2007	2006	**2007**	2006
	R000	R000	**R000**	R000
35. NOTES TO THE CASH FLOW STATEMENT *(continued)*				
35.4 Disposal of subsidiaries *(continued)*				
Net assets of subsidiaries sold				
Property, plant and equipment	**6 278**	7 510		
Intangibles	**19 871**	23 925		
Investment in associated companies		2 455		
Equity securities		1 408 501		
Debt securities		2 536 791		
Loans and advances	**455**	14 577		
Derivative financial instruments		33 616		
Deferred income tax assets	**1 267**	38 133		
Inventories	**11 398**	39		
Receivables	**18 725**	105 474		
Cash and short-term funds	**9 042**	184 314		
Insurance contracts		(156 761)		
Financial liabilities				
Borrowings	**(103)**	(12 556)		
Derivative financial instruments		(36 862)		
Investment contracts		(3 806 044)		
Provision for other liabilities and charges	**(637)**	(16 379)		
Trade and other payables	**(27 924)**	(145 160)		
Current income tax liabilities	**(1 994)**	(1 620)		
Minority interests	**(14 543)**	(30 998)		
Loss on sale of subsidiaries	**21 835**	148 955		
Transfer to investment in associated companies	**(24 460)**	(77 652)		
Profit on sale of subsidiaries	**9 054**	59 814		
Cash proceeds on sale	**6 429**	131 117		
Cash and cash equivalents of subsidiaries	**(9 042)**	(184 314)		
Net cash flow	**(2 613)**	(53 197)		
35.5 Cash and cash equivalents at end of year				
Cash and short-term funds	**1 340 761**	222 181	**287**	214
Bank overdrafts and CFD facilities	**(373 706)**	(303 795)		
	967 055	(81 614)	**287**	214

Annexure A – Investments

for the year ended 28 February 2007

PSG GROUP LIMITED

INVESTMENT IN SUBSIDIARIES

Company	Proportion held directly or indirectly by holding company 2007 %	2006 %	Issued share capital 2007 R000	2006 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*	**97**	98	**1**	1
PSG Konsult Limited	**74**	79	**6 829**	3 791
PSG Online Holdings (Pty) Limited**		93		1
PSG Corporate Services (Pty) Limited	**100**	100	**4**	4
PSG Capital Limited	**100**	100	**4**	4
Axiam Holdings Limited	**100**	100	**166**	166
Zeder Investments Limited***	**36**		**5 713**	
Paladin Capital Limited	**98**		**27 678**	
CIC Holdings Limited	**63**		**180**	

* *Holding company of PSG Fund Management Holdings (Pty) Limited*
** *Merged with PSG Konsult Limited with effect from 1 November 2006*
*** *Zeder's results have been consolidated as PSG Group exercises control over its operations through its 36% shareholding, board representation and a management agreement in terms of which PSG provides management and administration services to the company*

The company's interest in attributable income and losses of subsidiaries amounts to R848 976 000 (2006: R361 096 000) and Rnil (2006: R5 798 000) 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, except for CIC Holdings Limited which is incorporated in Namibia. 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.

INVESTMENT IN ASSOCIATED COMPANIES

Company	Nature of business	Proportion held directly or indirectly by holding companies 2007 %	2006 %	Group carrying value 2007 R000	2006 R000
Listed					
Capitec Bank Holdings Limited	Retail banking	**18**		**420 673**	
m Cubed Holdings Limited	Financial services	**30**	30	**50 147**	90 432
Arch Equity Limited	Private equity		23		113 754
				470 820	204 186
Unlisted					
Thembeka Capital (Pty) Limited	Private equity	**50**		**142 083**	
Channel Life Limited	Life insurance	**34**	36	**117 734**	72 680
Dynarc Properties (Pty) Limited	Property investments	**30**		**45 229**	
IQuad Group Limited	Incentive and treasury services	**47**		**30 422**	
Precrete Nozala (Pty) Limited	Mining services	**39**		**22 580**	
Intercontinental Trust Limited	Offshore trust services	**25**		**13 785**	
ZS Rational Finance (Pty) Limited	Property bridge financing	**39**	30	**5 264**	1 800
Crest SA Holdings (Pty) Limited	Management services		49		4 080
Kumani Holdings (Pty) Limited	Private equity	**49**	49	**2 551**	33 818
Other				**7 164**	6 595
				386 812	118 973

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 except for Intercontinental Trust which is incorporated in Mauritius. Further details of investments are available at the registered offices of the relevant group companies.

Annexure A – Investments

for the year ended 28 February 2007 *(continued)*

PSG GROUP LIMITED

FINANCIAL INFORMATION IN RESPECT OF PRINCIPAL ASSOCIATED COMPANIES

	Assets R000	Liabilities R000	Revenues R000	Profits R000
2007				
Capitec Bank Holdings Limited	**2 191 642**	**1 074 185**	**967 528**	**166 924**
Thembeka Capital (Pty) Limited	**606 876**	**347 052**	**378 952**	**219 803**
Channel Life Limited[1]	**6 153 138**	**5 852 798**	**787 000**	**36 333**
m Cubed Holdings Limited[2]				
	8 951 656	**7 274 035**	**2 133 480**	**423 060**
2006				
Arch Equity Limited	546 967	72 290	23 355	161 116
Channel Life Limited[3]	4 385 483	4 222 734		
m Cubed Holdings Limited	10 492 006	10 198 696	263 156	(46 469)
	15 424 456	14 493 720	286 511	114 647

1 Year-end 31 December 2006
2 Not yet available
3 Revenue and profits are included in the consolidated results

Annexure B – Segment report

for the year ended 28 February 2007

PSG GROUP LIMITED

Primary reporting segment
The group is organised in four main business segments:

- Private equity and corporate finance
- Assurance
- Financial advice and fund management
- Financing and banking

The private equity and corporate finance segment consists of PSG Group's investment business and corporate finance services.

The assurance segment consists of Algoa Insurance Company Limited (2006: Channel Life of which the controlling interest was sold during the 2006 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.

The financing and banking segment consists of Capitec Bank Holdings Limited, a retail bank that provides accessible and affordable banking facilities to clients.

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 2007	Total revenue R000	Segment result R000	Segment assets R000	Segment liabilities R000
Private equity and corporate finance	**809 834**	**725 230**	**3 737 112**	**479 419**
Assurance	**16 637**	**8 604**	**72 711**	**5 925**
Financial advice and fund management	**636 479**	**165 424**	**1 187 692**	**778 266**
Financing and banking*			**420 673**	
	1 462 950	**899 258**	**5 418 188**	**1 263 610**

** This segment's equity accounted earnings amounted to R19 144 000 for the year ended 28 February 2007*

	Capital expenditure R000	Depreciation R000	Amortisation R000	Impairment charges R000
Private equity and corporate finance	**1 052**	**420**		**21 249**
Assurance	**13**	**78**		
Financial advice and fund management	**10 005**	**3 970**	**33 331**	
	11 070	**4 468**	**33 331**	**21 249**

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 fund 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 fund management	3 560	1 922	2 646	
	10 514	7 412	23 952	12 603

Annexure B – Segment report

for the year ended 28 February 2007 *(continued)*

Reconciliation of segment result	2007 R000	2006 R000
Segment result – operating profit	**899 258**	510 610
Finance charges	**(40 151)**	(11 031)
Income from associated companies	**124 774**	57 519
Net income before taxation	**983 881**	557 098

Secondary reporting segment

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

Share analysis

as at 28 February 2007

PSG GROUP LIMITED

	Shareholders		Shares held	
	Number	%	Number	%
RANGE OF SHAREHOLDING				
1 – 50 000	5 227	96,8	18 619 069	12,4
50 001 – 100 000	64	1,2	4 249 066	2 9
100 001 – 500 000	71	1,3	16 066 738	10,7
500 001 – 1 000 000	18	0,3	14 092 819	9,4
Over 1 000 000	21	0,4	96 724 095	64,6
	5 401	100,0	149 751 787	100,0
Employee share scheme	1		4 646 176	
Treasury shares	3		15 487 088	
	5 405		169 885 051	
PUBLIC AND NON-PUBLIC SHAREHOLDING				
Non-public				
Directors	11	0,2	55 430 894	37,0
Directors of subsidiaries	11	0,2	1 081 460	0,7
Public	5 379	99,6	93 239 433	62,3
	5 401	100,0	149 751 787	100,0
INDIVIDUAL SHAREHOLDERS HOLDING 5% OR MORE AS AT 28 FEBRUARY 2007				
JF Mouton Family Trust			29 357 555	19,6
Titan Nominees (Pty) Limited			13 033 134	8,7
Mayfair Speculators (Pty) Limited			10 208 334	6,8
Kota Sawmills (Pty) Limited			9 000 000	6,0
			61 599 023	41,1

Annual financial statements
PSG Financial Services Limited

Contents

PSG Financial Services Limited

Approval of annual financial statements

PSG Financial Services Limited

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 77 to 94 were approved by the board of directors of PSG Financial Services Limited and are signed on its behalf by:

JF Mouton
Chairman

CA Otto
Director

11 May 2007
Stellenbosch

Independent auditor's report

To the members of PSG Financial Services Limited

PSG Financial Services Limited

We have audited the annual financial statements of PSG Financial Services Limited, which comprise the directors' report, the balance sheet as at 28 February 2007, the income statement, the statement of changes in equity and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 77 to 94.

Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company as at 28 February 2007, and its financial performance and its 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
Director: HD Nel
Registered auditor

11 May 2007
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 WL Greeff
Company secretary

11 May 2007
Stellenbosch

Directors' report

PSG Financial Services Limited

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 statement, balance sheet and notes thereto. The company's earnings attributable to shareholders amounted to R5,5 million (2006: R175,3 million).

SHARE CAPITAL

Details of the authorised and issued share capital appear in note 8 to the financial statements.

DIVIDENDS

Ordinary

Dividends paid during the year amounted to R46 500 000 (2006: R65 557 000).

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:

Cents per share	**2007**	2006
Interim	**4,085**	4,016
Final	**4,505**	3,905
Total	**8,590**	7,921

DIRECTORS

Details of the directors of the company at the date of this report appear on page 8. Since the date of the previous report, Mr D Lockey resigned as a director with effect from 4 August 2006.

HOLDING COMPANY

The company is a wholly owned subsidiary of PSG Group Limited, except for the 550 million (2006: 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 2007 was as follows:

	Beneficial		Non-beneficial		**Total shareholding 2007**		Total shareholding 2006	
	Direct	Indirect	Direct	Indirect	**Number**	**%**	Number	%
L van A Bellingan		5 000 000		3 000 000	**8 000 000**	**1,5**		
J de V du Toit				5 263 158	**5 263 158**	**1,0**	5 263 158	1,1
MJ Jooste				35 000 000	**35 000 000**	**6,4**	33 933 981	7,4
CA Otto							200 000	
Dr J van Zyl Smit	4 000 000				**4 000 000**	**0,7**	4 000 000	0,9
	4 000 000	5 000 000	–	43 263 158	**52 263 158**	**9,6**	43 397 139	9,4

There were no changes to directors' shareholding since the year-end and the date of this report.

SECRETARY

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

Balance sheet

as at 28 February 2007

PSG Financial Services Limited

	Notes	2007 R000	2006 R000
ASSETS			
Investment in subsidiaries	1	**864 097**	172 095
Investment in associated companies	2	**431 776**	80 649
Financial assets			
Equity securities	3	**316 227**	260 362
Loans and advances	4	**949 308**	624 262
Derivative financial instruments	5		13 641
Receivables	7	**19 445**	9 718
Cash and cash equivalents	16.4	**26**	
Total assets		**2 580 879**	1 160 727
CAPITAL AND RESERVES ATTRIBUTABLE TO THE COMPANY'S EQUITY HOLDERS			
Share capital	8		
Ordinary share capital		**45 872**	45 872
Preference share capital		**5 500**	4 589
Share premium			
Ordinary share capital		**92 175**	92 175
Preference share capital		**529 023**	435 139
Other reserves	9	**231 501**	183 736
Retained earnings		**244 843**	338 560
Total equity		**1 148 914**	1 100 071
LIABILITIES			
Financial liabilities			
Borrowings	10	**1 368 164**	11 052
Derivative financial instruments	5	**6 997**	
Deferred income tax	6	**29 594**	31 682
Trade and other payables	11	**24 801**	17 922
Current income tax liabilities		**2 409**	
Total liabilities		**1 431 965**	60 656
Total liabilities and shareholders' funds		**2 580 879**	1 160 727

Income statement

for the year ended 28 February 2007

PSG Financial Services Limited

	Notes	2007 R000	2006 R000
INCOME			
Investment income	12	**328 900**	118 958
Fair value gains and losses	13	**6 004**	56 251
Total income		**334 904**	175 209
EXPENSES			
Loss on liquidation of subsidiary		**328 769**	
Marketing, administration and other expenses		**1 102**	339
Total expenses		**329 871**	339
Results of operating activities		**5 033**	174 870
Finance cost		**(7 347)**	
(Loss)/profit before taxation		**(2 314)**	174 870
Taxation	14	**7 779**	433
Net profit for the year		**5 465**	175 303
Attributable to:			
– equity holders of the company		**5 465**	175 303

Statement of changes in equity

for the year ended 28 February 2007

PSG Financial Services Limited

	Ordinary shares		Preference shares				
	Share capital R000	Share premium R000	Share capital R000	Share premium R000	Retained earnings R000	Other reserves R000	Total R000
Balance at 1 March 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
Fair value gains on investments						**47 765**	**47 765**
Issue of preference share capital			**911**	**93 884**			**94 795**
Net income for the period					**5 465**		**5 465**
Dividend – ordinary shares					**(46 500)**		**(46 500)**
Dividend – preference shares					**(52 682)**		**(52 682)**
Balance at 28 February 2007	**45 872**	**92 175**	**5 500**	**529 023**	**244 843**	**231 501**	**1 148 914**

Cash flow statement

for the year ended 28 February 2007

PSG Financial Services Limited

	Notes	2007 R000	2006 R000
Cash retained from operating activities			
Cash generated by operating activities	16.1	**323 748**	113 823
Taxation paid	16.2		
Net cash flow from operating activities		**323 748**	113 823
Cash utilised in investing activities			
Acquisition of subsidiary		**(940 122)**	(11 706)
Acquisition of associates		**(431 776)**	(35 040)
Investments sold			13 331
Loans from holding company		**1 146 868**	
Loan from subsidiary		**32 219**	
Shares in subsidiaries disposed of			92 865
Realisation of derivative financial instrument		**13 641**	
Increase/(decrease) in borrowings		**178 025**	(1 913)
Loans to intergroup companies		**(325 046)**	(342 816)
Net cash flow from investment activities		**(326 191)**	(285 279)
Cash flows from financing activities			
Preference shares issued		**94 795**	245 541
Dividend paid to ordinary shareholders	16.3	**(46 500)**	(65 557)
Dividend paid to preference shareholders	16.3	**(45 826)**	(8 528)
Net cash flow from financing activities		**2 469**	171 456
Net increase in cash and cash equivalents		**26**	–
Cash and cash equivalents at beginning of year			
Cash and cash equivalents at end of year	16.4	**26**	–

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 are therefore very similar to PSG Group Limited's consolidated financial statements which are included on pages 29 to 72.

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 2007 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 or loss.

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 EFFECTIVE FOR THE FIRST TIME IN 2007

- **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 or loss and restricts the ability to designate financial instruments as part of this category. This amendment did not have a significant impact on the classification of financial instruments, as the company was able to comply with the amended criteria for the designation of financial instruments at fair value through profit or loss.

- **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. This amendment did not have a significant impact on the financial statements.

- **IAS 21 (Amendment), The Effects of Changes in Foreign Exchange Rates: Net Investment in a Foreign Operation (effective for years commencing on or after 1 January 2006)**
  This amendment did not have a significant impact on the financial statements.

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 significant effect on the company:

- IFRIC 7, Applying the Restatement Approach under IAS 29 – 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)
- IFRS 8, Operating Segments (effective from 1 January 2009)
- IFRIC 10, Interim Financial Reporting and Impairment (effective from 1 November 2006)
- IFRIC 11, IFRS 2 – Group and Treasury Share Transactions (effective from 1 March 2007)
- IFRIC 12, Service Concession Arrangements (effective from 1 January 2008)
- AC 503, Accounting for Black Economic Empowerment Transactions (effective from 1 May 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 or 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 or loss

This category has two subcategories: financial assets held for trading and those designated at fair value through profit or 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. Financial assets designated at fair value through profit or loss at inception are those that are managed and whose performance is evaluated on a fair value basis. Information about those financial assets is provided internally on a fair value basis to the company's key management personnel. Derivatives are 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 or 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 or 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 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 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 is subject to discretion of the board, 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.

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 or 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 or 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 is included in investment income.

DIVIDEND DISTRIBUTIONS

Dividend distributions to the company's ordinary shareholders are recognised as a liability in the period in which the dividends are declared by the company's board of directors.

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.

	2007 R000	2006 R000
1. INVESTMENT IN SUBSIDIARIES		
Unlisted shares at cost	**864 097**	172 095
Refer Annexure A		
2. INVESTMENT IN ASSOCIATED COMPANIES		
Listed shares at cost	**430 252**	80 649
Unlisted shares at cost	**1 524**	
	431 776	80 649
Reconciliation		
Carrying value at beginning of year	**80 649**	45 609
Transfer to subsidiary	**(80 649)**	
Acquisitions	**431 776**	35 040
Carrying value at end of year	**431 776**	80 649
Market value of listed investments	**533 106**	287 758
Refer Annexure A		
3. EQUITY SECURITIES		
Listed		
PSG Group Limited	**316 227**	260 362

	Available-for-sale R000
Reconciliation of movements	
Carrying amount at 1 March 2005	80 465
Fair value adjustment	179 897
Carrying amount at 28 February 2006	260 362
Fair value adjustment	**55 865**
Carrying amount at 28 February 2007	**316 227**

	2007 R000	2006 R000
Current portion		
Non-current portion	**316 227**	260 362
Total equity securities	**316 227**	260 362

	2007 R000	2006 R000
4. LOANS AND ADVANCES		
Unsecured loans to subsidiaries		
Axiam Holdings Limited		
– interest bearing	**178 025**	
– non-interest bearing	**251 160**	251 738
PSG Corporate Services (Pty) Limited	**200 759**	200 759
PSG Channel Holdings Limited	**34 821**	34 821
PSG Investment Services (Pty) Limited	**14 207**	3 707
Channel Life Holdings (Pty) Limited	**54 656**	54 656
Arch Equity Life Holdings (Pty) Limited	**21**	
Preference shares		
Associated companies	**215 636**	18 581
PSG Capital Limited		60 000
Other	**23**	
	949 308	624 262
Current portion	**58 674**	60 000
Non-current portion	**890 634**	564 262
	949 308	624 262

The current portion represents loans to Axiam Holdings Limited which bear interest varying from 9,22% to 9,67% p.a. and includes accrued interest of R2 753 000 at 28 February 2007. Included in the non-current portion is a loan of R110 000 000 to Axiam Holdings Limited which bears interest at the R153 rate plus 2,05% and is repayable on 12 October 2011. Interest of R4 594 000 has been accrued on this loan at 28 February 2007 and is included in the current portion. The balance of non-current borrowings is interest-free and has no fixed terms of repayment.

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

	2007 R000	2006 R000
5. DERIVATIVE FINANCIAL INSTRUMENTS		
Derivative financial assets		13 641
Derivative financial liabilities	**(6 997)**	
	(6 997)	13 641
Derivative financial assets		
Current portion		13 641
Non-current portion		
	–	13 641
Derivative financial liabilities		
Current portion		
Non-current portion	**(6 997)**	
	(6 997)	–
Analysis of net derivative balance		
Equity contracts		
Exchange traded		13 641
Fixed-for-variable rate interest rate hedge	**(6 997)**	
	(6 997)	13 641

	2007 R000	2006 R000
6. DEFERRED INCOME TAX		
Deferred income tax liabilities		
To be recovered after more than 12 months	**(36 109)**	(31 682)
To be recovered within 12 months	**6 515**	
	(29 594)	(31 682)

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

	STC credits R000	Unrealised mark-to-market R000	Total R000
At 1 March 2005		(5 733)	(5 733)
Charged to income statement			
Charged to equity		(25 949)	(25 949)
At 28 February 2006	–	(31 682)	(31 682)
Charged to income statement	**6 515**	**3 673**	**10 188**
Charged to equity		**(8 100)**	**(8 100)**
At 28 February 2007	**6 515**	**(36 109)**	**(29 594)**

	2007 R000	2006 R000
7. RECEIVABLES		
Sundry debtors	**18 946**	9 219
Taxation	**499**	499
	19 445	9 718
Current portion	**19 445**	9 718
Non-current portion		
	19 445	9 718
8. SHARE CAPITAL		
Ordinary share capital		
Authorised		
1 000 000 000 shares of 8 cents each (2006: 1 000 000 000)	**80 000**	80 000
Issued		
573 401 094 shares of 8 cents each (2006: 573 401 094)	**45 872**	45 872

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

	2007 R000	2006 R000
8. SHARE CAPITAL *(continued)*		
Preference share capital		
Authorised		
600 000 000 shares of 1 cent each (2006: 600 000 000)	**6 000**	6 000
Issued		
550 000 000 shares of 1 cent each (2006: 458 933 981)	**5 500**	4 589

The preference shares are cumulative, non-redeemable, non-participating preference shares of 1 cent each. During the year ended 28 February 2006 the following issues of shares occurred: 200 000 000 shares at R0,95, 33 933 981 shares at R1,03 and 25 000 000 shares at R1,04 per share. During the year ended 28 February 2007 shares were issued as follows: 34 774 696 shares at R1,05, 15 225 304 shares at R1,02, 33 866 019 shares at R1,05 and 7 200 000 shares at R1,00 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
9. OTHER RESERVES			
Balance as at 1 March 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
Fair value gains on investments	**47 765**		**47 765**
Balance as at 28 February 2007	**224 886**	**6 615**	**231 501**

	2007 R000	2006 R000
10. BORROWINGS		
Non-current		
Unsecured loan from holding company	**1 157 920**	11 052
Unsecured loan from subsidiary	**32 219**	
Unsecured bonds	**114 594**	
	1 304 733	11 052
Current		
Unsecured loans	**58 674**	
Unsecured bonds	**4 757**	
	63 431	–
Total borrowings	**1 368 164**	11 052

The unsecured loans from the holding and subsidiary company are interest-free and have no fixed repayment terms.

The company listed the following bonds on the Bond Exchange of South Africa during the year under review:

PSG01 Bond, nominal issued value R110 000 000. The maturity date is 12 October 2011 and the bond bears interest at the R153 rate plus 2,05%. Accrued interest amounts to R4 594 000.

PSG02 Bond, nominal issued value R4 627 000. The maturity date is 5 November 2007 and the bond bears interest at 9% p.a. fixed. Accrued interest amounts to R130 000.

The current unsecured loans bear interest at rates varying from 9,22% to 9,67% p.a. and are repayable within 1 year.

	2007 R000	2006 R000
11. TRADE AND OTHER PAYABLES		
Accounts payable and accruals	**23**	
Shareholders for dividends – preference shares	**24 778**	17 922
	24 801	17 922
Current portion	**24 801**	17 922
12. INVESTMENT INCOME		
Interest income		
Preference dividend income	**17 472**	9 625
Loans and advances	**7 658**	
Dividend income		
Equity securities – available-for-sale	**8 449**	6 322
Dividend from subsidiaries	**233 400**	101 862
Dividend from associated companies	**61 921**	1 149
	328 900	118 958

		2007 R000	2006 R000
13.	**FAIR VALUE GAINS AND LOSSES**		
	Realised gains on sale of investments in subsidiaries	**8 339**	44 997
	Net fair value (losses)/gains on financial assets at fair value through profit or loss		
	unrealised fair value (losses)/gains	**(7 364)**	11 254
	realised fair value gains	**5 029**	
		6 004	56 251
14.	**TAXATION**		
	Current taxation		
	Current year	**2 409**	
	Deferred taxation		
	Current year	**(2 029)**	
	Prior year	**(1 644)**	
		(3 673)	–
	Secondary tax on companies		
	Current taxation		(433)
	Deferred taxation	**(6 515)**	
		(6 515)	(433)
		(7 779)	(433)
	Reconciliation of income tax charge		
	Reconciliation of rate of taxation	**%**	%
	South African normal tax rate	**29,0**	29,0
	Adjusted for:		
	Non-taxable income	**(4 025,9)**	(29,0)
	Non-deductible expenses	**4 120,3**	
	Prior year overprovision	**(71,0)**	
	Capital gains tax rate differential	**2,3**	
	Secondary tax on companies	**281,5**	
	Effective rate of tax	**336,2**	–

		2007 R000	2006 R000
	STC credits available within the company	**52 123**	12 262
	Deferred tax asset provided on STC credits	**(52 123)**	
	Available for future utilisation	**–**	12 262

15. 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 4 and 10).

	2007 R000	2006 R000
16. NOTES TO THE CASH FLOW STATEMENT		
16.1 Cash generated by operating activities		
Net (loss)/profit before tax	**(2 314)**	174 870
Adjustments for:		
Other non-cash items	**(2 707)**	(16 050)
Loss/(profit) on sale of shares in subsidiary	**328 769**	(44 997)
	323 748	113 823
16.2 Taxation paid		
(Charge)/credit in income statement	**(2 409)**	433
Movement in taxation liability	**2 409**	(433)
	–	–
16.3 Dividends paid – ordinary shares		
Provision for payment to shareholders at beginning of year		
Dividends paid for the year	**(46 500)**	(65 557)
Provision for payment to shareholders at end of year		
	(46 500)	(65 557)
Dividends paid – preference shares		
Provision for payment at beginning of year	**(17 922)**	(4 611)
Preference dividends accrued for the year	**(52 682)**	(21 839)
Provision for payment at end of year	**24 778**	17 922
	(45 826)	(8 528)
16.4 Cash and cash equivalents at end of year		
Cash and short-term funds	**26**	–

Annexure A – Investments

for the year ended 28 February 2007

PSG FINANCIAL SERVICES LIMITED

INVESTMENT IN SUBSIDIARIES

Company	Proportion held directly 2007 %	2006 %	Issued share capital 2007 R000	2006 R000	Carrying value 2007 R000	2006 R000
Channel Life Holdings (Pty) Limited	**100**	100	**4**	4	**11 709**	11 709
Arch Equity Corporate Services (Pty) Limited	**100**				**4 522**	
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	**95 570**	95 550
Zeder Investments Limited	**36**		**5 713**		**410 676**	
Paladin Capital Limited	**98**		**27**		**276 784**	
					864 097	172 095

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.

INVESTMENT IN ASSOCIATED COMPANIES

Company	Nature of business	Proportion held directly 2007 %	2006 %	Carrying value 2007 R000	2006 R000
Listed					
Arch Equity Limited	Private equity		23		80 649
Capitec Bank Holdings Limited	Retail banking	**18**		**430 252**	
				430 252	80 649
Unlisted					
Other				**1 524**	
				431 776	80 649

Financial information in respect of principal associated companies

	Assets R000	Liabilities R000	Revenue R000	Profit R000
2007				
Capitec Bank Holdings Limited	**2 191 642**	**1 074 185**	**967 528**	**166 924**
2006				
Arch Equity Limited	546 967	72 290	23 355	161 116

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.

Preference share analysis

as at 28 February 2007

PSG FINANCIAL SERVICES LIMITED

	Shareholding		Shares held	
	Number	%	Number	%
RANGE OF SHAREHOLDING				
1 – 50 000	425	24,5	13 267 859	2,4
50 001 – 100 000	424	18,5	38 222 339	7,0
100 001 – 500 000	528	45,5	129 887 600	23,6
500 001 – 1 000 000	91	5,9	66 027 313	12,0
Over 1 000 000	76	5,6	302 594 889	55,0
	1 544	100,0	550 000 000	100,0
PUBLIC AND NON-PUBLIC SHAREHOLDING				
Non-public				
Directors	4	0,3	52 263 158	9,5
Public	1 540	99,7	497 736 842	90,5
	1 544	100,0	550 000 000	100,0
INDIVIDUAL SHAREHOLDERS HOLDING 5% OR MORE AS AT 28 FEBRUARY 2007				
Mayfair Speculators (Pty) Limited			35 000 000	6,4

Notice of annual general meeting

PSG GROUP LIMITED

Notice is hereby given of the annual general meeting of shareholders of PSG Group Limited ("PSG Group" or "the company") to be held at the Auditorium, Oude Libertas, Adam Tas Street, Stellenbosch, on Friday, 22 June 2007, at 12:00.

AGENDA

1. To receive and consider the annual financial statements of the company and the reports of the directors and the auditor for the year ended 28 February 2007.

2. Re-election of directors

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

   Summary curriculum vitae of Patrick Ernest Burton
   Mr Burton, aged 54, obtained his academic qualifications, including a BCom (Hons) Financial Management and a post-graduate Diploma in Tax Law, from the University of Cape Town.

   He was one of the founding members of Siphumelele Investments Limited, a black economic empowerment company established in 1995 with a shareholder base representing in excess of 150 000 previously disadvantaged individuals. His experience as a director includes executive and non-executive positions in fishing, telecommunications, media and entertainment, technology and financial services. He is a member of the audit committees of PSG Group Limited, Johnnic Holdings Limited and Siphumelele Investments Limited.

   2.2. To re-elect as director Mr JJ Mouton 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 Johannes Jacobus Mouton
   Mr Mouton, aged 32, obtained an MPhil Finance from the University of Cambridge and holds a BAcc (cum laude) and BAcc (Hons) from the University of Stellenbosch. He also qualified as a chartered accountant (SA).

   He joined PSG Group in 2002 and is the manager of the PSG Tanzanite Flexible Fund.

   2.3. To re-elect as director Mr J de V du Toit, who became a non-excecutive director with effect from 1 March 2007 and 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 Jacob de Vos du Toit
   Mr Du Toit, aged 52, obtained his BAcc degree from the University of Stellenbosch. He qualified as both a chartered accountant and a CFA.

   He has extensive experience in the financial and investment environment and is currently a member of the Fund Managers Association of South Africa, the SA Institute of Stock Brokers and the Association for Investment Management and Research. He has been chairman of various national committees, councils and boards. He is also the founder member, and was Chief Executive Officer of PSG Investment Services (Pty) Limited from 1996 – 2005.

3. To reappoint PricewaterhouseCoopers Inc as auditor for the ensuing year.

4. To authorise the directors to determine and pay the auditor's remuneration for the year ended 28 February 2007.

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

   5.1 Ordinary resolution number 1
   "Resolved that the unissued shares in the company, limited to 15% of the number of shares in issue at 28 February 2007, 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."

   5.2 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 placed under their control as they in their discretion may deem fit, without restriction, 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 15% of the issued share capital at 28 February 2007, 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.

5.3 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 determine, but subject to the provisions of section 85 to section 88 of the Companies Act, 1973 (Act 61 of 1973), the articles of association of the company, the Listings Requirements of the JSE Limited ("JSE") and the requirements of any other 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 prior to the acquisition, pursuant to which the aforesaid 3% threshold is reached, containing full details thereof, as well as for each 3% in aggregate of the initial number of shares acquired thereafter;
- the general authority to repurchase is limited to a maximum of 20% in the aggregate in any one financial year 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 that the transaction is effected;
- the company will only effect a general repurchase if after the repurchase is effected it still complies with paragraphs 3.37 to 3.41 of the Listings Requirements of the JSE 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;
- the company may not effect a repurchase during any prohibited period as defined in terms of the Listings Requirements of the JSE; and
- the company must ensure that its sponsor provides the JSE with the required working capital letters before it commences the repurchase of any shares."

5.4 Special resolution number 2

"Resolved as a special resolution that the company, insofar as it may be necessary to do so, hereby approves, 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 determine, but subject to the provisions of section 85 to section 89 of the Companies Act, 1973 (Act 61 of 1973), the articles of association of the company, the Listings Requirements of the JSE Limited ("JSE") (if listed) and the requirements of any other 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, as well as for each 3% in aggregate of the initial number of shares acquired thereafter;
- this general authority to repurchase is limited to a maximum of 20% in the aggregate in any one financial year of the acquiree company's issued share capital at the time the authority is granted, subject to a maximum of 10% in the aggregate 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 that the transaction is effected;
- the subsidiary company will only effect a general repurchase if after the repurchase is effected the company still complies with paragraphs 3.37 to 3.41 of the Listings Requirements of the JSE concerning shareholder spread requirements;
- the company and/or subsidiary may at any point in time only appoint one agent to effect any repurchase(s) on the subsidiary company's behalf;
- the subsidiary company may not effect a repurchase during any prohibited period as defined in terms of the Listings Requirements of the JSE; and
- the company must ensure that its sponsor provides the JSE with the required working capital letters before it commences the repurchase of 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 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 two months after the date of the notice of the annual general meeting.

Information relating to the special resolutions

1. General information in respect of directors (page 8), major shareholders (page 73), directors' interest in securities and material changes (page 31) and the share capital of the company (page 54) is contained in the annual report to which this notice is attached.

2. 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.

3. The directors, whose names are on page 8 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.

4. Special resolutions 1 and 2 are renewals of resolutions taken at the previous annual general meeting on 23 June 2006.

VOTING

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

The instrument appointing a proxy and the authority (if any) under which it is signed must reach the transfer secretaries of the company at the address given below by not later than 12:00 on Thursday, 21 June 2007.

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

30 May 2007
Stellenbosch

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

Transfer secretaries
Link Market Services South Africa (Proprietary) Limited
5th Floor
11 Diagonal Street
Johannesburg, 2001
(PO Box 4844 Johannesburg, 2000)

Notice of annual general meeting

PSG FINANCIAL SERVICES LIMITED

Notice is hereby given of the annual general meeting of shareholders of PSG Financial Services Limited ("PSL" or "the company") to be held at the Auditorium, Oude Libertas, Adam Tas Street, Stellenbosch, on Friday, 22 June 2007, at 12:30 (or immediately following the annual general meeting of PSG Group Limited, whichever is the later).

1. To receive and consider the annual financial statements of the company and the reports of the directors and the auditor for the year ended 28 February 2007.

2. To re-elect as directors of the company Messrs PE Burton, JJ Mouton and J de V du Toit.

3. To reappoint PricewaterhouseCoopers Inc as auditor for the ensuing year.

4. To authorise the directors to determine and pay the auditor's remuneration for the year ended 28 February 2007.

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

5.1 Ordinary resolution number 1

"Resolved that the unissued shares in the company, limited to 15% of the number of shares in issue at 28 February 2007, 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."

5.2 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 determine, but subject to the provisions of section 85 to section 88 of the Companies Act, 1973 (Act 61 of 1973), the articles of association of the company and the Listings Requirements of the JSE Limited ("JSE") and the requirements of any other 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 prior to the acquisition, pursuant to which the aforesaid 3% threshold is reached, containing full details thereof, as well as for each 3% in aggregate of the initial number of shares acquired thereafter;
- the general authority to repurchase is limited to a maximum of 20% in aggregate in any one financial year 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 that the transaction is effected;
- the company will only effect a general repurchase if after the repurchase it still complies with paragraphs 3.37 to 3.41 of the Listings Requirements of the JSE 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;
- the company may not effect a repurchase during any prohibited period as defined in terms of the Listings Requirements of the JSE; and
- the company must ensure that its sponsor provides the JSE with the required working capital letters before it commences the repurchase of any shares."

5.3 Special resolution number 2

"Resolved as a special resolution that the company, insofar as it may be necessary to do so, hereby approves, 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 determine, but subject to the provisions of section 85 to section 89 of the Companies Act, 1973 (Act 61 of 1973), the articles of association of the company and the Listings Requirements of the JSE Limited ("JSE") (if listed) and the requirements of any other 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 as well for each 3% in aggregate of the initial number of shares acquired thereafter;
- 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 aggregate 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 that the transaction is effected;
- the subsidiary company will only effect a general repurchase if after the repurchase is effected the company still complies with paragraphs 3.37 to 3.41 of the Listings Requirements of the JSE concerning shareholder spread requirements;
- the company and/or subsidiary may at any point in time only appoint one agent to effect any repurchase(s) on the subsidiary company's behalf;
- the subsidiary company may not effect a repurchase during any prohibited period as defined in terms of the Listings Requirements of the JSE; and
- the company must ensure that its sponsor provides the JSE with the required working capital letters before it commences the repurchase of 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.

Information relating to the special resolutions

1. General information in respect of directors (page 8), major shareholders (page 95), directors' interest in securities and material changes (page 77) and the share capital of the company (page 89) is contained in the annual report to which this notice is attached.

2. 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.

3. The directors, whose names are on page 8 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.

4. Special resolutions 1 and 2 are renewals of resolutions taken at the previous annual general meeting on 23 June 2006.

By order of the board

PSG Corporate Services (Proprietary) Limited
Company secretary

30 May 2007
Stellenbosch

Registered office
PSG Financial Services Limited
Ou Kollege
35 Kerk Street
Stellenbosch 7600
(PO Box 7403 Stellenbosch 7599)

Transfer secretaries
Link Market Services South Africa (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 12:00 at Stellenbosch, on Friday, 22 June 2007.

I/We (Full name in print) ____

of (address) ____

being the registered holder of ______________________________ ordinary shares hereby appoint:

1. ______________________________________ or failing him/her,

2. ______________________________________ 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			
2.1 To re-elect PE Burton as director			
2.2 To re-elect JJ Mouton as director			
2.3 To re-elect J de V du Toit as director			
3. To reappoint the auditor, PricewaterhouseCoopers Inc			
4. To authorise the directors to determine and pay the auditor's remuneration			
5.1 Ordinary resolution number 1 – unissued shares			
5.2 Ordinary resolution number 2 – authority to issue shares for cash			
5.3 Special resolution number 1 – share buyback by PSG Group			
5.4 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 ____________________ 2007

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.

Notes

PSG GROUP LIMITED

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, i n 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, Link Market Services South Africa (Proprietary) Limited, 11 Diagonal Street, Johannesburg 2001 (PO Box 4844 Johannesburg 2000), by not later than 12:00 on Thursday, 21 June 2007.

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

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

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

Administration

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

SECRETARY 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
Link Market Services South Africa (Pty) Limited
11 Diagonal Street
Johannesburg 2001
PO Box 4844
Johannesburg 2000
Telephone +27 11 834 2266
Telefax +27 11 834 4398

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

CORPORATE ADVISER AND SPONSOR
PSG Capital (Pty) Limited

BROKER
PSG Online Securities Limited

AUDITOR
PricewaterhouseCoopers Inc.

PRINCIPAL BANKER
Absa Bank Limited

WEBSITE ADDRESS
www.psggroup.co.za

Shareholders' diary

	2007
Financial year-end	28 February
Profit announcement	17 April
Annual general meeting	22 June
Interim report	8 October

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