PSG GROUP LIMITED

ANNUAL REPORT
2008

PSG GROUP

Annual Report
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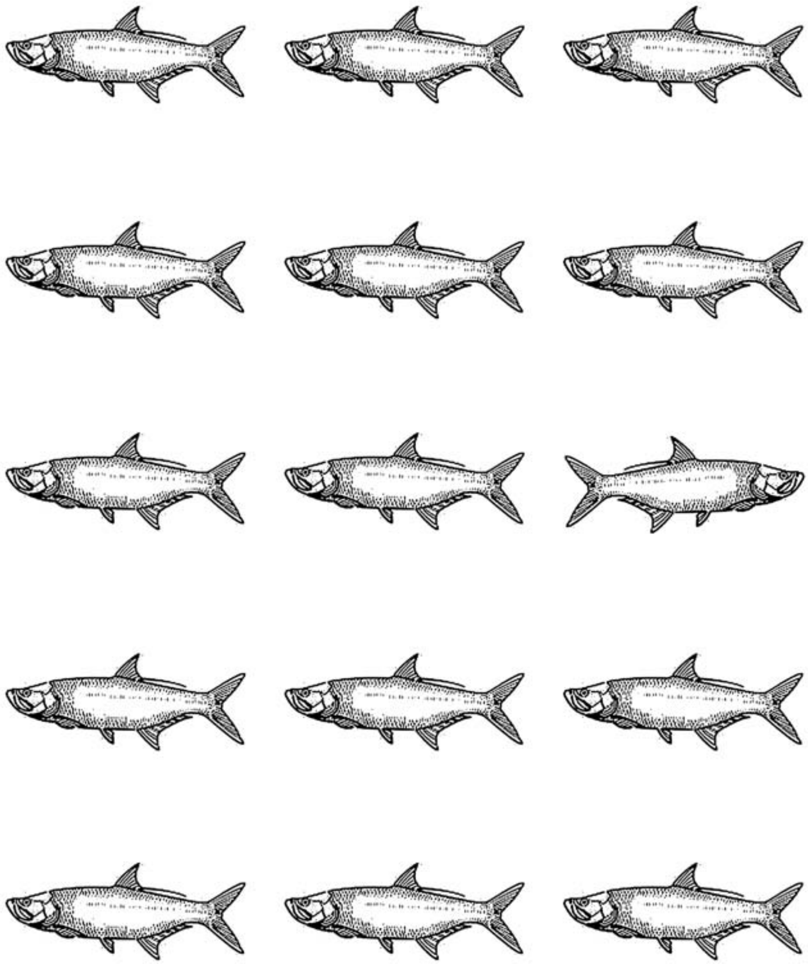
Contents



Chairman's letter

Jannie Mouton
Chairman, PSG Group

The table below is a simple look at PSG's business.

Our stated objective remains to increase the group's recurring headline earnings per share. Recurring earnings represents annuity-type income that can reasonably be expected to continue and increase the following year.

After completing *Project Unlock Value* in 2004, PSG embarked on *Project Growth*. The aim with *Project Growth* has been to increase PSG's recurring earnings. We are pleased with the increase in PSG's **recurring earnings** from 30c per share in 2004 to 186c per share in 2008. From this solid base, we will continue with *Project Growth*.

The **funding line** includes the preference dividends paid on the perpetual preference shares, the fair value gains/losses on the R440 million interest rate hedge, interest paid on the medium-term note programme, as well as secondary tax on companies.

Head office costs include the operating costs of the Stellenbosch office.

CENTS PER SHARE	2008	2007	2006	2005	2004
Change year-on-year (recurring headline earnings)	**58%**	38%	45%	15%	
RECURRING HEADLINE EARNINGS	**185,7**	117,9	85,4	59,0	51,1
Gross recurring headline earnings	**203,5**	131,9	110,5	64,2	57,0
Less: Head office costs	**(17,8)**	(14,0)	(25,1)	(5,2)	(5,9)
Funding (at head office)	**(39,9)**	(46,8)	(22,6)	1,3	11,9
Non-recurring items	**149,3**	448,2	289,0	29,7	13,3
HEADLINE EARNINGS	**295,1**	519,3	351,8	90,0	76,3
Change year-on-year (headline earnings)	**(43%)**	48%	291%	18%	

Increase in shareholders' wealth

Since inception PSG has aimed to increase shareholders' wealth. We use a total return index (TRI) to measure this. The compound annual growth rate (CAGR) of an investment in PSG since 25 November 1995 is 60% compared to the General Financial Sector (sector in which PSG is listed) CAGR of 18%.

	PSG TRI* R	Change year-on-year	General Financial Sector TRI** R	Change year-on-year
25 November 1995	100		100	
29 February 1996	643	543%	116	16%
28 February 1997	1 440	124%	183	58%
28 February 1998	4 682	225%	289	57%
28 February 1999	3 580	(24%)	351	22%
29 February 2000	3 157	(12%)	377	8%
28 February 2001	2 202	(30%)	274	(27%)
28 February 2002	1 700	(23%)	212	(23%)
28 February 2003	1 977	16%	168	(20%)
29 February 2004	3 818	93%	246	46%
28 February 2005	9 727	155%	368	50%
28 February 2006	28 364	192%	625	70%
28 February 2007	36 658	29%	933	49%
29 February 2008	31 655	(14%)	734	(21%)

* *Total return index is measured by investing R100 on 25 November 1995 on the day of PSG's establishment together with all ordinary and special dividends reinvested as well as the effect if Capitec shares were kept and dividends reinvested since the unbundling in November 2003.*

** *From McGregor BFA. PSG is listed in the General Financial Sector.*

Since establishment PSG has gone through four phases:

Phase 1	Phase 2	Phase 3	Phase 4
1995 to 1998	**1998 to 2002**	**2002 to 2004**	**2004 to 2008**
Establishing a financial services company	**Weathering the storms**	**Project Unlock Value**	**Project Growth**
• Establishment of PSG Konsult, PSG Fund Management, acquisition of Channel Life, start of Keynes Rational (to become Capitec Bank)	• In 1998/9 emerging market crisis triggered by defaulting Asian economies	• In 2002, the South African A2 banking crisis • PSG Investment Bank sold to Absa • Listed and unbundled Capitec Bank and declared special dividends of R3 per share	• Emphasis on growing recurring earnings • PSG commenced investments in the JSE Ltd and various agri companies (now grouped in Zeder Investments) and other private equity-type investments (now grouped in Paladin Capital)

Understanding PSG

PSG is a unique company that:

- Invests in new ventures where entrepreneurs are afforded the opportunity to establish new businesses
- Identifies and implements innovative ideas at existing businesses
- Acquires solid assets at reasonable prices

We are opportunistic and entrepreneurial, looking to enhance shareholders' wealth over time.

PSG has significant influence through its subsidiaries and associates in more than 35 substantial operating companies that employ more than 21 500 people. It has a retail distribution network of more than 500 offices/outlets through PSG Konsult, Capitec Bank and several others through Kaap Agri and MGK. These companies also house recognised brands such as Pepsi, Ceres Fruit Juices, KWV, Bokomo Cereals, Capitec Bank, Channel Life, AIC Insurance, Alphen Asset Management, Perspex, IQuad, Big Box Containers, Tidy Files, Erbacon, MiWay and many more.

Over the past year the greater PSG Group (including associates) made the following contribution to society through creating jobs and paying taxes:

Tax paid	R800 million
Salaries and bonuses to employees	R3,4 billion

The foundation of PSG's success

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

- **Energy, 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 prospects.
- The appointment of **competent people** and identification and support of hard-working, **intelligent entrepreneurs** who are empowered through trust.
- No human resources or corporate communications departments. This is so important that we **do it ourselves**.
- **Assertiveness and decisiveness**. We make quick decisions, we make mistakes, we acknowledge them and learn from it.
- Promoting **shareholding** amongst management and staff.

People

Apart from capital, the right people remain a scarce resource. Human capital is the product of a person's personality, education, talent, training and experience. We aim to apply our monetary and human capital as efficiently as possible, steering away from activities that do not promote growth or add value. A bad transaction, like m Cubed, results not only in a waste of money but also of human capital. Although valuable lessons have been learnt, PSG can grow even more if those type of investments are avoided and time can be spent more productively on other opportunities.

We encourage our people, our most important asset, through the principles of **ultimate empowerment:**

- **Delegate** authority and responsibility.
- **Share** the well-being of the company with everyone.
- Get everybody **involved**.
- **Shorten** the decision-making process.
- Create a **positive environment** – little title and plenty dignity.
- **Grow** and **inspire** – don't control.
- **Create** companies not profit centres, more **responsible managers**, more **captains of industry**, more free and proud people – create **managing directors**.
- Develop **strategic thinking** – encourage people to take control of their own destiny.

In the end employees have to experience **freedom** and **purpose**.

PSG executive committee (Exco)

PSG has an active, profitable and self-sufficient operating head office where costs are tightly controlled. There are only 15 employees, including support staff and Zeder management.

The Exco's major responsibilities remain:
- Raising, allocating and managing of capital
- Overseeing group companies and other investments
- Acting as facilitator and enabler of transactions
- Starting new or investing in existing businesses

We meet formally every second week, where the standing agenda includes a study of the group's cash position and movements at corporate as well as subsidiary level. A rolling 12-month cash budget provides an indication of major inflows and outflows over the coming year, enabling effective cash flow management. All group companies report their profits monthly to the Exco. Timely information with unquestionable integrity is key. We continuously entrench this and other corporate governance measures throughout the group. This information helps us to effectively focus our attention on all the major investments. For any urgent matters the Exco can be consulted immediately.

The Exco manages assets in excess of R4 billion which includes about R1 billion in ad hoc investments at head office. These investments predominantly include listed shares such as Petmin, Vox Telecom, PSG local and offshore unit trusts, PSG hedge funds and the preference share investments at Thembeka Capital.

Project Growth Conference

In February 2008, PSG hosted a two-day Growth Conference with about 80 attendees from PSG and its strategic investments. Selected CEOs present on the relevant company's strategy and future at this important event on the PSG calendar.

The purpose of the conference was to:
- **Inform** and **inspire** all about PSG
- **Engage** people to **exchange** ideas
- Create proud **ambassadors**
- Increase **excitement** and market the group
- Most importantly, search for and identify **opportunities**

Throughout the year the CEOs will keep the Exco updated on their progress and we shall assist with the necessary advice and capital.

Dividends

As explained in our 2003 Annual Report:

"Dividends determine value. The value of any asset is determined by the future cash flow you will receive from that asset. The value of a share is, therefore, the present value of all expected future dividends (including a final liquidation dividend).

"...if a company pays dividends, its shareholders earn a return on their investment irrespective of what the market values the share at. Furthermore, if management can consistently grow the dividend, the dividend yield on the original investment soon provides an exceptional return...

"For a company to be able to grow dividends consistently its management must manage and generate ***cash****, i.e. profits must be of a cash nature. Management must also protect cash which means, for instance, avoiding pointless acquisitions, unnecessary capital expenditure and corporate extravagance."*

PSG has always been a proud payer of dividends to its shareholders. **This year our dividend per share has increased by 25% to 112,5c**. Since the original buyout of PSG at 36c per share in November 1995, shareholders have received **791c per share in dividends**. This includes special dividends of 300c per share.

PSG's recurring headline earnings will be the benchmark of our dividends and future growth thereof. Concentrating on businesses with good cash flows without burdensome capital requirements are the ideal opportunities PSG will pursue.

In the absence of appropriate opportunities PSG will return idle cash to shareholders, but will also not hesitate to ask shareholders for additional capital when the need arises. This is the same relationship we have with our subsidiary companies that pay maximum dividends whilst we provide capital as and when the need arises.

Funding

PSG recently increased its variable rate perpetual preference share funding to R600 million with the intention of increasing it to R1 billion in the foreseeable future.

During 2006 PSG entered into a 10-year fixed (8,87% NACS) for floating (75% of prime) **interest rate hedge** with a nominal value of R440 million. Accounting standards require us to fair value this instrument and recognise these (non-recurring) movements through profit and loss. Due to the increase in interest rates over the past year, the pre-tax marked-to-market loss of R7 million in the previous year changed to a profit of R32 million in 2008. PSG also has **floating dividend preference share** investments in Thembeka Capital funding attractive BEE opportunities with a nominal value in excess of R150 million. The interest rate hedge of R440 million, combined with the preference share investments of R150 million, means PSG is substantially protected against movements in interest rates.

Despite uncertainties in the global credit market, Global Credit Rating Co. raised PSG Financial Services' long-term and short-term rating to "A" and "A1-" respectively.

Whilst PSG has R450 million in available overdraft facilities, the company remains relatively lowly geared with the capital capacity to enter into significant transactions.

Directors and shareholding

It is my pleasure to welcome Christo Wiese as a non-executive member to PSG's board of directors. He is a formidable and respected businessman and a significant shareholder in PSG. Pierre Malan, previously an alternate director, is now a full member of the board. He has been with the company since 1998 and heads up the private equity company Paladin Capital Ltd. We expect Paladin, which is already a significant venture, to grow rapidly under Pierre's leadership.

Over the past year the directors' shareholding increased from 37% to more than 50% of PSG's issued share capital. Since 2006 Markus Jooste added 15,5 million shares to bring his current shareholding to 20 million shares. Christo Wiese acquired his substantial interest in PSG through the exchange of KWV shares in 2006. Since then he has more than doubled his shareholding to 15,5 million. This helped to increase director, management, friends and family interests in PSG to approximately 70%.

Most of my own family's wealth is invested in PSG. Any bad decision hurts us directly; shareholders can be comfortable that we will act in the best interest of all stakeholders.

BEE

PSG's current BEE shareholding is approximately 7%. It is our intention to increase this over time.

Thembeka Capital is a black-owned and controlled BEE company, supported by PSG through preference share funding. It remains an important initiative by PSG. At inception in December 2005 it had a net asset value (NAV) of R1. At year-end, the NAV was R400 million, meaning that black shareholders' wealth increased by more than R200 million.

Overseas expansion and listing

Over the past year both PSG Konsult and PSG Fund Management expanded internationally. PSG Konsult acquired a 50% stake in a London-based financial advisor. This company services people in the UK with South African ties, but is also looking to expand its services. PSG Konsult also negotiated an agreement with a UK-based stockbroker, especially to execute trades on behalf of South African citizens. People with overseas funds, e.g. their R2 million foreign allowance, can now trade the majority of foreign listed shares across the world markets through their local PSG Konsult stockbroker.

PSG Fund Management's operations in the Channel Islands were boosted by the acquisition of m Cubed's Guernsey book.

At the 2007 annual general meeting PSG Group announced its intention to list on the London Stock Exchange. Strategically, this listing would have enabled PSG to catapult expansion of the group

abroad. However, turmoil in the international financial markets ignited by the US sub-prime crisis continues to negatively affect financial services companies' share prices. Placing PSG shares at these market prices was in our opinion undervaluing the company and therefore made it unattractive to issue PSG scrip.

Nevertheless, it remains part of PSG's growth strategy to responsibly identify suitable overseas investment opportunities. Management will, however, be cautious not to direct its focus and energy away from its current business.

Capitec transaction

During *Project Unlock Value*, PSG's share price was trading well below its NAV and the company was threatened by a hostile takeover. In order to unlock value and protect Capitec from disappearing in a takeover it was decided to unbundle the bank in November 2003. Several of these shareholders remained loyal investors in both PSG and Capitec.

In May 2007, PSG offered 1,4545 PSG shares to all Capitec shareholders for every one share held to increase PSG's shareholding in Capitec from around 18,3%, acquired via the Arch Equity merger, to 34,9%. This embeds our strategic stake in a great company with promising growth prospects.

m Cubed and PSG FutureWealth

Over the past year PSG, through Jaap du Toit and Jacobus van Zyl Smit, progressed to finalise the outstanding matters at m Cubed. Leon de Wit was appointed as MD of m Cubed Life about 12 months ago and since then has devoted time to finalise the affairs to the benefit of all stakeholders.

Most importantly, the interests of the m Cubed Life policyholders have been safeguarded and the policies are in the process of being transferred to *PSG FutureWealth* (previously Alternative Channel).

Effective 1 December 2007, PSG acquired 80% of Alternative Channel from Channel Life. Management, as our co-investors, owns the other 20%. This will boost PSG Group's array of investment products and services. The company that has a linked life licence is currently offering investment products. It is also looking to expand its product offering further into life and other complementary investment products in closer association with PSG Fund Management.

Gross balance sheet assets at acquisition amounted to R4,5 billion. The addition of the selected m Cubed Life assets doubled the assets of PSG FutureWealth to R7,7 billion. Profit after tax amounted to R12 million (attributable to PSG was R8,9 million). The total investment by PSG was R50 million.

MiWay

We have joined *Sanlam* and *Santam* in this new initiative. One could arguably not have asked for better partners in the South African insurance and financial services industry. We look forward to combining their experience with the flair of René Otto in shaping the landscape of internet-based financial services.

Quince Capital

Despite the high expectations we had for this initiative, it inevitably became a victim of the sub-prime crisis. The cost of securitised funding increased to such an extent that we decided that unwinding the joint venture was in the best interests of all parties. As a result, Reunert will take back RC&C, the asset-backed finance venture dominant in office equipment, whilst PSG and Michiel le Roux are taking back Quince Property Finance/ZS Rational and Quince Scripfin. These remain well-run profitable businesses that in future will be expanded under Adato Capital.

PSG has to date received R16 million in dividends and, most importantly, the initial R300 million cash investment will be returned to us once the authorities have approved the transaction.

We will always be a bit contrarian

With reference to the current situation in South Africa, I always like telling this true story:

On 12 February 2002 Saambou Bank collapsed, sparking the A2 banking crisis in South Africa. A couple of days later, after having prepared for four months, we listed Capitec Bank at arguably one of the worst times. The price soon dropped severely to below R1 per share. At the time everyone wanted to take money offshore with the ruling R/$ exchange rate above R12 (and increasing). However, two contrarian investors (I know them personally) decided to invest R400 000, which they previously (legally) took offshore, in 400 000 Capitec shares. What is their position today?

The R400 000 offshore investment would probably be worth about R350 000, maybe even R400 000 today. But the contrarian investors that invested in Capitec increased their R400 000 to more than R15 million, excluding dividends of another R1 million received over the same period.

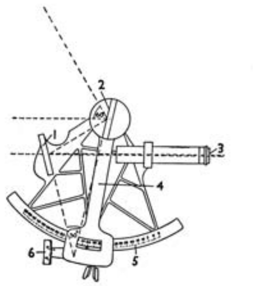
Yes, a cycle sometimes takes a long time. I always think: sell if everyone around the braai talks about buying shares and buy when there is blood in the streets. Sell your spec stand on the West Coast and buy a house in Harare. Buy on bad news, sell on good news. In the words of well respected Warren Buffett: "Be fearful when others are greedy and greedy when others are fearful." We shall (continue to) follow the same principle at PSG.

PSG is a New South Africa company with our inception after the advent of democracy in 1994. This country has offered us many opportunities, and some that we pursued contributed to our growth record of the past 12 years.

In the world today, and probably even more so in South Africa, things are not looking too good. Yes, there are great concerns over Eskom and yes, crime is at unacceptably high levels. If you are negative, make a decision – leave or stay, but stop complaining. It is exactly during these times that there are opportunities to make a positive contribution to our country (and some money) that all the pessimists are missing. I challenge you to be contrarian!

Review of operations

This year we encouraged the CEOs to expand their contributions in the "Review of Operations" section of this report. We hope this will give you better insight into their industries and companies, as well as how they are managing them.



Guiding us into the future

I want to end with an extract from certain applicable principles highlighted in the 2001 Annual Report that still guide us today and into the future:

" • *We are a living company and changes are going to happen. We will effect dramatic changes if it is in the interests of shareholders.*
- *We are a going concern and want to be in business for the long term.*
- *We are and will be honest and transparent to our stakeholders.*
- *Corporate governance, excellent administration and good management information systems are cornerstones.*
- *Cash is king.*
- *We continue to investigate alternatives to enhance shareholder value."*

PSG for me

In my view PSG is a great success. PSG gave me confidence and freedom. It has worked for me to buy the shares and keep them. I have continuously reinvested my dividends and to this day have never sold a share. Retirement passed me at 60 and I'm now looking at 70. I am looking forward to PSG's future, I still think and dream about it every day.

The way forward

PSG is in the best position it has ever been with all companies operating satisfactorily. Our recurring earnings have increased to such an extent that we are less dependent on the stock market for profits. All the companies are well structured with their own boards of directors and talented, hard-working people. PSG Group is well capitalised and well positioned to take advantage of opportunities.

Thanks

I would sincerely like to thank the board, staff, management, clients and shareholders for their loyal support during the past year.

Jannie Mouton
Stellenbosch
16 May 2008

Notice

Annual general meetings and investor presentations

All shareholders and other interested parties are welcome to attend the annual general meetings (AGMs) followed by presentations and Q&A sessions for selected PSG Group companies on Friday, 20 June 2008 at Lanzerac, Stellenbosch. This will be a good opportunity to learn more about PSG Group and its activities.

Company	AGM time	Chairman	Presentation & Q&A time	Presenter
PSG Konsult	09:30	Jaap du Toit	09:35 – 10:15	Willem Theron (CEO)
Thembeka Capital	10:30	KK Combi	10:40 – 11:20	KK Combi / Piet Mouton (MD)
Paladin Capital	10:35	Jannie Mouton	10:40 – 11:20	Johan Holtzhausen
Zeder Investments	11:30	Jannie Mouton	11:35 – 11:50	Antonie Jacobs
PSG Financial Services	12:00	Jannie Mouton		
PSG Group	12:05	Jannie Mouton	12:10	Jannie Mouton

There will be a finger lunch following the PSG Group presentation. Please confirm attendance with Jaki Nieuwoudt at E-mail: **jakin@psgcapital.com** Fax: **021 887 9619** Telephone: **021 887 9602**

PSG WANTS TO BECOME YOUR PARTNER

Criteria

- Established business that is cash flow positive
- Annual profit after tax of more than R20 million
- Management in place
- Owners to remain major shareholders

PSG offers:

- Access to capital without incurring debt to expand your business
- An opportunity to realise wealth locked up in the business
- Strong brand and shareholder of reference with extensive business network and contacts
- Experience in strategic inputs and promoting sound corporate governance to grow the company

PSG is not interested in:

- Acquiring a majority stake in order to control the business and interfere with the day-to-day running of the business
- Asset stripping or aggressively gearing companies
- Exiting the investment over the medium term (5-7 years) - we are not a private equity fund
- Actively pursuing corporate action, that is, mergers or takeovers with your business

Need BEE shareholding?

Thembeka Capital is a qualifying black-owned and controlled company available for strategic investments where BEE shareholding is required.

Contact us

Send us:

- A concise business plan (2-3 pages)
- Audited financial statements for past two financial years
- Price you are interested to sell at

Note

Your business plan should include:

- Description of the business
- Management team
- Financial projections
- Details of investment

E-mail to **opportunities@psgcapital.com**

PSG will not be interested in providing vanilla debt funding without an equity share.

PSG Group structure

PSG GROUP LIMITED

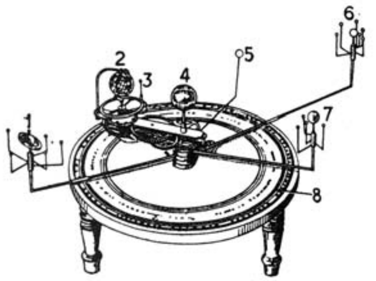
100%

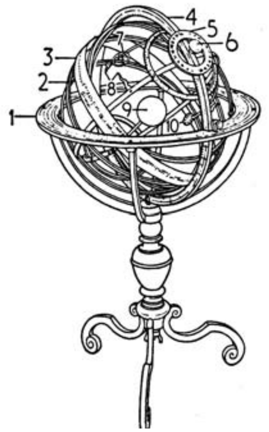
PSG FINANCIAL SERVICES LIMITED

R600 million listed perpetual preference shares in issue

- **Capitec Bank Holdings**
  34,9%
- **PSG Konsult**
  73,3%
- **Paladin Capital**
  90%
  - **PSG Capital**
    60%
    (Corporate finance)
  - **Private equity**
    (various, not industry-specific)
  - **Thembeka Capital**
    49,9%
- **PSG Fund Management**
  96,9%
- **PSG FutureWealth**
  80%
- **Channel Life**
  34,4%
- **Zeder Investments**
  35,2%
- **MiWay Finance**
  19%
- **PSG Corporate Services**
  100%
  (holds investments in Petmin, Vox Telecom, unit trusts, hedge funds)
- **Adato Capital – previously 40% in Quince Capital**

Board of directors





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

EXECUTIVE DIRECTORS

JF (Jannie) Mouton (61) BCom (Hons), CA(SA), AEP – *Executive chairman*

CA (Chris) Otto (58) BCom, LLB

NON-EXECUTIVE DIRECTORS

J de V (Jaap) du Toit (53) BAcc, CA(SA), CFA – *Director of companies*

P (Pierre) Malan (41) BCompt (Hons), CA(SA) – *CEO of Paladin Capital*

JJ (Jan) Mouton (33) BAcc (Hons), CA(SA), MPhil (Cantab) – *Manager of PSG Tanzanite Flexible Fund*

W (Willem) Theron (56) BCompt (Hons), CA(SA) – *CEO of PSG Konsult*

INDEPENDENT NON-EXECUTIVE DIRECTORS

L van A (Kleintjie) Bellingan (63) [1, 2] BCom, LLB, CA(SA) – *Entrepreneur*

PE (Patrick) Burton (55) [1, 2] BCom (Hons), PG Dip Tax – *Director of companies*

MJ (Markus) Jooste (47) [2] BAcc, CA(SA) – *Managing director of Steinhoff International*

J van Zyl (Jacobus) Smit (Dr) (64) [1, 2] BCom, LLB, CA(SA), DCom – *Director of companies*

CH (Christo) Wiese (66) [2] BA, LLB, DCom (h.c.) – *Director of companies*

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

Review of operations

Contribution to headline earnings

	Headline earnings 29 Feb 2008 Rm	Headline earnings 28 Feb 2007 Rm	Number of shares 29 Feb 2008 m	Net asset value 29 Feb 2008 Rm	Net asset value 28 Feb 2007 Rm
Recurring headline earnings (*before funding and STC*)	**303,7**	147,9		**3 009,2**	1 244,1
Capitec Bank	**66,8**	19,1	**28,6**	**1 208,4**	607,3
PSG Konsult	**63,9**	46,5	**536,3**	**247,1**	183,9
PSG Fund Management	**24,0**	15,3		**56,0**	43,8
Channel Life	**1,5**	7,0	**110,5**	**128,5**	117,7
Quince Capital	**21,3**			**342,4**	
Paladin Capital and other private equity	**63,1**	41,9		**372,3**	141,3
PSG FutureWealth	**8,9**			**59,9**	
Zeder Investments and agri investments					
Dividends and equity accounted earnings	**31,2**	10,1	**212,8**	**476,5**	
Management fee earned by PSG after costs	**14,0**	2,1			
PSG Corporate Services				**118,1**	150,1
Dividends from investments	**7,2**	3,6			
BEE funding	**30,8**	19,9			
Net operating costs	**(29,0)**	(17,6)			
Non-recurring headline earnings	**244,1**	562,1		**1 089,8**	1 256,0
Marked-to-market profits/(losses)					
Paladin Capital (Thembeka)	**20,3**	63,2		**242,3**	210,1
Zeder Investments and agri investments	**49,8**	40,2		**74,5**	468,6
PSG Corporate Services					
JSE Ltd	**2,3**	425,4			164,1
Petmin Ltd	**134,3**	8,3	**51,1**	**199,7**	63,6
Other investments	**19,7**	44,0		**523,2**	299,5
Other					
Zeder performance fee	**7,7**				
BEE funding (early redemption premium)	**10,0**				
m Cubed Holdings		(19,0)	**218,0**	**50,1**	50,1
Perpetual prefs	**(55,7)**	(47,2)		**(558,9)**	(555,7)
Net interest after tax (borrowings and cash)	**(13,4)**	(0,1)		**(259,9)**	419,0
Interest rate hedge	**23,2**	(5,0)		**17,9**	(5,0)
Secondary tax on companies	**(19,4)**	(6,3)		**(2,7)**	14,6
Total headline earnings	**482,5**	651,4		**3 295,4**	2 373,0 **Ordinary shareholders' equity**
Statistics					
Recurring HEPS (cents)	**185,7**	117,9			
Growth in recurring headline earnings	**105,3%**				
Growth in recurring HEPS	**57,5%**				

PSG Group results

Management continues to use **recurring headline earnings** (refer to the *Contribution to headline earnings* table) as the key performance indicator. During the past year we again saw PSG improving the quality of its earnings. **Recurring headline earnings** increased by 105,3% from R147,9 million to R303,7 million. **Recurring headline earnings per share** increased by 57,5% to 185,7 cents.

Headline earnings decreased by 25,9% to R482,5 million for the year ended 29 February 2008, with headline earnings per share down by 43,2% to 295,1 cents. This decrease is mainly as a result of the non-recurrence of 2007's extraordinary R425 million profit on PSG's then 15% interest in JSE Ltd, which accounted for 339 cents of last year's 519,3 cents per share headline earnings.

Capitec Bank Holdings Ltd (34,9%)

CEO – Riaan Stassen

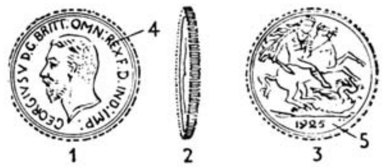
Capitec continues to roll out its business strategy of growth whilst revolutionising *the way to bank* in South Africa.

Financial results

Year ended 29/28 February	**2008**	2007
Headline earnings (Rm)	**212**	160
Headline earnings per share (cents)	**259**	222
Growth in headline earnings per share (%)	**16**	35
Dividends per share (cents)	**100**	80
Return on equity (%)	**22**	26
Loan book (Rm)	**2 019**	803
Value of loans advanced (Rm)	**5 162**	3 499
Number of loans advanced (000)	**3 155**	2 924
Deposit book (Rm)	**1 528**	897
Number of savings clients (000)	**783**	583
Cost-to-income ratio (%)	**58**	60
Number of active clients (000)	**1 371**	1 010
Number of branches	**331**	280
Number of employees	**2 800**	2 129

Performance highlights

Over the past year Capitec Bank grew its client base by 36% to 1,37 million and loans advanced by 50% to R5,2 billion. Ongoing price reductions on loans, a new 36-month loan product and an advertising campaign launched in 2007, contributed to this growth. Retail deposits increased by 52% to R842 million at year-end.



Expenses increased by 26%, as the bank continued to invest heavily in branch expansion (an increase of 51 to 331 branches), system development and training of staff (R19,2 million was spent, which is 9% of the operational salary bill).

A BEE deal concluded in February 2007 increased the capital base of the bank and has had a temporary influence on the return on capital which decreased from 26% to 22% in 2008.

Industry

A total of 19 million adults were banked in 2007, 3 million more than in 2006, according to the Finmark Trust, a leading organisation promoting access to financial services in South Africa. There were 16 million active credit clients and R32 billion was extended in credit on personal loans and retail credit for the year to May 2007.

The new National Credit Act introduced in mid-2007, has formalised the smaller loans industry and all four traditional banks have increased marketing effort and activity in this market segment.

Over the past six months world sentiment in financial markets has swiftly turned negative. This does not impact on the client base at present, but may make access to wholesale funding more difficult. Given the significant growth in the Capitec Bank loan book, the slowdown in the local economy and the possible change in access to funding, the bank will continue to manage liquidity cautiously.

Prospects

The innovative approach to servicing clients which is paperless and system-driven is proving to be a successful business model. It not only gives Capitec Bank a cost advantage in the market, but also delivers quality basic banking for the young and modern client of tomorrow. Growth opportunities exist via the expansion of the distribution footprint, product range extensions, market penetration through advertising, up-selling and cross-selling to the existing client base and client acquisition through a unique sales team that targets potential clients at employers. Capitec Bank will continue to pursue its objective to revolutionise banking in South Africa.

The company's comprehensive results are available on *www.capitec.co.za*.

PSG Konsult Ltd (73,3%)

CEO – Willem Theron

Performance highlights

Year ended 29/28 February	**2008**	2007
Turnover (Rm)	**726**	541
Headline earnings (Rm)	**87,1**	55,8
Headline earnings per share (cents)	**11,98**	8,73
Funds under management and administration (Rbn)	**52,7**	42,8
Short-term premiums on annualised basis (Rm)	**970**	802
Number of offices	**189**	179
Number of advisors	**491**	433

Highlights

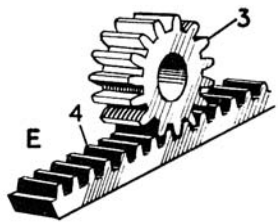
PSG Konsult expanded its footprint to the United Kingdom by acquiring an office in London, *PSG Konsult Brokers (UK) Ltd*.

Effective 1 March 2008, PSG Konsult acquired *Brosist*, a short-term insurance administrator with R320 million annualised premiums, and *Multifund*, a short-term insurance broker and underwriting company with R110 million annualised premiums.

PSG Online established an offshore stockbroking trading capability during the year together with a foreign investment allowance capability for PSG Konsult clients.

Industry

PSG Konsult's target market is middle to high net worth individuals. These clients require a more holistic approach to financial advice, combining their investment, risk (short-term and life insurance) and administration (e.g. trust and fiduciary) needs in one portfolio with access to a variety of specialist



advice. Although strong electronic administration and reporting systems with internet capabilities are vital, face-to-face contact remains an important aspect of service delivery.

Due to its cost benefits, direct selling is attractive for the lower and more price-sensitive market but is not seen as a major threat to PSG Konsult. When these individuals move into the middle market, their need for expert and holistic financial advice should increase.

Prospects

During the forthcoming year PSG Konsult's focus will once again be on new opportunities with the intention to increase its sustainable annuity income and thereby reduce the company's exposure to volatile financial markets.

PSG Konsult plans to expand the service offering of its London office with the goal of enhancing its offering to South Africans. As there is a substantial migration of people between London and South Africa, the ultimate objective of the office will be to provide a more comprehensive service to all PSG Konsult clients.

A further area of focus will be the training and development of financial planners who will be encouraged to attend the executive development programme which PSG Konsult runs in conjunction with the University of Stellenbosch Business School. This will improve quality of service offered to our clients.

Paladin Capital Ltd (90%)

CEO – Pierre Malan

Financial highlights

Year ended 29/28 February	**2008**	2007
Net profit attributable to equity holders (Rm)	**127,3**	85,6
Headline earnings (Rm)	**75,4**	51,8
Shares in issue (000)	**38,2**	27,7
Weighted average shares in issue (000)	**33,6**	27,7
Headline earnings per share (R)	**2,25**	1,87
Net asset value (Rm)	**633,6**	314,6
Net asset value per share (R)	**16,56**	11,37
Sum of the parts value (Rm)	**972,1**	495,5
Sum of the parts value per share (R)	**25,42**	17,90

Our business model

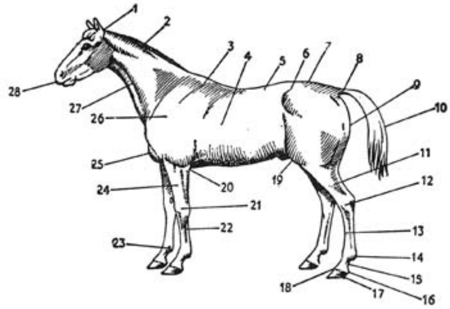
Paladin is an investment company with a private equity bias. We invest in predominantly family-owned businesses where we can acquire a stake of between 25,1% and 49,9%. This enables us to equity account the earnings of the investee companies. Our focus is not industry-specific, but rather on businesses that are built on the ability of our partners and their track record.

Private equity and M&A activity

2007 was a bumper year for mergers and acquisitions, with substantial private equity transactions implemented.

The landscape changed dramatically in the second half of 2007 with the sub-prime crisis and the accompanying liquidity crunch. The sub-prime crisis caused a significant decline in the market values of banks and industrial and financial services companies. The increase in the interest rates also impacted negatively on private equity players' ability to gear the balance sheets of target companies.

This environment should benefit Paladin as an investor of its own capital.



Paladin's portfolio of investments at 29 February 2008

Financial services

AIC Insurance – 60%	Axon – 35,1%
IQuad – 38,9%	Mainfin – 25,1%
PSG Capital – 60%	

Construction

Erbacon – 29,2%	Precrete Nozala – 13,1%

Manufacturing

GRW Holdings – 40%	Protea Foundry – 49,9%

Other

CIC – 46,6%	Lesotho Milling – 25,1%
Thembeka – 49,9%	

Axon Xchange (35,1%)

Scrip lending

CEO	Hugh Soellaart
Headline earnings	R5,3 million ('07: R2,7 million)

Axon performed well due to an active stock market with higher interest margins.

AIC Insurance Company (60%)

Absenteeism and disability insurance

CEO	Carl Kirstein
Headline earnings	R3,5 million ('07: R5,6 million)

AIC performed in line with expectations and is poised to launch a number of insurance-related products into its existing market segment. Costs are under control and the platform has been established to obtain an increased share of the lower-income market with funeral, credit life and sick leave insurance. *www.aicinsurance.co.za*

CIC Holdings (46,6%)

Fast-moving consumer goods

CEO	Trevor Rogers
Headline earnings	8 months to 29 Feb '08: R24,9 million (12 months to 30 Jun '07: R23,5 million)

Paladin's interest in CIC reduced from 58% to 46,6% when the company listed on *AltX* in November 2007. CIC has developed a proven model for operations in Africa. Higher inflation contributes to positive trading conditions. Two acquisitions were made during the year. The company has a strong balance sheet and is investigating further acquisitive growth opportunities. *www.cicholdings.co.za*

IQuad Group (38,9%)

Investment incentives, treasury risk management, business optimisation and verification services

CEO	Trevor Hayter
Headline earnings	R16,9 million ('07: R12,8 million)

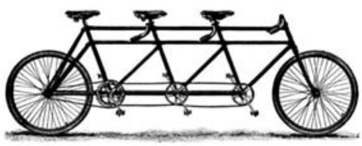
In its first year as a listed entity, IQuad performed in line with expectations. A number of acquisitions were made during the year that will start contributing towards profits in the next period. The announcement of the new investment incentive programme from government has created further opportunities for the company. *www.iquad.co.za*

Thembeka Mining (32,7%) *(13,1% in Precrete Nozala)*

Mining support services

CEO	Piet du Toit
Headline earnings	R27,4 million ('07: R17,8 million)

In October 2007, a BEE transaction with Thembeka reduced Paladin's interest from 39% to 13,1%, but increased Precrete's BEE credentials to 26%. This resulted in a non-headline profit on dilution of R46,5 million. However, our commitment towards the company was further cemented with Paladin acquiring an additional 9% in Precrete after year-end, increasing its stake to 22,1%. Precrete also acquired a strategic stake in one of its suppliers. *www.precrete.co.za*



PSG Capital (60%)

Corporate finance

CEO	Johan Holtzhausen
Headline earnings	R13,1 million ('07: R8,7 million)

PSG Capital provides corporate finance services and acts as the management company for Paladin. The focus during the past year was on *AltX* listings, mergers and acquisitions, investment opportunities for Paladin and Thembeka, capital raisings and general corporate advice.

Both the Stellenbosch and Johannesburg teams performed well with a number of new listings and capital raisings.

Thembeka Capital (49,9%)

BEE private equity

Executive chairman	KK Combi
Headline earnings	R21 million ('07: R170,7 million)

Thembeka is a broad-based black-owned and controlled investment company with more than 500 black shareholders.

More than 90% of Thembeka's earnings are dependent on stock market movements. The severe decline in share prices in early 2008 consequently had a negative impact on earnings. *www.thembekacapital.com*

A number of new transactions were concluded and the portfolio of Thembeka at 29 February 2008 consisted of:

Listed	
PSG Group	2,5%
Steinhoff International	0,6%
Capitec	3,5%
JSE	4,2%
Vox Telecom	2,0%
IQuad	10,0%
Unlisted	
Vital Merchandising Services	25,1%
Thembeka Mining	62,4%
GRW Holdings	25,1%
Greymatter & Finch	51,0%
Spirit Capital	26,0%
KLK Landbou	10,0%
BKB	5,0%

New Paladin investments

During the past financial year Paladin concluded five new investments, namely Mainfin, GRW, Lesotho Milling, Erbacon and Protea Foundry. In addition the company invested further capital in Precrete and Thembeka, and increased its stake in AIC. A total of approximately R300 million was invested, adding a further R60 million in recurring earnings.

Mainfin (25,1%)

Property development finance

CEO	John Stergianos
Headline earnings	R10,4 million

Paladin acquired its stake in Mainfin in May 2007 through an issue of Paladin shares to the Stergianos family. Results for the year exceeded the profit warranty with its property loan book that doubled during the year to just under R100 million. *www.mainfin.co.za*

GRW Holdings (40%)

Engineering manufacturing

CEO	Gerhard van der Merwe
Headline earnings	R19,7 million

Paladin partnered with the Van der Merwe and Van Eeden families by acquiring a stake in GRW with effect from 1 September 2007. GRW is a leading tank container manufacturer with a state-of-the-art production facility. The capital invested was utilised to further expand GRW's manufacturing capacity, which will only bear fruit in the 2009 financial year. GRW's earnings have been in line with expectations, with strong growth forecasted for the years ahead. *www.grw.co.za*

Lesotho Milling (25,1%)

Milling

CEO	Graham Gatcke
Headline earnings	R16,8 million

Paladin co-invested in Lesotho Milling with Verspreide Beleggings Ltd and management with effect from 1 September 2007. Lesotho Milling operates a wheat and maize mill in Lesotho and distributes branded food products into Lesotho and South Africa. The management team has a history of delivering outstanding results. The performance of the company has to date exceeded our expectations. In March 2008, Paladin, together with Lesotho Milling and Verspreide Beleggings Ltd, invested in a Durban-based wheat mill.

Erbacon Investments (29,2%)

Construction

CEO	Dave Erskine
Headline earnings	R31,1 million

Paladin acquired a 35% stake in Erbacon, effective 1 November 2007, from the Erskine and Boraine families. Erbacon listed on *AltX* during December 2007, which saw the company raising R53 million and Paladin's interest diluting to 29,2%. Results for the year to February 2008 were significantly higher than the previous year, with both the construction and the tool hire business experiencing strong growth. The acquisition of Armstrong Construction received Competition Commission approval at the end of February 2008. *www.erbacon.co.za*

Protea Foundry (49,9%)

Non-ferrous casting

CEO	Anthoon Rheeders
Headline earnings	R7,9 million

Paladin acquired a 49,9% stake in Protea Foundry from the Rheeders family with effect from 1 November 2007. Protea is a non-ferrous casting operation based in Gauteng. Results for the year have improved significantly from the previous year due to overall volume improvements and a large contract from Eskom for castings used to recommission mothballed power stations.

Future strategy and prospects

The majority of Paladin's investee companies have strengthened their balance sheets during the past financial year through capital raisings. These companies are well positioned to pursue opportunities. Given favourable market conditions, the plan is to list Paladin in the last quarter of this calendar year and raise R200 million.

Management plans another three large acquisitions during the coming financial year, which will expand Paladin's portfolio to 15 investments. The focus will be on well-run family-owned companies that are either exporters, or have international operations.

The market turmoil has opened a number of opportunities with pricing being more reasonable. We are seeing more activity in our investee companies, with GRW, Erbacon, IQuad, Protea and Precrete in negotiations or already implementing acquisitions. We are forecasting to grow Paladin's recurring earnings on the back of the investments made during the past year. We are confident that we will achieve our target return on equity of 20% for the financial year ending February 2009.

PSG Fund Management (Pty) Ltd (96,9%)

CEO – Ross Breedt

PSG Fund Management's business consists of local collective investments, offshore collective investments, asset management, hedge funds and prime broking.

Financial results

Year ended 29/28 February	**2008**	2007
Headline earnings (Rm)	**24,7**	15,8
Assets under management (Rm)	**17 101**	11 271
Headline earnings growth	**57%**	46%
Number of employees	**59**	46

Highlights

PSG Fund Management experienced an exceptional year amid challenging market conditions, marked by the following financial highlights:

- Assets under management growth of 51%.
- Annual management fees (recurring income) increased by 62%.
- Total net inflows into PSG Collective Investments: R1,7 billion.
- Offshore business representing 27% (2007: 9%) of headline earnings.
- Our **earnings growth** was enhanced by the acquisition of businesses that expanded our product offering and further diversified our income streams.
- On the **local front**, we acquired the **Advance Wealth** portfolios (local unit trust funds) and a hedge fund operation now managed by **PSG Absolute Investments**, and started a prime broking business, **PSG Prime (Pty) Ltd** which owns *BESA, Safex, Yield X* and *Safex Agri licences*. In addition, we concluded a joint venture agreement with *Atlantic Asset Management* which increased our local assets.
- *Offshore acquisitions* included the m Cubed offshore business by Guernsey-based **PSG Investment Services (CI) Ltd**. The acquisition included offshore collective investments and an administration company, AOSFS.

PSG Fund Management group companies

PSG Collective Investments Ltd	100 %
Alphen Asset Management (Pty) Ltd	50 %
PSG Tanzanite (Pty) Ltd	50,1 %
PSG Absolute Investments (Pty) Ltd	50,15 %
PSG Investment Services (CI) Ltd	100%

Asset managers

According to Morningstar, the **PSG Tanzanite Flexible Fund**, managed by *Jan Mouton*, had the highest *Sharpe ratio* in its category and the 15th highest Sharpe ratio of all 258 domestic funds over a three-year period. This marks an above average risk versus return investment solution. This fund grew its assets under management from R249 million to more than R521 million.

Alphen Asset Management, headed by *Adrian Clayton*, experienced a tough year with respect to asset flows and general market conditions. However, strict cost control, proactive client interaction and innovation ensured that Alphen generated healthy profits during the past year. Alphen was again the largest contributor to PSG Fund Management's headline earnings.

PSG Absolute Investments now manages assets of R4,6 billion. We are pleased with the development of this business. Founded and headed by *JP Matthews*, the company is now an established money market and hedge fund business that contributed almost 10% of PSG Fund Management's headline earnings. All three hedge funds (*South Easter*, *Black Swan* and *Capital Quants*) proved their ability to deliver positive performance in a time of market correction and volatility. In addition, PSG Absolute Investments was ranked 4th (out of 12) in the year to 31 December 2007 by the Alexander Forbes Large Manager Watch for traditional money market funds.

Industry

Margins in the asset management industry are continuously being eroded by powerful client groups and volatile markets. This should lead to more cost-effective investment products with proper fee disclosures. We therefore expect the popularity of passive index tracker funds to continue growing.

We have also seen confirmation of the trend where fund managers are leaving large asset manager corporates to set up smaller boutique asset management businesses, as well as larger asset managers implementing internal boutique asset managers. This is a trend that PSG Fund Management implemented four years ago with Alphen Asset Management, PSG Absolute Investments and PSG Tanzanite. We expect that independent boutiques will realise the importance of a corporate partner with established distribution platforms to ensure long-term sustainable growth, and believe to be ideally positioned to pursue this opportunity.

In the year ahead, we believe that consolidation within the industry will be a dominant theme. This applies across the client value chain – from advisor businesses all the way through to broker networks and asset management businesses. It presents an opportunity for well-established asset managers, such as PSG Alphen Asset Management, to capitalise on this trend. We believe that a proactive approach to consolidation is essential for asset managers' continued success.

Future

- Renewed focus on assisting the asset managers to capitalise on industry trends.
- The consolidation of our existing and newly acquired offshore businesses, and the expansion of our offshore capability and capacity.
- Aggressively promoting asset growth in our hedge fund business with numerous opportunities (local and offshore) that we expect to come to fruition in coming years.
- Assisting our asset management teams to increase their exposure in the market through joint marketing and sales efforts.
- Working closely with the newly launched **PSG FutureWealth** to enhance synergies and product distribution.
- The establishment of a joint venture with Catalyst Fund Managers (property), effective 1 March 2008. This joint venture will market *The Catalyst SA Property Fund*, which is now offered as a property solution on PSG Fund Management's collective investments platform.
- PSG Fund Management is well diversified and positioned for excellent growth going forward.

PSG FutureWealth Ltd (80%)

CEO – René Miles

The company is a pure linked life insurer focusing on investment business. PSG FutureWealth develops investment solutions at the higher income market for both retail and institutional clients. A wide range of products, including retirement annuities, preservation funds, living annuities, endowments and pension and provident funds, are offered to the end user via intermediaries.

Performance

The past year has been marked by changes and transition. It transformed from a small company with 10 people, balance sheet assets of R4 billion and profit before tax of R2 million, to a company now employing 55 people, balance sheet assets of R7,7 billion and profit after tax of R12 million. The growth is largely the result of the takeover of m Cubed Life's assets. PSG FutureWealth concluded a reinsurance arrangement with m Cubed Life during the financial year under review, in terms of which m Cubed Life investment policies of approximately R5 billion were reinsured with PSG FutureWealth. This transaction has to date resulted in an increase of R3,9 billion in the financial assets of PSG FutureWealth, with a corresponding liability to m Cubed Life.

As a result of the challenges of the past year, we focused largely on internal issues. Bedding down the reinsurance transaction and gaining an understanding of the m Cubed Life book were our key focus areas. Given the nature of the business of a life office, retention of this policy book is key as greater lapses will have a direct impact on the value of the business.

The industry

Continued volatility in local and global markets, combined with rising inflation rates, will result in most financial services companies experiencing a challenging 2008. In the life investment industry, lower investment performance will put pressure on margins and managing cost will be a critical success factor. Given our niche focus, we believe that PSG FutureWealth is strategically positioned to utilise this uncertainty by developing innovative products aimed at reducing risk and providing predictable outcomes for investors.

Stakeholders in the industry are moving away from complex products. Simplicity and transparency are vital for success, not only in the structured product arena but also in the active managed portfolio environment.

Gone are the days that the providers of products develop products on their own and expect the intermediaries to sell them. Successful products will increasingly depend on the interaction between product providers and intermediaries to identify the market needs.

The year ahead

Although a lot of groundwork was done in 2007, we believe that 2008 is bound to be a defining year for PSG FutureWealth. There are a number of realities that will have to be dealt with in order to achieve success in 2008.

These include:

- Staff – getting the right people on the bus
- Entrenching our values and culture
- Retention of the m Cubed policy book
- Dealing with non-profitable business
- Kick-starting distribution
- Consolidation of the asset base
- Transforming the cost base from a fixed cost base to a variable cost base
- Integration of administrative systems onto a single platform

We know what needs to be done and we have our ducks in a row. We hope to be in a position to report a positive outcome to these challenges in a year's time.

Channel Life Ltd (34,4%)

CEO – LENNIE LOUW

Key financial figures

Year ended 31 December	**2007**	2006
Embedded value (Rm)	**441,5**	428
Net value of new business (Rm)	**30**	37
Annual premium equivalent (Rm)	**441**	265
Total net premium income (Rbn)	**3,8**	2,3
Capital adequacy ratio (minimum requirement 100%)	**113%**	125%

Channel Life had a disappointing year with headline earnings having decreased by 78% to R4,5 million.

Channel Life's relatively new call centre initiative as well as network marketing accounted for considerable losses as a result of high policy lapse ratios and unforeseen costs. Management has made a concerted effort to ensure that it is not repeated in future. The broker and group benefits businesses, including the group's funeral insurance subsidiary Safrican, experienced strong and profitable growth.

A new executive team, headed by Lennie Louw as chief executive officer, was introduced during the second half of 2007. This team's agreed strategy is to focus exclusively on Channel Life's core recurring premium risk business. PSG and senior partner, *Sanlam*, remain confident that Channel Life's performance will improve significantly going forward.

Corporate activity

Sanlam increased its shareholding in Channel Life to 62,4% with the view to expand its reach within the life insurance developing markets of South Africa.

In terms of Channel Life's focus on its core business, the investment business subsidiary, Alternative Channel (now *PSG FutureWealth*), was sold to PSG Group.

Thebe Investment Corporation's 4% shareholding in Channel Life was swapped for a 15% stake in Safrican. This BEE transaction will further support Safrican's position as dominant player within the funeral insurance business in South Africa.

Other highlights

BEE is an inherent part of the Channel Life business philosophy, with the company embracing diversity to reach its full potential in all areas of the business. This is evident in the Channel Life BEE staff ratio of 74%, which is well above the industry norm.

Thirty Channel Life Ubuntu Point container and service branches were rolled out – deep into the rural communities of the country.

Channel Life is proud of the results achieved under Consumer Education, as part of the Financial Services Charter requirements. Well over 400 people from rural communities were formally trained on the importance of sound financial planning, with an overwhelming response for Channel to continue with its community educational work during 2008.

Industry overview and prospects

Higher interest rates, coupled with higher food inflation, are impacting negatively on the target market of the entry-level life insurance players in South Africa. In the process, new business prospects have been reduced and the persistency of in-force business has come under threat, which will test the resolve of all companies operating within this market.

Despite this challenging environment, Channel Life is well positioned for further growth. Our distribution reach is wide and diversified and the required steps have been implemented to secure sustainable and quality new business growth in the year ahead.

Zeder Investments Ltd (35,2%)

CEO – Antonie Jacobs

Financial results

Period ended 29/28 February	**2008**	2007 (6 mnths)
Ordinary shareholders equity (Rm)	**1 566,4**	1 282,9
Headline earnings (Rm)	**206,5**	136,5
Headline earnings per share (cents)	**35,4**	27,8
Final dividend per share (cents)	**5,0**	2,0
Number of shares (million)		
– in issue	**605,1**	571,3
– weighted average	**582,8**	490,5

PSG, as manager of Zeder, earns a 2% management fee based on the total assets of the company. The past year saw PSG also earning a performance fee based on Zeder's outperformance of the benchmark indices. The 2008 management and performance fees before tax amounted to R22,5 million and R18,1 million respectively.

Portfolio

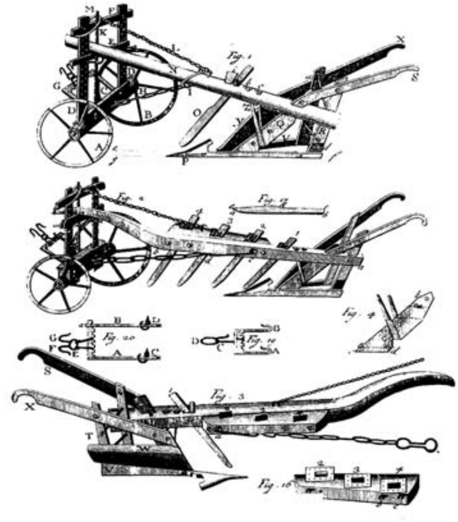
Zeder's portfolio consisted of the following investments as at 29 February 2008:

Kaap Agri	33,6%
KWV	20,8%
Suidwes Investments	15,5%
Senwes	5,8%
OVK Operations	8,1%
NWK	4,4%
MGK Business Investments	29,8%
Agricol Holdings	20,0%
KLK	10,0%
Tuinroete Agri	5,9%
BKB	3,3%

Highlights

Kaap Agri/Pioneer share swap

Effective 1 August 2007, Zeder concluded a transaction with *Kaap Agri* whereby it swapped its 5,8% interest in *Pioneer* for an additional 16,8% interest in Kaap Agri. This transaction was made possible by the



abolishment of Kaap Agri's shareholder restriction whereby a shareholder was previously not allowed to own more than 5% of the company.

Increase in investment portfolio

Zeder invested R324,9 million to increase its holdings in its current investments as well as adding three new investments – MGK Business Investments Ltd, Tuinroete Agri Ltd and Agricol Holdings Ltd.

Our investments in *Kaap Agri* and *KWV* still comprise the bulk of Zeder's investment portfolio, representing about 75% of the total value of the investments, excluding cash.

Equity-accounted earnings

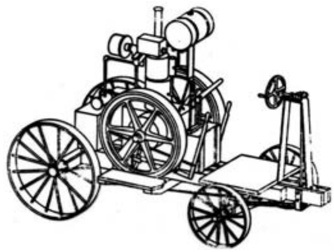
Equity-accounted earnings reflect the performance of the company instead of accounting for the change in its share price. Equity-accounted earnings are usually less volatile than marked-to-market profits/losses. Zeder treats its investments as associates whereby its earnings are equity accounted when it can demonstrate significant influence. It is Zeder's intention to equity account all its investments.

Zeder has achieved its objective to equity account its investments in:

- Kaap Agri Ltd
- Pioneer Food Group Ltd via Kaap Agri Ltd
- KWV Beleggings Ltd and Distell Ltd via KWV Ltd
- MGK Business Investments Ltd
- Agricol Holdings Ltd
- KLK Landbou Ltd

Prospects

Although conditions were not ideal, *Pioneer* listed on the JSE during April 2008. This will coincide with a rights issue of R500 million. The new capital will enable Pioneer to fund its expansion programme. More liquidity in the share as well as expanded operations should increase shareholders' wealth in future years.



A looming food shortage worldwide creates a demand for agricultural resources and associated industries. We therefore remain excited about the prospects of the environment in which our investments operate. The barriers to entry of investing in agriculture businesses, coupled with the few agricultural companies listed, make for a compelling investment case.

For comprehensive results and commentary refer to *www.zeder.co.za*.

MiWay Finance (Pty) Ltd (19%)

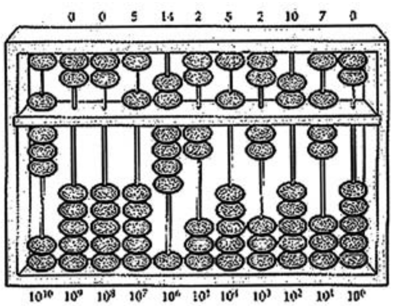
MiWay is a direct financial services business, using in-bound call centres and soon the internet to distribute its products. The launch involved four products – short-term insurance, credit life insurance, extended motor warranties and home loans. Over the next 12 months life insurance, personal loans, investments and motor finance will be added, thereby establishing MiWay as a proper financial services business "under one umbrella".

MiWay commenced business on 25 February 2008. Based on volumes and gross premiums written, management is pleased with the initial results. The shareholders, namely *Sanlam* (56%), *Santam* (25%), *PSG* (19%) and management (low-voting N shares) invested just over R200 million.

MiWay differentiates itself from its opposition by:

- allowing complete self-management via the internet;
- offering clients the convenience of not having to repeat information that already exists on its database when subsequent products are bought, as well as considering the credit risk rating of a client across different products;
- rewarding good risk behaviour without penalising a client who claims; and
- allowing clients and prospective clients to place compliments or complaints on its website – thereby setting new standards of transparency and service levels.

MiWay aims to capture roughly 5% of the market share in the lead industries it focuses on within five years. Over this period it aims to turn the capital investment of slightly more than R200 million into a business with a substantial enterprise value.



PSG Corporate Services (100%)

This is PSG Group's management company and employs the Exco members and supporting staff. The Exco manages and invests PSG's capital.

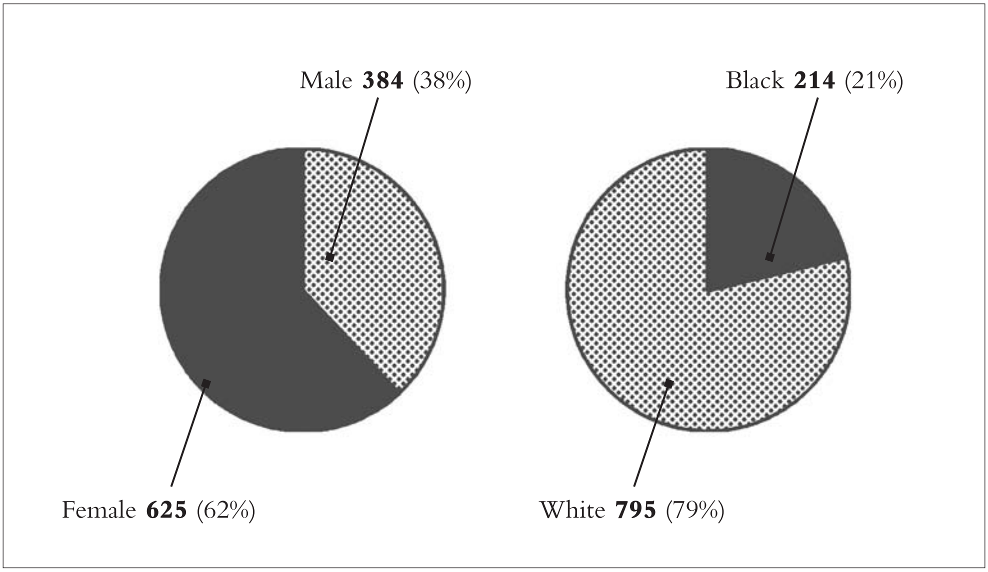
PSG's investments in especially *Petmin* (10% stake) contributed substantially to the marked-to-market profits in the past financial year. PSG also has a 3% stake in *Vox Telecom* and minor stakes in other listed investments. The investments in PSG-managed unit trusts, with a foreign currency exposure bias, and the seed capital investments in the South Easter Fixed Interest and Black Swan hedge funds, yielded market-related returns.

Group employee statistics

as at 29 February 2008

	Number	%
GENDER		
Male	384	38
Female	625	62
RACE		
Black	214	21
White	795	79
EDUCATION		
Up to grade 11	56	6
Grade 12	451	45
Post grade 12 (e.g. diploma/certificate)	245	24
University degree	172	17
Post-graduate degree or professional qualification	85	8
HIERARCHY		
Executive directors (including CEOs and MDs)	58	6
Senior management	25	2
Middle/Junior management	52	5
Operational	311	31
Support	563	56
TOTAL NUMBER OF EMPLOYEES (excluding associated companies)	**1 009**	

Black refers to African Black, Coloured and Indian



Stock exchange performance

as at 29 February 2008

Year-end 29/28 February	2008	2007	2006	2005	2004	2003
Market price (cents)						
– High for the year	**3 050**	2 925	2 300	705	520	650
– Low for the year	**1 900**	1 570	620	253	255	375
– Closing price	**2 085**	2 720	2 266	700	385	520
– Average	**2 714**	2 257	1 060	428	460	512
Closing price/earnings	**7,1**	5,2	6,4	7,8	5,0	7,4
Volume of shares						
traded (000)	**43 409**	37 787	13 933	48 528	56 204	42 636
Value of shares						
traded (R000)	**1 178 129**	853 000	147 660	207 742	258 285	218 168
Volume/weighted						
average shares (%)	**26,5**	30,1	13,7	45,1	50,3	35,5

Our track record

as at 29 February 2008

Year-end 29/28 February	2008	2007	2006	2005	2004	2003
Headline earnings per share (cents)	**295,1**	519,3	351,8	90,0	76,3	70,7
Headline earnings (Rm)	**482,5**	651,4	358,4	96,7	85,2	84,8
Distribution per share (cents)						
– Normal	**112,5**	90,0	67,5	45,0	30,0	20,0
– Special					70,0	200,0
Ordinary shareholders' funds (Rm)	**3 295**	2 373	719	362	336	993
Net worth per share (cents)	**1 948**	1 585	704	356	320	828
Total assets (Rm)	**14 206**	5 501	1 833	2 794	2 384	2 594
Market capitalisation (Rm)	**3 953**	4 621	2 701	834	443	624
Number of shares (000)						
– Issued	**189 579**	169 885	119 195	119 195	115 000	120 000
– Treasury shares	**20 386**	20 133	17 015	17 619	10 000	
– Net	**169 193**	149 752	102 180	101 576	105 000	120 000
– Weighted average	**163 505**	125 446	101 888	107 519	111 700	120 000
ROE (%)	**17,0**	42,1	66,3	27,7	12,8	7,7

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

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

Value added statement

for the year ended 29 February 2008

	2008 R000	%	2007 R000	%
VALUE ADDED				
Total income	**2 859 341**		1 449 587	
Dividend income /capital reductions – associated companies	**75 445**		6 827	
Total expenses excluding employee costs and depreciation	**(1 583 287)**		(305 560)	
	1 351 499		1 150 854	
Non-recurring items				
Profit on sale/dilution of investments in subsidiaries and associated companies	**(66 075)**		(17 620)	
Loss on sale of subsidiaries			8 052	
Impairment charges			21 249	
Other	**5 610**		2 031	
	1 291 034		1 164 566	
VALUE ALLOCATED				
To employees				
Salaries, wages and other benefits	**481 652**	**37**	261 716	22
To providers of capital	**288 548**	**23**	187 544	16
Finance costs	**57 848**	**5**	40 151	3
Dividends – own shareholders	**154 972**	**12**	92 574	8
– outside shareholders	**75 728**	**6**	54 819	5
To government				
Normal tax and secondary tax on companies	**108 250**	**8**	127 468	11
To expansion and growth	**412 584**	**32**	587 838	51
Depreciation	**10 688**	**1**	4 468	
Retained income – own shareholders	**222 134**	**17**	507 287	44
– outside shareholders	**179 762**	**14**	76 083	7
	1 291 034	**100**	1 164 566	100

Corporate governance

The PSG Group is committed to the principles of transparency, integrity and accountability as also 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 12.

The board met four 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 company with little 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

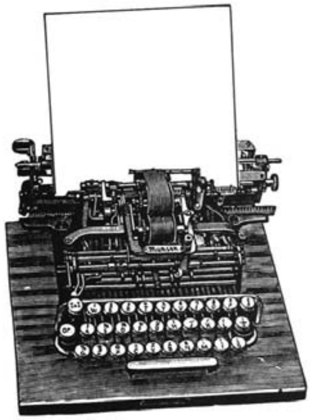
The board has appointed the following committees to assist it in the performance of its duties:

- 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 (non-executive), PJ Mouton 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 associated companies all operate on the same principle.



Remuneration committee

The remuneration committee comprises Mr J Hoffman, (chairman) and all the independent non-executive directors, being Messrs L van A Bellingan, PE Burton, MJ Jooste, CH Wiese and J van Zyl Smit. The committee met once during the past year, and a quorum was present.

The committee is chaired by an independent non-executive. Each major group subsidiary has its own remuneration committee chaired by Mr CA Otto.

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 Messrs J van Zyl Smit (chairman), 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.

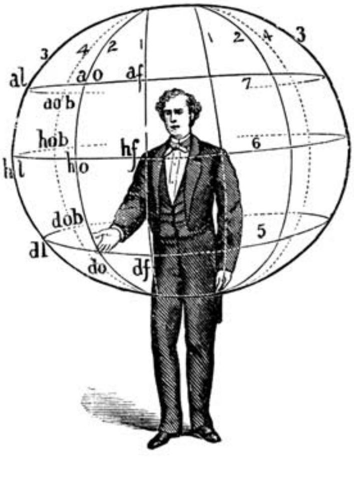
Executive directors' remuneration

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 at group level.

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 is affecting 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. PSG furthermore pays all its taxes regularly and encourages government to spend its receipts responsibly.

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 principle of equal opportunity. 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 ranges 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

Approval of annual financial statements

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

The audit and risk 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 and risk 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 35 to 97 were approved by the board of directors of PSG Group Ltd and are signed on its behalf by:

JF Mouton
Chairman

CA Otto
Director

16 May 2008
Stellenbosch

Report of the independent auditor

To the members of PSG Group Limited

We have audited the annual financial statements and group annual financial statements of PSG Group Ltd, which comprise the directors' report, the balance sheet and the consolidated balance sheet as at 29 February 2008, the income statement and the consolidated income statement, the statement of changes in equity and the consolidated statement of changes in equity, the cash flow statement and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 35 to 97.

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 and of the group as of 29 February 2008, and their financial performance and their 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

16 May 2008
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) Ltd
Per WL Greeff
Company secretary

16 May 2008
Stellenbosch

Directors' report

NATURE OF BUSINESS

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

OPERATING RESULTS

The operating results and the state of affairs of the company and the group are fully set out in the attached income statements, balance sheets and notes thereto. The group's headline earnings attributable to shareholders amounted to R482,5 million (2007: R651,4 million). Attributable earnings amounted to R554,2 million (2007: R692,0 million).

SHARE CAPITAL

Details of the authorised and issued share capital appear in note 15 to the financial statements.

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

	Number of shares	
	2008	2007
At beginning of year	**169 885 051**	119 195 000
Less: Treasury shares		
Held by a subsidiary company	**(11 495 000)**	(11 495 000)
Held by the Share Incentive Trust	**(4 646 176)**	(5 520 380)
Held by associated companies	**(3 992 088)**	
Net shares in issue at beginning of year	**149 751 787**	102 179 620
Issued in terms of a voluntary offer to all Capitec Bank Holdings Ltd shareholders at a ratio of 1,4545 ordinary shares for each Capitec offer share held	**19 694 334**	
Movement in treasury shares		
Shares acquired by PSG Financial Services Ltd, a subsidiary company	**(1 127 592)**	
Shares donated by PSG Financial Services Ltd	**100 000**	
Shares acquired by Kumani Holdings (Pty) Ltd, an associated company	**(159 235)**	(2 094 765)
Shares acquired by Thembeka Capital (Pty) Ltd, an associated company		(1 897 323)
Shares acquired by the Share Incentive Trust	**(277 000)**	(1 276 166)
Share Incentive Trust's Capitec shares exchanged for PSG shares in terms of the abovementioned voluntary offer to all Capitec shareholders	**(66 849)**	
Shares released to participants of the Share Incentive Trust	**1 277 178**	2 150 370
Specific share issues/buyback in terms of the merger with Arch Equity Ltd		
Issued to section 311 scheme of arrangement participants		27 154 826
Issued to Jasmyn Corporate Holdings (Pty) Ltd shareholders		17 827 762
Issued to Arch Equity Ltd Share Incentive Trust participants		564 549
Bought back from Arch Equity Ltd and cancelled		(21 540 000)
Issued in terms of a rights offer to all PSG Group Ltd 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) Ltd		4 831 237
Specific issue for cash to Kumani Holdings (Pty) Ltd, an associated company		1 200 000
Specific issue in exchange for shares in KWV Ltd		7 955 230
Net shares in issue at end of year	**169 192 623**	149 751 787

DIVIDENDS

Details of dividends appear in note 34 to the financial statements.

DIRECTORS

The directors of the company at the date of this report appear on page 12. Since the date of the previous report, Mr CH Wiese was appointed as an independent, non-executive director with effect from 4 July 2007, and Mr P Malan's status as director formally changed from alternate to non-executive with effect from 8 October 2007. Mr BE Steinhoff resigned from the board of directors with effect from 21 April 2008.

Directors' report

continued

DIRECTORS' EMOLUMENTS

The following directors' emoluments have been incurred by the company and its subsidiaries for the year ended 29 February 2008:

CASH-BASED REMUNERATION (R000)	Fees	Basic salaries	Company contributions	Performance-related[1]	**Total 2008**	Total 2007
Executive						
JF Mouton		2 897	81	4 500	**7 478**	7 728
CA Otto		2 172	81	2 000	**4 253**	6 028
J de V du Toit[2]						541[3]
Non-executive						
L van A Bellingan	115				**115**	110
PE Burton	115				**115**	75
J de V du Toit[2]	1 200[4]				**1 200**	
MJ Jooste	75				**75**	75
P Malan[5, 6]	70	1 173	103	4 437	**5 783**	5 664
JJ Mouton[5, 7]	70	600		1 894	**2 564**	1 820
BE Steinhoff	75[8]				**75**	58
W Theron[5]	70	1 900		3 484	**5 454**	2 508
J van Zyl Smit	214[9]				**214**	163
CH Wiese	35[10]				**35**	
D Lockey						40[11]
	2 039	8 742	265	16 315	**27 361**	24 810

1 *Approved by remuneration committee on 21 April 2008 in respect of 2008 financial year.*
2 *Executive until 28 February 2007, non-executive with effect from 1 March 2007.*
3 *Represents 49% of the basic salary paid by an associated company.*
4 *R70 000 in respect of directors' fees, the balance representing fees received at subsidiary level.*
5 *Executive of subsidiary company.*
6 *Includes dividend income from a subsidiary company of R2,662 million (2007: Rnil), which has been grossed up for comparative purposes.*
7 *Includes dividend income from a subsidiary company of R1,137 million (2007: R0,78 million), which has been grossed up for comparative purposes.*
8 *Resigned as director with effect from 21 April 2008.*
9 *Includes R70 000 in respect of directors' fees and R64 000 as chairman of audit committees at subsidiary level.*
10 *Appointed as director with effect from 4 July 2007.*
11 *Resigned as director with effect from 4 August 2006.*

Directors' report

continued

EQUITY-BASED REMUNERATION

	Number of shares as at 28 February 2007	Exchange of Capitec scheme shares for PSG shares[1]	Number of scheme shares during year Granted	Number of scheme shares during year Vested	Notional gain on shares delivered R'000	Vesting price per share R	Date awarded	**Number of shares as at 29 February 2008**
PSG Group Ltd shares								
Executive								
JF Mouton	186 625			(111 975)	3 061	0,01	12/03/2002	**74 650**
		35 923				1,04	12/03/2002	**35 923**
	42 950			(25 770)	687	0,65	20/11/2002	**17 180**
		20 667		(12 401)	319	1,58	20/11/2002	**8 266**
	910 000			(325 000)	8 394	2,57	13/07/2004	**585 000**
	120 000					22,25	26/10/2006	**120 000**
	1 259 575	56 590	–	(475 146)	12 461			**841 019**
J de V du Toit	700 000			(250 000)	6 457	2,57	13/07/2004	**450 000**
	120 000					22,25	26/10/2006	**120 000**
	820 000			(250 000)	6 457			**570 000**
CA Otto	700 000			(250 000)	6 457	2,57	13/07/2004	**450 000**
	511 000			(182 500)	3 849	4,01	12/10/2004	**328 500**
	120 000					22,25	26/10/2006	**120 000**
	1 331 000	–	–	(432 500)	10 306			**898 500**
Non-executive[2]								
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 Ltd	3 930 575	56 590	–	(1 157 646)	29 224			**2 829 519**
Capitec Bank Holdings Ltd shares								
Executive								
JF Mouton	61 744	(24 698)		(37 046)	1 253	1,52	12/03/2002	**–**
	14 209	(14 209)				2,30	20/11/2002	**–**
Total Capitec Bank Holdings Ltd	75 953	(38 907)	–	(37 046)	1 253			**–**

1 *In June 2007, the PSG Group Share Incentive Trust exchanged its Capitec shares for PSG shares in terms of the voluntary offer made to all Capitec shareholders whereby 1,4545 PSG shares were offered for each Capitec share held.*

2 *Executives of subsidiary companies*

Directors' report

continued

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 29 February 2008 was as follows:

	Beneficial		Non-beneficial		**Total shareholding 2008**		Total shareholding 2007	
	Direct	Indirect	Direct	Indirect	**Number**	**%**	Number	%
L van A Bellingan				20 000	**20 000**		20 000	
PE Burton				127 055	**127 055**	**0,1**	127 055	0,1
J de V du Toit				3 270 000	**3 270 000**	**1,9**	3 020 000	2,0
MJ Jooste				20 000 000	**20 000 000**	**11,8**	14 205 874	9,5
P Malan	130 000			40 000	**170 000**	**0,1**	157 083	0,1
JF Mouton	2 552 744			42 695 884	**45 248 628**	**26,7**	32 591 032	21,8
JJ Mouton	111 000			1 089 000	**1 200 000**	**0,7**	761 000	0,5
CA Otto	108			3 665 000	**3 665 108**	**2,2**	3 308 973	2,2
BE Steinhoff	841 030				**841 030**	**0,5**	833 334	0,6
W Theron				95 000	**95 000**	**0,1**	81 543	
Dr J van Zyl Smit	528 117				**528 117**	**0,3**	325 000	0,2
CH Wiese		15 500 000			**15 500 000**	**9,2**	n/a	n/a
	4 162 999	15 500 000		71 001 939	**90 664 938**	**53,6**	55 430 894	37,0

Subsequent to the year-end, Mr JF Mouton obtained a further 110 573 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 29 February 2008 and the date of this report.

SUBSIDIARIES

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

SPECIAL RESOLUTIONS OF SUBSIDIARIES

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

PSG Financial Services Ltd

The consolidation of the company's authorised preference share capital consisting of 600 000 000 authorised cumulative, non-redeemable, non-participating preference shares with a par value of one cent each and its issued preference share capital consisting of 550 000 000 issued preference shares with a par value of one cent each into 6 000 000 authorised preference shares and 5 500 000 issued preference shares with a par value of one rand each.

The increase in the authorised share capital of the company from R86 000 000 divided into 1 000 000 000 ordinary shares of eight cents each and 6 000 000 cumulative, non-redeemable, non-participating preference shares of one rand each, to R90 000 000 divided into 1 000 000 000 ordinary shares of eight cents each and 10 000 000 cumulative, non-redeemable, non-participating preference shares of one rand each.

Paladin Capital Ltd

The replacement of the company's Memorandum of Association and Articles of Association in its entirety in order to comply with the JSE Ltd's Listings Requirements.

PSG FutureWealth Ltd

The change in the company's name from Alternative Channel Ltd to PSG FutureWealth Ltd, as well as the change in the company's year-end from December to February.

PSG Konsult Ltd
The increase in the authorised share capital of the company from R7 500 000 divided into 750 000 000 ordinary shares of one cent each to R15 000 000 divided into 1 500 000 000 ordinary shares of one cent each.

The company be authorised, until the next annual general meeting, to repurchase any of the shares issued by the company upon such terms as the directors may determine, but subject to the provisions of sections 85 to 88 of the Companies Act (Act 61 of 1973).

Zeder Investments Ltd
The company be authorised to repurchase its own issued shares, upon such terms as the directors of the company may determine, but subject to the provisions of sections 85 to 88 of the Companies Act, the Articles of Association of the company, the Listings Requirements of the JSE Ltd and the requirements of any other stock exchange on which the shares of the company may be quoted or listed.

The company approved the acquisition by any subsidiary of the company of shares issued by such subsidiary and/or by the company, upon such terms that the directors of such subsidiary company(ies) may determine, but subject to the provisions of sections 85 to 89 of the Companies Act, the Articles of Association of the company, the Listings Requirements of the JSE Ltd and the requirements of any other stock exchange on which the shares of the company may be quoted or listed.

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

Balance sheets

as at 29 February 2008

	Notes	GROUP 2008 R000	GROUP 2007 R000	COMPANY 2008 R000	COMPANY 2007 R000
ASSETS					
Property, plant and equipment	1	**26 478**	40 063		
Intangible assets	2	**676 330**	648 858		
Investment in subsidiary	3			**2 388 861**	1 966 102
Investment in associated companies	4	**3 533 887**	1 104 911		
Deferred income tax	5	**13 785**	34 102	**24**	15 823
Financial assets					
Equity securities	6	**1 539 784**	1 699 771		
Debt securities	7	**1 297 074**	5 363		
Unit linked investments	8	**5 309 671**	73 950		
Investment in investment contracts	9	**1 105 871**			
Loans and advances	10	**61 572**	59 463		
Derivative financial instruments	11	**30 395**			
Inventories	12		90 372		
Receivables	13	**193 682**	403 122		
Cash and cash equivalents	14	**417 542**	1 340 761	**392**	287
Total assets		**14 206 071**	5 500 736	**2 389 277**	1 982 212
CAPITAL AND RESERVES ATTRIBUTABLE TO THE COMPANY'S EQUITY HOLDERS					
Share capital	15	**1 692**	1 498	**1 896**	1 699
Share premium		**1 838 795**	1 286 985	**1 838 795**	1 286 985
Treasury shares		**(169 219)**	(132 860)		
Other reserves	16	**13 594**	5 973		
Retained earnings		**1 610 586**	1 211 398	**542 488**	692 404
Ordinary shareholders' funds		**3 295 448**	2 372 994	**2 383 179**	1 981 088
Minority interest	17	**1 773 528**	1 574 474		
Total equity		**5 068 976**	3 947 468	**2 383 179**	1 981 088
LIABILITIES					
Insurance contracts	18	**1 739**	1 612		
Deferred income tax	5	**141 226**	112 577		
Financial liabilities					
Borrowings	19	**641 622**	747 486		
Derivative financial instruments	11	**230 032**	28 644		
Investment contracts	20	**7 535 673**			
Third-party liabilities arising on consolidation of mutual funds	21	**23 024**	118 138		
Provisions for other liabilities and charges	22	**41 675**	51 701		
Trade and other payables	23	**451 509**	404 138	**6 098**	1 113
Current income tax liabilities		**70 595**	88 972		11
Total liabilities		**9 137 095**	1 553 268	**6 098**	1 124
Total liabilities and shareholders' funds		**14 206 071**	5 500 736	**2 389 277**	1 982 212

Income statements

for the year ended 29 February 2008

		GROUP		COMPANY	
	Notes	**2008 R000**	2007 R000	**2008 R000**	2007 R000
INCOME					
Sales from non-financial operations	24	**1 316 839**			
Investment income	25	**200 121**	119 280	**44 000**	217 250
Fair value gains and losses on financial instruments	26	**351 438**	678 472		
Fair value adjustment to investment contract liabilities	20	**22 269**			
Commission and other fee income	27	**861 814**	594 728	**1 431**	1 048
Insurance premium income	28	**15 581**	14 402		
Other operating income	29	**91 279**	42 705		
Total income		**2 859 341**	1 449 587	**45 431**	218 298
EXPENSES					
Insurance claims and loss adjustments	28	**6 997**	2 772		
Cost of sales of non-financial operations	24	**1 181 590**			
Marketing, administration and other expenses	30	**887 040**	560 920	**9 208**	1 092
Total expenses		**2 075 627**	563 692	**9 208**	1 092
Results of operating activities		**783 714**	885 895	**36 223**	217 206
Finance costs	31	**(57 848)**	(40 151)		
Share of profits of associated companies	4	**235 630**	124 774		
Profit before taxation		**961 496**	970 518	**36 223**	217 206
Taxation	32	**(151 846)**	(147 584)	**(15 799)**	(12 635)
Net profit for the year		**809 650**	822 934	**20 424**	204 571
Attributable to:					
Minority interests		**255 490**	130 902		
Equity holders of the company		**554 160**	692 032	**20 424**	204 571
		809 650	822 934	**20 424**	204 571
Earnings per share (cents)	33				
Basic		**338,9**	551,7		
Diluted		**334,4**	538,8		
Dividend per share (cents)	34				
Interim		**32,5**	26,0	**32,5**	26,0
Final		**80,0**	64,0	**80,0**	64,0
		112,5	90,0	**112,5**	90,0

Statements of changes in owners' equity

for the year ended 29 February 2008

GROUP	Share capital and premium R000	Treasury shares R000	Other reserves R000	Retained earnings R000	Minority interest R000	Total R000
Balance at 1 March 2006	5 203	(73 869)	2 366	785 597	502 481	1 221 778
Prior year adjustment – to treasury shares (note 39)	41	(41)				
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
Share-based payment costs – employees			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/dilution of subsidiaries					(14 543)	(14 543)
Capital contributions by minority shareholders					775 315	775 315
Net income for the year				692 032	130 902	822 934
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	1 288 483	(132 860)	5 973	1 211 398	1 574 474	3 947 468
Issue of share capital	**552 229**					**552 229**
Share issue cost	**(222)**				**(75)**	**(297)**
Share-based payment costs – employees			**3 076**			**3 076**
Share-based payment costs – donations			**2 174**			**2 174**
Currency translation adjustments			**2 242**			**2 242**
Fair value losses on investments			**(236)**			**(236)**
Capital reduction by subsidiary					**(11 789)**	**(11 789)**
Acquisition of subsidiary					**13 979**	**13 979**
Disposal of subsidiaries					**(119 022)**	**(119 022)**
Shares issued to minority shareholders					**130 827**	**130 827**
Net income for the year				**554 160**	**255 490**	**809 650**
Treasury shares sold	**11**	**3 291**				**3 302**
Treasury shares acquired	**(14)**	**(39 650)**				**(39 664)**
Reversal of previous fair value gains after taxation on equity securities				**(55 159)**	**(101 677)**	**(156 836)**
Revaluation of assets and liabilities of associated companies				**55 159**	**101 677**	**156 836**
Rights issue by subsidiary					**11 627**	**11 627**
Transferred to liabilities					**(6 255)**	**(6 255)**
Other			**365**			**365**
Dividend paid				**(154 972)**	**(75 728)**	**(230 700)**
Balance at 29 February 2008	**1 840 487**	**(169 219)**	**13 594**	**1 610 586**	**1 773 528**	**5 068 976**
COMPANY						
Balance at 1 March 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
Issue of share capital	**552 229**					**552 229**
Share issue cost	**(222)**					**(222)**
Net income for the year				**20 424**		**20 424**
Dividend paid				**(170 340)**		**(170 340)**
Balance at 29 February 2008	**1 840 691**	**–**	**–**	**542 488**	**–**	**2 383 179**

Cash flow statements

for the year ended 29 February 2008

		GROUP		COMPANY	
		2008	2007	**2008**	2007
	Notes	**R000**	R000	**R000**	R000
Cash retained from operating activities					
Cash generated by operating activities	38.1	**(78 424)**	87 322	**(2 792)**	87
Interest income		**118 642**	65 657		
Dividend income		**81 479**	53 623	**44 000**	217 250
Interest paid		**(57 848)**	(40 151)		
Taxation paid	38.2	**(123 545)**	(72 896)	**(11)**	(28 619)
Net cash flow from operating activities		**(59 696)**	93 555	**41 197**	188 718
Cash utilised in investing activities					
Acquisition of subsidiaries	38.3	**134 479**	(89 075)		
Acquisition of associated companies		**(591 242)**	(250 099)		
Proceeds from sale of associated companies/repayment of loans		**57 343**	31 807		
Capital refunds from associated companies		**29 636**			
Acquisition of intangibles		**(60 977)**	(34 579)		
Proceeds from sale of book of business		**9 381**	26 918		
Proceeds from sale of subsidiaries	38.4	**(65 099)**	(2 613)		
Proceeds from disposal of fixed assets		**132**	18		
Purchase of fixed assets		**(15 632)**	(11 070)		
Loans from/(to) subsidiaries				**129 248**	(1 146 868)
Net cash flow from investment activities		**(501 979)**	(328 693)	**129 248**	(1 146 868)
Cash flows from financing activities					
Dividends and capital distributions paid to group shareholders		**(154 972)**	(92 574)	**(170 340)**	(104 566)
Dividends/capital distributions paid to minorities		**(87 517)**	(59 056)		
Capital contributions by minorities		**11 552**	775 315		
(Decrease)/increase in borrowings		**(71 612)**	179 751		
Proceeds from issue of ordinary shares			297 421		1 352 210
Proceeds from preference shares issued by subsidiary company			94 794		
Repurchase of shares					(289 421)
Purchase of treasury shares by subsidiary company		**(36 162)**			
Treasury shares sold by subsidiary company		**3 302**	5 608		
Net cash flow from financing activities		**(335 409)**	1 201 259	**(170 340)**	958 223
Net (decrease)/increase in cash and cash equivalents		**(897 084)**	966 121	**105**	73
Cash and cash equivalents at beginning of year		**884 507**	(81 614)	**287**	214
Cash and cash equivalents at end of year	38.5	**(12 577)**	884 507	**392**	287

Accounting policies

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 Ltd 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 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 further on in the accounting policies.

STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS THAT ARE EFFECTIVE FOR THE FIRST TIME IN 2008

- Amendments to IAS1 Presentation of Financial Statements – Capital Disclosures (effective from January 2007)
- IFRS 7 Financial Instruments (Disclosures) (effective from January 2007)
- 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)

The implications of these statements have no impact on measurements of assets and liabilities at previous year-end. Comparatives are provided for new disclosures.

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

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the group's accounting periods beginning on or after 1 March 2008 or later periods but which the group has not early adopted, as follows:

- IFRS 8 Operating Segments (effective January 2009)
- IAS 23 Borrowing Costs – Revised (effective January 2009)
- IAS 1 Presentation of Financial Statements (effective January 2009)
- IFRIC 12 Service Concession Arrangements (effective January 2008)
- IFRIC 13 Customer Loyalty Programmes (effective July 2008)
- IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective January 2008)
- IFRS 3 Business Combinations Revised (effective July 2009)
- IAS 27 Consolidated and Separate Financial Statements Revised (issued February 2008, effective July 2009)
- Amendment to IAS 32 Financial Instruments and IAS 1 Presentation of financial statements: Presentation regarding puttable Instruments (effective 1 July 2009)
- Amendment to IFRS 2 Share Based Payment Vesting Conditions and Cancellations (effective January 2009)

Management is in the process of assessing the impact of these amendments and standards on the reported results of the group and the company.

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.

Accounting policies

continued

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.

Investment in subsidiaries in the company financials are carried at cost less provision for impairment.

Mutual funds
Mutual funds, in which the group has greater than 50% economic interest resulting in effective control, are consolidated. The consolidation principles applied are consistent with those applied to consolidated subsidiary companies.

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.

Dilution gains and losses arising in investment in associated companies are recognised in the income statement.

For step acquisitions of investment in associated companies the carrying value of pre-associate investments are restated to cost through equity. The pre-associate interest in identifiable net assets is also stepped up to fair value through equity. Goodwill is calculated at each stage of step acquisition. The step acquisition investment in associated companies is initially carried at fair value of the group's share of net assets plus goodwill arising from each stage of step acquisition.

Certain associated companies have year-ends that differ from that of the group. In such circumstances the results of certain unlisted companies are accounted for from the latest published information and management accounts as at year-end, respectively.

Accounting policies

continued

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 company 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 company'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.

Accounting policies

continued

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 cash-generating unit (CGU) is reviewed for impairment when an impairment indicator is identified.

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 for impairment when an impairment indicator is identified.

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 trademarks and licences is capitalised and amortised using the straight-line method over their useful lives not exceeding a period of two years.

Accounting policies

continued

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.

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.

Accounting policies

continued

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.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of investment income. Dividends on available-for-sale equity instruments are recognised in the income statement as part of investment income when the group's right to receive payment is established.

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.

Loans and advances are considered impaired if, and only if, there is objective evidence of impairment as a result of events that occurred after initial asset recognition (known as loss events) and these loss events have an adverse impact on the assets' estimated future cash flows that can be reliably measured. Objective evidence that loans and advances may be impaired, includes breach of contract, such as a default or delinquency in interest or principal payments. In this regard instalments past due date are considered in breach of contract.

The group does not apply hedge accounting.

Investment in investment contracts
These are valued at fair value, if issued by an independent credible party, or at fair values of the underlying investments supporting the policy adjusting for applicable liquidity or credit risk.

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 initially measured at fair value and subsequently recognised at amortised cost using the effective interest rate method, 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 original 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.

Accounting policies

continued

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

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. These contracts are measured at the fair value of the corresponding financial assets.

INSURANCE CONTRACTS AND INVESTMENT CONTRACTS WITH DISCRETIONARY PARTICIPATING FEATURES ("DPF")

No insurance and investment contracts with discretionary participating features are currently entered into by the group.

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.

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.

Accounting policies

continued

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.

LIABILITY ADEQUACY TEST

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

As set out above, long-term insurance contracts with fixed terms are measured based on assumptions set out at the inception of the contract. When the liability adequacy test requires the adoption of new best estimate assumptions, such assumptions (without margins for adverse deviation) are used for the subsequent measurement of these liabilities. Any DAC written off as a result of this test cannot subsequently be reinstated.

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.

CURRENT AND DEFERRED INCOME TAX

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the group's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Accounting policies

continued

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

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

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

EMPLOYEE BENEFITS

Pension obligations

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

Other post-retirement benefits

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

Share-based compensation

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

For the equity-settled share-based compensation scheme the fair value of the employee services received in exchange for the grant of the scheme shares, less the amount paid by the employee, 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 proceeds received from employees are credited to the loan account.

For the cash-settled scheme the fair value of the liability incurred for employee services received is recognised as an expense over the vesting period. Until the liability is settled, the group remeasures the fair value of the liability at each reporting date and at the date of settlement, with any changes in value recognised in profit or loss for the 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.

Annual leave

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the estimated annual leave as a result of services rendered by employees up to 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.

Accounting policies

continued

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.

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 collectability 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.

Accounting policies

continued

LEASES

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

DIVIDEND DISTRIBUTIONS

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

Accounting policies

continued

Employee benefits

Refer to note 15 on share-based compensation schemes.

Equity accounting

In the prior year there were investments over which PSG Group had significant influence through board representation although it had an interest of less than 20% in these companies. Those investments were accordingly accounted for as associates using the equity method.

Directors' valuation of unlisted associated companies

Different valuation techniques are used for the directors' valuation of the unlisted investment in associated companies. Valuation techniques used include applying a market-related price-earnings ratio to operational earnings, assessing the fair value of underlying investments as well as the published net asset value.

Impairment of investments

An impairment of investments 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.

Acquisition of associated companies

During the year under review the group acquired a number of associated companies. In accounting for these transactions management had to apply judgement in allocating the purchase price to the tangible and intangible assets of the associates acquired, as well as to goodwill.

Investment contracts

The company issues a significant number of investment contracts that are designated at fair value through profit or loss. These financial instruments are not quoted in active markets, and their fair values are determined by using valuation techniques. Such techniques (for example, valuation models) are validated and periodically reviewed by qualified personnel independent of the area that created them. All models are validated before they are used and calibrated to ensure that outputs reflect actual experience and comparable market prices.

Notes to the financial statements

for the year ended 29 February 2008

GROUP	Land and buildings R000	Vehicles and plant R000	Office equipment R000	Computer equipment R000	**Total R000**
1. PROPERTY, PLANT AND EQUIPMENT					
As at 29 February 2008					
Cost	**3 447**	**8 170**	**18 787**	**25 562**	**55 966**
Accumulated depreciation	**(608)**	**(1 831)**	**(9 822)**	**(17 227)**	**(29 488)**
Balance at end of year	**2 839**	**6 339**	**8 965**	**8 335**	**26 478**
Reconciliation					
Balance at beginning of year	**2 851**	**23 561**	**6 698**	**6 953**	**40 063**
Additions	**84**	**6 168**	**4 229**	**5 151**	**15 632**
Disposals			**(126)**	**(6)**	**(132)**
Depreciation	**(96)**	**(4 288)**	**(2 210)**	**(4 094)**	**(10 688)**
Subsidiaries acquired			**374**	**331**	**705**
Subsidiaries sold		**(19 102)**			**(19 102)**
Balance at end of year	**2 839**	**6 339**	**8 965**	**8 335**	**26 478**
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

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

The market value of land and buildings at 29 February 2008, as determined by the directors of the relevant property-owning group companies, amounted to R10 994 000 (2007: R9 560 000).

GROUP	Deferred acquisition costs R000	Customer lists R000	Trademarks R000	Goodwill R000	**Total R000**
2. INTANGIBLE ASSETS					
As at 29 February 2008					
Cost	**83 029**	**188 003**	**41 430**	**459 023**	**771 485**
Accumulated amortisation	**(62 918)**	**(26 868)**	**(5 369)**		**(95 155)**
Balance at end of year	**20 111**	**161 135**	**36 061**	**459 023**	**676 330**
Reconciliation					
Balance at beginning of year	**12 459**	**143 283**	**31 034**	**462 082**	**648 858**
Additions	**37 995**	**16 034**	**6 948**		**60 977**
Disposals	**(819)**	**(1 312)**		**(7 250)**	**(9 381)**
Acquisition of subsidiaries		**12 434**	**1 255**	**15 008**	**28 697**
Realised on disposal of subsidiaries				**(9 326)**	**(9 326)**
Impairment				**(1 491)**	**(1 491)**
Amortisation	**(29 524)**	**(9 304)**	**(3 176)**		**(42 004)**
Balance at end of year	**20 111**	**161 135**	**36 061**	**459 023**	**676 330**

Notes to the financial statements

for the year ended 29 February 2008

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

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 2008 R000	GROUP 2007 R000
Private equity and corporate finance	**71 157**	80 344
Financial advice and fund management	**201 246**	195 118
Financing and banking	**186 620**	186 620
	459 023	462 082

The cash-generating units have been refined to conform to the segment report (refer annexure B).

Private equity and corporate finance

The recoverable amount is determined based on the fair value less cost to sell. For listed investments, the quoted market prices were used. In the case of unlisted investments, where there is no active market, fair value was determined by multiplying the earnings for the current year by an applicable price-earnings ratio. The ratios for similar listed companies, adjusted for a liquidity discount, as well as recent transactions within the group, were used to determine applicable price-earnings ratios of between 5 and 10.

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.

Notes to the financial statements

for the year ended 29 February 2008

2. INTANGIBLE ASSETS *(continued)*

Financing and banking

The recoverable amount is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on historical results, the following financial year's management approved budget extended for a four-year growth phase and comparative market data. Cash flows are discounted using a multi-stage cash flow model with the parameters indicated below.

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

Cost of capital	15%
Growth rate during four-year growth phase	20%
Terminal growth rate	10%
Discount rate[1]	5%

[1] *Pre-tax discount rate applied to the cash flow projections after growth phase*

These assumptions have been used for the analysis of the 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 16,9% and cost of debt of 13,5% 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.

	COMPANY	
	2008	2007
	R000	R000
3. INVESTMENT IN SUBSIDIARY		
Unlisted shares at cost less provision for impairment	**808 182**	808 182
Amount due by PSG Financial Services Ltd	**1 580 679**	1 157 920
	2 388 861	1 966 102

The loan to PSG Financial Services Ltd is current in nature, has no fixed repayment terms and is interest-free.

Refer Annexure A

Notes to the financial statements

for the year ended 29 February 2008

	GROUP 2008 R000	GROUP 2007 R000
4. INVESTMENT IN ASSOCIATED COMPANIES		
Carrying value of shares		
Listed	**1 260 447**	470 820
Unlisted	**1 968 405**	386 812
	3 228 852	857 632
Loans and preference shares – Unlisted	**305 035**	247 279
Preference share investments (including accrued dividends)		
Thembeka Capital Ltd		
"A" preference shares	**117 062**	125 156
The preference shares are unsecured, carry a dividend rate of prime plus 1% and are redeemable on 1 December 2015.		
"B" preference shares	**44 387**	46 008
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) Ltd		
Preference shares		59 628
The preference shares were unsecured, carried a dividend rate of prime plus 4% and were redeemable on 2 June 2011. The preference shares were however redeemed during the year under review.		
Thembeka Agri Holdings (Pty) Ltd	**13 211**	
The preference shares are unsecured, carry a dividend rate of prime plus 2% and capital and accrued dividends are redeemable on 2 October 2010.		
Arch Equity Communications (Pty) Ltd	**78 254**	
The preference shares are unsecured, carry a dividend rate of prime plus 4% and capital and accrued dividends are redeemable on 1 December 2012.		
8 Mile Investments 41 (Pty) Ltd	**31 807**	
The preference shares are secured, carry a fixed dividend rate of 22,2% payable annually on 1 June, and capital is redeemable on 1 November 2010.		
Loans		
Arch Equity Market Holdings (Pty) Ltd	**2 285**	
Unsecured loan bearing interest at prime plus 4%, with no fixed repayment terms.		
Channel Life Ltd	**18 029**	
Unsecured loan bearing interest at prime plus 1%. This loan will either be repaid or converted into ordinary shares by September 2008.		
ZS Rational Finance (Pty) Ltd		16 487
Unsecured loan bearing interest at prime, repayable within 12 months.		
	3 533 887	1 104 911

Notes to the financial statements

for the year ended 29 February 2008

	GROUP		COMPANY	
	2008 R000	2007 R000	**2008 R000**	2007 R000
4. INVESTMENT IN ASSOCIATED COMPANIES *(continued)*				
Loans and preference shares – Unlisted				
Current portion	**18 953**	16 487		
Non-current portion	**286 082**	230 792		
	305 035	247 279		
Reconciliation				
Carrying value at beginning of year	**857 632**	323 159		
Equity accounted earnings:				
Share of profit after tax	**235 630**	124 774		
Impairment charges		(21 249)		
Movement in investment value:				
Dividends received	**(45 809)**	(6 827)		
Capital reductions	**(29 636)**			
Acquisitions	**1 714 928**	612 448		
Revaluation at acquisition date		46 865		
Disposal of associated companies	**(38 638)**	(27 227)		
Disposal of subsidiaries	**(50 949)**			
Transfer to subsidiaries		(177 300)		
Transfer from subsidiaries	**77 119**	24 460		
Transfer from equity securities at cost	**355 241**			
Revaluation of assets and liabilities of associated companies	**156 836**			
Treasury shares held by associated companies	**(3 502)**	(41 471)		
Carrying value at end of year	**3 228 852**	857 632		
Market value of listed investments	**1 397 910**	612 163		
Directors' valuation of unlisted investments	**2 470 360**	832 738		
Refer Annexure A for further information				
5. DEFERRED INCOME TAX				
Deferred income tax assets	**13 785**	34 102	**24**	15 823
Deferred income tax liabilities	**(141 226)**	(112 577)		
Net deferred income tax (liabilities)/assets	**(127 441)**	(78 475)	**24**	15 823
Deferred income tax assets				
To be recovered within 12 months	**13 785**	34 102	**24**	15 823
To be recovered after 12 months				
	13 785	34 102	**24**	15 823
Deferred income tax liabilities				
To be recovered within 12 months	**92 592**	25 543		
To be recovered after 12 months	**48 634**	87 034		
	141 226	112 577	**–**	–

Notes to the financial statements

for the year ended 29 February 2008

5. DEFERRED INCOME TAX *(continued)*

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	Intangible assets and other differences R000	Total R000
At 1 March 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
(Credit)/charges to income statement	**1 995**	**19 238**	**21 308**	**743**	**43 284**
Disposal of subsidiary	**(1 359)**	**924**	**6 233**	**(677)**	**5 121**
Acquisition of subsidiary			**32 653**	**3 248**	**35 901**
Reversal of deferred tax on previous fair value gains on equity securities transfer to investments in associated companies through equity			**(35 340)**		**(35 340)**
At 29 February 2008	**(10 325)**	**3 055**	**86 610**	**48 101**	**127 441**

COMPANY	Provisions R000	Tax losses and STC credits R000	Unrealised profits R000	Intangible assets and other differences R000	Total R000
At 1 March 2006					
Credit to income statement		(15 823)			(15 823)
At 28 February 2007	–	(15 823)	–	–	(15 823)
Charges to income statement		**15 799**			**15 799**
At 29 February 2008	**–**	**(24)**	**–**	**–**	**(24)**

The STC liability, should all distributable reserves be paid out, amounts to R146 417 000 (2007: R134 600 000).

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

The total temporary differences relating to investments in associated companies and subsidiaries, for which deferred tax liabilities have not been recognised, are approximately R58 386 000 (2007: R47 871 000).

The deferred income tax assets and liabilities were calculated on all temporary differences under the liability method using an effective tax rate of 28% (2007: 29%). For STC credits the rate used was 10% (2007: 12,5%).

Notes to the financial statements

for the year ended 29 February 2008

	GROUP 2008 R000	GROUP 2007 R000
6. EQUITY SECURITIES*		
Direct equity investments	**1 015 195**	1 699 771
Quoted	**778 697**	1 573 404
Unquoted	**236 498**	126 367
Investments linked to investment contracts (refer note 20)	**524 589**	–
Quoted	**436 605**	
Unquoted	**87 984**	
	1 539 784	1 699 771

* *Equity securities of R73 950 000 relating to the prior year were reclassified as unit linked investments (refer notes 8 and 39).*

GROUP	Available-for-sale R000	Fair value through profit or loss R000	Total R000
Reconciliation of movement			
Carrying amount at 1 March 2006	1 239	921 127	922 366
Additions		1 170 625	1 170 625
Disposals		(773 759)	(773 759)
Unrealised fair value net gains	218	380 321	380 539
Carrying amount at 28 February 2007	1 457	1 698 314	1 699 771
Additions	**22 054**	**529 323**	**551 377**
Disposals	**(976)**	**(674 352)**	**(675 328)**
Acquisition of subsidiaries	**225**	**483 988**	**484 213**
Transfer to unit linked investments		**(129 593)**	**(129 593)**
Disposal of subsidiaries		**(101 594)**	**(101 594)**
Unrealised fair value net gains	**189**	**258 166**	**258 355**
Transfer to investment in associated companies at cost		**(355 241)**	**(355 241)**
Reversal of previous fair value gains on equity securities transfer to investments in associated companies through equity		**(192 176)**	**(192 176)**
Carrying amount at 29 February 2008	**22 949**	**1 516 835**	**1 539 784**

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. Unquoted securities relating to investments linked to investment contracts are valued based on the value of the underlying investments.

	GROUP 2008 R000	GROUP 2007 R000
Current portion	**513 152**	312 850
Non-current portion	**1 026 632**	1 386 921
	1 539 784	1 699 771

Notes to the financial statements

for the year ended 29 February 2008

	GROUP 2008 R000	GROUP 2007 R000
7. DEBT SECURITIES		
Direct equity investments	**398 956**	5 363
Quoted	**394 695**	
Unquoted	**4 261**	5 363
Investments linked to investment contracts (refer note 20)	**898 118**	–
Quoted	**54 177**	
Unquoted	**843 941**	
	1 297 074	5 363

GROUP	Held-to-maturity R000	Fair value through profit or loss R000	Total R000
Reconciliation of movements			
Carrying amount at 1 March 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
Additions	**36**	**29 204**	**29 240**
Subsidiaries acquired		**1 316 270**	**1 316 270**
Disposals	**(444)**	**(56 179)**	**(56 623)**
Unrealised fair value net gains	**11**	**2 813**	**2 824**
Carrying amount at 29 February 2008	**6**	**1 297 068**	**1 297 074**

	GROUP 2008 R000	GROUP 2007 R000
Current portion	**1 228 200**	4 741
Non-current portion	**68 874**	622
	1 297 074	5 363

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

Notes to the financial statements

for the year ended 29 February 2008

	GROUP 2008 R000	GROUP 2007 R000
8. UNIT LINKED INVESTMENTS		
Direct equity investments		
Quoted	**309 935**	73 950
Investments linked to investment contracts (refer note 20)		
Quoted	**4 999 736**	
	5 309 671	73 950

GROUP	Fair value through profit or loss R000	Total R000
Reconciliation of movements		
Carrying amount at 1 March 2006	43 320	43 320
Additions	20 411	20 411
Unrealised fair value net gains	10 219	10 219
Carrying amount at 28 February 2007	73 950	73 950
Additions	**3 650 917**	**3 650 917**
Disposals	**(1 302 126)**	**(1 302 126)**
Transfer from equity securities on deconsolidation of mutual fund	**129 593**	**129 593**
Derecognition on consolidation of mutual fund	**(10 844)**	**(10 844)**
Acquisition of subsidiary	**2 775 357**	**2 775 357**
Unrealised fair value net gains	**(7 176)**	**(7 176)**
Carrying amount at 29 February 2008	**5 309 671**	**5 309 671**

	GROUP 2008 R000	GROUP 2007 R000
Current portion	**5 309 671**	73 950
Non-current portion		
	5 309 671	73 950
9. INVESTMENT IN INVESTMENT CONTRACTS		
Balance at beginning of period		
Investment contract premiums paid	**1 205 252**	
Investment contracts benefits received	**(295 489)**	
Fair value adjustment to investment contracts	**25 826**	
Acquisition of subsidiaries	**170 282**	
Balance at end of year	**1 105 871**	–
Current portion	**432 691**	
Non-current portion	**673 180**	
	1 105 871	–

Notes to the financial statements

for the year ended 29 February 2008

	GROUP 2008 R000	GROUP 2007 R000
10. LOANS AND ADVANCES		
Secured loans	**19 945**	6 366
Unsecured loans	**41 627**	53 097
	61 572	59 463
Current portion	**16 888**	52 463
Non-current portion	**44 684**	7 000
	61 572	59 463

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

The effective interest rates applied to calculate fair values ranged from 11,5% to 12% (2007: 11,5% to 12%).

	GROUP 2008 R000	GROUP 2007 R000
11. DERIVATIVE FINANCIAL INSTRUMENTS		
Derivative financial assets	**30 395**	
Derivative financial liabilities	**(230 032)**	(28 644)
Net derivative financial instruments	**(199 637)**	(28 644)
Derivative financial assets		
Current portion	**5 216**	
Non-current portion	**25 179**	
Derivative financial liabilities		
Current portion	**(230 032)**	(21 647)
Non-current portion		(6 997)
	(199 637)	(28 644)
Analysis of net derivative balance:		
Equity/index contracts		
Fixed-for-variable rate interest rate hedge *(refer note 40)*	**25 179**	(6 997)
Exchange traded	**(224 816)**	(21 647)
	(199 637)	(28 644)

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

	GROUP 2008 R000	GROUP 2007 R000
12. INVENTORIES		
Finished goods		90 372
	–	90 372

Notes to the financial statements

for the year ended 29 February 2008

	GROUP 2008 R000	GROUP 2007 R000	COMPANY 2008 R000	COMPANY 2007 R000
13. RECEIVABLES				
Retail trade receivables		187 033		
Other trade receivables	**61 697**	41 584		
Brokers and clearing houses	**119 638**	148 083		
Prepayments and sundry debtors	**12 347**	26 422		
Total trade and other receivables	**193 682**	403 122		
Current portion	**190 546**	402 430		
Non-current portion	**3 136**	692		
	193 682	403 122		
14. CASH AND CASH EQUIVALENTS				
Cash at bank and money market funds	**398 188**	1 308 115	**392**	287
Short-term deposits	**19 354**	32 646		
	417 542	1 340 761	**392**	287
The effective interest rate on short-term deposits was 9,75% (2007: 7,75%). These deposits have an average maturity of 30 days.				
15. SHARE CAPITAL				
Authorised				
200 000 000 shares of 1 cent each (2007: 200 000 000)	**2 000**	2 000	**2 000**	2 000
Issued				
189 579 385 shares of 1 cent each (2007: 169 885 051)	**1 896**	1 699	**1 896**	1 699
12 522 592 shares held by a subsidiary company (2007: 11 495 000)	**(125)**	(115)		
4 151 323 shares held by associated companies* (2007: 3 992 088)	**(42)**	(40)		
3 712 847 shares held by a share incentive trust (2007: 4 646 176)	**(37)**	(46)		
	1 692	1 498	**1 896**	1 699

Unissued shares, limited to 15% of the number of the company's shares in issue at 28 February 2007, 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.

* *The 2007 comparative numbers have been restated to reflect 3 992 088 treasury shares compared to 8 077 283 previously disclosed (note 39).*

Notes to the financial statements

for the year ended 29 February 2008

15. 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 payable by the employee 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 average fair value of the shares issued in terms of the equity-settled and cash-settled share schemes during the period under review, calculated using the Black and Scholes valuation model, was R7,54 (2007: R5,39) per share.

Significant inputs into the model are the scheme share exercise price at date of issue of R27,40 (2007: R22,25), 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 eight 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 was R7 825 000 (2007: R4 711 000). A share-based payment reserve of R3 076 000 (2007: R5 207 000) was recognised as part of equity and represents the fair value of the shares determined at grant date. A liability of R1 511 216 (2007: R3 055 000) was also raised and represents the fair value of the cash-settled scheme at balance sheet date.

The PSG Group Share Incentive Trust currently holds 3 712 847 (2007: 4 613 676) PSG Group Ltd shares and nil (2007: 85 398) Capitec Bank Holdings Ltd ("Capitec") shares, which have been allocated to participants at a total consideration of R40,1 million (2007: R33,7 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.

In June 2007, the Share Incentive Trust's Capitec shares were exchanged for PSG shares in terms of a voluntary offer to all Capitec shareholders whereby 1,4545 PSG shares were offered for every Capitec share held.

	PSG Group Ltd		Capitec Bank Holdings Ltd	
	2008	2007	**2008**	2007
Number of shares allocated at beginning of year	**4 613 676**	5 520 380	**85 398**	253 039
Number of shares purchased/allocated during the year	**309 500**	1 276 166		
Number of shares released to participants during the year	**(1 277 178)**	(2 150 370)	**(39 438)**	(167 641)
Capitec shares exchanged for PSG shares in terms of the abovementioned voluntary offer to all Capitec shareholders	**66 849**		**(45 960)**	
Number of shares cancelled during the year		(32 500)		
Number of shares purchased/allocated at end of year	**3 712 847**	4 613 676	**–**	85 398

The weighted average market share price of the shares released during the year amounted to R27,80 (2007: R21,53).

Notes to the financial statements

for the year ended 29 February 2008

15. SHARE CAPITAL *(continued)*

Granting of shares occurred as follows:

	Number of shares	Price* R
12 March 2002	79 470	0,01
12 March 2002	38 242	1,04
20 November 2002	23 780	0,65
20 November 2002	11 442	1,58
28 April 2004	135 000	2,36
13 July 2004	1 485 000	2,57
30 August 2004	40 747	2,91
12 October 2004	328 500	4,01
26 October 2006	1 261 166	22,25
18 April 2007	32 500	27,40
29 February 2008	277 000	20,00
	3 712 847	

* *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 PSG Group 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

Analysis of outstanding scheme shares by year of maturity	**2008** Weighted average strike price (R)	**2008** Number	2007 Weighted average strike price (R)	2007 Number
Financial year-end				
2007/08			2,48	1 260 011
2008/09	**7,75**	**1 415 392**	7,99	1 365 710
2009/10	**9,25**	**988 125**	9,07	978 375
2010/11	**11,12**	**785 513**	9,87	694 288
2011/12	**21,79**	**264 925**	22,25	189 175
2012/13	**21,72**	**186 392**	22,25	126 117
2013/14	**20,54**	**44 800**		
2014/15	**20,00**	**27 700**		
		3 712 847		4 613 676

Notes to the financial statements

for the year ended 29 February 2008

	Available-for-sale R000	Foreign exchange translation R000	Share-based payment R000	Other R000	Total R000
16. OTHER RESERVES					
Balance as at 1 March 2006	673	(2 344)	2 716	1 321	2 366
Share-based payment costs – employees			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
Share-based payment costs – employees			**3 076**		**3 076**
Share-based payment costs – donations			**2 174**		**2 174**
Currency translation adjustments		**2 242**			**2 242**
Fair value losses on investments	**(236)**				**(236)**
Other				**365**	**365**
Balance as at 29 February 2008	**847**	**901**	**10 457**	**1 389**	**13 594**

	GROUP 2008 R000	GROUP 2007 R000
17. MINORITY INTEREST		
Minority interest	**1 214 598**	1 018 794
Cumulative, non-redeemable, non-participating preference shares of subsidiary company	**558 930**	555 680
	1 773 528	1 574 474
Cumulative, non-redeemable, non-participating preference shares of subsidiary company		
Authorised		
10 000 000 (2007: 600 000 000) cumulative, non-redeemable, non-participating preference shares of R1,00 (2007: R0,01) each. Refer to directors' report for consolidation of the preference shares and increase in authorised preference share capital.		
Issued		
5 500 000 (2007: 550 000 000) cumulative, non-redeemable, non-participating preference shares of R1,00 (2007: R0,01) each.		
The following preference shares were issued during the financial year:		
Nominal value of 579 738 shares (2007: 91 066 019)	**580**	911
Net share premium	**49 345**	93 883
	49 925	94 794
Less: Issued to PSG FutureWealth Ltd, a subsidiary company	**(49 925)**	
	–	94 794

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.

Notes to the financial statements

for the year ended 29 February 2008

	GROUP 2008 R000	GROUP 2007 R000
18. INSURANCE CONTRACTS		
Balance at beginning of year	**1 612**	4 380
Liabilities released for payments on death, surrender and other terminations for the year		(2 891)
Transfer to policyholder funds	**127**	123
Balance at end of year	**1 739**	1 612
19. BORROWINGS		
Non-current		
Unsecured loans	**6 644**	17 563
Unsecured bonds	**110 000**	110 000
Secured loans	**85 335**	75 816
Total non-current borrowings	**201 979**	203 379
Current		
Bank overdrafts and CFD facilities	**430 119**	456 254
Unsecured loans	**4 896**	77 142
Unsecured bonds	**4 628**	9 351
Redeemable preference shares		1 360
Total current borrowings	**439 643**	544 107
Total borrowings	**641 622**	747 486

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

The secured loans are secured by the pledge of listed shares to the value of R90 870 000 (2007: R140 319 111). In terms of the surety agreements, the value of security provided will be increased or reduced should there be a significant change in the market value of the listed shares pledged.

The effective interest rates applied to borrowings range between 10% and 13% (2007: 10% and 12%).

A subsidiary listed the following bonds on the Bond Exchange of South Africa during 2007:

– PSG01 Bond, nominal issued value R110 000 000. The maturity date is 12 October 2011 and the bond bears interest at a rate of 10,79% per annum fixed. Accrued interest amounts to R4 628 000 (2007: R4 594 000).

– PSG02 Bond, nominal issued value R4 627 000, bore interest at 9% fixed and was redeemed on 5 November 2007.

Notes to the financial statements

for the year ended 29 February 2008

	GROUP	
	2008	2007
	R000	R000
20. INVESTMENT CONTRACTS		
Balance at beginning of period		
Investment contract receipts	**4 329 611**	
Investment contracts benefits paid	**(1 115 494)**	
Commission and administration expenses	**(17 748)**	
Fair value adjustment to investment contract liability	**(22 269)**	
Acquisition of subsidiaries	**4 361 573**	
Balance at end of period	**7 535 673**	–
Current portion	**1 389 645**	
Non-current portion	**6 146 028**	
	7 535 673	–
Investment contracts are represented by the following investments:		
Equity securities	**524 589**	
Debt securities	**898 119**	
Investment in investment contracts	**1 105 871**	
Unit linked investments	**4 999 736**	
Other	**7 358**	
	7 535 673	–
21. THIRD-PARTY LIABILITIES ARISING ON CONSOLIDATION OF MUTUAL FUNDS		
Balance at beginning of period	**118 138**	46 204
Capital contributions received		58 571
Fair value adjustment to third-party liabilities	**2 957**	13 363
Consolidation of mutual funds	**20 067**	
Deconsolidation of mutual fund	**(118 138)**	
Balance at end of period	**23 024**	118 138
Current portion	**23 024**	118 138
Non-current portion		
	23 024	118 138

Notes to the financial statements

for the year ended 29 February 2008

	Lease obligations R000	Employee benefits R000	Other R000	**Total R000**
22. PROVISIONS FOR OTHER LIABILITIES AND CHARGES				
As at 29 February 2008				
Balance at beginning of year	**13 266**	**22 707**	**15 728**	**51 701**
Additional provisions	**6 583**	**25 718**	**2 779**	**35 080**
Utilised during the year	**(539)**	**(15 077)**	**(11 590)**	**(27 206)**
Subsidiaries acquired		**524**	**216**	**740**
Subsidiaries sold	**(18 640)**			**(18 640)**
	670	**33 872**	**7 133**	**41 675**
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)
Subsidiaries acquired	12 057			12 057
Subsidiaries sold			(637)	(637)
	13 266	22 707	15 728	51 701

	GROUP	
	2008 R000	2007 R000
Current portion	**38 574**	47 163
Non-current portion	**3 101**	4 538
	41 675	51 701

Movements in the provisions were charged to income.

Onerous lease obligations amounting to R670 000 (2007: R1 209 000) included in lease obligations, relate mainly to property leases. The outstanding term of these leases is 1 to 2 years (2007: 1 to 2 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.

Notes to the financial statements

for the year ended 29 February 2008

	GROUP		COMPANY	
	2008	2007	**2008**	2007
	R000	R000	**R000**	R000
23. TRADE AND OTHER PAYABLES				
Accounts payable and accruals	**134 728**	91 176	**6 098**	1 113
Retail creditors		191 688		
Deferred revenue	**32 333**	14 253		
Subsidiary/associate purchase consideration payable	**65 804**	107 021		
Investment policy benefits payable	**51 560**			
Unsettled trades	**167 084**			
	451 509	404 138	**6 098**	1 113
Current portion	**451 509**	404 138	**6 098**	1 113
Non-current portion				
	451 509	404 138	**6 098**	1 113
24. INCOME FROM NON-FINANCIAL SUBSIDIARIES				
Sales from trading operations	**1 316 839**			
Cost of sales	**(1 181 590)**			
Gross profit	**135 249**	–		
25. INVESTMENT INCOME				
Interest income				
Loans and advances	**12 060**	3 249		
Equity securities – at fair value through profit or loss	**36 315**	18 761		
Debt securities – at fair value through profit or loss	**660**	521		
Cash and short-term funds	**69 607**	43 126		
	118 642	65 657		
Dividend income				
Equity securities – at fair value through profit or loss	**36 188**	32 736		
Preference shares – debt securities	**45 291**	20 887		
Dividend income from subsidiary company			**44 000**	217 250
	81 479	53 623	**44 000**	217 250
Investment income	**200 121**	119 280	**44 000**	217 250
26. FAIR VALUE GAINS AND LOSSES ON FINANCIAL INSTRUMENTS				
Foreign exchange gains	**1 695**	739		
Foreign exchange losses	**(1 352)**	(740)		
Net fair value gains on financial assets and financial liabilities at fair value through profit or loss:				
unrealised fair value gains	**299 841**	332 585		
realised fair value gains	**50 523**	345 888		
Net realised gains on available-for-sale financial assets:				
equity securities	**731**			
	351 438	678 472		

Notes to the financial statements

for the year ended 29 February 2008

	GROUP 2008 R000	GROUP 2007 R000	COMPANY 2008 R000	COMPANY 2007 R000
27. COMMISSION AND OTHER FEE INCOME				
Commissions and fees	**643 048**	521 166		
Dealing and structuring	**218 766**	73 562		
Management fees – subsidiary companies			**1 431**	1 048
	861 814	594 728	**1 431**	1 048
28. INSURANCE INCOME AND EXPENSES				
Net insurance premium revenue				
Insurance premium income:				
recurring premiums	**15 581**	14 402		
Insurance claims and loss adjustments				
Individual life long-term insurance contracts:				
death, maturity, surrender and sick leave benefits	**(6 997)**	(2 772)		
29. OTHER OPERATING INCOME				
Other operating income	**25 204**	25 085		
Profit on sale/dilution of subsidiaries and associated companies	**66 075**	17 620		
	91 279	42 705		
30. MARKETING, ADMINISTRATION AND OTHER EXPENSES				
Expenses by nature				
Depreciation				
Land and buildings	**96**	91		
Vehicles and plant	**4 288**	357		
Office equipment	**2 210**	1 485		
Computer equipment	**4 094**	2 535		
	10 688	4 468		
Amortisation of intangible assets	**42 004**	33 331		
Operating lease rentals				
Properties	**19 522**	14 275		
Other	**10 744**	1 795		
	30 266	16 070		
Auditors' remuneration				
Audit fees				
– current year provision	**7 451**	6 896		
– underprovision prior year	**1 001**	288		
Tax services	**157**	351		
Other services	**1 228**	737		
	9 837	8 272		

Notes to the financial statements

for the year ended 29 February 2008

	GROUP 2008 R000	GROUP 2007 R000	COMPANY 2008 R000	COMPANY 2007 R000
30. MARKETING, ADMINISTRATION AND OTHER EXPENSES *(continued)*				
Employee benefit expenses				
Salaries, wages and allowances	**394 673**	249 267		
Termination benefits	**40**			
Social security costs (e.g. UIF, medical benefits)	**7 010**	5 768		
Share-based payment costs				
Equity-settled	**3 076**	2 491		
Cash-settled	**4 749**	2 220		
Pension costs – defined-contribution plans	**9 104**	1 970		
	418 652	261 716		
Loss on sale/dilution of subsidiaries and associated companies		8 052		
Impairment of associated company		21 249		
Donation to University of Stellenbosch	**2 830**			
Expenses for acquisition of insurance and investment contracts	**7 545**			
Marketing and administration costs	**365 218**	207 762	**9 208**	1 092
Total	**887 040**	560 920	**9 208**	1 092
Refer to directors' report for directors' emoluments.				
31. FINANCE COSTS				
Bank overdrafts and CFD facilities	**33 608**	24 089		
Dividend on redeemable preference shares	**58**	711		
Secured loans	**5 868**	3 111		
Unsecured loans	**18 314**	12 240		
	57 848	40 151		
32. TAXATION				
Current taxation				
Current year	**102 952**	94 356		
Prior year	**701**	(486)		(162)
	103 653	93 870	**–**	(162)
Deferred taxation				
Current year	**31 160**	47 109		
Prior year	**(2 931)**	(1 495)		
	28 229	45 614		
Foreign taxation				
Current taxation	**313**	65		
Secondary tax on companies				
Current taxation	**4 597**	29 456		28 620
Deferred taxation	**15 054**	(21 421)	**15 799**	(15 823)
	19 651	8 035	**15 799**	12 797
	151 846	147 584	**15 799**	12 635

Notes to the financial statements

for the year ended 29 February 2008

	GROUP		COMPANY	
	2008	2007	**2008**	2007
32. TAXATION *(continued)*				
Reconciliation of income tax charge				
Reconciliation of rate of taxation	**%**	%	**%**	%
South African normal tax rate	**29,0**	29,0	**29,0**	29,0
Adjusted for:				
Non-taxable income	**(4,8)**	(1,7)	**(35,2)**	(29,0)
Capital gains tax differential in rates	**(5,5)**	(10,5)		
Non-deductible charges	**2,5**	1,3	**6,2**	
Income from associated companies	**(7,1)**	(3,7)		
Secondary tax on companies	**1,7**	0,8	**43,6**	5,8
Prior year (over)/underprovision		(0,2)		
Deferred tax asset not provided for		0,2		
Effective rate of tax	**15,8**	15,2	**43,6**	5,8
	R000	R000	**R000**	R000
Gross calculated tax losses at the end of the year available for utilisation against future taxable income		19 369		
Deferred tax asset provided for				
Available for future utilisation	**–**	19 369		
STC credits available within the group	**50 662**	195 808	**240**	126 580
Deferred tax asset provided for	**(50 662)**	(195 808)	**(240)**	(126 580)
Available for future utilisation	**–**	–	**–**	–

33. EARNINGS PER SHARE

The calculations of earnings per share are based on the following:

	2008	2007
Total earnings attributable to ordinary shareholders	**554 160**	692 032
Adjustments (net of tax and minority interests):		
Net profit on sale/dilution of investments in subsidiaries	**(46 630)**	(31 866)
Net profit on sale/dilution of associated companies	**(3 959)**	(4 580)
Impairment of associated company		21 249
Negative goodwill	**(9 562)**	
Other investment activities	**(600)**	(1 431)
Non-headline items of associated companies	**(10 934)**	(24 017)
Headline earnings	**482 475**	651 387

Notes to the financial statements

for the year ended 29 February 2008

	Number of shares 000	Number of shares 000
33. EARNINGS PER SHARE (*continued*)		
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	**149 752**	102 180
Weighted number of shares repurchased in the year		(12 511)
Weighted number of shares issued in the year	**13 614**	37 071
Net movement in treasury shares	**139**	(1 294)
Weighted number of shares at end of year	**163 505**	125 446
Number of shares to be issued in terms of share purchase scheme at fair value	**2 234**	3 000
Diluted weighted number of shares at end of year	**165 739**	128 446
Basic		
Earnings attributable to ordinary shareholders (R000)	**554 160**	692 032
Headline earnings (R000)	**482 475**	651 387
Weighted average number of ordinary shares in issue (thousands)	**163 505**	125 446
Attributable earnings per share (cents)	**338,9**	551,7
Headline earnings per share (cents)	**295,1**	519,3

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**	
	2008	2007	**2008**	2007
Earnings attributable to ordinary shareholders (R000)	**554 160**	692 032		
Headline earnings (R000)	**482 475**	651 387		
Diluted weighted average number of ordinary shares in issue (thousands)	**165 739**	128 446		
Diluted attributable earnings per share (cents)	**334,4**	538,8		
Diluted headline earnings per share (cents)	**291,1**	507,1		
	R000	R000	**R000**	R000
34. DIVIDEND PER SHARE				
Normal dividend	**154 972**	92 574	**170 340**	104 566
Interim				
32,5 cents per share (2007: 26 cents)				
Final				
80 cents per share (2007: 64 cents)				

Dividends are not accounted for until they have been approved by the company's board.

Notes to the financial statements

for the year ended 29 February 2008

	GROUP	
	2008	2007
	R000	R000
35. CAPITAL COMMITMENTS AND CONTINGENCIES		
Capital expenditure contracted or authorised but not incurred	**–**	–
Operating lease commitments		
Future commitments in terms of:		
Rental agreements		
Due within one year	**3 175**	7 209
One to five years	**2 501**	2 915
Operating leases – premises		
Due within one year	**6 325**	6 826
One to five years	**5 496**	7 650
Due after five years	**126**	

m Cubed Holdings Ltd

An announcement was made to m Cubed shareholders in which shareholders were advised that the South African Revenue Service had issued additional tax assessments against 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. However, the assessments, if successful, will have a material negative impact on the value of m Cubed's shares.

36. BORROWING POWERS

In terms of the company's articles of association, borrowing powers are unlimited. Details of actual borrowings are disclosed in note 19 to the financial statements.

37. RELATED-PARTY TRANSACTIONS

PSG Group Ltd 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.

PSG Group Ltd received management fees of R1 431 000 (2007: R1 048 000) from a subsidiary during the year under review. In 2007 certain subsidiaries paid management fees amounting to R8 415 000 to Crest SA Holdings (Pty) Ltd. Crest SA Holdings (Pty) Ltd was an associated company which was sold to PSG Konsult Ltd on 31 January 2007. Mr J de V du Toit as director and shareholder (41%) received 5 125 000 PSG Konsult Ltd shares in exchange for his shareholding in Crest SA Holdings (Pty) Ltd.

During the year under review, R1 653 000 was paid to PSG Capital (Pty) Ltd for services performed regarding the proposed listing of PSG Group on the London Stock Exchange.

Notes to the financial statements

for the year ended 29 February 2008

37. RELATED-PARTY TRANSACTIONS (*continued*)

During the year under review, PSG decided to increase its strategic shareholding in Capitec Bank Holdings Ltd to a maximum of 34,9% by extending a voluntary offer to all Capitec shareholders whereby 1,4545 PSG shares were offered for every Capitec share held. As a result, 19 694 334 PSG shares were issued to the value of R552 229 125 in June 2007. Consequently the following PSG directors participated in the related share swap obtaining PSG shares:

Name	Number of PSG shares 000
P Malan	1
JF Mouton	10 923
JJ Mouton	418
BE Steinhoff	8
W Theron	12
J van Zyl Smit	252
	11 614

A subsidiary company of the group entered into an equity linked joint venture with an entity in which Mr P Malan has a beneficial interest, amounting to R19 300 000 (2007: R10 100 000). No benefits have realised in this entity during the reporting year (2007: Rnil).

During 2007, Mr P Malan acquired a 1,2% interest in Paladin Capital Ltd, a subsidiary of PSG Group, at net asset value amounting to R3 240 000.

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) Ltd ("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

For details of the intergroup loan account between PSG Group and PSG Financial Services, please refer to note 3.

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 **2008** **R000**	GROUP 2007 R000
Salaries and performance bonuses	**15 038**	17 997
Share incentive schemes	**1 631**	2 935
	16 669	20 932

Notes to the financial statements

for the year ended 29 February 2008

	GROUP		COMPANY	
	2008 R000	2007 R000	**2008 R000**	2007 R000
38. NOTES TO THE CASH FLOW STATEMENT				
38.1 Cash generated by operating activities				
Net profit before taxation	**961 496**	970 518	**36 223**	217 206
Adjustment for:				
Non-cash items	**(506 016)**	(406 896)		
Interest income	**(118 642)**	(65 657)		
Dividend income	**(81 479)**	(53 623)	**(44 000)**	(217 250)
	255 359	444 342	**(7 777)**	(44)
Change in working capital	**(21 894)**	(148 198)	**4 985**	131
Change in insurance contracts	**127**	(2 768)		
Change in investment in investment contracts	**(909 763)**			
Change in investment contracts liability	**3 196 368**			
Change in other financial instruments	**(2 598 621)**	(206 054)		
	(78 424)	87 322	**(2 792)**	87
38.2 Taxation paid				
Charge in income statement	**(151 846)**	(147 584)	**(15 799)**	(12 635)
Movement in deferred taxation	**43 284**	24 193	**15 799**	(15 823)
Movement in taxation liability	**(14 983)**	50 495	**(11)**	(161)
	(123 545)	(72 896)	**(11)**	(28 619)

38.3 Subsidiaries acquired

The group acquired the following significant subsidiaries during the year.

PSG FutureWealth

The group acquired 80% of the issued shares in PSG FutureWealth Ltd with effect from 1 December 2007 for R50 000 000. Goodwill amounting to R7 670 000 was recognised on acquisition.

The acquired business contributed revenue of R57 409 000 and net profit of R8 908 000 to the Group for the period from 1 December 2007 to 29 February 2008.

PSG FutureWealth concluded a reinsurance arrangement with m Cubed Life Ltd during the financial year under review in terms of which m Cubed Life investment policies of approximately R5 billion were reinsured with PSG FutureWealth. This transaction has to date resulted in an increase of R3,9 billion in the financial assets of PSG FutureWealth with a corresponding liability to m Cubed Life.

Other

Include PSG Fund Management's acquisitions of m Cubed Capital Management Guernsey and AOS Fund Services Ltd, PSG Konsult's acquisition of Multi Insurance Brokers Administrators (Pty) Ltd and PSG Konsult Brokers (UK) Ltd, and the consolidation of the group's investments in the South Easter Fixed Interest and Black Swan hedge funds.

Notes to the financial statements

for the year ended 29 February 2008

38. NOTES TO THE CASH FLOW STATEMENT *(continued)*

38.3 Subsidiaries acquired *(continued)*

Group	PSG FutureWealth 2008 R000	Other 2008 R000	**Total 2008 R000**
Net assets of subsidiaries acquired			
Property, plant and equipment	(566)	(139)	(705)
Intangibles		(13 689)	(13 689)
Equity securities	(507 167)	22 954	(484 213)
Debt securities	(917 663)	(398 607)	(1 316 270)
Unit linked investments	(2 775 357)		(2 775 357)
Investment in investment contracts	(170 282)		(170 282)
Derivative financial instruments		(5 216)	(5 216)
Receivables	(12 180)	(33 189)	(45 369)
Cash and cash equivalents	(164 787)	(38 569)	(203 356)
Derivative financial instruments		230 032	230 032
Investment contracts	4 361 574		4 361 574
Third-party liabilities arising on consolidation of mutual funds		20 067	20 067
Deferred income tax	32 503	3 398	35 901
Provisions for other liabilities and charges	740		740
Trade and other payables	99 504	175 106	274 610
Current income tax liabilities	280		280
Minority interests	11 071	2 908	13 979
	(42 330)	(34 944)	(77 274)
Goodwill on acquisition	(7 670)	(7 338)	(15 008)
Negative goodwill recognised in income		6 487	6 487
	(50 000)	(35 795)	(85 795)
Deferred consideration outstanding		6 074	6 074
Derecognition on consolidation of mutual funds		10 844	10 844
Cash consideration paid	(50 000)	(18 877)	(68 877)
Cash and cash equivalents acquired	164 787	38 569	203 356
Net cash inflow on acquisition of subsidiaries	114 787	19 692	134 479

The 2007 acquisitions of subsidiaries included:

Arch Equity

The Group acquired 100% of the issued shares in Arch Equity Ltd with effect from 1 August 2006. The transaction was effected by means of a share swap whereby a net number of 24 million PSG shares were issued in exchange for the Arch Equity shares. The transaction value amounted to R1 063 632 000. 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.

Multinet and Topexec

PSG Konsult acquired 100% of the issued shares of Multinet and Topexec on 21 April 2006 for R180 351 000. Goodwill amounting to R150 730 000 was recognised on acquisition.

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.

Notes to the financial statements

for the year ended 29 February 2008

38. NOTES TO THE CASH FLOW STATEMENT *(continued)*

38.3 Subsidiaries acquired *(continued)*

CIC Holdings

The Group acquired a 63% interest in CIC Holdings Ltd 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 the 2007 and 2008 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
Net assets of subsidiaries acquired				
Property, plant and equipment	(2 572)		(18 588)	(21 160)
Intangibles	(163 393)			(163 393)
Investments in associated companies	(14 568)	(577 954)		(592 522)
Equity securities		(288 421)		(288 421)
Loans and advances	(2 757)			(2 757)
Deferred taxation	40 470		(6 943)	33 527
Inventories	(125)		(90 284)	(90 409)
Receivables	(4 711)	(64)	(187 033)	(191 808)
Cash and cash equivalents	(15 121)	(14 813)	(63 013)	(92 947)
Bank overdrafts			16 041	16 041
Borrowings	11 285	69 838	19 904	101 027
Provisions for other liabilities and charges			12 057	12 057
Trade and other payables	14 957	2 024	191 688	208 669
Current income tax liabilities	7 024		3 364	10 388
Minority interests			61 176	61 176
	(129 511)	(809 390)	(61 631)	(1 000 532)
Goodwill on acquisition	(150 730)	(254 028)	(9 326)	(414 084)
	(280 241)	(1 063 418)	(70 957)	(1 414 616)
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)
Bank overdrafts acquired			(16 041)	(16 041)
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)

Notes to the financial statements

for the year ended 29 February 2008

38. NOTES TO THE CASH FLOW STATEMENT *(continued)*

38.4 Disposal of subsidiaries

During the year under review the group disposed of/diluted its investments in, inter alia, CIC Holdings and the PSG Tanzanite Flexible Fund which were previously consolidated by the group.

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

Group	CIC Holdings 2008 R000	Tanzanite 2008 R000	Other 2008 R000	**Total 2008 R000**	Total 2007 R000
Net assets of subsidiaries sold					
Property, plant and equipment	**19 102**			**19 102**	6 278
Intangibles	**9 326**			**9 326**	19 871
Investment in associated companies	**5 720**		**45 229**	**50 949**	
Equity securities		**101 594**		**101 594**	
Loans and advances					455
Deferred income tax asset	**5 121**			**5 121**	1 267
Inventories	**100 315**			**100 315**	11 398
Receivables	**234 348**	**4 513**		**238 861**	18 725
Cash and short-term funds	**44 176**	**23 180**		**67 356**	9 042
Borrowings	**(14 372)**			**(14 372)**	(103)
Third-party liabilities – consolidation of mutual funds		**(118 138)**		**(118 138)**	
Provision for other liability and charges	**(18 640)**			**(18 640)**	(637)
Trade and other payables	**(243 127)**	**(11 149)**	**61**	**(254 215)**	(27 924)
Current income tax liabilities	**(3 674)**			**(3 674)**	(1 994)
Minority interests	**(61 176)**		**(57 846)**	**(119 022)**	(14 543)
Loss on sale of subsidiaries	**77 119**	**–**	**(12 556)**	**64 563**	21 835
Transfer to investment in associated companies	**(77 119)**			**(77 119)**	(24 460)
Profit on sale of subsidiaries			**14 813**	**14 813**	9 054
Cash proceeds on sale	**–**	**–**	**2 257**	**2 257**	6 429
Cash and cash equivalents of subsidiaries	**(44 176)**	**(23 180)**		**(67 356)**	(9 042)
Net cash flow on disposal of subsidiaries	**(44 176)**	**(23 180)**	**2 257**	**(65 099)**	(2 613)

	GROUP		COMPANY	
	2008 R000	2007 R000	**2008 R000**	2007 R000
38.5 Cash and cash equivalents at end of year				
Cash and short-term funds	**417 542**	1 340 761	**392**	287
Bank overdrafts and CFD facilities	**(430 119)**	(456 254)		
	(12 577)	884 507	**392**	287

Notes to the financial statements

for the year ended 29 February 2008

39. RECLASSIFICATION OF PRIOR YEAR FIGURES

The prior year figures were reclassified as follows:

– Equities relating to Contracts for Difference ("CFD") of R82,5 million were previously netted off against the related overdraft facilities and are now disclosed gross.

– Third-party liabilities of R118,1 million in mutual funds consolidated by the group, previously included in minority interest, have been reclassified to financial liabilities.

The effect on the specific line items is reflected below:	As previously stated R000	Reclassification of minority interest in funds to financial liabilities R000	Gross up of CFD assets and liabilities R000	Reclassification of equity securities as unit linked investments R000	Restated R000
BALANCE SHEET					
Assets					
Financial assets					
Equity securities	1 691 173		82 548	(73 950)	1 699 771
Unit linked investments				73 950	73 950
Equity					
Minority interests	1 692 612	(118 138)			1 574 474
Liabilities					
Financial liabilities					
Borrowings	664 938		82 548		747 486
Third-party liabilities arising on consolidation of mutual funds		118 138			118 138
INCOME STATEMENT					
Net fair value gains and losses on financial instruments	691 835	(13 363)			678 472
Attributable to:					
– minority interests	144 265	(13 363)			130 902
STATEMENTS OF CHANGES IN OWNERS' EQUITY					
Balance at 1 March 2006					
Minority interests	548 685	(46 204)			502 481
Total	1 267 982	(46 204)			1 221 778
CASH FLOW STATEMENTS					
Cash retained from operating activities					
Cash generated by operating activities	111 299		(23 977)		87 322
Net cash flow from operating activities	117 532		(23 977)		93 555
Cash flows from financing activities					
Capital contributions by minorities	833 886		(58 571)		775 315
Net cash flow from financing activities	1 259 830		(58 571)		1 201 259
Net increase/(decrease) in cash and cash equivalents	1 048 669		(82 548)		966 121
Cash and cash equivalents at end of year	967 055		(82 548)		884 507

– In addition, treasury shares held by associated companies have been restated to reflect 3 992 088 shares compared to 8 077 283 previously disclosed. As a result, share capital was increased and treasury shares decreased by R41 000 (note 15).

These reclassifications had no taxation impact or effect on the net income attributable to the equity holders of the group or earnings per share.

Notes to the financial statements

for the year ended 29 February 2008

40. FINANCIAL RISK MANAGEMENT

FINANCIAL RISK FACTORS

The group's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow and fair value interest rate risk and price risk), credit risk and liquidity risk. 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 utilises economic hedges to hedge financial risks as appropriate. Each major entity's board of directors provides principles for overall risk management, as well as 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.

Financial instruments are grouped into the following classes in order to facilitate effective financial risk management and disclosure in terms of IFRS 7 *Financial Instruments: Disclosures*. The sensitivity analyses presented below are based on reasonable possible changes in market variables for equity prices, interest rates and foreign exchange rates for the group.

	GROUP		COMPANY	
	2008	2007	**2008**	2007
	R000	R000	**R000**	R000
CLASSES OF FINANCIAL ASSETS				
Other quoted equity securities	**632 600**	1 357 473		
Contracts for differences	**146 097**	215 931		
Investments linked to investment contracts	**436 605**			
Total quoted equity securities	**1 215 302**	1 573 404		
Unquoted equity securities	**19 990**	40 320		
Contracts for differences	**216 508**	86 047		
Investments linked to investment contracts	**87 984**			
Total unquoted equity securities	**324 482**	126 367		
Total equity securities	**1 539 784**	1 699 771		
Investments linked to investment contracts	**54 177**			
Other quoted debt securities	**394 695**			
Total quoted debt securities	**448 872**	–		
Investments linked to investment contracts	**843 941**			
Other unquoted debt securities	**4 261**	5 363		
Total unquoted debt securities	**848 202**	5 363		
Total debt securities	**1 297 074**	5 363		

Notes to the financial statements

for the year ended 29 February 2008

	GROUP		COMPANY	
	2008	2007	**2008**	2007
	R000	R000	**R000**	R000
CLASSES OF FINANCIAL ASSETS *(continued)*				
Direct equity investments – quoted	**309 935**	73 950		
Investments linked to investment contracts – quoted	**4 999 736**			
Total unit linked investments	**5 309 671**	73 950		
Investment in investment contracts	**1 105 871**	–		
Secured loans	**19 945**	6 366		
Unsecured loans	**41 627**	53 097		
Loan to subsidiary (note 3)			**1 580 679**	1 157 920
Total loans and advances	**61 572**	59 463	**1 580 679**	1 157 920
Fixed-for-variable rate interest rate hedge	**25 179**			
Exchange traded derivatives	**5 216**			
Total derivative financial assets	**30 395**	–		
Retail trade receivables		187 033		
Other trade receivables	**40 841**	41 584		
Brokers and clearing houses	**140 494**	148 083		
Prepayments and sundry debtors	**12 347**	26 422		
Total receivables	**193 682**	403 122		
Cash and cash equivalents	**417 542**	1 340 761	**392**	287
Total financial assets – IFRS 7	**9 955 591**	3 582 430	**1 581 071**	1 158 207
CLASSES OF FINANCIAL LIABILITIES				
Bank overdrafts and CFD facilities	**430 119**	456 254		
Loans and bonds	**211 503**	289 872		
Other		1 360		
Total borrowings	**641 622**	747 486		
Fixed-for-variable rate interest rate hedge		6 997		
Exchange traded derivatives	**230 032**	21 647		
Total derivative financial instruments	**230 032**	28 644		
Investment contracts	**7 535 673**	–		
Third-party liabilities arising on consolidation of mutual funds	**23 024**	118 138		
Accounts payable and accruals	**134 728**	91 176	**6 098**	1 113
Retail creditors		191 688		
Deferred revenue	**32 333**	14 253		
Subsidiary/associate purchase consideration payable	**65 804**	107 021		
Investment policy benefits payable	**51 560**			
Unsettled trades	**167 084**			
Total trade and other payables	**451 509**	404 138	**6 098**	1 113
Total financial liabilities – IFRS 7	**8 881 860**	1 298 406	**6 098**	1 113

Notes to the financial statements

for the year ended 29 February 2008

40. FINANCIAL RISK MANAGEMENT *(continued)*

Investment contracts

A subsidiary of the group, PSG FutureWealth, is a linked life insurance company and can only issue linked policies to policyholders (where the value of policy benefits is directly linked to the fair value of the supporting assets), and as such does not expose the business to the market risk of fair value adjustments on the financial asset as this risk is assumed by the policyholder. Investment contracts included within financial liabilities on the balance sheet are therefore fully matched by investments as analysed in note 20.

Market risk

Market risk is the risk of adverse financial impact due to changes in fair values or future cash flows of financial instruments from fluctuations in interest rates, equity prices and foreign currency exchange rates.

Price risk

The group is exposed to price risk due to changes in the market values of its quoted and unquoted equity securities and unit linked 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. Although the group follows a policy of diversification some concentration of price risk towards certain sectors does exist and is analysed in the following table:

Sector composition of quoted equity securities	**2008 R000**	2007 R000
Agriculture	**214 408**	776 301
Automobiles & parts	**1 378**	5 496
Banks	**71 700**	23 941
Basic resources	**357 404**	137 826
Chemicals	**3 654**	2 470
Construction & materials	**18 911**	7 904
Financial services	**88 720**	261 675
Food & beverages	**21 574**	20 467
Healthcare	**10 132**	295
Industrial goods & services	**62 389**	45 460
Insurance	**12 365**	48 176
Media	**5 656**	1 268
Oil & gas	**39 165**	25 266
Other	**33 388**	108 565
Personal & household goods	**127 137**	26 907
Retail	**30 517**	30 312
Technology	**1 103**	7 176
Telecommunications	**109 363**	43 899
Travel & leisure	**6 338**	
	1 215 302	1 573 404

Included in the group quoted equity securities are those equity securities relating to:

- contracts for differences amounting to R146 097 000 (2007: R215 931 000);
- investments in linked investment contracts amounting to R436 605 000 (2007: Rnil); and
- equity securities relating to third-party liabilities arising on consolidation of mutual funds amounting to R1 397 000 (2007: R111 730 000).

The price risk of these instruments are carried by the holders of the contracts for differences, the policyholders of the linked investment contracts and the third party mutual fund investor respectively. Included in unit linked investments are investments linked to investment contracts amounting to R4 999 000 (2007: Rnil) of which the price risk is also carried by the policyholders of the linked investment contracts. Therefore a movement in the individual share prices of the aforementioned investments would not have an impact on the group's profit after taxation but would decrease or increase the corresponding liabilities with the same amount.

The table below summarises the sensitivity of the group's post-tax net profit for the year as a result of market price fluctuations. The analysis is based on the assumption that marked-to-market prices increase/decrease by 10% with all other variables held constant.

Notes to the financial statements

for the year ended 29 February 2008

	10% increase 2008 R000	10% increase 2007 R000	10% decrease 2008 R000	10% decrease 2007 R000
40. FINANCIAL RISK MANAGEMENT *(continued)*				
Impact on post-tax profit	**94 360**	144 492	**(94 360)**	(144 492)

Foreign exchange risk

The group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. The group's exposure to foreign currency is analysed in the following table:

2008	Africa R000	UK R000	US R000	Euro R000	Asian Pacific R000	**Total R000**
Financial assets						
Loans and advances		**149**	**10 943**			**11 092**
Receivables		**5 584**	**3 578**			**9 162**
Cash and cash equivalents		**7 734**	**10 379**	**2 311**		**20 424**
Financial liabilities						
Borrowings		**(232)**				**(232)**
Trade and other payables		**(3 238)**	**(8 000)**			**(11 238)**
	–	**9 997**	**16 900**	**2 311**	**–**	**29 208**
2007						
Financial assets						
Equity securities			23 428	5 075		28 503
Loans and advances			2 166			2 166
Receivables	40 846	(4 258)	(6 605)	(427)		29 556
Cash and cash equivalents	10 246	1 378	6 679	2 886	12	21 201
Financial liabilities						
Borrowings		(381)				(381)
Trade and other payables		(900)	(709)			(1 609)
	51 092	(4 161)	24 959	7 534	12	79 436

Currency exposure arising from the net assets of the group's foreign operations is monitored by management and cover is used where appropriate. The table below shows the sensitivity of post-tax profits of the group to a 10% move in exchange rates:

	10% increase 2008 R000	10% increase 2007 R000	10% decrease 2008 R000	10% decrease 2007 R000
Impact on post-tax profit	**(1 346)**	2 300	**1 346**	(2 127)

Notes to the financial statements

for the year ended 29 February 2008

40. FINANCIAL RISK MANAGEMENT *(continued)*

Cash flow and fair value interest rate risk

The group's interest rate risk arises from interest-bearing investments, long-term borrowings and variable rate preference shares issued to minorities. 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.

	2008	2007
	R000	R000
Loans to and preference share investment in associated companies		
Floating rate	**267 228**	247 279
Fixed rate	**31 807**	
	299 035	247 279
Debt securities		
Floating rate	**883 428**	
Fixed rate	**413 646**	5 363
	1 297 074	5 363
Loans and advances		
Floating rate	**39 573**	30 536
Fixed rate	**21 999**	28 927
	61 572	59 463
Cash and cash equivalents		
Floating rate	**414 234**	1 337 759
Fixed rate	**3 308**	3 002
	417 542	1 340 761
Borrowings		
Floating rate	**(441 659)**	(493 646)
Fixed rate	**(199 963)**	(253 840)
	(641 622)	(747 486)
Total		
Floating rate	**1 162 804**	1 121 928
Fixed rate	**270 797**	(216 548)
	1 433 601	905 380

Included in floating rate debt securities above is an amount of R883 428 000 (2007: Rnil) of which the fair value interest rate risk is carried by the linked investment contract policyholders. A movement in interest rates would therefore not have an impact on the group's profit after taxation in respect of these securities but would decrease or increase the corresponding liabilities carried on the balance sheet with the same amount.

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. The variable rate preference shares issued to minorities are classified as equity and therefore excluded in the table above and sensitivity analysis below. In order to mitigate this risk, management has entered into a 10-year fixed-for-variable rate interest rate swap with a nominal value of R440 000 000 (2007: R440 000 000). This means that the preference dividend rate on R440 000 000 out of the R600 000 000 (2007: R550 000 000) preference shares in issue is fixed at 8,87% p.a. (NACS). In addition, the group has preference share investments in associated companies as shown in the above table, with coupons linked to the prime interest rate, thus creating a natural hedge. The combination of the aforementioned means that the group's listed perpetual preference shares are substantially hedged against interest rate fluctuations.

Notes to the financial statements

for the year ended 29 February 2008

40. FINANCIAL RISK MANAGEMENT *(continued)*

Based on simulations performed, the impact on post-tax profit of a 2% shift in interest rates is analysed in the following table and includes the mitigating effect of the interest rate hedge:

	2% increase		2% decrease	
	2008	2007	**2008**	2007
	R000	R000	**R000**	R000
Impact on post-tax profit	**(1 142)**	19 037	**2 288**	(19 037)

Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments, loans and advances, investments in debt securities and receivables. Derivative counterparties and cash transactions are limited to high-credit-quality financial institutions. Management considers the risk associated with receivables on the balance sheet to be limited as the majority of this category consists of amounts owed by brokers and clearing houses which are settled automatically by the JSE within five days of concluding a transaction. In the case of loans and advances, management would take or insist on collateral or other form of securitisation as they deem fit.

The table below shows the group's maximum exposure to credit risk by class of asset:

	2008		2007	
	Balance	**Collateral**	Balance	Collateral
	R000	**R000**	R000	R000
Debt securities	**1 297 074**		5 363	
Loans and advances	**61 572**	**19 945**	59 463	5 366
Derivative financial instruments	**30 395**			
Receivables	**193 682**		403 122	
Cash and cash equivalents	**417 542**		1 340 761	
	2 000 265	**19 945**	1 808 709	5 366

Included in loans and advances is a loan of R7 000 000 (2007: R7 000 000) that is shown after deducting an impairment provision of R10 243 000 (2007: R10 243 000). The carrying value of the loan is reviewed annually for impairment using discounted cash flows based on estimated future cash flows both in terms of timing and quantum. As at 28 February 2007 receivables with a face value of R193 570 000 relating to the group's wholesale trading business, which has subsequently been disposed of, were considered for impairment of which R6 537 000 was impaired and provided for. Specific debtors are identified to be impaired by identifying items exceeding a specific age or are subject to disputes or to a lesser extent due to the inability of customers to pay.

The credit quality of financial assets can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

	2008	2007
	R000	R000
Government stock	**254 502**	
AAA	**106 964**	109 749
AA	**77 643**	32 935
AA+	**12 430**	
A-2	**20 488**	12 410
A	**90 995**	2 335
B	**3 308**	3 002
F1+ (zaf)	**131 492**	9 119
Other non-rated assets	**1 287 914**	1 443 732
Past due or impaired assets	**14 526**	195 428
	2 000 262	1 808 710

Notes to the financial statements

for the year ended 29 February 2008

40. FINANCIAL RISK MANAGEMENT *(continued)*

For the year ended 29 February 2008, the credit risk associated with the majority of unrated financial assets is assessed by reference to the investment mandates which specifies what type of underlying investments can be purchased. For the year ended 28 February 2007 the majority of unrated financial assets comprised cash invested the PSG Money Market Fund of which the underlying instruments are rated in terms of the Collective Investment Schemes Control Act.

The table below gives an age analysis of receivables that are past due but not impaired. The other classes of financial assets do not contain assets that are past due but not impaired.

	Total R000	0-2 months R000	2-6 months R000	6-12 months R000
2008	**7 526**	**104**	**7 422**	
2007	82 935	77 595	4 021	1 319

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.

With regard to the linked investment policy business, it is the group's policy to pay a policyholder only once the amount disinvested has been received.

The table below analyses the group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Carrying value R000	Less than 1 year R000	Between 1 and 5 years R000	Over 5 years R000
At 29 February 2008				
Borrowings	**641 622**	**568 842**	**254 880**	
Derivative financial instruments	**230 032**	**230 032**		
Investment contracts	**7 535 673**	**1 389 647**	**1 704 700**	**4 441 326**
Third-party liabilities arising on consolidation of mutual funds	**23 024**	**23 024**		
Trade and other payables	**451 509**	**445 736**	**5 770**	
	8 881 860	**2 657 281**	**1 965 350**	**4 441 326**
At 28 February 2007				
Borrowings	747 486	470 450	291 868	
Derivative financial instruments	28 644	28 644		
Third-party liabilities arising on consolidation of mutual funds	118 138	118 138		
Trade and other payables	404 138	404 138		
	1 298 406	1 021 370	291 868	–

Notes to the financial statements

for the year ended 29 February 2008

40. FINANCIAL RISK MANAGEMENT *(continued)*

Insurance risk

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

FAIR VALUE ESTIMATION

The fair value of financial instruments traded in active markets, including exchange traded derivative financial liabilities, is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the group is the current bid price.

Apart from the items mentioned below the fair value of financial instruments that are not traded in an active market is determined by the fair value of the underlying (quoted) investments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The carrying value less impairment provision of receivables and payables are assumed to approximate their fair values. The fair value of borrowings for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate.

The table below summarises the carrying amounts and fair values of borrowings not presented on the group's balance sheet at fair value:

	Carrying value		Fair value	
	2008	2007	**2008**	2007
	R000	R000	**R000**	R000
Borrowings	**641 622**	747 486	**638 517**	740 563

CAPITAL RISK MANAGEMENT

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The group's capital comprises total equity, as shown in the consolidated balance sheet, plus net debt. Net debt is calculated as borrowings less cash and cash equivalents as shown in the consolidated balance sheet. When funding is required, management will consider the various forms of paper available for issue taking into account current market conditions, anticipated trends in market indicators and the financial position of the group at the time. Management will accordingly consider issuing ordinary shares, perpetual preference shares, short, long or medium-term borrowings with variable or fixed rates. Historically the group's long and medium-term paper have been issued at fixed rates of interest. The directors have authority to issue ordinary and preference shares up to 15% of the number of shares in issue as at the previous year-end for each class of share.

Certain subsidiaries have regulatory capital adequacy requirements as a result of the respective industries in which they operate. PSG FutureWealth Ltd is required to hold a minimum amount of capital in order to reduce the policyholders' exposure to the company's liquidity risk. The Financial Services Board, as the regulatory authority, regularly reviews compliance with these minimum capital requirements. The company must maintain shareholders' funds that will be sufficient to meet obligations in the event of substantial deviations from the main assumptions affecting the company's business. Capital adequacy requirements were covered 2,2 times at 29 February 2008. This ratio is determined in accordance with regulations and the guidelines issued by the Actuarial Society of South Africa. AIC Insurance Company Ltd is required to hold at least R10 000 000 (2007: R10 000 000) in capital and reserves.

Annexure A – Investments

for the year ended 29 February 2008

INTEREST IN SUBSIDIARIES

Company	Proportion held directly or indirectly by holding company 2008 %	2007 %	Issued share capital 2008 R000	2007 R000
PSG Financial Services Ltd	**100**	100	**45 872**	45 872
PSG Investment Services (Pty) Ltd	**100**	100	**1 769**	1 769
Professional Securities Group Ltd	**97**	97	**1**	1
PSG Konsult Ltd	**73**	74	**7 315**	6 829
PSG Corporate Services (Pty) Ltd	**100**	100	**4**	4
Ou Kollege Beleggings Ltd	**100**	100	**4**	4
Axiam Holdings Ltd	**100**	100	**166**	166
Zeder Investments Ltd*	**35**	36	**6 050**	5 713
Paladin Capital Ltd	**90**	98	**38**	28
PSG FutureWealth Ltd	**80**		**300**	
CIC Holdings Ltd**		63		180

* *Zeder's results have been consolidated as PSG Group exercises control over its operations through its 35% (2007: 36%) shareholding, board representation and a management agreement in terms of which PSG provides management and administration services to the company.*

** *CIC Holdings became an associated company in 2008, with the Group's interest having been diluted to below 50%.*

The company's interest in attributable income and losses of subsidiaries amounts to R833 226 000 (2007: R848 976 000) and Rnil (2007: Rnil) 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 Ltd 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.

Annexure A – Investments

for the year ended 29 February 2008 (continued)

INVESTMENT IN ASSOCIATED COMPANIES		Proportion held directly or indirectly by holding companies		Group Carrying value	
		2008	2007	**2008**	2007
Company	Nature of business	**%**	%	**R000**	R000
Listed					
Capitec Bank Holdings Ltd	Retail banking	**35**	18	**1 021 827**	420 673
m Cubed Holdings Ltd	Financial services	**30**	30	**50 147**	50 147
CIC Holdings Ltd	Fast-moving consumer goods	**47**		**76 190**	
Erbacon Investment Holdings Ltd	Construction and tool hire	**29**		**75 377**	
IQuad Group Ltd	Incentive and treasury services	**39**		**36 906**	
				1 260 447	470 820
Unlisted					
Thembeka Capital (Pty) Ltd	Private equity	**50**	50	**174 868**	142 083
Quince Capital Holdings Ltd	Financing	**40**		**342 367**	
Agri investments				**1 138 188**	
Kaap Agri Ltd	Agricultural	**34**			
KWV Ltd	Wine producing	**21**			
MGK Business Investments Ltd	Agricultural	**30**			
Agricol Holdings Lts	Agricultural	**20**			
Channel Life Ltd	Life insurance	**34**	34	**128 482**	117 734
Dynarc Properties (Pty) Ltd	Property investments		30		45 229
Precrete Nozala (Pty) Ltd*	Mining services	**13**	39	**14 806**	22 580
Intercontinental Trust Ltd	Offshore trust services	**25**	25	**13 785**	13 785
ZS Rational Finance (Pty) Ltd	Bridge financing		39		5 264
Kumani Holdings (Pty) Ltd	Private equity	**49**	49		2 551
IQuad Group Ltd	Incentive and treasury services		47		30 422
Mainfin (Pty) Ltd	Bridge financing	**25**		**20 190**	
GRW Holdings (Pty) Ltd	Tank container manufacturer	**40**		**93 802**	
Friedshelf 903 (Pty) Ltd, t/a Protea Foundry	Non-ferrous casting	**50**		**17 017**	
Lesotho Milling Company (Pty) Ltd	Milling	**25**		**13 192**	
Other				**11 708**	7 164
				1 968 405	386 812

* *At 29 February 2008 Paladin Capital held a 32,7% stake in Thembeka Mining, which owned 40% in Precrete Nozala. Paladin thus owned an effective 13,1% in Precrete Nozala through Thembeka Mining at year-end, as opposed to a directly held 39% as at 28 February 2007.*

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 CIC Holdings which is incorporated in the Republic of Namibia, Intercontinental Trust which is incorporated in the Republic of Mauritius and Lesotho Milling which is incorporated in the Kingdom of Lesotho. Further details of investments are available at the registered offices of the relevant group companies.

Annexure A – Investments

for the year ended 29 February 2008 (continued)

FINANCIAL INFORMATION IN RESPECT OF PRINCIPAL ASSOCIATED COMPANIES

	Assets R000	Liabilities R000	Revenues R000	Profits R000
2008				
Capitec Bank Holdings Ltd	**2 936 372**	**1 718 945**	**1 657 530**	**229 065**
Thembeka Capital Ltd	**804 732**	**448 710**	**108 297**	**28 485**
Agri investments	**5 971 991**	**2 111 638**	**2 257 424**	**278 832**
Channel Life Ltd*	**3 935 918**	**3 611 459**	**940 321**	**27 750**
Quince Capital Holdings Ltd	**2 531 297**	**1 679 743**	**243 917**	**53 131**
	16 180 310	**9 570 495**	**5 207 489**	**617 263**
2007				
Capitec Bank Holdings Ltd	2 191 642	1 074 185	967 528	166 924
Thembeka Capital Ltd	606 876	347 052	378 952	219 803
Channel Life Ltd*	6 153 138	5 852 798	787 000	36 333
	8 951 656	7 274 035	2 133 480	423 060

* *Year-end 31 December*

Annexure B – Segment report

for the year ended 29 February 2008

Primary reporting segment

The group is organised in three main business segments:

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

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

The financial advice and fund management segment consists of PSG Konsult and PSG Fund Management which mainly provide investment support and advice to third parties, and PSG FutureWealth, a pure linked life insurer focusing on investment business.

The financing and banking segment consists of Capitec Bank Holdings and Quince Capital Holdings. Capitec is a retail bank that provides accessible and affordable banking facilities to clients. Quince Capital is a niche financing joint venture with Reunert.

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.

	Total revenue R000	Segment result R000	Segment assets R000	Segment* liabilities R000
For the year ended 29 February 2008				
Private equity and corporate finance	**1 944 766**	**552 542**	**3 418 706**	**305 004**
Financial advice and fund management	**914 575**	**231 172**	**9 236 571**	**8 761 496**
Financing and banking			**1 550 794**	
	2 859 341	**783 714**	**14 206 071**	**9 066 500**

* *Segment liabilities exclude current income tax liabilities of R70,6 million for the year ended 29 February 2008.*

	Capital expenditure R000	Depre-ciation R000	Amor-tisation R000	Impairment charges R000	Equity accounted earnings R000
Private equity and corporate finance	**7 454**	**4 440**	**494**		**146 536**
Financial advice and fund management	**8 178**	**6 228**	**41 510**		**927**
Financing and banking					**88 167**
	15 632	**10 668**	**42 004**	**–**	**235 630**

Annexure B – Segment report

for the year ended 29 February 2008 (continued)

	Total revenue R000	Segment result R000	Segment assets R000	Segment* liabilities R000
For the year ended 28 February 2007				
Private equity and corporate finance	826 471	733 834	3 622 773	485 344
Financial advice and fund management	623 116	152 061	1 270 240	978 952
Financing and banking			607 273	
	1 449 587	885 895	5 500 286	1 464 296

* *Segment liabilities exclude current income tax liabilities of R88,9 million for the year ended 28 February 2007.*

	Capital expenditure R000	Depre-ciation R000	Amor-tisation R000	Impairment charges R000	Equity accounted earnings R000
Private equity and corporate finance	1 065	498		21 249	105 220
Financial advice and fund management	10 005	3 970	33 331		410
Financing and banking					19 144
	11 070	4 468	33 331	21 249	124 774

	2008 R000	2007 R000
Reconciliation of segment result		
Segment result (operating profit)	**783 714**	885 895
Finance charges	**(57 848)**	(40 151)
Income from associated companies	**235 630**	124 774
Net income before taxation	**961 496**	970 518

Secondary reporting segment

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

Share analysis

as at 29 February 2008

	Shareholders		Shares held	
	Number	%	Number	%
RANGE OF SHAREHOLDING				
1 – 50 000	5 439	97,1	18 491 659	10,7
50 001 – 100 000	52	0,9	3 580 361	2,1
100 001 – 500 000	71	1,3	16 026 185	9,2
500 001 – 1 000 000	10	0,2	6 624 625	3,8
Over 1 000 000	27	0,5	128 621 116	74,2
	5 599	100,0	173 343 946	100,0
Employee share scheme	1		3 712 847	
Treasury shares	1		12 522 592	
	5 601		189 579 385	
PUBLIC AND NON-PUBLIC SHAREHOLDING				
Non-public				
Directors	11	0,2	90 664 930	52,3
Thembeka Capital	1		3 802 252	2,2
Directors of subsidiaries	13	0,2	1 948 973	1,1
Public	5 574	99,6	76 927 791	44,4
	5 599	100,0	173 343 946	100,0
INDIVIDUAL SHAREHOLDERS HOLDING 5% OR MORE AS AT 29 FEBRUARY 2008				
JF Mouton Family Trust			38 233 119	22,1
Mayfair Speculators (Pty) Ltd			20 000 000	11,5
Titan Nominees (Pty) Ltd			14 000 000	8,1
Sanlam Investment Management			11 214 701	6,5
			83 447 820	48,2

Notice of annual general meeting

Notice is hereby given of the annual general meeting of shareholders of PSG Group Ltd ("PSG Group" or "the company") to be held at Lanzerac Hotel, Lanzerac Road, Jonkershoek, Stellenbosch, on Friday, 20 June 2008 at 12:05.

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 29 February 2008.

2. Re-election of directors

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

   Summary curriculum vitae of Lourentius van Andringa Bellingan
   Mr Bellingan, aged 62, obtained his academic qualifications, including a BCom and LLB, from the University of Stellenbosch. He also qualified as a Chartered Accountant (SA). He is an entrepreneur and director of various companies.

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

   Summary curriculum vitae of Markus Johannes Jooste
   Mr Jooste, aged 47, obtained a BAcc degree from the University of Stellenbosch and qualified as a Chartered Accountant (SA).

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

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

   2.3. To re-elect as director Dr J van Zyl Smit, who retires by rotation in terms of the articles of association of the company and, being eligible, offers himself for re-election.

   Summary curriculum vitae of Jacobus van Zyl Smit
   Dr Van Zyl Smit, aged 65, obtained his academic qualifications, including an LLB and DCom from the University of Stellenbosch. He also qualified as a Chartered Accountant (SA).

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

   His experience as a director includes executive and non-executive positions with companies such as British American Tobacco Holdings SA (Pty) Ltd ("BAT") and Alnet (Pty) Ltd. He also acts as chairman of the audit and risk committees of PSG Group as well as BAT and Alnet (Pty) Ltd.

   2.4. To re-elect as director Mr CH Wiese, being a new appointment to the board, who retires in terms of the articles of association of the company and, being eligible, offers himself for re-election.

Notice of annual general meeting *(continued)*

Summary curriculum vitae of Christoffel Hendrik Wiese
Mr Wiese, aged 66, obtained his academic qualifications including a BA, LLB and a DCom (h.c.) from the University of Stellenbosch.

He is chairman of Pepkor Holdings Ltd, Shoprite Holdings Ltd, Tradehold Ltd, Instore plc (listed on the LSE) and Invicta Holdings Ltd. He is also a director of KWV Ltd.

2.5. To re-elect as director Mr P Malan, whose status as director formally changed from alternate to non-executive director with effect from 8 October 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 Pierre Malan
Mr Malan, aged 41, obtained his BCompt (Hons) degree from the University of the Free State. He also qualified as a Chartered Accountant (SA).

He has 10 years of Corporate Finance experience and has also been involved in sourcing private equity investments for PSG. He also serves on the board of CIC Holdings Ltd, a listed company.

3. To confirm the reappointment of PricewaterhouseCoopers Inc as auditor for the ensuing year on the recommendation of the PSG Group Ltd's audit and risk committee.

4. To confirm the auditor's remuneration for the year ended 29 February 2008 as determined by the PSG Group Ltd's audit and risk committee.

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 29 February 2008, 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 Ltd."

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 Ltd ("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 29 February 2008, 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

Notice of annual general meeting *(continued)*

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 agreed between the issuer and the party subscribing for the securities. 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 Ltd ("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 JSE should be consulted for a ruling if the applicants securities have not traded in such five business day period;
- 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 unless there is a repurchase programme in place as contemplated in terms of 5.72(g) 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."

Notice of annual general meeting *(continued)*

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 Ltd ("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 JSE should be consulted for a ruling if the applicants securities have not traded in such five business day period;
- 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 unless there is a repurchase programme in place as contemplated in terms of 5.72(g) 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.

Notice of annual general meeting *(continued)*

In terms of the Listings Requirements of the JSE, any general purchase by a subsidiary of 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 12), major shareholders (page 98), directors' interest in securities and material changes (page 38) and the share capital of the company (page 66) 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 12 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 Listings Requirements of the JSE Ltd.

4. Special resolutions 1 and 2 are renewals of resolutions taken at the previous annual general meeting on 22 June 2007.

VOTING

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

The instrument appointing a proxy and the authority (if any) under which it is signed must reach the transfer secretaries of the company at the address given below by not later than 12:05 on Thursday, 19 June 2008.

Notice of annual general meeting *(continued)*

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) Ltd
Company secretary

16 May 2008
Stellenbosch

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

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

PSG FINANCIAL SERVICES LIMITED

PSG Financial Services Limited

Annual financial statements
PSG Financial Services Limited

Contents

Approval of annual financial statements

The directors are responsible for the maintenance of adequate accounting records and to prepare annual financial statements that fairly represent the state of affairs and the results of the 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 109 to 129 were approved by the board of directors of PSG Financial Services Ltd and are signed on its behalf by:

JF Mouton
Chairman

CA Otto
Director

16 May 2008
Stellenbosch

Independent auditor's report

To the members of PSG Financial Services Limited

We have audited the annual financial statements of PSG Financial Services Ltd, which comprise the directors' report, the balance sheet as at 29 February 2008, 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 109 to 129.

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 29 February 2008, 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

16 May 2008
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) Ltd
Per WL Greeff
Company secretary

16 May 2008
Stellenbosch

Directors' report

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

OPERATING RESULTS
The operating results and the state of affairs of the company are fully set out in the attached income statement, balance sheet and notes thereto. The company's earnings attributable to shareholders amounted to R142,0 million (2007: R5,5 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 R44 000 000 (2007: R46 500 000).

Preference
The directors have declared the following dividends in respect of the cumulative, non-redeemable, non-participating preference shares for the period ended 29 February:

Cents per share	**2008**	2007
Interim	**482,9**	4,085
Final	**525,1**	4,505
Total	**1 008,0**	8,590

DIRECTORS
The directors of the company at the date of this report appear on page 12. Since the date of the previous report, Mr CH Wiese was appointed as an independent non-executive director with effect from 4 July 2007, and Mr P Malan's status as director formally changed from alternate to non-executive with effect from 8 October 2007. Mr BE Steinhoff resigned as a director with effect from 21 April 2008.

HOLDING COMPANY
The company is a wholly-owned subsidiary of PSG Group Ltd, except for the 6 079 738 (2007: 550 000 000) preference shares which are listed on the JSE Ltd.

SHAREHOLDING OF DIRECTORS
The shareholding of directors in the preference share capital of the company as at 29 February 2008 was as follows:

	Beneficial		Non-beneficial		**Total shareholding 2008**		Total shareholding 2007	
	Direct	Indirect	Direct	Indirect	**Number**	**%**	Number	%
L van A Bellingan		50 000		30 000	**80 000**	**1,3**	8 000 000	1,5
J de V du Toit				52 632	**52 632**	**0,9**	5 263 158	1,0
MJ Jooste				350 000	**350 000**	**5,8**	35 000 000	6,4
Dr J van Zyl Smit	40 000			10 000	**50 000**	**0,8**	4 000 000	0,7
	40 000	50 000	–	442 632	**532 632**	**8,8**	52 263 158	9,6

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) Ltd. The business and postal addresses are shown on page 134.

Balance sheet

as at 29 February 2008

	Notes	**2008 R000**	2007 R000
ASSETS			
Investment in subsidiaries	1	**1 085 537**	864 097
Investment in associated companies	2	**1 327 335**	431 776
Financial assets			
Equity securities	3	**281 086**	316 227
Loans and advances	4	**526 500**	949 308
Derivative financial instruments	5	**25 181**	
Receivables	7	**11 351**	19 445
Cash and cash equivalents	16.4		26
Total assets		**3 256 990**	2 580 879
CAPITAL AND RESERVES ATTRIBUTABLE TO THE COMPANY'S EQUITY HOLDERS			
Share capital	8		
Ordinary share capital		**45 872**	45 872
Preference share capital		**6 080**	5 500
Share premium			
Ordinary share capital		**92 175**	92 175
Preference share capital		**578 369**	529 023
Other reserves	9	**161 452**	231 501
Retained earnings		**287 145**	244 843
Total equity		**1 171 093**	1 148 914
LIABILITIES			
Financial liabilities			
Borrowings	10	**2 023 576**	1 368 164
Derivative financial instruments	5		6 997
Deferred income tax	6	**28 518**	29 594
Trade and other payables	11	**31 926**	24 801
Current income tax liabilities		**1 877**	2 409
Total liabilities		**2 085 897**	1 431 965
Total liabilities and shareholders' funds		**3 256 990**	2 580 879

Income statement

for the year ended 29 February 2008

	Notes	2008 R000	2007 R000
INCOME			
Investment income	12	**134 665**	328 900
Net fair value gains	13	**32 175**	6 004
Profit on sale of investment in associated company		**4 574**	
Total income		**171 414**	334 904
EXPENSES			
Loss on liquidation of subsidiary			328 769
Marketing, administration and other expenses		**3 066**	1 102
Total expenses		**3 066**	329 871
Results of operating activities		**168 348**	5 033
Finance cost		**(13 698)**	(7 347)
Profit/(loss) before taxation		**154 650**	(2 314)
Taxation	14	**(12 683)**	7 779
Net profit for the year		**141 967**	5 465
Attributable to:			
– equity holders of the company		**141 967**	5 465

Statement of changes in equity

for the year ended 29 February 2008

	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 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 year					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
Fair value losses on investments						**(70 049)**	**(70 049)**
Issue of preference share capital			**580**	**49 346**			**49 926**
Net income for the year					**141 967**		**141 967**
Dividend – ordinary shares					**(44 000)**		**(44 000)**
Dividend – preference shares					**(55 665)**		**(55 665)**
Balance at 29 February 2008	**45 872**	**92 175**	**6 080**	**578 369**	**287 145**	**161 452**	**1 171 093**

Cash flow statement

for the year ended 29 February 2008

	Notes	**2008 R000**	2007 R000
Cash retained from operating activities			
Cash generated by operating activities	16.1	**128 802**	323 748
Taxation paid	16.2	**(2 411)**	
Net cash flow from operating activities		**126 391**	323 748
Cash utilised in investing activities			
Acquisition of/additional investment in subsidiaries		**(221 440)**	(940 122)
Acquisition of/additional investment in associated companies		**(890 985)**	(431 776)
Investments acquired		**(49 618)**	
Loans from holding company		**422 759**	1 146 868
Loans from subsidiaries		**296 050**	32 219
Realisation of derivative financial instrument			13 641
(Decrease)/increase in borrowings		**(63 397)**	178 025
Loans from/(to) intergroup companies		**422 805**	(325 046)
Net cash flow from investment activities		**(83 826)**	(326 191)
Cash flows from financing activities			
Preference shares issued		**52 746**	94 795
Dividend paid to ordinary shareholders	16.3	**(44 000)**	(46 500)
Dividend paid to preference shareholders	16.3	**(51 337)**	(45 826)
Net cash flow from financing activities		**(42 591)**	2 469
Net (decrease)/increase in cash and cash equivalents		**(26)**	26
Cash and cash equivalents at beginning of year		**26**	
Cash and cash equivalents at end of year	16.4	**–**	26

Accounting policies

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 Ltd. The consolidated financial statements of the company are therefore very similar to PSG Group Ltd's consolidated financial statements which are included on pages 35 to 97.

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 Ltd's financial statements or the PSL Group's consolidated financial statements as at and for the year ended 29 February 2008 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 further on in the accounting policies.

STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS THAT ARE EFFECTIVE FOR THE FIRST TIME IN 2008

- Amendments to IAS1 Presentation of Financial Statements – Capital Disclosures (effective January 2007)
- IFRS 7 Financial Instruments (Disclosures) (effective January 2007)
- IFRIC 9 Reassessment of Embedded Derivatives (effective 1 June 2006)
- IFRIC 10 Interim Financial Reporting and Impairment (effective 1 November 2006)
- IFRIC 11 IFRS 2 Group and Treasury Share Transactions (effective 1 March 2007)

The implications of these statements have no impact on measurements of assets and liabilities at previous year end. Comparatives are provided for new disclosures.

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the company's accounting periods beginning on or after 1 March 2008 or later periods but which the company has not early adopted, as follows:

- IFRS 8 Operating Segments (effective January 2009)
- IAS 23 Borrowing Costs – Revised (effective January 2009)
- IAS 1 Presentation of Financial Statements (effective January 2009)
- IFRIC 12 Service Concession Arrangements (effective January 2008)
- IFRIC 13 Customer Loyalty Programmes (effective July 2008)
- IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective January 2008)
- IFRS 3 Business Combinations Revised (effective July 2009)
- IAS 27 Consolidated and Separate Financial Statements Revised (effective July 2009)

Accounting policies

continued

- Amendment to IAS 32 Financial Instruments and IAS 1 Presentation of Financial Statements: Presentation Regarding Puttable Instruments (effective 1 July 2009)
- Amendment to IFRS 2 Share Based Payment Vesting Conditions and Cancellation (effective January 2009)

Management is in the process of assessing the impact of these amendments and standards on the reported results of the company.

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.

Accounting policies

continued

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.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of investment income. Dividends on available-for-sale equity instruments are recognised in the income statement as part of investment income when the company's right to receive payment is established.

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 initially measured at fair value and subsequently recognised at amortised cost using the effective interest rate method, 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.

CURRENT AND DEFERRED INCOME TAX

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Accounting policies

continued

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.

Accounting policies

continued

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 if 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.

Notes to the financial statements

for the year ended 29 February 2008

		2008 R000	2007 R000
1.	**INVESTMENT IN SUBSIDIARIES**		
	Shares at cost	**1 085 537**	864 097
	Refer Annexure A		
2.	**INVESTMENT IN ASSOCIATED COMPANIES**		
	Listed shares at cost	**1 003 108**	430 252
	Unlisted shares at cost	**324 227**	1 524
		1 327 335	431 776
	Reconciliation		
	Carrying value at beginning of year	**431 776**	80 649
	Transfer to subsidiary		(80 649)
	Acquisitions		
	Cash	**890 985**	431 776
	Share swap	**4 574**	
	Carrying value at end of year	**1 327 335**	431 776
	Market value of listed investments	**1 113 571**	533 106
	Directors' valuation of unlisted investments	**324 227**	1 524
	Refer Annexure A		
3.	**EQUITY SECURITIES**		
	PSG Group Ltd (listed)	**261 096**	316 227
	MiWay Finance (Pty) Ltd (unlisted)	**19 990**	
		281 086	316 227

	Available-for-sale R000	Total R000
Reconciliation of movements		
Carrying amount at 1 March 2006	260 362	260 362
Fair value adjustment	55 865	55 865
Carrying amount at 28 February 2007	316 227	316 227
Additions	**49 618**	**49 618**
Donations	**(2 830)**	**(2 830)**
Fair value adjustment	**(81 929)**	**(81 929)**
Carrying amount at 29 February 2008	**281 086**	**281 086**

	2008 R000	2007 R000
Current portion		
Non-current portion	**281 086**	316 227
	281 086	316 227

Notes to the financial statements

for the year ended 29 February 2008

	2008 R000	2007 R000
4. LOANS AND ADVANCES		
Unsecured loans to subsidiaries		
Axiam Holdings Ltd		
– interest bearing	**114 628**	178 025
– non-interest bearing	**20 274**	251 160
PSG Corporate Services (Pty) Ltd	**96 897**	200 759
PSG Channel Holdings Ltd	**34 821**	34 821
PSG Investment Services (Pty) Ltd	**48 508**	14 207
Channel Life Holdings (Pty) Ltd	**54 656**	54 656
Arch Equity Life Holdings (Pty) Ltd	**21**	21
Preference shares in associated companies of a subsidiary	**154 387**	215 636
Unsecured loan to associated company	**2 285**	
Other	**23**	23
	526 500	949 308
Current portion	**262 113**	623 672
Non-current portion	**264 387**	325 636
	526 500	949 308

Included in the non-current portion is a loan of R110 000 000 (2007: R110 000 000) to Axiam Holdings Ltd which bears interest at a rate of 10,79% p.a. fixed and is repayable on 12 October 2011. Interest of R4 628 000 (2007: R4 594 000) have been accrued on this loan at year-end and is included in the current portion.

The preference shares in associated companies of a subsidiary are redeemable within 7 years and carry dividend rates that are linked to the prime overdraft rate.

Notes to the financial statements

for the year ended 29 February 2008

	2008 R000	2007 R000
5. DERIVATIVE FINANCIAL INSTRUMENTS		
Derivative financial assets	**25 181**	
Derivative financial liabilities		(6 997)
	25 181	(6 997)
Derivative financial assets		
Current portion		
Non-current portion	**25 181**	
	25 181	–
Derivative financial liabilities		
Current portion		
Non-current portion		(6 997)
	–	(6 997)
Analysis of net derivative balance		
Equity contracts		
Fixed-for-variable rate interest rate hedge	**25 181**	(6 997)
6. DEFERRED INCOME TAX		
Deferred income tax liabilities		
To be recovered after more than 12 months	**(33 560)**	(36 109)
To be recovered within 12 months	**5 042**	6 515
	(28 518)	(29 594)

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

	STC credits R000	Unrealised marked-to-market R000	Total R000
At 1 March 2006		(31 682)	(31 682)
Credited 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)
Charged to income statement	**(1 473)**	**(9 331)**	**(10 804)**
Credited to equity		**11 880**	**11 880**
At 29 February 2008	**5 042**	**(33 560)**	**(28 518)**

	2008 R000	2007 R000
7. RECEIVABLES		
Sundry debtors	**10 852**	18 946
Taxation	**499**	499
	11 351	19 445
Current portion	**11 351**	19 445
Non-current portion		
	11 351	19 445

Notes to the financial statements

for the year ended 29 February 2008

		2008 R000	2007 R000
8.	**SHARE CAPITAL**		
	Ordinary share capital		
	Authorised		
	1 000 000 000 shares of 8 cents each (2007: 1 000 000 000 shares)	**80 000**	80 000
	Issued		
	573 401 094 shares of 8 cents each (2007: 573 401 094 shares)	**45 872**	45 872
	The unissued shares in the company are placed under the control of the directors until the next annual general meeting. The directors are authorised to buy back shares subject to certain limitations and JSE requirements.		
	Preference share capital		
	Authorised		
	10 000 000 shares of R1 each (2007: 600 000 000 shares of 1 cent each)	**10 000**	6 000
	Issued		
	6 079 738 shares of R1 each (2007: 550 000 000 shares of 1 cent each)	**6 080**	5 500

The preference shares are cumulative, non-redeemable, non-participating preference shares of R1 each. The preference shares were consolidated on a 1 for 100 basis during the year under review. During the year ended 28 February 2007 the following issues of shares occurred: 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. During the year ended 29 February 2008, 579 738 shares were issued to a subsidiary, PSG FutureWealth Ltd, at R91,11 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**			
	At 1 March 2006	177 121	6 615	183 736
	Fair value gains on investments	47 765		47 765
	At 28 February 2007	224 886	6 615	231 501
	Fair value losses on investments	**(70 049)**		**(70 049)**
	At 29 February 2008	**154 837**	**6 615**	**161 452**

Notes to the financial statements

for the year ended 29 February 2008

	2008 R000	2007 R000
10. BORROWINGS		
Non-current		
Unsecured bonds	**114 628**	114 594
Current		
Unsecured loan from holding company	**1 580 679**	1 157 920
Unsecured loans from subsidiaries	**328 269**	32 219
Other unsecured loans		58 674
Unsecured bonds		4 757
	1 908 948	1 253 570
Total borrowings	**2 023 576**	1 368 164

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

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

PSG01 Bond, nominal value R110 000 000. The maturity date is 12 October 2011 and the bond bears interest at a rate of 10,79% p.a. fixed. Accrued interest amounts to R4 628 000 (2007: R4 594 000).

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

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

	2008 R000	2007 R000
11. TRADE AND OTHER PAYABLES		
Accounts payable and accruals		23
Shareholders for dividends – preference shares	**31 926**	24 778
	31 926	24 801
Current portion	**31 926**	24 801
Non-current portion		
	31 926	24 801
12. INVESTMENT INCOME		
Interest income		
Preference dividend income	**40 416**	17 472
Loans and advances	**20 051**	7 658
Dividend income		
Equity securities – available-for-sale	**11 363**	8 449
Dividend from subsidiaries	**46 962**	233 400
Dividend from associated companies	**15 873**	61 921
	134 665	328 900

Notes to the financial statements

for the year ended 29 February 2008

	2008 R000	2007 R000
13. NET FAIR VALUE GAINS		
Realised gains on sale of investments in subsidiaries		8 339
Net fair value gains/(losses) on financial assets at fair value through profit or loss		
unrealised fair value gains/(losses)	**32 175**	(7 364)
realised fair value gains		5 029
	32 175	6 004
14. TAXATION		
Current taxation		
Current year	**1 879**	2 409
Deferred taxation		
Current year	**9 331**	(2 029)
Prior year		(1 644)
	9 331	(3 673)
Secondary tax on companies		
Deferred taxation	**1 473**	(6 515)
	12 683	(7 779)
Reconciliation of income tax charge		
Reconciliation of rate of taxation	**%**	%
South African normal tax rate	**29,0**	29,0
Adjusted for:		
Non-taxable income	**(21,6)**	(4 025,9)
Non-deductible expenses	**0,6**	4 120,3
Prior year overprovision		(71,0)
Rate change	**(0,8)**	
Capital gains tax rate differential		2,3
Secondary tax on companies	**1,0**	281,5
Effective rate of tax	**8,2**	336,2

	2008 R000	2007 R000
STC credits available within the company	**50 422**	52 123
Deferred tax asset provided on STC credits	**(50 422)**	(52 123)
Available for future utilisation	**–**	–

Notes to the financial statements

for the year ended 29 February 2008

	2008 R000	2007 R000
15. RELATED-PARTY TRANSACTIONS		
The company is a wholly owned subsidiary of PSG Group Ltd. Related-party transactions exist with companies within the group. Transactions with related parties comprise intergroup loan accounts and investment in preference shares (detailed in notes 4 and 10) as well as an investment in the ordinary shares of PSG Group (note 3). For details of interest and dividends received on these investments refer to note 12.		
16. NOTES TO THE CASH FLOW STATEMENT		
16.1 Cash generated by operating activities		
Net profit/(loss) before tax	**154 650**	(2 314)
Adjustments for:		
Unrealised fair value gains	**(32 175)**	
Other non-cash items	**10 901**	(2 707)
Loss on sale of shares in subsidiary		328 769
Profit on sale of investment in associated company	**(4 574)**	
	128 802	323 748
16.2 Taxation paid		
Charge in income statement	**(1 879)**	(2 409)
Movement in taxation liability	**(532)**	2 409
	(2 411)	–
16.3 Dividends paid – ordinary shares		
Provision for payment to shareholders at beginning of year		
Dividends paid for the year	**(44 000)**	(46 500)
Provision for payment to shareholders at end of year		
	(44 000)	(46 500)
Dividends paid – preference shares		
Provision for payment at beginning of year	**(24 778)**	(17 922)
Preference dividends accrued for the year	**(55 665)**	(52 682)
Preference dividends accrued with preference share issue	**(2 820)**	
Provision for payment at end of year	**31 926**	24 778
	(51 337)	(45 826)
16.4 Cash and cash equivalents at end of year		
Cash and short-term funds	**–**	26

Notes to the financial statements

for the year ended 29 February 2008

17. FINANCIAL RISK MANAGEMENT

The company's activities expose it to a variety of financial risks: market risk (including fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity 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.

Financial instruments are grouped into the following classes in order to facilitate effective financial risk management and disclosure in terms of IFRS 7 *Financial Instruments: Disclosures*. The sensitivity analyses presented below are based on reasonable possible changes in market variables for equity prices, interest rates and foreign exchange rates for the company.

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 table below summarises the sensitivity of the company's equity as a result of market price fluctuations. The analysis is based on the assumption that marked-to-market prices increase/decrease by 10% with all other variables held constant.

	10% increase		10% decrease	
	2008 R000	2007 R000	**2008 R000**	2007 R000
Impact on post-tax profit	**24 173**	27 037	**(24 173)**	(27 037)

The company has a concentration of price risk towards the general financial sector of the JSE Ltd with 93% (2007: 100%) of its equity investments invested in this sector. The company is not exposed to commodity price risk.

Cash flow and fair value interest rate risk

The company's interest rate risk arises from variable rate interest-bearing investments, long-term borrowings and variable rate 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 through various hedging strategies and by monitoring interest rates on a regular basis.

Based on simulations performed, the impact on post-tax profit of a 2% shift in interest rates is analysed in the following table.

	2% increase		2% decrease	
	2008 R000	2007 R000	**2008 R000**	2007 R000
Impact on post-tax profit	**2 225**	3 062	**(2 225)**	(3 062)

Notes to the financial statements

for the year ended 29 February 2008

17. FINANCIAL RISK MANAGEMENT *(continued)*

Credit risk

The company has no significant concentrations of credit risk to external parties. Credit risk arises from derivative financial instruments, loans and advances, receivables and cash and cash equivalents. Derivative counterparties and cash transactions are Ltd to high-credit-quality financial institutions. The credit risk associated with loans and advances and receivables are considered to be minimal as they are all intergroup. PSG Group Ltd, the company's holding company, has group policies in place that limit the amount of credit exposure to any financial institution.

The table below shows the company's maximum exposure to credit risk by class of asset.

	2008 R000	2007 R000
Loans and advances	**526 500**	949 308
Receivables	**11 351**	19 445
Cash and cash equivalents		26
Derivative financial instruments	**25 181**	
	563 032	968 779

No receivables were past due.

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.

The table below analyses the company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Carrying value R000	Less than 1 year R000	Between 1 and 5 years R000
At 29 February 2008			
Borrowings	**2 023 576**	**1 908 948**	**139 441**
Trade and other payables	**31 926**	**31 926**	
	2 055 502	**1 940 874**	**139 441**
At 28 February 2007			
Borrowings	1 368 164	1 253 570	170 960
Derivative financial instruments	6 997	6 997	
Trade and other payables	24 801	24 801	
	1 399 962	1 285 368	170 960

Notes to the financial statements

for the year ended 29 February 2008

17. FINANCIAL RISK MANAGEMENT *(continued)*

Capital risk management

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The company is mainly funded by ordinary share capital, variable rate perpetual preference shares, fixed rate long-term borrowings and interest-free intergroup borrowings.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the company is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The company uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. These methods are more fully disclosed in the accounting policy relating to financial assets. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

The carrying value less impairment provision of receivables and payables are assumed to approximate their fair values. The fair value of borrowings for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate.

The table below summarises the carrying amounts and fair values of financial instruments not presented on the company's balance sheet at fair value.

	Carrying value		Fair value	
	2008	2007	**2008**	2007
	R000	R000	**R000**	R000
Loans and advances	**114 628**	178 025	**98 144**	172 796
Borrowings	**(114 628)**	(178 025)	**(98 144)**	(172 796)

Annexure A – Investments

for the year ended 29 February 2008

Company	Proportion held directly 2008 %	2007 %	Issued share capital 2008 R000	2007 R000	Carrying value 2008 R000	2007 R000
INVESTMENT IN SUBSIDIARIES						
Channel Life Holdings (Pty) Ltd	**100**	100	**4**	4	**11 709**	11 709
Arch Equity Corporate Services (Pty) Ltd	**100**	100			**4 522**	4 522
Ou Kollege Beleggings Ltd	**100**	100	**4**	4	**48 209**	48 209
PSG Channel Holdings Ltd	**100**	100	**370**	370	**12 531**	12 531
PSG Corporate Services (Pty) Ltd	**100**	100	**4**	4	**4 096**	4 096
PSG Investment Services (Pty) Ltd	**100**	100	**1 769**	1 769	**95 570**	95 570
Zeder Investments Ltd	**35**	36	**6 050**	5 713	**437 095**	410 676
Paladin Capital Ltd	**90**	98	**38**	27	**421 802**	276 784
PSG FutureWealth Ltd	**80**		**300**		**50 000**	
Other					**3**	
					1 085 537	864 097

All of the above companies are incorporated in the Republic of South Africa. Details of the nature of activities of material 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 2008 %	2007 %	Carrying value 2008 R000	2007 R000
Listed					
Capitec Bank Holdings Ltd	Retail banking	**35**	18	**1 003 108**	430 252
Unlisted					
Quince Capital Holdings Ltd	Financing	**40**		**324 218**	1 515
Other				**9**	9
				324 227	1 524
				1 327 335	431 776

Financial information in respect of principal associated companies

	Assets R000	Liabilities R000	Revenues R000	Profit R000
2008				
Capitec Bank Holdings Ltd	**2 936 372**	**1 718 945**	**1 657 530**	**229 065**
Quince Capital Holdings Ltd	**2 531 297**	**1 679 743**	**243 917**	**53 131**
2007				
Capitec Bank Holdings Ltd	2 191 642	1 074 185	967 528	166 924

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 29 February 2008

	Shareholding		Shares held	
	Number	%	Number	%
RANGE OF SHAREHOLDING				
1 – 500	402	28,0	127 538	2,1
501 – 1 000	358	24,9	314 650	5,2
1 001 – 5 000	515	35,9	1 281 865	21,1
5 001 – 10 000	90	6,3	643 786	10,6
Over 10 000	70	4,9	3 711 899	61,0
	1 435	100,0	6 079 738	100,0
PUBLIC AND NON-PUBLIC SHAREHOLDING				
Non-public				
Directors	4	0,3	532 632	8,8
PSG FutureWealth Ltd	1	0,1	579 738	9,5
Public	1 430	99,6	4 967 368	81,7
	1 435	100,0	6 079 738	100,0
INDIVIDUAL SHAREHOLDERS HOLDING 5% OR MORE AS AT 29 FEBRUARY 2008				
Mayfair Speculators (Pty) Ltd			350 000	5,8

Notice of annual general meeting

Notice is hereby given of the annual general meeting of shareholders of PSG Financial Services Ltd ("PSL" or "the company") to be held at Lanzerac Hotel, Lanzerac Road, Jonkershoek, Stellenbosch, on Friday, 20 June 2008 at 12:00.

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 29 February 2008.

2. To re-elect as directors of the company Messrs L van A Bellingan, MJ Jooste, CH Wiese, P Malan and Dr J Van Zyl Smit.

3. To confirm the reappointment of PricewaterhouseCoopers Inc as auditor for the ensuing year on the recommendation of the PSG Group Ltd's audit and risk committee.

4. To confirm the auditor's remuneration for the year ended 29 February 2008 as determined by the PSG Group Ltd's audit and risk committee.

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, 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 Ltd."

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 Ltd ("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 JSE should be consulted for a ruling if the applicant's securities have not traded in such five business day period;
- 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 unless there is a repurchase plan in place as contemplated in terms of 5.72(g) 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."

Notice of annual general meeting

continued

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 Ltd 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 Ltd ("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 JSE should be consulted for a ruling if the applicant's securities have not traded in such five business day period;
– 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 unless there is a repurchase plan in place as contemplated in terms of 5.72(g) 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.

Notice of annual general meeting

continued

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 12), major shareholders (page 130), directors' interest in securities and material changes (page 109) and the share capital of the company (page 122) 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 12 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 22 June 2007.

By order of the board

PSG Corporate Services (Proprietary) Ltd
Company secretary

16 May 2008
Stellenbosch

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

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

Administration

Details of PSG Group Ltd
Registration number 1970/008484/06
Share code: PSG
ISIN code: ZAE000013017

Secretary and registered office
PSG Corporate Services (Pty) Ltd
Registration number 1996/004840/07
Ou Kollege
35 Kerk Street
Stellenbosch 7600
PO Box 7403
Stellenbosch 7599
Telephone +27 21 887 9602
Facsimile +27 21 887 9619

Transfer secretaries
Link Market Services South Africa (Pty) Ltd
11 Diagonal Street
Johannesburg 2001
PO Box 4844
Johannesburg 2000
Telephone +27 11 834 2266
Facsimile +27 11 834 4398

Details of PSG Financial Services Ltd
Registration number 1919/000478/06
Share code: PGFP
ISIN code: ZAE000096079

Corporate adviser and sponsor
PSG Capital (Pty) Ltd

Broker
PSG Online Securities Ltd

Auditor
PricewaterhouseCoopers Inc.

Principal banker
Absa Bank Ltd

Website address
www.psggroup.co.za

Shareholders' diary

	2008
Financial year-end	29 February
Profit announcement	21 April
Annual general meeting	20 June
Interim report	7 October

PSG GROUP LIMITED

(Incorporated in the Republic of South Africa)
(Registration number 1970/008484/06)
JSE share code: PSG
ISIN code: ZAE 000013017
("PSG Group" or "the company")

FORM OF PROXY – FOR USE BY CERTIFICATED AND OWN-NAME DEMATERIALISED SHAREHOLDERS ONLY

For use at the annual general meeting of ordinary shareholders of the company to be held at 12:05 at Stellenbosch, on Friday, 20 June 2008.

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 L van A Bellingan as director			
2.2 To re-elect MJ Jooste as director			
2.3 To re-elect J van Zyl Smit as director			
2.4 To re-elect CH Wiese as director			
2.5 To re-elect P Malan as director			
3. To confirm the reappointment of the auditor, PricewaterhouseCoopers Inc			
4. To confirm 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 ______________ 2008

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

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

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

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

4. Forms of proxy must be completed and returned to be received by the transfer secretaries of the company, Link Market Services South Africa (Proprietary) Ltd, 11 Diagonal Street, Johannesburg, 2001 (PO Box 4844, Johannesburg, 2000), by not later than 12:05 on Thursday, 19 June 2008.

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.