PSG GROUP LIMITED

ANNUAL REPORT
2009

PSG GROUP

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Published on behalf of the PSG Group by
GREYMATTER & FINCH
15 Quantum Street, Techno Park, Stellenbosch
Website: www.greymatterfinch.com

Printed in South Africa by
INTERPAK BOOKS
Website: www.interpakbooks.co.za

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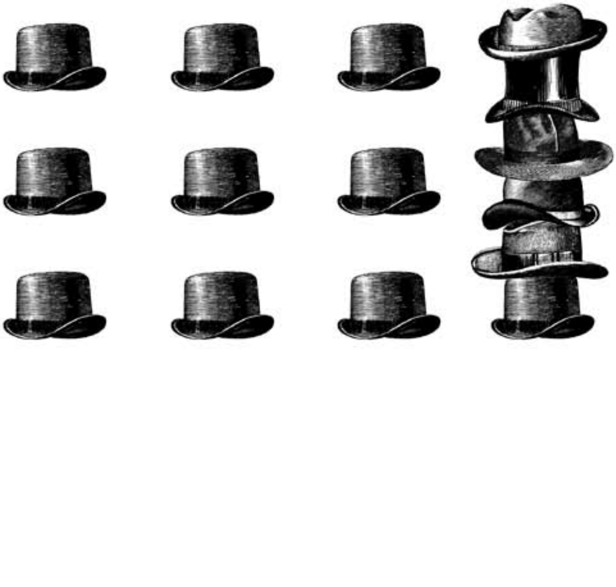


Chairman's letter

To the shareholders of PSG Group. I do not blame you if you complain that PSG Group's financial statements are difficult to understand. We have a simple but diversified group. It is unfortunately the way IFRS requires us to disclose the financial standing and results of our more than 35 underlying investments (consolidated, equity accounted and marked to market) in financial services and across a number of other industries.

BUT WHAT ARE PSG'S MAIN OBJECTIVES?

- To invest shareholders' money wisely;
- To manage our investment portfolio to the benefit of all stakeholders; and
- To enhance shareholders' wealth over time through PSG Group's share price appreciation and the payment of dividends.

ENHANCING SHAREHOLDERS' WEALTH

Since inception, PSG has always aimed to increase shareholders' wealth. We use a total return index to measure this. The compound annual growth rate of an investment in PSG since 25 November 1995 is 54%.

	PSG total return index* R	Change year-on-year %
25 November 1995	100	
29 February 1996	643	543
28 February 1997	1 440	124
28 February 1998	4 682	225
28 February 1999	3 580	(24)
29 February 2000	3 157	(12)
28 February 2001	2 202	(30)
28 February 2002	1 700	(23)
28 February 2003	1 977	16
29 February 2004	3 818	93
28 February 2005	9 727	155
28 February 2006	28 364	192
28 February 2007	36 658	29
29 February 2008	31 655	(14)
28 February 2009	27 052	(15)

* *Total return index is measured by:*
- *investing R100 on 25 November 1995, the day of PSG's establishment, and*
- *reinvesting all ordinary and special dividends paid, as well as*
- *taking into account the effect if the unbundled (November 2003) Capitec shares had been kept and dividends received reinvested.*

HOW SHOULD A READER OF FINANCIAL STATEMENTS GO ABOUT EVALUATING OUR PERFORMANCE?

The same way we as management (who are also major shareholders) do. We evaluate it twofold by looking at the growth in PSG Group's *recurring headline earnings* and the *intrinsic value* (i.e. PSG Group's sum of the parts value, calculated using market prices for listed assets/liabilities, and market-related valuation techniques in the case of unlisted assets/liabilities) of the business. The sustainable earnings from subsidiary and associated companies are included in *recurring headline earnings*, whereas marked-to-market movements and once-off items are disclosed as *non-recurring headline earnings*.

PSG Group's *recurring headline earnings* increased by 25,3% to 232,6 cents per share for the year ended 28 February 2009. *Reportable headline earnings,* however, decreased by 77,9% to 65,3 cents per share, mainly as a result of marked-to-market losses following the general decline in global stock markets.

PSG GROUP'S INTRINSIC VALUE CALCULATION

The table on the right represents management's simplified calculation of PSG Group's intrinsic value per share as at 30 April 2009. It should be noted that it contains subjective assumptions, and that it does not necessarily represent the fair value of a PSG Group share.

Asset/Liability	Rm	Market price per share R	Valuation method
Capitec	**1 119**	39,00	Market price
PSG Konsult	**644**	1,20	OTC 90-day VWAP
Zeder (incl. management agreement)	**680**		Market price and DCF
Paladin	**538**	13,60	Intrinsic value
PSG Fund Management (incl. PSG FutureWealth)	**219**		7x Historic P/E ratio
Other investments (incl. cash)	**697**		
Total assets	**3 897**		
Perpetual pref funding	**(486)**	80,00	Market price
Other debt	**(362)**		Carrying value
Total intrinsic value	**3 049**		
Intrinsic value per share (Rand)	**17,83**		

RECURRING HEADLINE EARNINGS PER SHARE

Cents per share	**2009**	2008	2007	2006	2005	2004
Change year-on-year (recurring headline earnings)	***25%***	*57%*	*38%*	*45%*	*16%*	
Recurring headline earnings	**232,6**	185,7	117,9	85,4	59,0	51,1
Recurring earnings	**237,7**	203,9	131,9	110,5	64,2	57,0
Head office costs	**(5,1)**	(18,2)	(14,0)	(25,1)	(5,2)	(5,9)
Funding and STC (at head office)	**(57,7)**	(54,1)	(42,7)	(22,6)	1,3	11,9
Recurring headline earnings (after funding and STC)	**174,9**	131,6	75,2	62,8	60,3	63,0
Change year-on-year (recurring headline earnings after funding and STC)	***33%***	*75%*	*20%*	*4%*	*(4%)*	
Non-recurring items	**(109,6)**	163,5	444,1	289,0	29,7	13,3
Reportable headline earnings	**65,3**	295,1	519,3	351,8	90,0	76,3
Change year-on-year (reportable headline earnings)	***(78%)***	*(43%)*	*48%*	*291%*	*18%*	

In 2005, I wrote:

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

The aforementioned has been proved during the bull market run from 2004 to 2008, when PSG made in excess of R800 million in marked-to-market profits before tax of which some R600 million was realised, as well as in the current bear market in which marked-to-market losses amounted to more than R200 million. Subsequent to year-end up to 20 April 2009, PSG has made approximately R40 million in marked-to-market profits.

PSG management, through the separate disclosure of recurring versus non-recurring earnings, has endeavoured to simplify both the consolidated income statement and balance sheet by distinguishing recurring headline earnings from marked-to-market movements and once-off items (refer *Contribution to Headline Earnings* table on page 11).

FINANCIAL CRISIS

The financial crisis has now been with us for more than 18 months. It arguably reached its peak in September 2008. Retief du Toit, manager of PSG's *Black Swan Hedge Fund* (which, incidentally, achieved an annual return of 31%), aptly highlighted it in his fund commentary at the time:

"It is not often that one summarises one single month as follows:

- An unexpected change in the South African presidency.
- The resignation of twelve members of parliament, amongst them the minister of finance who revoked his decision within two hours.
- The bankruptcy of Lehman Brothers.
- The takeover of Merrill Lynch by Bank of America in order to prevent bankruptcy.
- AIG, the world's largest insurer, rescued by the US Federal Government.
- Goldman Sachs and Morgan Stanley changed to deposit taking institutions in order to have access to federal funds.
- Short selling was banned in the US, UK and other countries.
- The All Share Index down by 13,2%.

According to the normal distribution only one or two of these events should take place once in several life times, yet we have seen all of them materialise within the span of 30 days!"

Since establishment, PSG has survived numerous challenges. In 1997/98 the Asian banking and currency crisis caused jitters for emerging markets, including South Africa and PSG, with its share price trading as high as R19 and as low as R4,45 per share. In 2001/02 the run on Saambou Bank and its consequent demise resulted in the A2 banking crisis in South Africa, with a liquidity squeeze on smaller banks. At the time, PSG had controlling interests in both PSG Investment Bank and Capitec Bank. PSG Investment Bank experienced a substantial reduction in its deposit base, which necessitated a realisation of its assets and the curtailment of the banking business. PSG listed Capitec Bank amidst the ruling banking crisis. At that stage Capitec Bank did not make use of any deposit funding, yet the market sentiment drove its share price down significantly. With investments in two small banks, PSG was trading significantly below its NAV, with its share price ranging between R4,40 and R9,86, and was vulnerable to a hostile takeover. It was decided to unbundle the investment in Capitec Bank, and PSG Investment Bank was sold to Absa. The current financial crisis also affected PSG's share price with it having traded as low as R12,15 after it peaked at R30,50.

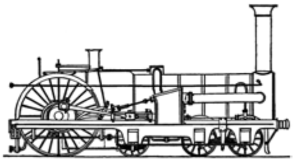
The management teams of both PSG and Capitec Bank have definitely not forgotten this experience. We remain conservative in the way we conduct our business. I quote from Capitec Bank's recent results announcement:

- "When we started our own bank, we decided that Capitec Bank should never put itself in a position where a bad day in the markets can destroy a bank built up over a life-time."
- "At year-end we (Capitec) would have been able to repay all our saving deposits immediately and on average throughout the year, within two weeks. Internationally, retail savings deposits are considered to be least likely to be withdrawn in a crisis."
- "At year-end Capitec had R1,4 billion of equity and R3,5 billion in assets, excluding cash. Our risk-weighted capital adequacy ratio was 43% at year-end. We have plenty of capital and this is a source of comfort to our depositors."

Having experienced tough times in the past and in anticipation of what the current market and economic environment might hold for businesses, the following action has been taken:

- We remain focused on increasing *recurring headline earnings*, and being less dependent on equity market movements;
- We have raised cash and put funding lines in place to ensure adequate liquidity;
- We have extended our overnight facilities to longer term funding;
- We have ensured that all companies within our group are properly capitalised; and
- We have made certain that the group has no sub-prime exposure. The PSG Money Market Fund has since last year taken the conservative route of not investing in conduits.

EVOLVEMENT OF PSG'S BUSINESSES



"In the PSG Group we understand speed, energy and the value of rapid, informed decision making. We have built a dynamic, ever-changing group with clear intent."
Jannie Mouton (2002 Annual Report)

In 1995, I had a dream of establishing a listed financial services company. We acquired a controlling stake in PAG Ltd, a personnel placement agency, for R7 million. A year later we sold the agency for R107 million. The reverse listing of PSG into the Servgro cash shell followed, which further increased PSG's capital base. In later years, PSG sold its 15% interest in the JSE Ltd (which it acquired for R82 million) for R679 million. The aforementioned and other investments enabled PSG to fund current and new investments, and pay dividends.

We are proud of our investments, the largest of which are the following:

PSG Konsult

PSG Konsult was started with R2 million in seed capital in 1998. Willem Theron, who ran a successful audit practice consisting of 11 offices in the Eastern Cape, approached PSG. That was after we had tried to get private wealth management off the ground. He enacted a model which encompassed the entrepreneurial spirit of PSG. PSG Konsult offices are each run as an independent unit with the majority of fees written (in excess of 70%) allocated to the consultants/brokers.

PSG Konsult in turn provides the brand, compliance and selected administration services, and it is in a position to negotiate competitive short- and long-term insurance rates for clients as a result of its strong relationships with product providers. People are happy and they seldom leave.

Capitec Bank

We are very proud of the Capitec Bank story. In 1998 PSG acquired the first two micro loan shops, and a further 29 stores soon thereafter. At that stage loan repayments were still effected by means of the card and pin method. We realised this was not sustainable. Michiel le Roux assembled a management team and we invested heavily in systems development. Today Capitec Bank is a successful retail bank which has shown an exceptional growth record since establishment and, even over the past year when other banks were struggling, it delivered headline earnings of R302 million representing a 42% increase.

With the aforementioned two companies operating optimally, our focus will be on growing the other companies in the group.

Zeder Investments

At Zeder we have followed the same philosophy of increasing our recurring earnings base. *Recurring headline earnings* increased by 56% to 24,4 cents per share in 2009. As the population and the demand for food grows, the long-term investment case for the agricultural sector remains appealing. We see great value here and are currently in the process of raising R500 million by means of a rights issue to further Zeder's position in the sector.

Paladin Capital

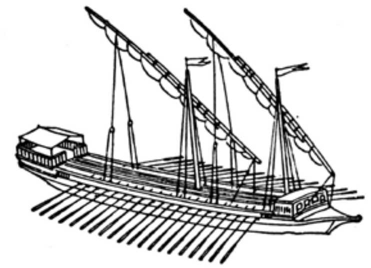
With the changes in Paladin's management team referred to below, our strategy will be to build out the company as an investor in both private and listed companies. Paladin is well positioned to take advantage of opportunities in the current market and intends to list on the JSE.

PSG Fund Management and PSG FutureWealth

Following the merger of these two companies, we will focus on the existing synergies to increase the combined businesses' assets under management and administration.

Disposal of Channel Life

Effective January 2009, we sold our investment in Channel Life to Sanlam. We were invested in this business for a good number of years. This business fits in with Sanlam, and it makes sense for them not to have minority shareholders at this stage. Having been offered embedded value (a fair price given current market conditions), we decided to sell same.



OUR PEOPLE

Changes to management

PSG Group's senior management hardly changed over the past 14 years since establishment. Succession planning remains a priority and we have reached a point in our existence where it is time to rejuvenate our management team through natural progression. We believe the combination of experience and youth will invigorate our business. We have smart, well-qualified youngsters with sound experience and integrity, who have proved themselves as leaders of the future. In view of the aforementioned, the following changes have been made during the past year:

- After 14 years as an executive director, Chris Otto (59) has resolved to become a non-executive director. We will, however, retain his experience on the PSG Exco and he continues to represent PSG on the boards of a number of our larger investments.
- Pierre Malan has left the group following his resignation as director of PSG Group and as CEO of Paladin Capital in February 2009.
- In March 2009, Jacobus van Zyl Smit (67) retired from the PSG Group board and as chairman of the PSG Group audit committee. Jaap du Toit (55), now an independent non-executive director, succeeded Jacobus as chairman of the PSG Group audit committee.
- Wynand Greeff (39), involved within the PSG Group since 2002, was appointed as financial director in October 2008.
- Piet Mouton (32) was appointed as executive director in February 2009. Over the past five years, he has been involved at a number of group companies including Thembeka Capital, Arch Equity and Quince Capital.
- The newly appointed Paladin management team includes Francois Swart (31) as CEO, Jurie Bezuidenhout (31) as financial director and Bernardt van der Linde (31) as an executive.

I, however, have no plans to retire. PSG is my life and the people who work with me are my friends and family.

THE PSG GROUP EXECUTIVE COMMITTEE ("PSG EXCO")

The PSG Exco consists of myself (chairman), Chris Otto (non-executive), Jaap du Toit (non-executive), Wynand Greeff, Piet Mouton, Antonie Jacobs, Johan Holtzhausen, Francois Swart and Bernardt van der Linde, and is responsible for:

- The strategic direction of PSG Group.
- Overseeing the group's major investments in Capitec Bank, PSG Konsult, Paladin and PSG Fund Management (incorporating PSG FutureWealth as from 1 March 2009). All these companies have independent boards as well as strong management teams. PSG Group has at least two representatives on each of these company's board of directors.
- The active management of Zeder in terms of a management agreement. We believe this to be a mutually beneficial model and will look to implement a similar management structure at Paladin.
- Acting as treasurer to effectively manage and allocate capital within the group.
- Identifying and investigating investment opportunities.

REMUNERATION

PSG remains sensitive to remuneration practices.

In 2008, Chris Otto and I both took salary cuts in lieu of shares issued to us in terms of the PSG Group share purchase scheme. These shares are currently "underwater" by some R5 per share. In 2009, I have again insisted that my salary not be increased.

During the past year, PSG Group relieved all participants, apart from Chris Otto, Jaap du Toit and myself, from their rights and obligations in respect of the PSG Group share purchase scheme relating to undelivered PSG Group shares. This deferred delivery scheme proved to be inefficient as a mechanism to incentivise key management. Having taken cognisance of current circumstances, PSG decided not to pay any discretionary bonuses to senior management and executives for the year ended 28 February 2009.

Our people remain our single-most valuable asset. It is imperative that we retain and attract exceptional individuals by, inter alia, ensuring they are well incentivised. We have consequently explored various long-term incentive alternatives, and have decided that senior management employed by PSG Corporate Services would be best incentivised by means of a newly introduced share option scheme with effect from 1 March 2009. You as shareholders will need to approve this scheme at PSG Group's annual general meeting on 19 June 2009. We have remuneration committees at all of our underlying investments that have ensured that employees are appropriately rewarded by means of short and long-term incentive schemes.

DIVIDENDS

PSG has continuously paid attractive dividends over the past years. Total dividends of R10,48 per share have been paid since establishment, of which R4,70 constituted special dividends. However, cash remains a sought-after commodity in a market where liquidity reigns supreme. We consequently decided it best to follow a more conservative approach to paying dividends.

In future, PSG intends to distribute as dividends 75% of free cash flow earned from underlying investments, after payment of the PSG Financial Services perpetual preference dividend and other financing commitments. The balance retained will be utilised to fund investment opportunities and/or settle debt obligations. One third will be paid as an interim and the balance as a final dividend at year-end.

Had we applied the aforementioned policy in the past year, the dividend would have been approximately 30 cents per share.

OWNERSHIP

In 1996 PSG Group directors owned 11 million shares in the company. Today the directors own some 94 million shares comprising a 53% interest, none of which are held through derivative structures.

My wealth comprises my interest in PSG and I guard it with my life. You as co-owners of the company can rest assured that we will look after your investment.

KING III CODE ON CORPORATE GOVERNANCE

Corporate governance best practice remains one of our cornerstones and is instilled in all our companies.

We support the majority of the proposed King III principles. However, there are certain recommendations which in our opinion do not necessarily contribute to good corporate governance. For example, the requirements that the board be led by an independent non-executive chairman and that the majority of non-executive directors are independent. I am a large shareholder in PSG. People treat their own cars better than rentals. There are a number of successful companies which have been led by executive chairmen. Take Christo Wiese, Anton and Johann Rupert, Raymond Ackerman, Harry Oppenheimer, Donald Gordon, Warren Buffett, Bill Gates and Rupert Murdoch as examples.

CONTRIBUTING TO SOCIETY

We believe that the well-being of us as a society is inevitably dependent on education. At PSG our social responsibility efforts are predominantly directed at supporting education on a variety of levels.

We are funding the establishment of a pre-primary school, named Akkerdoppies, for underprivileged children in Stellenbosch. This project is co-ordinated by representatives of Sibusisiwe Community Care, a welfare organisation established by a group of young professionals from the surrounding area. We are excited about this initiative.

In addition, the PSG Group Bursary Loan Scheme at the University of Stellenbosch is currently assisting six gifted but needy students to further their studies.

THE FUTURE

Unfortunately I do not have a crystal ball telling me what will happen in the future, but my gut feelings are the following:

- Times will be tough for the foreseeable future.
- I don't know when the markets and the economy will turn, but I know it will.
- The market looks cheap at current levels.
- The time to seize the opportunity is now:
  - Attract skilled people (quality available)
  - Cheap investments (at around 3 P/Es and 60% of NAV)
  - BEE opportunities for Thembeka Capital
  - Synergistic acquisitions – grow your company
- We shall prosper.

A WORD OF THANKS

I would like to thank Chris Otto, my colleague and dear friend who has been my sounding board and partner in PSG over the past 14 years for his unwavering loyalty. You deserve more flexibility and I look forward to your continuous contribution for many years to come.

Also a word of thanks to Jacobus van Zyl Smit and Pierre Malan for their devotion over the years. I wish you all the best.

Lastly, to my fellow directors, PSG colleagues and shareholders – thank you for your loyal support over the past year.

Jannie Mouton
Stellenbosch
15 May 2009

PSG GROUP LIMITED

Notice

Annual general meetings ("AGMs") and investor presentations

You are invited to our PSG Group Investor Day on which the various AGMs will be held and presentations made by our group companies on 19 June 2009 at Webersburg, Annandale Road, Stellenbosch.

The timetable is as follows:

08:30	PSG Financial Services Ltd
08:45	PSG Fund Management Group (Pty) Ltd & PSG FutureWealth Ltd
09:30	PSG Konsult Ltd
10:15	Tea
10:30	Thembeka Capital Ltd
10:35	Paladin Capital Ltd
11:30	Zeder Investments Ltd
12:00	PSG Group Ltd

Lunch will be served after the PSG Group Ltd presentation. Kindly confirm your attendance with Jaki Nieuwoudt at: E-mail: jakin@psggroup.co.za Fax: 021 887 9619 Telephone: 021 887 9602

Group structure

as at 28 February 2009

PSG GROUP LIMITED

100%

PSG Financial Services Limited

R600 million listed perpetual preference shares in issue

CAPITEC Bank **34,5%**

PSG KONSULT **73,2%**

PALADIN CAPITAL **86,9%**

- THEMBEKA CAPITAL **49%**
- **Private equity** *(various, not industry-specific)*
- PSG CAPITAL **74,9%** *(corporate finance)*
  Sold to PSG Group on 1 March 2009

ZEDER INVESTMENTS LIMITED **38,4%**

PSG FUND MANAGEMENT **96,5%**

FutureWealth PSG **80%**
Sold to PSG Fund Management on 1 March 2009

MiWay.co.za rewards your way **18,2%**

petmin breaking new ground **9,4%**
Sold to Paladin on 1 March 2009

PSG CORPORATE SERVICES **100%**
(holds investments in Vox Telecom, unit trusts, hedge funds)

Board of directors

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

EXECUTIVE DIRECTORS

JF (Jannie) Mouton (62)
BCom (Hons), CA(SA), AEP
Executive chairman

WL (Wynand) Greeff (39)
BCompt (Hons), CA(SA)
Financial director

PJ (Piet) Mouton (32)
BCom (Mathematics)

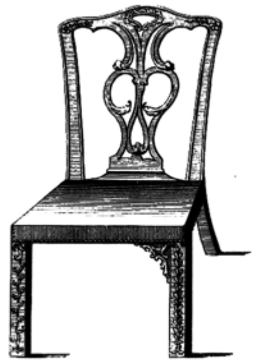
NON-EXECUTIVE DIRECTORS

ZL (KK) Combi (57)
Diploma in Public Relations
Executive chairman – Thembeka Capital Ltd

JJ (Jan) Mouton (34)
BAcc (Hons), CA(SA), MPhil (Cantab)
Manager – PSG Tanzanite Flexible Fund

CA (Chris) Otto (59)[2]
BCom, LLB
Director of companies

W (Willem) Theron (57)
BCompt (Hons), CA(SA)
Managing director – PSG Konsult Ltd



INDEPENDENT NON-EXECUTIVE DIRECTORS

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

PE (Patrick) Burton (56)[1, 2]
BCom (Hons), PG Dip Tax
Financial director – Snoek Wholesalers (Pty) Ltd

J de V (Jaap) du Toit (55)[1]
BAcc, CA(SA), CFA
Director of companies

MJ (Markus) Jooste (48)[2]
BAcc, CA(SA)
Managing director – Steinhoff International Holdings Ltd

CH (Christo) Wiese (67)[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**		**Number of shares**	**Net asset value**	
	28 Feb 2009 Rm	29 Feb 2008 Rm	**28 Feb 2009 m**	**28 Feb 2009 Rm**	29 Feb 2008 Rm
Recurring headline earnings ***(before funding and STC)***	**391,6**	303,7		**3 151,5**	3 027,2
Capitec Bank	**104,3**	66,8	**28,6**	**1 260,1**	1 208,4
PSG Konsult	**70,9**	63,9	**536,3**	**276,3**	247,1
PSG Fund Management	**17,4**	24,0		**64,6**	56,0
Channel Life	**7,0**	1,5			146,5
Quince Capital		21,3			342,4
Adato Capital	**4,6**			**5,8**	
Paladin Capital and other private equity	**65,3**	63,1		**406,6**	372,3
PSG FutureWealth	**13,8**	8,9		**83,8**	59,9
Petmin	**5,2**		**51,1**	**141,8**	
Zeder Investments and agri investments			**234,5**	**568,1**	476,5
Equity accounted earnings, dividends and other income	**64,9**	40,0			
Management fee earned by PSG after costs	**8,9**	5,9			
PSG Corporate Services				**344,4**	118,1
Dividends from investments	**13,2**	7,2			
BEE funding	**24,8**	30,8			
Net operating costs	**(8,7)**	(29,7)			
Non-recurring headline earnings	**(184,6)**	267,3		**542,3**	1 107,7
Marked-to-market profits/(losses)					
Paladin Capital (Thembeka)	**(77,9)**	20,3		**153,3**	242,3
Zeder Investments and agri investments	**6,7**	49,8		**93,7**	74,5
Petmin	**(7,5)**	134,3			199,7
Vox Telecom	**(36,5)**	18,2	**30,1**	**20,3**	60,1
Other investments	**(51,5)**	3,8		**222,0**	463,1
Interest rate swap	**(15,0)**	23,2		**2,9**	17,9
Other					
STC (special dividend)	**(35,4)**				
Quince Capital	**7,4**				
Pioneer underwriting fee	**2,8**				
Zeder performance fee	**6,3**	7,7			
Channel Life non-recurring items	**(2,4)**				
PSG SIT cancellation charge	**(3,4)**				
BEE funding (early redemption premium)		10,0			
PSG FutureWealth deferred tax credit	**21,8**				
m Cubed Holdings			**218,0**	**50,1**	50,1
Funding costs	**(99,3)**	(69,1)		**(930,9)**	(836,8)
Perpetual preference shares (net of interest on interest rate swap)	**(61,1)**	(51,9)		**(561,0)**	(558,9)
Net interest after tax (borrowings and cash)	**(38,2)**	(17,2)		**(369,9)**	(277,9)
STC	**2,2**	(19,4)		**(7,5)**	(2,7)
Total	**109,9**	482,5		**2 755,4**	3 295,4
Statistics			**Change**		
Recurring HEPS (cents)	**232,6**	185,7	**25,3%**		
Recurring HEPS after funding and STC (cents)	**174,9**	131,6	**32,9%**		
HEPS (cents)	**65,3**	295,1	**(77,9%)**		

PSG GROUP RESULTS

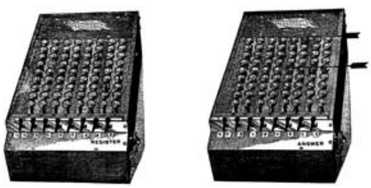
Recurring headline earnings (refer to *Contribution to Headline Earnings* table) remain the predominant measure of PSG Group's financial performance. The sustainable earnings from subsidiary and associated companies are included in *recurring headline earnings,* whereas marked-to-market movements and once-off items are disclosed as *non-recurring headline earnings.*

Recurring headline earnings increased by 25,3% to 232,6 cents per share for the year ended 28 February 2009. *Recurring headline earnings after funding and STC* increased by 32,9% to 174,9 cents per share. *Reportable headline earnings*, however, decreased by 77,9% to 65,3 cents per share, mainly as a result of negative marked-to-market movements following the general decline in global stock markets.

CAPITEC BANK HOLDINGS LTD (34,5%)

Chief Executive Officer	Riaan Stassen

Capitec Bank provides accessible and affordable banking facilities to retail clients via the innovative use of technology.



Financial results

Year ended February	**2009**	2008	2007
Headline earnings (Rm)	**302**	212	160
Headline earnings per share (cents)	**364**	259	222
Growth in headline earnings per share (%)	**41**	16	35
Dividend per share (cents)	**140**	100	80
Return on equity (%)	**27**	22	26
Loan book (Rm)	**2 982**	2 019	803
Value of loans advanced (Rm)	**6 273**	5 162	3 499
Number of loans advanced (000)	**3 536**	3 155	2 924
Deposit book (Rm)	**3 317**	1 528	897
Number of savings clients (000)	**1 129**	783	583
Cost-to-income ratio (%)	**54**	58	60
Number of active clients (000)	**1 835**	1 371	1 010
Number of branches	**363**	331	280
Number of employees	**3 414**	2 800	2 129

Simplicity is the ultimate sophistication

The banking systems of the most sophisticated financial nations remain in intensive care, but Capitec Bank has hardly been affected. How is this possible?

The answer is surprisingly simple: Although Capitec uses sophisticated technology, the Capitec Bank model is an old-fashioned one:

- Borrow long and lend short
- Avoid complex products
- Have plenty of capital
- Manage arrears zealously

These are the main reasons for its stability in turbulent times.

Arrears and bad debts

Capitec Bank adjusted the loan criteria for clients during the past year in anticipation of the market changes.

The net loan impairment charge for the year increased by R237 million to R468 million. As a percentage of instalments due, net bad debts increased from 5,1% to 7,2%. Loan impairments are calculated using actual experience.

Liquidity

In a year of tight market liquidity, the bank has improved its liquidity position whilst growing the asset book. The liquidity philosophy remains extremely conservative. Management will continue to manage the liquidity position conservatively and balance book growth and arrears appetite against available funding. At year-end Capitec would have been able to repay all savings deposits immediately, and on average within two weeks throughout the year. Internationally, retail savings deposits are considered to be least likely to disappear or be withdrawn in a crisis.

Capitec launched an innovative fixed-term savings plan (six months to 24 months) in November 2008 and raised R265 million in four months.

Capitec has been successful in increasing its wholesale term deposits by a total of R1,1 billion during the year. A domestic medium-term note programme was launched in May 2008, whereby R490 million, with a maturity of three years, was raised.

Capital

The amount of capital that a bank has is the measure of its ability to withstand shocks. Banks are highly geared. The bank's own capital absorbs any unexpected losses.

At year-end Capitec had R1,4 billion in equity and R3,5 billion in assets, excluding cash. Its risk-weighted capital adequacy ratio was 43%. Capitec has plenty of capital and this is a source of comfort to depositors.

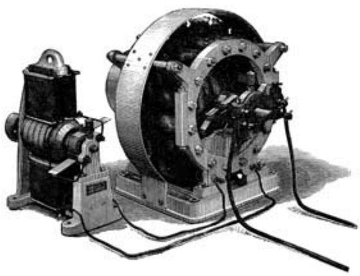
Prospects

Caution and prudence are necessary under the present conditions. However, plenty of opportunities exist in the market and Capitec is well positioned to capitalise on the difficult economic conditions. Capitec will continue to invest in expansion. The plan is to open a further 40 branches in the next year and the expectation is that improved retail locations will be obtained due to the market downturn. Capitec's credit policy will be adjusted as conditions change to ensure the ideal balance between growth through new client acquisitions and bad debts. The dark cloud on the horizon could be the clients' ability to continue servicing their loans which could be the result of retrenchments. Wholesale and retail funding growth has been gratifying and management does not anticipate changes in Capitec's ability to access loan capital.

The 2010 financial year should be another one of growth and success.

PSG KONSULT LTD (73,2%)

CHIEF EXECUTIVE OFFICER	Willem Theron
Leading independent financial advisors	



Financial results

Year ended February	**2009**	2008	2007
Turnover (Rm)	**756**	726	541
Growth in turnover (%)	**4**	34	16
Headline earnings (Rm)	**96,8**	87,1	55,8
Growth in headline earnings (%)	**11**	56	21
Headline earnings per share (cents)	**13,2**	12,0	8,7
Growth in headline earnings per share (%)	**10**	38	6
Funds under management and administration (Rbn)	**43,6**	52,7	42,8
Short-term premiums on annualised basis (Rm)	**1 400**	970	802
Number of offices	**197**	189	179
Number of advisors	**506**	491	433

Highlights

PSG Konsult has diligently diversified its income streams into three main segments, consisting of financial planning, stockbroking and short and long-term insurance. The diversified growth strategy has stood PSG Konsult in good stead with increased revenue and headline earnings, despite the decline in funds under administration to R43,6 billion (2008: R52,7 billion) and lower stockbroking income as a result of negative investment market conditions.

The consistent financial growth of the past years provides a solid base from which the group can leverage during this time of opportunity.

Effective 1 February 2009, PSG Konsult acquired the private client stockbroking division of T-Sec. The transaction adds 10 500 new private clients to PSG Konsult's existing client base of more than 110 000, of which about 5 000 will be directly serviced by PSG Online. T-Sec's three stockbroking offices in Sandton, Pretoria and Cape Town will do business under the PSG Konsult banner and is expected to contribute a further R51 million to turnover.

Industry

The current market has highlighted the need for sound financial advice. 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.

Prospects

During the forthcoming year PSG Konsult's continued focus will be on new opportunities with the intention to increase its annuity income. The emphasis will be on "Client Centricity" whereby it will be ensured that the client is at the centre of every employee's focus to proactively address his/her needs. The key drivers in achieving client centricity are to know your client, innovative products, holistic financial planning, independent advice and representation of selected quality product suppliers.

In pursuing its black economic empowerment ("BEE") strategy, PSG Konsult Nhluvuko has been established. The entity, with strong BEE credentials, will target commercial and institutional business. Over time PSG Konsult Nhluvuko should grow into a leading black-owned independent financial services provider.

PALADIN CAPITAL LTD (86,9%)

Chief Executive Officer	Francois Swart
Dedicated investment company	

Financial results

Year ended February	2009	2008	2007
Headline earnings (Rm)	**(18,0)**	75,4	98,7
Recurring headline earnings* (Rm)	**73,9**	65,0	27,3
HEPS (cents)	**(46)**	224	357
Recurring HEPS* (cents)	**189**	193	99
Dividend per share (cents)	**50**	60	
Net asset value (Rm)	**598,2**	633,6	314,6
Net asset value per share (cents)	**1 510**	1 656	1 137

* *Excludes Thembeka Capital Ltd, an associated company*

Paladin's business model

Paladin Capital is a private equity and investment company that invests in listed and unlisted companies where it can acquire a significant influence. The company has predominantly invested in family-owned businesses where it could acquire a stake of between 25% and 49%. The focus is on easily understandable businesses with strong sustainable cash flows where management and shareholders' interests are aligned.

Paladin's *recurring headline earnings*, before taking the investment in BEE company, Thembeka Capital Ltd, into consideration, increased by 13,8% to R73,9 million. However, the negative marked-to-market movements incurred in Thembeka's investment portfolio of listed shares (including the JSE Ltd, PSG Group, Capitec and Vox Telecom) have resulted in Paladin reporting a consolidated headline loss of R18 million as opposed to a R75,4 million profit in the prior year.

Paladin's portfolio of investments

Thembeka Capital Ltd (49%)	
BEE private equity	
Executive chairman: KK Combi	
Year-end	February
Headline earnings	R187,5m loss (2008: R21m profit)

Thembeka is a broad-based black-owned and controlled investment company that focuses on private equity investments and BEE transactions. It has more than 500 black shareholders with more than 10 000 beneficiaries.

As more than 90% of Thembeka's earnings are dependent on market movements, the severe decline in share prices during the year resulted in Thembeka recording a headline loss. However, as a result of the rising equity markets, Thembeka has made a marked-to-market profit of approximately R85 million subsequent to year-end. The company remains well capitalised and conservatively leveraged.

Thembeka predominantly invested into its existing portfolio of investments during the past year, with additional investments in the JSE Ltd, PSG Group and Capitec. New investments included MGK Business Investments Ltd (agricultural business based in Brits) and Access Freight Logistics (Pty) Ltd (logistics and warehousing business based in Durban). Its investment portfolio as at 28 February 2009 included the following:

Listed	
Capitec	3,6%
IQuad	8,2%
JSE Ltd	4,7%
PSG Group	3,0%
Vox Telecom	1,6%

Unlisted	
Access Freight Logistics	25,1%
BKB	5,2%
Greymatter & Finch	42,5%
GRW Engineering	25,1%
KLK Landbou	10,0%
MGK Business Investments	11,0%
Spirit Capital	25,0%
Thembeka Mining (Precrete)	26,0%
Vital Merchandising Services	26,0%

CIC Holdings Ltd (48,6%)	
Fast-moving consumer goods	
Chief Executive Officer: Trevor Rogers	
Year-end	February
Headline earnings	R46,8m (8 months to 29 February 2008: R24,9m)

The majority of the group's income streams for the year emanated from its operations in South Africa's neighbouring countries. Good top line sales were achieved as a result of both volume and inflation growth. The company has a strong balance sheet and is currently investigating acquisition opportunities in Zimbabwe and Zambia.

Paladin increased its investment in CIC from 46,6% to 48,6% during the year under review. *www.cicholdings.co.za*

Precrete-Nozala (Pty) Ltd (22,1%)	
Mining support services	
Chief Executive Officer: Piet du Toit	
Year-end	February
Headline earnings	R31,7m (2008: R27,4m)

Precrete's main business is the reinforcing of mine shafts in the platinum sector using shot-creting (pre-mixed concrete). At the beginning of the year, Paladin increased its stake in Precrete from 13,1% to 22,1%. Precrete performed exceptionally well, benefiting directly from the increased spending on mine safety. *www.precrete.co.za*

Erbacon Investments Ltd (25,5%)	
Construction	
Chief Executive Officer: Dave Erskine	
Year-end	February
Headline earnings	R52,6m (2008: R31,1m)

During the year, Erbacon completed the acquisition of Armstrong Construction, a commercial and industrial building company. This resulted in Paladin's stake diluting to 24,8%. Erbacon posted commendable results for the 2009 year with the civil construction division performing exceptionally. The company has a strong balance sheet and declared its maiden dividend.

Paladin increased its investment in Erbacon to 25,5% during the year under review. *www.erbacon.co.za*

Topfix Holdings Ltd (10,7%)	
Construction support services	
Chief Executive Officer: Webber Marais	
Year-end	June
Headline earnings	R15,8m (June 2008)

Topfix is a JSE-listed company that specialises in the supplying and leasing of scaffolding and scaffolding personnel. It also outsources staff to the chemical, petrochemical, power generation and construction industries. During the year Paladin managed to acquire a 10,7% interest in the open market. Post year-end, Paladin's stake has been increased to 18,2%.

GRW Investments (Pty) Ltd (40%)	
Engineering manufacturing	
Chief Executive Officer: Gerhard van der Merwe	
Year-end	June
Headline earnings	R7,7m (2008: R19,7m)

The downturn in the world economy has resulted in a slowdown in demand for tank containers. This has had a significant impact on the profitability of GRW. The company has, however, obtained a number of international contracts which have partly compensated for the lack of local demand.

GRW made a number of acquisitions during the past year. These include TEE, a cement and feed tanker manufacturer, and ITCT, a retailer and servicer of trucks. *www.grw.co.za*

IQuad Group Ltd (42,4%)	
Investment incentives, treasury risk management, business optimisation and verification services	
Chief Executive Officer: Trevor Hayter	
Year-end	February
Headline earnings	R14,1m (2008: R16,9m)

IQuad had a disappointing year. Whilst the core businesses of incentives and treasury management performed satisfactorily, the start-ups and businesses acquired in the previous year performed below expectations. These have now either been closed or sold.

Paladin increased its investment in IQuad from 38,9% to 42,4% during the year under review. *www.iquad.co.za*

Lesotho Milling (Pty) Ltd (25,1%)

Milling

Chief Executive Officer: Graham Gatcke

Year-end	September
Headline earnings	R21,4m (2008: R16,8m)

Lesotho Milling operates a wheat and maize mill in Lesotho and distributes branded food products in Lesotho and South Africa. During the year Paladin, together with Lesotho Milling, invested into Target Investments (Pty) Ltd, a wheat mill based in Durban.

Protea Gietery (Pty) Ltd (49,9%)

Non-ferrous casting

Chief Executive Officer: Anthoon Rheeders

Year-end	February
Headline earnings	R11,8m (2008: R7,9m)

Protea is a non-ferrous casting operation based in Gauteng. Results for the year have been significantly better than the previous year as a result of higher commodity prices in the first half of the year. Volumes, however, have been in decline for the past six months as the heavy industries and mining sectors, Protea's clients, are operating at reduced capacity. Subsequent to year-end, there have been signs that copper and base metals prices are picking up, which could indicate that the end of the downturn is in sight.

African Unity Insurance Ltd ("AUI") (54%)

Funeral, absenteeism and disability insurance

Chief Executive Officer: Carl Kirstein

Year-end	February
Headline earnings	R2,5m (2008: R3,5m)

During the year, Paladin and HCI sold 10% of their shareholding in AUI (previously AIC Insurance Company) to management. AUI in turn acquired an assistance benefit (principally funeral benefits) administrator in exchange for shares in the company.

AUI performed below expectations due to the underperformance of its investment portfolio and the benefits and synergies from the aforementioned acquisition taking longer than expected to come to fruition. *www.africanunity.co.za*

Axon Xchange (Pty) Ltd (35,1%)

Scrip lending

Chief Executive Officer: Hugh Soelaart

Year-end	February
Headline earnings	R4,4m (2008: R4,2m)

The rapid deterioration in the financial markets towards the end of the year had a significant impact on risk-taking and thus volumes in scrip-lending transactions. This led to a decline in the size of Axon's book. Axon, however, still managed to achieve record profits. It is however expected that 2010 will be a more challenging year.

Mainfin (Pty) Ltd (25,1%)

Property development finance

Chief Executive Officer: John Stergianos

Year-end	February
Headline earnings	R9,4m (2008: R10,4m)

Mainfin is a niche property financier providing property development and bridging finance. Results for the year have been in line with expectations; the property loan book has however deteriorated. Although there is sufficient security in place, cash flow from these loans will only be realised when the property market turns. *www.mainfin.co.za*

PSG Capital (Pty) Ltd (74,9%)

Corporate finance

Managing Director: Johan Holtzhausen

Year-end	February
Headline earnings	R6,9m (2008: R13,1m)

PSG Capital provides corporate finance services to listed and unlisted clients. The results for the year were slightly below expectations. The current economic environment is not conducive to new listings and capital raisings. PSG Capital has been sold to PSG Group subsequent to year-end.

Future strategy and prospects

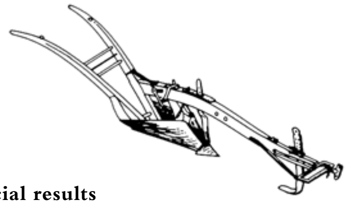
Although Paladin has a private equity bias in the current environment, selected listed equity securities present exceptional value. Paladin has therefore resolved to also acquire listed and other financial instruments with compelling prospects.

Paladin intends to list on the JSE. The listed Paladin will provide investors with a liquid/tradable private equity instrument and a direct entry point into PSG's current private equity portfolio.

ZEDER INVESTMENTS LTD (38,4%)

Chief Executive Officer	Antonie Jacobs

Agricultural, food and beverage investment company



Financial results

Year ended February	2009	2008	(6 months) 2007
Ordinary shareholders' equity (Rm)	**1 725,4**	1 566,4	1 282,9
Headline earnings (Rm)	**153,4**	206,5	136,5
Recurring headline earnings (Rm)	**148,8**	91,1	19,3
Headline earnings per share (cents)	**25,2**	35,4	27,8
Recurring headline earnings per share (cents)	**24,4**	15,6	3,9
Final dividend per share (cents)	**7,0**	5,0	2,0

PSG, as manager of Zeder, earns a 2% management fee based on the net asset value (excluding cash) of the group, and 0,15% on the company's cash. The past year saw PSG also earning a performance fee based on Zeder's outperformance of the benchmark indices. The 2009 management and performance fees before tax amounted to R31,2 million and R17,5 million respectively.

Portfolio

Zeder's portfolio consisted of the following investments as at 28 February 2009:

Kaap Agri Ltd	34,3%
KWV Ltd	25,7%
Suidwes Investments Ltd	17,2%
OVK Operations Ltd	9,0%
NWK Ltd	5,9%
MGK Business Investments Ltd	26,7%
Agricol Holdings Ltd	20,0%
KLK Landbou Ltd	10,0%
Tuinroete Agri Ltd	9,6%
BKB Ltd	3,5%
Capespan Group Ltd	12,1%

Highlights

Kaap Agri/Pioneer rights offers

During the reporting period Kaap Agri Ltd ("Kaap Agri") and Pioneer Food Group Ltd ("Pioneer") raised capital through rights offers of R100 million and R500 million respectively. Zeder followed its rights under the Kaap Agri offer and now has a 34,3% effective shareholding in this company. Zeder also entered into an underwriting agreement with Pioneer whereby it underwrote R360 million of the rights issue.

Equity-accounted earnings

Zeder's investment portfolio increased by 24% to R1,7 billion, with its investments in Kaap Agri and KWV representing more than 75% of the portfolio. *Recurring headline earnings* increased by 56% to 24,4 cents per share as a result of the equity-accounted earnings from its investment in associated companies, which were predominantly accounted for as marked-to-market profits in the previous year. *Reportable headline earnings*, however, decreased by 29% to 25,2 cents per share.

Zeder's equity accounted headline earnings amounted to R159,8 million (2008: R71,6 million) for the year ended 28 February 2009. It currently equity accounts the following investments:

- Kaap Agri Ltd
- KWV Ltd
- MGK Business Investments Ltd
- Agricol Holdings Ltd
- Thembeka Agri Holdings (Pty) Ltd (underlying investment in KLK Landbou Ltd).

Rights offer

Zeder has announced a renounceable rights offer in terms of which it intends to raise approximately R500 million. Each shareholder will receive 60 rights for every 100 shares held to subscribe for new shares in the company at 135 cents per share. PSG will follow all its rights to the value of R192 million.

Prospects

Zeder continues to acquire quality assets in the agricultural and related sectors at a discount to its intrinsic value and, in so doing, should grow Zeder's recurring headline earnings and intrinsic value.

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

PSG FUND MANAGEMENT GROUP (PTY) LTD (96,5%)

Chief Executive Officer	Ross Breedt
Local and offshore investment platform and asset management	

Company structure

PSG Fund Management's ("PSGFM") business can be divided into asset management and asset management support services.

The asset management business comprise of:

- Alphen Asset Management (variety of local and global equity funds and fund of funds);
- PSG Tanzanite (single fund, the PSG Tanzanite Flexible Fund); and
- PSG Absolute Investments (PSG Money Market Fund, as well as a bouquet of hedge funds, namely the Black Swan, South Easter, Quant and Double Diamond funds).

The asset management support services include the unit trust platforms (licence holders), PSG Collective Investments Ltd (local) and PSG Investments Services (CI) Ltd (overseas), as well as PSG Prime, a prime stockbroker.

Highlights

PSG Fund Management experienced a challenging year with the following key statistics:

Year ended February	2009	2008	2007
Headline earnings (Rm)	**18,0**	24,7	15,8
Total assets (Rbn)	**16,2**	17,1	11,3
Headline earnings growth (%)	**(27)**	57	46

- Offshore business contributed 30% (2008: 27%) to headline earnings
- Total net outflows from PSGFM group: R252 million
- Negative market movements on PSGFM group: R649 million
- Total net inflows into PSG Collective Investments: R411 million
- Negative market movements on PSG Collective Investments: R1,05 billion

The decline in earnings was largely attributable to a decline in the contributions from Alphen Asset Management (R3,4 million or 49% down) and Tanzanite (R0,85 million or 66% down).

PSG Absolute Investments increased its headline earnings by 37%. The diversified income streams and exceptional performance from the alternative/hedge fund business proved to be valuable, and should attract further funds in the coming year.

Industry

Management foresees an increase in regulatory requirements. Unit trust licence holders will need to reassess their business models and fee structures to ensure that reputational risk is properly managed. For example, the proliferation of white-labelled clients will reduce as licence holders will command more stringent requirements and higher fees for hosting the asset manager's funds.

The future

- A strong focus will be to minimise any potential reputational risk relating to asset managers using PSGFM's licences. This will be done via non-negotiable minimum criteria throughout the client base.
- With effect from 1 March 2009, PSG FutureWealth became part of PSGFM. This will enhance the product offering of PSGFM.
- Plexus Asset Management's unit trust products will be transferred to our Collective Investment Scheme platform with effect from June 2009.

PSG FUTUREWEALTH LTD (80%)

Chief Executive Officer	René Miles
Insurer with an investment only life licence	

The company can best be described as an investment facilitator that offers unique investment solutions to both the institutional and retail markets. A full range of products are offered, including retirement annuities, endowments, preservation funds, living annuities and umbrella pension and provident funds, linked to actively managed portfolios and innovatively structured solutions.

Although PSG FutureWealth's main focus is on the retail market, it also serves the institutional segment by providing a regulatory solution to retirement funds, investment managers, structured product houses and fund administrators that require a life assurance licence to enable them to market their respective product offerings.

Financial results

Year ended February	2009	2008
Headline earnings (Rm)	**44,5**	11,1
Recurring headline earnings* (Rm)	**17,3**	11,1
Growth in recurring headline earnings	**56%**	
Shareholders' funds (Rm)	**95,0**	65,3
Return on equity (normalised)	**21,6%**	

* *Recurring headline earnings exclude a deferred tax asset of R27,2 million in 2009*

Highlights

PSG FutureWealth has not had any exposure to failing financial services entities.

The financial results can be attributed to a higher demand for fixed interest products, effective bedding down of all distribution channels, launch of a new range of actively managed portfolios and a focus on increasing effectiveness and efficiencies. A total of R2,5 billion had been secured in new business premiums, of which roughly 55% emanated from retail business and the rest from institutional business.

The future

The satisfactory new business growth experienced over the past year, together with the ongoing product diversification, should stimulate future earnings growth. Management's primary goals are to grow the existing investment book by R2,2 billion by focusing on new business, retentions and acquisitions, and to enhance PSG FutureWealth's relationship with other PSG Group companies, particularly PSG Konsult and PSG Fund Management.

MIWAY GROUP HOLDINGS (PTY) LTD (18,2%)

CHIEF EXECUTIVE OFFICER	Rene Otto
Direct short-term insurance products	

Key financial figures

MiWay's main objective as a start-up is to reach critical mass, followed by break-even, within its first two years of operation. New business sales for the first ten months of operation (December year-end) were 25% better than expected. A total of more than 30 000 clients were acquired through organic growth.

Highlights

MiWay managed to build a strong retail brand in a relatively short space of time, via a fresh, humorous advertising campaign in a wide variety of media, such as television, radio, printed press and outdoor advertising. The admin/IT platform and general claims and service processes have been developed to a level of stability that serves as a platform for future growth and administration in general.

Industry

The short-term insurance industry had a strong profit cycle up to the end of 2008. New car sales is one of the key drivers of the short-term insurance market, and the decline in new car sales in 2009, expected to be around 50% of 2008, will continue to be challenging for the industry's growth prospects. An increase in claims, that usually goes hand in hand with tougher economic conditions, could also put pressure on profit margins.

CHANNEL LIFE LTD (SOLD)

Effective 1 January 2009, PSG's 34,6% interest in Channel Life was sold to Sanlam at embedded value for a consideration of R131,6 million. In addition, PSG's shareholder loans, amounting to R66,8 million, were repaid.

PETMIN LTD (9,4%)

CHIEF EXECUTIVE OFFICER	Jan du Preez
Mining	

As from 1 September 2008, PSG's investment in Petmin, a mining company, has been classified as an associated company. The equity-accounted earnings for the six months to 28 February 2009 amounted to R5,3 million, net of the amortisation of an intangible asset charge.

PSG CORPORATE SERVICES (PTY) LTD (100%)

The decline in the listed share prices of PSG's investments in, inter alia, *Vox Telecom* and other strategic and non-strategic investments accounted for the *non-recurring marked-to-market losses* incurred during the year under review. These and other investments have in the past contributed significantly to PSG's headline profits.

In addition, PSG has incurred a marked-to-market loss on its *10-year fixed-for-variable interest rate swap*. This instrument was entered into in 2006 to specifically swap the floating rate (75% of prime) on R440 million of PSG's R600 million perpetual preference shares for a fixed rate of 8,87% (which equates to an average prime rate for the 10-year period of 11,83%). This specific accounting loss is a clear example of how ridiculous accounting conventions have become.

Stock exchange performance

Year-end February	2009	2008	2007	2006	2005	2004	2003
Market price (cents)							
– High for the year	**2 100**	3 050	2 925	2 300	705	520	650
– Low for the year	**1 215**	1 900	1 570	620	253	255	375
– Closing price	**1 456**	2 085	2 720	2 266	700	385	520
– Average	**1 692**	2 714	2 257	1 060	428	460	512
Closing price/earnings	**22,3**	7,1	5,2	6,4	7,8	5,0	7,4
Volume of shares traded (000)	**18 290**	43 409	37 787	13 933	48 528	56 204	42 636
Value of shares traded (R000)	**309 415**	1 178 129	853 000	147 660	207 742	258 285	218 168
Volume/weighted average shares (%)	**10,9**	26,5	30,1	13,7	45,1	50,3	35,5

Our track record

Year-end February	2009	2008	2007	2006	2005	2004	2003
Headline earnings per share (cents)	**65,3**	295,1	519,3	351,8	90,0	76,3	70,7
Headline earnings (Rm)	**109,9**	482,5	651,4	358,4	96,7	85,2	84,8
Distribution per share (cents)							
– Normal	**57,0**	112,5	90,0	67,5	45,0	30,0	20,0
– Special	**200,0**					70,0	200,0
Ordinary shareholders' funds (Rm)	**2 755**	3 295	2 373	719	362	336	993
Net worth per share (cents)	**1 640**	1 948	1 585	704	356	320	828
Total assets (Rm)	**14 127**	14 206	5 501	1 833	2 794	2 384	2 594
Market capitalisation (Rm)	**2 760**	3 953	4 621	2 701	834	443	624
Number of shares (000)							
– Issued	**189 579**	189 579	169 885	119 195	119 195	115 000	120 000
– Treasury shares	**21 559**	20 386	20 133	17 015	17 619	10 000	
– Net	**168 020**	169 193	149 752	102 180	101 576	105 000	120 000
– Weighted average	**168 352**	163 505	125 446	101 888	107 519	111 700	120 000
ROE (%)	**3,6**	17,0	42,1	66,3	27,7	12,8	7,7

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 28 February 2009

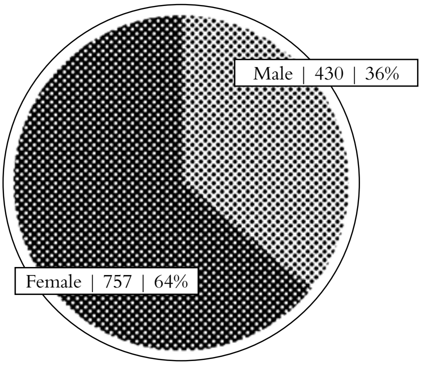
	2009 R000	%	2008 R000	%
VALUE ADDED				
Total income	**1 174 494**		2 859 341	
Dividend income/capital reductions – associated companies	**95 880**		75 445	
Total expenses excluding employee costs and depreciation	**(718 119)**		(1 583 287)	
	552 255		1 351 499	
Non-recurring items				
Profit on sale/dilution of subsidiaries and associated companies	**(25 541)**		(66 075)	
Loss on sale of subsidiaries	**20 408**			
Impairment charges	**13 272**			
Other	**(1 562)**		5 610	
	558 832		1 291 034	
VALUE ALLOCATED				
To employees				
Salaries, wages and other benefits	**294 133**	**53**	481 652	37
To providers of capital	**716 844**	**128**	288 548	23
Finance costs	**93 165**	**17**	57 848	5
Dividends – own shareholders	**510 416**	**91**	154 972	12
– outside shareholders	**113 263**	**20**	75 728	6
To government				
Normal tax and secondary tax on companies	**119 226**	**21**	108 250	8
To expansion and growth	**(571 371)**	**(102)**	412 584	32
Depreciation	**10 109**	**2**	10 688	1
Retained income – own shareholders	**(681 489)**	**(122)**	222 134	17
– outside shareholders	**100 009**	**18**	179 762	14
	558 832	**100**	1 291 034	100

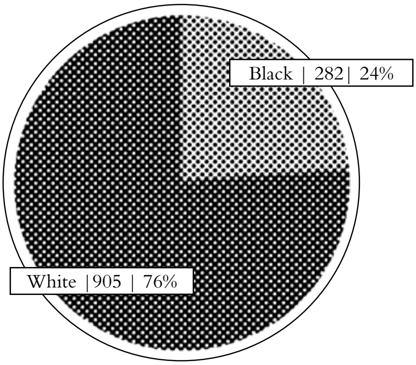
Group employee statistics

at 28 February 2009

GENDER	Number	%
Male	430	36
Female	757	64
RACE		
Black	282	24
White	905	76
EDUCATION		
Up to grade 11	85	7
Grade 12	473	40
Post grade 12 (e.g. diploma/certificate)	386	32
University degree	165	14
Post-graduate degree or professional qualification	78	7
HIERARCHY		
Executive directors (including CEOs and MDs)	39	3
Senior management	30	3
Middle/Junior management	58	5
Operational	278	23
Support	782	66
TOTAL NUMBER OF EMPLOYEES (excluding associated companies)	**1 187**	

Black refers to African Black, Coloured and Indian





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 or finance, risk and remuneration committees.

BOARD OF DIRECTORS

Details of PSG Group's directors are provided on page 10 of this annual report.

The board met five times during the past year and had close to a 100% attendance.

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

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

The board's key roles and responsibilities are:

- Promoting the interests of stakeholders
- 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 PSG Executive Committee ("Exco") comprises Messrs JF Mouton (chairman), CA Otto (non-executive), J de V du Toit (non-executive), WL Greeff, PJ Mouton, AE Jacobs, JA Holtzhausen, FW Swart and B van der Linde. 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 similar principles.

REMUNERATION COMMITTEE

The remuneration committee comprises mainly independent non-executive directors, being Messrs MJ Jooste (chairman), L van A Bellingan, PE Burton and CH Wiese, as well as Mr CA Otto, a non-executive director. 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

A report by the PSG Group Ltd Audit and Risk Committee has been provided on page 27 of this annual report.

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 operating companies' audit or finance 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. Where appropriate, subsidiary and associated companies have their own internal audit departments.

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 initiated with a donation of 100 000 PSG Group shares to this fund, which provides financial assistance to needy and gifted tertiary students. PSG Group is also funding the recent establishment of Akkerdoppies, a pre-primary school for underprivileged children in Stellenbosch. 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 principles of the Financial Sector Charter and the implementation enjoys the attention of senior management in the group.

Annual financial statements PSG Group Limited

Contents

Report of the audit and risk committee

The PSG Group Ltd Audit and Risk Committee ("the committee") comprises Messrs J de V du Toit (chairman), L van A Bellingan and PE Burton. All the members are independent non-executive directors. The committee met twice during the past year and had a 100% attendance.

The committee reports that it has considered the matters set out in section 270A(5) of the Companies Act, 61 of 1973, as amended by the Corporate Laws Amendment Act, and is satisfied with the independence and objectivity of the external auditor, PricewaterhouseCoopers Inc. The committee has considered and recommended the fees payable to the external auditor.

This committee also acted as the statutory audit committee of those public company subsidiaries that are legally required to have such a committee.

As required by the JSE Listings Requirement 3.84(h), the committee has satisfied itself that the group financial director has appropriate expertise and experience.

Based on the information and explanations given by management and discussions with the independent external auditor regarding the results of their audit, the committee is satisfied that there was no material breakdown in the internal accounting controls during the financial year under review.

The committee has evaluated the financial statements and group financial statements of PSG Group Ltd for the year ended 28 February 2009 and, based on the information provided to the committee, considers that the group complies, in all material respects, with the requirements of the Companies Act, 61 of 1973, as amended, and International Financial Reporting Standards (IFRS).

J de V du Toit
Chairman

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 auditor is 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 auditor, as well as senior management, to evaluate matters concerning accounting policies, internal control, auditing and financial reporting. The external auditor has 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 29 to 99 were approved by the board of directors of PSG Group Ltd and are signed on its behalf by:

JF Mouton
Chairman

WL Greeff
Financial director

15 May 2009
Stellenbosch

Report of the independent auditor

To the members of PSG Group Ltd

We have audited the annual financial statements and group annual financial statements of PSG Group Ltd, which comprise the directors' report, the seperate balance sheet and the consolidated balance sheet as at 28 February 2009, the seperate income statement and the consolidated income statement, the seperate statement of changes in equity and the consolidated statement of changes in equity, the seperate 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 29 to 99.

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 28 February 2009, 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

15 May 2009
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 CJ Siertsema
Company secretary

15 May 2009
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 R109,9 million (2008: R482,5 million). Attributable earnings amounted to R51,1 million (2008: R554,2 million).

SHARE CAPITAL

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

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

	Number of shares	
	2009	2008
At beginning of year	**189 579 385**	169 885 051
Less: Treasury shares		
Held by a subsidiary company	**(12 522 592)**	(11 495 000)
Held by the Share Incentive Trust	**(3 712 847)**	(4 646 176)
Held by associated companies	**(4 151 323)**	(3 992 088)
Net shares in issue at beginning of year	**169 192 623**	149 751 787
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	**(1 351 303)**	(1 127 592)
Shares donated by PSG Financial Services Ltd		100 000
Shares acquired by Kumani Holdings (Pty) Ltd, an associated company	**(147 029)**	(159 235)
Shares acquired by Thembeka Capital Ltd, an associated company	**(588 676)**	
Dilution of shareholding from 49,9% to 49% in Thembeka Capital Ltd, an associated company	**36 000**	
Shares acquired by the Share Incentive Trust	**(1 620 000)**	(277 000)
Shares released to participants of the Share Incentive Trust	**1 147 044**	1 277 178
Cancellation of participants' rights and obligations in terms of shares held by the Share Incentive Trust – shares subsequently sold to PSG Financial Services Ltd, a subsidiary company	**1 351 303**	
Share Incentive Trust's Capitec shares exchanged for PSG shares in terms of the abovementioned voluntary offer to all Capitec shareholders		(66 849)
Net shares in issue at end of year	**168 019 962**	169 192 623

DIVIDENDS

Details of dividends appear in note 33 to the financial statements.

DIRECTORS

The directors of the company at the date of this report appear on page 10. Since the date of the previous report, the following changes have been made to the composition of the board:

- Mr ZL Combi was appointed as non-executive director with effect from 14 July 2008.
- Mr WL Greeff was appointed as financial director with effect from 13 October 2008.
- Mr PJ Mouton was appointed as executive director with effect from 16 February 2009.
- Mr CA Otto, executive director since the establishment of PSG Group in November 1995, became a non-executive director with effect from 16 February 2009.
- Mr P Malan resigned from the board with effect from 16 February 2009.
- Dr J van Zyl Smit retired from the board and as chairman of the PSG Group Audit and Risk Committee with effect from 19 March 2009.
- Mr J de V du Toit, now an independent non-executive director, succeeded Dr J van Zyl Smit as chairman of the PSG Group Audit and Risk Committee.

Directors' report

continued

DIRECTORS' EMOLUMENTS

The following directors' emoluments have been incurred by the company and its subsidiaries for the year ended 28 February 2009:

CASH-BASED REMUNERATION

	Fees R000	Basic salaries R000	Company contributions R000	Performance-related R000	**Total 2009 R000**	Total 2008 R000
Executive						
JF Mouton		1 668	78		**1 746**	7 478
WL Greeff[1]		985	83	100	**1 168**	
PJ Mouton[2]						
CA Otto[3]		1 350	78		**1 428**	4 253
Non-executive						
L van A Bellingan	144				**144**	115
PE Burton	144				**144**	115
ZL Combi	39[4]				**39**	
J de V du Toit	1 285[5]				**1 285**	1 200
MJ Jooste	101				**101**	75
P Malan[6, 7, 8]	96	1 106	105	2 229	**3 536**	5 783
JJ Mouton[6, 9]	96	660		445	**1 201**	2 564
W Theron[6]	96	2 138		2 751	**4 985**	5 454
J van Zyl Smit[10]	274[11]				**274**	214
CH Wiese	101				**101**	35
BE Steinhoff						75[12]
	2 376	7 907	344	5 525	**16 152**	27 361

1 *Appointed as director with effect from 13 October 2008.*

2 *Appointed as director with effect from 16 February 2009. Remuneration for the year ended 28 February 2009 paid by Thembeka Capital Ltd, an associated company.*

3 *Executive until 15 February 2009, non-executive with effect from 16 February 2009.*

4 *Appointed as director with effect from 14 July 2008.*

5 *R96 250 in respect of directors' fees, the balance representing fees received at subsidiary level.*

6 *Executive of subsidiary company.*

7 *Includes dividend income from a subsidiary company of R1,338 million (2008: R2,662 million), which has been grossed up for comparative purposes.*

8 *Resigned as director with effect from 16 February 2009.*

9 *Includes dividend income from a subsidiary company of R266 980 (2008: R1,137 million), which has been grossed up for comparative purposes.*

10 *Retired as director with effect from 19 March 2009.*

11 *Includes R120 250 in respect of directors' fees of group companies and R68 400 as chairman of audit or finance and risk committees at subsidiary level.*

12 *Resigned as director with effect from 21 April 2008.*

Directors' report
continued

EQUITY-BASED REMUNERATION

	Number of shares as at 29 Feb 2008	Number of scheme shares during year Granted	Vested	Cancelled[3]	Average market price per share on vesting date R	Vesting price per share R	Date awarded	**Number of shares as at 28 Feb 2009**
PSG Group Ltd shares								
Equity-settled								
Executive								
JF Mouton	74 650		(74 650)		19,55	0,01	12/03/02	–
	35 923		(35 923)		19,55	1,04	12/03/02	–
	17 180[1]		(17 180)		20,55	0,65	20/11/02	–
	8 266[1]		(8 266)		20,55	1,58	20/11/02	–
	585 000		(260 000)		17,25	0,57[2]	13/07/04	**325 000**
	120 000		(36 000)		12,85	20,25[2]	26/10/06	**84 000**
		1 000 000				17,90[2]	21/04/08	**1 000 000**
	841 019	1 000 000	(432 019)	–				**1 409 000**
WL Greeff	80 000			(80 000)		20,25[2]	26/10/06	**–**
	47 000			(47 000)		18,00[2]	29/02/08	**–**
	120 000			(120 000)		16,50[2]	25/06/08	**–**
	247 000	–	–	(247 000)				**–**
CA Otto	450 000		(200 000)		17,25	0,57[2]	13/07/04	**250 000**
	328 500		(146 000)		13,85	2,01[2]	12/10/04	**182 500**
	120 000		(36 000)		12,85	20,25[2]	26/10/06	**84 000**
		500 000				17,68[2]	23/04/08	**500 000**
	898 500	500 000	(382 000)	–				**1 016 500**
Non-executive								
J de V du Toit	450 000		(200 000)		17,25	0,57[2]	13/07/04	**250 000**
	120 000		(36 000)		12,85	20,25[2]	26/10/06	**84 000**
	570 000	–	(236 000)	–				**334 000**
JJ Mouton	120 000[4]			(120 000)		20,25[2]	26/10/06	**–**
W Theron	200 000[4]			(200 000)		20,25[2]	26/10/06	**–**
P Malan	200 000[4]			(200 000)		20,25[2]	26/10/06	**–**
	520 000	–	–	(520 000)				**–**
Total equity-settled	3 076 519	1 500 000	(1 050 019)	(767 000)				**2 759 500**
Cash-settled								
Executive								
WL Greeff	140 000		(50 000)	(90 000)	19,45	4,16[2]	18/04/05	**–**
Total cash-settled	140 000	–	(50 000)	(90 000)				**–**

Directors' report

continued

Note

[1] *PSG Group Ltd paid a 200 cents per share special dividend on 11 August 2008. In terms of the PSG Group Share Incentive Trust deed, the vesting price of outstanding scheme shares needed to be reduced by any special dividend paid. However, in the case of two outstanding tranches of shares allocated to Mr JF Mouton on 20 November 2002, the vesting price was less than 200 cents per share. The trustees of the PSG Group Share Incentive Trust consequently decided to simplify matters and resolved that these shares vest before the last day to qualify for the special dividend on 30 July 2008.*

[2] *With reference to note 1, the vesting price of undelivered scheme shares was reduced by the 200 cents per share special dividend in August 2008.*

[3] *During the past year, PSG Group relieved all participants, apart from Messrs JF Mouton, CA Otto and J de V du Toit, from their rights and obligations in respect of both the PSG Group deferred delivery and cash-settled share schemes relating to undelivered PSG Group shares. These two share incentive schemes proved to be inefficient as a mechanism to incentivise key management.*

[4] *Executives of subsidiary companies.*

SHAREHOLDING OF DIRECTORS

The shareholding of directors, excluding the participation in the share incentive scheme, in the issued share capital of the company as at 28 February 2009 was as follows:

	Beneficial		Non-beneficial		**Total shareholding 2009**		Total shareholding 2008	
	Direct	Indirect	Direct	Indirect	**Number**	**%**	Number	%
L van A Bellingan				20 000	**20 000**		20 000	
PE Burton				130 000	**130 000**	**0,1**	127 055	0,1
J de V du Toit				3 506 000	**3 506 000**	**2,0**	3 270 000	1,9
WL Greeff	91 815	18 185			**110 000**	**0,1**		
MJ Jooste				20 000 000	**20 000 000**	**11,6**	20 000 000	11,5
P Malan	130 000			40 000	**170 000**	**0,1**	170 000	0,1
JF Mouton	3 600 000			41 971 996	**45 571 996**	**26,4**	44 704 286	25,8
JJ Mouton	111 000	1 299 250			**1 410 250**	**0,8**	1 375 000	0,8
PJ Mouton	60 842	3 610 818			**3 671 660**	**2,1**		
CA Otto	108			3 817 492	**3 817 600**	**2,2**	3 665 108	2,1
BE Steinhoff							841 030	0,5
W Theron	5 000			140 000	**145 000**	**0,1**	95 000	0,1
J van Zyl Smit	528 117				**528 117**	**0,3**	528 117	0,3
CH Wiese		15 500 000			**15 500 000**	**9,0**	15 500 000	8,9
	4 526 882	20 428 253	–	69 625 488	**94 580 623**	**54,8**	90 295 596	52,1

There were no changes to the directors' shareholding between 28 February 2009 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 company be authorised to repurchase its own issued shares, upon such terms and conditions as the directors of the company may determine, but subject to the provisions of section 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 itself and/or 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 that the directors of PSG Group Ltd may determine, but subject to the provisions of section 85 to 89 of the Companies Act, the Articles of Association of the company, the Listings Requirements of the JSE Ltd (if listed) and the requirements of any other stock exchange on which the shares of the acquiree company may be quoted or listed.

Paladin Capital Ltd
Further amendments to the Articles of Association of the company in order to comply with the Listings Requirements of the JSE Ltd.

The company, and its subsidiaries, be authorised to purchase any of the issued ordinary shares of the company and/or the issued ordinary shares of its subsidiaries upon such terms and conditions and in such amounts as the directors of the company may from time to time determine, subject to the provisions of section 85 to 89 of the Companies Act, the Articles of Association of the company and the Listings Requirements of the JSE Ltd (if applicable).

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 section 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 section 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.

PSG Konsult Ltd
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 section 85 to 88 of the Companies Act.

PSG FutureWealth Ltd
Resolved that, in terms of Section 62 of the Companies Act, 61 of 1973, Article 40 of the Articles of Association be and is hereby amended by the deletion of the existing Article 40.1 and the substitution thereof with the following, with effect from the passing of the special resolution, regardless the date of registration thereof –

"40.1 Out of part of distributable profits that may arise from profit-sharing policies, the Statutory Actuary shall provide an annual certificate certifying that at least 90% (ninety percent) of profits from profit business has been allocated toward increasing the benefits payable under such policies."

PSG Fund Management Group (Pty) Ltd
The company changed its name from Professional Securities Group Ltd to PSG Fund Management Group (Pty) Ltd and also changed from a public company to a private company.

PSG Fund Management Group also adopted new Articles and Memorandum of Association.

SECRETARY
The secretary of the company is PSG Corporate Services (Pty) Ltd. The business and postal addresses are shown on page 134.

Balance sheets

as at 28 February 2009

		GROUP		COMPANY	
			Restated		
		2009	2008	**2009**	2008
	Notes	**R000**	R000	**R000**	R000
ASSETS					
Property, plant and equipment	1	**32 891**	26 478		
Intangible assets	2	**736 459**	676 330		
Investment in subsidiary	3			**1 999 110**	2 388 861
Investment in associated companies	4	**3 568 750**	3 533 887		
Deferred income tax	5	**28 580**	13 785		24
Financial assets					
Equity securities	6	**1 232 695**	1 254 657		
Debt securities	7	**1 491 270**	1 580 208		
Unit-linked investments	8	**4 377 827**	4 901 562		
Investment in investment contracts	9	**1 174 551**	1 160 271		
Loans and advances	10	**83 418**	61 572		
Derivative financial instruments	11	**30 963**	30 395		
Receivables	12	**665 044**	410 190		
Cash and cash equivalents	13	**704 278**	556 736	**630**	392
Total assets		**14 126 726**	14 206 071	**1 999 740**	2 389 277
CAPITAL AND RESERVES ATTRIBUTABLE TO THE COMPANY'S EQUITY HOLDERS					
Share capital	14	**1 680**	1 692	**1 896**	1 896
Share premium		**1 838 787**	1 838 795	**1 838 795**	1 838 795
Treasury shares		**(207 310)**	(169 219)		
Other reserves	15	**8 472**	13 594		
Retained earnings		**1 113 778**	1 610 586	**156 496**	542 488
Ordinary shareholders' funds		**2 755 407**	3 295 448	**1 997 187**	2 383 179
Minority interests	16	**1 863 570**	1 773 528		
Total equity		**4 618 977**	5 068 976	**1 997 187**	2 383 179
LIABILITIES					
Insurance contracts	17	**30 769**	1 739		
Deferred income tax	5	**67 670**	141 226		
Financial liabilities					
Borrowings	18	**1 297 994**	641 622		
Derivative financial instruments	11	**6 148**	230 032		
Investment contracts	19	**7 717 025**	7 535 673		
Third-party liabilities arising on consolidation of mutual funds	20	**13 752**	23 024		
Provisions for other liabilities and charges	21	**18 481**	41 675		
Trade and other payables	22	**324 275**	451 509	**2 553**	6 098
Current income tax liabilities		**31 635**	70 595		
Total liabilities		**9 507 749**	9 137 095	**2 553**	6 098
Total equity and liabilities		**14 126 726**	14 206 071	**1 999 740**	2 389 277

Income statements

for the year ended 28 February 2009

		GROUP		COMPANY	
		2009	2008	**2009**	2008
	Notes	**R000**	R000	**R000**	R000
INCOME					
Sales from non-financial operations	23		1 316 839		
Investment income	24	**452 466**	200 121	**217 000**	44 000
Net fair value (losses)/gains on financial instruments	25	**(965 094)**	351 438		
Fair value adjustment to investment contract liabilities	19	**590 879**	22 269		
Commission and other fee income	26	**979 704**	861 814		1 431
Insurance premium income	27	**54 019**	15 581		
Other operating income	28	**62 520**	91 279		
Total income		**1 174 494**	2 859 341	**217 000**	45 431
EXPENSES					
Insurance claims and loss adjustments	27	**43 195**	6 997		
Cost of sales of non-financial operations	23		1 181 590		
Marketing, administration and other expenses	29	**958 758**	887 040	**1 163**	9 208
Total expenses		**1 001 953**	2 075 627	**1 163**	9 208
Results of operating activities		**172 541**	783 714	**215 837**	36 223
Finance costs	30	**(93 165)**	(57 848)		
Share of profits of associated companies	4	**232 957**	235 630		
Profit before taxation		**312 333**	961 496	**215 837**	36 223
Taxation	31	**(47 989)**	(151 846)	**(34 987)**	(15 799)
Net profit for the year		**264 344**	809 650	**180 850**	20 424
Attributable to:					
Minority interests		**213 272**	255 490		
Equity holders of the company		**51 072**	554 160	**180 850**	20 424
		264 344	809 650	**180 850**	20 424
Earnings per share (cents)	32				
Basic		**30,3**	338,9		
Diluted		**30,2**	334,4		
Dividend per share (cents)	33				
Special		**200,0**		**200,0**	
Interim		**19,0**	32,5	**19,0**	32,5
Final		**38,0**	80,0	**38,0**	80,0
		257,0	112,5	**257,0**	112,5

Statements of changes in equity

for the year ended 28 February 2009

GROUP	Share capital and premium R000	Treasury shares R000	Other reserves R000	Retained earnings R000	Minority interests R000	Total R000
Balance at 1 March 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/dilution 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
Share-based payment costs – employees			**8 579**			**8 579**
Currency translation adjustments			**(259)**		**395**	**136**
Fair value losses on investments			**(226)**		**1 884**	**1 658**
Capital reduction by subsidiary					**(66 412)**	**(66 412)**
Acquisition of subsidiary					**70 853**	**70 853**
Disposal/dilution of subsidiaries					**(5 238)**	**(5 238)**
Net income for the year				**51 072**	**213 272**	**264 344**
Treasury shares sold	**9**	**4 469**				**4 478**
Treasury shares acquired	**(29)**	**(42 560)**				**(42 589)**
Reversal of previous fair value gains after taxation on equity securities				**(162 763)**		**(162 763)**
Revaluation of assets and liabilities of associated companies				**125 299**		**125 299**
Share of movement in reserves of associated companies			**(15 977)**		**3 745**	**(12 232)**
Acquired from minority shareholders					**(16 113)**	**(16 113)**
Other			**2 761**		**919**	**3 680**
Dividend paid				**(510 416)**	**(113 263)**	**(623 679)**
Balance at 28 February 2009	**1 840 467**	**(207 310)**	**8 472**	**1 113 778**	**1 863 570**	**4 618 977**
COMPANY						
Balance at 1 March 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
Net income for the year				**180 850**		**180 850**
Dividend paid				**(566 842)**		**(566 842)**
Balance at 28 February 2009	**1 840 691**	**–**	**–**	**156 496**	**–**	**1 997 187**

Cash flow statements

for the year ended 28 February 2009

		GROUP	GROUP	COMPANY	COMPANY
			Restated		
		2009	2008	**2009**	2008
	Notes	**R000**	R000	**R000**	R000
Cash retained from operating activities					
Cash generated by operating activities	37.1	**(9 671)**	(78 424)	**(4 708)**	(2 792)
Interest income		**270 337**	118 642		
Dividend income		**182 129**	81 479	**217 000**	44 000
Interest paid		**(93 165)**	(57 848)		
Taxation paid	37.2	**(159 562)**	(123 545)	**(34 963)**	(11)
Net cash flow from operating activities		**190 068**	(59 696)	**177 329**	41 197
Cash utilised in investing activities					
Acquisition of subsidiaries	37.3	**(48 012)**	273 673		
Acquisition of/loans advanced to associated companies		**(266 977)**	(591 242)		
Proceeds from sale of associated companies/repayment of loans		**344 874**	57 343		
Capital refunds from associated companies			29 636		
Acquisition of intangibles		**(89 759)**	(60 977)		
Proceeds from sale of book of business		**10 286**	9 381		
Proceeds from sale of subsidiaries	37.4	**97 332**	(65 099)		
Proceeds from disposal of fixed assets		**1 527**	132		
Purchase of fixed assets		**(17 535)**	(15 632)		
Loans from subsidiaries				**389 751**	129 248
Net cash flow from investment activities		**31 736**	(362 785)	**389 751**	129 248
Cash flows from financing activities					
Dividends and capital distributions paid to group shareholders		**(510 416)**	(154 972)	**(566 842)**	(170 340)
Dividends/capital distributions paid to minorities		**(179 675)**	(87 517)		
Capital contributions by minorities		**22 623**	11 552		
Acquired from minorities		**(41 330)**			
Increase/(decrease) in borrowings		**176 584**	(71 612)		
Purchase of treasury shares by subsidiary company		**(31 838)**	(36 162)		
Treasury shares sold by subsidiary company		**4 478**	3 302		
Net cash flow from financing activities		**(559 574)**	(335 409)	**(566 842)**	(170 340)
Net (decrease)/increase in cash and cash equivalents		**(337 770)**	(757 890)	**238**	105
Cash and cash equivalents at beginning of year		**126 617**	884 507	**392**	287
Cash and cash equivalents at end of year	37.5	**(211 153)**	126 617	**630**	392

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 2009

- Amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 – Financial Instruments: Disclosures Reclassification of Financial Assets (effective July 2008)
- IFRIC 12 Service Concession Arrangements (effective January 2008)
- IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective January 2008)

The implications of these statements have no impact on measurements of assets and liabilities or disclosures in the current or prior years.

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 2009 or later periods, but which the group has not early adopted are as follows:

- IFRS 8 Operating Segments (effective January 2009)
  IFRS 8 requires an entity to adopt the 'management approach' to reporting on the financial performance of its operating segments. The Standard sets out requirements for disclosure of information about and entity's operating segments and also about the entity's products and services, the geographical areas in which it operates, and its major customers. The disclosure should enable users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates.
- IAS 23 Revised – Borrowing Costs (effective January 2009)
  The main change from the previous version of IAS 23 is the removal of the option of immediately recognising as an expense, borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale.
- IAS 1 Revised – Presentation of Financial Statements (effective January 2009)
  The changes made to IAS 1 are to require information in financial statements to be aggregated on the basis of shared characteristics and to introduce a statement of comprehensive income. This will enable readers to analyse changes in a company's equity resulting from transactions with owners in their capacity as owners separately from 'non-owner' changes. The revisions include changes in the titles of some of the financial statements to reflect their function more clearly. The new titles are not mandatory for use in financial statements.
- Amendment to IAS 32 Financial Instruments – Presentation and IAS 1 Presentation of financial statements – Puttable Financial Instruments and Obligations Arising on Liquidation (effective January 2009)
  The amendments require entities to classify the following types of financial instruments as equity, provided they have particular features and meet specific conditions: a) puttable financial instruments (for example, some shares issued by co-operative entities); b) instruments, or components of instruments, that impose on the entity an obligation to deliver to another party a pro rata share of

Accounting policies

continued

the net assets of the entity only on liquidation (for example, some partnership interests and some shares issued by limited life entities). Additional disclosures are required about the instruments affected by the amendments.

- IFRS 3 Revised – Business Combinations (effective July 2009)
  The new standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with some contingent payments subsequently re-measured at fair value through income. Goodwill may be calculated based on the parent's share of net assets or it may include goodwill related to the minority interest. All transaction costs will be expensed.
- IAS 27 Revised – Consolidated and Separate Financial Statements (effective July 2009)
  IAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control. They will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognised in profit or loss.
- Amendment to IFRS 1 – First Time Adoption of International Financial Reporting Standards and IAS 27 – Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Joint Controlled Entity or Associate (effective January 2009)
  The amendment allow first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. The amendment also removed the definition of the cost method from IAS 27 and replaced it with a requirement to present dividends as income in the separate financial statements of the investor.
- Amendment to IFRS 2 Share Based Payment Vesting Conditions and Cancellations (effective January 2009)
  The amendment deals with two matters. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment.
- IFRIC 13 Customer Loyalty Programmes (effective July 2008)
  IFRIC 13 addresses accounting by entities that grant loyalty award credits to customers who buy other goods or services. Specifically, it explains how such entities should account for their obligations to provide free or discounted goods or services to customers who redeem award credits.
- IFRIC 17 Distribution of non-cash assets to owners (effective July 2009)
  IFRIC 17 applies to the accounting for distributions of non-cash assets (commonly referred to as *dividends in specie*) to the owners of the entity. The interpretation clarifies that: a dividend payable should be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity; an entity should measure the dividend payable at the fair value of the net assets to be distributed; and an entity should recognise the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss.
- Amendments to IFRS 7 Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments (effective January 2009)
  The amendments require enhanced disclosures about fair value measurements and liquidity risk.

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

Standards, amendments and interpretations to existing standards that are not yet effective or not relevant to the group's operations, are as follows:

- IFRIC 15 Agreements for the Construction of Real Estate (effective January 2009)
- IFRIC 16 Hedges of a Net Investment in Foreign Operations (effective October 2008)
- IFRIC 18 Transfers of assets from customers (effective July 2009)
- AC 503 Revised – Accounting for Black Economic Empowerment (BEE) Transactions
- AC 504 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction in the South African Environment

Accounting policies

continued

GROUP FINANCIAL STATEMENTS

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

Subsidiaries

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

The group uses the purchase method of accounting to account for the acquisition of subsidiaries. The cost of an acquisition is measured, as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill (see note 2). If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

If the initial accounting for business combinations has been determined provisionally, then adjustments to these values resulting from the emergence of new information within 12 months after the acquisition date are made against goodwill. In addition, the cost of the business combination and, subsequently, goodwill is adjusted for changes in the estimated value of contingent considerations in respect of the business combination when they arise.

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).

Accounting policies

continued

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. Cross-holdings between the group and its associates are eliminated in accordance with normal consolidation procedure. 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.

Loans to associate companies are disclosed as part of the carrying amount of the investment.

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:

Accounting policies
continued

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

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

PROPERTY, PLANT AND EQUIPMENT

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

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

Depreciation is calculated on the straight-line method at rates considered appropriate to reduce book values to estimated residual values over the useful lives of the assets, as follows:

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

Land is not depreciated.

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

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

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

INTANGIBLE ASSETS

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary/associated company undertaking at the date of acquisition. Goodwill is reported in the balance sheet as an intangible asset. Goodwill on acquisition of associated companies is included in investments in associated companies. Goodwill is tested annually for impairment and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

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

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

Accounting policies

continued

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 incremental 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.

An impairment test is conducted annually at reporting date on the DAC balance to ensure that the amount will be recovered from future revenue generated by the applicable remaining investment management 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.

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 financial assets, receivables, cash and cash equivalents financial liabilities and trade and other payables. 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.

Accounting policies

continued

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.

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

Accounting policies

continued

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 investment contract policy adjusted for applicable liquidity or credit risk.

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.

CONTRACTS FOR DIFFERENCES

The group enters into contracts for differences with clients whereby the company provides leveraged exposure to equities specified by the client. The client pays a margin of between 10% and 15% of the value of the equities. Margin calls are made for the full value of any decrease in value of the equities.

It is the policy of the group to hedge its exposure, through the simultaneous purchase of an equivalent number of the underlying equities. The group designates its hedging activities as fair value hedges. Changes in the fair value of listed equities that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged liability that are attributable to the hedged risk.

The group is contractually bound to pay out or recover any fair value adjustments from the parties entering into the contracts for differences, based on the fair value movement of the specified listed equities invested in for the client.

Fair value adjustments of the listed equities and the contractual liabilities to the investors are offset and the net effect is recognised through profit and loss.

CASH AND CASH EQUIVALENTS

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

SHARE CAPITAL

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

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

Accounting policies

continued

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) 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 significant additional 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 fair value.

INSURANCE CONTRACTS

The liabilities relating to insurance contracts are measured in accordance with the financial soundness valuation (FSV) basis as set out in Professional Guidance Note (PGN) 104 of the Actuarial Society of South Africa (ASSA). The basis of the projections is a "best estimate" assumption basis. In addition, compulsory margins are added to allow for risk and uncertainty based on the relevant local Actuarial Guidance Note (PGN104) issued by the Actuarial Society of South Africa (ASSA). Second-tier margins may also be required, based on the judgement of the Actuary.

Insurance premiums from insurance contracts are recognised as revenue in the income statement. At the end of the financial year, there were no unearned premiums.

Benefits and claims incurred under insurance are recognised in the income statement.

FINANCIAL LIABILITIES

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another entity.

Financial liabilities include borrowings, derivative financial instruments, policyholder liabilities under investment contracts, third-party liabilities arising on consolidation at mutual funds and trade and other payables. The group issues investments contracts without fixed terms (unit linked) and with fixed and guaranteed terms (fixed interest rate).

Financial liabilities are initially recognised at fair value less transaction costs that are directly attributable to the raising of the funds, for all financial liabilities carried at amortised cost. All financial liabilities measured at fair value through profit or loss are initially recognised at fair value. The best evidence of the fair value at initial recognition is the transaction price (i.e. the fair value of the consideration received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets.

The fair value of a unit linked financial liability is determined using the current unit price reflects the fair values of the financial assets contained within the company's unitised investment funds linked to the financial liability, multiplied by the number of units attributed to the policyholder at a balance sheet date. No initial profit is recognised immediately as any profit on initial recognition is amortised in line with cash flow projections over the life of the contract.

Accounting policies

continued

The liability under investment contracts is derecognised when the contract expires, is discharged or is cancelled by the policyholder. For a contract that can be cancelled by the policyholder, the fair value cannot be less than the surrender value.

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.

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.

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

Accounting policies

continued

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.

If the group cancels or settles a grant of equity instruments during the vesting period, the group account for the cancellation or settlement of the grant and recognise immediately the amount that otherwise would have been recognised for services received over the remainder of the vesting period.

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.

Profit sharing and bonus plans

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

PROVISIONS

Provisions are recognised when:

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

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:

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.

Accounting policies

continued

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.

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.

SECONDARY TAX ON COMPANIES

South African resident companies are subject to a duel corporate tax system, one part of the tax being levied on taxable income and the other, a secondary tax (called STC), on distributed income. A company incurs STC charges on the declaration or deemed declaration of dividends (as defined under tax law) to its shareholders. STC is not a withholding tax on shareholders, but a tax on companies.

The STC tax consequence of dividends is recognised as a taxation charge in the income statement in the same period that the related dividend is accrued as a liability. The STC liability is reduced by dividends received during the dividend cycle. Where dividends declared exceed the dividends received during a cycle, STC is payable at the current STC rate on the net amount. Where dividends received exceed dividends declared within a cycle, there is no liability to pay STC. The potential tax benefit related to excess dividends is carried forward to the next dividend cycle as an STC credit. Deferred tax assets are recognised on unutilised STC credits to the extent that it is probable that the group will declare future dividends to utilise such STC credits.

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.

Accounting policies

continued

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.

Employee benefits

Refer to note 14 on share-based compensation schemes.

Equity accounting

The group accounts for certain investments as associates although the group holds less than 20 percent of the issued share capital. This is based on the group's ability to exercise significant influence over the investments through its voting power (both through its equity holding and its representation on the board of directors), its participation in the strategic, financial and operational, decisions of the investments and the fact that the influence is also acknowledged by the investments.

Directors' valuation of unlisted associated companies

Directors' valuation of unlisted associated companies are determined with reference to market prices, assessing the fair value of underlying investments as well as the published net asset value or valuation techniques. Valuation techniques used include applying a market-related price-earnings ratio to operational earnings or performing discounted cash flow models to the expected cash flows. The following assumptions are used in the valuation models:

Assumptions	Range
Weighted average cost of capital	12,5% – 16%
Growth rate	0% – 25%
Terminal growth rate	5,3%
Risk free rate	7,8%

Impairment of investments

An impairment of investments is considered when the fair value is below its carrying value. In determination of whether the decline is significant or prolonged, the following factors may be considered: normal volatility in share price, the financial health of the investee, sector performance, changes in operational and financing cash flow.

An impairment loss is recognised for the amount by which the 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. The value in use is calculated with reference to the assumptions noted above. The underlying market values of investments in listed entities are also considered in assessing the carrying values.

The directors are satisfied that the company's investments are fairly stated.

Accounting policies

continued

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 annual financial statements

for the year ended 28 February 2009

GROUP	Land and buildings R000	Vehicles and plant R000	Office equipment R000	Computer equipment R000	Total R000
1. PROPERTY, PLANT AND EQUIPMENT					
As at 28 February 2009					
Cost	**3 456**	**9 109**	**24 738**	**28 273**	**65 576**
Accumulated depreciation	**(702)**	**(2 120)**	**(11 913)**	**(17 950)**	**(32 685)**
Balance at end of year	**2 754**	**6 989**	**12 825**	**10 323**	**32 891**
Reconciliation					
Balance at beginning of year	**2 839**	**6 339**	**8 965**	**8 335**	**26 478**
Additions	**34**	**1 125**	**8 041**	**8 335**	**17 535**
Disposals	**(27)**	**(62)**	**(783)**	**(793)**	**(1 665)**
Depreciation	**(92)**	**(433)**	**(3 345)**	**(6 239)**	**(10 109)**
Subsidiaries acquired		**127**	**189**	**963**	**1 279**
Subsidiaries sold		**(107)**	**(242)**	**(278)**	**(627)**
Balance at end of year	**2 754**	**6 989**	**12 825**	**10 323**	**32 891**
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

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

The market value of land and buildings at 28 February 2009, as determined by the directors of the relevant property-owning group companies, amounted to R14 340 000 (2008: R10 994 000).

Notes to the annual financial statements

for the year ended 28 February 2009

	GROUP	Deferred acquisition costs R000	Customer lists R000	Trademarks and other R000	Goodwill R000	Total R000
2.	**INTANGIBLE ASSETS**					
	As at 28 February 2009					
	Cost	**83 062**	**234 754**	**45 157**	**485 754**	**848 727**
	Accumulated amortisation	**(63 635)**	**(38 714)**	**(9 919)**		**(112 268)**
	Balance at end of year	**19 427**	**196 040**	**35 238**	**485 754**	**736 459**
	Reconciliation					
	Balance at beginning of year	**20 111**	**161 135**	**36 061**	**459 023**	**676 330**
	Additions	**623**	**58 199**	**5 697**	**32 132**	**96 651**
	Disposals	**(590)**	**(1 274)**	**(1 970)**	**(6 452)**	**(10 286)**
	Acquisition of subsidiaries		**854**		**10 266**	**11 120**
	Realised on disposal of subsidiaries		**(683)**		**(6 118)**	**(6 801)**
	Impairment		**(10 175)**		**(3 097)**	**(13 272)**
	Amortisation	**(717)**	**(12 016)**	**(4 550)**		**(17 283)**
	Balance at end of year	**19 427**	**196 040**	**35 238**	**485 754**	**736 459**
	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

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 **2009** **R000**	2008 R000
Private equity and corporate finance	**70 855**	71 157
Financial advice and fund management	**228 279**	201 246
Financing and banking	**186 620**	186 620
	485 754	459 023

Notes to the annual financial statements

for the year ended 28 February 2009

2. INTANGIBLE ASSETS *(continued)*

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 ranging from 5 to 8.

Financing and banking, private equity and corporate finance

For listed and unlisted investments, where the carrying amount exceeds the fair value less cost to sell, the recoverable amount is determined based on value-in-use calculations. These calculations use free 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 follow:

Risk-free rate	7,8%
Growth rate ranging from	0% – 25%
Terminal growth rate	5,3%
Discount rate ranging from	12,5% – 16%

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

	COMPANY	
	2009	2008
	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	**1 190 928**	1 580 679
	1 999 110	2 388 861

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 annual financial statements

for the year ended 28 February 2009

	GROUP 2009 R000	GROUP 2008 R000
4. INVESTMENT IN ASSOCIATED COMPANIES		
Carrying value of shares		
Listed	**1 503 332**	1 260 447
Unlisted	**1 749 474**	1 968 405
	3 252 806	3 228 852
Loans and preference shares – Unlisted	**315 944**	305 035
Preference share investments (including accrued dividends)		
Thembeka Capital Ltd	**119 079**	117 062
"A" preference shares The preference shares are unsecured, carry a dividend rate of prime plus 1% and is redeemable on 1 December 2015.		
"B" preference shares	**45 078**	44 387
The preference shares are unsecured, carry a dividend rate of 95% of prime and is redeemable on 1 December 2015.		
Thembeka Agri Holdings (Pty) Ltd The preference shares are unsecured, carry a dividend rate of prime plus 2% and capital and accrued dividends are redeemable on 2 October 2010.	**15 194**	13 211
Arch Equity Communications (Pty) Ltd The preference shares are unsecured, carry a dividend rate of prime plus 4% and capital and accrued dividends are redeemable on 1 December 2012.	**92 651**	78 254
8 Mile Investments 41 (Pty) Ltd 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.	**36 942**	31 807
Loans		
Arch Equity Market Holdings (Pty) Ltd Unsecured loan bearing interest at prime plus 4%, with no fixed repayment terms.		2 285
Channel Life Ltd Unsecured loan bearing interest at prime plus 1%. The loan was sold in January 2009.		18 029
Target Investments (Pty) Ltd Unsecured loan, no interest and with no fixed repayment terms.	**7 000**	
	3 568 750	3 533 887
Loans and preference shares – Unlisted		
Current portion	**12 405**	18 953
Non-current portion	**303 539**	286 082
	315 944	305 035

Notes to the annual financial statements

for the year ended 28 February 2009

	GROUP 2009 R000	GROUP 2008 R000	COMPANY 2009 R000	COMPANY 2008 R000
4. INVESTMENT IN ASSOCIATED COMPANIES *(continued)*				
Reconciliation				
Carrying value at beginning of year	**3 228 852**	857 632		
Equity accounted earnings:				
Share of profit after tax	**262 943**	235 630		
Impairment charges	**(29 986)**			
Movement in investment value:				
Dividends received	**(95 880)**	(45 809)		
Capital reductions		(29 636)		
Acquisitions	**226 225**	1 714 928		
Disposal of associated companies	**(475 905)**	(38 638)		
Disposal of subsidiaries		(50 949)		
Dilution of interest in associated companies	**(3 813)**			
Transfer from subsidiaries	**5 845**	77 119		
Transfer from equity securities at cost	**29 496**	355 241		
Revaluation of assets and liabilities of associated companies	**125 299**	156 836		
Treasury shares held by associated companies	**(8 038)**	(3 502)		
Share of movement in reserves of associated companies	**(12 232)**			
Carrying value at end of year	**3 252 806**	3 228 852		
Market value of listed investments	**1 163 497**	1 397 910		
Directors' valuation of unlisted investments	**2 122 997**	2 470 360		
Refer Annexure A for further information				
5. DEFERRED INCOME TAX				
Deferred income tax assets	**28 580**	13 785		24
Deferred income tax liabilities	**(67 670)**	(141 226)		
Net deferred income tax (liabilities)/assets	**(39 090)**	(127 441)	**–**	24
Deferred income tax assets				
To be recovered within 12 months	**24 193**	13 785		24
To be recovered after 12 months	**4 387**			
	28 580	13 785	**–**	24
Deferred income tax liabilities				
To be recovered within 12 months	**4 727**	92 592		
To be recovered after 12 months	**62 943**	48 634		
	67 670	141 226	**–**	–

Notes to the annual financial statements

for the year ended 28 February 2009

GROUP	Provisions R000	Tax losses and STC R000	Unrealised profits R000	Intangible assets and other differences R000	Total R000
5. DEFERRED INCOME TAX *(continued)*					
The movement in the deferred tax asset and liabilities during the year is as follows:					
At 1 March 2007	(10 961)	(17 107)	61 756	44 787	78 475
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
(Credit)/charges to income statement	**1 818**	**(26 820)**	**(42 405)**	**(3 607)**	**(71 014)**
Disposal of subsidiary	**1 332**			**1 487**	**2 819**
Additions				**6 892**	**6 892**
Acquisition of subsidiary	**(394)**				**(394)**
Reversal of deferred tax on previous fair value gains on equity securities transfer to investments in associated companies through equity			**(26 654)**		**(26 654)**
At 28 February 2009	**(7 569)**	**(23 765)**	**17 551**	**52 873**	**39 090**
COMPANY					
At 1 March 2007		(15 823)			(15 823)
Charges to income statement		15 799			15 799
At 29 February 2008	–	(24)	–	–	(24)
Charges to income statement		**24**			**24**
At 28 February 2009	**–**	**–**	**–**	**–**	**–**

The STC liability, should all distributable reserves be paid out, amounts to R101 253 000 (2008: R146 417 000).

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, for which deferred tax liabilities have not been recognised, are approximately R122 926 000 (2008: R58 386 000).

The deferred income tax assets and liabilities were calculated on all temporary differences under the liability method using an effective tax rate of 28% (2008: 28%). For STC credits the rate used was 10% (2008: 10%).

Notes to the annual financial statements

for the year ended 28 February 2009

		GROUP 2009 R000	GROUP 2008 R000
6.	**EQUITY SECURITIES***		
	Direct equity investments	**688 718**	798 687
	Quoted	**573 312**	778 697
	Unquoted	**115 406**	19 990
	Investments linked to investment contracts (refer note 19)	**543 977**	455 970
	Quoted	**543 977**	455 970
	Unquoted		
		1 232 695	1 254 657

* *Equity securities of R285 127 000 relating to the prior year were reclassified (refer note 38).*

GROUP	Available-for-sale R000	Fair value through profit or loss R000	Total R000
Reconciliation of movements			
Carrying amount at 1 March 2007	1 457	1 481 806	1 483 263
Additions	22 054	529 323	551 377
Disposals	(976)	(674 352)	(675 328)
Acquisition of subsidiaries	225	415 369	415 594
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	1 231 708	1 254 657
Additions	**31 736**	**985 698**	**1 017 434**
Disposals	**(25)**	**(617 171)**	**(617 196)**
Transfer to unit-linked investments		**(1 298)**	**(1 298)**
Unrealised fair value net gains	**3 889**	**(185 878)**	**(181 989)**
Impairment charges	**(20 000)**		**(20 000)**
Transfer to investment in associated companies at cost		**(29 496)**	**(29 496)**
Reversal of previous fair value gains on equity securities transfer to investments in associated companies through equity		**(189 417)**	**(189 417)**
Carrying amount at 28 February 2009	**38 549**	**1 194 146**	**1 232 695**

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.

Notes to the annual financial statements

for the year ended 28 February 2009

		GROUP 2009 R000	GROUP 2008 R000
6.	**EQUITY SECURITIES** *(continued)*		
	Current portion	**418 190**	208 660
	Non-current portion	**814 505**	1 045 997
		1 232 695	1 254 657
7.	**DEBT SECURITIES***		
	Direct equity investments	**–**	398 956
	Quoted		394 695
	Unquoted		4 261
	Investments linked to investment contracts (refer note 19)	**1 491 270**	1 181 252
	Quoted	**64 284**	118 519
	Unquoted	**1 426 986**	1 062 733
		1 491 270	1 580 208

GROUP	Held-to-maturity R000	Fair value through profit or loss R000	Total R000
Reconciliation of movements			
Carrying amount at 1 March 2007	403	4 960	5 363
Additions	36	29 204	29 240
Subsidiaries acquired		1 599 404	1 599 404
Disposals	(444)	(56 179)	(56 623)
Unrealised fair value net gains	11	2 813	2 824
Carrying amount at 29 February 2008	6	1 580 202	1 580 208
Additions	**291 738**	**755 284**	**1 047 022**
Disposals	**(44)**	**(1 131 572)**	**(1 131 616)**
Unrealised fair value net gains	**12 008**	**(12 098)**	**(90)**
Transfer to unit-linked investments		**(4 254)**	**(4 254)**
Carrying amount at 28 February 2009	**303 708**	**1 187 562**	**1 491 270**

	GROUP 2009 R000	GROUP 2008 R000
Current portion	**57 760**	398 950
Non-current portion	**1 433 510**	1 181 258
	1 491 270	1 580 208

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

* *Debt securities of R283 134 000 relating to the prior year were reclassified (refer note 38).*

Notes to the annual financial statements

for the year ended 28 February 2009

	GROUP 2009 R000	GROUP 2008 R000
8. UNIT-LINKED INVESTMENTS*		
Direct investments	**122 289**	309 935
Quoted	**113 640**	309 935
Unquoted	**8 649**	
Investments linked to investment contracts (refer note 19)	**4 255 538**	4 591 627
Quoted	**3 235 809**	4 591 627
Unquoted	**1 019 729**	
	4 377 827	4 901 562

GROUP	Fair value through profit or loss R000	Total R000
Reconciliation of movements		
Carrying amount at 1 March 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	2 367 248	2 367 248
Unrealised fair value net losses	(7 176)	(7 176)
Carrying amount at 29 February 2008	4 901 562	4 901 562
Additions	**2 792 305**	**2 792 305**
Disposals	**(2 968 452)**	**(2 968 452)**
Transfer from equity securities	**1 298**	**1 298**
Transfer from debt securities	**4 254**	**4 254**
Unrealised fair value net losses	**(353 140)**	**(353 140)**
Carrying amount at 28 February 2009	**4 377 827**	**4 377 827**

	GROUP 2009 R000	GROUP 2008 R000
Current portion	**4 377 827**	4 901 562
Non-current portion		
	4 377 827	4 901 562

* *Unit-linked investments of R408 109 000 relating to the prior year were reclassified (refer note 38).*

Notes to the annual financial statements

for the year ended 28 February 2009

		GROUP	
		2009	2008
		R000	R000
9.	**INVESTMENT IN INVESTMENT CONTRACTS***		
	Reconciliation of movements		
	Balance at beginning of year	**1 160 271**	
	Investment contract premiums paid	**486 179**	1 205 252
	Investment contracts benefits received	**(444 730)**	(295 489)
	Fair value adjustment to investment contracts	**(27 169)**	25 826
	Acquisition of subsidiaries		224 682
	Balance at end of year	**1 174 551**	1 160 271
	Current portion	**402 699**	432 691
	Non-current portion	**771 852**	727 580
		1 174 551	1 160 271

* *Investment in investment contracts of R54 400 000 relating to the prior year was reclassified (refer note 38).*

10.	**LOANS AND ADVANCES**		
	Direct investments	**83 230**	61 572
	Secured loans	**35 447**	19 945
	Unsecured loans	**47 783**	41 627
	Investments linked to investment contracts (refer note 19)		
	Unsecured loans	**188**	
		83 418	61 572
	Current portion	**65 892**	16 888
	Non-current portion	**17 526**	44 684
		83 418	61 572

The secured loans are secured by pledge of unquoted shares.

The effective interest rates applied to calculate fair values ranged from 11,5% to 13% (2008: 11,5% to 12%).

Notes to the annual financial statements

for the year ended 28 February 2009

	GROUP 2009 R000	GROUP 2008 R000	COMPANY 2009 R000	COMPANY 2008 R000
11. DERIVATIVE FINANCIAL INSTRUMENTS				
Derivative financial assets	**30 963**	30 395		
Direct investments in derivatives	**4 695**	30 395		
Derivatives linked to investment contracts (refer note 19)	**26 268**			
Derivative financial liabilities	**(6 148)**	(230 032)		
Net derivative financial instruments	**24 815**	(199 637)		
Derivative financial assets				
Current portion	**26 937**	5 216		
Non-current portion	**4 026**	25 179		
Derivative financial liabilities				
Current portion	**(6 148)**	(230 032)		
Non-current portion				
	24 815	(199 637)		
Analysis of net derivative balance:				
Equity/index contracts:				
Fixed-for-variable interest rate swap (refer note 39)	**4 026**	25 179		
Exchange traded	**20 789**	(224 816)		
	24 815	(199 637)		
Trading derivatives are classified as current financial assets and liabilities valued at fair value through profit or loss.				
12. RECEIVABLES*				
Trade receivables	**136 082**	61 697		
Brokers and clearing houses	**26 456**	119 638		
Contracts for differences	**282 110**	216 508		
Proceeds due from sale of associated company	**200 563**			
Prepayments and sundry debtors	**19 833**	12 347		
Total trade and other receivables	**665 044**	410 190		
Current portion	**663 004**	407 054		
Non-current portion	**2 040**	3 136		
	665 044	410 190		
13. CASH AND CASH EQUIVALENTS*				
Cash at bank and money market funds	**658 687**	537 382	**630**	392
Short-term deposits	**45 591**	19 354		
	704 278	556 736	**630**	392

The effective interest rate on short-term deposits was 10,5% (2008: 9,75%). These deposits have an average maturity of 30 days.

* *Receivables of R216 508 000 and cash and cash equivalents of R139 194 000 relating to the prior year were reclassified (refer note 38).*

Notes to the annual financial statements

for the year ended 28 February 2009

		GROUP		COMPANY	
		2009	2008	**2009**	2008
		R000	R000	**R000**	R000
14.	**SHARE CAPITAL**				
	Authorised*				
	400 000 000 shares of 1 cent each (2008: 400 000 000)	**4 000**	4 000	**4 000**	4 000
	Issued				
	189 579 385 shares of 1 cent each (2008: 189 579 385)	**1 896**	1 896	**1 896**	1 896
	13 873 895 shares held by a subsidiary company (2008: 12 522 592)	**(139)**	(125)		
	4 851 029 shares held by associated companies (2008: 4 151 323)	**(49)**	(42)		
	2 834 500 shares held by a share incentive trust (2008: 3 712 847)	**(28)**	(37)		
		1 680	1 692	**1 896**	1 896

* *The 2008 comparative numbers have been restated to reflect 400 000 000 authorised shares compared to 200 000 000 previously disclosed.*

Unissued shares, limited to 5% of the number of the company's shares in issue at 29 February 2008, are placed under the control of the directors until the next annual general meeting. The directors are authorised to buy back shares subject to certain limitations and JSE requirements.

Share schemes

During the year PSG Group had 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. The cash-settled share scheme has however been terminated during the year.

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 was 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 R5,67 (2008: R7,54) per share.

Significant inputs into the model are the scheme share exercise price at date of issue of R19,83 (2008: R27,40), 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. Volatility used was 33,8%.
- The long-term average dividend yield of 3,2% was used and increased by the risk-free rate and equity premium over the period of the scheme share life.
- 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.

Notes to the annual financial statements

for the year ended 28 February 2009

14. SHARE CAPITAL *(continued)*

The total share-based payment costs recognised in the income statement was R5 542 000 (2008: R7 825 000). A share-based payment reserve of R8 579 000 (2008: R3 076 000) was recognised as part of equity and represents the fair value of the shares determined at grant date. A liability of Rnil (2008: R1 511 216) 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 2 834 500 (2008: 3 712 847) PSG Group Ltd shares which have been allocated to participants at a total consideration of R38,4 million (2008: R40,1 million). The maximum number of shares which may be offered to participants is 10% of the issued share capital of the company at any time.

	PSG Group Ltd		Capitec Bank Holdings Ltd	
	2009	2008	**2009**	2008
Number of shares allocated at beginning of year	**3 712 847**	4 613 676		85 398
Number of shares purchased/allocated during the year	**1 620 000**	309 500		
Number of shares released to participants during the year	**(1 147 044)**	(1 277 178)		(39 438)
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	**(1 351 303)**			
Number of shares purchased/allocated at end of year	**2 834 500**	3 712 847	**–**	–

The weighted average market share price of the shares released during the year amounted to R16,88 (2008: R27,80).

Granting of shares occurred as follows:	**Number of shares**	**Price R**
28 April 2004	75 000	0,36*
13 July 2004	825 000	0,57*
12 October 2004	182 500	2,01*
26 October 2006	252 000	20,25*
21 April 2008	1 000 000	17,90
23 April 2008	500 000	17,68
	2 834 500	

* *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. In August 2008 PSG paid a special dividend. The vesting price of each PSG Group deferred delivery share tranche was consequently reduced by 200 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

Notes to the annual financial statements

for the year ended 28 February 2009

		2009 Weighted average strike price (R)	2009 Number	2008 Weighted average strike price (R)	2008 Number
14.	**SHARE CAPITAL** *(continued)*				
	Analysis of outstanding scheme shares by year of maturity				
	Financial year-end				
	2008/09			7,75	1 415 392
	2009/10	**5,17**	**739 500**	9,25	988 125
	2010/11	**12,29**	**955 000**	11,12	785 513
	2011/12	**20,13**	**429 000**	21,79	264 925
	2012/13	**20,09**	**336 000**	21,72	186 392
	2013/14	**19,83**	**225 000**	20,54	44 800
	2014/15	**19,83**	**150 000**	20,00	27 700
			2 834 500		3 712 847

	GROUP	Available-for-sale R000	Foreign exchange translation R000	Share-based payment R000	Other R000	Total R000
15.	**OTHER RESERVES**					
	Balance as at 1 March 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
	Share-based payment costs – employees			**8 579**		**8 579**
	Share of movement in reserves of associated companies				**(15 977)**	**(15 977)**
	Currency translation adjustments		**(259)**			**(259)**
	Fair value losses on investments	**(226)**				**(226)**
	Other				**2 761**	**2 761**
	Balance as at 28 February 2009	**621**	**642**	**19 036**	**(11 827)**	**8 472**

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for the year ended 28 February 2009

	GROUP 2009 R000	GROUP 2008 R000
16. MINORITY INTEREST		
Minority interest	**1 302 524**	1 214 598
Cumulative, non-redeemable, non-participating preference shares of subsidiary company	**561 046**	558 930
	1 863 570	1 773 528
Cumulative, non-redeemable, non-participating preference shares of subsidiary company		
Authorised		
10 000 000 (2008:10 000 000) cumulative, non-redeemable, non-participating preference shares of R1,00 (2008: R1,00) each.		
Issued		
5 500 000 (2008: 5 500 000) cumulative, non-redeemable, non-participating preference shares of R1,00 (2008: R1,00) each.		
The following preference shares were issued during the financial year:		
Nominal value of nil shares (2008: 579 738 shares)		580
Net share premium		49 345
		49 925
Less: Issued to PSG FutureWealth Ltd, a subsidiary company		(49 925)
	–	–
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.		
17. INSURANCE CONTRACTS		
Balance at beginning of year	**1 739**	1 612
Liabilities released for payments on death, surrender and other terminations for the year	**(1 959)**	
Fees deducted from account balances	**(164)**	
Transfer to policyholder funds	**31 153**	127
Balance at end of year	**30 769**	1 739

Notes to the annual financial statements

for the year ended 28 February 2009

		GROUP	
		2009	2008
		R000	R000
18.	**BORROWINGS**		
	Non-current		
	Unsecured loans	**148 697**	6 644
	Unsecured bonds	**110 000**	110 000
	Secured loans	**66 063**	85 335
	Total non-current borrowings	**324 760**	201 979
	Current		
	Bank overdrafts and CFD facilities	**915 431**	430 119
	Unsecured loans	**21 802**	4 896
	Unsecured bonds	**4 520**	4 628
	Secured loans	**31 481**	
	Total current borrowings	**973 234**	439 643
	Total borrowings	**1 297 994**	641 622

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 R69 923 300 (2008: R90 870 000). 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 11% and 14% (2008: 10% and 13%).

A subsidiary listed the following bond 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% p.a. fixed. Accrued interest amounts to R4 520 000 (2008: R4 628 000).

Notes to the annual financial statements

for the year ended 28 February 2009

		GROUP	
		2009	2008
		R000	R000
19.	**INVESTMENT CONTRACTS**		
	Balance at beginning of year	**7 535 673**	
	Investment contract receipts	**3 094 856**	4 329 611
	Investment contracts benefits paid	**(2 290 628)**	(1 115 494)
	Commission and administration expenses	**(31 997)**	(17 748)
	Fair value adjustment to investment contract liability	**(590 879)**	(22 269)
	Acquisition of subsidiaries		4 361 573
	Balance at end of year	**7 717 025**	7 535 673
	Current portion	**890 276**	1 389 645
	Non-current portion	**6 826 749**	6 146 028
		7 717 025	7 535 673
	Investment contracts are represented by the following investments:		
	Equity securities	**543 977**	455 970
	Debt securities	**1 491 270**	1 181 252
	Investment in investment contracts	**1 174 551**	1 160 271
	Unit-linked investments	**4 255 538**	4 591 627
	Loans and advances	**188**	
	Derivatives	**26 268**	
	Cash and cash equivalents	**225 233**	139 195
	Other		7 358
		7 717 025	7 535 673
20.	**THIRD-PARTY LIABILITIES ARISING ON CONSOLIDATION OF MUTUAL FUNDS**		
	Balance at beginning of year	**23 024**	118 138
	Capital contributions received	**13 096**	
	Fair value adjustment to third-party liabilities	**327**	2 957
	Consolidation of mutual funds		20 067
	Deconsolidation of mutual fund	**(22 695)**	(118 138)
	Balance at end of year	**13 752**	23 024
	Current portion	**13 752**	23 024
	Non-current portion		
		13 752	23 024

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	GROUP	Lease obligations R000	Employee benefits R000	Other R000	**Total R000**
21.	**PROVISIONS FOR OTHER LIABILITIES AND CHARGES**				
	As at 28 February 2009				
	Balance at beginning of year	**670**	**33 872**	**7 133**	**41 675**
	Additional provisions	**(459)**	**4 276**	**2 401**	**6 218**
	Utilised during the year	**(211)**	**(24 168)**	**(5 033)**	**(29 412)**
		–	**13 980**	**4 501**	**18 481**
	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

	GROUP **2009 R000**	GROUP 2008 R000
Current portion	**17 614**	38 574
Non-current portion	**867**	3 101
	18 481	41 675

Movements in the provisions were charged to income.

Onerous lease obligations amounting to Rnil (2008: R670 000) included in lease obligations, relate mainly to property leases. The outstanding term of these leases was one to two years for 2008.

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 annual financial statements

for the year ended 28 February 2009

		GROUP		COMPANY	
		2009	2008	**2009**	2008
		R000	R000	**R000**	R000
22.	**TRADE AND OTHER PAYABLES**				
	Accounts payable and accruals	**258 857**	134 728	**2 553**	6 098
	Deferred revenue	**31 321**	32 333		
	Subsidiary/associate purchase consideration payable	**25 438**	65 804		
	Investment policy benefits payable	**8 659**	51 560		
	Unsettled trades		167 084		
		324 275	451 509	**2 553**	6 098
	Current portion	**324 275**	451 509	**2 553**	6 098
	Non-current portion				
		324 275	451 509	**2 553**	6 098
23.	**INCOME FROM NON-FINANCIAL SUBSIDIARIES**				
	Sales from trading operations		1 316 839		
	Cost of sales		(1 181 590)		
	Gross profit	**–**	135 249		
24.	**INVESTMENT INCOME**				
	Interest income				
	Loans and advances	**38 350**	12 060		
	Equity securities – at fair value through profit or loss	**45 000**	36 315		
	Debt securities – at fair value through profit or loss	**5**	660		
	Cash and short-term funds	**186 982**	69 607		
		270 337	118 642		
	Dividend income				
	Equity securities – at fair value through profit or loss	**154 365**	36 188		
	Preference shares – debt securities	**27 764**	45 291		
	Dividend income from subsidiary company			**217 000**	44 000
		182 129	81 479	**217 000**	44 000
	Investment income	**452 466**	200 121	**217 000**	44 000
25.	**FAIR VALUE (LOSSES)/GAINS IN FINANCIAL INSTRUMENTS**				
	Foreign exchange gains	**5 657**	1 695		
	Foreign exchange losses	**(1 564)**	(1 352)		
	Net fair value (losses)/gains on financial assets and financial liabilities at fair value through profit or loss				
	unrealised fair value (losses)/gains	**(817 232)**	299 841		
	realised fair value (losses)/gains	**(141 485)**	50 523		
	Net realised gains on available-for-sale financial assets				
	equity securities	**9 530**	731		
	Impairment of available-for-sale financial assets	**(20 000)**			
		(965 094)	351 438		

Notes to the annual financial statements

for the year ended 28 February 2009

		GROUP 2009 R000	GROUP 2008 R000	COMPANY 2009 R000	COMPANY 2008 R000
26.	**COMMISSION AND OTHER FEE INCOME**				
	Commissions and fees	**798 246**	643 048		
	Dealing and structuring	**181 458**	218 766		
	Management fees – subsidiary companies				1 431
		979 704	861 814	**–**	1 431
27.	**INSURANCE INCOME AND EXPENSES**				
	Net insurance premium revenue				
	Insurance premium income	**54 019**	15 581		
	Insurance claims and loss adjustments:				
	Individual life long-term insurance contracts: death, maturity, surrender and sick leave benefits and transfers to policyholder liabilities	**(43 195)**	(6 997)		
28.	**OTHER OPERATING INCOME**				
	Other operating income	**36 979**	25 204		
	Profit on sale/dilution of subsidiaries and associated companies	**25 541**	66 075		
		62 520	91 279		
29.	**MARKETING, ADMINISTRATION AND OTHER EXPENSES**				
	Expenses by nature				
	Depreciation				
	Land and buildings	**92**	96		
	Vehicles and plant	**433**	4 288		
	Office equipment	**3 345**	2 210		
	Computer equipment	**6 239**	4 094		
		10 109	10 688		
	Amortisation of intangible assets	**17 283**	42 004		
	Operating lease rentals				
	Properties	**30 194**	19 522		
	Other	**2 397**	10 744		
		32 591	30 266		
	Auditor's remuneration				
	Audit services				
	– current year	**9 759**	7 451		
	– prior year	**1 765**	1 001		
	Tax services	**121**	157		
	Other services	**1 068**	1 228		
		12 713	9 837		

Notes to the annual financial statements

for the year ended 28 February 2009

	GROUP		COMPANY	
	2009	2008	**2009**	2008
	R000	R000	**R000**	R000
29. MARKETING, ADMINISTRATION AND OTHER EXPENSES *(continued)*				
Employee benefit expenses				
Salaries, wages and allowances	**261 701**	394 673		
Termination benefits	**2 838**	40		
Social security costs (e.g. UIF, medical benefits)	**9 025**	7 010		
Share-based payment costs				
Equity-settled				
Cancellation of share scheme	**4 251**			
Share-based payments	**4 328**	3 076		
Cash-settled	**(1 731)**	4 749		
Pension costs – defined-contribution plans	**13 721**	9 104		
	294 133	418 652		
Loss on sale/dilution of subsidiaries and associated companies	**20 408**			
Impairment of intangible assets	**13 272**			
Loss on sale of fixed assets	**138**			
Donation to University of Stellenbosch		2 830		
Marketing and administration costs	**255 993**	285 521	**1 163**	9 208
Expenses for acquisition of insurance and investment contracts	**27 422**	7 545		
Commission paid	**274 696**	79 697		
Total	**958 758**	887 040	**1 163**	9 208

Refer to directors' report for detail of directors' remuneration. The notional gain (i.e. market price on date of vesting less vesting price multiplied by the number of shares delivered) on directors' shares delivered in terms of the PSG Group share incentive scheme amounted to R13,2m (2008: R30,5m).

	GROUP		COMPANY	
30. FINANCE COSTS				
Bank overdrafts and CFD facilities	**57 291**	33 608		
Dividend on redeemable preference shares		58		
Secured loans	**17 984**	5 868		
Unsecured loans	**17 890**	18 314		
	93 165	57 848		

Notes to the annual financial statements

for the year ended 28 February 2009

		GROUP		COMPANY	
		2009	2008	**2009**	2008
		R000	R000	**R000**	R000
31.	**TAXATION**				
	Current taxation				
	Current year	**77 138**	102 952		
	Prior year	**1 450**	701		
		78 588	103 653		
	Deferred taxation				
	Current year	**(71 443)**	31 160		
	Prior year	**4 054**	(2 931)		
		(67 389)	28 229		
	Foreign taxation				
	Current year	**48**	313		
	Prior year	**(271)**			
		(223)	313		
	Secondary tax on companies				
	Current taxation	**40 638**	4 597	**34 963**	
	Deferred taxation	**(3 625)**	15 054	**24**	15 799
		37 013	19 651	**34 987**	15 799
		47 989	151 846	**34 987**	15 799
		%	%	**%**	%
	Reconciliation of income tax charge				
	Reconciliation of rate of taxation				
	South African normal tax rate	**28,0**	29,0	**28,0**	29,0
	Adjusted for:				
	Non-taxable income	**(16,2)**	(4,8)	**(28,2)**	(35,2)
	Capital gains tax differential in rates	**3,4**	(5,5)		
	Non-deductible charges	**18,4**	2,5	**0,2**	6,2
	Income from associated companies	**(20,9)**	(7,1)		
	Secondary tax on companies (STC)	**11,8**	1,7	**16,2**	43,6
	Utilisation for previously unrecognised tax credits	**(9,1)**			
	Effective rate of tax	**15,4**	15,8	**16,2**	43,6
		R000	R000	**R000**	R000
	STC credits available within the group	**11 103**	50 662		240
	Deferred tax asset provided for	**(11 103)**	(50 662)		(240)
	Available for future utilisation	**–**	–	**–**	–

Notes to the annual financial statements

for the year ended 28 February 2009

	GROUP 2009 R000	GROUP 2008 R000
32. EARNINGS PER SHARE		
The calculations of earnings per share are based on the following:		
Total earnings attributable to ordinary shareholders	**51 072**	554 160
Adjustments (net of tax and minority interests):		
Net loss/(profit) on sale/dilution of investments in subsidiaries	**9 080**	(46 630)
Net loss/(profit) on sale/dilution of associated companies	**9 280**	(3 959)
Impairment of associated company	**28 671**	
Impairment of available-for-sale financial asset	**20 000**	
Impairment of shareholders' loans	**4 221**	
Impairment of intangible assets (incl. goodwill)	**12 711**	
Negative goodwill	**(19 345)**	(9 562)
Other investment activities	**981**	(600)
Non-headline items of associated companies	**(6 780)**	(10 934)
Headline earnings	**109 891**	482 475

	Number of shares 000	Number of shares 000
The calculation of the weighted average number of shares and diluted weighted average number of shares is as follows:		
Number of shares at the beginning of the year	**169 193**	149 752
Weighted number of shares issued in the year		13 614
Net movement in treasury shares	**(841)**	139
Weighted number of shares at the end of the year	**168 352**	163 505
Number of shares to be issued in terms of share purchase scheme at fair value	**901**	2 234
Diluted weighted number of shares at the end of the year	**169 253**	165 739
Basic		
Earnings attributable to ordinary shareholders (R000)	**51 072**	554 160
Headline earnings (R000)	**109 891**	482 475
Weighted average number of ordinary shares in issue (000)	**168 352**	163 505
Attributable earnings per share (cents)	**30,3**	338,9
Headline earnings per share (cents)	**65,3**	295,1

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32. EARNINGS PER SHARE *(continued)*

Diluted

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

	GROUP		COMPANY	
	2009	2008	**2009**	2008
	R000	R000	**R000**	R000
Earnings attributable to ordinary shareholders (R000)	**51 072**	554 160		
Headline earnings (R000)	**109 891**	482 475		
Diluted weighted average number of ordinary shares in issue (000)	**169 253**	165 739		
Diluted attributable earnings per share (cents)	**30,2**	334,4		
Diluted headline earnings per share (cents)	**64,9**	291,1		
33. DIVIDEND PER SHARE				
Normal dividend	**510 416**	154 972	**566 842**	170 340

Special

200 cents per share

Interim

19 cents per share (2008: 32,5 cents)

Final

38 cents per share (2008: 80 cents)

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

Notes to the annual financial statements

for the year ended 28 February 2009

	GROUP 2009 R000	GROUP 2008 R000
34. 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	**4 544**	3 175
One to five years	**16 708**	2 501
Operating leases – premises		
Due within one year	**15 698**	6 325
One to five years	**23 401**	5 496
Due after five years	**636**	126

35. BORROWING POWERS

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

36. 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.

During the 2008 financial year, PSG Group Ltd received management fees of R1 431 000 from a subsidiary and paid R1 653 000 to PSG Capital (Pty) Ltd for services performed regarding the proposed listing of PSG Group on the London Stock Exchange.

During the 2008 financial year, PSG increased 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:

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for the year ended 28 February 2009

36. RELATED-PARTY TRANSACTIONS *(continued)*

Name	Number of PSG shares 000
P Malan (resigned in February 2009)	1
JF Mouton	10 923
JJ Mouton	418
BE Steinhoff (resigned in April 2008)	8
W Theron	12
J van Zyl Smit (resigned in March 2009)	252
	11 614

A subsidiary company of the group entered into an equity-linked joint venture with an entity in which Mr P Malan, a former director of PSG Group Ltd, had a beneficial interest amounting to R18 680 000 (2008: R19 300 000). No benefits have realised in this entity during the reporting year (2008: Rnil).

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	
	2009 R000	2008 R000
Salaries and performance bonuses	**9 896**	15 038
Share incentive schemes	**2 924**	1 631
	12 820	16 669

Notes to the annual financial statements

for the year ended 28 February 2009

	GROUP		COMPANY	
	2009	2008	**2009**	2008
	R000	R000	**R000**	R000
37. NOTES TO THE CASH FLOW STATEMENT				
37.1 Cash generated by operating activities				
Net profit before taxation	**312 333**	961 496	**215 837**	36 223
Adjustment for:				
Non-cash items	**(124 073)**	(506 016)		
Interest income	**(270 337)**	(118 642)		
Dividend income	**(182 129)**	(81 479)	**(217 000)**	(44 000)
	(264 206)	255 359	**(1 163)**	(7 777)
Change in working capital	**(65 870)**	(21 894)	**(3 545)**	4 985
Change in insurance contracts	**29 030**	127		
Change in investment contracts liability	**772 231**	3 196 368		
Change in other financial instruments	**(480 856)**	(3 508 384)		
	(9 671)	(78 424)	**(4 708)**	(2 792)
37.2 Taxation paid				
Charge to income statement	**(47 989)**	(151 846)	**(34 987)**	(15 799)
Movement in deferred taxation	**(71 014)**	43 284	**24**	15 799
Movement in taxation liability	**(40 559)**	(14 983)		(11)
	(159 562)	(123 545)	**(34 963)**	(11)

37.3 Subsidiaries acquired
2009 Acquisitions

Adato Capital

The Group acquired 60,9% of the issued shares of Adato Capital Ltd with effect from 13 June 2008 for R115 372 000. Goodwill amounting to R5 100 000 was recognised on acquisition. Adato Capital was downsized in February 2009 and the group's interest in the company diluted to 26,3% and the company is classified as an investment in associate at year-end.

The acquired business contributed revenue of R32 004 000 and net profit of R4 569 000 to the group for the period from 13 June 2008 to 28 February 2009.

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for the year ended 28 February 2009

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

37.3 Subsidiaries acquired *(continued)*

GROUP	Adato Capital 2009 R000	**Total 2009 R000**
Net assets of subsidiaries acquired		
Property, plant and equipment	**(1 279)**	**(1 279)**
Intangibles	**(6 020)**	**(6 020)**
Loans and advances	**(143 214)**	**(143 214)**
Receivables	**(2 834)**	**(2 834)**
Cash and cash equivalents	**(67 360)**	**(67 360)**
Borrowings	**32 293**	**32 293**
Deferred income tax	**(394)**	**(394)**
Trade and other payables	**3 408**	**3 408**
Current income tax liabilities	**4 275**	**4 275**
Minority interests	**70 853**	**70 853**
	(110 272)	**(110 272)**
Goodwill on acquisition	**(5 100)**	**(5 100)**
Cash consideration paid	**(115 372)**	**(115 372)**
Cash and cash equivalents acquired	**67 360**	**67 360**
Net cash flow on acquisition of subsidiaries	**(48 012)**	**(48 012)**

2008 Acquisitions

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.

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 annual financial statements

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GROUP	Restated* PSG FutureWealth 2008 R000	Other 2008 R000	Total 2008 R000
37. NOTES TO THE CASH FLOW STATEMENT *(continued)*			
37.3 Subsidiaries acquired *(continued)*			
Net assets of subsidiaries acquired			
Property, plant and equipment	(566)	(139)	(705)
Intangibles		(13 689)	(13 689)
Equity securities	(438 548)	22 954	(415 594)
Debt securities	(1 200 797)	(398 607)	(1 599 404)
Unit-linked investments	(2 367 248)		(2 367 248)
Investment in investment contracts	(224 682)		(224 682)
Derivative financial instruments		(5 216)	(5 216)
Receivables	(12 180)	(33 189)	(45 369)
Cash and cash equivalents	(303 981)	(38 569)	(342 550)
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	303 981	38 569	342 550
Net cash inflow on acquisition of subsidiaries	253 981	19 692	273 673

* *Refer note 38 for details of reclassification.*

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

37.4 Disposal of subsidiaries

During the year under review the group diluted its investments in, inter alia, Adato Capital Ltd and the South Easter Fund which were previously consolidated by the group.

GROUP	Adato Capital 2009 R000	South Easter 2009 R000	**Total 2009 R000**
Net assets of subsidiaries sold			
Property, plant and equipment	**627**		**627**
Intangibles	**6 801**		**6 801**
Debt securities		**369 858**	**369 858**
Loans and advances	**51 813**		**51 813**
Receivables	**506**	**29 020**	**29 526**
Cash and short-term funds	**1 062**	**4 606**	**5 668**
Borrowings	**(40 530)**		**(40 530)**
Derivative financial instruments		**(213 577)**	**(213 577)**
Third-party liabilities – consolidation of mutual funds		**(22 965)**	**(22 965)**
Deferred income tax liability	**2 819**		**2 819**
Trade and other payables	**(2 085)**	**(166 942)**	**(169 027)**
Current income tax liabilities	**(2 676)**		**(2 676)**
Minority interests	**(5 410)**		**(5 410)**
	12 927	**–**	**12 927**
Transfer to investment in associated companies	**(5 845)**		**(5 845)**
Capital reduction	**98 672**		**98 672**
Loss on sale of subsidiaries	**(2 754)**		**(2 754)**
Cash proceeds on sale	**103 000**	**–**	**103 000**
Cash and cash equivalents of subsidiaries	**(1 062)**	**(4 606)**	**(5 668)**
Net cash flow on disposal of subsidiaries	**101 938**	**(4 606)**	**97 332**

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	GROUP	CIC Holdings 2008 R000	Tanzanite 2008 R000	Other 2008 R000	Total 2008 R000
37.	**NOTES TO THE CASH FLOW STATEMENT** *(continued)*				
37.4	**Disposal of subsidiaries** *(continued)*				
	Net assets of subsidiaries sold				
	Property, plant and equipment	19 102			19 102
	Intangibles	9 326			9 326
	Investment in associated companies	5 720		45 229	50 949
	Equity securities		101 594		101 594
	Deferred income tax asset	5 121			5 121
	Inventories	100 315			100 315
	Receivables	234 348	4 513		238 861
	Cash and short-term funds	44 176	23 180		67 356
	Borrowings	(14 372)			(14 372)
	Third-party liabilities – consolidation of mutual funds		(118 138)		(118 138)
	Provision for other liabilities and charges	(18 640)			(18 640)
	Trade and other payables	(243 127)	(11 149)	61	(254 215)
	Current income tax liabilities	(3 674)			(3 674)
	Minority interest	(61 176)		(57 846)	(119 022)
	Loss on sale of subsidiaries	77 119	–	(12 556)	64 563
	Transfer to investment in associated companies	(77 119)			(77 119)
	Profit/(loss) on sale of subsidiaries			14 813	14 813
	Cash proceeds on sale	–	–	2 257	2 257
	Cash and cash equivalents of subsidiaries	(44 176)	(23 180)		(67 356)
	Net cash flow on disposal of subsidiaries	(44 176)	(23 180)	2 257	(65 099)

		GROUP		COMPANY	
		2009 R000	2008 R000	**2009 R000**	2008 R000
37.5	**Cash and equivalents at end of year**				
	Cash and short-term funds	**704 278**	556 736	**630**	392
	Bank overdrafts and CFD facilities	**(915 431)**	(430 119)		
		(211 153)	126 617	**630**	392

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38. RECLASSIFICATION OF PRIOR YEAR FIGURES

The prior year figures were reclassified as follows:

- Margin accounts and collateral held relating to Contracts for Difference ("CFDs") of R216,5 million, previously included in listed equity securities, have been reclassified as receivables to improve the disclosure of collateral and margin balances. These balances do not give the group the right to the residual interest in an equity instrument and therefore do not meet the definition of an equity security.
- The composition of financial assets included in the at-acquisition balance sheet of PSG FutureWealth has been reclassified on the completion of the initial accounting. The net impact of same was an increase in cash of R139,2 million and a corresponding reduction in other financial assets.

The effect on the specific line items is reflected below:

BALANCE SHEET	As previously stated R000	Reclassification of PSG FutureWealth acquisition balance sheet R000	Reclassification of CFD-related equity securities to receivables R000	Restated R000
Assets				
Financial assets				
Equity securities	1 539 784	(68 619)	(216 508)	1 254 657
Debt securities	1 297 074	283 134		1 580 208
Unit-linked investments	5 309 671	(408 109)		4 901 562
Investment in investment contracts	1 105 871	54 400		1 160 271
Receivables	193 682		216 508	410 190
Cash and cash equivalents	417 542	139 194		556 736
CASH FLOW STATEMENTS				
Cash utilised in investing activities				
Net cash flow from investing activities	(501 979)	139 194		(362 785)
Net increase/(decrease) in cash and cash equivalents	(897 084)	139 194		(757 890)
Cash and cash equivalents at end of year	(12 577)	139 194		126 617

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

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39. 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	
	2009	2008
	R000	R000
CLASSES OF FINANCIAL ASSETS		
Other quoted equity securities	**273 208**	632 600
Contracts for differences	**300 104**	146 097
Investments linked to investment contracts	**543 977**	455 970
Total quoted equity securities	**1 117 289**	1 234 667
Unquoted equity securities	**115 406**	19 990
Total unquoted equity securities	**115 406**	19 990
Total equity securities	**1 232 695**	1 254 657
Investments linked to investment contracts	**64 284**	118 519
Other quoted debt securities		394 695
Total quoted debt securities	**64 284**	513 214
Investments linked to investment contracts	**1 426 986**	1 062 733
Other unquoted debt securities		4 261
Total unquoted debt securities	**1 426 986**	1 066 994
Total debt securities	**1 491 270**	1 580 208
Direct equity investments – quoted	**113 640**	309 935
Investments linked to investment contracts – quoted	**3 235 809**	4 591 627
Total quoted unit-linked investments	**3 349 449**	4 901 562
Direct equity investments – unquoted	**8 649**	
Investments linked to investment contracts – unquoted	**1 019 729**	
Total unquoted unit-linked investments	**1 028 378**	
Total unit-linked investments	**4 377 827**	4 901 562

Notes to the annual financial statements

for the year ended 28 February 2009

	GROUP 2009 R000	GROUP 2008 R000	COMPANY 2009 R000	COMPANY 2008 R000
39. FINANCIAL RISK MANAGEMENT *(continued)*				
CLASSES OF FINANCIAL ASSETS *(continued)*				
Investment in investment contracts	**1 174 551**	1 160 271		
Secured loans	**35 447**	19 945		
Unsecured loans	**47 783**	41 627		
Unsecured loans linked to investment contracts	**188**			
Loan to subsidiary (note 3)			**1 190 928**	1 580 679
Total loans and advances	**83 418**	61 572	**1 190 928**	1 580 679
Fixed-for-variable interest rate swap	**4 026**	25 179		
Exchange traded derivatives	**26 937**	5 216		
Total derivative financial assets	**30 963**	30 395		
Trade receivables	**136 082**	61 697		
Brokers and clearing houses	**26 456**	119 638		
Contracts for differences	**282 110**	216 508		
Proceeds due from sale of associated company	**200 563**			
Prepayments and sundry debtors	**19 833**	12 347		
Total receivables	**665 044**	410 190		
Loans to and preference share investments in associated companies	**315 944**	305 035		
Cash and cash equivalents	**704 278**	556 736	**630**	392
Total financial assets – IFRS 7	**10 075 990**	10 260 626	**1 191 558**	1 581 071
CLASSES OF FINANCIAL LIABILITIES				
Bank overdrafts and CFD facilities	**915 431**	430 119		
Loans and bonds	**382 563**	211 503		
Total borrowings	**1 297 994**	641 622		
Exchange traded derivatives	**6 148**	230 032		
Total derivative financial instruments	**6 148**	230 032		
Investment contracts	**7 717 025**	7 535 673		
Third-party liabilities arising on consolidation of mutual funds	**13 752**	23 024		
Accounts payable and accruals	**258 857**	134 728	**2 553**	6 098
Deferred revenue	**31 321**	32 333		
Subsidiary/associate purchase consideration payable	**25 438**	65 804		
Investment policy benefits payable	**8 659**	51 560		
Unsettled trades		167 084		
Total trade and other payables	**324 275**	451 509	**2 553**	6 098
Total financial liabilities – IFRS 7	**9 359 194**	8 881 860	**2 553**	6 098

Notes to the annual financial statements

for the year ended 28 February 2009

	GROUP **28 February 2009**	Held-to-maturity R000	Loans and receivables R000	Assets at fair value through profit or loss R000	Available-for-sale R000	Total R000
39.	**FINANCIAL RISK MANAGEMENT** *(continued)*					
	FINANCIAL INSTRUMENTS BY CATEGORY					
	Assets as per balance sheet					
	Equity securities			**1 194 146**	**38 549**	**1 232 695**
	Debt securities	**303 708**		**1 187 562**		**1 491 270**
	Unit-linked investments			**4 377 827**		**4 377 827**
	Investment in investment contracts			**1 174 551**		**1 174 551**
	Loans and advances		**83 418**			**83 418**
	Loans to and preference share investments in associated companies		**315 944**			**315 944**
	Derivative financial instruments			**30 963**		**30 963**
	Receivables		**665 044**			**665 044**
	Cash and cash equivalents		**704 278**			**704 278**
		303 708	**1 768 684**	**7 965 049**	**38 549**	**10 075 990**

	Liabilities at fair value through profit or loss R000	Liabilities measured at amortised cost R000	Total R000
Liabilities as per balance sheet			
Borrowings		**1 297 994**	**1 297 994**
Derivative financial instruments	**6 148**		**6 148**
Investment contracts	**7 717 025**		**7 717 025**
Third-party liabilities arising on consolidation of mutual funds	**13 752**		**13 752**
Trade and other payables		**324 275**	**324 275**
	7 736 925	**1 622 269**	**9 359 194**

Notes to the annual financial statements

for the year ended 28 February 2009

GROUP 29 February 2008	Held-to-maturity R000	Loans and receivables R000	Assets at fair value through profit or loss R000	Available-for-sale R000	Total R000
39. FINANCIAL RISK MANAGEMENT *(continued)*					
FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*					
Assets as per balance sheet					
Equity securities			1 231 708	22 949	1 254 657
Debt securities	6		1 580 202		1 580 208
Unit-linked investments			4 901 562		4 901 562
Investment in investment contracts			1 160 271		1 160 271
Loans and advances		61 572			61 572
Loans to and preference share investments in associated companies		305 035			305 035
Derivative financial instruments			30 395		30 395
Receivables		410 190			410 190
Cash and cash equivalents		556 736			556 736
	6	1 333 533	8 904 138	22 949	10 260 626

	Liabilities at fair value through profit or loss R000	Liabilities measured at amortised cost R000	Total R000
Liabilities as per balance sheet			
Borrowings		641 622	641 622
Derivative financial instruments	230 032		230 032
Investment contracts	7 535 673		7 535 673
Third-party liabilities arising on consolidation of mutual funds	23 024		23 024
Trade and other payables		451 509	451 509
	7 788 729	1 093 131	8 881 860

Investment contracts

A subsidiary of the group, PSG FutureWealth, is a linked 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 19.

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.

Notes to the annual financial statements

for the year ended 28 February 2009

39. FINANCIAL RISK MANAGEMENT *(continued)*

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	2009 R000	2008 R000
Agriculture	**170 721**	214 408
Automobiles & parts	**925**	1 378
Banks	**47 091**	71 700
Basic resources	**135 222**	357 404
Chemicals	**514**	3 654
Construction & materials	**5 423**	18 911
Financial services	**37 078**	88 720
Food & beverages	**23 483**	21 574
Healthcare	**6 377**	10 132
Industrial goods & services	**51 132**	62 389
Insurance	**40 407**	12 365
Media	**4 374**	5 656
Oil & gas	**27 570**	39 165
Other	**245 794**	52 753
Personal & household goods	**72 235**	127 137
Property	**3 825**	
Retail	**179 360**	30 517
Technology	**3 766**	1 103
Telecommunications	**53 184**	109 363
Transportation services	**5 961**	
Travel & leisure	**2 847**	6 338
	1 117 289	1 234 667

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

- contracts for differences amounting to R300 104 000 (2008: R146 097 000);
- investments in linked investment contracts amounting to R543 977 000 (2008 restated: R455 970 000); and
- equity securities relating to third-party liabilities arising on consolidation of mutual funds amounting to R5 401 000 (2008: R1 397 000).

The price risk of these instruments is 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 approximately R4 255 538 000 (2008 restated: R4 591 627 000) 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 20% (2008: 10%) with all other variables held constant.

Notes to the annual financial statements

for the year ended 28 February 2009

	2009 **20% increase** **R000**	2008 10% increase R000	**2009** **20% decrease** **R000**	2008 10% decrease R000
39. FINANCIAL RISK MANAGEMENT *(continued)*				
Impact on post-tax profit	**129 758**	94 360	**(129 761)**	(94 360)
Impact on equity	**4 193**		**(4 132)**	

Foreign exchange risk

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

2009	Africa R000	UK R000	US R000	Euro R000	Asian Pacific R000	Total R000
Financial assets						
Equity securities*		**12 931**				**12 931**
Debt securities*			**95 929**			**95 929**
Unit-linked investments*			**425 541**			**425 541**
Investment in investment contracts*		**18 971**	**92 888**	**8 144**		**120 003**
Loans and advances	**983**	**3 082**				**4 065**
Receivables		**2 190**	**1 346**	**940**		**4 476**
Cash and cash equivalents	**4**	**804**	**2 120**	**388**	**2**	**3 318**
Financial liabilities						
Borrowings	**(4 995)**					**(4 995)**
Trade and other payables		**(121)**	**(1 772)**	**(1 199)**		**(3 092)**
	(4 008)	**37 857**	**616 052**	**8 273**	**2**	**658 176**
2008						
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

* *Linked to policyholder investments and as such does not directly expose the group to foreign currency risk.*

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 20% (2008: 10%) move in Rand exchange rates.

Notes to the annual financial statements

for the year ended 28 February 2009

	2009 20% increase R000	2008 10% increase R000	2009 20% decrease R000	2008 10% decrease R000
39. FINANCIAL RISK MANAGEMENT *(continued)*				
Impact on post-tax profit	**340**	(1 346)	**(340)**	1 346

Cash flow and fair value interest rate risk

The group's interest rate risk arises from interest-bearing investments and receivables, 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.

	2009 R000	2008 R000
Loans to and preference share investment in associated companies		
Floating rate	**272 002**	273 228
Fixed rate	**36 942**	31 807
	308 944	305 035
Debt securities*		
Floating rate	**970 159**	883 428
Fixed rate	**521 111**	696 780
	1 491 270	1 580 208
Loans and advances		
Floating rate	**50 448**	39 573
Fixed rate		21 999
	50 448	61 572
Receivables		
Floating rate	**282 110**	216 508
Cash and cash equivalents		
Floating rate	**704 278**	553 428
Fixed rate		3 308
	704 278	556 736
Borrowings		
Floating rate	**(894 602)**	(441 659)
Fixed rate	**(396 359)**	(199 963)
	(1 290 961)	(641 622)
Total		
Floating rate	**1 384 395**	1 524 506
Fixed rate	**161 694**	553 931
	1 546 089	2 078 437

* *Linked to policyholder investments (except for R398 956 000 in 2008) and as such does not directly expose the group to interest rate market risk.*

The group manages its cash flow interest rate risk by monitoring interest rates on a regular basis. Consideration is given to hedging options which will be utilised if viable. 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 interest rate swap with a nominal value of R440 000 000 (2008: R440 000 000). This means that the preference dividend rate on R440 000 000 out of the R600 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 prime interest rates, thus creating a natural further 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 annual financial statements

for the year ended 28 February 2009

39. FINANCIAL RISK MANAGEMENT *(continued)*

Based on simulations performed, the impact on post-tax profit of a 3% (2008: 2%) shift in interest rates is analysed in the following table and includes the mitigating effect of the interest rate hedge:

	2009 3% increase R000	2008 2% increase R000	**2009 3% decrease R000**	2008 2% decrease R000
Impact on post-tax profit	**(2 101)**	(1 142)	**1 967**	2 288

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. 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.

	2009		2008	
	Balance R000	**Collateral R000**	Balance R000	Collateral R000
Debt securities	**1 491 270**		1 580 208	
Loans and advances	**83 418**	**16 200**	61 572	19 945
Derivative financial instruments	**30 963**		30 395	
Receivables	**665 044**		410 190	
Loans to and preference share investments in associated companies	**315 944**	**36 942**	305 035	31 807
Cash and cash equivalents	**704 278**		556 736	
	3 290 917	**53 142**	2 944 136	51 752

Included in loans and advances is a loan of Rnil (2008: R7 000 000) that is shown after deducting an impairment provision of R4 780 000 (2008: R10 243 000). The recoverability of loans is assessed using discounted cash flows.

Included in receivables is an amount of R200 563 000 (2008: Rnil) relating to the sale of the investment in and loans to Channel Life Holdings Ltd which was fully repaid subsequent to year-end. The majority of the remainder of receivables at 28 February 2009 were tested for impairment using a variety of techniques including assessing credit risk and monthly monitoring of individual debtors. At 28 February 2009 receivables with a face value of approximately R500 000 (2008: Rnil) were found to be impaired and accordingly fully provided for at year-end.

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:

Notes to the annual financial statements

for the year ended 28 February 2009

		2009 R000	2008 R000
39.	**FINANCIAL RISK MANAGEMENT** *(continued)*		
	Government stock	**53 009**	254 502
	AAA	**482 955**	323 472
	AA	**1 308**	77 643
	AA+	**1 877**	12 430
	A-2	**8 819**	20 488
	A	**390 461**	374 129
	Aa1 to Aa3	**7 119**	
	Ba1 to Baa1	**9 781**	
	B		3 311
	F1+ (zaf)	**415 129**	270 686
	Other rated assets	**445**	
	Other non-rated assets	**1 893 600**	1 592 949
	Past due or impaired assets	**26 414**	14 526
		3 290 917	2 944 136

The credit risk associated with the majority of unrated financial assets is assessed by reference to the investment mandates of linked policyholder investments which specify what type of underlying investments can be purchased.

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
2009	**25 914**	**384**	**25 464**	**66**
2008	7 526	104	7 422	

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.

Notes to the annual financial statements

for the year ended 28 February 2009

	Carrying value R000	Less than 1 year R000	Between 1 and 5 years R000	Over 5 years R000
39. FINANCIAL RISK MANAGEMENT *(continued)*				
At 28 February 2009				
Borrowings	**1 297 994**	**1 008 626**	**442 892**	
Derivative financial instruments	**6 148**	**6 148**		
Investment contracts	**7 717 025**	**833 756**	**1 309 173**	**5 574 096**
Third-party liabilities arising on consolidation of mutual funds	**13 752**	**13 752**		
Trade and other payables	**324 275**	**324 275**		
	9 359 194	**2 186 557**	**1 752 065**	**5 574 096**
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

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 values, 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**	
	2009 R000	2008 R000	**2009 R000**	2008 R000
Borrowings	**1 297 994**	641 622	**1 283 586**	638 517

Notes to the annual financial statements

for the year ended 28 February 2009

39. FINANCIAL RISK MANAGEMENT *(continued)*

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 total 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 shares up to 5% of the number of shares in issue as at the previous year-end.

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 regularly reviews compliance with these minimum capital requirements as the regulatory authority. 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 28 February 2009. This ratio is determined in accordance with regulations and the guidelines issued by the Actuarial Society of South Africa. African Unity Insurance Ltd is required to hold at least R10 000 000 (2008: R10 000 000) in capital and reserves.

Annexure A – Investments

for the year ended 28 February 2009

INTEREST IN SUBSIDIARIES

Company	Proportion held directly or indirectly by holding company 2009 %	2008 %	Issued share capital 2009 R000	2008 R000
PSG Financial Services Ltd	**100**	100	**45 872**	45 872
PSG Investment Services (Pty) Ltd	**100**	100	**1 819**	1 769
PSG Fund Management Group (Pty) Ltd	**97**	97	**1**	1
PSG Konsult Ltd	**73**	73	**7 331**	7 315
PSG Corporate Services (Pty) Ltd	**100**	100	**10**	4
Ou Kollege Beleggings Ltd	**100**	100	**4**	4
Axiam Holdings Ltd	**100**	100	**166**	166
Zeder Investments Ltd*	**38**	35	**6 113**	6 050
Paladin Capital Ltd	**87**	90	**40**	38
PSG FutureWealth Ltd	**80**	80	**300**	300

* *Zeder's results have been consolidated as PSG Group exercises control over its operations through its 38% (2008: 35%) shareholding, board representation and a management agreement in terms of which PSG provides management and administration services to the company.*

The company's interest in attributable income and losses of subsidiaries amounts to R300 494 000 (2008: R833 226 000) and Rnil (2008: 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. 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 28 February 2009 (continued)

INVESTMENT IN ASSOCIATED COMPANIES

		Proportion held directly or indirectly by holding companies		Group Carrying value	
		2009	2008	**2009**	2008
Company	Nature of business	**%**	%	**R000**	R000
Listed					
Capitec Bank Holdings Ltd	Retail banking	**35**	35	**1 073 462**	1 021 827
m Cubed Holdings Ltd	Financial services	**30**	30	**50 147**	50 147
CIC Holdings Ltd	Fast-moving consumer goods	**48**	47	**95 631**	76 190
Erbacon Investment Holdings Ltd	Construction and tool hire	**26**	29	**91 293**	75 377
IQuad Group Ltd	Incentive and treasury services	**42**	39	**40 127**	36 906
Top Fix Holdings Ltd	Scaffolding	**11****		**10 872**	
Petmin Ltd	General mining	**10****		**141 800**	
				1 503 332	1 260 447
Unlisted					
Thembeka Capital Ltd	Private equity	**49**	50	**95 721**	174 868
Quince Capital Holdings Ltd	Financing		40		342 367
Agri investments				**1 430 147**	1 138 188
Kaap Agri Ltd	Agricultural	**34**	34		
KWV Ltd	Wine producing	**26**	21		
MGK Business Investments Ltd	Agricultural	**27**	30		
Agricol Holdings Ltd	Agricultural	**20**	20		
Channel Life Ltd	Life insurance		34		128 482
Precrete Nozala (Pty) Ltd*	Mining services	**22**	13	**46 237**	14 806
Intercontinental Trust Ltd	Offshore trust services		25		13 785
Adato Capital Holdings Ltd	Bridge financing	**26**		**5 845**	
Kumani Holdings (Pty) Ltd	Private equity	**49**	49		
Mainfin (Pty) Ltd	Bridge financing	**25**	25	**25 495**	20 190
GRW Holdings (Pty) Ltd	Tank container manufacturer	**40**	40	**96 883**	93 802
Friedshelf 903 (Pty) Ltd, t/a Protea Foundry	Non-ferrous casting	**49**	50	**20 649**	17 017
Lesotho Milling Company (Pty) Ltd	Milling	**25**	25	**16 401**	13 192
Other				**12 096**	11 708
				1 749 474	1 968 405

* *At 28 February 2009 Paladin Capital Ltd held a 31,9% (2008: 32,7%) stake in Thembeka Mining, which owned 41% (2008: 40%) in Precrete Nozala. Paladin thus owned an effective 13,1% (2008: 13,1%) in Precrete Nozala through Thembeka Mining at year-end. Paladin Capital Ltd also has a direct interest in Precrete Nozala of 9%, resulting in an effective 22,1% in Precrete Nozala.*

** *Significant influence exercised through, inter alia, board representation. Refer to related accounting policy on page 50.*

Information is only disclosed in respect of associates 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 28 February 2009 (continued)

FINANCIAL INFORMATION IN RESPECT OF PRINCIPAL ASSOCIATED COMPANIES

	Assets R000	Liabilities R000	Revenues R000	Profits R000
2009				
Capitec Bank Holdings Ltd	**4 969 422**	**3 563 221**	**2 602 240**	**319 332**
Thembeka Capital Ltd	**659 359**	**450 996**		**(185 700)**
Agri investments	**6 433 995**	**2 050 489**	**5 092 074**	**647 165**
Petmin Ltd*	**1 342 035**	**334 177**	**672 997**	**380 353**
	13 404 811	**6 398 883**	**8 367 311**	**1 161 150**

* *Year-end 30 June*

	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

Annexure B – Segment report

for the year ended 28 February 2009

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 (including Paladin Capital) 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 Adato Capital Group. Capitec is a retail bank that provides accessible and affordable banking facilities to clients and Adato is a niche financing business.

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 28 February 2009				
Private equity and corporate finance	**118 794**	**4 763**	**3 314 402**	**523 170**
Financial advice and fund management	**1 055 700**	**167 778**	**9 546 417**	**8 952 944**
Financing and banking			**1 265 907**	
	1 174 494	**172 541**	**14 126 726**	**9 476 114**

* *Segment liabilities exclude current income tax liabilities of R31,6 million for the year ended 28 February 2009.*

	Capital expenditure R000	Depre-ciation R000	Amor-tisation R000	Impairment charges R000	Equity-accounted earnings R000
Private equity and corporate finance	**1 343**	**686**	**440**	**20 000**	**114 883**
Financial advice and fund management	**16 192**	**9 151**	**16 673**	**10 175**	**1 764**
Financing and banking		**272**	**170**	**3 097**	**116 310**
	17 535	**10 109**	**17 283**	**33 272**	**232 957**

Annexure B – Segment report

for the year ended 28 February 2009 (continued)

	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

	2009 R000	2008 R000
Reconciliation of segment result		
Segment result (operating profit)	**172 541**	783 714
Finance charges	**(93 165)**	(57 848)
Income from associated companies	**232 957**	235 630
Net income before taxation	**312 333**	961 496

Secondary reporting segment

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

Share analysis

as at 28 February 2009

	Shareholders		Shares held	
	Number	%	Number	%
RANGE OF SHAREHOLDING				
1 – 50 000	5 109	97,1	17 726 099	10,3
50 001 – 100 000	42	0,8	2 982 279	1,7
100 001 – 500 000	73	1,4	15 731 611	9,1
500 001 – 1 000 000	10	0,2	7 233 147	4,2
Over 1 000 000	28	0,5	129 197 854	74,7
	5 262	100,0	172 870 990	100,0
Employee share scheme	1		2 834 500	
Treasury shares	1		13 873 895	
	5 264		189 579 385	
PUBLIC AND NON-PUBLIC SHAREHOLDING				
Non-public				
Directors	13	0,3	94 580 623	54,8
Thembeka Capital Ltd	1	0,0	5 000 000	2,9
Kumani Holdings (Pty) Ltd	1	0,0	4 900 059	2,8
Directors of subsidiaries	12	0,2	1 942 736	1,1
Public	5 235	99,5	66 447 572	38,4
	5 262	100,0	172 870 990	100,0
INDIVIDUAL SHAREHOLDERS HOLDING 5% OR MORE AS AT 28 FEBRUARY 2009				
JF Mouton Family Trust			37 900 000	21,9
Mayfair Speculators (Pty) Ltd			20 000 000	11,6
Titan Nominees (Pty) Ltd			15 500 000	9,0
Sanlam Investment Management			10 780 241	6,2
			84 180 241	48,7

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 The Venue at Webersburg, Webersburg Wines, Annandale Road, Stellenbosch, on Friday, 19 June 2009, at 12:00.

AGENDA

1. To receive and consider the annual financial statements of the company and the reports of the directors and the auditor for the year ended 28 February 2009.

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 63, obtained a BCom and an LLB, from the University of Stellenbosch. He also qualified as Chartered Accountant (SA). He is an entrepreneur and director of various companies.

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

   Summary curriculum vitae of Patrick Ernest Burton
   Mr Burton, aged 56, obtained a BCom (Hons) Financial Management and post-graduate Diploma in Tax Law from the University of Cape Town.

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

   2.3. To re-elect as director Mr W Theron, who retires in terms of the articles of association of the company and, being eligible, offers himself for re-election.

   Summary curriculum vitae of Willem Theron
   Mr Theron, aged 57, obtained his BCom degree at the University of Stellenbosch and BCompt (Hons) through Unisa. In 1976, he qualified as Chartered Accountant (SA).

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

   In 1998, he was the founder of PSG Konsult and has since been in his current position as chief executive officer.

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

   Summary curriculum vitae of Zitulele Luke Combi
   Mr Combi, aged 57, is the executive chairman of Thembeka Capital Ltd. He holds a diploma in public relations and was awarded the Ernst & Young South African Entrepreneur of the Year award in 2000, as well as the World Entrepreneur of the Year in Managing Change award in 2001. Mr Combi is a member of the Institute of Directors and sits on various listed and unlisted companies' boards, as well as the Absa Bank Advisory Committee (Western Cape).

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 28 February 2009 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:

Notice of annual general meeting *(continued)*

5.1. Ordinary resolution number 1

"Resolved that the unissued shares in the company, limited to 5% of the number of shares in issue at 28 February 2009, 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, save that the aforementioned 5% limitation shall not apply to any shares issued in terms of a rights offer."

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 5% of the issued share capital at 28 February 2009, 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 5% of the applicant's issued share capital (number of securities) of that class. The securities of a particular class will be aggregated with the securities that are compulsorily convertible into securities of that class; and, in the case of the issue of compulsorily convertible securities, aggregated with the securities of that class into which they are compulsorily convertible. The number of securities of a class which may be issued shall be based on the number of securities of that class in issue at the date of such application less any securities of the class issued during the current financial year, provided that any securities of that class to be issued pursuant to a rights issue (announced and irrevocable and underwritten) or acquisition (concluded up to the date of application) may be included as though they were securities in issue at the date of application;
- in determining the price at which an issue of shares will be made in terms of this authority the maximum discount permitted will be 10% of the weighted average traded price of such shares, as determined over the 30 trading days prior to the date that the price of the issue is 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 paragraphs 4.25 to 4.27 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. Ordinary Resolution Number 3

"Resolved that the Company adopt the PSG Group Limited Supplementary Share Incentive Trust as set out in the PSG Group Limited Supplementary Share Incentive Trust Deed which is available for inspection at the registered office of the Company, the salient features of which are as follows:

1. Nature

1.1 The scheme will be implemented by way of a supplementary share trust ("the trust"), and provides for the granting of options to any employee or executive director ("participants") of PSG, any of the subsidiary companies of PSG or any listed company that is managed by PSG or any of its subsidiaries or any of its associates by way of a management agreement ("the group companies"), which options when exercised will result in the participants being the holders of shares in PSG.

1.2 The scheme will incentivise participants to remain in the long-term employ of the group companies and to advance the interests and growth of the group companies given their opportunity to acquire and obtain the benefit of shares in PSG.

2. Trustees and powers

2.1 Chris Adriaan Otto and Jacob de Vos du Toit are the first trustees of the trust. There shall at all times be a minimum of two and a maximum of five trustees of the trust. No person who is a trustee of the trust shall be entitled to be a beneficiary under the scheme. Executive directors of PSG may not be appointed as trustees of the trust.

2.2 The trustees shall exercise such powers as necessary to implement the main object and purpose (as per paragraph 1 above) of the scheme, including enabling the trust to acquire shares in PSG for the participants and, subject to PSG board approval, lend funds to participants to facilitate the acquisition of PSG shares on such terms and conditions as contained in the trust deed.

Notice of annual general meeting *(continued)*

3. Exercise periods

3.1 Options may only be exercised as to 25% thereof on or after the 2nd anniversary of the effective date of the award of the option ("option date"); 25% thereof on or after the 3rd anniversary of the option date; 25% thereof on or after the 4th anniversary of the option date; and 25% thereof on or after the 5th anniversary of the option date.

3.2 Options not exercised within 30 (thirty) days of each of the aforesaid anniversaries of the option date (or any part thereof), will lapse.

4. Pricing

Options will be exercised at a price equal to the volume weighted average price per share over the 30 trading days on the JSE immediately preceding the option date provided the period shall be increased to 60 trading days if the shares have not traded on the JSE for more than 5 days during such 30 day period. The basis of determining the said price of options is a fixed mechanism for all participants.

5. Extent of scheme

5.1 The maximum aggregate number of shares that may be utilised for the purpose of the scheme, shall not exceed 17 287 099 shares.

5.2 The maximum number of shares that may be acquired by any one participant in terms of the scheme, shall be 3 457 420 shares.

5.3 The aforesaid number of shares may only be amended if approved by the board of PSG and permitted in terms of the JSE Listings Requirements, together with such shareholder approval as may be required in terms of any law or regulation.

5.4 Scheme shares, upon issue, will rank *pari passu* with the existing PSG shares.

5.5 Ownership or any other vested rights in and to the scheme shares shall only pass to the participant against payment of the strike price and fulfilment of any other obligations of the participant in terms of the trust deed.

5.6 Shares held by the trust will not have their votes at any general or annual general meetings taken into account for JSE Listings Requirements resolution approval purposes. Such shares will also not be allowed to be taken into account for the purpose of determining categorisations as detailed in Section 9 of the JSE Listings Requirements.

5.7 If the company is placed in liquidation (otherwise then for purposes of a reorganisation) then any unexercised options shall lapse as at the effective date of such liquidation.

5.8 No participant shall be entitled to payment of any dividend or any other rights attaching to any shares until the date of registration of such shares in the name of such participant.

5.9 In the event of a rights issue or other event affecting the share capital of the company, before the date of exercise of any options, such adjustments shall be made to the strike price, the number of shares that may be utilised for the purposes of the scheme or the maximum number of shares that may be acquired by any one participant, as applicable in terms of the JSE Listings Requirements, as may be considered as being fair and reasonable by the board of PSG. Such adjustment shall be subject to the independent auditors confirming to the JSE in writing that the adjustments are in accordance with the provisions of the scheme. Such adjustment to share capital is intended to give each participant entitlement to the same proportion of the equity capital as that to which such participant was previously entitled. Any adjustments shall be reported on in the annual financial statements of PSG in the year during which the adjustments are made.

6. Termination of employment

As at the date of death, retirement or retrenchment of a participant, such participant shall be entitled to exercise all options capable of being exercised as at such date and within a period of 12 months thereafter. The PSG board shall further be entitled to permit a participant in such circumstances to exercise any additional unexercised options. In the case of dismissal for misconduct, poor performance or dishonest or fraudulent conduct a participant shall forfeit any unexercised options. If the employment of a participant is terminated for any other reasons, the board will determine whether the participant may exercise any or all of his unexercised options. The board has the discretion to reach more favourable alternative arrangement with participants than the above, arising out of termination of employment.

7. Compliance and disclosure

7.1 The parties shall in the implementation of the scheme comply with all the applicable JSE Listings Requirements from time to time.

7.2 The company shall from time to time make such disclosures (including in its annual financial statements) in relation to the scheme as may be required by the Companies Act or the rules or JSE Listings Requirements from time to time.

7.3 The company shall comply with the provisions of section 144A of the Companies Act, which shall include the appointment of a compliance officer.

8. Amendments to Trust Deed

8.1 Subject to:

8.1.1 approval by shareholders in general meeting to the extent (if any) required in terms of any statute, regulation, rules or the JSE Listings Requirements (including schedule 14 thereof) from time to time; and/or

Notice of annual general meeting *(continued)*

8.1.2 compliance with any applicable statute, regulation, rules or the JSE Listings Requirements (including schedule 14 thereof and any provisions contained therein which requires prior approval of shareholders in general meeting) from time to time;

the trust governing the scheme may be amended in writing by the board and the trustees from time to time."

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

5.4. 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."

5.5. 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;

Notice of annual general meeting *(continued)*

- 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.

   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 10), major shareholders (page 100), directors' interest in securities and material changes (page 32) and the share capital of the company (page 63) 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 10 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 20 June 2008.

Notice of annual general meeting *(continued)*

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

The instrument appointing a proxy and the authority (if any) under which it is signed must reach the transfer secretaries of the company at the address given below by not later than 12:00 on Thursday, 18 June 2009.

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

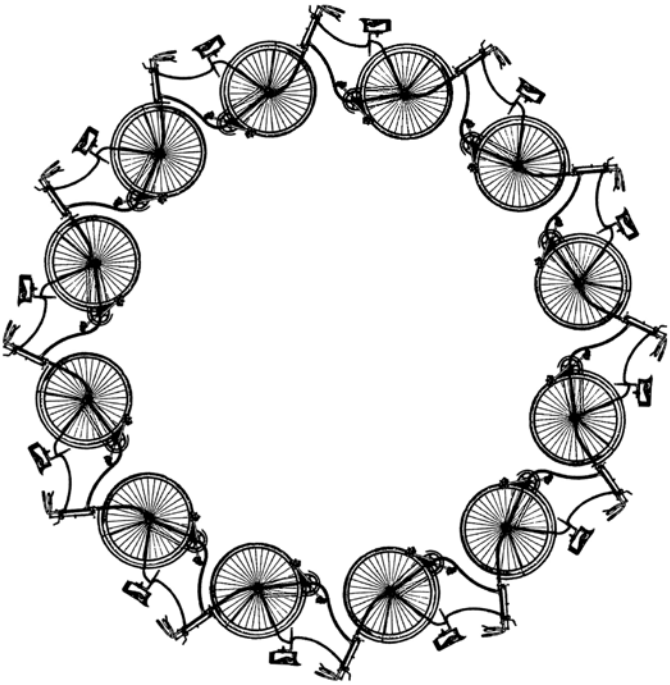
PSG Corporate Services (Proprietary) Ltd
Company secretary

15 May 2009
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 auditor is 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 external auditor has unrestricted access to all records, assets and personnel of the company.

The company is classified as a widely held company in terms of the Companies Act, but has not appointed an audit committee since the functions in terms of section 270A(1) of the Act are performed on its behalf by the audit committee of its holding company. The audit committee of the holding company has confirmed to the directors of the company that these functions have been performed without any exceptions noted in relation to the financial statements and that they are satisfied that the auditor was independent of the company.

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 111 to 128 were approved by the board of directors of PSG Financial Services Limited and are signed on its behalf by:

JF Mouton
Chairman

WL Greeff
Financial director

15 May 2009
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 28 February 2009, 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 111 to 128.

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

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

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

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

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of the company as at 28 February 2009, 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

15 May 2009
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 CJ Siertsema
Company secretary

15 May 2009
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 R185 851 000 (2008: R141 967 000).

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 R217 000 000 (2008: R44 000 000).

Preference
The directors have declared the following dividends in respect of the cumulative, non-redeemable, non-participating preference shares for the year ended 28 February 2009:

Cents per share	**2009**	2008
Interim	**571,1**	482,9
Final	**563,6**	525,1
Total	**1 134,7**	1 008,0

DIRECTORS
The directors of the company at the date of this report appear on page 10. Since the date of the previous report, Mr PJ Mouton and Mr WL Greeff were both appointed as executive directors on 16 February 2009 and 13 October 2008 respectively, while Mr ZL Combi was appointed as non-executive director with effect from 14 July 2008. Mr P Malan and Dr J van Zyl Smit resigned as directors of the company effective from 16 February 2009 and 19 March 2009 respectively.

HOLDING COMPANY
The company is a wholly owned subsidiary of PSG Group Ltd. The 6 079 738 (2008: 6 079 738) preference shares are listed on the JSE Ltd.

SHAREHOLDING OF DIRECTORS
The shareholding of directors in the preference share capital of the company as at 28 February 2009 was as follows:

	Beneficial		Non-beneficial		**Total shareholding 2009**		Total shareholding 2008	
	Direct	Indirect	Direct	Indirect	**Number**	**%**	Number	%
L van A Bellingan		50 000		30 000	**80 000**	**1,3**	80 000	1,3
J de V du Toit				52 632	**52 632**	**0,9**	52 632	0,9
MJ Jooste				350 000	**350 000**	**5,8**	350 000	5,8
Dr J van Zyl Smit	40 000			10 000	**50 000**	**0,8**	50 000	0,8
	40 000	50 000	–	442 632	**532 632**	**8,8**	532 632	8,8

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 28 February 2009

	Notes	2009 R000	2008 R000
ASSETS			
Investment in subsidiaries	1	**1 251 583**	1 085 537
Investment in associated companies	2	**1 008 846**	1 327 335
Financial assets			
Equity securities	3	**219 080**	281 086
Loans and advances	4	**1 002 422**	526 500
Derivative financial instruments	5	**4 026**	25 181
Receivables	7	**12 779**	11 351
Current income tax receivable		**523**	
Total assets		**3 499 259**	3 256 990
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**	6 080
Share premium			
Ordinary share capital		**92 175**	92 175
Preference share capital		**578 369**	578 369
Other reserves	9	**86 829**	161 452
Retained earnings		**187 009**	287 145
Total equity		**996 334**	1 171 093
LIABILITIES			
Financial liabilities			
Borrowings	10	**2 453 887**	2 023 576
Deferred income tax	6	**14 772**	28 518
Trade and other payables	11	**34 266**	31 926
Current income tax liabilities			1 877
Total liabilities		**2 502 925**	2 085 897
Total liabilities and shareholders' funds		**3 499 259**	3 256 990

Income statement

for the year ended 28 February 2009

	Notes	2009 R000	2008 R000
INCOME			
Investment income	12	**247 065**	134 665
Fair value gains	13		32 175
Profit on sale of investment in associated company		**9 590**	4 574
Other income		**12**	
Total income		**256 667**	171 414
EXPENSES			
Fair value losses	13	**41 153**	
Loss on disposal of subsidiaries		**11 985**	
Marketing, administration and other expenses		**83**	3 066
Total expenses		**53 221**	3 066
Results of operating activities		**203 446**	168 348
Finance cost		**(14 226)**	(13 698)
Profit before taxation		**189 220**	154 650
Taxation	14	**(3 369)**	(12 683)
Net profit for the year		**185 851**	141 967
Attributable to:			
– equity holders of the company		**185 851**	141 967

Statement of changes in equity

for the year ended 28 February 2009

	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 2007	45 872	92 175	5 500	529 023	244 843	231 501	1 148 914
Fair value losses on investments (net of deferred tax)						(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
Fair value losses on investments (net of deferred tax)						**(74 623)**	**(74 623)**
Net income for the year					**185 851**		**185 851**
Dividend – ordinary shares					**(217 000)**		**(217 000)**
Dividend – preference shares					**(68 987)**		**(68 987)**
Balance at 28 February 2009	**45 872**	**92 175**	**6 080**	**578 369**	**187 009**	**86 829**	**996 334**

Cash flow statement

for the year ended 28 February 2009

	Notes	**2009 R000**	2008 R000
Cash retained from operating activities			
Cash generated by operating activities	16.1	**231 342**	128 802
Taxation paid	16.2	**(6 314)**	(2 411)
Net cash flow from operating activities		**225 028**	126 391
Cash utilised in investing activities			
Acquisition of/additional investment in subsidiaries		**(178 031)**	(221 440)
Acquisition of/additional investment in associated companies		**(5 729)**	(890 985)
Disposal of associated company		**333 808**	
Investments acquired		**(45 818)**	(49 618)
(Decrease)/increase in loan from holding company		**(389 751)**	422 759
Loans from subsidiaries		**678 507**	296 050
Increase/(decrease) in borrowings		**141 555**	(63 397)
(Increase)/decrease in loans to intergroup companies		**(475 922)**	422 805
Net cash flow from investment activities		**58 619**	(83 826)
Cash flows from financing activities			
Preference shares issued			52 746
Dividend paid to ordinary shareholders	16.3	**(217 000)**	(44 000)
Dividend paid to preference shareholders	16.3	**(66 647)**	(51 337)
Net cash flow from financing activities		**(283 647)**	(42 591)
Net decrease in cash and cash equivalents		**–**	(26)
Cash and cash equivalents at beginning of year			26
Cash and cash equivalents at end of year		**–**	–

Accounting policies

The principal accounting policies applied in the preparation of these financial statements are the same as those of PSG Group Ltd, as set out in the accounting policies of the PSG Group Ltd consolidated financial statements. 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 29 to 99.

The company has 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 28 February 2009 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.

Notes to the annual financial statements

for the year ended 28 February 2009

		2009 R000	2008 R000
1.	**INVESTMENT IN SUBSIDIARIES**		
	Shares at cost	**1 251 583**	1 085 537
	Refer Annexure A		
2.	**INVESTMENT IN ASSOCIATED COMPANIES**		
	Listed shares at cost	**1 003 108**	1 003 108
	Unlisted shares at cost	**5 738**	324 227
		1 008 846	1 327 335
	Reconciliation		
	Carrying value at beginning of year	**1 327 335**	431 776
	Disposals	**(324 218)**	
	Acquisitions	**5 729**	895 559
	Carrying value at end of year	**1 008 846**	1 327 335
	Market value of listed investments	**856 879**	1 113 571
	Directors' valuation of unlisted investments	**5 738**	324 227
	Refer Annexure A		
3.	**EQUITY SECURITIES**		
	Listed	**199 090**	261 096
	Unlisted	**19 990**	19 990
		219 080	281 086

	Available-for-sale R000	Total R000
Reconciliation of movements		
Carrying amount at 1 March 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
Additions	**45 818**	**45 818**
Fair value adjustment	**(87 824)**	**(87 824)**
Impairment charge	**(20 000)**	**(20 000)**
Carrying amount at 28 February 2009	**219 080**	**219 080**

	2009 R000	2008 R000
Current portion		
Non-current portion	**219 080**	281 086
	219 080	281 086

Notes to the annual financial statements

for the year ended 28 February 2009

	2009 R000	2008 R000
4. LOANS AND ADVANCES		
Unsecured loans to subsidiaries		
Axiam Holdings Ltd		
– interest bearing	**114 520**	114 628
– non-interest bearing	**130 438**	20 274
PSG Corporate Services (Pty) Ltd		
– interest bearing	**141 663**	
– non-interest bearing	**359 308**	96 897
PSG Channel Holdings Ltd	**35 596**	34 821
Ou Kollege Beleggings Ltd	**7 900**	
PSG Investment Services (Pty) Ltd	**1 000**	48 508
Channel Life Holdings (Pty) Ltd	**54 656**	54 656
Arch Equity Life Holdings (Pty) Ltd		21
Preference shares in associated companies of a subsidiary	**155 078**	154 387
Unsecured loan to associated company		2 285
Other	**2 263**	23
	1 002 422	526 500
Current portion	**595 681**	262 113
Non-current portion	**406 741**	264 387
	1 002 422	526 500

All loans are interest-free with no specific repayment terms, unless otherwise indicated.

Included in the non-current portion is a loan of R110 000 000 (2008: 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 520 000 (2008: R4 628 000) has been accrued on this loan at year-end and is included in the current portion.

The interest-bearing loan to PSG Corporate Services (Pty) Ltd comprises several advances which bear interest ranging from 12,5% to 12,65% NACS and are repayable between October 2013 and December 2013.

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

Notes to the annual financial statements

for the year ended 28 February 2009

		2009 R000	2008 R000
5.	**DERIVATIVE FINANCIAL INSTRUMENTS**		
	Derivative financial assets	**4 026**	25 181
	Derivative financial assets		
	Current portion		
	Non-current portion	**4 026**	25 181
		4 026	25 181
	Analysis of net derivative balance		
	Equity contracts		
	Fixed-for-variable interest rate swap	**4 026**	25 181
6.	**DEFERRED INCOME TAX**		
	Deferred income tax liabilities		
	Non-current portion	**(14 184)**	(33 560)
	Current portion	**(588)**	5 042
		(14 772)	(28 518)

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

	Secondary tax on companies R000	Unrealised marked-to-market R000	Total R000
At 1 March 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)
(Charged)/credited to income statement	**(5 630)**	**6 175**	**545**
Credited to equity		**13 201**	**13 201**
At 28 February 2009	**(588)**	**(14 184)**	**(14 772)**

		2009 R000	2008 R000
7.	**RECEIVABLES**		
	Sundry debtors	**12 779**	10 852
	Taxation		499
		12 779	11 351
	Current portion	**12 779**	11 351
	Non-current portion		
		12 779	11 351

Notes to the annual financial statements

for the year ended 28 February 2009

	2009 R000	2008 R000
8. SHARE CAPITAL		
Ordinary share capital		
Authorised		
1 000 000 000 shares of 8 cents each (2008: 1 000 000 000 shares)	**80 000**	80 000
Issued		
573 401 094 shares of 8 cents each (2008: 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.

	2009 R000	2008 R000
Preference share capital		
Authorised		
10 000 000 shares of R1 each (2008: 10 000 000 shares)	**10 000**	10 000
Issued		
6 079 738 shares of R1 each (2008: 6 079 738 shares)	**6 080**	6 080

The preference shares are cumulative, non-redeemable, non-participating preference shares of R1 each. During the year ended 29 February 2008 the preference shares were consolidated on a 1 for 100 basis and 579 738 shares were issued at R91,11 per share to PSG FutureWealth Ltd, a subsidiary of the company.

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 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
Fair value losses on investments	**(74 623)**		**(74 623)**
At 28 February 2009	**80 214**	**6 615**	**86 829**

Notes to the annual financial statements

for the year ended 28 February 2009

	2009 R000	2008 R000
10. BORROWINGS		
Non-current		
Unsecured bonds and promissory notes	**251 663**	110 000
Current		
Unsecured loan from holding company	**1 190 928**	1 580 679
Unsecured loans from subsidiaries	**1 006 776**	328 269
Unsecured bonds	**4 520**	4 628*
	2 202 224	1 913 576
Total borrowings	**2 453 887**	2 023 576

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

Non-current borrowings comprise:

PSG01 Bond, nominal value R110 000 000 (2008: 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 520 000 (2008: R4 628 000) and is included under current borrowings.

Promissory notes, carrying value R141 663 000 (2008: Rnil) bearing fixed interest ranging from 12,15% to 12,65% NACS and repayable between October 2013 and December 2013.

* *Reclassified from non-current to agree to current year treatment.*

	2009 R000	2008 R000
11. TRADE AND OTHER PAYABLES		
Shareholders for dividends – preference shares	**34 266**	31 926
Current portion	**34 266**	31 926
Non-current portion		
	34 266	31 926
12. INVESTMENT INCOME		
Interest income		
Preference dividend income	**24 811**	40 416
Loans and advances	**25 191**	20 051
Dividend income		
Equity securities – available-for-sale	**37 699**	11 363
Dividend from subsidiaries	**113 680**	46 962
Dividend from associated companies	**45 684**	15 873
	247 065	134 665

Notes to the annual financial statements

for the year ended 28 February 2009

	2009 R000	2008 R000
13. FAIR VALUE (LOSSES)/GAINS		
Fair value (losses)/gains on financial assets at fair value through profit or loss		
unrealised fair value (losses)/gains	**(21 153)**	32 175
Impairment of available-for-sale financial asset	**(20 000)**	
	(41 153)	32 175
14. TAXATION		
Current taxation		
Current year	**3 914**	1 879
Deferred taxation		
Current year	**(6 175)**	9 331
Secondary tax on companies (STC)		
Deferred taxation	**5 630**	1 473
	3 369	12 683
Reconciliation of income tax charge		
Reconciliation of rate of taxation	%	%
South African normal tax rate	**28,0**	29,0
Adjusted for:		
Non-taxable income	**(32,8)**	(21,6)
Non-deductible expenses	**4,3**	0,6
Rate change		(0,8)
Capital gains tax rate differential	**(0,7)**	
Secondary tax on companies (STC)	**3,0**	1,0
Effective rate of tax	**1,8**	8,2

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

Notes to the annual financial statements

for the year ended 28 February 2009

	2009 R000	2008 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 Ltd (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 before tax	**189 220**	154 650
Adjustments for:		
Unrealised fair value losses/(gains)	**21 153**	(32 175)
Impairment of available-for-sale financial asset	**20 000**	
Other non-cash items	**(1 426)**	10 901
Loss on disposal of subsidiaries	**11 985**	
Profit on sale of investment in associated company	**(9 590)**	(4 574)
	231 342	128 802
16.2 Taxation paid		
Charge in income statement	**(3 914)**	(1 879)
Movement in current tax receivable/payable	**(2 400)**	(532)
	(6 314)	(2 411)
16.3 Dividends paid – ordinary shares		
Provision for payment to shareholders at beginning of year		
Dividends paid for the year	**(217 000)**	(44 000)
Provision for payment to shareholders at end of year		
	(217 000)	(44 000)
Dividends paid – preference shares		
Provision for payment to shareholders at beginning of year	**(31 926)**	(24 778)
Preference dividends accrued for the year	**(68 987)**	(55 665)
Preference dividends accrued with preference share issue		(2 820)
Provision for payment to shareholders at end of year	**34 266**	31 926
	(66 647)	(51 337)

Notes to the annual financial statements

for the year ended 28 February 2009

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 by category

The accounting policies for financial instruments have been applied to the following line items:

28 February 2009	Loans and receivables R000	Assets at fair value through profit or loss R000	Available-for-sale R000	Total R000
Assets as per balance sheet				
Equity securities			**219 080**	**219 080**
Loans and advances	**1 002 422**			**1 002 422**
Derivative financial instruments		**4 026**		**4 026**
Receivables	**12 779**			**12 779**
	1 015 201	**4 026**	**219 080**	**1 238 307**

	Liabilities measured at amortised cost R000	Other financial liabilities R000	Total R000
Liabilities as per balance sheet			
Borrowings	**2 453 887**		**2 453 887**
Trade and other payables		**34 266**	**34 266**
	2 453 887	**34 266**	**2 488 153**

Notes to the annual financial statements

for the year ended 28 February 2009

	Loans and receivables R000	Assets at fair value through profit or loss R000	Available-for-sale R000	Total R000
17. FINANCIAL RISK MANAGEMENT *(continued)*				
29 February 2008				
Assets as per balance sheet				
Equity securities			281 086	281 086
Loans and advances	526 500			526 500
Derivative financial instruments		25 181		25 181
Receivables	11 351			11 351
	537 851	25 181	281 086	844 118

	Liabilities measured at amortised cost R000	Other financial liabilities R000	Total R000
Liabilities as per balance sheet			
Borrowings	2 023 576		2 023 576
Trade and other payables		31 926	31 926
	2 023 576	31 926	2 055 502

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 20% (2008: 10%) with all other variables held constant.

	2009 20% increase R000	2008 10% increase R000	**2009 20% decrease R000**	2008 10% decrease R000
Impact on equity	**37 682**	24 173	**(37 682)**	(24 173)

The company has a concentration of price risk towards the general financial sector of the JSE Ltd with 91% (2008: 93%) 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 interest-bearing investments (disclosed in note 4) and borrowings (disclosed in note 10). The variable rate preference shares in issue are classified as equity on the balance sheet and therefore excluded from the sensitivity analysis below. Borrowings and investments bearing interest 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.

Notes to the annual financial statements

for the year ended 28 February 2009

17. FINANCIAL RISK MANAGEMENT *(continued)*

Market risk *(continued)*

Based on simulations performed, the impact on post-tax profit of a 3% (2008: 2%) shift in interest rates is analysed in the following table:

	2009 3% increase R000	2008 2% increase R000	**2009 3% decrease R000**	2008 2% decrease R000
Impact on post-tax profit	**3 350**	2 225	**(3 350)**	(2 225)

Foreign exchange risk

The company has no exposure to foreign currencies.

Credit risk

The company has no significant concentrations of credit risk to external parties. Credit risk arises from derivative financial instruments, loans and advances, and receivables. Derivative counterparties and cash transactions are limited 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.

	2009 R000	2008 R000
Loans and advances	**1 002 422**	526 500
Receivables	**12 779**	11 351
Derivative financial instruments	**4 026**	25 181
	1 019 227	563 032

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.

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 28 February 2009			
Borrowings	**2 453 887**	**2 202 224**	**383 957**
Trade and other payables	**34 266**	**34 266**	
	2 488 153	**2 236 490**	**383 957**

Notes to the annual financial statements

for the year ended 28 February 2009

	Carrying value R000	Less than 1 year R000	Between 1 and 5 years R000
17. FINANCIAL RISK MANAGEMENT *(continued)*			
Liquidity risk *(continued)*			
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

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 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	
	2009 R000	2008 R000	**2009 R000**	2008 R000
Loans and advances	**256 183**	114 628	**244 188**	98 144
Borrowings	**(256 183)**	(114 628)	**(244 188)**	(98 144)

Annexure A – Investments

for the year ended 28 February 2009

Company	Proportion held directly 2009 %	Proportion held directly 2008 %	Issued share capital 2009 R000	Issued share capital 2008 R000	Carrying value 2009 R000	Carrying value 2008 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	**10**	4	**52 315**	4 096
PSG Investment Services (Pty) Ltd	**100**	100	**1 819**	1 769	**97 351**	95 570
Zeder Investments Ltd	**38**	35	**6 113**	6 050	**476 116**	437 095
Paladin Capital Ltd	**87**	90	**40**	38	**421 802**	421 802
PSG Konsult Ltd	**73**		**7 331**		**127 025**	
PSG FutureWealth Ltd		80		300		50 000
Other					**3**	3
					1 251 583	1 085 537

All of the above subsidiaries are incorporated in the Republic of South Africa. Details of the nature of activities of significant 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 2009 %	Proportion held directly 2008 %	Carrying value 2009 R000	Carrying value 2008 R000
Listed					
Capitec Bank Holdings Ltd	Retail banking	**35**	35	**1 003 108**	1 003 108
Unlisted					
Quince Capital Holdings Ltd	Financing		40		324 218
Adato Capital Holdings Ltd	Bridge financing	**26**		**5 729**	
Other				**9**	9
				5 738	324 227
				1 008 846	1 327 335

Financial information in respect of principal associated companies

	Assets R000	Liabilities R000	Revenues R000	Profit R000
2009				
Capitec Bank Holdings Ltd	**4 969 422**	**3 563 221**	**2 602 240**	**319 322**
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

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

Preference share analysis

as at 28 February 2009

	Shareholding		Shares held	
	Number	%	Number	%
RANGE OF SHAREHOLDING				
1 – 500	378	27,1	119 112	2,0
501 – 1 000	332	23,8	289 384	4,8
1 001 – 5 000	523	37,4	1 294 339	21,2
5 001 – 10 000	95	6,8	697 208	11,5
Over 10 000	69	4,9	3 679 695	60,5
	1 397	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	1 392	99,6	4 967 368	81,7
	1 397	100,0	6 079 738	100,0
INDIVIDUAL SHAREHOLDERS HOLDING 5% OR MORE AS AT 28 FEBRUARY 2009				
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 The Venue at Webersburg, Webersburg Wines, Annandale Road, Stellenbosch, on Friday, 19 June 2009, at 08:30.

1. To receive and consider the annual financial statements of the company and the reports of the directors and the auditor for the year ended 28 February 2009.

2. To re-elect as directors of the company Messrs L van A Bellingan, PE Burton, W Theron and ZL Combi.

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 28 February 2009 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;

Notice of annual general meeting

continued

- 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."

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."

Notice of annual general meeting

continued

Reasons for and effects of the special resolutions

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

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

2. The reason for and effect of special resolution number 2 is to grant the board of directors of the company and/or any subsidiary of the company a general authority to acquire shares issued by such subsidiary and/or by the company and/or the company's holding company, on the basis reflected in the special resolution.

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

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

Information relating to the special resolutions

1. General information in respect of directors (page 10), major shareholders (page 129), directors' interest in securities and material changes (page 111) and the share capital of the company (page 120) is contained in the annual report to which this notice is attached.

Notice of annual general meeting

continued

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 10 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 20 June 2008.

By order of the board

PSG Corporate Services (Pty) Ltd
Company secretary

15 May 2009
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 (Pty) 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

	2009
Financial year-end	28 February
Profit announcement	20 April
Annual general meeting	19 June
Interim report	13 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 12:00 at Stellenbosch, on Friday, 19 June 2009.

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 PE Burton as director			
2.3 To re-elect W Theron as director			
2.4 To re-elect ZL Combi 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 Ordinary resolution number 3 – PSG Group Supplementary Share Incentive Trust			
5.4 Special resolution number 1 – share buyback by PSG Group			
5.5 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 ______________ 2009

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 12:00 on Thursday, 18 June 2009.

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.