PSG GROUP LIMITED

ANNUAL REPORT
2010

PSG GROUP

Annual Report
2010

PSG GROUP LIMITED

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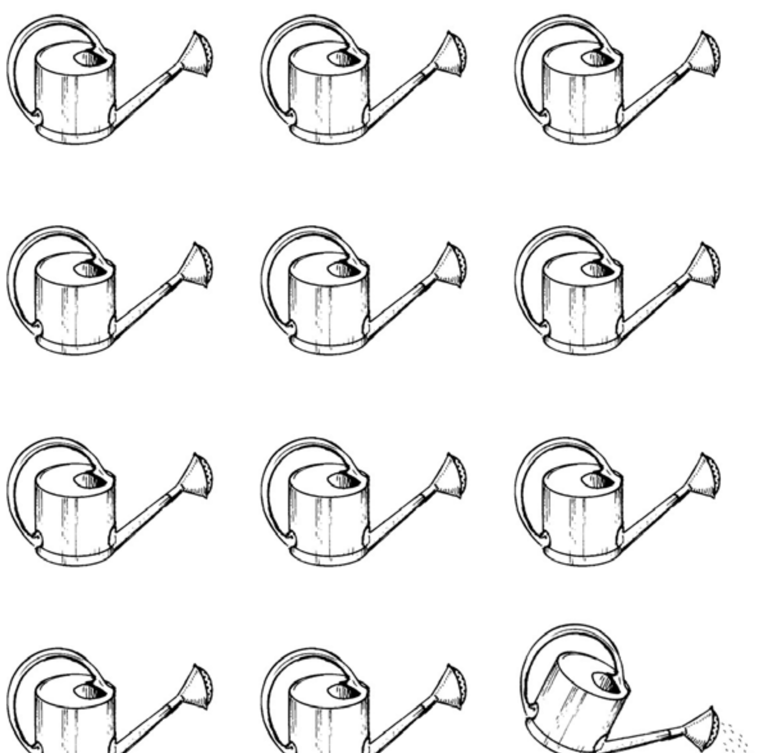


Chairman's letter

Who are we?

PSG is an investment group consisting of some 40 underlying companies, employing more than 39 000 people with a salary bill in excess of R6 billion. The tax paid by employees and group companies exceeded R2,5 billion, which could have funded the building of 83 000 RDP houses in the past year. That is the extent of this group's influence and contribution to the wider South African economy.

Although we may appear to have a complex group structure, management has defined *six units*:

- Capitec Bank (banking)
- PSG Konsult (wealth planning and stock broking)
- PSG Fund Management (asset management)
- PSG Corporate, incl. PSG Capital (treasury services and corporate finance)
- Zeder Investments (investments in agricultural, food and beverage sectors)
- Paladin Capital (investments in sectors other than agriculture, food and beverages)

Our main objectives

- Grow the company for all stakeholders
- Provide shareholders with an attractive return on their money invested through a combination of share price appreciation and the payment of dividends

How have we performed?

- In the spirit of consistent, clear and unambiguous communication to stakeholders, PSG introduced the *recurring headline earnings* concept as the predominant measure of the group's financial performance a few years ago. At the time, *recurring headline earnings* was defined as reportable headline earnings in terms of accounting standards, excluding any marked-to-market movements and one-off items.

  During the past year we revisited and fine-tuned this methodology by now measuring *recurring headline earnings* on a *see-through basis* throughout the group. PSG's *recurring headline earnings* is the sum of its effective interest in that of each of its underlying investees, regardless of its percentage shareholding. The result is that investments in which PSG or an investee holds less than 20% and is not allowed to equity account in terms of accounting standards, are now included in the calculation of our *consolidated recurring headline earnings*. This provides management and investors with a more realistic and simple way of evaluating PSG's financial performance.

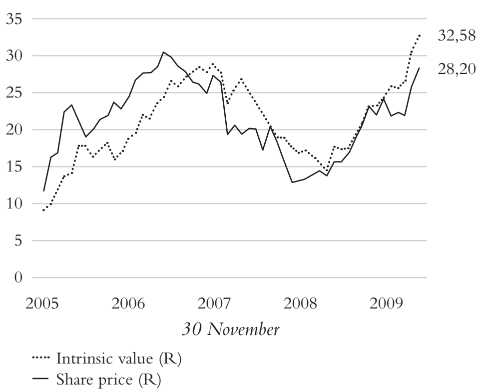
  Recurring headline earnings per share increased from 60,3 cents in 2005 to 207,4 cents in 2010, a compounded annual growth rate (CAGR) of 28%.

Cents per share	**2010**	2009	2008	2007	2006	2005
Recurring headline earnings	**207,4**	174,3	131,6	75,2	62,8	60,3
Change year-on-year	**19%**	33%	75%	20%	4%	
Non-recurring items	**41,8**	(109,0)	163,5	444,1	289,0	29,7
Reportable headline earnings	**249,2**	65,3	295,1	519,3	351,8	90,0
Change year-on-year	**282%**	(78%)	(43%)	48%	291%	

- PSG's *intrinsic value* increased from R9,43 per share in November 2005 to R32,58 as at 30 April 2010 – a CAGR of 32%.

Asset/liability	Market price/ share R	Intrinsic value 30 Apr 2010 Rm	Intrinsic value 28 Feb 2010 Rm	Intrinsic value 28 Feb 2009 Rm	Valuation method
Capitec	101,70	2 947	2 367	857	Market price
PSG Konsult	1,39	746	730	670	OTC 30-day VWAP
Zeder	2,10	833	742	342	Market price
Paladin Capital	2,37	1 098	834	413	Market price
PSG Fund Management (incl. PSG FutureWealth)		218	218	203	Sum of the parts valuation
Management fees/agreements		361	361	216	DCF/PE valuation multiple
Other investments (Thembeka prefs, cash, m Cubed, etc.)		493	400	745	
Total assets		**6 696**	**5 652**	**3 446**	
Perpetual pref funding	90,95	(553)	(541)	(486)	Market price
Other debt		(543)	(539)	(350)	Carrying value
Total intrinsic value		**5 600**	**4 572**	**2 610**	
Intrinsic value per share (R)		**32,58**	**26,60**	**15,31**	

PSG share price vs intrinsic value (30 April 2010)



- Since PSG's establishment in November 1995, PSG has paid R10,90 per share in dividends.
- Capitec was unbundled to shareholders on 1 December 2003 when Capitec was trading at R4,15 per share. The ratio was 1 Capitec share for every 3 PSG shares held.
- PSG's share price increased from 33 cents at formation to R28,20 as at 30 April 2010.
- The total return index of an investment in PSG yielded a CAGR of 56%, taking cognisance of the Capitec unbundling and reinvestment of all dividends. In other words, an investment of R100 000 would equal R60 million today.

Why are companies successful and what makes for great investments?

Over the years the most successful investments we made were the companies with uncomplicated business models operating in industries with attractive growth prospects, and led by talented, hard-working and passionate people. But a simple business model does not mean that it is easy to make money – you need a focused and dedicated management team to continuously grow the business.

But how does one grow one's business?

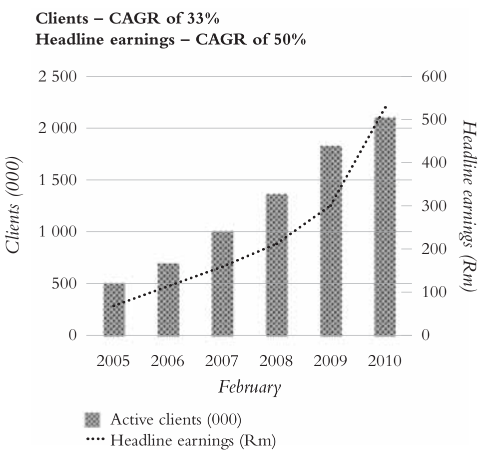
It is definitely easier said than done. What we have learnt is that the single most important contributor to success is client satisfaction. To achieve that, one needs to have a clear understanding of who they are, what it is that they want or need, and to serve them accordingly. Without clients one frankly does not have a business and it goes without saying that a company can only grow when its client base increases. A client-centric focus is thus imperative.

Let us look at our major operating companies:

Capitec Bank

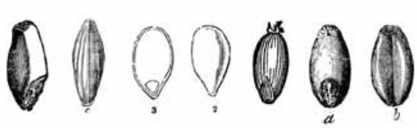
Capitec Bank is a prime example of a successful company that adheres to the above philosophies. At Capitec the client comes first. It offers the lowest cost, most innovative, fastest, easiest and friendliest way of doing banking. This is evident in the number of clients that increased from 500 000 in 2005 to 2,2 million at present.

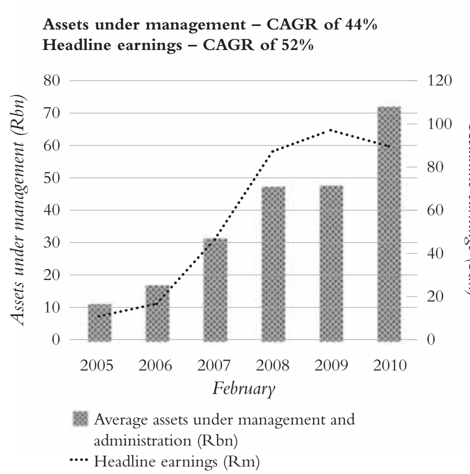
Yes, hindsight is a perfect science – however, from the company's perspective we might have made a mistake to have unbundled the Capitec investment in 2003, albeit that we believed it to have been the right decision at the time when PSG was a potential hostile takeover target. Before then, we owned 58% in this great company as opposed to 34,9% today. On the other hand, PSG shareholders remain in a neutral position had they held onto their unbundled Capitec shares.



PSG Konsult

PSG Konsult is a one-stop solution for holistic financial planning to more than 120 000 clients. The 572 financial planners, stockbrokers and short-term insurance brokers act independently and only offer best of breed products. PSG Konsult will not allow a product to be recommended unless it has been thoroughly considered and approved by the Product Committee, which means that the likes of Fidentia and King Financial Services will not end up in a client's investment portfolio. PSG Konsult operates out of 197 offices and through PSG Online has the premier private client online stock broking business in South Africa. The PSG Online platform will serve as an e-Commerce foundation for expanding PSG Konsult's product offering.





PSG Fund Management

We have recently come to realise that the uncoordinated variety of funds offered by PSG Fund Management served only to confuse financial advisors and the investing public. This company was therefore not performing to its potential as we did not attract the quantum of assets that our various funds' performance warranted.

We have consequently set out to rectify same. Research and analyst functions are now pooled together and we are in the process of creating a single PSG branded asset management business with a simplified holistic product range covering the full investment risk spectrum.

Mention should be made of the *PSG Tanzanite Flexible Fund*. It has been a consistent top 10%-performing fund over various periods during the past five years, and is an ideal building block in any client's investment portfolio. We are also proud of the achievement of the *PSG Alphen Growth Fund* which was ranked the best performing general equity fund in 2009.

PSG Corporate

PSG Corporate acts as PSG Group's treasurer, and is the appointed manager to both Zeder and Paladin. The fee income derived from these management agreements more than covers all the operating costs incurred to run Zeder, Paladin and PSG Group.

Subsequent to year-and, PSG Financial Services raised a further R200 million in listed perpetual preference shares at an effective NACA yield of 8,9%. We continue to believe in this instrument as an attractive form of permanent capital.

PSG Capital

PSG Capital is the corporate finance arm of PSG Group. It is a JSE-registered sponsor and designated advisor to 32 JSE-listed and numerous unlisted clients. PSG Capital plays an important advisory role at various companies within the group.

Paladin and Zeder

Paladin and Zeder are both listed investment companies. Zeder focuses on the agri, food and beverage related sectors, while Paladin invests in all other sectors.

Their investment philosophy remains to partner with and add value to the underlying investments, to provide them with capital where appropriate and to support management. Zeder and Paladin are long-term strategic investors with no pre-defined exit strategy in mind.

Corporate governance

PSG believes in good corporate governance. In our opinion, however, good corporate governance is not necessarily represented by set rules, policies or codes, committees, compliance officers or meetings. It is rather relevant, transparent, timely, accurate, succinct information provided to those charged with oversight, whom by nature are trustworthy and ambitious to act in the best interest of the company, and by extension all stakeholders.

A culture of good corporate governance is instilled at board level, and is applicable to the entire organisation. Management is responsible for ensuring that this is the case. This is how we continue to manage PSG Group and its investments.

PSG's board of directors has a 58% equity stake in PSG. Any poor decision thus impacts us directly.

Corporate social investment

Education is one of the most basic needs of society. It ranks just after food and shelter in terms of importance, and we thoroughly believe that an educated community will sustainably improve the long-term well being of society. PSG has therefore directed its Corporate Social Investment efforts at supporting education on various levels.

- The *PSG Group Bursary Loan Scheme* at the University of Stellenbosch currently supports eight gifted but needy students to obtain a degree.
- PSG continues to financially support *Akkerdoppies*, a pre-primary school, which is part of the Sibusisiwe charity. It provides essential education and skills to 93 children from the needy communities of Stellenbosch. *The effectiveness of investing in the education of a young child was proved by the World Bank who conducted a study which found that for every $1 spent on a pre-schooler you need to spend $7 on an adult*. PSG's contribution of close to R1 million in the past year was used to upgrade and expand the school's facilities. We intend to build a long-term relationship with this initiative and look forward to Akkerdoppies increasing its footprint in the community.
- During 2009/2010, Paladin also entered the education sector on a for-profit basis by investing R102 million in *Curro Private Schools*. We foresee that the demand for alternatives to government schools will grow and Curro is suitably positioned to take advantage of same. It already has four schools across the country, with the development of an additional three campuses currently underway.

  Although our intention is to profit from this investment, it remains for a good cause. South Africa will ultimately benefit from the provision of quality education. However, arguably the biggest advantage will be to enable Government to direct its focus on areas where the conditions of education are particularly poor and, in doing so, provide proper educational facilities to the disadvantaged.

PSG also subscribes to social upliftment through *Black Economic Empowerment* (*BEE*), and together with Zeder and Paladin have provided Thembeka with more than R500 million in ordinary and preference share funding for BEE investments. This funding enabled broad-based black groups to acquire shares in Thembeka at virtually no cost.

To illustrate by example, The United Reformed Church, a significant church grouping with the overwhelming majority of its members being previously disadvantaged, acquired 800 000 Thembeka shares for a total consideration of R80 towards the end of 2006. Since subscription, they have received more than R1,5 million in dividends and as they have no debt against their shares, the full amount can be used to uplift their community. Today their stake in Thembeka is worth more than R40 million.

In addition, *The PSG Group BEE Employees Trust* currently owns an unencumbered 10,5% in Thembeka, the value of which equates to approximately R75 million. The BEE employee participants' dividend entitlement to date has exceeded R1,5 million.

PSG is often approached to make donations or sponsor events. As a holding company, however, we see ourselves as investors and therefore rather encourage our underlying group companies to further contribute to society. PSG Group Ltd has consequently decided to in future only support our current Bursary and

Pre-School projects, and to provide BEE funding to Thembeka. Our formal donation/sponsorship policy can be viewed at *www.psggroup.co.za*.

How is PSG positioned and where will the growth come from?

We held a PSG Growth Conference in February this year, and I am happy to report that the majority of our companies throughout the group are well poised for growth.

Capitec

Capitec's extended advertising campaign has made South Africans aware of the compelling alternative value-for-money banking service offering that has its roots in the lower market segment, but is rapidly gaining market share in the middle to higher income market. A quote from Bernardo Trujillo: "Rich people love low prices, poor people need them".

Capitec was recently nominated as one of the "Great Brands of Tomorrow" by renowned Swiss-based financial services group, Credit Suisse. It is the only brand from Africa to be nominated and finds itself in the company of Facebook, Apple, Polo, Swatch, Hyundai, Mahindra, and Amazon.com.

Although Capitec has grown exponentially over the past years, its market share remains relatively small. With its introduction of longer term loans and intention to also target the middle to higher income market, we believe this company will continue to grow in the years to come.

Zeder

Food will forever remain the most basic human need. Zeder's focus remains to acquire assets in this sector at lower price-earnings multiples and price-to-book values of below one. Warren Buffett always refers to a "margin of safety" when investing at compelling multiples – this is what I understand it to be.

Paladin

We believe the growth potential in the education sector to be enormous. However, Paladin also has stakes in other companies that offer growth prospects. A point in case is CIC, an agency business for fast moving consumer goods like Colgate-Palmolive and Diageo (Heineken, Johnny Walker). It specifically has a strong presence in South Africa's neighbouring countries.

Furthermore BEE will remain a prominent factor when doing business in South Africa. We believe the requirements and monitoring thereof will only become stricter in the coming years. Thembeka Capital is a qualifying BEE company in which Paladin owns a 49% interest. This company will surely benefit from BEE investment opportunities. Thembeka currently has assets of more than R1 billion.

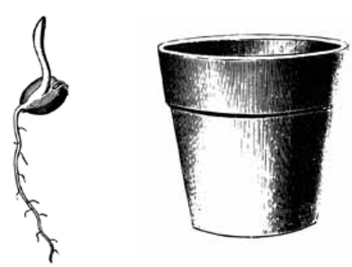
PSG Konsult and PSG Fund Management

The recovery in the financial markets has already seen both PSG Konsult and PSG Fund Management benefiting from same. PSG Konsult is working on organic and acquisitive initiatives which should see the company increase in size and profitability. The aforementioned restructuring of PSG Fund Management should in time result in an increase in assets and performance.

General

Our focus remains to grow both PSG's *recurring headline earnings* and *intrinsic value* per share. In order to do so, we shall continue to invest in assets and sectors that offer attractive growth prospects and returns.

We remain devoted to the continued success of PSG.



We need your support

Finally, our group contains a vast number of strong brands that have stood and will stand the test of time. Just living your daily life you may come in contact with these and can make a difference. A day in the life of a "loyal PSG supporter" should look something like this:

07:00	Breakfast
	Weet-Bix, Nu-laid eggs, a Sasko Sam toastie with Marmite/Redro and a glass of Liqui-Fruit fruit juice **(Pioneer)**
07:55	Drop your kids off at **Curro**
08:15	Do your banking at the local **Capitec** branch (the other banks are still closed)
09:00	Shopping
	Cadburys, Red Bull, Vanish, Dettol, Gaviscon, Nurofen, Veet of which **VMS/CIC** is the agent in SA
	Promeal pet food **(Overberg Agri)**
	Packaging in Consol glass silica supplied by **Petmin**
10:00	Mid-morning snack
	Safari dried fruit and Ceres fruit juice **(Pioneer)**
11:30	Stop at your **PSG Konsult** broker
	Share portfolio discussion and trade on the **JSE Ltd** via **PSG Online**
	Short-term insurance review
13:00	Lunch
	Tydstroom chicken breasts, Cerebos salt with Werda beetroot, Spekko rice and a cold Pepsi **(Pioneer** and **Spirit Capital)**

14:00	Read the newspaper and study your investment portfolio performance
	You are extremely satisfied with the performance of your investment in the PSG Tanzanite Flexible Fund **(PSG Fund Management)**
15:00	Tea time
	Lipton Ice Tea, Kwality biscuits **(Pioneer)**
15:30	Visit **Kaap Agri** branch
	Fill your vehicle up with diesel and buy some **Agricol** bird seed
16:30	Meet with **PSG Capital**
	Discuss acquisition of complimentary business
17:30	Body corporate trustees meeting
	Approve levy guarantee from **Baedex**
19:00	Dinner at Laborie
	Bottle of newly released **KWV** Sauvignon Blanc and/or 2005 **KWV** Roodeberg
	Lamb chops (from **KLK**'s Carnarvon abattoir) and White Star "mieliepap" **(Pioneer)**
	Dark chocolate cake baked with fine ingredients from Moir's **(Pioneer)**
	Nightcap(s) = **KWV** 10-year brandy or Amarula Cream Liqueur **(Distell)**

A word of thanks

To my fellow directors and colleagues throughout the greater PSG Group, thank you for all your effort and input over the past year, it is much appreciated. Also to our shareholders, thank you for your loyal support.

Jannie Mouton
19 May 2010
Stellenbosch

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 18 June 2010 at Webersburg, Annandale Road, Stellenbosch.

The timetable is as follows:

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

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

Group structure

as at 28 February 2010

PSG GROUP LIMITED

100%

PSG Financial Services Limited

R600 million listed perpetual preference shares in issue
(A further R200 million raised in May 2010)

CAPITEC Bank — **34,8%**

PSG KONSULT — **73,5%**

PALADIN CAPITAL — **80,6%**
- THEMBEKA CAPITAL — **49%**
- **Various, not industry-specific**

ZEDER INVESTMENTS LIMITED — **40,6%**

PSG Fund Management — **95,1%**
- FutureWealth PSG — **80%** *(remaining minorities acquired by PSG Fund Management on 1 March 2010)*

PSG Corporate Services — **100%** *(holds investments in unit trusts and hedge funds)*

PSG CAPITAL — **100%** *(corporate finance)*

Board of directors

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

EXECUTIVE DIRECTORS

JF (Jannie) Mouton (63)
BCom (Hons), CA(SA), AEP
Executive chairman

WL (Wynand) Greeff (40)
BCompt (Hons), CA(SA)
Financial director

PJ (Piet) Mouton (33)
BCom (Mathematics)

NON-EXECUTIVE DIRECTORS

ZL (KK) Combi (58)
Diploma in Public Relations
Executive chairman – Thembeka Capital Ltd

JA (Johan) Holtzhausen (39)
BIuris, LLB, HDip Tax
Managing director – PSG Capital (Pty) Ltd

JJ (Jan) Mouton (35)
BAcc (Hons), CA(SA), MPhil (Cantab)
Manager – PSG Tanzanite Flexible Fund

CA (Chris) Otto (60)[2]
BCom, LLB
Director of companies

W (Willem) Theron (58)
BCompt (Hons), CA(SA)
Managing director – PSG Konsult Ltd

INDEPENDENT NON-EXECUTIVE DIRECTORS

L van A (Kleintjie) Bellingan (64)[1, 2]
BCom, LLB, CA(SA)
Entrepreneur

PE (Patrick) Burton (57)[1, 2]
BCom (Hons), PG Dip Tax
Financial director – Snoek Wholesalers (Pty) Ltd

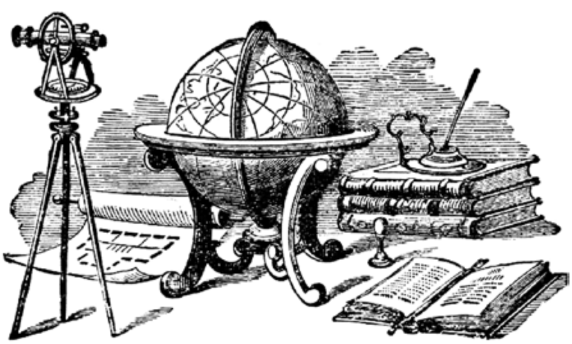
J de V (Jaap) du Toit (56)[1]
BAcc, CA(SA), CFA
Director of companies

MM (Thys) du Toit (51)[2]
BSc, MBA
Managing director – Rootstock Investment Management (Pty) Ltd

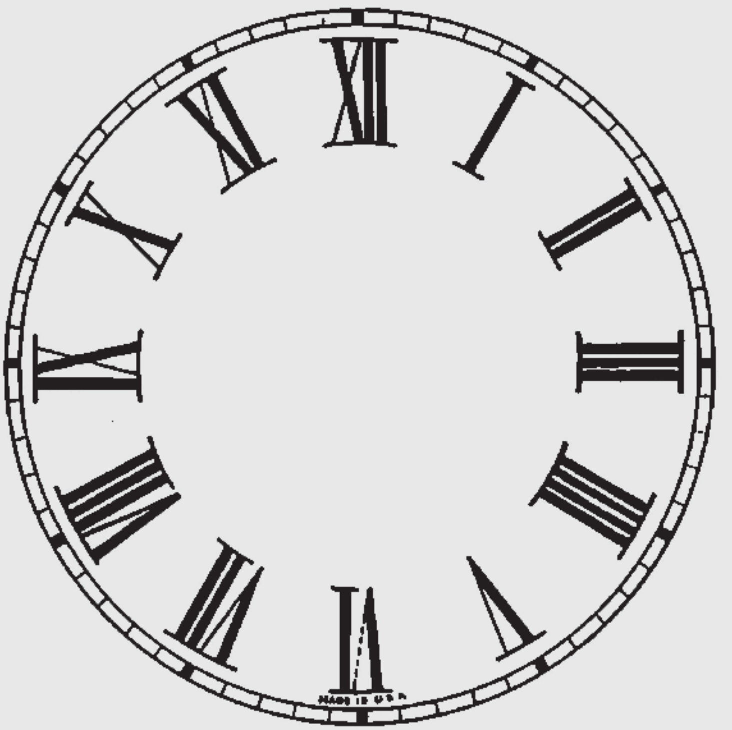
MJ (Markus) Jooste (49)[2]
BAcc, CA(SA)
Managing director – Steinhoff International Holdings Ltd

CH (Christo) Wiese (68)[2]
BA, LLB, DCom (h.c.)
Director of companies

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



Review of operations



PSG GROUP LIMITED

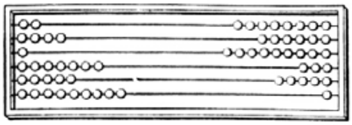
Review of operations

RECURRING HEADLINE EARNINGS

	Headline earnings 28 Feb 2010 Rm	Headline earnings 28 Feb 2009 Rm	Number of shares 28 Feb 2010 m	Net asset value 28 Feb 2010 Rm	Net asset value 28 Feb 2009 Rm
Recurring headline earnings	**359,0**	293,4		**2 766,7**	2 460,1
Capitec Bank	**151,7**	104,3	28,9	**1 383,9**	1 260,1
PSG Konsult	**65,5**	70,9	536,6	**296,1**	276,3
PSG Fund Management (incl. PSG FutureWealth)	**26,4**	31,2		**149,2**	148,4
Paladin Capital	**77,2**	65,3	463,3	**859,6**	559,9
Zeder Investments	**83,6**	70,9	396,9	**925,9**	661,8
PSG Corporate (incl. PSG Capital)				**26,9**	10,9
Management and other fee income	**60,7**	36,2			
Operating costs	**(38,0)**	(21,9)			
Taxation	**(7,4)**	(8,7)			
BEE pref share investments	**20,6**	24,8		**184,8**	164,2
Other investments	**1,4**	27,6		**12,1**	348,2
Funding					
Perpetual pref share funding	**(51,1)**	(69,0)		**(551,3)**	(561,0)
Net interest	**(29,6)**	(34,1)		**(513,9)**	(408,9)
Other taxation and STC	**(2,0)**	(4,1)		**(6,6)**	0,2
Non-recurring headline earnings	**72,4**	(183,5)		**180,3**	295,3
PSG FutureWealth		21,8			
Paladin Capital	**89,8**	(77,9)			
Zeder Investments	**(23,0)**	(15,6)			
PSG Corporate (net of tax)					
Marked-to-market profit/(loss)	**26,2**	(99,6)		**138,6**	245,2
Zeder performance fee		12,6			
STC (special dividend)		(35,4)			
Deferred tax assets written off	**(20,7)**				
Other	**0,1**	10,6			
m Cubed Holdings			219,7	**41,7**	50,1
Total headline earnings	**431,4**	109,9		**2 947,0**	2 755,4
Statistics			**Change**		
Weighted average number of shares in issue (million)	**173,1**	168,4			
Recurring HEPS (cents)	**207,4**	174,3	**19,0%**		
HEPS (cents)	**249,2**	65,3	**281,6%**		

Recurring headline earnings, measured on a *see-through basis*, increased by 19,0% to 207,4 cents per share for the year ended 28 February 2010. Capitec's stellar performance was the main reason for the positive growth as some of our investments did not escape the negative impact of the economic recession.

Reportable headline earnings increased by 281,6% to 249,2 cents per share, and *attributable earnings* by 645,2% to 225,8 cents per share. This was mainly as a result of *marked-to-market profits* following the recovery in global stock markets.



CAPITEC BANK HOLDINGS LTD (34,8%)

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	2008	2009	**2010**
Headline earnings (Rm)	212	302	**437**
HEPS (cents)	259	364	**527**
Growth in HEPS (%)	16	41	**44**
Dividend per share (cents)	100	140	**210**
Dividend cover ratio	2.6x	2.6x	**2.5x**
Return on equity (%)	22	27	**32**
Gross loans and advances (Rm)	2 192	3 238	**5 607**
Value of loans advanced (Rm)	5 162	6 273	**8 645**
Net loan impairment expense (Rm)	231	468	**548**
Impairment as percentage of loans and advances (%)	10,5	14,5	**9,8**
Net transaction fee income (Rm)	89	160	**295**
Fee income as percentage of operating income (%)	11,7	15,0	**21,6**
Number of active clients (000)	1 110	1 545	**2 122**
Number of branches	331	363	**401**
Number of employees	2 800	3 414	**4 154**

Capitec's client-centric niche focus in a growth market continued to render excellent results. Headline earnings increased by 45% to R437 million, while return on equity increased from 27% to 32%.

Capitec's conservative approach to conducting business has, however, not been compromised. Borrowers were subjected to even stricter lending criteria which, inter alia, decreased the bad debt ratio from 14,5% to 9,8%.

Despite the financial crisis, Capitec managed to more than double its funding from R3 billion to R7 billion. As in the past, Capitec had been able to repay all call deposits on demand.

Operationally, Capitec opened its 401st branch and has more than 4 000 employees serving its 2,1 million clients. For the year, Capitec advanced more than 3,8 million loans, an average of 12 000 per working day. The total value of loans granted increased by 38% to R8,6 billion. Capitec's total loans outstanding at year-end increased by 73% to R5,6 billion as more clients moved to longer-term loans. The longest term for a loan has been increased to 48 months, with the maximum size of a loan now at R100 000.

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

PSG KONSULT LTD (73,5%)

Chief executive officer	Willem Theron

Leading independent financial advisors

Financial results

Year ended February	2008	2009	**2010**
Turnover (Rm)	726	756	**834**
Growth in turnover (%)	34	4	**10**
Headline earnings (Rm)	87,1	96,8	**89,4**
Increase/(decrease) in headline earnings (%)	56	11	**(8)**
HEPS (cents)	12,0	13,2	**12,2**
Increase/(decrease) in HEPS (%)	38	10	**(8)**
Funds under management and administration (Rbn)	52,7	43,6	**72,3**
Short-term premiums on annualised basis (Rm)	970	1 400	**1 450**
Number of offices	189	197	**197**
Number of advisors	491	506	**548**

PSG Konsult's turnover increased by 10,3% to R834 million as a result of both organic and acquisitive growth. Operational profit before tax was R133,7 million, 2% higher than the previous year. Both headline earnings and headline earnings per share, however, decreased by 7,7% to R89,4 million and 12,2 cents respectively, mainly as a result of a higher effective tax rate in the current year.

Improved market conditions saw headline earnings increasing from R39,5 million for the first half of the financial year to R49,9 million in the second half. Funds under administration increased to R72,3 billion (2009: R43,6 billion), mainly as a result of the acquisition of the T-Sec client base and the market recovery in the latter part of the financial year. Short-term premiums administered on an annualised basis remained in line with the prior year at R1 450 million.

Effective 1 March 2010, PSG Online Securities acquired 100% of PSG Prime, resulting in all the group's stock broking activities now being housed under PSG Konsult.

PSG Konsult Nhluvuko, a BEE initiative aimed at the corporate market, is now fully operational and was profitable for the financial year under review. As from May 2010, this company will be known as *PSG Konsult Corporate*.

Industry

Although the markets have recovered and the sentiment is more positive than a year ago, the financial services sector is undergoing structural changes following the global financial crisis, which could impact our business going forward.

It is imperative for PSG Konsult to remain focused on its clients' needs. One cannot afford to succumb to the temptation to react to short-term fluctuations when a long-term strategy is essential for sound investment and financial planning.

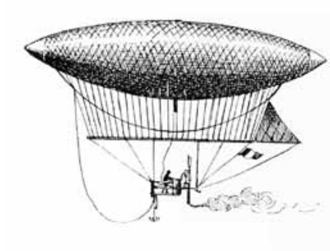
Locally, higher electricity and fuel prices coupled with lower salary increases are likely to place clients under financial pressure. History has showed that the collection of short-term insurance premiums usually dwindles under such circumstances. Our advisors will always assist clients to structure their short-term insurance portfolios with available financial resources in mind.

Prospects

Through the increased number of advisors, PSG Konsult will focus on servicing its clients on a personal basis, with a long-term view to maintain and enhance their wealth.

The demand for online financial services is on the rise. *PSG Online* is suitably positioned and is continuously enhancing its product offering to cater for the whole spectrum of financial needs.

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



PSG FUND MANAGEMENT GROUP (PTY) LTD (95,1%) *incorporating* **PSG FUTUREWEALTH LTD (80%)**

CHAIRMAN	Jaap du Toit
Local and offshore investment platform and asset management	

PSG Fund Management's operations incorporate the traditional *PSG Fund Management* business consisting of local and offshore collective investments, asset management, hedge funds and prime broking, and as from March 2009 *PSG FutureWealth*, an investment life company specialising in investment products such as secured investments, retirement annuities, preservation funds and living annuities.

Financial results

Year ended February	2008	2009	**2010**
Recurring headline earnings (Rm)			
– PSG Fund Management	24,7	18,0	**14,5**
– PSG FutureWealth (100%)	11,1	14,6	**16,6**
Consolidated *recurring* headline earnings (including 80% of PSG FutureWealth) (Rm)	33,6	29,1	**27,8**
Funds under administration (Rbn)	20,5	20,4	**23,4**
Funds under management (Rbn)	9,3	9,7	**11,9**

On a comparable basis PSG Fund Management's *recurring headline earnings* decreased by 4,5% to R27,8 million. The challenging investment environment, particularly during the first half of the financial year, impacted negatively on the traditional PSG Fund Management business.

Notwithstanding the challenging investment environment, assets under administration increased by 14% to R23,4 billion. Local collective investments had net inflows of R2,1 billion, up from R558 million in the previous financial year. Managed assets increased by 22% to R11,9 billion, which included a net inflow of R747 million, with the balance attributed to stronger equity markets.

The future

Effective 1 March 2010, PSG Fund Management acquired the remaining 20% minority interests in PSG FutureWealth and in the process formed a combined product licencing platform called *PSG Wealth*.

Also effective 1 March 2010, PSG Fund Management's asset management capabilities were combined. Research and analyst functions are now pooled together and we are in the process of creating a single PSG branded asset management business with a simplified holistic product range covering the full investment risk spectrum.

PALADIN CAPITAL LTD (80,6%)	
Chief executive officer	Francois Swart
Dedicated investment company	

Our business model

Paladin, PSG Group's investment company in sectors other than agriculture, food and beverages, listed on the JSE in September 2009 and raised R150 million by means of a renounceable rights issue to PSG shareholders shortly thereafter. PSG invested R52,2 million.

Paladin invests in businesses that are easily understood, have strong sustainable cash flows, where management are large shareholders and where Paladin's share of profit after tax is greater than R10 million. It is strategically involved in its investee companies and actively partners with management to advance the businesses to the next level. Paladin currently has 13 investments across a number of industries.

Financial results

Year ended February	2008	2009	**2010**
Recurring headline earnings (Rm)	62,8	78,2	**95,5**
Recurring HEPS (cents)	18,7	20,0	**19,3**
Headline earnings/(loss) (Rm)	75,4	(18,0)	**217,3**
HEPS (cents)	22,5	(4,6)	**43,9**
Net intrinsic value (Rm)		486	**1 167**
Intrinsic value per share (cents)		123	**203**

Paladin's *recurring headline earnings* increased by 22,1% to R95,5 million. This is predominantly due to an increase in earnings from investee companies and the first time inclusion of Petmin's results. Paladin's *reportable headline earnings* increased to R217,3 million as opposed to an R18 million loss in the prior year. This increase is mainly as a result of *marked-to-market profits* incurred in Thembeka's investment portfolio of listed shares in the JSE Ltd, PSG Group and Capitec.

Effective 1 September 2009, PSG, as manager of Paladin, earns a management fee based on 1% of the market capitalisation of Paladin and a performance fee representing 10% of the growth in the return for shareholders (increase in share price and dividends paid). The 2010 management fee before tax amounted to R4,6 million with the maiden performance fee, if applicable, only payable at 28 February 2011.

Corporate action

Significant investments made by Paladin during the past year included 50% in Curro, a private school group for R50 million, 9,4% in Petmin (previously owned by PSG) by means of a share swap for a consideration of R92 million, 20,4% in Spirit Capital, a leveraged buy-out specialist, and the acquisition of an additional 17,5% stake in Topfix increasing its interest to 28,2%. Paladin also disposed of its interests in Mainfin for R17,4 million and Axon for R4 million.

Our investment portfolio

Industry/ Company	Description	% Held
Investment companies		
Thembeka	BEE investment company	49%
Spirit	Leveraged buy-outs	20%
Services		
CIC	FMCG	50%
IQuad	Outsourcing services	43%
African Unity	Life and related insurance	43%
Mining, construction and related services		
Precrete	Mine safety and support services	22%
Petmin	Diversified miner	9%
Erbacon	Construction	22%
Top Fix	Construction support services	28%
Manufacturing		
GRW	Tank manufacturer	40%
Lesotho Milling	Milling	25%
Protea Gietery	Non-ferrous foundry	50%
Education		
Curro	Private school education	50%

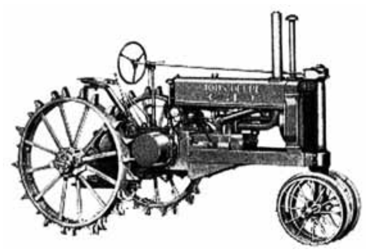
Prospects

The investee companies are well capitalised and positioned to grow their businesses and market share in their respective industries. Paladin will continue to add value to its investee companies through active input on a strategic and operational level.

Paladin has initiated the following since year-end:

- Raised R100 million by means of a five-year, fixed rate preference share with dividend and capital payable on maturity.
- Purchased an additional 26% interest for a controlling stake in Curro (subject to regulatory approval) for a total consideration of R52 million.

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



ZEDER INVESTMENTS LTD (40,6%)	
CHIEF EXECUTIVE OFFICER	Antonie Jacobs
Agricultural, food and beverage investment company	

Zeder is a JSE-listed investment company in the agricultural, food and beverage sectors. It successfully concluded a rights issue, underwritten by PSG, in terms of which R495 million was raised at R1,35 per share in June 2009. PSG invested R211,6 million.

Financial results

Year ended February	2008	2009	**2010**
Headline earnings (Rm)	206,5	153,4	**152,0**
Recurring headline earnings (Rm)	122,4	196,0	**208,1**
HEPS (cents)	35,4	25,2	**17,3**
Recurring HEPS (cents)	21,0	32,2	**23,6**
Intrinsic value per share (cents)	224	192	**211**
Dividend per share (cents)	5,0	7,0	**4,0**

Recurring headline earnings increased by 6,2% to R208,1 million, while *recurring headline earnings per share* decreased by 26,7% to 23,6 cents. *Reportable headline earnings per share* decreased by 31,3% to 17,3 cents. The main reasons for the decrease are:

- The majority of the cash raised in terms of the aforementioned rights issue was only invested in the latter part of the financial year;
- A reduced effective interest in Distell coupled with a significantly lower return on the investment in KWV's own operational business;
- Disappointing results from MGK; and
- A R350 million *non-recurring* provision by Pioneer Foods for its potential fine to the Competition Commission, of which Zeder's effective share amounted to R43,9 million. Without this provision Zeder's headline earnings would have amounted to 22,2 cents per share.

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 2010 management fee before tax amounted to R36,3 million (2009: R31,2 million). In the prior year PSG also earned a performance fee of R17,5 million.

Portfolio

Zeder's current portfolio of some R2,2 billion comprises agri, food and beverage related investments in 13 companies, of which Kaap Agri, Capevin and KWV represent almost 80%.

Kaap Agri Ltd	41,3%
KWV Holdings Ltd	31,3%
Capevin Holdings Ltd	37,0%
Suidwes Investments Ltd	18,4%
OVK Operations Ltd	9,2%
NWK Ltd	7,4%
MGK Business Investments Ltd	26,7%
Agricol Holdings Ltd	20,3%
KLK Ltd	10,0%
Tuinroete Agri Ltd	10,0%
BKB Ltd	3,7%
Capespan Group Ltd	14,6%

Prospects

Zeder's current cash of R120 million, together with an existing R300 million funding facility, will provide it with sufficient capital to pursue attractive identified investment opportunities.

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

PSG CAPITAL (100%)	
Chief executive officer	Johan Holtzhausen
Corporate finance advisory services	

PSG Capital is the corporate finance arm of PSG Group. It is a JSE-registered sponsor and designated advisor. PSG Capital advises on mergers and acquisitions, listings, restructurings, capital raisings and BEE transactions, and performs valuations and fair and reasonable opinions. It currently has 32 JSE-listed and numerous unlisted clients.

PSG CORPORATE (100%)

PSG Corporate acts as PSG Group treasurer, allocates capital and determines and monitors the group's gearing. It is also the appointed manager to both Zeder and Paladin.

The global financial crisis saw a market in which liquidity dried up, with limited access to funding resources. At the time, the PSG Exco believed it to be prudent to raise capital and loan funding at a PSG Group level in order to selectively provide subsidiary companies with capital for investment purposes in the form of equity and/or short-term bridging facilities. The majority of the following cash was raised during the first half of the past financial year:

- R200 million by means of a 4-year preference share; and
- R119,9 million through the issue of 7,7 million PSG Group shares to strategic shareholders at market price.

However, market circumstances have definitely improved since and all our investee companies are in a sound financial and cash position. Coupled with a PSG share price trading at an attractive discount to intrinsic value, the PSG Exco made a decision to invest excess cash in PSG by repurchasing 6,4 million of its own shares for a consideration of R140,9 million during January and February 2010 – this transaction will have a positive effect on both *recurring headline earnings* and *intrinsic value per share*.

The net increase in the listed share prices of our strategic and non-strategic investments accounted for the *non-recurring marked-to-market profits* achieved during the year under review.

Prospects

We will continue to invest in assets and sectors that offer attractive growth prospects and returns.

Stock exchange performance

Year ended February	**2010**	2009	2008	2007	2006	2005	2004
Market price (cents)							
– High for the year	**2 749**	2 100	3 050	2 925	2 300	705	520
– Low for the year	**1 302**	1 215	1 900	1 570	620	253	255
– Closing price	**2 205**	1 456	2 085	2 720	2 266	700	385
– Average	**2 100**	1 692	2 714	2 257	1 060	428	460
Closing price/earnings	**8,8**	22,3	7,1	5,2	6,4	7,8	5,0
Volume of shares traded (000)	**21 326**	18 290	43 409	37 787	13 933	48 528	56 204
Value of shares traded (R000)	**447 802**	309 415	1 178 129	853 000	147 660	207 742	258 285
Volume/weighted average shares (%)	**12,3**	10,9	26,5	30,1	13,7	45,1	50,3

Our track record

Year ended February	**2010**	2009	2008	2007	2006	2005	2004
Headline earnings per share (cents)	**249,2**	65,3	295,1	519,3	351,8	90,0	76,3
Headline earnings (Rm)	**431,4**	109,9	482,5	651,4	358,4	96,7	85,2
Distribution per share (cents)							
– Normal	**42,0**	57,0	112,5	90,0	67,5	45,0	30,0
– Special		200,0					70,0
Ordinary shareholders' funds (Rm)	**2 947**	2 755	3 295	2 373	719	362	336
Net worth per share (cents)	**1 765**	1 640	1 948	1 585	704	356	320
Total assets (Rm)	**14 686**	14 127	14 206	5 501	1 833	2 794	2 384
Market capitalisation (Rm)	**4 211**	2 760	3 953	4 621	2 701	834	443
Number of shares (000)							
– Issued	**190 953**	189 579	189 579	169 885	119 195	119 195	115 000
– Treasury shares	**23 959**	21 559	20 386	20 133	17 015	17 619	10 000
– Net	**166 994**	168 020	169 193	149 752	102 180	101 576	105 000
– Weighted average	**173 113**	168 352	163 505	125 446	101 888	107 519	111 700
ROE (%)	**15,1**	3,6	17,0	42,1	66,3	27,7	12,8

2003	2002	2001	2000	1999	1998	1997	1996
650	885	986	1 585	1 900	1 550	510	300
375	440	527	800	495	445	210	20
520	476	660	1 000	1 170	1 530	470	225
512	675	685	1 114	1 172	966	401	78
7,4	3,4	4,4	8,3	13,6	32,3	17,9	16,4
42 636	47 775	49 009	45 265	30 219	23 443	14 120	22 210
218 168	322 493	335 512	504 273	354 050	226 564	56 557	17 238
35,5	38,5	36,8	33,1	31,7	32,2	35,7	101,8

2003	2002	2001	2000	1999	1998	1997	1996
70,7	141,0	150,3	120,6	85,9	47,3	25,5	14,4
84,8	175,2	200,2	164,7	82,0	34,5	10,1	3,1
20,0	50,0	45,0	36,0	25,0			
200,0							
993	1 218	1 141	1 085	638	535	78	7
828	1 015	899	778	669	617	147	34
2 594	4 477	3 416	3 474	2 543	1 258	233	25
624	571	838	1 395	1 117	1 325	249	49
120 000	120 000	126 900	139 500	95 445	86 611	52 930	21 818
120 000	120 000	126 900	139 500	95 445	86 611	52 930	21 818
120 000	124 204	133 200	136 613	95 445	72 869	39 588	21 818
7,7	14,9	18,0	19,1	14,0	11,3	23,8	88,6

Value added statement

for the year ended 28 February 2010

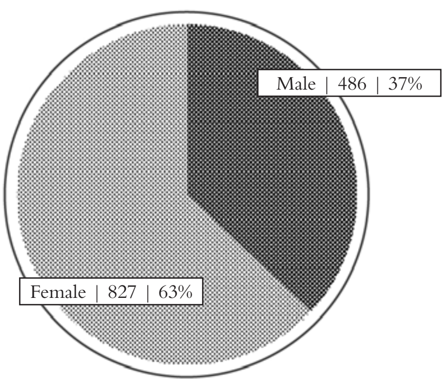
	2010 R000	%	2009 R000	%
VALUE ADDED				
Total income	**1 332 130**		1 174 494	
Dividend income/capital reductions – associated companies	**135 598**		95 880	
Total expenses excluding employee costs and depreciation	**(714 623)**		(718 119)	
	753 105		552 255	
Non-recurring items				
Profit on sale/dilution of subsidiaries and associated companies	**(26 487)**		(25 541)	
Loss on sale/dilution of subsidiaries	**31 931**		20 408	
Impairment charges	**480**		13 272	
Other	**(8 042)**		(1 562)	
	750 987		558 832	
VALUE ALLOCATED				
To employees				
Salaries, wages and other benefits	**289 017**	38	294 133	53
To providers of capital	**301 487**	40	716 844	128
Finance costs	**93 866**	12	93 165	17
Dividends – own shareholders	**88 688**	12	510 416	91
– outside shareholders	**118 933**	16	113 263	20
To government				
Normal tax and secondary tax on companies	**75 451**	10	119 226	21
To expansion and growth	**85 032**	12	(571 371)	(102)
Depreciation	**11 412**	2	10 109	2
Retained income – own shareholders	**19 807**	3	(681 489)	(122)
– outside shareholders	**53 813**	7	100 009	18
	750 987	100	558 832	100

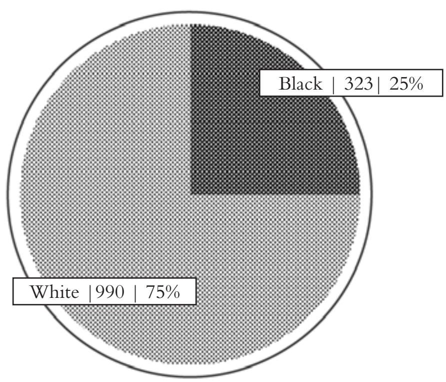
Group employee statistics

at 28 February 2010

GENDER	Number	%
Male	486	37
Female	827	63
RACE		
Black	323	25
White	990	75
EDUCATION		
Up to grade 11	99	8
Grade 12	439	33
Post grade 12 (e.g. diploma/certificate)	498	38
University degree	185	14
Post-graduate degree or professional qualification	92	7
HIERARCHY		
Executive directors (including CEOs and MDs)	53	4
Senior management	67	5
Middle/Junior management	10	1
Operational	376	29
Support	807	61
TOTAL NUMBER OF EMPLOYEES (excluding associated companies)	**1 313**	

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 on Corporate Governance. Accordingly PSG Group's corporate governance policies have in all respects been appropriately applied during the period under review.

The group's major subsidiaries and associated companies are similarly committed having, inter alia, their own audit, risk and remuneration committees.

BOARD OF DIRECTORS

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

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

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

PSG Group is a financial services company with little day-to-day operations and has not filled the office of CEO. There is a clear division of responsibilities at board level to ensure a balance of power and authority, such that no one individual has unfettered powers of decision making. Mr JF Mouton fills the role of executive chairman. The appointment of directors is formal and transparent and is considered to be a matter for the board as a whole. 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, JA Holtzhausen 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, MM du Toit 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 25 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's social responsibility areas of endeavour are socio-economic, the youth and education in a wide sense. The long-term aim is to make a contribution to the advancement of stability in South Africa. Education is one of the most basic needs of society. We thoroughly believe that an educated community will sustainably improve the long-term well being of society. PSG has therefore directed its Corporate Social Investment efforts at supporting education on various levels. PSG also subscribes to social upliftment through Black Economic Empowerment (BEE), and supports same having invested in various BEE initiatives. PSG furthermore pays all its taxes regularly and encourages government to spend its receipts responsibly.

Refer to the Chairman's Letter for more details regarding PSG's Corporate Social Investments.

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 schemes 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

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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 and is satisfied with the extent of non-audit related services performed.

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 JSE Listings Requirement 3.84(i), 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 of PSG Group Ltd and the group for the year ended 28 February 2010 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
19 May 2010

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 27 to 98 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

19 May 2010
Stellenbosch

Report of the independent auditor

to the members of PSG Group Ltd

We have audited the group annual financial statements and annual financial statements of PSG Group Ltd, which comprise the consolidated and separate statements of financial position as at 28 February 2010, and the consolidated and separate income statements, statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the directors' report, as set out on pages 27 to 98.

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 consolidated and separate financial position of PSG Group Ltd as at 28 February 2010, and its consolidated and separate financial performance and its consolidated and separate 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

19 May 2010
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

19 May 2010
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, statements of financial position and notes thereto. The group's headline earnings attributable to shareholders amounted to R431,4 million (2009: R109,9 million). Attributable earnings amounted to R390,9 million (2009: R51,1 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	
	2010	2009
At beginning of year	**189 579 385**	189 579 385
Less: Treasury shares		
Held by a subsidiary company	**(13 873 895)**	(12 522 592)
Held by the PSG Group Share Incentive Trust	**(2 834 500)**	(3 712 847)
Held by associated companies	**(4 851 028)**	(4 151 323)
Net shares in issue at beginning of year	**168 019 962**	169 192 623
General issue for cash at R14,40 per share	**3 000 000**	
General issue for cash at R16,23 per share	**4 729 358**	
Issued in terms of a mandatory offer to all Capitec Bank Holdings Ltd shareholders at a ratio of 1,5767 ordinary shares for each Capitec offer share held	**7 565**	
Repurchased and cancelled	**(6 363 488)**	
Movement in treasury shares		
Shares acquired by PSG Financial Services Ltd, a subsidiary company		(1 351 303)
Shares acquired by Kumani Holdings (Pty) Ltd, an associated company		(147 029)
Sale of Kumani Holdings (Pty) Ltd, an associated company that held PSG Group shares	**2 401 028**	
Shares acquired by Thembeka Capital Ltd, an associated company	**(2 450 000)**	(588 676)
Dilution of shareholding from 49,9% to 49% in Thembeka Capital Ltd, an associated company		36 000
Shares acquired by the PSG Group Share Incentive Trust		(1 620 000)
Shares acquired by the PSG Group Supplementary Share Incentive Trust	**(3 089 614)**	
Shares released to participants of the PSG Group Share Incentive Trust	**739 500**	1 147 044
Cancellation of participants' rights and obligations in terms of shares held by the PSG Group Share Incentive Trust – shares subsequently sold to PSG Financial Services Ltd, a subsidiary company		1 351 303
Net shares in issue at end of year	**166 994 311**	168 019 962

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

DIRECTORS
The directors of the company at the date of this report appear on page 10. Since the date of the previous report, Mr MM (Thys) du Toit was appointed as an independent non-executive director with effect from 29 September 2009 and Mr JA (Johan) Holtzhausen as a non-executive director with effect from 13 May 2010.

Directors' report

continued

SHAREHOLDING OF DIRECTORS

The shareholding of directors, excluding the participation in the share incentive schemes, in the issued share capital of the company as at 28 February 2010 was as follows:

	Beneficial		Non-beneficial		**Total shareholding 2010**		Total shareholding 2009	
	Direct	Indirect	Direct	Indirect	**Number**	**%**	Number	%
L van A Bellingan				20 000	**20 000**		20 000	
PE Burton				135 000	**135 000**	**0,1**	130 000	0,1
J de V du Toit				3 686 000	**3 686 000**	**2,2**	3 506 000	2,0
MM du Toit		4 729 358			**4 729 358**	**2,8**		
WL Greeff	91 815	28 185			**120 000**	**0,1**	110 000	0,1
JA Holtzhausen	10 000				**10 000**			
MJ Jooste				20 000 000	**20 000 000**	**11,6**	20 000 000	11,6
P Malan							170 000	0,1
JF Mouton	3 600 000			42 435 489	**46 035 489**	**26,8**	45 571 996	26,4
JJ Mouton	111 000	1 312 000			**1 423 000**	**0,8**	1 410 250	0,8
PJ Mouton	14 148	3 817 000			**3 831 148**	**2,2**	3 671 660	2,1
CA Otto	108			3 974 692	**3 974 800**	**2,3**	3 817 600	2,2
W Theron	5 000			150 000	**155 000**	**0,1**	145 000	0,1
J van Zyl Smit							528 117	0,3
CH Wiese		15 500 000			**15 500 000**	**9,0**	15 500 000	9,0
	3 832 071	25 386 543	–	70 401 181	**99 619 795**	**58,0**	94 580 623	54,8

Subsequent to year-end, Messrs JF Mouton and CA Otto obtained a further 300 000 and 150 000 PSG Group ordinary shares respectively having taken delivery of same in terms of the PSG Group Share Incentive Trust. There were no other changes to the directors' shareholding between 28 February 2010 and the date of this report.

DIRECTORS' EMOLUMENTS

The following directors' emoluments have been incurred by the company and its subsidiaries for the year ended 28 February 2010:

CASH-BASED REMUNERATION

	Fees R000	Basic salaries R000	Company contributions R000	Performance-related R000	**Total 2010 R000**	Total 2009 R000
Executive						
JF Mouton		1 862	138		**2 000**	1 746
WL Greeff		1 366	106	383	**1 855**	1 168
PJ Mouton		1 119	91	360	**1 570**	[1]
CA Otto						1 428[2]
Non-executive						
L van A Bellinghan	138				**138**	144
PE Burton	143				**143**	144
ZL Combi	85				**85**	39
J de V du Toit	1 200[3]				**1 200**	1 285
MM du Toit [4]	42				**42**	
JA Holtzhausen [5, 6]		1 086	89	545	**1 720**	
MJ Jooste	90				**90**	101
P Malan						3 536[7]
JJ Mouton [6, 8]	85	739	19	1 898	**2 741**	1 201
CA Otto [2]	1 650[9]				**1 650**	
W Theron [6]	85	2 565		1 770	**4 420**	4 985
J van Zyl Smit						274[10]
CH Wiese	90				**90**	101
	3 608	8 737	443	4 956	**17 744**	16 152

Directors' report

continued

CASH-BASED REMUNERATION *(continued)*

[1] *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.*
[2] *Executive until 15 February 2009, non-executive with effect from 16 February 2009.*
[3] *R172 700 (2009: R96 250) in respect of directors' fees, the balance representing fees received at subsidiary level.*
[4] *Appointed as director with effect from 29 September 2009.*
[5] *Appointed as director with effect from 13 May 2010.*
[6] *Executive of subsidiary company.*
[7] *Resigned as director with effect from 16 February 2009.*
[8] *Includes dividend income from a subsidiary company of R1,139 million (2009: R266 980), which has been grossed up for comparative purposes.*
[9] *R90 200 in respect of directors' fees, the balance representing fees received at subsidiary level.*
[10] *Retired as director with effect from 19 March 2009.*

EQUITY-BASED REMUNERATION
PSG Group Share Incentive Trust

	Number of shares as at 28 Feb 2009	Number of scheme shares during year: Granted	Number of scheme shares during year: Vested	Notional gain/(loss) on shares delivered R000	Average market price per share on vesting date R	Vesting price per share R	Date granted	**Number of shares as at 28 Feb 2010**
PSG Group Ltd shares								
Equity-settled								
Executive								
JF Mouton	325 000		(195 000)	3 256	17,27	0,48[1]	13/07/2004	**130 000**
	84 000		(30 000)	34	21,28	20,16[1]	26/10/2006	**54 000**
	1 000 000					17,81[1]	21/04/2008	**1 000 000**
	1 409 000	–	(225 000)	3 290				**1 184 000**
Non-executive								
J de V du Toit	250 000		(150 000)	2 505	17,27	0,48[1]	13/07/2004	**100 000**
	84 000		(30 000)	34	21,28	20,16[1]	26/10/2006	**54 000**
	334 000	–	(180 000)	2 539				**154 000**
CA Otto	250 000		(150 000)	2 505	17,27	0,48[1]	13/07/2004	**100 000**
	182 500		(109 500)	2 253	22,50	1,92[1]	12/10/2004	**73 000**
	84 000		(30 000)	34	21,28	20,16[1]	26/10/2006	**54 000**
	500 000					17,59[1]	23/04/2008	**500 000**
	1 016 500	–	(289 500)	4 792				**727 000**
Total PSG Group Share Incentive Trust	2 759 500	–	(694 500)	10 621				**2 065 000**

[1] *In September 2009 Paladin Capital Ltd, a subsidiary company, conducted a renounceable rights offer in terms of which PSG Group renounced 64% of its Paladin rights in favour of PSG Group shareholders. In terms of the PSG Group Share Incentive Trust deed, the vesting price of outstanding scheme shares needed to be adjusted to give effect to same. The vesting price of each outstanding PSG Group share was consequently reduced by the 21,362 cents volume weighted average traded price per Paladin right during the time of the rights offer, which equated to 8,972 cents per PSG Group share on the basis of 1 rights offer share for every 2,381 PSG Group shares held.*

Directors' report

continued

EQUITY-BASED REMUNERATION *(continued)*

PSG Group Supplementary Share Incentive Trust

	Number of share options as at 28 Feb 2009	Number of share options during year Granted	Vested	Notional gain/(loss) on share options vested R000	Average market price per share on vesting date R	Vesting price per share option R	Date granted	**Number of share options as at 28 Feb 2010**
PSG Group Ltd share options Equity-settled								
Executive								
WL Greeff		172 197				15,52[1]	20/04/2009	**172 197**
		196 819				18,77[1]	28/08/2009	**196 819**
		26 686				22,09	28/02/2010	**26 686**
	–	395 702	–	–				**395 702**
PJ Mouton		140 935				15,52[1]	20/04/2009	**140 935**
		163 309				18,77[1]	28/08/2009	**163 309**
		151 086				22,09	28/02/2010	**151 086**
	–	455 330	–	–				**455 330**
Non-executive								
JA Holtzhausen[2]		131 454				15,52[1]	20/04/2009	**131 454**
		171 156				18,77[1]	28/08/2009	**171 156**
		154 982				22,09	28/02/2010	**154 982**
	–	457 592	–	–				**457 592**
Total PSG Group Supplementary Share Incentive Trust	–	1 308 624	–	–				**1 308 624**
Total equity-settled	2 759 500	1 308 624	(694 500)	10 621				**3 373 624**

Note

1 *In September 2009 Paladin Capital Ltd, a subsidiary company, conducted a renounceable rights offer in terms of which PSG Group renounced 64% of its Paladin rights in favour of PSG Group shareholders. In terms of the PSG Group Supplementary Share Incentive Trust deed, the vesting price of outstanding share options needed to be adjusted to give effect to same. The vesting price of each outstanding PSG Group share option was consequently reduced by the 21,362 cents volume weighted average traded price per Paladin right during the time of the rights offer, which equated to 8,972 cents per PSG Group share on the basis of 1 rights offer share for every 2,381 PSG Group shares held.*

2 *Executive of subsidiary company.*

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:

Directors' report

continued

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
The company changed its name to 35 Kerk Street Investments Ltd.

The company be authorised to repurchase all of the shares issued by the company to the shareholders of Mainfin (Pty) Ltd, the participants of the Paladin Capital Ltd Share Incentive Scheme and all shareholders of the company other than PSG Financial Services Ltd, subject to the provisions of section 85 to section 88 of the Companies Act and the Articles of Association of the company.

The company be authorised to repurchase any of the shares issued by the company, upon such terms and conditions and in such amounts as the directors of the company may determine from time to time, but subject to the provisions of section 85 to 88 of the Companies Act, the Articles of Association of the company and the Listings Requirements of the JSE Ltd.

The company approved, as a general approval, and authorised 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 amount as the directors of such subsidiary(ies) may determine, but 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 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, as a general approval, and authorised 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 amount as the directors of such subsidiary(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 (if listed) and the requirements of any other stock exchange on which the shares of the acquiree 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 and conditions as the directors may determine, but subject to the provisions of section 85 to 88 of the Companies Act.

PSG Fund Management Group (Pty) Ltd
The company authorised the subdivision of its existing authorised shares from 1 000 000 ordinary par value shares of R0,01 each to 1 000 000 000 ordinary par value shares of R0,00001 each.

Subject to the passing of the special resolution above, the company authorised the subdivision of its existing issued shares, being 16 262 ordinary par value shares of R0,01 each, into 16 362 000 ordinary par value shares of R0,00001 each.

SECRETARY
The secretary of the company is PSG Corporate Services (Pty) Ltd. The business and postal addresses are shown on page 132.

Statements of financial position

as at 28 February 2010

		GROUP		COMPANY	
		2010	2009	**2010**	2009
	Notes	**R000**	R000	**R000**	R000
ASSETS					
Property, plant and equipment	1	**37 959**	32 891		
Intangible assets	2	**780 920**	736 459		
Investment in subsidiary	3			**1 976 884**	1 999 110
Investment in associated companies	4	**4 452 693**	3 568 750		
Deferred income tax	5	**4 071**	28 580		
Financial assets					
Equity securities	6	**1 004 861**	1 232 695		
Debt securities	7	**1 648 671**	1 491 270		
Unit-linked investments	8	**4 960 221**	4 377 827		
Investment in investment contracts	9	**975 001**	1 174 551		
Loans and advances	10	**68 645**	83 418		
Derivative financial instruments	11	**78 156**	30 963		
Receivables	12	**137 623**	665 044		
Cash and cash equivalents	13	**537 502**	704 278	**685**	630
Total assets		**14 686 323**	14 126 726	**1 977 569**	1 999 740
CAPITAL AND RESERVES ATTRIBUTABLE TO THE COMPANY'S EQUITY HOLDERS					
Share capital	14	**1 669**	1 680	**1 909**	1 896
Share premium		**1 817 754**	1 838 787	**1 817 754**	1 838 795
Treasury shares		**(309 361)**	(207 310)		
Other reserves	15	**20 899**	8 472		
Retained earnings		**1 416 015**	1 113 778	**156 039**	156 496
Ordinary shareholders' funds		**2 946 976**	2 755 407	**1 975 702**	1 997 187
Minority interests	16	**2 263 401**	1 863 570		
Total equity		**5 210 377**	4 618 977	**1 975 702**	1 997 187
LIABILITIES					
Insurance contracts	17	**30 344**	30 769		
Deferred income tax	5	**74 486**	67 670		
Financial liabilities					
Borrowings	18	**645 688**	1 297 994		
Derivative financial instruments	11	**78 115**	6 148		
Investment contracts	19	**8 215 825**	7 717 025		
Third-party liabilities arising on consolidation of mutual funds	20	**71 715**	13 752		
Provisions for other liabilities and charges	21	**13 766**	18 481		
Trade and other payables	22	**344 380**	324 275	**1 867**	2 553
Current income tax liabilities		**1 627**	31 635		
Total liabilities		**9 475 946**	9 507 749	**1 867**	2 553
Total equity and liabilities		**14 686 323**	14 126 726	**1 977 569**	1 999 740

Income statements

for the year ended 28 February 2010

		GROUP		COMPANY	
		2010	2009	**2010**	2009
	Notes	**R000**	R000	**R000**	R000
INCOME					
Investment income	23	**460 684**	452 466	**99 000**	217 000
Net fair value gains and losses on financial instruments	24	**688 025**	(965 094)		
Fair value adjustment to investment contract liabilities	19	**(923 987)**	590 879		
Commission and other fee income	25	**1 060 812**	979 704		
Insurance premium income	26	**1 985**	54 019		
Other operating income	27	**44 611**	62 520		
Total income		**1 332 130**	1 174 494	**99 000**	217 000
EXPENSES					
Insurance claims and loss adjustments	26	**1 211**	43 195		
Marketing, administration and other expenses	28	**981 910**	958 758	**627**	1 163
Total expenses		**983 121**	1 001 953	**627**	1 163
Results of operating activities		**349 009**	172 541	**98 373**	215 837
Finance costs	29	**(93 866)**	(93 165)		
Share of profits of associated companies	4	**411 836**	232 957		
Profit before taxation		**666 979**	312 333	**98 373**	215 837
Taxation	30	**(103 308)**	(47 989)		(34 987)
Net profit for the year		**563 671**	264 344	**98 373**	180 850
Attributable to:					
Minority interests		**172 746**	213 272		
Equity holders of the company		**390 925**	51 072	**98 373**	180 850
		563 671	264 344	**98 373**	180 850
Earnings per share (cents)	31				
Basic		**225,8**	30,3		
Diluted		**224,5**	30,2		

Statements of comprehensive income

for the year ended 28 February 2010

		GROUP		COMPANY	
		2010	2009	**2010**	2009
	Notes	**R000**	R000	**R000**	R000
Net profit for the year		**563 671**	264 344	**98 373**	180 850
Other comprehensive income					
Currency translation adjustments		**(1 609)**	136		
Fair value (losses)/gains on available-for-sale investments		**(2 296)**	1 658		
Step acquisition from equity securities to investment in associated companies					
Reversal of previous fair value gains after taxation on equity securities		**(398)**	(162 763)		
Revaluation of assets and liabilities of associated companies		**398**	125 299		
Share of other comprehensive income of associated companies		**3 285**	(12 232)		
Other		**881**	3 680		
Other comprehensive income for the year, net of tax	30	**261**	(44 222)		
Total comprehensive income for the year		**563 932**	220 122	**98 373**	180 850
Attributable to:					
Minority interests		**165 753**	220 215		
Equity holders of the company		**398 179**	(93)	**98 373**	180 850
		563 932	220 122	**98 373**	180 850

Statements of changes in equity

for the year ended 28 February 2010

GROUP	Notes	Share capital and premium R000	Treasury shares R000	Other reserves R000	Retained earnings R000	Minority interests R000	Total R000
Balance at 1 March 2008		1 840 487	(169 219)	13 594	1 610 586	1 773 528	5 068 976
Comprehensive income							
Net profit for the year					51 072	213 272	264 344
Other comprehensive income				(13 701)	(37 464)	6 943	(44 222)
Currency translation adjustments				(259)		395	136
Fair value gains/(losses) on available-for-sale investments				(226)		1 884	1 658
Step acquisition from equity securities to investment in associated companies							
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 other comprehensive income of associated companies				(15 977)		3 745	(12 232)
Other				2 761		919	3 680
Total comprehensive income		–	–	(13 701)	13 608	220 215	220 122
Transactions with owners							
Share-based payment costs – employees				8 579			8 579
Capital reduction by subsidiary						(66 412)	(66 412)
Acquisition of subsidiary	36.3					70 853	70 853
Disposal/dilution of subsidiaries						(5 238)	(5 238)
Treasury shares sold		9	4 469				4 478
Treasury shares acquired		(29)	(42 560)				(42 589)
Acquired from minority interests						(16 113)	(16 113)
Dividend paid					(510 416)	(113 263)	(623 679)
Total transactions with owners		(20)	(38 091)	8 579	(510 416)	(130 173)	(670 121)
Balance at 28 February 2009		1 840 467	(207 310)	8 472	1 113 778	1 863 570	4 618 977
Comprehensive income							
Net profit for the year					**390 925**	**172 746**	**563 671**
Other comprehensive income				**7 254**		**(6 993)**	**261**
Currency translation adjustments				**(1 609)**			**(1 609)**
Fair value losses on investments				**(2 296)**			**(2 296)**
Step acquisition from equity securities to investment in associated companies							
Reversal of previous fair value gains after taxation on equity securities					**(398)**		**(398)**
Revaluation of assets and liabilities of associated companies					**398**		**398**
Share of other comprehensive income of associated companies				**10 278**		**(6 993)**	**3 285**
Other				**881**			**881**
Total comprehensive income		**–**	**–**	**7 254**	**–**	**(6 993)**	**261**
Transactions with owners							
Issue of shares		**119 830**				**357 801**	**477 631**
Share buy-back		**(140 858)**					**(140 858)**
Share-based payment costs – employees				**5 173**			**5 173**
Treasury shares sold			**2 531**				**2 531**
Treasury shares acquired		**(16)**	**(104 582)**				**(104 598)**
Acquired from minority interests						**(4 790)**	**(4 790)**
Dividend paid					**(88 688)**	**(118 933)**	**(207 621)**
Total transactions with owners		**(21 044)**	**(102 051)**	**5 173**	**(88 688)**	**234 078**	**27 468**
Balance at 28 February 2010		**1 819 423**	**(309 361)**	**20 899**	**1 416 015**	**2 263 401**	**5 210 377**

Statements of changes in equity *(continued)*

for the year ended 28 February 2010

COMPANY	Notes	Share capital and premium R000	Treasury shares R000	Other reserves R000	Retained earnings R000	Minority interests R000	Total R000
Balance at 1 March 2008		1 840 691	–	–	542 488	–	2 383 179
Comprehensive income							
Net profit for the year					180 850		180 850
Transactions with owners							
Dividend paid					(566 842)		(566 842)
Balance at 28 February 2009		1 840 691	–	–	156 496	–	1 997 187
Comprehensive income							
Net profit for the year					**98 373**		**98 373**
Transactions with owners							
Issue of shares		**119 830**					**119 830**
Repurchase of shares		**(140 858)**					**(140 858)**
Dividend paid					**(98 830)**		**(98 830)**
Balance at 28 February 2010		**1 819 663**	**–**	**–**	**156 039**	**–**	**1 975 702**

Statements of cash flows

for the year ended 28 February 2010

		GROUP		COMPANY	
		2010	2009	**2010**	2009
	Notes	**R000**	R000	**R000**	R000
Cash retained from operating activities					
Cash generated by operating activities	36.1	**546 231**	(9 671)	**(1 313)**	(4 708)
Interest income		**326 997**	270 337		
Dividend income		**105 503**	182 129	**99 000**	217 000
Finance costs		**(93 866)**	(93 165)		
Taxation paid	36.2	**(105 498)**	(159 562)		(34 963)
Net cash flow from operating activities		**779 367**	190 068	**97 687**	177 329
Cash flows from investing activities					
Acquisition of subsidiaries	36.3	**(30 888)**	(48 012)		
Acquisition of/loans advanced to associated companies		**(497 473)**	(266 977)		
Proceeds from sale of associated companies/repayment of loans		**201 316**	344 874		
Acquisition of intangibles		**(42 633)**	(89 759)		
Proceeds from sale of book of business		**38 990**	10 286		
Proceeds from sale of subsidiaries	36.4	**(2 880)**	97 332		
Proceeds from disposal of fixed assets		**1 239**	1 527		
Purchase of fixed assets		**(17 671)**	(17 535)		
Loans from subsidiary company				**22 226**	389 751
Net cash flow from investment activities		**(350 000)**	31 736	**22 226**	389 751
Cash flows from financing activities					
Dividends and capital distributions paid to group shareholders		**(88 688)**	(510 416)	**(98 830)**	(566 842)
Dividends/capital distributions paid to minority interest		**(118 933)**	(179 675)		
Capital contributions by minority interest		**385 476**	22 623		
Acquired from minorities		**(5 630)**	(41 330)		
Increase in borrowings		**209 060**	176 584		
Purchase of treasury shares by subsidiary company		**(104 598)**	(31 838)		
Treasury shares sold by subsidiary company		**2 531**	4 478		
Shares issued		**119 830**		**119 830**	
Repurchase of shares		**(140 858)**		**(140 858)**	
Net cash flow from financing activities		**258 190**	(559 574)	**(119 858)**	(566 842)
Net increase/(decrease) in cash and cash equivalents		**687 557**	(337 770)	**55**	238
Cash and cash equivalents at beginning of year		**(211 153)**	126 617	**630**	392
Cash and cash equivalents at end of year	36.5	**476 404**	(211 153)	**685**	630

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) and the manner required by the Companies Act of South Africa. 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 2010

New and amended standards adopted by the group

- 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 an 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. The group expanded its disclosure on the reportable segments from three to six segments as disclosed in Annexure B. Comparative information has been re-presented.
- IAS 1 Revised – Presentation of Financial Statements (effective January 2009)
  The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the group presents in the statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. The change in accounting policy only impacts on presentation aspects.
- IAS 23 Revised – Borrowing Costs (effective January 2009)
  In respect of borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 March 2009, the group capitalises borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. In accordance with the transition provisions of the standard; comparative figures have not been restated. The change in accounting policy had no material impact on the group's financial statements.
- Amendment to IAS 27 – Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Joint Controlled Entity or Associate (effective January 2009)
  The amendment 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. The group adopted the amendment prospectively from 1 March 2009. The change in accounting policy had no material impact on the group's financial statements.
- Amendment to IFRS 2 – Share-based Payment Vesting Conditions and Cancellations (effective January 2009)
  The amendment deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The group and company have adopted IFRS 2 (amendment) from 1 March 2009. The amendment does not have a material impact on the group or company's financial statements.

Accounting policies

continued

- Amendments to IFRS 7 Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments (effective January 2009)
  The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The change in accounting policy only results in additional disclosures.

New and amended standards not currently relevant to the group's operations

- 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)
- IFRIC 13 Customer Loyalty Programmes (effective July 2008)
- IFRIC 15 Agreements for the Construction of Real Estate (effective January 2009)
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation (effective October 2008)
- AC 503 Revised – Accounting for Black Economic Empowerment Transactions (effective January 2009)

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 2010 or later periods, but which the group has not early adopted are as follows:

- IFRS 3 Revised – Business Combinations (effective July 2009)
  The revised 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 contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The group will apply IFRS 3 (revised) prospectively to all business combinations from 1 March 2010.
- IAS 27 Revised – Consolidated and Separate Financial Statements (effective July 2009)
  The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions 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 remeasured to fair value, and a gain or loss is recognised in profit or loss. The group will apply IAS 27 (revised) prospectively to transactions with non-controlling interests from 1 March 2010. This will result in a change in accounting policy, since the group currently treats minorities as parties external to the group and subsequent to the revision will treat minorities as equity holders.
- IFRIC 17 Distribution of Non-cash Assets to Owners (effective July 2009)
  This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. IFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable. The group and company will apply IFRIC 17 from 1 March 2010.
- Amendments to IFRS 2 – Group Cash-settled Share-based Payment Transactions (effective January 2010)
  The amendment clarifies the accounting for group cash-settled share-based payment transactions. The entity receiving the goods or services shall measure the share-based payment transaction as equity-settled only when the awards granted are its own equity instruments, or the entity has no obligation to settle the share-based payment transaction. The entity settling a share-based payment transaction when another entity in the group receives the goods or services recognises the transaction as equity-settled only if it is settled in its own equity instruments. In all other cases, the transaction is accounted for as cash-settled. The group will apply the amendments to IFRS 2 prospectively from 1 March 2010.
- IFRS 9 – Financial Instruments (effective January 2013)
  The new standard improves and simplifies the approach for classification and measurement of financial assets compared with the requirements of IAS 39. IFRS 9 applies a consistent approach to classifying financial assets and replaces the numerous categories of

Accounting policies

continued

financial assets in IAS 39, each of which had its own classification criteria. IFRS 9 also results in one impairment method, replacing the numerous impairment methods in IAS 39 that arise from the different classification categories.

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 18 Transfers of Assets from Customers (effective July 2009)
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective July 2010)
- Amendment to IFRIC 9 – Reassessment of Embedded Derivatives and IAS 39 – Financial Instruments: Recognition and Measurement (effective July 2009)
- AC 504 – IAS 19 (AC 116) – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction in the South African Pension Fund Environment (effective April 2009)
- Amendments to IAS 32 Classification of Rights Issues (effective February 2010)
- Amendments to IAS 39 Financial Instruments: Recognition and Measurement Eligible Hedged Items (effective July 2009)
- Amendments to IAS 24 Related Party Disclosures (effective January 2011)

GROUP FINANCIAL STATEMENTS

The group annual financial statements comprise those of the company, its subsidiaries, associated companies and the share incentive trusts ("share trusts").

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 trusts have been consolidated into the financial results of the group, as the group has effective control over these shares.

Accounting policies

continued

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

Mutual funds

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

Transactions with minorities

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

Associated companies

Associated companies are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associated companies are accounted for by the equity method of accounting and are initially recognised at cost. The group's investment in associated companies includes goodwill (net of any accumulated impairment loss) identified on acquisition (see note 4).

The results of associated companies are accounted for according to the equity method, based on their most recent audited financial statements or latest management information. Equity accounting involves recognising the group's share of its associated companies' post-acquisition profits or losses in the income statement, and its share of post-acquisition movements in other comprehensive income, in the statement of comprehensive income. 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 other comprehensive income. The pre-associate interest in identifiable net assets is also stepped up to fair value through other comprehensive income. 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 and preference shares to associated companies are disclosed as part of the carrying amount of the investment.

SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive committee that makes strategic decisions.

Accounting policies

continued

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 recognised in the statement of comprehensive income and included in the fair value reserve in equity.

Group companies

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

- Assets and liabilities are translated at the closing rate at the date of the statement of financial position.
- Income and expenses 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 in the statement of comprehensive income and 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 statement of financial position date.

Accounting policies

continued

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 statement of financial position 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. The groups of cash-generating units are not larger than operating segments.

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

Trademarks

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

Accounting policies

continued

IMPAIRMENT OF NON-FINANCIAL ASSETS

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

FINANCIAL INSTRUMENTS

Financial instruments recognised on the statement of financial position 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 statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

FINANCIAL ASSETS

The group classifies its financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, available-for-sale financial 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.

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.

Financial assets designated as at fair value through profit or loss at inception relating to the group's linked insurance company, PSG FutureWealth, are those that are held in internal funds to match insurance and investment contract liabilities that are linked to the changes in fair value of these assets. The designation of these assets to be at fair value through profit or loss eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

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.

Accounting policies

continued

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 not carried at fair value through profit or loss, are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. 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 the statement of comprehensive income. 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 does not apply hedge accounting other than the hedging activities for contracts for difference.

Loans advanced to associated companies and subsidiaries, which are interest-free with no repayment terms, are carried at amortised cost using the effective-interest method. Discounting of these loans does not have a material effect on the carrying amount.

Impairment of financial assets

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

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

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.

DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are recognised initially at fair value on the date on which a derivative contract is entered into. Subsequent to initial recognition, derivative financial instruments are measured at fair value. Fair values of over-the-counter derivatives are obtained using valuation techniques, including discounted cash flow models and option pricing models.

Accounting policies

continued

The best evidence of fair value of a derivative at initial recognition is the transaction price (i.e. the fair value of the consideration given or 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 observable market data.

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 DIFFERENCE (CFD)

The group enters into contracts for difference 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.

CFD positions with clients are funded with equal and opposite CFD positions with other financial institutions. External funding is only used on an intra-day basis to purchase the underlying equity positions which are then delivered to the financial institution, at the end of each business day, for settlement of the intra-day funding provided. The CFD positions are classified as financial assets or liabilities at fair value through profit or loss.

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

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 maturities of three months or less, and bank overdrafts. Bank overdrafts are included within borrowings on the statement of financial position.

SHARE CAPITAL

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

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

Subsidiary preference shares

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

INSURANCE AND INVESTMENT CONTRACTS – CLASSIFICATION

A distinction is made between investment contracts (which fall within the scope of IAS 39, Financial Instruments: Recognition and Measurement) and insurance contracts (where the financial soundness valuation (FSV) method continues to apply, subject to certain requirements specified in IFRS 4, Insurance Contracts). A contract is classified as insurance where the group accepts significant insurance risk by agreeing with the policyholder to pay benefits if a specified uncertain future event (the insured event) adversely affects

Accounting policies

continued

the policyholder or other beneficiary. Significant insurance risk exists where it is expected that for the duration of the policy or part thereof, policy benefits payable on the occurrence of the insured event will exceed the amount payable on early termination before allowance for expense deductions at early termination. Once a contract has been classified as an insurance contract, the classification remains unchanged for the remainder of its lifetime, even if the insurance risk reduces significantly during this period.

Investment contracts are those contracts that transfer financial risk with no significant insurance risk. These contracts are measured at the fair value of the corresponding financial assets.

INSURANCE CONTRACTS

Policyholder contracts that transfer significant insurance risk are classified as insurance contracts. These contracts are valued in terms of the FSV basis contained in PGN 104 issued by the Actuarial Society of South Africa.

Insurance contracts are valued as the present value of future cash flows due to benefit payments and administration expenses that are directly related to the contract discounted at the rate of return at year-end on the assets backing the policyholder funds. Future cash flows are projected on a best estimate basis with an allowance for compulsory margins for adverse deviations as prescribed by PGN 104. Best estimate assumptions are required for future investment returns, expenses, persistency, mortality and other factors that may impact on the financial position of the group. As per PGN 104, contractual premium increases are allowed for, but future voluntary premium increases are ignored.

In addition, certain discretionary margins are created to allow profits to emerge over the lifetime of the policy to reflect the small number of policies and associated volatility. Where the number of policies is small the prescribed margins alone do not result in an acceptable probability of the total reserve being sufficient to meet all liabilities.

The financial soundness methodology includes allowance for liability adequacy testing to ensure that the carrying amount of technical provisions is sufficient in view of estimated future cash flows. Where a shortfall is identified an additional provision is made.

The group reflects premium income relating to insurance business on a gross basis together with the gross amount of any reinsurance premiums. All premiums are accounted for when they become due and payable.

The group shows the gross amount of policyholder benefit payments in respect of insurance contracts together with the gross reinsurance recoveries and accounts for such transactions when claims are intimated.

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 investment 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 reflecting 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 statement of financial position 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

For investment contracts with fixed and guaranteed terms, the amortised cost basis is used. In this case, the liability is initially measured at its fair value less transaction costs that are incremental and directly attributable to the acquisition or issue of the contract.

Subsequent measurement of investment contracts at amortised cost uses the effective-interest method. This method requires the determination of an interest rate (the effective interest rate) that exactly discounts to the net carrying amount of the financial liability, the estimated future cash payments or receipts through the expected life of the financial instrument.

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.

DEFERRED REVENUE LIABILITY (DRL)

Service fee income on investment management contracts is recognised on an accrual basis as and when the services are rendered. A DRL is recognised in respect of upfront fees, which are directly attributable to a contract that is charged for securing the investment management service contract. The DRL is then amortised to revenue when the services are provided, over the expected duration of the contract on a straight-line basis.

CURRENT AND DEFERRED INCOME TAX

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position 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 statement of financial position 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.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Accounting policies

continued

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 statement of financial position date, the entity revises its estimates of the number of scheme shares that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period. The proceeds received from employees are credited to the loan account.

If the group cancels or settles a grant of equity instruments during the vesting period, the group accounts for the cancellation or settlement of the grant and recognises 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 statement of financial position 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 statement of financial position 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.

Accounting policies

continued

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax 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.

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 is 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 dual 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 dividends in the following year to utilise such STC credits.

Accounting policies

continued

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 statement of financial position 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 statement of financial position but are disclosed in the notes to the financial statements if the inflow of financial benefits is probable.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

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

Estimated impairment of goodwill

The group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy on goodwill. The recoverable amounts of cash-generating units have been determined based on value-in-use and fair value less cost to sell calculations. These calculations require the use of estimates (see note 2).

Fair value of derivatives and other unlisted financial instruments

The fair value of financial instruments that are trading on recognised over-the-counter (OTC) platforms is based on the closing 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.

Expense provisions

Management uses its discretion to make an estimate of the expenditure required to settle the present obligation at the statement of financial position 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 per cent 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 is 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:

Accounting policies

continued

Assumptions	**2010 Range**	2009 Range
Weighted average cost of capital	**14% – 19%**	12,5% – 16%
Growth rate	**0% – 25%**	0% – 25%
Terminal growth rate	**6%**	5,3%
Risk-free rate	**8,3%**	7,8%

Impairment of investments

An impairment of investments is considered when the fair value is below its carrying value. In determining 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 and changes in operational and financing cash flow.

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

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

Acquisition of associated companies

During the year new investments, and further investments in existing associated companies were made. 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 2010

	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 2010					
	Cost	**6 290**	**10 119**	**30 193**	**29 690**	**76 292**
	Accumulated depreciation	**(791)**	**(2 633)**	**(13 766)**	**(21 143)**	**(38 333)**
	Balance at end of year	**5 499**	**7 486**	**16 427**	**8 547**	**37 959**
	Reconciliation					
	Balance at beginning of year	**2 754**	**6 989**	**12 825**	**10 323**	**32 891**
	Additions	**2 928**	**1 115**	**8 262**	**5 366**	**17 671**
	Disposals	**(57)**	**(96)**	**(385)**	**(798)**	**(1 336)**
	Depreciation	**(126)**	**(574)**	**(4 468)**	**(6 244)**	**(11 412)**
	Subsidiaries acquired		**52**	**217**	**56**	**325**
	Subsidiaries sold			**(24)**	**(156)**	**(180)**
	Balance at end of year	**5 499**	**7 486**	**16 427**	**8 547**	**37 959**
	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

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 2010, as determined by the directors of the relevant property-owning group companies, amounted to R17 130 000 (2009: R14 340 000).

Notes to the annual financial statements

for the year ended 28 February 2010

	GROUP	Deferred acquisition costs R000	Customer lists R000	Trademarks and other R000	Goodwill R000	Total R000
2.	**INTANGIBLE ASSETS**					
	As at 28 February 2010					
	Cost	**68 726**	**276 841**	**45 165**	**521 737**	**912 469**
	Accumulated amortisation	**(65 252)**	**(52 022)**	**(14 275)**		**(131 549)**
	Balance at end of year	**3 474**	**224 819**	**30 890**	**521 737**	**780 920**
	Reconciliation					
	Balance at beginning of year	**19 427**	**196 040**	**35 238**	**485 754**	**736 459**
	Additions	**1 351**	**31 801**	**2 446**	**7 035**	**42 633**
	Disposals	**(15 687)**	**(13 058)**	**(2 438)**	**(7 807)**	**(38 990)**
	Acquisition of subsidiaries		**23 824**		**37 643**	**61 467**
	Realised on disposal of subsidiaries				**(888)**	**(888)**
	Impairment		**(480)**			**(480)**
	Amortisation	**(1 617)**	**(13 308)**	**(4 356)**		**(19 281)**
	Balance at end of year	**3 474**	**224 819**	**30 890**	**521 737**	**780 920**
	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

Details on impairment tests performed

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

	GROUP 2010 R000	GROUP 2009 R000
Capitec	**186 620**	186 620
Paladin	**67 408**	67 408
PSG Konsult	**257 560**	220 484
PSG Fund Management	**10 149**	11 242
	521 737	485 754

Notes to the annual financial statements

for the year ended 28 February 2010

2. INTANGIBLE ASSETS *(continued)*

PSG Konsult and PSG 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. The average of price-earnings ratios used was 6.5 (2009: 6.5).

Capitec and Paladin

For listed and unlisted investments, the recoverable amount is determined based on the higher of fair value less cost to sell and 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:

	2010	2009
Risk-free rate	**8,3%**	7,8%
Growth rate ranging from	**0% – 25%**	0% – 25%
Terminal growth rate	**6%**	5,3%
Discount rate ranging from	**14% – 19%**	12,5% – 16%

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

The growth rates assumed are based on board approved budgets of the relevant businesses, and the risk free rate determined with reference to the risk bond yields.

	COMPANY	
	2010	2009
	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	**1 168 702**	1 190 928
	1 976 884	1 999 110

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

The directors' valuation of the investment in the subsidiary is at least equal to the book value.

Refer Annexure A

Notes to the annual financial statements

for the year ended 28 February 2010

	GROUP 2010 R000	GROUP 2009 R000
4. INVESTMENT IN ASSOCIATED COMPANIES		
Carrying value of shares		
Listed	**1 696 763**	1 503 332
Unlisted	**2 329 232**	1 749 474
	4 025 995	3 252 806
Loans and preference shares – Unlisted	**426 698**	315 944
Preference share investments (including accrued dividends)		
Thembeka Capital Ltd		
"A" preference shares	**134 518**	119 079
The preference shares are unsecured, carry a dividend rate of prime plus 1% and are redeemable on 1 December 2015.		
"B" preference shares	**50 139**	45 078
The preference shares are unsecured, carry a dividend rate of 95% of prime and are redeemable on 1 December 2015.		
Thembeka Agri Holdings (Pty) Ltd	**16 911**	15 194
The preference shares are unsecured, carry a dividend rate of prime plus 2%, and capital and accrued dividends are redeemable on 2 October 2010.		
Thembeka OVB Holdings (Pty) Ltd	**58 414**	
The preference shares are unsecured, carry a dividend rate of prime, and capital and accrued dividends are redeemable on 3 March 2016.		
Thembeka Crete Holdings (Pty) Ltd (formerly Arch Equity Communications (Pty) Ltd	**97 001**	92 651
The preference shares are secured, carry a dividend rate of prime plus 4%, and capital and accrued dividends are redeemable on 1 December 2012.		
8 Mile Investments 41 (Pty) Ltd	**38 560**	36 942
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.		
Thembeka Brand Holdings (Pty) Ltd	**3 581**	
The preference shares are unsecured, carry a fixed dividend rate of 11,85 %, and capital and accrued dividends are redeemable on 16 January 2015.		
Loans		
GRW Holdings (Pty) Ltd	**8 700**	
Unsecured loan bearing interest at prime, and is repayable within 12 months.		
GRW Holdings (Pty) Ltd	**1 822**	
Secured loan bearing interest at prime plus 2%, and is repayable within 12 months. The loan is secured by means of a rights offer by GRW Holdings (Pty) Ltd if payment terms are not met.		
AIC Holding Company (Pty) Ltd	**10 286**	
Unsecured loan, no interest and with no fixed repayment terms.		
Spirit Capital (Pty) Ltd	**5 000**	
Secured loan bearing interest at prime plus 4%, and is repayable on 31 May 2011.		
Spirit Capital (Pty) Ltd	**1 766**	
Unsecured loan bearing interest at prime plus 4%, and is repayable on 31 May 2011.		
Target Investments (Pty) Ltd		7 000
Unsecured loan, no interest and with no fixed repayment terms. The loan was fully impaired during 2010.		
	4 452 693	3 568 750

Notes to the annual financial statements

for the year ended 28 February 2010

		GROUP	
		2010	2009
		R000	R000
4.	**INVESTMENT IN ASSOCIATED COMPANIES** *(continued)*		
	Loans and preference shares – Unlisted		
	Current portion	**76 279**	12 405
	Non-current portion	**350 419**	303 539
		426 698	315 944
	Reconciliation		
	Carrying value at beginning of year	**3 252 806**	3 228 852
	Equity accounted earnings:		
	Share of profit after tax	**472 706**	262 943
	Impairment charges	**(60 870)**	(29 986)
	Movement in investment value:		
	Dividends received	**(135 598)**	(95 880)
	Acquisitions	**474 048**	226 225
	Disposal of associated companies	**(22 518)**	(475 905)
	Dilution of interest in associated companies	**(11 645)**	(3 813)
	Transfer from subsidiaries	**2 383**	5 845
	Step acquisition from equity securities to investment in associated companies		
	Transfer from equity securities at cost	**52 366**	29 496
	Revaluation of assets and liabilities of associated companies	**398**	125 299
	Treasury shares held by associated companies		(8 038)
	Share of movement in reserves of associated companies	**3 285**	(12 232)
	Other exchange differences	**(1 366)**	
	Carrying value at end of year	**4 025 995**	3 252 806
	Market value of listed investments	**2 870 605**	1 163 497
	Directors' valuation of unlisted investments	**2 920 200**	2 122 997

Significant acquisitions during the year included further investments in Kaap Agri Ltd and Capevin Holdings Ltd, to the amount of R116,6 million and R164,7 million, respectively. Investments were also made in KWV Holdings Ltd and Curro Holdings (Pty) Ltd, to the amount of R60 million and R50 million, respectively.

The impairment charges recognised on the investment in associated companies were calculated on the basis set out in the accounting policy, and making use of the assumptions set out in the critical accounting estimates and judgements note.

The investment in GRW Holdings, an aluminium and steel road tanker manufacturer which was severely affected by the downturn in the economy, had been impaired by R52 million.

Refer Annexure A for further information.

The impairment charges recognised on the investment in associated companies can be allocated to the operating segments as follows:

Notes to the annual financial statements

for the year ended 28 February 2010

	GROUP		COMPANY	
	2010	2009	**2010**	2009
	R000	R000	**R000**	R000
4. INVESTMENT IN ASSOCIATED COMPANIES *(continued)*				
Paladin	**(60 870)**	(10 052)		
Other		(19 934)		
	(60 870)	(29 986)		
5. DEFERRED INCOME TAX				
Deferred income tax assets	**4 071**	28 580		
Deferred income tax liabilities	**(74 486)**	(67 670)		
Net deferred income tax liabilities	**(70 415)**	(39 090)	**–**	–
Deferred income tax assets				
To be recovered within 12 months	**3 091**	24 193		
To be recovered after 12 months	**980**	4 387		
	4 071	28 580	**–**	–
Deferred income tax liabilities				
To be recovered within 12 months	**41 643**	4 727		
To be recovered after 12 months	**32 843**	62 943		
	74 486	67 670	**–**	–

GROUP	Provisions R000	Tax losses and STC R000	Unrealised profits R000	Intangible assets and other differences R000	Total R000
The movement in the deferred tax asset and liabilities during the year was as follows:					
At 1 March 2008	(10 325)	3 055	86 610	48 101	127 441
Charges/(Credit) 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 investment in associated companies through other comprehensive income			(26 654)		(26 654)
At 28 February 2009	(7 569)	(23 765)	17 551	52 873	39 090
(Credit)/charges to income statement	**(97)**	**11 447**	**15 480**	**988**	**27 818**
Disposal of subsidiary	**12**	**153**	**328**	**(4)**	**489**
Acquisition of subsidiary				**3 018**	**3 018**
At 28 February 2010	**(7 654)**	**(12 165)**	**33 359**	**56 875**	**70 415**

Notes to the annual financial statements

for the year ended 28 February 2010

COMPANY	Provisions R000	Tax losses and STC R000	Unrealised profits R000	Intangible assets and other differences R000	Total R000
5. DEFERRED INCOME TAX *(continued)*					
At 1 March 2008	–	(24)	–	–	(24)
Charges to income statement		24			24
At 28 February 2009	–	–	–	–	–
Charges to income statement					
At 28 February 2010	**–**	**–**	**–**	**–**	**–**

The STC liability, should all distributable reserves be paid out, amounts to R124 781 000 (2009: R101 253 000).

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

The total temporary differences relating to investments in associated companies and subsidiaries, for which deferred tax liabilities have not been recognised, are approximately R274 150 000 (2009: R122 926 000).

The deferred income tax assets and liabilities were calculated on all temporary differences under the liability method using an effective tax rate of 28% (2009: 28%). For STC credits the rate used was 10% (2009: 10%).

The recoverability of the deferred income tax assets were assessed as set out in the accounting policies.

	GROUP 2010 R000	GROUP 2009 R000
6. EQUITY SECURITIES		
Direct equity investments	**222 203**	688 718
Quoted	**148 360**	573 312
Unquoted	**73 843**	115 406
Investments linked to investment contracts (refer note 19)	**782 658**	543 977
Quoted	**782 658**	543 977
Unquoted		
	1 004 861	1 232 695

Included in quoted equity securities are listed investments to the value of R789 435 000 (2009: R946 568 000).

Notes to the annual financial statements

for the year ended 28 February 2010

	GROUP	Available-for-sale R000	Fair value through profit or loss R000	Total R000
6.	**EQUITY SECURITIES** *(continued)*			
	Reconciliation of movements			
	Carrying amount at 1 March 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/(losses) and reinvestments	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 investment in associated companies through other comprehensive income		(189 417)	(189 417)
	Carrying amount at 28 February 2009	38 549	1 194 146	1 232 695
	Additions		**410 768**	**410 768**
	Disposals	**(22 463)**	**(706 345)**	**(728 808)**
	Subsidiary sold	**(16 372)**		**(16 372)**
	Unrealised fair value net gains and reinvestments	**2 075**	**157 332**	**159 407**
	Transfer to investment in associated companies at cost		**(52 366)**	**(52 366)**
	Reversal of previous fair value gains on equity securities transfer to investment in associated companies through other comprehensive income		**(463)**	**(463)**
	Carrying amount at 28 February 2010	**1 789**	**1 003 072**	**1 004 861**

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

		GROUP 2010 R000	GROUP 2009 R000
	Current portion	**301 836**	418 190
	Non-current portion	**703 025**	814 505
		1 004 861	1 232 695
7.	**DEBT SECURITIES**		
	Direct equity investments	**34 910**	–
	Quoted	**34 910**	
	Unquoted		
	Investments linked to investment contracts (refer note 19)	**1 613 761**	1 491 270
	Quoted	**226 494**	64 284
	Unquoted	**1 387 267**	1 426 986
		1 648 671	1 491 270

Notes to the annual financial statements

for the year ended 28 February 2010

	GROUP	Held-to-maturity R000	Fair value through profit or loss R000	Total R000
7.	**DEBT SECURITIES** *(continued)*			
	Reconciliation of movements			
	Carrying amount at 1 March 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/(losses) and reinvestments		(12 098)	(12 098)
	Finance income	12 008		12 008
	Transfer to unit-linked investments		(4 254)	(4 254)
	Carrying amount at 28 February 2009	303 708	1 187 562	1 491 270
	Additions	**133 191**	**397 590**	**530 781**
	Disposals	**(25)**	**(522 772)**	**(522 797)**
	Unrealised fair value net gains and reinvestments		**108 520**	**108 520**
	Finance income	**40 897**		**40 897**
	Carrying amount at 28 February 2010	**477 771**	**1 170 900**	**1 648 671**

	GROUP 2010 R000	GROUP 2009 R000
Current portion	**114 389**	57 760
Non-current portion	**1 534 282**	1 433 510
	1 648 671	1 491 270

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.

		GROUP 2010 R000	GROUP 2009 R000
8.	**UNIT-LINKED INVESTMENTS**		
	Direct investments	**292 661**	122 289
	Quoted	**267 507**	113 640
	Unquoted	**25 154**	8 649
	Investments linked to investment contracts (refer note 19)	**4 667 560**	4 255 538
	Quoted	**3 235 729**	3 235 809
	Unquoted	**1 431 831**	1 019 729
		4 960 221	4 377 827

Notes to the annual financial statements

for the year ended 28 February 2010

GROUP	Fair value through profit or loss R000	Total R000
8. UNIT-LINKED INVESTMENTS *(continued)*		
Reconciliation of movements		
Carrying amount at 1 March 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 and reinvestments	(353 140)	(353 140)
Carrying amount at 28 February 2009	4 377 827	4 377 827
Additions	**1 556 303**	**1 556 303**
Disposals	**(1 773 891)**	**(1 773 891)**
Subsidiaries sold	**(13 752)**	**(13 752)**
Acquisition of subsidiary	**69 519**	**69 519**
Unrealised fair value net gains and reinvestments	**744 215**	**744 215**
Carrying amount at 28 February 2010	**4 960 221**	**4 960 221**

	GROUP 2010 R000	GROUP 2009 R000
Current portion	**992 672**	
Non-current portion	**3 697 549**	4 377 827
	4 960 221	4 377 827

* *The comparative figure has been reclassified from current to non-current.*

	GROUP 2010 R000	GROUP 2009 R000
9. INVESTMENT IN INVESTMENT CONTRACTS		
Reconciliation of movements		
Balance at beginning of year	**1 174 551**	1 160 271
Investment contract premiums paid	**161 247**	486 179
Investment contract benefits received	**(410 067)**	(444 730)
Fair value adjustment to investment contracts and reinvestments	**49 270**	(27 169)
Balance at end of year	**975 001**	1 174 551
Current portion	**242 859**	402 699
Non-current portion	**732 142**	771 852
	975 001	1 174 551
Held at fair value through profit or loss	**675 389**	1 174 551
Held-to-maturity	**299 612**	
	975 001	1 174 551

Notes to the annual financial statements

for the year ended 28 February 2010

	GROUP 2010 R000	GROUP 2009 R000
10. LOANS AND ADVANCES		
Direct investments	**68 645**	83 230
Secured loans	**674**	35 447
Unsecured loans	**67 971**	47 783
Investments linked to investment contracts (refer note 19)		
Unsecured loans		188
	68 645	83 418
Current portion	**56 870**	65 892
Non-current portion	**11 775**	17 526
	68 645	83 418

The secured loans are secured by pledge of unquoted shares.

The effective interest rates applied to calculate fair values ranged from 9,5% to 11,5% (2009: 11,5% to 13%).

	GROUP 2010 R000	GROUP 2009 R000
11. DERIVATIVE FINANCIAL INSTRUMENTS		
Derivative financial assets	**78 156**	30 963
Direct investments in derivatives	**78 156**	4 695
Derivatives linked to investment contracts (refer note 19)		26 268
Derivative financial liabilities	**(78 115)**	(6 148)
Net derivative financial instruments	**41**	24 815
Derivative financial assets		
Current portion	**78 156**	26 937
Non-current portion		4 026
Derivative financial liabilities		
Current portion	**(78 115)**	(6 148)
Non-current portion		
	41	24 815
Analysis of net derivative balance:		
Equity/index contracts:		
Fixed-for-variable interest rate swap (refer note 37)	**(2 222)**	4 026
Exchange traded		20 789
Contracts for difference	**2 263**	
	41	24 815

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

Notes to the annual financial statements

for the year ended 28 February 2010

	GROUP		COMPANY	
	2010	2009	**2010**	2009
	R000	R000	**R000**	R000
12. RECEIVABLES				
Trade receivables	**74 856**	136 082		
Brokers and clearing houses	**28 137**	26 456		
Contracts for difference	**26 565**	282 110		
Proceeds due from sale of associate		200 563		
Prepayments and sundry debtors	**8 065**	19 833		
Total trade and other receivables	**137 623**	665 044		
Current portion	**136 319**	663 004		
Non-current portion	**1 304**	2 040		
	137 623	665 044		
13. CASH AND CASH EQUIVALENTS				
Cash at bank and money market funds	**398 653**	658 687	**685**	630
Short-term deposits	**138 849**	45 591		
	537 502	704 278	**685**	630

The effective interest rate on short-term deposits was 7% (2009: 10,5%). These deposits have an average maturity of 30 days or less.

Cash and cash equivalents included above relating to investment contract liabilities amounted to R176 845 000 (2009: R225 233 000).

	GROUP		COMPANY	
	2010	2009	**2010**	2009
14. SHARE CAPITAL				
Authorised				
400 000 000 shares with a par value of 1 cent each (2009: 400 000 000)	**4 000**	4 000	**4 000**	4 000
Issued				
190 952 820 shares with a par value of 1 cent each (2009: 189 579 385)	**1 909**	1 896	**1 909**	1 896
13 873 895 shares held by a subsidiary company (2009: 13 873 895)	**(139)**	(139)		
4 900 000 shares held by an associated company (2009: 4 851 028)	**(49)**	(49)		
5 184 614 shares held by share incentive trusts (2009: 2 834 500)	**(52)**	(28)		
	1 669	1 680	**1 909**	1 896

Unissued shares, limited to 5% of the number of the company's shares in issue at 28 February 2009, 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.

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for the year ended 28 February 2010

14. SHARE CAPITAL *(continued)*

Share schemes

During the year PSG Group had two share incentive schemes, being the deferred delivery and supplementary share schemes (2009: two share 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 prior year.

For the equity-settled schemes the shares/share options 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 delivery/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/share options granted in terms of the equity-settled share schemes during the period under review, calculated using the Black and Scholes valuation model, was R2,99 (2009: R5,67) per share.

Significant inputs into the model are the scheme share/option exercise price at date of issue ranging between R15,52 and R22,09 (2009: R19,83), 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 33,55% and 37,24% (2009: 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 ranged between 33,55% and 37,24% (2009: 33,8%).
- The long-term average dividend yield used ranged between 2,12% and 2,56% (2009: 3,2%) and increased by the risk-free rate and equity premium over the period of the share scheme 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.

The total share-based payment costs (excl. cancellation charges) recognised in the statement of comprehensive income was R5 173 000 (2009: R8 579 000). A share-based payment reserve of R24 209 000 (2009: R19 036 000) was recognised as part of equity and represents the fair value of the shares determined at grant date.

PSG Group Share Incentive Trust

The PSG Group Share Incentive Trust currently holds 2 095 000 (2009: 2 834 500) PSG Group Ltd shares which have been allocated to participants at a total consideration of R30,2 million (2009: R38,4 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	
	2010	2009
Number of shares allocated at beginning of year	**2 834 500**	3 712 847
Number of shares allocated during the year		1 620 000
Number of shares released to participants during the year	**(739 500)**	(1 147 044)
Number of shares cancelled during the year		(1 351 303)
Number of shares allocated at end of year	**2 095 000**	2 834 500

The weighted average market share price of the shares released during the year amounted to R18,43 (2009: R16,88).

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14. SHARE CAPITAL *(continued)*

Granting of shares occurred as follows:	Number of shares	Price R
28 April 2004	30 000	0,27*^
13 July 2004	330 000	0,48*^
12 October 2004	73 000	1,92*^
26 October 2006	162 000	20,16*^
21 April 2008	1 000 000	17,81
23 April 2008	500 000	17,59
	2 095 000	

* *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.*

^ *In September 2009 Paladin Capital Ltd, a subsidiary company, conducted a renounceable rights issue in terms of which PSG Group renounced 64% of its Paladin rights in favour of PSG Group shareholders. In terms of the PSG Group Share Incentive Trust deed, the vesting price of outstanding scheme shares needed to be adjusted to give effect to same. The vesting price of each outstanding PSG Group share was consequently reduced by the 21,362 cents volume weighted average traded price per Paladin right during the time of the rights issue, which equated to 8,972 cents per PSG share on the basis of 1 rights offer share for every 2,381 PSG Group shares held.*

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

Analysis of outstanding scheme shares by year of maturity	**2010** Weighted average strike price (R)	**2010** Number	2009 Weighted average strike price (R)	2009 Number
Financial year-end				
2009/10			5,17	739 500
2010/11	**10,20**	**955 000**	12,29	955 000
2011/12	**18,04**	**429 000**	20,13	429 000
2012/13	**18,00**	**336 000**	20,09	336 000
2013/14	**17,74**	**225 000**	19,83	225 000
2014/15	**17,74**	**150 000**	19,83	150 000
		2 095 000		2 834 500

Notes to the annual financial statements

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14. SHARE CAPITAL *(continued)*

PSG Group Supplementary Share Incentive Trust

The PSG Group Supplementary Share Incentive Trust currently holds 3 089 614 (2009: nil) PSG Group Ltd shares which have been allocated to participants at a total consideration of R44,8 million (2009: Rnil). 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 **2010**	2009
Number of shares allocated during the year, and at end of year	**2 457 448**	–

Granting of shares occurred as follows:	Number of shares	Price R
20 April 2009	**855 572**	15,52^
28 August 2009	**1 157 079**	18,77^
28 February 2010	**444 797**	22,09
	2 457 448	

^ *In September 2009 Paladin Capital Ltd, a subsidiary company, conducted a renounceable rights issue in terms of which PSG Group renounced 64% of its Paladin rights in favour of PSG Group shareholders. In terms of the PSG Group Supplementary Share Incentive Trust deed, the vesting price of outstanding scheme share options needed to be adjusted to give effect to same. The vesting price of each outstanding PSG Group share option was consequently reduced by the 21,362 cents volume weighted average traded price per Paladin right during the time of the rights issue, which equated to 8,972 cents per PSG share on the basis of 1 rights offer share for every 2,381 PSG Group shares held.*

Vesting of shares occurs as follows:	%
2 years after grant date	25
3 years after grant date	25
4 years after grant date	25
5 years after grant date	25
	100

Analysis of outstanding scheme shares by year of maturity	**2010** Weighted average strike price (R)	**2010** Number	2009 Weighted average strike price (R)	2009 Number
Financial year-end				
2011/12	**18,24**	**614 362**		
2012/13	**18,24**	**614 362**		
2013/14	**18,24**	**614 362**		
2014/15	**18,24**	**614 362**		
		2 457 448		–

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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 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
Share-based payment costs – employees			**5 173**		**5 173**
Share of movement in reserves of associated companies				**10 278**	**10 278**
Currency translation adjustments		**(1 609)**			**(1 609)**
Fair value losses on investments	**(2 296)**				**(2 296)**
Other				**881**	**881**
Balance as at 28 February 2010	**(1 675)**	**(967)**	**24 209**	**(668)**	**20 899**

	2010 R000	2009 R000
16. MINORITY INTEREST		
Minority interest	**1 712 098**	1 302 524
Cumulative, non-redeemable, non-participating preference shares of subsidiary company	**551 303**	561 046
	2 263 401	1 863 570

Cumulative, non-redeemable, non-participating preference shares of subsidiary company

Authorised

10 000 000 (2009: 10 000 000) cumulative, non-redeemable, non-participating preference shares of R1,00 (2009: R1,00) each.

Issued

5 500 000 (2009: 5 500 000) cumulative, non-redeemable, non-participating preference shares of R1,00 (2009: R1,00) each.

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

Notes to the annual financial statements

for the year ended 28 February 2010

		GROUP	
		2010	2009
		R000	R000
17.	**INSURANCE CONTRACTS**		
	Balance at beginning of year	**30 769**	1 739
	Liabilities released for payments on death, surrender and other terminations for the year	**(3 201)**	(1 959)
	Fees deducted from account balances	**(239)**	(164)
	Transfer to policyholder funds	**3 976**	31 153
	Deconsolidation of subsidiary	**(961)**	
	Balance at end of year	**30 344**	30 769
18.	**BORROWINGS**		
	Non-current		
	Redeemable preference shares	**200 000**	
	Unsecured loans	**171 890**	148 697
	Unsecured bonds	**110 000**	110 000
	Secured loans	**55 714**	66 063
	Total non-current borrowings	**537 604**	324 760
	Current		
	Bank overdrafts and CFD facilities	**61 098**	915 431
	Unsecured loans	**42 263**	21 802
	Unsecured bonds	**4 520**	4 520
	Secured loans	**203**	31 481
	Total current borrowings	**108 084**	973 234
	Total borrowings	**645 688**	1 297 994

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

The secured loans and redeemable preference shares are secured by the pledge of listed shares to the value of R2 430 034 000 (2009: R69 923 300). 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 9% and 13% (2009: 11% and 14%).

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

– PSG01 Bond, nominal issued value R110 000 000. The maturity date is 12 October 2011 and the bond bears interest at a rate of 10,79% p.a. fixed. Accrued interest amounts to R4 520 000 (2009: R4 520 000).

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	GROUP	
	2010	2009
	R000	R000
19. INVESTMENT CONTRACTS		
Balance at beginning of year	**7 717 025**	7 535 673
Investment contract receipts	**1 519 097**	3 094 856
Investment contract benefits paid	**(1 910 359)**	(2 290 628)
Commission and administration expenses	**(33 925)**	(31 997)
Fair value adjustment to investment contract liability	**923 987**	(590 879)
Balance at end of year	**8 215 825**	7 717 025
Current portion	**1 510 470**	890 276
Non-current portion	**6 705 355**	6 826 749
	8 215 825	7 717 025
Held at fair value through profit or loss	**7 396 927**	7 717 025
At amortised cost	**818 898**	
	8 215 825	7 717 025
Investment contracts are represented by the following investments:		
Equity securities	**782 658**	543 977
Debt securities	**1 613 761**	1 491 270
Investment in investment contracts	**975 001**	1 174 551
Unit-linked investments	**4 667 560**	4 255 538
Loans and advances		188
Derivatives		26 268
Cash and cash equivalents	**176 845**	225 233
	8 215 825	7 717 025
20. THIRD-PARTY LIABILITIES ARISING ON CONSOLIDATION OF MUTUAL FUNDS		
Balance at beginning of year	**13 752**	23 024
Capital contributions received		13 096
Fair value adjustment to third-party liabilities		327
Consolidation of mutual fund	**71 715**	
Deconsolidation of mutual fund	**(13 752)**	(22 695)
Balance at end of year	**71 715**	13 752
Current portion	**12 415**	13 752
Non-current portion	**59 300**	
	71 715	13 752

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for the year ended 28 February 2010

GROUP	Lease obligations R000	Employee benefits R000	Other R000	Total R000
21. PROVISIONS FOR OTHER LIABILITIES AND CHARGES				
As at 28 February 2010				
Balance at beginning of year	**–**	**13 980**	**4 501**	**18 481**
Additional provisions		**1 139**	**361**	**1 500**
Utilised during the year		**(3 660)**	**(2 798)**	**(6 458)**
Subsidiaries acquired		**938**		**938**
Subsidiaries sold		**(695)**		**(695)**
	–	**11 702**	**2 064**	**13 766**
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

	GROUP 2010 R000	GROUP 2009 R000
Current portion	**10 696**	17 614
Non-current portion	**3 070**	867
	13 766	18 481

Movements in the provisions were charged to income.

Employee benefits provision relates to performance-based remuneration.

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

	GROUP 2010 R000	GROUP 2009 R000	COMPANY 2010 R000	COMPANY 2009 R000
22. TRADE AND OTHER PAYABLES				
Accounts payable and accruals	**256 149**	258 857	**1 867**	2 553
Contracts for difference	**40 303**			
Deferred revenue	**8 397**	31 321		
Subsidiary/associate purchase consideration payable	**32 237**	25 438		
Investment policy benefits payable	**7 294**	8 659		
	344 380	324 275	**1 867**	2 553
Current portion	**297 555**	324 275	**1 867**	2 553
Non-current portion	**46 825**			
	344 380	324 275	**1 867**	2 553

Notes to the annual financial statements

for the year ended 28 February 2010

		GROUP		COMPANY	
		2010	2009	**2010**	2009
		R000	R000	**R000**	R000
23.	**INVESTMENT INCOME**				
	Interest income				
	Loans and advances	**4 439**	38 350		
	Equity securities – at fair value through profit or loss	**29 407**	45 000		
	Debt securities – at fair value through profit or loss	**235 897**	5		
	Cash and short-term funds	**57 254**	186 982		
		326 997	270 337		
	Dividend income				
	Equity securities – at fair value through profit or loss	**87 511**	154 365		
	Preference shares – debt securities	**46 176**	27 764		
	Dividend income from subsidiary company			**99 000**	217 000
		133 687	182 129	**99 000**	217 000
	Investment income	**460 684**	452 466	**99 000**	217 000
	No interest income (2009: Rnil) was earned on impaired financial assets during the year.				
24.	**FAIR VALUE GAINS AND LOSSES ON FINANCIAL INSTRUMENTS**				
	Foreign exchange gains	**1 128**	5 657		
	Foreign exchange losses	**(1 765)**	(1 564)		
	Net fair value gains/(losses) on financial assets and financial liabilities at fair value through profit or loss:				
	Unrealised fair value gains/(losses)				
	– designated items	**620 279**	(776 595)		
	– held for trading	**(7 623)**	(40 637)		
	Realised fair value gains/(losses)				
	– designated items	**68 866**	(85 289)		
	– held for trading	**1 252**	(56 196)		
	Net realised gains on available-for-sale financial assets:				
	Equity securities	**5 888**	9 530		
	Impairment of available-for-sale financial assets		(20 000)		
		688 025	(965 094)		
25.	**COMMISSION AND OTHER FEE INCOME**				
	Commissions and fees	**874 015**	798 246		
	Dealing and structuring	**186 797**	181 458		
		1 060 812	979 704		
26.	**INSURANCE INCOME AND EXPENSES**				
	Net insurance premium revenue				
	Insurance premium income	**1 985**	54 019		
	Insurance claims and loss adjustments				
	Individual life long-term insurance contracts: death, maturity, surrender and sick leave benefits and transfers to policyholder liabilities	**(1 211)**	(43 195)		
27.	**OTHER OPERATING INCOME**				
	Other operating income	**18 124**	36 979		
	Profit on sale/dilution of subsidiaries and associated companies (refer notes 4 and 36.4)	**26 487**	25 541		
		44 611	62 520		

Notes to the annual financial statements

for the year ended 28 February 2010

	GROUP 2010 R000	GROUP 2009 R000	COMPANY 2010 R000	COMPANY 2009 R000
28. MARKETING, ADMINISTRATION AND OTHER EXPENSES				
Expenses by nature				
Depreciation				
Land and buildings	**126**	92		
Vehicles and plant	**574**	433		
Office equipment	**4 468**	3 345		
Computer equipment	**6 244**	6 239		
	11 412	10 109		
Amortisation of intangible assets	**19 281**	17 283		
Operating lease rentals				
Properties	**32 776**	30 194		
Other	**2 272**	2 397		
	35 048	32 591		
Auditor's remuneration				
Audit services				
– current year	**9 392**	9 759		
– prior year	**856**	1 765		
Tax services	**99**	121		
Other services	**342**	1 068		
	10 689	12 713		
Employee benefit expenses				
Salaries, wages and allowances	**258 926**	261 701		
Termination benefits	**118**	2 838		
Social security costs (e.g. UIF, medical benefits)	**10 311**	9 025		
Share-based payment costs				
Equity-settled				
Cancellation of share scheme		4 251		
Share-based payments	**5 173**	4 328		
Cash-settled		(1 731)		
Pension costs – defined-contribution plans	**14 489**	13 721		
	289 017	294 133		
Loss on sale/dilution of subsidiaries	**31 931**	20 408		
Impairment of intangible assets	**480**	13 272		
Loss on sale of fixed assets	**97**	138		
Marketing and administration costs	**254 665**	255 993	**627**	1 163
Expenses for acquisition of insurance and investment contracts	**22 897**	27 422		
Commission paid	**306 393**	274 696		
Total	**981 910**	958 758	**627**	1 163

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 R10,6 million (2009: R13,2 million).

Notes to the annual financial statements

for the year ended 28 February 2010

		GROUP 2010 R000	GROUP 2009 R000	COMPANY 2010 R000	COMPANY 2009 R000
29.	**FINANCE COSTS**				
	Bank overdrafts and CFD facilities	**41 897**	57 291		
	Redeemable preference shares	**8 829**			
	Secured loans	**30 867**	17 984		
	Unsecured loans	**12 273**	17 890		
		93 866	93 165		
30.	**TAXATION**				
	Current taxation				
	Current year	**67 961**	77 138		
	Prior year	**(648)**	1 450		
		67 313	78 588		
	Deferred taxation				
	Current year	**19 235**	(71 443)		
	Prior year	**(551)**	4 054		
		18 684	(67 389)		
	Foreign taxation				
	Current year	**69**	48		
	Prior year	**(30)**	(271)		
		39	(223)		
	Secondary tax on companies				
	Current taxation	**8 138**	40 638		34 963
	Deferred taxation	**9 134**	(3 625)		24
		17 272	37 013	**–**	34 987
		103 308	47 989	**–**	34 987

	%	%	**%**	%
Reconciliation of income tax charge				
Reconciliation of rate of taxation				
South African normal tax rate	**28,0**	28,0	**28,0**	28,0
Adjusted for:				
Non-taxable income	**(5,6)**	(16,2)	**(28,2)**	(28,2)
Capital gains tax differential in rates	**0,4**	3,4		
Non-deductible charges	**7,4**	18,4	**0,2**	0,2
Income from associated companies	**(17,3)**	(20,9)		
Secondary tax on companies (STC)	**2,6**	11,8		16,2
Utilisation of previously unrecognised tax credits		(9,1)		
Effective rate of tax	**15,5**	15,4	**–**	16,2

	R000	R000	**R000**	R000
STC credits available within the group	**64 323**	11 103		
Deferred tax asset provided for	**(27 317)**	(11 103)		
Available for future utilisation	**37 006**	–	**–**	–

The tax charge relating to components of other comprehensive income amounted to R65 000 (2009: R26 654 000) for the year.

Notes to the annual financial statements

for the year ended 28 February 2010

	GROUP 2010 R000	GROUP 2009 R000
31. EARNINGS PER SHARE		
The calculations of earnings per share are based on the following:		
Total earnings attributable to ordinary shareholders	**390 925**	51 072
Adjustments (net of minority interests):		
Net loss/(profit) on sale/dilution of investments in subsidiaries	**7 634**	9 080
Gross amount	**7 694**	9 893
Minority interests	**(60)**	(408)
Tax effect		(405)
Net loss/(profit) on sale/dilution of associated companies	**521**	9 280
Gross amount	**9 362**	14 462
Minority interests	**(8 841)**	(539)
Tax effect		(4 643)
Impairment of associated company	**49 074**	28 671
Gross amount	**60 870**	29 986
Minority interests	**(11 796)**	(1 315)
Tax effect		
(Profit)/impairment of available-for-sale financial asset	**(5 412)**	20 000
Gross amount	**(8 492)**	20 000
Minority interests	**2 253**	
Tax effect	**827**	
Impairment of shareholders' loans	**4 853**	4 221
Gross amount	**7 000**	4 856
Minority interests	**(1 167)**	(635)
Tax effect	**(980)**	
Impairment of intangible assets (incl. goodwill)	**480**	13 272
Gross amount	**480**	15 501
Minority interests		(2 229)
Tax effect		
Negative goodwill	**(18 142)**	(19 345)
Gross amount	**(18 142)**	(19 345)
Minority interests		
Tax effect		
Other investment activities	**(567)**	420
Gross amount	**(1 107)**	1 330
Minority interests	**217**	(838)
Tax effect	**323**	(72)
Non-headline items of associated companies	**1 992**	(6 780)
Gross amount	**7 727**	(16 562)
Minority interests	**(5 735)**	9 782
Tax effect		
Headline earnings	**431 358**	109 891

Negative goodwill arose on an additional interest obtained in Zeder Investments Ltd.

Notes to the annual financial statements

for the year ended 28 February 2010

	Number of shares 000	Number of shares 000
31. EARNINGS PER SHARE *(continued)*		
The calculation of the weighted average number of shares and diluted weighted average number of shares is as follows:		
Number of shares at beginning of year	**168 020**	169 193
Weighted number of shares issued during the year	**5 849**	
Net movement in treasury shares	**(755)**	(841)
Weighted number of shares at end of year	**173 114**	168 352
Number of shares to be issued in terms of share purchase scheme at fair value	**1 015**	901
Diluted weighted number of shares at end of year	**174 129**	169 253
Basic		
Earnings attributable to ordinary shareholders (R000)	**390 925**	51 072
Headline earnings (R000)	**431 358**	109 891
Weighted average number of ordinary shares in issue	**173 114**	168 352
Attributable earnings per share (cents)	**225,8**	30,3
Headline earnings per share (cents)	**249,2**	65,3

Diluted

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

	GROUP		**COMPANY**	
	2010 R000	2009 R000	**2010 R000**	2009 R000
Earnings attributable to ordinary shareholders	**390 925**	51 072		
Headline earnings	**431 358**	109 891		
Diluted weighted average number of ordinary shares in issue (000)	**174 129**	169 253		
Diluted attributable earnings per share (cents)	**224,5**	30,2		
Diluted headline earnings per share (cents)	**247,8**	64,9		
32. DIVIDEND PER SHARE				
Normal dividend	**88 688**	510 416	**98 830**	566 842

Special

Nil cents per share (2009: 200 cents)

Interim

13 cents per share (2009: 19 cents)

Final

29 cents per share (2009: 38 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 2010

	GROUP	
	2010	2009
	R000	R000
33. 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	**10 435**	4 544
One to five years	**21 449**	16 708
Operating leases – premises		
Due within one year	**16 821**	15 698
One to five years	**34 294**	23 401
Due after five years		636

34. BORROWING POWERS

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

35. RELATED-PARTY TRANSACTIONS

PSG Group 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.

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	
	2010	2009
	R000	R000
Salaries and performance bonuses	**13 196**	9 896
Share incentive schemes	**4 758**	2 924
	17 954	12 820

Notes to the annual financial statements

for the year ended 28 February 2010

	GROUP		COMPANY	
	2010	2009	**2010**	2009
	R000	R000	**R000**	R000
36. NOTES TO THE STATEMENTS OF CASH FLOWS				
36.1 Cash generated by operating activities				
Net profit before taxation	**666 979**	312 333	**98 373**	215 837
Adjustment for:				
Non-cash items	**49 651**	(217 238)		
Interest income	**(326 997)**	(270 337)		
Dividend income	**(133 687)**	(182 129)	**(99 000)**	(217 000)
Finance costs	**93 866**	93 165		
	349 812	(264 206)	**(627)**	(1 163)
Change in working capital	**315 543**	(65 870)	**(686)**	(3 545)
Change in insurance contracts	**535**	29 030		
Change in other financial instruments	**(119 659)**	291 375		
	546 231	(9 671)	**(1 313)**	(4 708)
36.2 Taxation paid				
Charge to income statement	**(103 308)**	(47 989)		(34 987)
Movement in deferred taxation	**27 818**	(71 014)		24
Movement in taxation liability	**(30 008)**	(40 559)		
	(105 498)	(159 562)	**–**	(34 963)

36.3 Subsidiaries acquired

2010 acquisitions

T-Sec

The group acquired the private client stockbroking division of Tlotlisa Securities (Pty) Ltd ("T-Sec") with effect from 30 April 2009 for a consideration of R54 035 000. Goodwill amounting to R37 643 000 and customer lists of R23 824 000 was recognised on acquisition. The deferred purchase consideration was paid on 1 March 2010.

PSG Multi Strategy LLP Fund

The group obtained control over the PSG Multi Strategy LLP Fund, and accordingly this fund has been consolidated effective 28 February 2010.

Notes to the annual financial statements

for the year ended 28 February 2010

		T-Sec 2010 R000	PSG Multi Strategy LLP Fund 2010 R000	Total 2010 R000
	GROUP			
36.	**NOTES TO THE STATEMENTS OF CASH FLOWS** *(continued)*			
36.3	**Subsidiaries acquired** *(continued)*			
	Net assets of subsidiaries acquired			
	Property, plant and equipment	**(325)**		**(325)**
	Intangible assets	**(23 824)**		**(23 824)**
	Unit-linked investments		**(69 519)**	**(69 519)**
	Receivables		**(877)**	**(877)**
	Cash and cash equivalents		**(1 547)**	**(1 547)**
	Third-party liabilities arising on consolidation of mutual funds		**71 715**	**71 715**
	Deferred income tax	**3 018**		**3 018**
	Provisions for other liabilities and charges	**938**		**938**
	Trade and other payables	**3 801**	**228**	**4 029**
		(16 392)	**–**	**(16 392)**
	Goodwill on acquisition	**(37 643)**		**(37 643)**
	Deferred purchase consideration outstanding	**21 600**		**21 600**
	Cash consideration paid	**(32 435)**	**–**	**(32 435)**
	Cash and cash equivalents acquired		**1 547**	**1 547**
		(32 435)	**1 547**	**(30 888)**

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.

GROUP	Adato Capital 2009 R000	Total 2009 R000
Net assets of subsidiaries acquired		
Property, plant and equipment	(1 279)	(1 279)
Intangible assets	(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
	(48 012)	(48 012)

Notes to the annual financial statements

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36. NOTES TO THE STATEMENTS OF CASH FLOWS *(continued)*

36.4 Disposal of subsidiaries

2010 disposals

During the 2010 year the group's interest in AIC Holding Company (Pty) Ltd diluted to 43% interest following FSB approval in August 2009 for the issuance of new shares in respect of the acquisition of the African Unity Insurance business in 2009. AIC Holding Company (Pty) Ltd was therefore deconsolidated and is now accounted for as an associated company. The transaction was accounted for effective on 1 March 2009. Furthermore, during the 2010 year the group's investment in the PSG Tanzanite Flexible Fund reduced to below 50%. The PSG Tanzanite Flexible Fund was therefore deconsolidated effective 1 March 2009.

GROUP	AIC Holding Company (Pty) Ltd 2010 R000	PSG Tanzanite Flexible Fund 2010 R000	Total 2010 R000
Net assets of subsidiaries sold			
Property, plant and equipment	**180**		**180**
Intangible assets	**888**		**888**
Equity securities	**16 372**		**16 372**
Unit-linked investments		**13 752**	**13 752**
Receivables	**4 365**		**4 365**
Cash and cash equivalents	**2 880**		**2 880**
Minority interests	**(862)**		**(862)**
Insurance contracts	**(961)**		**(961)**
Deferred income tax	**489**		**489**
Borrowings	**(7 033)**		**(7 033)**
Third-party liabilities arising on consolidation of mutual funds		**(13 752)**	**(13 752)**
Provisions for other liabilities and charges	**(695)**		**(695)**
Trade and other payables	**(2 654)**		**(2 654)**
Loss on sale of subsidiaries	**12 969**	**–**	**12 969**
Transfer to investment in associated companies	**(2 383)**		**(2 383)**
Transfer to loans to associated companies	**(10 286)**		**(10 286)**
Loss on sale of subsidiaries	**(300)**		**(300)**
Cash proceeds on sale	**–**	**–**	**–**
Cash and cash equivalents of subsidiaries	**(2 880)**		**(2 880)**
Net cash flow on disposal of subsidiaries	**(2 880)**	**–**	**(2 880)**

2009 disposals

During the 2009 year the group diluted its investments in, inter alia, Adato Capital Ltd and the South Easter Fund which were previously consolidated by the group.

Notes to the annual financial statements

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	GROUP	Adato Capital Ltd 2009 R000	South Easter Fund 2009 R000	Total 2009 R000
36.	**NOTES TO THE STATEMENTS OF CASH FLOWS** *(continued)*			
36.4	**Disposal of subsidiaries** *(continued)*			
	Net assets of subsidiaries sold			
	Property, plant and equipment	627		627
	Intangible assets	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 arising on 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)
	Loss on sale of subsidiaries	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

		GROUP		COMPANY	
		2010 R000	2009 R000	**2010 R000**	2009 R000
36.5	**Cash and cash equivalents at end of year**				
	Cash and short-term funds	**537 502**	704 278	**685**	630
	Bank overdrafts and CFD facilities	**(61 098)**	(915 431)		
		476 404	(211 153)	**685**	630

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37. 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 respective boards of directors. Each entity identifies, evaluates and utilises economic hedges to hedge financial risks as appropriate. Each major entity's board of directors provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments and investment of excess liquidity.

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

	GROUP		COMPANY	
	2010	2009	**2010**	2009
	R000	R000	**R000**	R000
CLASSES OF FINANCIAL ASSETS				
Other quoted equity securities	**148 360**	273 208		
Contracts for difference		300 104		
Investments linked to investment contracts	**782 658**	543 977		
Total quoted equity securities	**931 018**	1 117 289		
Unquoted equity securities	**73 843**	115 406		
Total unquoted equity securities	**73 843**	115 406		
Total equity securities	**1 004 861**	1 232 695		
Direct debt securities – quoted	**34 910**			
Debt securities linked to investment contracts	**226 494**	64 284		
Total quoted debt securities	**261 404**	64 284		
Debt securities linked to investment contracts	**1 387 267**	1 426 986		
Total unquoted debt securities	**1 387 267**	1 426 986		
Total debt securities	**1 648 671**	1 491 270		
Direct unit-linked investments – quoted	**267 507**	113 640		
Investments linked to investment contracts – quoted	**3 235 729**	3 235 809		
Total quoted unit-linked investments	**3 503 236**	3 349 449		
Direct unit-linked investments – unquoted	**25 154**	8 649		
Investments linked to investment contracts – unquoted	**1 431 831**	1 019 729		
Total unquoted unit-linked investments	**1 456 985**	1 028 378		
Total unit-linked investments	**4 960 221**	4 377 827		

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		GROUP		COMPANY	
		2010	2009	**2010**	2009
	CLASSES OF FINANCIAL ASSETS	**R000**	R000	**R000**	R000
37.	**FINANCIAL RISK MANAGEMENT** *(continued)*				
	Investment in investment contracts	**975 001**	1 174 551		
	Secured loans	**674**	35 447		
	Unsecured loans	**67 971**	47 783		
	Unsecured loans linked to investment contracts		188		
	Loan to subsidiary (note 3)			**1 168 702**	1 190 928
	Total loans and advances	**68 645**	83 418	**1 168 702**	1 190 928
	Fixed-for-variable interest rate swap		4 026		
	Exchange traded derivatives	**78 156**	26 937		
	Total derivative financial assets	**78 156**	30 963		
	Trade receivables	**74 856**	136 082		
	Brokers and clearing houses	**28 137**	26 456		
	Contracts for difference	**26 565**	282 110		
	Proceeds due from sale of associated company		200 563		
	Sundry debtors	**2 827**	19 833		
	Total receivables	**132 385**	665 044		
	Loans to and preference share investments in associated companies	**426 698**	315 944		
	Cash and cash equivalents	**537 502**	704 278	**685**	630
	Total financial assets – IFRS 7	**9 832 140**	10 075 990	**1 169 387**	1 191 558
	CLASSES OF FINANCIAL LIABILITIES				
	Bank overdrafts and CFD facilities	**61 098**	915 431		
	Redeemable preference shares	**200 000**			
	Loans and bonds	**384 590**	382 563		
	Total borrowings	**645 688**	1 297 994		
	Fixed-for-variable interest rate swap	**2 222**			
	Exchange traded derivatives	**75 893**	6 148		
	Total derivative financial instruments	**78 115**	6 148		
	Investment contracts	**8 215 825**	7 717 025		
	Third-party liabilities arising on consolidation of mutual funds	**71 715**	13 752		
	Accounts payable and accruals	**256 149**	258 857	**1 867**	2 553
	Contracts for difference	**40 303**			
	Deferred revenue	**8 397**	31 321		
	Subsidiary/associate purchase consideration payable	**32 237**	25 438		
	Investment policy benefits payable	**7 294**	8 659		
	Total trade and other payables	**344 380**	324 275	**1 867**	2 553
	Total financial liabilities – IFRS 7	**9 355 723**	9 359 194	**1 867**	2 553

Notes to the annual financial statements

for the year ended 28 February 2010

GROUP 28 February 2010	Held-to-maturity R000	Loans and receivables R000	Assets at fair value through profit or loss R000	Available-for-sale R000	Total R000
37. FINANCIAL RISK MANAGEMENT *(continued)*					
FINANCIAL INSTRUMENTS BY CATEGORY					
Assets as per statement of financial position					
Equity securities			**1 003 072**	**1 789**	**1 004 861**
Debt securities	**477 771**		**1 170 900**		**1 648 671**
Unit-linked investments			**4 960 221**		**4 960 221**
Investment in investment contracts	**299 612**		**675 389**		**975 001**
Loans and advances		**68 645**			**68 645**
Loans to and preference share investments in associated companies		**426 698**			**426 698**
Derivative financial instruments			**78 156**		**78 156**
Receivables		**132 385**			**132 385**
Cash and cash equivalents		**537 502**			**537 502**
	777 383	**1 165 230**	**7 887 738**	**1 789**	**9 832 140**

	Liabilities at fair value through profit or loss R000	Liabilities measured at amortised cost R000	Total R000
Liabilities as per statement of financial position			
Borrowings		**645 688**	**645 688**
Derivative financial instruments	**78 115**		**78 115**
Investment contracts	**7 396 927**	**818 898**	**8 215 825**
Third-party liabilities arising on consolidation of mutual funds	**71 715**		**71 715**
Trade and other payables		**344 380**	**344 380**
	7 546 757	**1 808 966**	**9 355 723**

Notes to the annual financial statements

for the year ended 28 February 2010

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
37. FINANCIAL RISK MANAGEMENT *(continued)*					
FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*					
Assets as per statement of financial position					
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 statement of financial position			
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

Investment contracts

A subsidiary of the group, PSG FutureWealth, is a linked insurance company and issues 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 statement of financial position 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 2010

37. 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 statement of financial position 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	2010 R000	2009 R000
Agriculture	141 583	170 721
Automobiles & parts		925
Banks	64 493	47 091
Basic resources	79 750	135 222
Chemicals	6 956	514
Construction & materials	8 009	5 423
Financial services	23 848	37 078
Food & beverages	45 816	23 483
Healthcare	6 627	6 377
Industrial goods & services	29 444	51 132
Insurance	38 816	40 407
Media	9 246	4 374
Oil & gas	22 311	27 570
Other	8 308	62 176
Personal & household goods	27 194	72 235
Property	85 602	3 825
Retail	35 419	179 360
Technology	9 394	3 766
Telecommunications	37 636	53 184
Transportation services		5 961
Travel & leisure	11 980	2 847
Satrix 40	238 586	183 618
	931 018	1 117 289

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

- contracts for difference amounting to Rnil (2009: R300 104 000);
- investments in linked investment contracts amounting to R782 658 000 (2009: R543 977 000); and
- equity securities relating to third-party liabilities arising on consolidation of mutual funds amounting to Rnil (2009: R5 401 000).

The price risk of these instruments is carried by the holders of the contracts for difference, 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 667 560 000 (2009: R4 255 538 000) and third-party liabilities relating to consolidation of unit trusts of R69 519 000 (2009: Rnil), of which the price risk is also carried by the policyholders of the linked investment contracts. Therefore a movement in the individual share prices of the aforementioned investments would not have an impact on the group's profit after taxation but would decrease or increase the corresponding liabilities with the same amount.

The table below summarises the sensitivity of the group's post-tax net profit for the year as a result of market price fluctuations. The analysis is based on the assumption that marked-to-market prices increase/decrease by 20% (2009: 20%) with all other variables held constant.

Notes to the annual financial statements

for the year ended 28 February 2010

		2010 20% increase R000	2009 20% increase R000	2010 20% decrease R000	2009 20% increase R000
37.	**FINANCIAL RISK MANAGEMENT** *(continued)*				
	Impact on post-tax profit	**49 653**	129 758	**(49 406)**	(129 761)
	Impact on equity	**307**	4 193	**(307)**	(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:

GROUP	Africa R000	UK R000	US R000	Euro R000	Asian Pacific R000	Total R000
At 28 February 2010						
Financial assets						
Equity securities*		**6 254**				**6 254**
Debt securities*			**53 045**			**53 045**
Unit-linked investments*			**454 491**	**12 447**		**466 938**
Investment in investment contracts*		**9 797**	**67 318**	**5 603**		**82 718**
Loans and advances		**3 235**				**3 235**
Receivables			**1 544**	**442**		**1 986**
Cash and cash equivalents	**4**	**17**	**2 032**	**352**		**2 405**
Financial liabilities						
Trade and other payables	**(602)**	**(44)**	**(538)**	**(86)**		**(1 270)**
Borrowings	**(1 882)**					**(1 882)**
	(2 480)	**19 259**	**577 892**	**18 758**		**613 429**
At 28 February 2009						
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

* *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% (2009: 20%) move in the rand exchange rates.

Notes to the annual financial statements

for the year ended 28 February 2010

	2010 20% increase R000	2009 20% increase R000	2010 20% decrease R000	2009 20% increase R000
37. FINANCIAL RISK MANAGEMENT *(continued)*				
Impact on post-tax profit	**92**	340	**(92)**	(340)

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.

	2010 R000	2009 R000
Loans to and preference share investment in associated companies		
Floating rate	**384 558**	272 002
Fixed rate	**42 140**	36 942
	426 698	308 944
Debt securities*		
Floating rate	**860 243**	970 159
Fixed rate	**788 428**	521 111
	1 648 671	1 491 270
Loans and advances		
Floating rate	**39 120**	50 448
Receivables		
Floating rate	**26 565**	282 110
Cash and cash equivalents**		
Floating rate	**537 502**	704 278
Borrowings		
Floating rate	**(272 540)**	(894 602)
Fixed rate	**(373 148)**	(396 359)
	(645 688)	(1 290 961)
Total		
Floating rate	**1 575 448**	1 384 395
Fixed rate	**457 420**	161 694
	2 032 868	1 546 089

* *Debt securities of R1 613 761 000 (2009: R1 491 270 000) are linked to policyholder investments and as such does not directly expose the group to interest rate market risk.*

** *Cash and cash equivalents of R176 845 000 (2009: R225 233 000) are linked to policyholder investments 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 irredeemable 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 (2009: 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 table above, 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 2010

37. FINANCIAL RISK MANAGEMENT *(continued)*

Based on simulations performed, the impact on post-tax profit of a 1% (2009: 3%) shift in interest rates is analysed in the following table and includes the effect of the interest rate hedge:

	2010 1% increase R000	2009 3% increase R000	**2010 1% decrease R000**	2009 3% decrease R000
Impact on post-tax profit	**3 325**	(2 101)	**(3 336)**	1 967

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.

	2010		2009	
	Balance R000	**Collateral R000**	Balance R000	Collateral R000
Debt securities	**1 648 671**		1 491 270	
Investment in investment contracts	**975 001**		1 174 551	
Loans and advances	**68 645**		83 418	16 200
Derivative financial instruments	**78 156**		30 963	
Receivables	**132 385**		665 044	
Loans to and preference share investments in associated companies	**426 698**	**142 383**	315 944	36 942
Cash and cash equivalents	**537 502**		704 278	
	3 867 058	**142 383**	4 465 468	53 142

Loans to associated companies with a face value of R7 000 000 (2009: R4 780 000) have been fully impaired. Loans are impaired by reference to the net asset value of the debtor and/or discounted cash flow calculations.

Receivables are tested for impairment using a variety of techniques including assessing credit risk and monthly monitoring of individual debtors. At 28 February 2010 receivables with a face value of approximately Rnil (2009: R500 000) were found to be impaired and accordingly fully provided for.

Investments in investment contracts are linked to investment contracts and thus credit risk is carried by the policyholders of the linked investment contracts. Debt securities of R1 613 761 000 (2009: R1 491 270 000) and cash and cash equivalents of R176 845 000 (2009: R225 233 000) are linked to investment contracts and thus credit risk is carried by the policyholders of the linked investment contracts.

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:

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for the year ended 28 February 2010

	2010 R000	2009 R000
37. FINANCIAL RISK MANAGEMENT *(continued)*		
Government stock	**98 519**	53 009
AAA		482 955
AA		1 308
AA+		1 877
A1	**406 038**	
A-2		8 819
A2	**134 525**	
A3	**244 525**	
A		390 461
Aa1 to Aa3		7 119
Ba1 to Baa1		9 781
F1+ (zaf)		415 129
Other rated assets		445
Other non-rated assets	**2 959 122**	3 068 151
Past due or impaired assets	**24 329**	26 414
	3 867 058	4 465 468

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
2010	**24 329**	**3 621**	**13 091**	**7 617**
2009	25 914	384	25 464	66

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 statement of financial position 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 2010

	Carrying value R000	Less than 1 year R000	Between 1 and 5 years R000	Over 5 years R000
37. FINANCIAL RISK MANAGEMENT *(continued)*				
At 28 February 2010				
Borrowings	**645 688**	**125 934**	**624 562**	
Derivative financial instruments	**78 115**	**78 115**		
Investment contracts	**8 215 825**	**1 510 470**	**1 380 360**	**5 324 995**
Third-party liabilities arising on consolidation of mutual funds	**71 715**	**12 415**	**59 300**	
Trade and other payables	**344 380**	**297 555**	**46 825**	
	9 355 723	**2 024 489**	**2 111 047**	**5 324 995**
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

Insurance risk

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

Fair value estimation

Effective 1 January 2010, the group adopted the amendment to IFRS 7 for financial instruments that are measured in the statement of financial position at fair value. This requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2)
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3)

Notes to the annual financial statements

for the year ended 28 February 2010

	Level 1 R000	Level 2 R000	Level 3 R000	Total R000
37. FINANCIAL RISK MANAGEMENT *(continued)*				
The following financial instruments are measured at fair value:				
At 28 February 2010				
Assets				
Financial assets at fair value through profit or loss				
Trading derivatives		78 156		78 156
Equity securities	784 231	218 841		1 003 072
Debt securities		1 170 900		1 170 900
Unit-linked investments		3 623 892	1 336 329	4 960 221
Investment in investment contracts		675 389		675 389
Available-for-sale				
Equity securities		1 549	240	1 789
	784 231	5 768 727	1 336 569	7 889 527
Liabilities				
Financial assets at fair value through profit or loss				
Trading derivatives		78 115		78 115
Investment contracts		6 060 598	1 336 329	7 396 927
Third-party liabilities arising on consolidation of mutual funds		71 715		71 715
	–	6 210 428	1 336 329	7 546 757

Notes to the annual financial statements

for the year ended 28 February 2010

37. FINANCIAL RISK MANAGEMENT *(continued)*

The following table presents the changes in level 3 instruments for the year ended 28 February 2010:

	Unit-linked investments R000	Equity securities R000	Total R000
Assets			
Carrying amount at 28 February 2009	1 001 867	240	1 002 107
Additions	**465 474**		**465 474**
Disposals	**(325 125)**		**(325 125)**
Gains recognised in profit and loss	**194 113**		**194 113**
Carrying amount at 28 February 2010	**1 336 329**	**240**	**1 336 569**

	Investment contracts R000	Total R000
Liabilities		
Carrying amount at 28 February 2009	1 001 867	1 001 867
Investment contract receipts	**465 474**	**465 474**
Investment contract benefits paid	**(325 125)**	**(325 125)**
Gains recognised in profit and loss	**194 113**	**194 113**
Carrying amount at 28 February 2010	**1 336 329**	**1 336 329**

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 or, if it relates to promissory notes and fixed deposits pertaining to PSG FutureWealth's investment business, valued on a discounted cash flow basis. 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 approximate their fair values due to the short-term nature of the items. 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 group's statement of financial position at fair value.

	Carrying value		Fair value	
	2010 R000	2009 R000	**2010 R000**	2009 R000
Borrowings	**645 688**	1 297 994	**642 748**	1 283 586

Notes to the annual financial statements

for the year ended 28 February 2010

37. FINANCIAL RISK MANAGEMENT *(continued)*

CAPITAL RISK MANAGEMENT *(continued)*

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 statement of financial position plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents as shown in the consolidated statement of financial position. 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 2,5 times at 28 February 2010 (2009: 2,2 times). This ratio is determined in accordance with regulations and the guidelines issued by the Actuarial Society of South Africa.

Annexure A – Investments

as at 28 February 2010

INTEREST IN SUBSIDIARIES

Company	Proportion held directly or indirectly by holding company **2010** **%**	2009 %	Issued share capital **2010** **R000**	2009 R000
PSG Financial Services Ltd	**100**	100	**45 872**	45 872
PSG Investment Services (Pty) Ltd	**100**	100	**2 269**	1 819
PSG Fund Management Group (Pty) Ltd	**95**	97	**1**	1
PSG Konsult Ltd	**73**	73	**7 331**	7 331
PSG Corporate Services (Pty) Ltd	**100**	100	**10**	10
Ou Kollege Beleggings Ltd	**100**	100	**4**	4
Axiam Holdings Ltd	**100**	100	**166**	166
Zeder Investments Ltd*	**41**	38	**9 781**	6 113
Paladin Capital Ltd	**81**	87	**57**	40
PSG FutureWealth Ltd**		80		300

* *Zeder's results have been consolidated as PSG Group exercises control over its operations through its 41% (2009: 38%) shareholding, board representation and a management agreement in terms of which PSG provides management and administration services to the company.*

** *PSG FutureWealth was sold during the year to PSG Fund Management and thus control is still retained.*

In addition to the company's contribution to attributable earnings to equity holders, R391 552 000 (2009: R87 222 000) were contributed by subsidiaries in the group.

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.

	COMPANY **2010** **R000**	2009 R000
Directors' valuation of investments in subsidiaries	**1 976 884**	1 999 110

INVESTMENT IN ASSOCIATED COMPANIES

Company	Nature of business	Proportion held directly or indirectly by holding companies **2010** **%**	2009 %	Group carrying value **2010** **R000**	2009 R000
Listed					
Capitec Bank Holdings Ltd	Retail banking	**35**	35	**1 197 286**	1 073 462
m Cubed Holdings Ltd	Financial services	**30**	30	**41 698**	50 147
CIC Holdings Ltd	Fast-moving consumer goods	**49**	48	**126 110**	95 631
Erbacon Investment Holdings Ltd	Construction and tool hire	**22**	26	**104 708**	91 293
Iquad Group Ltd	Incentive and treasury services	**43**	42	**43 871**	40 127
Top Fix Holdings Ltd	Scaffolding	**28**	11**	**34 659**	10 872
Petmin Ltd	General mining	**9****	10**	**148 431**	141 800
				1 696 763	1 503 332

Annexure A – Investments

as at 28 February 2010

INVESTMENT IN ASSOCIATED COMPANIES *(continued)*

Company	Nature of business	Proportion held directly or indirectly by holding companies 2010 %	2009 %	Group carrying value 2010 R000	2009 R000
Unlisted					
Thembeka Capital Ltd	Private equity	**49**	49	**212 324**	95 721
Agri investments				**1 892 475**	1 430 147
Agricol Holdings Ltd	Agricultural	**20**	20		
Capevin Holdings Ltd	Investment company	**37**	26		
Kaap Agri Ltd	Agricultural	**41**	34		
KWV Holdings Ltd	Wine producing	**31**			
MGK Business Investments Ltd	Agricultural	**27**	27		
Precrete Nozala (Pty) Ltd *	Mining services	**22**	22	**49 085**	46 237
Baedex Ltd (previously Adato Capital Holdings Ltd)	Bridge financing	**33**	26	**12 080**	5 845
Kumani Holdings (Pty) Ltd	Private equity		49		
Mainfin (Pty) Ltd	Bridge financing		25		25 495
GRW Holdings (Pty) Ltd	Tank container manufacturer	**40**	40	**42 149**	96 883
Friedshelf 903 (Pty) Ltd t/a Protea Foundry	Non-ferrous casting	**49**	49	**22 513**	20 649
Lesotho Milling Company (Pty) Ltd	Milling	**25**	25	**19 269**	16 401
AIC Holding Company (Pty) Ltd ***	Insurance	**43**		**5 441**	
Spirit Capital (Pty) Ltd	Corporate finance	**20**		**13 012**	
Curro Holdings (Pty) Ltd	Education	**50**		**51 341**	
Other				**9 543**	12 096
				2 329 232	1 749 474

* *At 28 February 2010 Paladin Capital Ltd held a 31,9% (2009: 31,9%) stake in Thembeka Mining, which owned 41% (2009: 41%) in Precrete Nozala. Paladin thus owned an effective 13,1% (2009: 13,1%) in Precrete Nozala through Thembeka Mining at year-end. Paladin Capital Ltd also has a direct interest in Precrete Nozala of 9% (2009: 9%), resulting in an effective 22,1% (2009: 22,1%) in Precrete Nozala.*

** *Significant influence exercised through, inter alia, board representation. Refer to related accounting policy on page 51.*

*** *The interest held in AIC Holding Company diluted from 54% to 43% during the year. Refer to note 36.4.*

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 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.

FINANCIAL INFORMATION IN RESPECT OF PRINCIPAL ASSOCIATED COMPANIES

	Assets R000	Liabilities R000	Revenues R000	Profits R000
2010				
Capitec Bank Holdings Ltd	**9 488 223**	**7 760 246**	**3 519 475**	**449 224**
Thembeka Capital Ltd	**1 157 072**	**564 616**		**280 620**
Agri investments	**6 993 304**	**1 745 204**	**4 620 516**	**(218 538)**
Petmin Ltd*	**1 473 330**	**354 229**	**788 624**	**118 364**
	19 111 929	**10 424 295**	**8 928 615**	**629 670**
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*

Annexure B – Segment report

for the year ended 28 February 2010

The group is organised into six reportable segments, namely: Capitec, Zeder, Paladin, PSG Konsult, PSG Fund Management and PSG Corporate. These segments represent the major investments of the group. The services offered by PSG Konsult and PSG Fund Management consist of financial advice and fund management, while the other segments offer financing, banking, private equity and corporate finance services. All segments operate in the Republic of South Africa.

Income and intersegment income comprise total income per the income statement

Recurring headline earnings are calculated on a see-through basis. The group's recurring headline earnings is the sum of its effective interest in that of each of its underlying investees, regardless of its percentage shareholding. The result is that investments which the group does not equity account and/or consolidate in terms of accounting standards, are included in the calculations of recurring headline earnings.

The chief operating decision-maker (the executive committee) evaluates the following information to assess the segments performance.

	Income R000	Intersegment income R000	Recurring headline earnings R000	Non-recurring headline earnings R000	Headline earnings R000	Net asset value R000
For the year ended 28 February 2010						
Capitec*			**151 656**		**151 656**	**1 383 906**
Zeder	**57 818**	**(300)**	**83 553**	**(22 960)**	**60 593**	**925 947**
Paladin	**34 313**		**77 164**	**89 818**	**166 982**	**859 600**
PSG Konsult	**876 344**	**(43 061)**	**65 472**		**65 472**	**296 145**
PSG Fund Management	**309 648**	**(6 086)**	**26 401**		**26 401**	**149 178**
PSG Corporate	**137 027**	**(41 873)**	**37 558**	**14 683**	**52 241**	**350 300**
Net fee income**			**15 257**		**15 257**	**26 900**
Unit trust, hedge fund and share investments			**1 747**	**14 683**	**16 430**	**138 643**
BEE investments			**20 554**		**20 554**	**184 757**
Funding	**24 200**	**(15 900)**	**(80 677)**		**(80 677)**	**(1 065 203)**
Other taxation and STC			**(2 008)**	**(9 123)**	**(11 131)**	**(6 560)**
Other***			**(300)**	**121**	**(179)**	**53 663**
Total	**1 439 350**	**(107 220)**	**358 819**	**72 539**	**431 358**	**2 946 976**
Non-headline					**(40 433)**	
Attributable earnings					**390 925**	
For the year ended 28 February 2009						
Capitec*			104 311		104 311	1 260 082
Zeder	57 937	(5 200)	70 933	(15 591)	55 342	661 820
Paladin	63 132		65 252	(77 861)	(12 609)	559 859
PSG Konsult	774 481	(34 826)	70 868		70 868	276 274
PSG Fund Management	314 840	(9 405)	31 178	21 809	52 987	148 407
PSG Corporate	43 935	(52 100)	43 578	(87 041)	(43 463)	420 321
Net fee income**			5 599	12 559	18 158	10 921
Unit trust, hedge fund and share investments			13 159	(99 600)	(86 441)	245 243
BEE investments			24 820		24 820	164 157
Funding	26 400	(4 700)	(103 000)		(103 000)	(969 903)
Other taxation and STC			(4 180)	(35 391)	(39 571)	200
Other****			14 426	10 600	25 026	398 347
Total	1 280 725	(106 231)	293 366	(183 475)	109 891	2 755 407
Non-headline					(58 819)	
Attributable earnings					51 072	

* *Equity accounted*

** *Net fee income is after the deduction of salaries, operating expenses and taxation.*

*** *Consists mainly of the investments in m Cubed Holdings and Adato Capital.*

**** *Consists mainly of the investments in m Cubed Holdings and Adato Capital, Petmin (sold to Paladin effectively 1 March 2009) and Channel Life (sold).*

Comparative figures are consistently presented.

Annexure C – Share analysis

as at 28 February 2010

	Shareholders		Shares held	
	Number	%	Number	%
RANGE OF SHAREHOLDING				
1 – 50 000	5 658	97,2	18 884 913	11,0
50 001 – 100 000	44	0,8	3 024 012	1,8
100 001 – 500 000	79	1,4	16 962 568	9,9
500 001 – 1 000 000	9	0,1	7 122 000	4,1
Over 1 000 000	28	0,5	125 900 818	73,2
	5 818	100,0	171 894 311	100,0
Employee share schemes	2		5 184 614	
Treasury shares	1		13 873 895	
	5 821		190 952 820	
PUBLIC AND NON-PUBLIC SHAREHOLDING				
Non-public				
Directors	13	0,2	99 619 795	58,0
Thembeka Capital Ltd	1		10 000 000	5,8
Directors of subsidiaries	13	0,3	2 051 857	1,2
Public	5 791	99,5	60 222 659	35,0
	5 818	100,0	171 894 311	100,0
INDIVIDUAL SHAREHOLDERS HOLDING 5% OR MORE AS AT 28 FEBRUARY 2010				
JF Mouton Family Trust			38 298 489	22,3
Mayfair Speculators (Pty) Ltd			20 000 000	11,6
Titan Nominees (Pty) Ltd			15 500 000	9,0
Thembeka Capital Ltd			10 000 000	5,8
			83 798 489	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, 18 June 2010 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 2010.

2. Re-election of directors

   2.1. To re-elect as director Mr J de V du Toit 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 Jacob de Vos du Toit

   Mr Du Toit matriculated in Worcester whereafter he completed his studies at Stellenbosch and Cape Town. After he qualified as a Chartered Accountant (SA) he started his working career with Trust Building Society in Cape Town as senior general manager in 1984.

   In 1988 he joined SMK as financial director and later as portfolio manager. Mr Du Toit is a co-founder of PSG Group and still serves as director on the board.

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

   Summary curriculum vitae of Johannes Fredericus Mouton

   Mr Mouton obtained a BComm (Hons) from the University of Stellenbosch (1969) and qualified as a Chartered Accountant (SA) in 1973.

   Mr Mouton is the founder and chairman of PSG Group, executive director of Paladin Capital Ltd, PSG Financial Services Ltd and PSG Konsult Ltd. He is chairman of Zeder Investments Ltd and a non-executive director of Steinhoff International Holdings Ltd and KWV.

   Mr Mouton also serves as a trustee of trusts and investment funds of Stellenbosch University. Prior to the establishment of PSG Group, he co-founded and served as managing director of the stockbroking firm SMK.

   2.3. To re-elect as director Mr CA Otto, 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 Chris Adriaan Otto

   Mr Otto was born in Johannesburg and educated at the University of Stellenbosch (BComm LLB).

   He is a co-founder of PSG and has been an executive director of PSG Group since its formation in 1995 until March 2009.

   Mr Otto has been directly involved in the establishment of PSG's investment in micro-finance and subsequent establishment of Capitec Bank Holdings Ltd of which he has been a director since inception. He has also been responsible for the establishment of PSG's investments in the agri sector which culminated in the formation of Zeder Investments Ltd of which he remains a director. Mr Otto serves on various boards as a non-executive director including PSG Financial Services Ltd, Capevin Investments Ltd, Zeder Investments Ltd and Kaap Agri Ltd.

Notice of annual general meeting *(continued)*

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

Summary curriculum vitae of Johannes Andries Holtzhausen
Mr Holtzhausen is a qualified attorney (B.Iuris (cum laude) LLB, HDip Tax). He joined the PSG Group in 1998 and is the managing director of PSG Capital (Pty) Ltd. He also serves on the boards of Paladin Capital Ltd and various of their investee companies. He is a member of the PSG Group Exco.

Mr Holtzhausen has been involved in corporate finance since 1995, having implemented numerous corporate finance transactions and private equity investments.

2.5 To re-elect as director Mr MM du Toit, 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 Matthys Michielse du Toit
Mr Du Toit graduated with a BSc and MBA degree (cum laude). He started his career with Syfrets Managed Assets as a portfolio manager. He spent six years, of which three were as a director, at George Huysamer & Partners. Mr Du Toit was a founding member of Coronation Fund Managers Ltd. He held the position of CEO from 1997 to 2007 and grew Coronation Fund Managers Ltd from a small fund management business to the second largest independent fund manager in South Africa. Coronation Fund Managers Ltd listed on the JSE in June 2003.

Mr Du Toit is a director of a number of companies, chairman of KWV Holdings Ltd and runs an investment management business for family offices and select individuals, Rootstock Investment Management (Pty) Ltd.

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

Summary curriculum vitae of Johannes Jacobus Mouton
Mr Mouton obtained an MPhil Finance from the University of Cambridge and holds a BAcc (cum laude) and BAcc (Hons) from the University of Stellenbosch. He also qualified as a Chartered Accountant (SA).

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

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

4. To confirm the auditor's remuneration for the year ended 28 February 2010 as determined by the PSG Group audit and risk committee.

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

5.1 Ordinary resolution number 1
"Resolved that the unissued shares in the company, limited to 5% of the number of shares in issue at 28 February 2010, 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 61 of 1973 as amended ("the Companies Act"), the articles of association of the company, and the provisions of the Listings Requirements of the JSE Ltd (JSE), save that the aforementioned 5% limitation shall not apply to any shares issued in terms of a rights offer."

Notice of annual general meeting *(continued)*

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 , 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 2010, 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 15 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 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, the articles of association of the company, the Listings Requirements of the 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 15 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;

Notice of annual general meeting *(continued)*

- 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."

5.4 Special resolution number 2

"Resolved as a special resolution that the company, insofar as it may be necessary to do so, hereby approves, as a general approval, and authorises the acquisition by any subsidiary of the company of shares issued by such subsidiary and/or by the company, upon such terms and conditions and in such amounts as the directors of such subsidiary/ies may from time to time determine, but subject to the provisions of section 85 to section 89 of the Companies Act, the articles of association of the company, the Listings Requirements of the 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 15 months from the date of this resolution;
- an announcement must be published as soon as the subsidiary has acquired shares constituting, on a cumulative basis, 3% of the number of shares of the acquiree company in issue prior to the acquisition, pursuant to which the aforesaid 3% threshold is reached, containing full details thereof, as well as for each 3% in aggregate of the initial number of shares acquired thereafter;
- this general authority to repurchase is limited to a maximum of 20% in the aggregate in any one financial year of the acquiree company's issued share capital at the time the authority is granted, subject to a maximum of 10% in the aggregate in the event that it is the company's share capital that is repurchased by a subsidiary;
- the general purchase is authorised by the company's articles of association;
- repurchases must not be made at a price more than 10% above the weighted average of the market value of the shares for the five business days immediately preceding the date that the transaction is effected. The JSE should be consulted for a ruling if the applicants securities have not traded in such five business day period;
- the subsidiary company will only effect a general repurchase if after the repurchase is effected the company still complies with paragraphs 3.37 to 3.41 of the Listings Requirements of the JSE concerning shareholder spread requirements;
- the company and/or subsidiary may at any point in time only appoint one agent to effect any repurchase(s) on the subsidiary company's behalf;
- the subsidiary company may not effect a repurchase during any prohibited period as defined in terms of the Listings Requirements of the JSE unless there is a repurchase programme in place as contemplated in terms of 5.27(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 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.

Notice of annual general meeting *(continued)*

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 98), directors' interest in securities and material changes (page 28) and the share capital of the company (page 66) is contained in the annual report to which this notice is attached.

2. The company is not involved in any legal or arbitration proceedings, nor are any proceedings pending or threatened of which the company is aware that may have or have had in the previous 12 months, a material effect on the company's financial position.

3. The directors, whose names are on page 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.

4. Special resolutions 1 and 2 are renewals of resolutions taken at the previous annual general meeting on 19 June 2009.

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 the relevant instructions for its completion are set out, 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 no later than 12:00 on Tuesday, 15 June 2010.

Notice of annual general meeting *(continued)*

Dematerialised shareholders, other than own-name registered dematerialised shareholders, who wish to attend the annual general meeting in person will need to request their Central Securities Depository Participant (CSDP) or broker to provide them with the necessary authority in terms of the custody agreement entered into between such shareholders and the CSDP or broker.

On a poll, ordinary shareholders will have one vote in respect of each share held. Dematerialised shareholders, other than own-name registered dematerialised shareholders, who are unable to attend the annual general meeting and who wish to be represented thereat, must provide their CSDP or broker with their voting instructions in terms of the custody agreement entered into between themselves and the CSDP or broker in the manner and time stipulated therein.

By order of the board

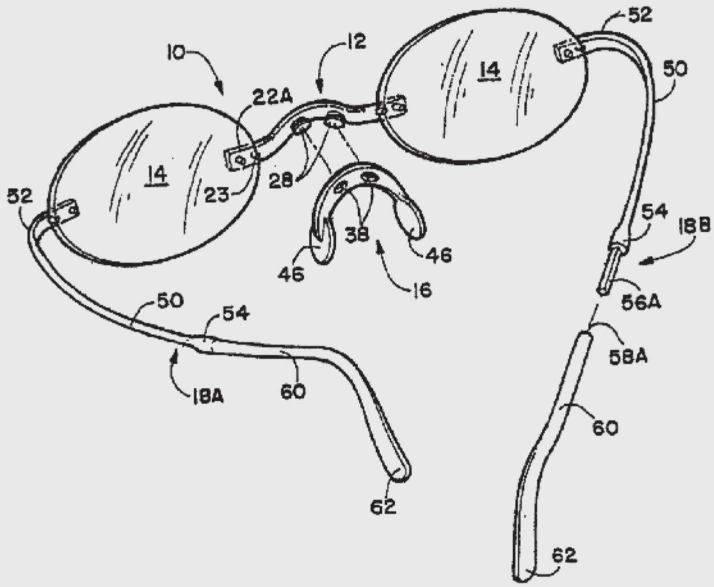
PSG Corporate Services (Pty) Ltd
Company secretary

19 May 2010
Stellenbosch

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

Transfer secretaries
Computershare Investor Services (Pty) Ltd
Ground Floor
70 Marshall Street
Johannesburg, 2001
(PO Box 61051, Marshalltown, 2107)

PSG Financial Services Limited



PSG Financial Services Limited

Annual financial statements
PSG Financial Services Limited

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Approval of annual financial statements

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

The 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 109 to 127 were approved by the board of directors of PSG Financial Services Ltd and are signed on its behalf by:

JF Mouton
Chairman

WL Greeff
Financial director

19 May 2010
Stellenbosch

Independent auditor's report

to the members of PSG Financial Services Ltd

We have audited the annual financial statements of PSG Financial Services Ltd, which comprise the statement of financial position as at 28 February 2010, and the income statement, statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the directors' report, as set out on pages 109 to 127.

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 PSG Financial Services Ltd as at 28 February 2010, 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

19 May 2010
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

19 May 2010
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 statement of financial position, income statement and notes thereto. The company's earnings attributable to shareholders amounted to R250,4 million (2009: R185,9 million).

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

DIVIDENDS
Ordinary
Dividends paid during the year amounted to R99 million (2009: R217 million).

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 2010:

Cents per share	**2010**	2009
Interim	**450,4**	571,1
Final	**390,5**	563,6
Total	**840,9**	1 134,7

DIRECTORS
The directors of the company at the date of this report appear on page 10. Since the date of the previous report, Mr MM (Thys) du Toit was appointed as an independent non-executive director with effect from 29 September 2009 and Mr JA (Johan) Holtzhausen as a non-executive director with effect from 13 May 2010.

HOLDING COMPANY
The company is a wholly owned subsidiary of PSG Group Ltd, except for the 6 079 738 (2009: 6 079 738) preference shares which are listed on the JSE Ltd.

SHAREHOLDING OF DIRECTORS
The shareholding of directors in the preference share capital of the company as at 28 February 2010 was as follows:

	Beneficial		Non-beneficial		**Total shareholding 2010**		Total shareholding 2009	
	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							50 000	0,8
	–	50 000	–	432 632	**482 632**	**8,0**	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 132.

EVENTS SUBSEQUENT TO YEAR-END
Subsequent to year-end, the company raised a further R200 million in listed perpetual preference shares.

Statement of financial position

as at 28 February 2010

	Notes	**2010** **R000**	2009 R000
ASSETS			
Investment in subsidiaries	1	**2 279 306**	1 251 583
Investment in associated companies	2	**1 027 027**	1 008 846
Financial assets			
Equity securities	3	**305 919**	219 080
Loans and advances	4	**573 194**	1 002 422
Derivative financial instruments	5		4 026
Receivables	7	**28 120**	12 779
Current income tax receivable		**523**	523
Total assets		**4 214 089**	3 499 259
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	**178 702**	86 829
Retained earnings		**287 252**	187 009
Total equity		**1 188 450**	996 334
LIABILITIES			
Financial liabilities			
Borrowings	10	**2 972 277**	2 453 887
Derivative financial instruments	5	**2 222**	
Deferred income tax	6	**27 390**	14 772
Trade and other payables	11	**23 750**	34 266
Total liabilities		**3 025 639**	2 502 925
Total liabilities and shareholders' funds		**4 214 089**	3 499 259

Income statement

for the year ended 28 February 2010

	Notes	**2010 R000**	2009 R000
INCOME			
Investment income	12	**281 209**	247 065
Profit on sale of investment in associated companies		**22 031**	9 590
Profit on sale of equity securities		**2 585**	
Other income			12
Total income		**305 825**	256 667
EXPENSES			
Fair value losses	13	**6 248**	41 153
Loss on disposal/impairment of subsidiaries		**17 094**	11 985
Marketing, administration and other expenses		**129**	83
Total expenses		**23 471**	53 221
Results of operating activities		**282 354**	203 446
Finance cost		**(33 735)**	(14 226)
Profit before taxation		**248 619**	189 220
Taxation	14	**1 750**	(3 369)
Net profit for the year		**250 369**	185 851
Attributable to:			
– equity holders of the company		**250 369**	185 851

Statement of comprehensive income

for the year ended 28 February 2010

	Notes	**2010 R000**	2009 R000
Net profit for the year		**250 369**	185 851
Other comprehensive income			
Fair value gains/(losses) on investments		**91 873**	(74 623)
Total comprehensive income for the year, net of tax	14	**342 242**	111 228
Attributable to:			
– equity holders of the company		**342 242**	111 228

Statement of changes in equity

for the year ended 28 February 2010

	Ordinary shares		Preference shares				
	Share capital R000	Share premium R000	Share capital R000	Share premium R000	Other reserves R000	Retained earnings R000	Total R000
Balance at 1 March 2008	45 872	92 175	6 080	578 369	161 452	287 145	1 171 093
Comprehensive income							
Net profit for the year						185 851	185 851
Other comprehensive income							
Fair value losses on investments					(74 623)		(74 623)
Transactions with owners							
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	86 829	187 009	996 334
Comprehensive income							
Net profit for the year						**250 369**	**250 369**
Other comprehensive income							
Fair value gains on investments					**91 873**		**91 873**
Transactions with owners							
Dividend – ordinary shares						**(99 000)**	**(99 000)**
Dividend – preference shares						**(51 126)**	**(51 126)**
Balance at 28 February 2010	**45 872**	**92 175**	**6 080**	**578 369**	**178 702**	**287 252**	**1 188 450**

Statement of cash flows

for the year ended 28 February 2010

	Notes	2010 R000	2009 R000
Cash retained from operating activities			
Cash generated by operating activities	16.1	**232 010**	231 342
Taxation paid	16.2	**(588)**	(6 314)
Net cash flow from operating activities		**231 422**	225 028
Cash utilised in investing activities			
Acquisition of/additional investment in subsidiaries		**(1 022 777)**	(178 031)
Acquisition of/additional investment in associated companies		**(18 190)**	(5 729)
Disposal of associated companies			333 808
Disposal of equity securities		**22 575**	
Investments acquired			(45 818)
Decrease in loan from holding company		**(22 226)**	(389 751)
Increase in loans from subsidiaries		**510 389**	678 507
Increase in borrowings		**30 227**	141 555
Decrease/(increase) in loans to intergroup companies		**429 228**	(475 922)
Net cash flow from investment activities		**(70 774)**	58 619
Cash flows from financing activities			
Dividend paid to ordinary shareholders	16.3	**(99 000)**	(217 000)
Dividend paid to preference shareholders	16.3	**(61 648)**	(66 647)
Net cash flow from financing activities		**(160 648)**	(283 647)
Net increase in cash and cash equivalents		**–**	–
Cash and cash equivalents at beginning of year			
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 27 to 98.

The company has also prepared consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) for the company and its subsidiaries (the "PSL Group"). In the consolidated financial statements, subsidiary undertakings – 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 2010 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 2010

		2010 R000	2009 R000
1.	**INVESTMENT IN SUBSIDIARIES**		
	Shares at cost	**2 296 400**	1 251 583
	Impairment charge	**(17 094)**	
		2 279 306	1 251 583
	Refer Annexure A for details of additional investments.		
2.	**INVESTMENT IN ASSOCIATED COMPANIES**		
	Listed shares at cost	**1 015 245**	1 003 108
	Unlisted shares at cost	**11 782**	5 738
		1 027 027	1 008 846
	Reconciliation		
	Carrying value at beginning of year	**1 008 846**	1 327 335
	Disposals	**(9)**	(324 218)
	Acquisitions	**18 190**	5 729
	Carrying value at end of year	**1 027 027**	1 008 846
	Market value of listed investments	**2 175 571**	856 879
	Directors' valuation of unlisted investments	**11 782**	5 738
	Refer Annexure A		
3.	**EQUITY SECURITIES**		
	Listed	**305 919**	199 090
	Unlisted		19 990
		305 919	219 080

	Available-for-sale R000	Total R000
Reconciliation of movements		
Carrying amount at 1 March 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
Fair value adjustment	**106 829**	**106 829**
Disposals	**(19 990)**	**(19 990)**
Carrying amount at 28 February 2010	**305 919**	**305 919**

	2010 R000	2009 R000
Current portion		
Non-current portion	**305 919**	219 080
	305 919	219 080

Notes to the annual financial statements

for the year ended 28 February 2010

		2010 R000	2009 R000
4.	**LOANS AND ADVANCES**		
	Unsecured loans to subsidiaries		
	Axiam Holdings Ltd		
	– interest bearing		114 520
	– non-interest bearing		130 438
	PSG Corporate Services (Pty) Ltd		
	– interest bearing	**268 617**	141 663
	– non-interest bearing		359 308
	PSG Channel Holdings Ltd	**27 216**	35 596
	PSG Capital (Pty) Ltd	**1 894**	
	Ou Kollege Beleggings Ltd	**7 971**	7 900
	PSG Investment Services (Pty) Ltd	**52 677**	1 000
	Channel Life Holdings (Pty) Ltd	**54 657**	54 656
	Preference shares in associated companies of a subsidiary	**160 139**	155 078
	Other	**23**	2 263
		573 194	1 002 422
	Current portion	**303 055**	595 681
	Non-current portion	**270 139**	406 741
		573 194	1 002 422

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 (2009: R110 000 000) to PSG Corporate Services (Pty) Ltd (2009: 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 (2009: R4 520 000) have 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 12,50% 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 five years (2009: six years) and carry dividend rates that are linked to the prime overdraft rate.

		2010 R000	2009 R000
5.	**DERIVATIVE FINANCIAL INSTRUMENTS**		
	Derivative financial (liabilities)/assets	**(2 222)**	4 026
	Derivative financial (liabilities)/assets		
	Current portion	**(2 222)**	
	Non-current portion		4 026
		(2 222)	4 026
	Analysis of net derivative balance		
	Equity contracts		
	Fixed-for-variable interest rate swap	**(2 222)**	4 026
		(2 222)	4 026

Notes to the annual financial statements

for the year ended 28 February 2010

		2010 R000	2009 R000
6.	**DEFERRED INCOME TAX**		
	Deferred income tax liabilities		
	Current portion		(588)
	Non-current portion	**(27 390)**	(14 184)
		(27 390)	(14 772)

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 2008	5 042	(33 560)	(28 518)
(Charged)/credited to income statement	(5 630)	6 175	545
Credited to other comprehensive income		13 201	13 201
At 28 February 2009	(588)	(14 184)	(14 772)
Taxation paid	**588**		**588**
Credited to income statement		**1 750**	**1 750**
Debited to other comprehensive income		**(14 956)**	**(14 956)**
At 28 February 2010	**–**	**(27 390)**	**(27 390)**

		2010 R000	2009 R000
7.	**RECEIVABLES**		
	Sundry debtors	**28 120**	12 779
	Current portion	**28 120**	12 779
	Non-current portion		
		28 120	12 779
8.	**SHARE CAPITAL**		
	Ordinary share capital		
	Authorised		
	1 000 000 000 shares of 8 cents each (2009: 1 000 000 000 shares)	**80 000**	80 000
	Issued		
	573 401 094 shares of 8 cents each (2009: 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.

Notes to the annual financial statements

for the year ended 28 February 2010

		2010 R000	2009 R000
8.	**SHARE CAPITAL** *(continued)*		
	Preference share capital		
	Authorised		
	10 000 000 shares of R1 each (2009: 10 000 000 shares)	**10 000**	10 000
	Issued		
	6 079 738 shares of R1 each (2009: 6 079 738 shares)	**6 080**	6 080

The preference shares are cumulative, non-redeemable, non-participating preference shares of R1 each. 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 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
	Fair value gains on investments	**91 873**		**91 873**
	At 28 February 2010	**172 087**	**6 615**	**178 702**

		2010 R000	2009 R000
10.	**BORROWINGS**		
	Non-current		
	Unsecured bonds and promissory notes	**281 890**	251 663
	Current		
	Unsecured loan from holding company	**1 168 702**	1 190 928
	Unsecured loans from subsidiaries	**1 517 165**	1 006 776
	Unsecured bonds	**4 520**	4 520
		2 690 387	2 202 224
	Total borrowings	**2 972 277**	2 453 887

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 (2009: 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 (2009: R4 520 000), and is included under current borrowings.

Promissory notes, carrying value R171 890 000 (2009: R141 663 000) bearing fixed interest ranging between 12,15% to 12,65% NACS and repayable between October 2013 and December 2013.

Notes to the annual financial statements

for the year ended 28 February 2010

		2010 R000	2009 R000
11.	**TRADE AND OTHER PAYABLES**		
	Trade payables	**6**	
	Shareholders for dividends – preference shares	**23 744**	34 266
		23 750	34 266
	Current portion	**23 750**	34 266
	Non-current portion		
		23 750	34 266
12.	**INVESTMENT INCOME**		
	Interest income		
	Preference dividend income	**20 591**	24 811
	Loans and advances	**31 764**	25 191
	Dividend income		
	Equity securities – available-for-sale	**7 076**	37 699
	Dividend from subsidiaries	**174 165**	113 680
	Dividend from associated companies	**47 613**	45 684
		281 209	247 065
13.	**FAIR VALUE LOSSES**		
	Fair value losses on financial assets at fair value through profit or loss		
	Unrealised fair value losses	**(6 248)**	(21 153)
	Impairment of investment in subsidiary	**(17 094)**	
	Impairment of available-for-sale financial asset		(20 000)
		(23 342)	(41 153)
14.	**TAXATION**		
	Current taxation		
	Current year		3 914
	Deferred taxation		
	Current year	**(1 750)**	(6 175)
	Secondary tax on companies (STC)		
	Deferred taxation		5 630
		(1 750)	3 369

The components of other comprehensive income carried a tax charge of R14 956 000 (2009: R13 201 000).

STC credits available within the company	**26 684**	
Deferred tax asset provided on STC credits		
Available for future utilisation	**26 684**	-

Notes to the annual financial statements

for the year ended 28 February 2010

		2010 %	2009 %
14.	**TAXATION** *(continued)*		
	Reconciliation of income tax charge		
	Reconciliation of rate of taxation		
	South African normal tax rate	**28,0**	28,0
	Adjusted for:		
	Non-taxable income	**(28,1)**	(32,8)
	Non-deductible expenses	**2,9**	4,3
	Capital gains tax rate differential	**(3,5)**	(0,7)
	Secondary tax on companies (STC)		3,0
	Effective rate of tax	**(0,7)**	1,8

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.

		2010 R000	2009 R000
16.	**NOTES TO THE STATEMENT OF CASH FLOWS**		
16.1	**Cash generated by operating activities**		
	Net profit before tax	**248 619**	189 220
	Adjustments for:		
	Unrealised fair value losses	**6 248**	21 153
	Impairment of investment in subsidiary	**17 094**	
	Impairment of available-for-sale financial asset		20 000
	Other non-cash items	**(15 335)**	(1 426)
	Loss on disposal of subsidiaries		11 985
	Profit on sale of investment in associated companies	**(22 031)**	(9 590)
	Profit on sale of equity securities	**(2 585)**	
		232 010	231 342
16.2	**Taxation paid**		
	Charge in income statement		(3 914)
	Movement in current tax receivable/payable	**(588)**	(2 400)
		(588)	(6 314)
16.3	**Dividends paid – ordinary shares**		
	Provision for payment to shareholders at beginning of year		
	Dividends paid for the year	**(99 000)**	(217 000)
	Provision for payment to shareholders at end of year		
		(99 000)	(217 000)

Notes to the annual financial statements

for the year ended 28 February 2010

		2010 R000	2009 R000
16.	**NOTES TO THE STATEMENT OF CASH FLOWS** *(continued)*		
16.3	**Dividends paid – preference shares**		
	Provision for payment to shareholders at beginning of year	**(34 266)**	(31 926)
	Preference dividends accrued for the year	**(51 126)**	(68 987)
	Provision for payment to shareholders at end of year	**23 744**	34 266
		(61 648)	(66 647)

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 financial instruments are grouped into the following categories:

	Loans and receivables R000	Available-for-sale R000	Total R000
28 February 2010			
Assets as per statement of financial position			
Equity securities		**305 919**	**305 919**
Loans and advances	**573 194**		**573 194**
Receivables	**28 120**		**28 120**
	601 314	**305 919**	**907 233**

	Liabilities measured at amortised cost R000	Other financial liabilities R000	Total R000
Liabilities as per statement of financial position			
Borrowings	**2 972 277**		**2 972 277**
Derivative financial instruments		**2 222**	**2 222**
Trade and other payables		**23 750**	**23 750**
	2 972 277	**25 972**	**2 998 249**

Notes to the annual financial statements

for the year ended 28 February 2010

	Loans and receivables R000	Assets at fair value through profit or loss R000	Available-for-sale R000	Total R000
17. FINANCIAL RISK MANAGEMENT *(continued)*				
Financial instruments by category *(continued)*				
28 February 2009				
Assets as per statement of financial position				
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 statement of financial position			
Borrowings	2 453 887		2 453 887
Trade and other payables		34 266	34 266
	2 453 887	34 266	2 488 153

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 statement of financial position 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% (2009: 20%) with all other variables held constant.

	2010 20% increase R000	2009 20% increase R000	**2010 20% decrease R000**	2009 20% decrease R000
Impact on equity	**52 618**	37 682	**(52 618)**	(37 682)

The company has a concentration of price risk towards the general financial sector of the JSE Ltd with 100% (2009: 91%) of its equity investments invested in this sector. The company is not exposed to commodity price risk.

Notes to the annual financial statements

for the year ended 28 February 2010

17. FINANCIAL RISK MANAGEMENT *(continued)*

Market risk *(continued)*

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 statement of financial position and are 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.

Based on simulations performed, the impact on post-tax profit of a 1% (2009: 3%) shift in interest rates is analysed in the following table:

	2010 1% increase R000	2009 3% increase R000	**2010 1% decrease R000**	2009 3% decrease R000
Impact on post-tax profit	**1 153**	3 350	**(1 153)**	(3 350)

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.

	2010 R000	2009 R000
Loans and advances	**573 194**	1 002 422
Receivables	**28 120**	12 779
Derivative financial instruments		4 026
	601 314	1 019 227

No receivables were past due.

Notes to the annual financial statements

for the year ended 28 February 2010

17. FINANCIAL RISK MANAGEMENT ***(continued)***

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 reporting 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
28 February 2010			
Borrowings	**2 972 277**	**2 690 387**	**378 129**
Derivative financial instruments	**2 222**	**2 222**	
Trade and other payables	**23 750**	**23 750**	
	2 998 249	**2 716 359**	**378 129**
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

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

Effective 1 January 2010, the company adopted the amendment to IFRS 7 for financial instruments that are measured in the statement of financial position at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1),
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2),
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

Notes to the annual financial statements

for the year ended 28 February 2010

	2010 R000
17. FINANCIAL RISK MANAGEMENT *(continued)*	
The following assets are measured at fair value:	
Assets	
Level 1	
Equity securities	**305 919**
	305 919
Liabilities	
Level 2	
Derivative financial instruments	**2 222**
	2 222

The company had no level 3 assets or liabilities at 28 February 2010.

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting 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 reporting 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 statement of financial position at fair value.

	Carrying value		Fair value	
	2010 R000	2009 R000	**2010 R000**	2009 R000
Loans and advances	**268 617**	256 183	**265 644**	244 188
Borrowings	**(268 617)**	(256 183)	**(265 644)**	(244 188)

Annexure A – Investments

as at 28 February 2010

INVESTMENT IN SUBSIDIARIES

Company	Proportion held directly 2010 %	Proportion held directly 2009 %	Issued share capital 2010 R000	Issued share capital 2009 R000	Carrying value 2010 R000	Carrying value 2009 R000
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 Capital (Pty) Ltd	**100**		**1**		**15 641**	
PSG Channel Holdings Ltd	**100**	100	**370**	370	**12 531**	12 531
PSG Corporate Services (Pty) Ltd	**100**	100	**10**	10	**52 315**	52 315
PSG Investment Services (Pty) Ltd	**100**	100	**2 269**	1 819	**97 351**	97 351
Zeder Investments Ltd	**41**	38	**9 781**	6 113	**698 346**	476 116
Paladin Capital Ltd	**81**		**57**		**710 356**	
35 Kerkstreet Investments Ltd	**100**	87	**42**	40	**500 914**	421 802
PSG Konsult Ltd	**73**	73	**7 331**	7 331	**127 409**	127 025
Other					**3**	3
					2 279 306	1 251 583

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 2010 %	Proportion held directly 2009 %	Carrying value 2010 R000	Carrying value 2009 R000
Listed					
Capitec Bank Holdings Ltd	Retail banking	**35**	35	**1 015 245**	1 003 108
				1 015 245	1 003 108
Unlisted					
Baedex Ltd (previously Adato Capital Holdings Ltd)	Bridge financing	**33**	26	**11 782**	5 729
Other					9
				11 782	5 738
				1 027 027	1 008 846

FINANCIAL INFORMATION IN RESPECT OF PRINCIPAL ASSOCIATED COMPANIES

	Assets R000	Liabilities R000	Revenues R000	Profit R000
2010				
Capitec Bank Holdings Ltd	**9 488 223**	**7 760 246**	**3 519 475**	**449 224**
2009				
Capitec Bank Holdings Ltd	4 969 422	3 563 221	2 602 240	319 322

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

Annexure B – Preference share analysis

as at 28 February 2010

	Shareholders		Shares held	
	Number	%	Number	%
RANGE OF SHAREHOLDING				
1 - 500	388	27,5	119 943	2,0
501 - 1 000	311	22,0	264 157	4,3
1001 - 5 000	541	38,3	1 309 381	21,5
5 001 - 10 000	103	7,3	745 572	12,3
Over 10 000	70	5,0	3 640 685	59,9
	1 413	100,0	6 079 738	100,0
PUBLIC AND NON-PUBLIC SHAREHOLDING				
Non-public				
Directors	3	0,2	482 632	7,9
PSG FutureWealth Ltd	1	0,1	579 738	9,5
Public	1 409	99,7	5 017 368	82,5
	1 413	100,0	6 079 738	100,0
INDIVIDUAL SHAREHOLDERS HOLDING 5% OR MORE AS AT 28 FEBRUARY 2010				
PSG FutureWealth Ltd			579 738	9,5
Mayfair Speculators (Pty) Ltd			350 000	5,8
			929 738	15,3

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, 18 June 2010 at 08:45.

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 2010.
2. To re-elect as directors of the company Messrs J de V du Toit, MM du Toit, JA Holtzhausen, JF Mouton, JJ Mouton and CA Otto.
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 2010 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 ordinary shares in the company and the unissued cumulative, non-redeemable, non-participating preference 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 61 of 1973, as amended ("the Companies Act"), the articles of association of the company, and the provisions of the Listings Requirements of the JSE Ltd (JSE)."

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, the articles of association of the company and the Listings Requirements of the 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;
- purchases 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, the articles of association of the company and the Listings Requirements of the 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;

Notice of annual general meeting

continued

– the subsidiary company may not effect a repurchase during any prohibited period as defined in terms of the Listings Requirements of the JSE unless there is a repurchase plan in place as contemplated in terms of 5.72(g) of the Listings Requirements of the JSE; and

– the company must ensure that its sponsor provides the JSE with the required working capital letters before it commences the repurchase of any shares."

Reasons for and effects of the special resolutions

1. The reason for and effect of special resolution number 1 is to grant the directors a general authority in terms of the Companies Act 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 127), directors' interest in securities and material changes (page 109) and the share capital of the company (page 117) 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 a material effect on the company's financial position in the previous 12 months.

Notice of annual general meeting

continued

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 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 19 June 2009.

By order of the board

PSG Corporate Services (Pty) Ltd
Company secretary

19 May 2010
Stellenbosch

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

Transfer secretaries
Computershare Investor Services (Pty) Ltd
Ground Floor
70 Marshall Street
Johannesburg, 2001
(PO Box 61051, Marshalltown, 2107)

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
Computershare Investor Services (Pty) Ltd
Ground Floor
70 Marshall Street
Johannesburg, 2001
(PO Box 61051, Marshalltown, 2107)

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

Corporate adviser and sponsor
PSG Capital

Broker
PSG Online Securities Ltd

Auditor
PricewaterhouseCoopers Inc.

Principal banker
Absa Bank Ltd

Website address
www.psggroup.co.za

Shareholders' diary

	2010
Financial year-end	28 February
Profit announcement	19 April
Annual general meeting	18 June
Interim report	11 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 Webersburg at 12:00 on Friday, 18 June 2010.

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 J de V du Toit as director			
2.2 To re-elect JF Mouton as director			
2.3 To re-elect CA Otto as director			
2.4 To re-elect JA Holtzhausen as director			
2.5 To re-elect MM du Toit as director			
2.6 To re-elect JJ Mouton 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 Special resolution number 1 – share buyback by PSG Group			
5.3 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 ______________ 2010

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, Computershare Investor Services (Pty) Ltd (PO Box 61051, Marshalltown, 2107), by not later than 12:00 on Tuesday, 15 June 2010.

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.