CAPITEC BANK HOLDINGS LIMITED

(Incorporated in the Republic of South Africa)
(Registration number 1999/025903/06)
(JSE share code: CPIP ISIN: ZAE000083838)
("Capitec" or "the company")

PRE-LISTING STATEMENT

This pre-listing statement is not an invitation to the public to subscribe for preference shares in Capitec in terms of the private placement but has been prepared for the purpose of providing information on the company and the raising of R160 000 045 preference share capital.

Prepared in terms of the Listings Requirements of the JSE Limited ("the JSE") and relating to:

- **a private placement of 1 684 211 non-redeemable, non-cumulative, non-participating Capitec preference shares with a par value of R0,01 each at a subscription price of R95 per preference share.**

Proposed listing date (09:00) **Thursday, 31 August 2006**

Subscriptions have been made for a minimum subscription amount of R104 500 per single addressee acting as principal. There is no maximum subscription amount per single addressee acting as principal.

At the date of listing, the authorised share capital of Capitec will comprise 100 000 000 ordinary shares with a par value of R0,01 each ("the ordinary shares") and 100 000 000 non-cumulative, non-redeemable, non-participating preference shares of R0,01 each ("the preference shares"). The issued share capital of Capitec will comprise 71 928 412 ordinary shares with a par value of R0,01 per share amounting to R719 284.12 and a total share premium of R347 145 941.95, and 1 684 211 preference shares with a par value of R0,01 amounting to R16 842.11 and a premium of R159 983 202.89 less expenses. The preference shares will rank *pari passu* with one another. The JSE has granted Capitec a listing of a maximum of 1 684 211 preference shares, in the "Preference Shares - Preference Shares" sector under the abbreviated name CAPITEC PREF (share code: CPIP and ISIN : ZAE000083838) subject to the condition referred to in paragraph 6.3 of this pre-listing statement. It is anticipated that the listing will be effective from the commencement of business on Thursday, 31 August 2006. The preference shares to be issued in terms of the private placement will be the first Capitec preference shares to be issued.

The preference shares will only be issued at the time of the private placement and traded on the JSE in electronic (dematerialised) form. Any preference shareholder who wishes to hold his preference shares in certificated form should rematerialise his preference shares after the private placement has been completed and the preference shares listed on the JSE. Any preference shareholder who rematerialises his preference shares will have to dematerialise his certificated preference shares should he wish to trade therein.

All the directors of Capitec, whose names are given in paragraph 4.1 on page 10 of this document, collectively and individually accept full responsibility for the accuracy of the information provided in the pre-listing statement 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 this pre-listing statement contains all information required by law and the Listings Requirements.

The auditors, lead sponsor, joint sponsor and corporate advisor, legal adviser and transfer secretaries have consented in writing to act in the capacity stated and to their names being included in this pre-listing statement and have not withdrawn their consent prior to the publication of this pre-listing statement.

An abridged version of this pre-listing statement will be published in the press and on the Securities Exchange News Service on Wednesday, 30 August 2006.

Corporate Adviser and Joint Sponsor	Lead Sponsor	Legal Adviser	Auditors	Underwriter
PSG CAPITAL	BDO QuestCo (Pty) Ltd	JAN S. DE VILLIERS ATTORNEYS	PRICEWATERHOUSECOOPERS Chartered Accountants (SA) Registered Accountants and Auditors (Registration number 1998/012055/21)	PSG FINANCIAL SERVICES LIMITED

Date of issue : Wednesday, 30 August 2006

This pre-listing statement is only available in English. Copies may be obtained from the registered office of Capitec, PSG Capital Limited and the transfer secretaries, details of which are set out in the "Corporate Information" section on page 1 of this pre-listing statement.

CORPORATE INFORMATION

COMPANY SECRETARY AND REGISTERED OFFICE
Christian George van Schalkwyk
B.Comm LLB, CA(SA)
10 Quantum Road
Techno Park
Stellenbosch, 7600
(PO Box 12451, Die Boord, Stellenbosch, 7613)

LEAD SPONSOR
BDO Questco (Proprietary) Limited
(Registration number 2004/018276/07)
13 Wellington Road
Parktown, 2193
(Private Bag X60500, Houghton, 2041)

CORPORATE ADVISER AND JOINT SPONSOR
PSG Capital Limited
(Registration number 2002/017362/06)
1st Floor, Ou Kollege
35 Kerk Street
Stellenbosch, 7600
(PO Box 7403, Stellenbosch, 7599)

and at

Building 8, Woodmead Estate
1 Woodmead Drive
Woodmead, 2191
(PO Box 987, Parklands, 2121)

AUDITORS
PricewaterhouseCoopers Inc
Chartered Accountants (SA)
Registered Accountants and Auditors
(Registration number 1998/012055/21)
1 Waterhouse Place
Century City, 7441
(PO Box 2799, Cape Town, 8000)

DATE AND PLACE OF INCORPORATION OF CAPITEC

23 November 1999
Pretoria

TRANSFER SECRETARIES
Computershare Investor Services 2004 (Proprietary) Limited
(Registration number 2004/003647/07)
70 Marshall Street
Johannesburg, 2001
(PO Box 61051, Marshalltown, 2107)

LEGAL ADVISERS
Jan S. de Villiers Attorneys
18th Floor
1 Thibault Square
Cape Town, 8001
(PO Box 1474, Cape Town, 8000)

COMMERCIAL BANKERS
First National Bank Limited
Corporate Account Services
(Registration number 1929/001225/06)
240 Main Road
Great Westford Building
Rondebosch, 7700
(PO Box 367, Cape Town, 8000)

TABLE OF CONTENTS

The definitions and interpretations on pages 3 and 4 of this pre-listing statement apply, *mutatis mutandis*, to this table of contents.

INTERPRETATIONS AND DEFINITIONS

In this circular and the annexures hereto, unless inconsistent with the context :
- the singular includes the plural and vice versa;
- any reference to one gender shall include the other genders;
- a reference to a person includes a body corporate or unincorporate and vice versa; and
- the words in the first column shall have the meanings assigned to them in the second column.

"the Act"	the Companies Act, 1973 (Act 61 of 1973), as amended;
"AltX"	the Alternative Exchange of the JSE;
"articles of association"	the articles of association of Capitec;
"auditors"	PricewaterhouseCoopers Inc. (Registration number 1998/012055/21), chartered accountants, registered accountants and auditors and Capitec's appointed external auditors;
"the Banks Act"	the Banks Act, 1990 (Act 94 of 1990) as amended;
"board" or "board of directors" or "directors"	the board of directors of Capitec;
"business day"	any day other than Saturday, Sunday or an official public holiday in South Africa;
"Capitec" or "the company"	Capitec Bank Holdings Limited (Registration number 1999/025903/06), registered a bank controlling company in terms of the Banks Act, a public company incorporated in South Africa and listed on the JSE;
"Capitec Bank"	Capitec Bank Limited (Registration number 1980/003695/06), a public company incorporated in South Africa, registered as a bank in terms of the Banks Act and a wholly owned subsidiary of the company;
"Computershare"	Computershare Investor Services 2004 (Proprietary) Limited (Registration number 2004/003647/07), a private company incorporated in South Africa which acts as the company's transfer secretaries;
"Common Monetary Area"	South Africa, the Republic of Namibia and the Kingdoms of Swaziland and Lesotho;
"CSDP"	Central Securities Depository Participant registered in terms of the Securities Services Act, 2004 (Act 36 of 2004);
"dematerialise"	the process whereby paper share certificates are replaced with electronic records of ownership of shares or securities and held with a CSDP or broker as contemplated in section 91A of the Act under the STRATE system;
"GAAP"	Generally Accepted Accounting Practice;
"the group" or "the Capitec group"	the company and its subsidiaries;
"IFRS"	International Financial Reporting Standards;
"Income Tax Act"	Income Tax Act, 1962 (Act 58 of 1962), as amended;
"JSE"	JSE Limited (Registration number 2005/022939/06), a public company incorporated in South Africa and licensed as a stock exchange under the Securities Services Act 2004 (Act 36 of 2004);
"Listings Requirements"	the listings requirements of the JSE as amended from time to time;
"last practicable date"	Friday, 18 August 2006, being the last practicable date prior to the finalisation of this pre-listing statement;
"listing"	listing of the preference shares in the "Preference Shares – Preference Shares" sector of the JSE lists under the abbreviated name CAPITEC PREF (share code: CPIP and ISIN: ZAE000083838) which is anticipated to commence on the listing date;
"listing date"	proposed date of the listing of the preference shares which is expected to be on or about Thursday, 31 August 2006;
"memorandum"	the memorandum of association of Capitec;
"non-resident"	a person whose registered address is outside the common monetary area;
"ordinary shares"	ordinary shares with a par value of R0,01 each in the issued share capital of Capitec, which ordinary shares are listed on the JSE under the abbreviated name CPI, (share code : CPI and ISIN : ZAE000035861);

“ordinary shareholder”	registered holder of ordinary shares in Capitec;
“preference shareholder”	a registered holder of preference shares in Capitec;
“preference shares”	1 684 211 non-redeemable, non-cumulative, non-participating preference shares in Capitec’s share capital with a par value of R0.01 each, the terms and conditions of which are set out in Annexure 2 of this pre-listing statement and summarised in paragraph 5.5 of this pre-listing statement;
“pre-listing statement”	this pre-listing statement and its annexures, dated Wednesday, 30 August 2006;
“prime rate”	prime overdraft lending rate of the corporate bankers of Capitec from time to time;
“private placement”	private placement of 1 684 211 preference shares at a subscription price of R95 per share raising R160 000 045 from selected investors;
“PSG Group”	PSG Group Limited (Registration number 1970/008484/06), a public company incorporated in South Africa and listed on the JSE;
“PSG Financial Services”	PSG Financial Services Limited (Registration number 1919/000478/06), a public company incorporated in South Africa being a wholly owned subsidiary of PSG Group, the preference shares of which are listed on the JSE;
“Registrar”	the Registrar of Companies in South Africa;
“registered holder”	a holder of shares registered as such in the register of Capitec ;
“shareholders”	the registered holders of ordinary and preference shares in Capitec;
“SENS”	the Securities Exchange News Service of the JSE;
“South Africa”	the Republic of South Africa;
“STRATE”	STRATE Limited (Registration number 1998/022242/06), a registered Central Securities Depository in terms of the Securities Services Act, 2004 (Act 36 of 2004);
“STRATE system”	STRATE, a clearing and settlement system generated by the JSE for share transactions to be settled and transfer of ownership to be recorded electronically;
“subscription price”	subscription price of the preference shares in terms of the private placement, being an amount of R95 each, which is equivalent to a par value of R0,01 and premium of R94.99 per preference share;
“subsidiaries”	a subsidiary company as defined in section 1 of the Act;
“transfer secretaries”	the transfer secretaries of Capitec, namely Computershare; and
“underwriter”	PSG Financial Services.

SALIENT FEATURES

1. INTRODUCTION AND PURPOSE

Capitec wishes to raise cost-effective permanent share capital as part of a general capital management programme to optimise the capital base of the Group. The funding has been earmarked for general strategic initiatives including possible international expansion, expansion of infrastructure and branches locally, and to increase Capitec's capacity for book growth.

The pre-listing statement :

- provides investors and the market with information on Capitec, its operations, directors and management;
- provides investors and the market with information concerning the raising of R160 000 045 preference share capital through a private placing prior to the date of issue of this pre-listing statement;
- enables Capitec to bring about the listing of the preference shares; and
- sets out the consolidated historical financial information of the company for the three financial years ended 28 February 2006.

In terms of the private placement, subscriptions were limited to a minimum subscription amount of R104 500 per single addressee acting as principal. There was no maximum subscription amount per single addressee acting as principal. The private placement was underwritten by PSG Financial Services as more fully set out in 6.4 below. Information relating to the underwriter is set out in Annexure 3 to this pre-listing statement.

2. DETAILS OF THE OFFER FOR SUBSCRIPTION, THE PRIVATE PLACEMENT AND THE LISTING

2.1 Particulars of the private placement

Deemed value per preference share for dividend purposes	R100
Subscription price per preference share	R95
Minimum rand value of subscription per applicant acting as principal	R104 500
Number of preference shares offered	1 684 211
Amount raised in terms of the private placement	R160 000 045
Amount underwritten by underwriter	R160 000 045
Date of issue of this pre-listing statement	Wednesday, 30 August 2006
Proposed listing date (9:00)	Thursday, 31 August 2006

The private placement was underwritten by PSG Financial Services as more fully set out in 6.4 below. Information relating to the underwriter is set out in Annexure 3 to this pre-listing statement.

2.2 Private placement

Prior to the issue of this pre-listing statement, 1 684 211 preference shares, forming the subject matter of the private placement, were placed with selected investors and institutions at a subscription price of R95 per share. Irrevocable commitments have been obtained from these parties to subscribe for 1 684 211 preference shares, thereby raising R160 000 045.

2.3 Condition to the listing

The JSE has granted Capitec a listing of a maximum of 1 684 211 preference shares in the "Preference Shares – Preference Shares" sector. The listing was subject to the condition that Capitec meets the requirements of the JSE in respect of the requisite spread of preference shareholders, being a minimum of 50 (fifty) public preference shareholders, excluding non-public shareholders as defined in terms of paragraph 4.25 of the Listings Requirements, who collectively hold at least 20% of the issued preference share capital.

3. SALIENT FEATURES OF THE PREFERENCE SHARES

The preference shares are non-redeemable, non-cumulative and non-participating. The preference dividend, if declared, shall be payable semi-annually at least 5 (five) business days prior to the date on which the company pays its ordinary dividend, if any, in respect of the same period, but not later than 120 (one hundred and twenty) business days after the last day of February and August, respectively. The board of Capitec has undertaken to pay the preference share dividend within the minimum period as stipulated by the Listings Requirements from the date of declaration thereof. The date of declaration is anticipated to be at the end of March and end of September in any given year.

3.1 Voting rights

The preference shares are non-voting, save for the circumstances as described under section 194 of the Act. Preference shareholders will only be entitled to vote during periods when a preference dividend which has been declared, or any part thereof, remains in arrears and unpaid after six months or when a resolution of Capitec is proposed which directly affects the rights attached to the preference shares or the interests of the preference shareholders.

3.2 Entitlements to dividends

Preference shareholders will receive, if declared, an annual dividend, payable in two semi-annual instalments, equal to 75% of the prime rate calculated on a daily basis up to the preference dividend calculation date multiplied by the deemed value of the preference shares held by a preference shareholder. Preference shareholders will be entitled to receive preference dividends out of profits of Capitec available for distribution. Capitec will not declare an ordinary dividend unless the preference share dividend has been declared. Preference dividends not declared, shall not accumulate. At the date of this pre-listing statement, there was no arrangement under which future dividends are waived, or agreed to be waived.

3.3 Consents required for variation of rights

Rights attaching to the preference shares may not be modified, amended, added or abrogated without the prior written consent of at least 75% of the preference shareholders or the prior sanction of a resolution passed at a separate class meeting of preference shareholders in the same manner *mutatis mutandis* as a special resolution.

4. FURTHER COPIES OF THIS PRE-LISTING STATEMENT

Copies of this pre-listing statement can be obtained during normal business hours from 12:00 on Wednesday, 30 August 2006, from Capitec, the lead sponsor, joint sponsor or the transfer secretaries, the addresses of which are set out in the "Corporate Information" section on page 1 of this pre-listing statement.

Alternatively, copies of this pre-listing statement can be viewed at and/or printed from the Capitec website, www.capitecbank.co.za.

CAPITEC BANK HOLDINGS LIMITED

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(Registration number 1999/025903/06)
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("Capitec" or "the company")

PRE-LISTING STATEMENT

1. INTRODUCTION AND PURPOSE

Capitec wishes to raise cost-effective permanent share capital as part of a general capital management programme to further optimise the Group's capital base. The funding has been earmarked for general strategic initiatives including possible international expansion, expansion of infrastructure and branches locally and to increase Capitec's capacity for book growth.

The pre-listing statement :
- provides investors and the market with information on Capitec, its operations, directors and management;
- provides investors and the market with information concerning the raising of R160 000 045 preference shares prior to the date of issue of this pre-listing statement;
- enables Capitec to bring about the listing of the preference shares; and
- sets out the consolidated historical financial information of the company for the three financial years ended 28 February 2006.

In terms of the private placement, subscriptions were limited to a minimum subscription amount of R104 500 per single addressee acting as principal. There was no maximum subscription amount per single addressee acting as principal. The private placement was underwritten by PSG Financial Services as more fully set out in 6.4 below. Information relating to the underwriter is set out in Annexure 3 to this pre-listing statement.

2. IMPORTANT CONSIDERATIONS FOR INVESTORS

The issue of the preference shares in terms of the private placement will increase both the primary and total capital adequacy of Capitec. For illustrative purposes, based on the group's total capital adequacy ratio of 56% at 28 February 2006, a preference share issue of R160 000 045 will increase this ratio to 71%.

3. INFORMATION RELATING TO CAPITEC

3.1 Incorporation

Capitec, registered as a bank controlling company in terms of section 44 (4) of the Banks Act, is the holding company of Capitec Bank, the first new retail bank in South Africa in over two decades. Capitec Bank focuses on providing simple, affordable and accessible banking services to the mass market. The company was incorporated in South Africa on 23 November 1999, registered as a bank controlling company on 29 June 2001, and listed on the JSE on 18 February 2002. Capitec is listed in the "Banks sector".

The name and address of the registered office of Capitec is set out in the "Corporate Information" section on page 1 of this pre-listing statement.

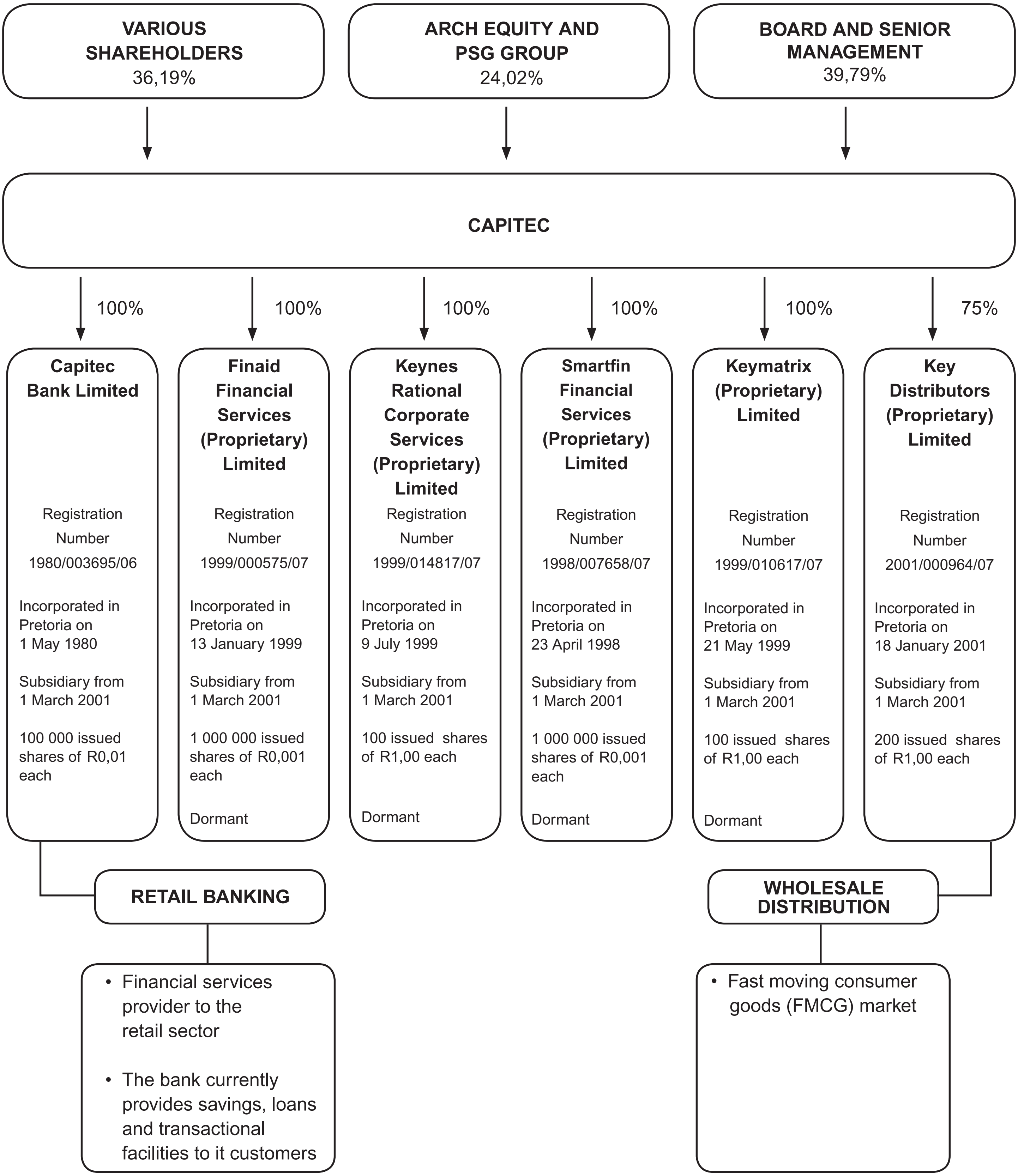
3.2 Background

Capitec was originally established as Business Ventures Number 285 (Proprietary) Limited, but changed its name to Prosimian (Proprietary) Limited effective 19 July 2000. The company was converted to a public company on 14 June 2001, simultaneously changing its name to Keynes Rational Limited. The company's name was finally changed to Capitec Bank Holdings Limited on 8 February 2002.

The Capitec group, originally known as the Keynes Rational group, originated in 1999 as a microlending group providing short term loans to the lower income sector. The Keynes Rational group obtained a banking license and restructured into a banking group on 1 March 2001. The banking subsidiary into which the business was introduced was renamed Capitec Bank and its equity interest unbundled to Capitec, the new holding company. The latter listed on the JSE on 18 February 2002.

3.3 Group structure

The Capitec group structure, as at the last practicable date, is set out below.



3.4 Nature of business

Capitec is registered in terms of the Banks Act as a bank controlling company. Capitec Bank, Capitec's banking subsidiary, focuses on providing simple, affordable and accessible retail banking services as more fully described below. Capitec Bank is regulated in terms of the Banks Act by the South African Reserve Bank. As a result of the financing it provides, the bank is also regulated by the National Credit Regulator and the Financial Services Board.

Retail Banking

Savings
Because real returns on daily savings accounts are slim, the average South African does not save. This is a hard fact that Capitec has addressed through offering interest rates on savings accounts that allow its clients to experience tangible returns regardless of the size of their deposits. South Africans must be incentivised to save. To encourage saving, Capitec Bank offers the lowest cost and highest interest rates in South Africa, paying 10% interest on any savings balance less than R10 000. This means that clients earn on average three times more on their daily savings than with any other bank. Capitec's number of savings clients has more than doubled during 2006 and the total value of its retail deposits increased fourfold. Through innovative technology, banking charges are also kept to a minimum, such that Capitec's banking fees are generally less than half the fees of other banks, with ATM charges fixed at R2 per transaction.

Loans
Capitec offers various loan products, from a term of one month to a fixed term of up to one year (i.e. three, six and twelve months). The provision of loans has proven to be Capitec's primary income generating activity. The value of loans provided in the previous financial year increased by 27% to R2.9 billion. Short-term personal loans are provided at the lowest rates in Capitec's target market. In the year to 28 February 2006, 2.7 million loans with average size of R1 080 (2005: 2.5 million loans with average size of R909) were advanced to clients. Because of the longer average term of the loans, Capitec's net loan book increased from R208 million a year ago to R455 million.

Transactional Facilities
Capitec's *Global One Card*, which is provided to all Capitec customers regardless of income level, allows instant account opening, transacting facilities, loan approvals, stop/debit orders, interbank transfers and immediate access to loan funds. This Maestro branded card provides clients with cost-free debit card purchases, as well as free bank statements and balance enquiries. In addition to its 260 branches (and a further increase to 293 planned this year) and 228 ATMs country wide, Capitec Bank clients also have access to low cost cash withdrawals through all Pick 'n Pay, Checkers and Shoprite points of sale, as well as full interbank connectivity through SASWITCH, Mastercard and VISA ATMs (both nationally and internationally).

Neither Capitec nor any of its subsidiaries made any material disposals during the three years prior to the last practicable date. There have been no material changes in the business of Capitec during the past 5 years. There is also no government protection or any investment encouragement law affecting the business of Capitec, apart from the banking regulations applicable to all banks registered in South Africa. The business of Capitec or any of its subsidiaries or any part thereof is not managed nor proposed to be managed by a third party under a contract or arrangement.

3.5 Prospects

Capitec has embarked on what it has termed the "Capitec revolution" in terms of which it aims to bring simple, accessible, affordable, personalised and efficient banking services to the vast majority of people throughout the country – even in the most inaccessible areas, and potentially expanding these services on an international basis. As this vision becomes a reality, Capitec Bank will seek out further profitable products, expand its existing and enter into new markets, and ultimately build its brand into one associated with excellence, innovation and integrity by the general South African banking consumer.

Capitec remains conservative in its spending philosophy and regards liquidity management as imperative. This approach has been acknowledged by the debt market which has opened up considerably and also in Capitec having obtained an investment grade rating from Moody's Investors Service of Baa1.za long-term and Prime-2.za short term. This conservative approach has meant that Capitec ended the 2006 financial year with R582 million in cash, well in excess of its retail deposits and throughout the same year has had sufficient cash to cover all current deposits.

3.6 Historical financial information

The historical financial information for Capitec, extracted from the consolidated annual financial statements for the past two years ended 28 February 2006 based on IFRS, and for the year ended 29 February 2004 restated to IFRS is set out in Annexure 1 to this pre-listing statement.

4. DIRECTORS

4.1 Information relating to directors and management

The full names, ages, nationalities, addresses and profiles of the directors (4.1.1 – 4.1.10) and executive managers (4.1.11 – 4.1.16) as at the last practicable date are set out below:

4.1.1	André Pierre du Plessis(*)	Financial Director
	Appointed in the group :	16 July 2000
	Appointed to the board :	6 May 2002
	Age :	45
	Business Address :	14 Quantum Road Techno Park Stellenbosch 7600
	Qualifications :	BComm (Hons), CA(SA)
	Directorships :	Financial director of Capitec, Capitec Bank and all subsidiaries in the Capitec group, as well as various other private companies.
	Summary of curriculum vitae:	Mr Du Plessis has over 20 years' business advisory, financial consulting and strategic and financial management experience. He was a partner at Arthur Andersen where he worked from 1986 to 1996, and was the chief executive – financial management of Boland PKS from 1996 to 2000.
	Capitec board committee memberships:	Executive Management Committee, Management Committee
4.1.2	Michiel Scholtz du Pré le Roux(*)	Non-executive director
	Appointed :	1 March 2001
	Age :	57
	Business Address :	26 Rozendal Avenue Stellenbosch 7600
	Qualifications :	BComm LLB
	Directorships :	Non-executive director of Capitec, Capitec Bank and various other private companies
	Summary of curriculum vitae:	Mr Le Roux has 30 years' experience in commerce and banking. He was managing director of Distillers Corporation (SA) Limited ("Distillers") from 1979 to 1993, and from 1995 to 1998 managing director of Boland Bank Limited, NBS Boland Limited and BoE Bank Limited. Mr Le Roux was one of the founding members of the Capitec group and resigned from his position as chief executive officer effective 31 March 2004.
	Capitec board committee memberships:	Audit Committee, Corporate Communications Committee, Directors' Affairs Committee, Remuneration Committee

4.1.3	Desmond Lockey	Non-executive director
	Appointed :	23 December 2004
	Age :	44
	Business Address :	6 Dorp Street Stellenbosch 7600
	Qualifications :	BA (Hons) Business Management and Administration, MBA
	Directorships :	Independent non-executive director of Capitec and Capitec Bank, Chief Executive Officer (CEO) of Arch Equity Limited, non-executive director of Unitrans Limited and various other private companies.
	Summary curriculum vitae :	Mr Lockey was the chief executive officer of Arch Equity Limited, an AltX listed, black empowerment investment company. He was a representative at the multiparty negotiating forum that negotiated the transition to democracy in South Africa and served as a member of Parliament from 1984 to 2004.
	Capitec board committee memberships:	Corporate Communications Committee, Directors' Affairs Committee
4.1.4	Merlyn Claude Mehl (Prof)	Independent non-executive director
	Appointed :	1 March 2001
	Age :	63
	Business Address :	2 Upper Thistle Road Newlands 7700
	Qualifications :	PhD (Physics)
	Directorships :	Independent non-executive director of Capitec and Capitec Bank, executive chairman of Triple L Academy (Proprietary) Limited, and various other private companies.
	Summary curriculum vitae :	Prof Mehl was previously chancellor of Peninsula Technikon and chief executive of the Independent Development Trust.
	Capitec board committee memberships:	Directors' Affairs Committee, Risk Committee
4.1.5	Nonhlanhla Sylvia Mjoli-Mncube	Independent non-executive director
	Appointed :	26 January 2004
	Age :	47
	Business Address :	1570 High Street Highgate Village Dainfern 2055
	Qualifications :	MA (City and regional planning)
	Directorships :	Independent non-executive director of Capitec and Capitec Bank, non-executive director of Cadiz Limited and National Housing Finance Corporation (Proprietary) Limited, executive director of the Mjoli Development group, non-executive director of Pioneer Foods Limited and non-executive director of various other companies.
	Summary curriculum vitae :	Ms Mjoli-Mncube is economic adviser to the deputy president of the Republic of South Africa. She is chairperson of Nurcha (National Urban Reconstruction and Housing Agency in South Africa) and was an executive director of Nurcha from 1994 until 2003. She sits on several boards in the housing finance sector.
	Capitec board committee memberships:	Corporate Communications Committee, Directors' Affairs Committee, Risk Committee

4.1.6	Johannes Fredericus Mouton(*)	Non-executive chairman
	Appointed :	1 March 2001
	Age :	59
	Business Address :	1st Floor Ou Kollege 35 Kerk Street Stellenbosch 7600
	Qualifications :	BComm (Hons), CA(SA), AEP
	Directorships :	Non-executive chairman of Capitec and Capitec Bank, chairman of PSG Group, executive director of PSG Financial Services and PSG Konsult Limited, non-executive director of Remgro Limited, Steinhoff International Holdings Limited and various other private companies.
	Summary of curriculum vitae :	Mr Mouton is the founder of PSG Group. He 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.
	Capitec board committee memberships :	Directors' Affairs Committee (Chairman)
4.1.7	Chris Adriaan Otto(*)	Non-executive director
	Appointed :	1 March 2001
	Age :	56
	Business Address :	1st Floor Ou Kollege 35 Kerk Street Stellenbosch 7600
	Qualifications :	BComm LLB
	Directorships :	Non-executive director of Capitec and Capitec Bank, executive director of PSG Group, PSG Financial Services and Algoa Insurance Company Limited, and non-executive director of Channel Life Limited and various other private companies.
	Summary of curriculum vitae :	Mr Otto has been an executive director of PSG Group since its formation. He has been directly involved in the establishment of PSG Group's investment in microfinance and subsequent establishment of Capitec Bank of which he has been a non-executive director since establishment.
	Capitec board committee memberships :	Audit Committee, Directors' Affairs Committee, Remuneration Committee (Chairman), Risk Committee

4.1.8	Jan Georg Solms	Independent non-executive director
	Appointed :	1 March 2001
	Age :	51
	Business Address :	153 Dorp Street Stellenbosch 7600
	Qualifications :	BAcc, CTA, CA(SA)
	Directorships :	Independent non-executive director of Capitec and Capitec Bank, executive director of Independent Securities (Proprietary) Limited and non-executive director of various other private companies.
	Summary of curriculum vitae :	Mr Solms has been a member of the JSE since 1981 and is a stockbroker and executive director of the stock brokers' Independent Securities Holdings (Proprietary) Limited.
	Capitec board committee memberships :	Audit Committee, Directors' Affairs Committee, Remuneration Committee

4.1.9	Riaan Stassen(*)	Chief executive officer
	Appointed in the group :	16 July 2000
	Appointed to the board:	1 March 2001
	Age :	53
	Business Address :	14 Quantum Road Techno Park Stellenbosch 7600
	Qualifications :	BComm (Hons), CA(SA)
	Directorships :	Chief executive officer of Capitec, Capitec Bank and all subsidiaries in the Capitec group. Non-executive director of the Banking Council and various other private companies.
	Summary of curriculum vitae :	Mr Stassen was managing director of Boland PKS, a division of BoE Bank Limited from 1997 to 2000. Previous positions include head of operations of Boland PKS (1995 – 1997), operations director of Distillers (1992 – 1995) and group financial manager of Distillers (1989 – 1992). He was appointed chief executive officer effective 31 March 2004.
	Capitec board committee memberships :	Audit Committee, Executive Management Committee, Management Committee

4.1.10	Jacobus van Zyl Smit (Dr)	Non-executive director
	Appointed :	1 March 2001
	Age :	64
	Business Address :	1st Floor Ou Kollege 35 Kerk Street Stellenbosch 7600
	Qualifications :	BComm LLB, CTA, CA(SA), DComm
	Directorships :	Independent non-executive director of Capitec and Capitec Bank, British American Tobacco Holdings South Africa (Proprietary) Limited ("BAT"), PSG Group and various other private companies.
	Summary of curriculum vitae :	Dr Van Zyl Smit was previously a partner of Coopers & Lybrand Chartered Accountants and lectured in accounting at the University of Stellenbosch.
	Capitec board committee memberships :	Audit Committee (Chairman), Directors' Affairs Committee, Risk Committee (Chairman)

4.1.11	Carl Gustav Fischer(*)	Chief Executive : Marketing and Corporate Affairs
	Age :	49
	Business Address :	14 Quantum Road Techno Park Stellenbosch 7600
	Qualifications :	BComm (Hons), MBA
	Summary of curriculum vitae :	Mr Fischer was chief executive for marketing and support services of Boland PKS from 1999 to 2000. Previous positions include group marketing and sales director (1996 – 1998) and group production/ operations director of Stellenbosch Farmers' Winery Limited (1993 – 1996).
	Capitec board committee memberships :	Management Committee
4.1.12	Gerhardus Metselaar Fourie	Chief Executive : Operations
	Age :	42
	Business Address :	14 Quantum Road Techno Park Stellenbosch 7600
	Qualifications :	BComm (Hons), MBA
	Summary of curriculum vitae :	Mr Fourie was area general manager of Stellenbosch Farmers' Winery (1997 – 2000), focusing on distribution and sales.
	Capitec board committee memberships :	Executive Management Committee, Management Committee
4.1.13	André Olivier	Chief Executive : Business Development
	Age :	38
	Business Address :	14 Quantum Road Techno Park Stellenbosch 7600
	Qualifications :	BComm (Hons), CA(SA)
	Summary of curriculum vitae :	Mr Olivier was a financial risk manager at Boland PKS from 1997 to 2000, after which he was head of operations of PEP Bank, the microlending division of BoE Bank Limited. He gained extensive audit and business advisory experience with Arthur Andersen (1990 – 1997).
	Capitec board committee memberships :	Management Committee
4.1.14	Christiaan Oosthuizen	Chief Executive : Information Technology
	Age :	51
	Business Address :	14 Quantum Road Techno Park Stellenbosch 7600
	Summary of curriculum vitae :	Mr Oosthuizen held the position of chief executive – IT at Boland PKS, where he was employed from 1976 to 2000.
	Capitec board committee memberships :	Management Committee

4.1.15 Christian George van Schalkwyk(*) — Chief Executive : Risk Management and Company Secretary

Age : 51

Business Address : 14 Quantum Road
Technopark
Stellenbosch
7600

Qualifications : BComm LLB, CA(SA)

Summary of curriculum vitae : Mr Van Schalkwyk was chief executive – credit risk and legal services at Boland PKS from 1997 to 2000. Previous positions include being a partner at attorneys Jan S de Villiers (1987–1996) and tax consultant at Arthur Andersen (1985).

Capitec board committee memberships : Executive Management Committee, Management Committee

4.1.16 Leonardus Venter — Chief Executive : Human Resources

Age : 44

Business Address : 14 Quantum Road
Techno Park
Stellenbosch

Qualifications : 7600

Summary of curriculum vitae : BA (Hons), MA (Industrial Psychology)
Mr Venter was a human resources manager at Iridium Africa from 1998 to 1999. Previous positions include manager – human resources and support at Telkom SA (1993 – 1997) and area personnel manager at Iscor Limited (1986 – 1992).

Capitec board committee memberships : Management Committee

Notes: * Founders of the Capitec banking group.
All directors are South African

4.2 Appointment, qualifications and remuneration of directors

The relevant provisions of the articles of association of Capitec governing the appointment, qualification and remuneration of directors as well as any power enabling the directors to grant remuneration to themselves or any member of the board are set out in Annexure 2 to this pre-listing statement.

4.3 Remuneration of directors

The remuneration received by any of the directors will not be varied as a result of the private placement.

4.4 Directors' interests

The table below sets out the direct, indirect, beneficial and non-beneficial interests of directors in the issued ordinary shares of Capitec as at 28 February 2006:

2006	Beneficial		Non-beneficial		Total	
	Direct	Indirect	Direct	Indirect	Shares	%
AP du Plessis*	-	1 149 970	-	-	1 149 970	1.60
M S du P le Roux	-	-	-	12 292 244	12 292 244	17.09
D Lockey**	-	-	-	15 412 995	15 412 995	21.43
M C Mehl	110 000	-	-	-	110 000	0.15
N S Mjoli-Mncube	100 000	-	-	-	100 000	0.14
JF Mouton#	451 302	-	-	7 033 104	7 484 406	10.41
C A Otto	967	-	-	453 760	454 727	0.63
J G Solms	33 779	-	-	18 183	51 962	0.07
R Stassen##	135 122	-	-	2 897 229	3 032 351	4.22
J van Z Smit	139 647	33 783	-	30 707	204 137	0.28
	970 817	**1 183 753**	**-**	**38 138 222**	**40 292 792**	**56.02**

Notes : The following percentages, where changes have occurred in the interests of directors in Capitec since 28 February 2006, indicate their interests as at the last practicable date:

* Decreased from 1.6% to 1.46%
** Increased from 21.43% to 23.44%, of which 15 253 929 shares (21.21%) represent the shareholding of Arch Equity Limited in Capitec and 1 605 305 shares (2.23%) represent the shareholding of Arch Equity Investment Holdings Limited in Capitec
# Increased from 10.41% to 10.47%
Decreased from 4.22% to 4.17%

No amounts have been paid, or have been agreed to be paid within the three years preceding the date of this pre-listing statement to any director or to any company in which he is beneficially interested, directly or indirectly, or of which he is a director ("the associate company"), or to any partnership, syndicate or other association of which he is a member ("the associate entity"), in cash or securities or otherwise, by any person either to induce him to become or to qualify him as a director, or otherwise for services rendered by him or the associate company or the associate entity in connection with the promotion or formation of Capitec.

4.5 Directors' declaration

All the directors have confirmed in terms of Schedule 21 of the Listings Requirements that they have not been:

- disqualified by any court from acting as a director of a company or from acting in the management or conduct of the affairs of any company;
- publicly criticised by any statutory or regulatory authority, including any recognised professional bodies;
- convicted of any offence resulting from dishonesty, fraud or embezzlement or any offence under legislation relating to the Act;
- adjudged bankrupt or entered into any voluntary creditors liquidation or been sequestrated in any jurisdiction or been a director of any company at the time or within the 12 months preceding any of the following events taking place : receiverships, compulsory liquidations, creditors voluntary liquidations, administrations, company voluntary arrangements or any composition or arrangement with creditors generally or any class of creditors; or
- barred from entry into any profession or occupation.

4.6 Corporate Governance

The board of directors endorses the code of good corporate practice and conduct as detailed in the King II report and uses the corporate governance requirements proclaimed *inter alia* in the Listings Requirements and Banks Act as basis for the governance structure through which the group is directed, controlled and managed. Notwithstanding the governance structure set in place, the board of directors believes and in fact places, great emphasis on ensuring compliance with the substance of corporate governance. Capitec has, as far as the directors are aware, complied with the corporate governance requirements set out in the King Code for the financial year ended on 28 February 2006.

The board of directors accepts that it is ultimately responsible for ensuring the effectiveness of corporate governance in Capitec and through its Directors' Affairs Committee, reviews the success thereof on an annual basis subsequent to which such report is submitted in terms of regulation 38 of the regulations promulgated under the Banks Act to the Registrar of Banks.

Board of directors

The board of Capitec acts as the chief custodian on behalf of all stakeholders in the company. Eighty percent of the board is comprised of non-executive directors of which 38% are independent. The board represents a mixture of skills and diverse backgrounds.

The board, chaired by a non-executive director, is responsible for the strategic direction of the company and annually approves a detailed budget, supported by a business plan and a written exposition of the strategy of the company. The board has delegated certain powers to management with due regard to potential conflict between fiduciary responsibility on the one hand and operational efficiency on the other, while simultaneously retaining effective control over the organisation. Information assessed by the board comprises financial as well as non-financial information and enables the board to assess the adequacy and efficiency of internal controls in operation from time to time. The board ensures that the company is managed ethically and in compliance with the highest standards of corporate governance.

The Board meets at least six times per annum. A record of attendance of each board member can be obtained from Capitec's 2006 annual report, available on the Capitec Bank website at www.capitecbank.co.za

To enable directors to acquaint themselves with the business and operations over which they preside, the company provides non-executive directors with the opportunity to attend executive meetings and inspect the daily operating activities of the business at branch level. The company secretary advises directors on an ongoing basis of relevant legislation affecting their position within the specific business environment in which they operate and directors are encouraged to attend informative presentations on matters affecting board and directors' functions, usually at the expense of the company.

The company has a Directors' Affairs Committee led by the chairman of the board. This committee annually appraises the board's performance. It further concerns itself with succession, both at board and executive management level, and recommends new appointees to the board, selected on the basis of skill and experience.

The chairman of the board of Capitec Bank is a non-executive director with proven business acumen and of good standing in the South African business community.

The roles of chairman and chief executive are separated in accordance with the principles of good corporate governance and as required by the Registrar of Banks and in terms of the Listings Requirements.

Board committees

The Board has appointed a number of committees to assist it in the performance of its duties. These committees include:

- Directors' Affairs Committee

  The primary purpose of the Directors' Affairs Committee is twofold, namely:

  1.1 to support and advise the board on its responsibilities towards the stakeholders of the group in ensuring that the board is comprised of competent individuals capable of discharging responsibilities relative to the nature and scale of the banking group and with due regard for the laws and customs that govern the activities of the bank and its controlling company;

  1.2 to establish and maintain an adequate and effective mechanism for effecting corporate governance throughout the group, which is consistent with the nature, complexity and risk inherent in the group's activities, and which is able to respond effectively and promptly to changes within the group's environment.

- Audit Committee

  The purpose of the Audit Committee is to strengthen internal governance and thereby assist the board in its responsibility of preserving the assets of the company, ensuring the operation of adequate systems, internal control processes and the preparation of accurate external financial reports and statements in compliance with all applicable legal requirements and accounting standards.

- Remuneration Committee

  The primary purpose of the Remuneration Committee is to ensure that remuneration policies and practices are established and observed which will attract and retain individuals able of creating enduring value for shareholders.

- Risk Committee

  The fundamental purpose of the Risk Committee is to identify risks in the Capitec group business and operational environment, and decide how these risks should be addressed. The committee assists the board in reviewing the risk management systems and processes and the significant risks facing the company.

- Executive Management Committee

  This commitee is responsible for operational decision making and approvals of administrative nature on an ongoing basis.

- Management Committee

  This committee oversees the day-to-day management of the company's operations and is responsible for implementation of strategic decisions approved by the board.

- Corporate Communications Committee

  This committee has been established to provide oversight and guidance to management regarding the company's communications with government, the investment community and its banking clients.

Board committees have clearly defined, written terms of reference approved by the board defining the role and function, structure and proceedings, responsibility and scope of authority of the said committees. Committee activities are disclosed fully to the board. The committees fulfil an essential role in assisting the board in the performance of its duties. The Directors' Affairs Committee, comprising only of independent non-executive and non-executive directors, is chaired by the chairman of the board and the Audit, Risk, Remuneration and Corporate Communications Committees by non-executive directors. The chairman of the board is not a member of the audit committee. The Executive Management and Management Committees are chaired by the chief executive officer of the company.

The Business Judgement Rule

The board is presented with timeous and sufficiently detailed information to enable it to exercise fair judgement in deliberation on company matters. The directors uphold and adhere to the "business judgement rule."

A detailed account of the extent of corporate governance in the Capitec group over the past financial year is set out in the 2006 annual report, available on the Capitec Bank website at www.capitecbank.co.za.

5. SHARE CAPITAL OF THE CAPITEC GROUP

5.1 Authorised and issued share capital

The authorised and issued share capital of the Capitec group before and after the private placement are set out below:

Before the private placement:	
	R' 000
Authorised share capital :	
100 000 000 ordinary shares of R0, 01 each	1 000
100 000 000 non-cumulative, non-redeemable, non-participating preference shares of R0,01 each	1 000
Total authorised share capital :	**R 2 000**
Issued share capital :	
71 928 412 ordinary shares of R0,01 each	719
Total issued share capital :	**719**
Share premium :	
On 71 928 412 ordinary shares of R0,01 each	347 146
Total premium :	**347 146**

After the private placement :	
Authorised share capital :	
100 000 000 ordinary shares of R0,01 each	1 000
100 000 000 non-cumulative, non-redeemable, non-participating preference shares of R0,01 each	1 000
Total authorised share capital :	**R 2 000**
Issued share capital :	
71 928 412 ordinary shares of R0,01 each	719
1 684 211 non-cumulative, non-redeemable, non-participating preference shares of R0,01 each	17
Total issued share capital :	**736**
Share premium	
On 71 928 412 ordinary shares of R0,01 each	347 146
On 1 684 211 non-cumulative, non-redeemable, non-participating preference shares of R0,01 each net of issuing expenses of R5 366 548	154 616
Total share premium :	501 762

Capitec has undertaken to ensure that at any given time after the listing of the preference shares, the percentage of the aggregate of the total nominal value all of the preference shares in issue at such time divided by the aggregate of the total nominal value of <u>all</u> of the shares (being all ordinary and preference shares) in issue at such time shall not exceed 24.9%, and should Capitec contemplate any further issues of preference shares in terms whereof the aforementioned percentage shall be exceeded, Capitec shall amend its articles of association in order to reduce the par value of the preference shares or increase the par value of the ordinary shares such that the aforementioned percentage shall not be exceeded.

The company's authorised share capital was increased by R1 000 000 by the creation of 100 000 000 (one hundred million) non-cumulative, non-redeemable, non-participating preference shares with a nominal value of R0,01 each by special resolution approved by the requisite number of shareholders at the annual general meeting of Capitec held on Wednesday, 25 May 2005 and registered by the Registrar of Companies on 5 July 2005 and Registrar of Banks on 4 August 2005.

At the annual general meeting of Capitec held on Wednesday, 24 May 2006, shareholders approved an ordinary resolution placing the preference shares under the control of the directors, and authorised them to allot and issue the preference shares, at their discretion, subject to the provisions of section 221 and 222 of the Act, section 79 of the Banks Act and the Listings Requirements, until the next annual general meeting of Capitec.

5.2 Alterations to share capital

The authorised but unissued preference shares will be under the control of the directors until Capitec's next annual general meeting, subject to the provisions of the Act, the Banks Act and the Listings Requirements.

Subject to the undertaking given by Capitec in 5.1 above, the board of Capitec may from time to time seek to raise additional capital by issuing further preference shares, which will rank *pari passu* with existing preference shares. All issued preference shares will be listed on the JSE. Capitec's ordinary shares are presently listed on the JSE. Capitec does not have any shares listed on any other exchange.

Details as to issues and offers of securities in the preceding four years, and alterations to the company's share capital are set out below:

- Shareholders approved a repurchase of 3 465 352 ordinary shares in the issued capital of the company held by the trustees ("the trustees") of the Capitec Bank Holdings Share Trust ("the trust") on 17 December 2002, at an aggregate consideration of R16 339 134.68. The approved repurchase price was equal to the holding cost at the time of 471,5 cent per share. The reason for the repurchase was that the holding of the above number of shares in the trust was not in compliance with the Listings Requirements as interpreted by the JSE at the time. In terms of the said interpretation, the trustees were obliged to dispose of any shares for which binding unconditional agreements did not exist between participants and the trustees. Such disposal had to be effected before 31 December 2002.

- Shareholders of Capitec approved payment of a scrip dividend at the annual general meeting of shareholders held on 15 May 2003, subject to shareholders having the right to elect to receive a cash dividend of 19 cents per Capitec ordinary share, in lieu of all or part of their scrip shares.

  The scrip dividend was awarded as a means of conserving the company's cash resources, thereby enlarging Capitec's capital base for purposes of continued growth and development, whilst giving those shareholders who preferred a cash dividend, the opportunity to receive same.

  The scrip dividend was awarded in the ratio 9,25 ordinary Capitec shares for every 100 held. The company's issued share capital increased from 63 190 349 to 68 837 250 as a result of the scrip dividend.

- On 22 October 2004 shareholders approved the specific issue of :

  - 1 445 582 ordinary shares at 656,4 cents per share to Arch Equity Limited;
  - 200 000 ordinary shares at 656,4 cents per share to black directors; and
  - 1 445 580 shares to 19 eligible employees at 761 cents per share, of which 167 645 were respectively allotted and issued to each of Mr Riaan Stassen, the chief executive officer and Mr André Pierre du Plessis, financial director of the company.

  The issue to the black directors was unconditional against payment of the subscription price of 656.4 cents per share.

  The issue of 1 445 580 ordinary shares in the issued capital of the company to eligible employees was also unconditional against payment of 761 cents per share. The issue price to eligible employees, based on a 30-day average share price, was discounted at 5.47% of the closing price of Capitec on the JSE on 20 September 2004.

  The issue of 1 445 582 ordinary shares ("the Capitec shares") to Arch Equity Limited against payment of 656.4 cents per share and interest accrued since 13 August 2004 up to date of allotment and issue on 29 November 2004, was conditional upon Arch Equity Limited complying with the requirements as set by the Financial Services Charter Council for a black company, i.e. more than 50% of such company must be owned and controlled by black people by 28 February 2006, and various other terms and conditions particular to the agreement between the parties.

The Codes of Good Practice published by the Department of Trade and Industry on 1 November 2005 (“the Codes”) changed, *inter alia*, the definition of a black company which resulted in Arch Equity Limited not being certified a black company by 28 February 2006. A new agreement was concluded between the parties effective 14 February 2006 (“the New Agreement”) in terms of which Arch Equity Investment Holdings Limited (“Arch Equity BEE Newco”), was established. In terms of the New Agreement:

- the shareholding structure of Arch Equity BEE Newco, in terms of which it would conform to the definition of a black company in terms of the Codes, and in terms of which the Capitec shares may be transferred to Arch Equity BEE Newco, must be confirmed in writing as having being implemented by 31 August 2006;

- Arch Equity BEE Newco will, in addition to the Capitec shares, acquire a further 1 445 582 Capitec ordinary shares (“the additional Capitec shares”) and will not dispose of the Capitec shares or the additional Capitec shares until 2014 in return for the cancellation by Capitec of any pre-emptive rights that it may have in respect of any other Capitec ordinary shares held by Arch Equity Limited;

- Arch Equity BEE Newco shall ensure, until 2014 (which is the later of the two target dates set in the Financial Sector Charter), that at least 50.1% of its issued share capital is held by black people, failing which, Capitec shall be entitled to acquire the Capitec shares; and

- Arch Equity BEE Newco will also continue to hold the additional Capitec shares for the aforesaid period. The board of Capitec considers the terms and conditions of the New Agreement beneficial to its respective shareholders. The New Agreement allows Capitec to maintain valuable BEE credentials in terms of the Codes.

  The independent expert who reviewed the terms of the specific issues advised that in their opinion, the proposed issues of shares to:

  - Arch Equity Limited and black directors were unfair, but nevertheless, due to the qualitative factors considered, reasonable to the shareholders of Capitec; and

  - eligible employees were fair and reasonable to the shareholders of Capitec.

5.3 Options or preferential rights in respect of securities

5.3.1 Other than the company’s share option scheme governed by provisions of the Capitec Bank Holdings Share Trust deed in terms of which the trustees of the said trust were committed as at 28 February 2006 to deliver 5 841 448 ordinary shares in Capitec to employees who have been granted options to subscribe for ordinary shares in Capitec up to 2011, there are no contracts or arrangements, or proposed contracts or arrangements in place giving options or preferential rights to any person to subscribe for, covert or exchange any securities in Capitec or any of its subsidiaries.

The trustees of the Capitec Bank Holdings Share Trust held no ordinary shares for delivery to participants in the company’s share option scheme who may exercise options.

Details of share options issued in terms of the Capitec Bank Holdings share incentive scheme to employees of Capitec that were outstanding at 28 February 2006 are as follows:

Year granted	Strike price R	Year maturing	Number of options outstanding
2000/1*	1.42	2006/07	349 526
		2007/08	754 862
2001/2*	1.42	2006/07	101 780
		2007/08	227 655
2002/3	1.59	2006/07	94 875
		2007/08	181 500
2003/4	2.40	2006/07	166 875
		2007/08	188 125
		2008/09	188 125
		2009/10	188 125
2004/5	5.73	2007/08	422 500
		2008/09	422 500
		2009/10	422 500
		2010/11	422 500
	7.36	2007/08	12 500
		2008/09	12 500
		2009/10	12 500
		2010/11	12 500
2005/6	13.72	2008/09	18 750
		2009/10	18 750
		2010/11	18 750
		2011/12	18 750
	14.05	2008/09	377 500
		2009/10	377 500
		2010/11	377 500
		2011/12	377 500
	17.64	2008/09	18 750
		2009/10	18 750
		2010/11	18 750
		2011/12	18 750
TOTAL			**5 841 448**

Notes
* Initially issued at R5 strike price, repriced to R1.42 on 26 April 2002.

5.3.2 The directors' participation in the share incentive scheme in respect of the financial year ended 28 February 2006 was as follows:

2006			Opening balance		(Options exercised)/ Options granted**			Closing balance
Directors	Maturity Date	Issue date	Strike price R	Number of share options	Number of share option	Market Price R	Exercise date	Number of share options
AP du Plessis*** (indirect beneficial)	16 July 05	17 July 00	1.42	129 970	(129 970)	25.75	19 Dec 05	-
	16 July 06*	17 July 00	1.42	129 970	(129 970)	29.99	20 Feb 06	-
	16 July 07	17 July 00	1.42	98 777	-			98 777
	29 April 07	29 April 04	5.73	25 000	-			25 000
	29 April 08	29 April 04	5.73	25 000	-			25 000
	29 April 09	29 April 04	5.73	25 000	-			25 000
	29 April 10	29 April 04	5.73	25 000	-			25 000
(direct beneficial)	20 May 08	20 May 05	14.05	-	17 500			17 500
	20 May 09	20 May 05	14.05	-	17 500			17 500
	20 May 10	20 May 05	14.05	-	17 500			17 500
	20 May 11	20 May 05	14.05	-	17 500			17 500
				458 717	**(189 940)**			**268 777**
R Stassen*** (indirect non-beneficial)	16 July 05	17 July 00	1.42	280 734	(280 734)	23.50	5 Dec 05	-
	16 July 06*	17 July 00	1.42	280 734	(280 734)	29.99	20 Feb 06	-
	16 July 07	17 July 00	1.42	249 541	-			249 541
	29 April 07	29 April 04	5.73	100 000	-			100 000
	29 April 08	29 April 04	5.73	100 000	-			100 000
	29 April 09	29 April 04	5.73	100 000	-			100 000
	29 April 10	29 April 04	5.73	100 000	-			100 000
(direct beneficial)	20 May 08	20 May 05	14.05	-	70 000			70 000
	20 May 09	20 May 05	14.05	-	70 000			70 000
	20 May 10	20 May 05	14.05	-	70 000			70 000
	20 May 11	20 May 05	14.05	-	70 000			70 000
				1 211 009	**(281 468)**			**929 541**
Total				**1 669 726**	**(471 408)**			**1 198 318**

Notes:

* It was decided to allow the early exercise of options maturing in the 2006/07 year to the extent that there were shares available in the share incentive trust.

** These options were (exercised)/granted in the current financial year.

*** On 12 April 2006 Mr Stassen was granted 200 000 options to subscribe for shares in Capitec and Mr Du Plessis 52 500. The option price at which shares in Capitec can be acquired in terms of this grant is R30.73.

There have been no consolidations or sub-divisions of securities in Capitec during the preceding three years.

5.4 Capitec's Dividend Policy

Capitec's dividend policy in respect of its ordinary shares is that the ordinary dividend pay-out ratio is determined by the directors of Capitec from time to time. The board refers its recommendation for the annual dividend payment to the Annual General Meeting of shareholders for approval. No ordinary dividend will, however, be declared if any dividend in respect of the preference shares, or part thereof, has not been declared, or if declared, has not been paid by the date determined for payment thereof.

5.5 Rights attaching to preference shares

The preference shares are non-redeemable, non-cumulative and non-participating. Preference dividends, if declared, shall be payable semi-annually, not later than 120 business days after the last day of February and 31 August, respectively. The board of Capitec has undertaken to pay the preference share dividend within the minimum period as stipulated by the Listings Requirements from the date of declaration thereof. The date of declaration is anticipated to be at the end of March and September in any given year.

5.5.1 Voting rights

The preference shares are non-voting, save for those circumstances described under section 194 of the Act. Preference shareholders will only be entitled to vote during those periods when the preference dividend, or any part thereof (if declared), remains in arrears and unpaid after six months from the relevant preference share dividend payment date or when a resolution of Capitec is proposed which resolution directly affects the rights attached to the preference shares or the interests of the preference shareholders, including a resolution for the winding-up of Capitec or for the reduction of its capital.

5.5.2 Entitlement to dividends

When the board of Capitec or the company in general meeting declares a dividend, preference shareholders will be entitled to receive dividends in priority to any payment of dividends to the holders of ordinary shares in the capital of the company.

The preference dividend shall be calculated by multiplying the deemed value of the preference shares by 75% of the prime rate (determined on a 365-day year factor, irrespective of whether the year is a leap year or not), on a daily basis, in arrear, but never compounded, for the period from the date following a preference dividend calculation date until and including the preference dividend calculation date immediately following.

Preference dividends will rank in priority to any payment of dividends to the holders of any other class of shares in the share capital of the company not ranking prior to or *pari passu* with the preference shares. All preference shares issued, or to be issued, will rank *pari passu* with each other.

The preference dividend calculation dates shall be the last day of February and 31 August of each year. There is no time limit after which the preference share dividend, if declared, lapses. There are no arrangements in place whereby future dividends are to be waived or agreed to be waived. The first dividend payment, in respect of the first tranche of preference shares issued, shall be calculated from the issue date up to and including 28 February 2007. An ordinary dividend will not be declared unless the preference dividend has been declared. Preference dividends not declared, will not accumulate.

5.5.3 Consents required for variation of rights

Rights attaching to the preference shares may not be modified, amended, added to or abrogated without the prior written consent of at least 75% of the preference shareholders or the prior sanction of a resolution passed at a separate class meeting of preference shareholders in the same manner *mutatis mutandis* as a special resolution.

5.5.4 Changes to tax status

If there is an amendment or amendments to the Income Tax Act which results in the preference dividends being taxable in the hands of the preference shareholders and which results in payment of the preference dividend becoming a deductible expense for the company, provided such amendment is uniformly applicable to all corporate taxpayers and not only because of the particular circumstances of the company or any preference shareholder, the percentage of the preference dividend rate will be increased by the company. Such increase will be equal to the lower of the reduced cost for the company or the uniformly reduced income in the hands of corporate taxpayers, which cost savings or reduced income would not have arisen but for such amendments to the Income Tax Act. If such amendments to the Income Tax Act do not result in the company incurring reduced costs in servicing the preference shares, then, notwithstanding that such amendment may result in a decrease in the after-tax returns of any preference shareholder on its holding of preference shares, no amendment shall be made to the percentage of the preference dividend rate. The company shall require its auditors to verify whether it is obliged to increase the percentage of the preference dividend rate. The auditors in deciding whether such increase is required in terms of this article shall act as experts and not as arbitrators or quasi-arbitrators and their decision in the absence of manifest error shall be final and binding on the company and all preference shareholders.

The costs of such auditors shall be borne and paid by the company. The entire terms and conditions of the preference shares, as set out in the articles of association of Capitec, have been included in Annexure 2 to this pre-listing statement.

6. DETAILS OF THE PRIVATE PLACEMENT AND THE LISTING

6.1 Particulars of the private placement

Deemed value per share for dividend purposes	R100
Subscription price per non-redeemable, non-cumulative, non-participating preference share with a par value of R0,01 each	R95
Minimum rand value of subscription per placee acting as principal	R104 500
Number of preference shares offered	1 684 211
Amount to be raised in terms of the private placement	R160 000 045
Amount underwritten by underwriter	R160 000 045
Date of issue of this pre-listing statement	Wednesday, 30 August 2006
Proposed listing date (9:00)	Thursday, 31 August 2006

In respect of the payment of dividends, the preference shares rank in priority to the holders of any other class of shares in the capital of the company not ranking prior to or *pari passu* with the preference shares. An ordinary dividend will not be declared unless the preference dividend has been declared. All preference shares rank *pari passu* with each other. The preference shares are non-cumulative, non-redeemable and non-participating. Preference dividends not declared, will not accumulate. Fractions of shares will not be allocated.

6.2 Private Placement

Prior to the issue of this pre-listing statement, 1 684 211 preference shares with a par value of R0,01 per preference share were placed with selected investors at a subscription price of R95 per preference share. Irrevocable commitments, that may not be withdrawn, have been obtained from these parties to subscribe for 1 684 211 preference shares, thereby raising R160 000 045.

6.3 Condition to the listing

The JSE has granted Capitec a listing of a maximum of 1 684 211 preference shares in the "Preference Shares – Preference Shares" sector under the abbreviated name CAPITEC PREF (and the share code : CPIP and ISIN : ZAE000083838). The listing is subject to the condition that Capitec meets the requirements of the JSE in respect of the requisite spread of preference shareholders, being a minimum of 50 (fifty) public preference shareholders, excluding non-public shareholders as defined in terms of paragraph 4.25 of the Listings Requirements, who collectively hold at least 20% of the issued preference share capital.

6.4 Underwriting and Minimum Subscription

In terms of the private placement, subscriptions were limited to a minimum subscription amount of R104 500 per single addressee acting as principal. There was no maximum subscription amount per single addressee acting as principal. The private placement was underwritten by PSG Financial Services. Information relating to the underwriter is set out in Annexure 3 to this Pre-Listing Statement.

In terms of the underwriting agreement entered into between Capitec and PSG Financial Services, the latter has agreed to underwrite the private placement up to a maximum of R160 000 045.

As underwriter, PSG Financial Services will be entitled to an underwriting fee of R3 200 001 (excluding VAT) in aggregate, calculated as 2% of PSG Financial Services' total underwriting commitment undertaken in terms of the private placement, and as more fully set out in the underwriting agreement. Therefore, to the extent that the private placement is not fully subscribed, PSG Financial Services has underwritten it in its entirety.

As at the date of issue of this pre-listing statement, all conditions precedent to the underwriting agreement had been fulfilled.

Any expense relating to the private placement and issue of the preference shares will be funded out of the proceeds raised from the subscription of the preference shares. Any such expenses unable to be funded from such proceeds will be funded by Capitec.

6.5 Reservation of Rights

The directors of Capitec reserve the right to accept or refuse, in an equitable manner, any application(s) made in terms of the private placement, either in whole or in part, or to abate any or all application(s), whether or not received timeously, in such manner as they, in their sole and absolute discretion, may have determined.

6.6 Issue of preference shares

Preference shares subscribed for in terms of the private placement will be issued at the expense of Capitec. All preference shares issued will be allotted and issued subject to the provisions of the articles of association of Capitec and will rank *pari passu* with all other preference shares issued by Capitec.

6.7 Trading of preference shares

The JSE introduced STRATE, which was designed to eliminate the risks inherent in the previous method of clearing and settling transactions executed on the JSE. The principal features of STRATE are as follows:

- trades executed on the JSE must be settled on a T+5 basis, being five days after the date of the trade;
- there are penalties for late settlement;
- electronic record of ownership replaces share certificates and physical delivery thereof; and
- all investors are required to appoint either a broker or CSDP to act on their behalf and to handle their settlement requirements.

The preference shares will be listed on the listing date against receipt of application monies from a CSDP or broker. The preference shares will only be issued at the time of the private placement and traded on the JSE in electronic (dematerialised) form. Any preference shareholder who wishes to hold his preference shares in certificated form should rematerialise his preference shares after the private placement has been completed and the preference shares listed on the JSE. Any preference shareholder who rematerialises his preference shares will have to dematerialise his certificated preference shares should he wish to trade therein.

6.8 Exchange Control Regulations

The following summary is intended as a guide and is therefore not comprehensive. If you are in any doubt in regard hereto, please consult your professional adviser.

6.8.1 South African Exchange Control Regulations

In terms of the South African Exchange Control Regulations:

6.8.1.1 a former resident of the Common Monetary Area who has emigrated may use emigrant blocked funds to purchase preference shares which were issued in terms of this pre-listing statement;

6.8.1.2 all payments in respect of preference shares purchased by an emigrant using emigrant blocked funds must be made through the authorised dealer in foreign exchange controlling the blocked assets;

6.8.1.3 any preference share certificates that might be issued pursuant to the use of emigrant blocked funds will be endorsed “non-resident” and will be sent to the authorised dealer in foreign exchange through whom the payment was made;

6.8.1.4 applicants resident outside the Common Monetary Area should note that, where preference share certificates are issued, such preference share certificates will be endorsed “non-resident” in terms of the South African Exchange Control Regulations.

6.8.2 Applicants resident outside the Common Monetary Area

6.8.2.1 In terms of the Exchange Control Regulations of South Africa, non-residents, excluding former residents of the Common Monetary Area will be allowed to purchase preference shares issued in terms of this pre-listing statement provided payment is received either through normal banking channels from abroad or from a non-resident account. All transactions by non-residents must be made through an authorised dealer in foreign exchange.

6.8.2.2 A person who is not resident in the Common Monetary Area should obtain advice as to whether any governmental and/or legal consent is required and/or whether any other formality must be observed to enable such a purchase to be made.

6.8.2.3 This pre-listing statement is not an offer as the entire issue of preference shares had been subscribed for in terms of the private placement set out herein. This pre-listing statement is therefore intended for information purposes only.

6.9 Brokerages and commissions

The company has agreed to pay a fee of 2% (excluding VAT) to the underwriter and 0,4% (excluding VAT) placement fee to brokers and/or agents and/or authorised intermediaries who have placed the preference shares. The aforementioned placement fee is estimated to be a maximum of R640 000. Save for the above, no commission or consideration has been paid by Capitec in respect of the underwriting (or sub-underwriting), allotment or issue of shares during the three years preceding the date of this pre-listing statement.

6.10 Tax Implications

The comments below are meant as a general guide to the current position for South African residents under the laws of South Africa. The contents of this section does not constitute tax advice and persons who are in any doubt as to their tax position should consult their professional advisers.

Dividends declared and paid in respect of the preference shares are exempt from income tax in the hands of the recipient. Gains realised on the disposal or the deemed disposal of the preference shares will attract normal income tax or capital gains tax, depending on the tax profile of the person/entity making such disposal. Prospective investors are encouraged to consult their own professional advisers as to the specific consequences of any particular transaction in respect of the preference shares.

7. EXPENSES OF THE PRIVATE PLACEMENT AND THE LISTING

The expenses of the private placement and the listing, as detailed below, are estimated to be R5 366 548 (VAT inclusive) and relate, inter alia, to:

- the printing, publication and distribution costs of this pre-listing statement and other related announcements	R242 820
- fees payable to professional advisers (detailed below)	R604 200
- Corporate action fees to STRATE and the transfer secretaries relating to the issue of the preference shares	R22 800
- JSE documentation and inspection fees	R39 950
- JSE listing fee	R79 177
- Underwriting fee as per 6.9 above	R3 648 001
- Placement fee as per 6.9 above	R729 600
Total	**R5 366 548**

Professional advisers' fees:

- Jan S de Villiers Attorneys	R5 700
- PricewaterhouseCoopers Inc. (Auditors)	R17 100
- PSG Capital Limited	R570 000
- BDO Questco (Proprietary) Limited	R11 400

Capitec has not incurred preliminary expenses relating to the issue of preference shares within the three years preceding the date of this pre-listing statement.

8. ADVISERS' INTERESTS

Messrs CA Otto and JF Mouton, directors of PSG Capital, Capitec's brokering sponsor, have direct, beneficial and indirect, non-beneficial interests in the issued ordinary share capital of the company as set out in paragraph 4.4 above. Dr J van Zyl Smit, a non-executive director of PSG Group, being the holding company of PSG Capital, has a non-beneficial indirect interest in the ordinary share capital of the company as set out in 4.4 above. Mr D Lockey has, through Arch Equity, an indirect non-beneficial interest in the ordinary share capital of the company as set out in 4.4 above. The latter interest will upon the implementation of the merger of Arch Equity with PSG Group fall away as such stake will then become that of PSG Group. No other advisers of Capitec had any interest in the issued share capital of the company as at the last practicable date.

9. PROMOTORS

There were no amounts paid, or proposed to be paid, or accrued or payable within the preceding three years prior to the last practicable date to any promoter, syndicate or other association of which any such promoter is or was a member. None of the promoters has an interest in securities of Capitec.

10. MATERIAL CHANGES

There has been no material change in the financial or trading position of Capitec, nor has there been any change in the financial position of any subsidiary of Capitec, since 28 February 2006, being the date of the last published full year financial statements of Capitec, until the last practicable date, save for the material change as set out in the trading statement of Thursday, 17 August 2006.

11. STATEMENT OF INDEBTEDNESS

Extracts from the articles of association reflecting the borrowing powers exercisable by the directors of Capitec and the manner in which they may be varied occurs in Annexure 2 to this pre-listing statement.

The borrowing powers have not been exceeded during the past three years. There has been no exchange control or other restrictions placed on the borrowing powers.

Details of material borrowings by Capitec and/or to any of its subsidiaries in respect of the previous financial year are set out at note 13 and 14 of Annexure 1. Such borrowings arose in the ordinary course of business.

Neither Capitec nor any of its subsidiaries have any material commitments, lease payments and contingent liabilities at the end of the last financial year other than as disclosed at note 36 in Annexure 1 to this pre-listing statement. There have been no material changes other than in the ordinary course of business.

Details of material loans made by Capitec and/or by any of its subsidiaries at the end of the last financial year appear at note 6 in Annexure 1 of the pre-listing statement. There have been no material changes other than in the ordinary course of business.

12. MATERIAL CONTRACTS, ACQUISITIONS OR DISPOSALS AND DIRECTORS' INTERESTS IN TRANSACTIONS

Save for the underwriting agreement, neither Capitec nor any of its subsidiaries have entered into any significant contract, other than in the ordinary course of business, either verbally or in writing, during the current or immediately preceding financial year, or in an earlier year which contains an outstanding obligation or settlement that is material to Capitec or any of its subsidiaries.

None of the directors has or had any interest, directly or indirectly, in any transaction which is, or was, unusual in its nature or conditions or material to the business of Capitec or the Capitec group and which was effected by Capitec or the Capitec group during the current or immediately preceding financial year or in an earlier year which remains in any respect outstanding or unperformed.

13. DIRECTORS' RESPONSIBILITY STATEMENT

All the directors of Capitec whose names are given in paragraph 4.1 of this pre-listing statement, 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 this pre-listing statement contains all information required by law and the Listings Requirements.

14. LITIGATION STATEMENT

The Capitec group is not, and has not in the 12 months preceding the date of publication of the annual financial results and the date of the signature of this pre-listing statement been involved in any legal or arbitration proceedings which may have or have had a material effect on the financial position of the group, nor is the group aware of any such proceedings that are pending or threatened.

15. EXPERTS' CONSENTS

The auditors, lead sponsor, joint sponsor and corporate advisor, legal adviser and transfer secretaries have consented in writing to act in the capacities stated and to their names being included in this pre-listing statement and have not withdrawn their consent prior to the publication of this pre-listing statement.

16. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the registered office of Capitec as well as at Building 8, Woodmead Estate, 1 Woodmead Drive, Woodmead, 2191, during normal business hours on any business day from 12:00 on Wednesday, 30 August 2006, the date of issue of this pre-listing statement:

16.1 the memorandum and articles of association of Capitec;

16.2 the audited annual financial statements of Capitec for the three financial years ended 28 February 2006;

16.3 the private placement memorandum;

16.4 signed irrevocable undertakings to subscribe for Capitec preference shares in terms of the private placement;

16.5 written consents of the lead sponsor, corporate adviser and joint sponsor, legal advisors, auditors and transfer secretaries to the inclusion of their names in this document in the context and form in which they appear;

16.6 a signed copy of this pre-listing statement;

16.7 the Capitec Bank Holdings Share Trust deed;

16.8 the underwriting agreement; and

16.9 the standard service agreements with executive directors, to the extent available.

SIGNED IN STELLENBOSCH BY OR ON BEHALF OF ALL THE DIRECTORS OF CAPITEC BANK HOLDINGS LIMITED ON 18 AUGUST 2006

HISTORICAL FINANCIAL INFORMATION OF CAPITEC

The consolidated financial information for the years ended 29 February 2004 (restated to IFRS), 28 February 2005 and 28 February 2006 (based on IFRS) is set out below and has been extracted from the consolidated annual financial statements of Capitec. Each of these financial statements were audited by PricewaterhouseCoopers Inc. Chartered Accountants (SA) and were all issued without qualification.

The 28 February 2005 and 28 February 2006 financial information has been extracted from the published 28 February 2006 financial results without any adjustments. Adjustments have been made to the 29 February 2004 financial information to reflect the impact of the straight-lining of leases. These adjustments, set out in note 1.20, were not audited by PricewaterhouseCoopers Inc.

The financial information set out in this Annexure is the responsibility of the directors of Capitec.

BALANCE SHEET
As at 28 February

	Notes	2006 R'000	2005 R'000	2004 R'000
ASSETS				
Cash and cash equivalents	4	582 293	362 873	159 803
Investments at fair value through profit or loss	5	7 149	16 842	-
Loans and advances	6	454 661	207 897	134 878
Inventory	7	11 800	8 635	9 141
Other receivables	8	7 077	8 020	11 193
Property and equipment	10	133 956	114 381	82 723
Intangible assets	11	47 688	62 032	64 032
Current tax assets		-	-	62
Deferred income tax assets	12	6 648	24 534	49 745
Total assets		1 251 272	805 214	511 577
LIABILITIES				
Deposits at amortised cost	13	537 894	222 412	48 876
Deposits held at fair value through profit or loss	14	57 102	58 283	-
Trade and other payables	15	69 667	50 063	35 291
Current income tax liabilities		22 493	38	-
Provisions	16	300	1 000	1 746
Total liabilities		687 456	331 796	85 913
EQUITY				
Share capital, share premium and group shares	17	347 865	330 341	325 878
Reserves	18	710	700	745
Retained earnings		215 241	142 377	99 041
Total equity		563 816	473 418	425 664
Total equity and liabilities		1 251 272	805 214	511 577
Net asset value per share (cents)	27	784	672	619
Net tangible asset value per share (cents)		718	584	526

INCOME STATEMENT
for the year ended 28 February

	Notes	2006 R'000	2005 R'000	2004 R'000
Interest income	19	783 902	543 982	398 732
Interest expense	19	(40 079)	(16 890)	(3 518)
Net interest income	19	743 823	527 092	395 214
Net fee income		14 942	4 423	201
Fee income		44 314	11 338	1 353
Fee expense		(29 372)	(6 915)	(1 152)
Dividend income		1 015	75	-
Net impairment charge on loans and advances	20	(95 625)	(39 249)	(28 791)
Net movement in financial instruments held at fair value through profit or loss	21	1 431	(6 001)	-
Non-banking gross profit		6 563	4 464	4 057
Sales		131 368	118 039	92 206
Cost of sales		(124 805)	(113 575)	(88 149)
Other income		4	6	396
Income from operations		672 153	490 810	371 077
Banking operating expenses		(500 075)	(386 589)	(301 864)
Non-banking operating expenses		(5 965)	(5 172)	(4 831)
Operating profit before tax	22	166 113	99 049	64 382
Income tax expense	23	(50 832)	(31 670)	(19 366)
Profit for the year		115 281	67 379	45 016
Attributable earnings per share (cents)				
Basic	24	163.4	97.8	67.2
Diluted	24	154.7	91.6	62.6
Headline earnings per share (cents)				
Basic	25	165.0	100.9	69.6
Diluted	25	156.2	94.5	64.9
Proposed dividend per share (cents)	26	45.0	30.0	20.0

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
for the year ended

GROUP	Share capital R'000	Share premium R'000	Shares held by the group R'000	Reserves R'000	Retained earnings R'000	Total R'000
Restated balance at 1 March 2003	632	326 246	-	700	56 518	384 096
As initially stated	632	326 246	-	-	59 055	385 933
Change in accounting for operating leases (note 42) (2006)	-	-	-	-	(2 184)	(2 184)
Effect of implementation of AC133 (2005)	-	-	-	700	(353)	347
Hedges – fair value gains, net of tax	-	-	-	45	-	45
Net profit for the year (Note 46)	-	-	-	-	45 016	45 016
Loss on settlement of share options	-	(463)	-	-	-	(463)
Dividend - cash portion	-	-	-	-	(407)	(407)
- nominal value of scrip shares issued	56	(56)	-	-	-	-
Share-based staff costs (Note 46)	-	-	-	-	61	61
Shares acquired for employee share options at cost	-	-	(537)	-	-	(537)
Realised loss on settlement of employee share options*	-	-	-	-	(2 147)	(2 147)
Balance at 29 February 2004	688	325 727	(537)	745	99 041	425 664
As previously stated	688	325 727	(537)	745	101 548	428 171
Change in accounting for operating leases (note 42)	-	-	-	-	(2 507)	(2 507)
Realisation of hedges	-	-	-	(45)	-	(45)
Net profit for the year (note 46)	-	-	-	-	67 379	67 379
Shares issued	31	21 772	-	-	-	21 803
Share issue expenses	-	(353)	-	-	-	(353)
Loss on group shares relating to odd-lot offer	-	-	-	-	(415)	(415)
Dividend	-	-	-	-	(13 730)	(13 730)
Share-based staff costs	-	-	-	-	1 068	1 068
Shares acquired for employee share options at cost	-	-	(16 987)	-	-	(16 987)
Realised loss on settlement of employee share options	-	-	-	-	(15 666)	(15 666)
Tax effect on settlement of options	-	-	-	-	4 700	4 700
Balance at 28 February 2005	719	347 146	(17 524)	700	142 377	473 418
Net profit for the year	-	-	-	-	115 281	115 281
Dividend	-	-	-	-	(21 318)	(21 318)
Share-based staff costs	-		-	-	1 603	1 603
Shares acquired for employee share options at cost	-	-	(15 871)	-	-	(15 871)
Realised loss on settlement of employee share options	-	-	33 395	-	(30 623)	2 772
Tax effect on settlement of options	-	-	-	-	8 088	8 088
Tax rate change	-	-	-	10	(167)	(157)
Balance at 28 February 2006	719	347 146	-	710	215 241	563 816
Notes	17	17		18		

* During the 2005 financial year the company revised its view regarding the debiting of the group share premium with losses arising on the settlement of share options. These entries have rather been allocated to distributable reserves. Comparative figures for 2004 have been adjusted to reflect the change in disclosure and the loss of R15 666 000 (2004: R2 147 000) has been reallocated from share premium to retained income.

CASH FLOW STATEMENT
for the year ended 28 February

	Notes	2006 R'000	2005 R'000	2004 R'000
CASH FLOW FROM OPERATING ACTIVITIES				
Cash from operations	31	317 920	330 723	101 433
Tax paid	32	(2 560)	(1 639)	(623)
Dividend paid		(21 318)	(13 730)	(407)
		294 042	315 354	100 403
CASH FLOW FROM INVESTING ACTIVITES				
Investment in property and equipment#	10	(59 627)	(72 760)	(37 037)
Investment in computer software#	11	(12 767)	(11 296)	(7 193)
Proceeds from disposal of equipment		892	135	89
Decrease in loans receivable from group companies (Note 30 *)		-	-	2 596
Disposal/(Acquisition) of investment at fair value through profit or loss		9 979	(16 745)	
Acquisition of subsidiaries	44	-	-	(341)
Disposal of subsidiaries	45	-	-	357
		(61 523)	(100 666)	(41 529)
CASH FLOW FROM FINANCING ACTIVITIES				
Net cash outflow on odd-lot offer	33	-	(855)	-
Shares issued	34	-	21 450	-
Shares acquired and options settled	35	(13 099)	(32 213)	(3 147)
		(13 099)	(11 618)	(3 147)
Net increase in cash and cash equivalents		219 420	203 070	55 727
Cash and cash equivalents at beginning of year		362 873	159 803	104 076
Cash and cash equivalents at end of year	4	582 293	362 873	159 803

Comparative figures have been restated to disclose computer software as intangible assets in terms of IAS 38.

NOTES TO THE FINANCIAL INFORMATION

1 ACCOUNTING POLICIES

The consolidated financial statements of Capitec Bank Holdings Limited have been prepared in accordance with International Financial Report Standards (IFRS). Prior to adoption of IFRS the consolidated annual financial statements were prepared in terms of South African Generally Accepted Accounting Practice ("SA GAAP"). The Group implemented IFRS during the year under review, the effective date of transition being 1 March 2004. In preparing these audited consolidated financial statements in accordance with IFRS 1 (First time adoption of IFRS), the Group has applied the mandatory exemptions and elected the exemption relating to business combinations (IFRS 3). The Group early-adopted the standard on share based payments (IFRS 2) for the year ended 28 February 2005, resulting in no additional IFRS 2 adjustments with the adoption of IFRS. The conversion to IFRS did not result in any material adjustments to profit and loss or equity and no additional disclosure as stated in IFRS 1 and IAS 34 on first time adoption is required. The accounting policies applied conform to IFRS.

The policies set out below have been consistently applied to all the years presented.

Basis of preparation

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial instruments held at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS required the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group'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 in note 2.

The following are the principal accounting policies used by the Group.

1.1 Basis of consolidation

The consolidated financial statements include those of the company, all its subsidiaries and the share incentive trust.

Subsidiaries are all entities (including special purpose entities) 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 would be considered when assessing whether the Group controls another entity, had such rights existed. Subsidiaries are fully consolidated from the date on which control is obtained by the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of 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 attributed to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value 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. 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.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated.

Transaction and minority interests

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.

1.2 Cash and cash equivalents

Cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including: cash and non-restricted balances with central banks, treasury bills and other eligible bills, loans and advances to banks, amounts due from other banks and short-term government securities. Cash and cash equivalents are stated at cost which approximates fair value due to the short-term nature of these instruments.

1.3 Financial instruments

1.3.1 The Group classifies its financial assets in the under mentioned categories. Management determines the classification of its investments at initial recognition and re-evaluates this classification at each reporting date. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

*(a) Financial assets at fair value through profit or los*s

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

Purchases and sales of financial assets at fair value through profit or loss are recognised on trade date, being the date on which the Group commits to purchase or sell the asset.

(b) Loans and advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the advance.

Loans are recognised when cash is advanced to the borrowers.

(c) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. Were the Group to sell other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available-for-sale.

(d) Available-for-sale

The Group currently has no available-for-sale assets. Available-for-sale investments are those intended to be held on a continuing basis, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Purchases and sales of financial assets at fair value through profit or loss are recognised on trade date. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risks and rewards of ownership.

Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and advances are carried at amortised cost using the effective interest method. 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.

The fair values of quoted investments in active markets are based on current bid prices.

1.3.2 The Group classifies its financial liabilities in under mentioned categories:

(a) Deposits held at amortised cost

Deposits are recognised initially at fair value and are subsequently stated at amortised cost. Any differences between net proceeds and the redemption value are recognised in the income statement over the period of the borrowing using the effective yield method.

(b) *Deposits held at fair value through profit or loss*

These deposits are fair valued by discounting the value using an appropriate discount rate determined with reference to quoted rates on market instruments with similar credit characteristics and maturities.

1.3.3 Offsetting financial instruments

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

1.3.4 Derivative financial instruments and hedge accounting

Derivative financial instruments are restricted to forward foreign exchange contracts which are initially recognised in the balance sheet at fair value (including transaction costs) and are subsequently re-measured at their fair value. Fair values are obtained from quoted market prices. All contracts are carried as assets when fair value is positive and as liabilities when fair value is negative. Derivatives are held only for hedging purposes and not for trading.

The best evidence of the 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 (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either: (1) fair value hedges (hedges of the fair value of recognised assets or liabilities or firm commitments); or, (2) cash flow hedges (hedges of highly probable future cash flows attributable to a recognised asset or liability, or a forecasted transaction). Hedge accounting is used for derivatives designated in this way provided certain criteria are met.

The Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are recycled to the income statement in the periods in which the hedged item will affect profit or loss (for example, when the forecast sale that is hedged takes place).

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

1.4 Impairment of advances

The estimation of allowances for impairments is inherently uncertain and depends on many factors, including general economic conditions, structural changes within industries, changes in individual customer circumstances and other external factors such as legal requirements, regulatory specifications and governmental policy changes.

Loans and advances are stated net of identified and incurred but unidentified impairments.

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 impact on the assets' estimated future cash flows that can be reliably measured.

In determining whether a loss event has occurred, loans and advances are subjected to regular evaluations that take cognisance of *inter alia* past experience of economic conditions that remain relevant in the current context, overall client risk profile and payments record.

Historical loss experience is adjusted on the basis of observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

Objective evidence that loans and advances may be impaired, includes observable data that comes to the attention of the group and may include the following events:

(a) A breach of contract, such as a default or delinquency in interest or principal payments.

(b) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group including:

- Adverse changes in the payment status of borrowers in the group; or
- National or local economic conditions that correlate with defaults on the assets in the group.

On a collective basis, the group assesses whether objective evidence of impairment exists for groups of financial assets with similar repayment terms. If there is objective evidence that an impairment loss on loans and advances has been incurred, the amount of the loss is measured as the difference between the assets' carrying amounts and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred) discounted at the respective financial assets' original effective interest rates (the recoverable amount).

1.4.1 Identified impairment

Advances within the group all comprise a large number of small homogenous assets. Statistical techniques are used to calculate impairment allowances collectively, based on historical default and recovery rates. These statistical analyses use as primary inputs the extent to which accounts in the portfolio are in arrears and historical information on the eventual losses encountered from such delinquent portfolios.

These statistics feed discounted cash flow models which have been developed for each of the loan products offered by the group. The models are updated periodically in order to reflect appropriate changes in inputs.

Models contain both judgemental and non-judgemental inputs. The extent of judgement utilised in models developed for new loan products is greater than that for older products given the limited historical experience available for the new products.

In outline, the statistical analyses are performed on a portfolio basis as follows:

- Loans and advances are monitored on a product basis, with each month's advances being treated as a discrete portfolio, on which an analysis of the run-off of recoveries, in period buckets, is performed in order to develop a historical base for statistics on default.
- These derived statistics, based on actual experience, are used in plotting values on a model curve that reflects the risk profile of the portfolio.
- Loans in arrears by more than 90 days are handed over for collection. Recoveries from these loans are regarded as negligible as collateral is not required for the granting of advances in the current product range.
- Upon impairment the accrual of interest income on the original term of the advance is discontinued, but the increase in the present value of impaired advances due to the passage of time is reported as interest income.

1.4.2 Incurred but unidentified impairment

In addition to the impairment estimated for assets with recognised objective evidence of impairment, an estimate is made for impairments associated with those assets in the balance sheet that are impaired, but for which objective evidence is not yet available.

- The impairment calculation utilises the results of the statistical analyses referred to above to estimate the proportion of assets in each portfolio that are likely to display objective evidence of impairment over the emergence period. The emergence period is defined as the experience of the length of time that it takes for objective evidence to become apparent after the asset has become impaired.

- In considering the occurrence of a loss event over the life of a loan, the following judgemental assumptions have been made: For one and three month products it is assumed that there is a constant risk of the loss event occurring at any point in the life of the loan.
- For six and twelve month loans the risk of occurrence of a loss event is plotted on a model curve that gives greater weight to the probability of a loss event occurring earlier in the life of the loan.

The methodology and assumptions used for estimating the future cash flows are reviewed regularly to reduce differences between loss estimates and actual loss experience.

All impaired loans and advances are reviewed on a regular basis and any changes to the amount and timing of the expected future cash flows compared to previous estimates will result in a change to the charges for impairment of loans and advances in the income statement.

1.4.3 Loan write-offs

Short-term loans (and the related impairment allowance accounts) are normally written off in full for amounts in arrears for more than 90 days. Long-term loans are written off 90 days after the loan has reached full maturity.

1.5 Inventory

Inventory is stated at the lower of the cost or net realisable value. Cost is determined using the first-in, first-out (FIFO) method. Net realisable value is the estimate of the selling price in the ordinary course of business, less selling expenses. Inventory is carried net of rebates. All inventory comprises finished goods.

1.6 Interest-free loans granted

Interest-free loans granted, with fixed maturities, are stated at amortised cost. The redemption value is discounted to present value using the borrowers' incremental borrowing cost. The unwinding of the resulting discount value is recognised in the income statement over the period of the borrowing. Interest free loans with no fixed maturities are carried at cost net of impairment.

1.7 Current income tax

Income tax payable on profits, based on the applicable tax law in each jurisdiction, is recognised as an expense in the period in which profits arise. The tax effects of income tax losses available for carry forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

1.8 Property and equipment

Land and buildings comprises a warehouse. All property and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or are 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.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Banking application hardware	3 – 5 years
Automated teller machines	8 years
Computer equipment	3 – 5 years
Office equipment	5 – 8 years
Motor vehicles	5 years
Buildings	25 years

The assets' residual values and useful lives are reviewed and adjusted if appropriate, annually.

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

1.9 Intangible assets

(a) 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 at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. 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. Each of those cash-generating units is represented by each primary reporting segment (see Note 3).

(b) Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs associated with developing or maintaining computer software programs are recognised as an expense as incurred. Costs that are directly associated with the production of 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 software development employee costs and an appropriate portion of relevant overheads.

Computer software is amortised over its useful life as follows:

Banking application software	6 years
Server software	3 – 5 years
Desktop application software	2 – 4 years

The assets' useful lives are reviewed and adjusted, if appropriate, annually.

1.10 Impairment of non-current assets (property and equipment, computer software)

Equipment and other non-current assets are reviewed for impairment losses 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 carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's net selling price and value in use.

1.11 Deferred taxation

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 for financial reporting purposes. Deferred income tax is determined using tax laws and rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The principal temporary differences arise from depreciation of property and equipment, revaluation of certain financial assets and liabilities and tax losses carried forward. Deferred tax assets are raised only to the extent that it is probable that future taxable income will be available against which the unused tax losses can be utilised.

Deferred tax related to fair value measurement of cash flow hedges is also credited or charged directly to equity and is subsequently recognised in the income statement together with the deferred gain or loss. A deferred tax asset is raised on unutilised secondary tax on companies (STC) credits, to the extent that these will be used in future years.

1.12 Provisions

Provisions are recognised when:

- The group has a present legal or constructive obligation as a result of past events;

- It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- A reliable estimate of the amount of the obligation can be made.

1.13 Share capital

(a) Share issue costs

Incremental costs directly attributable to the issue of new shares or options or to the acquisition of a business are shown in equity as a deduction, net of tax, from the proceeds.

(b) Dividends on ordinary shares

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Group's Shareholders. Dividends for the year that are declared after the balance sheet date are dealt with in the directors' report.

(c) Treasury shares

Where the Company or other members of the Group purchase the Company's equity share capital, the consideration paid is deducted from total shareholders' equity as shares held by the group until they are cancelled or sold.

1.14 Employee benefits

(a) Pension oligations

The Group contributes to a provident fund classified as a defined contribution fund.

For defined contribution plans, the Group pays fixed contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as 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.

(b) Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted on grant date, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of options 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.

1.15 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Rands, which is the Group's functional and presentation currency. The financial statements of all the subsidiaries are also presented in Rands.

(b) 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, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges. Translation differences on non-monetary items are reported as part of the fair value gain or loss.

1.16 Revenue recognition

1.16.1 Interest income and expense

Interest income and expense are recognised in the income statement for all instruments measured at amortised cost using the effective interest method.

Refer to note 19 for interest income.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (i.e. prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

1.16.2 Fee and commission income

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

1.16.3 Non-banking sales

Non-banking sales represent the net sales value of all products sold to third parties after the deduction of trade discounts. Revenue is recognised when risks and rewards of ownership have been transferred to the customer. Revenue is recognised net of value added tax.

1.17 Segment reporting

A business segment is a group of assets and operations engaged in provided products or services that are subject to risks and returns that are different from those of other business segments.

1.18 Leases

(a) *Where a group company is the lessee*

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor, are classified as operating leases. Payments made under operating leases, net of any incentive received from the lessor, are charged to the income statement on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

(b) *Where a group company is the lessor*

Rental from the sub-letting of leased premises is recognised on a straight-line basis over the lease term.

1.19 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 January 2006 or later periods but which the Group has not early adopted, as follows:

Applicable and effective for the Group for the year ends beginning on 1 January 2006:

- IAS 39 (Amendments), Financial Instruments: Recognition and Measurement & IFRS 4, Insurance contracts.

- *Cash flow hedge accounting of forecasts intragroup transactions:*
  The amendment would allow the designation as a hedged item in the consolidated financial statements of the Group for the foreign currency risk of a highly probable forecast intragroup transaction under certain conditions.

- *Financial guarantee contracts:*
  The amendment would permit the measurement of a financial guarantee contract initially at fair value and subsequently at the higher of the amount recognised in terms of IAS 37 (Provisions) and the amount initially recognised less any cumulative amortisation.

- *Fair value option:*
  The amendment restricts the extent to which the fair value option currently available in IAS 39 without restrictions can be applied to the Group in designating any financial asset or financial liability at fair value through profit or loss.

The impact of these amendments is not considered to be significant. The internal criteria applied within the Group for applying the fair value option under the current IAS 39 is restrictive enough that the amendment is unlikely to reduce the Group's current usage of the option.

The following amendments to standards and interpretations are not affect to the Group's reported results or financial position.

- IAS 19 (Amendment) – Employee Benefits.
- IAS 21 (Amendment) – The Effect of Changes in a Foreign Operation.
- IFRS 6 (Amendment) – Exploration for and Evaluation of Mineral Resources
- IFRS 1 (Amendment) – First-time Adoption of International Financial Reporting Standards and IFRS 6 (Amendment), Exploration for and Evaluation of Mineral Resources
- IFRIC 4 – Determining whether an Arrangement contains a Lease.
- IFRIC 5 – Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds.
- IFRIC 6 – Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment.
- IFRIC 7 – Applying the Restated Approach under IAS 29: Financial Reporting in Hyperinflationary Economies.
- IFRIC 8 – Scope of IFRS 2.
- IFRIC 9 – Reassessment of Embedded derivatives.

Applicable and effective for the Group for year ends beginning on 1 January 2007.

- IFRS 7 – Financial Instruments: Disclosures, and a complementary Amendment to IAS 1, Presentation of Financial Statements – Capital Disclosures. IFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. It replaces IAS 30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions, and disclosure requirements in IAS 32, Financial Instruments: Disclosure and Presentation. The amendment to IAS 1 introduces disclosures about the level of an entity's capital and how it manages capital. Management is currently assessing the potential impact of the Standard on the results of the Group. It is believed that the Standard will not impact the results of the Group, but will result in potentially more disclosure than what is currently provided in the Group's annual financial statements.

1.20 Adjustments made to 29 February 2004 financial information as reflected in the comparative information to the year ended 28 February 2005.

BALANCE SHEET

	R'000
ASSETS	
Deferred Tax	
Balance previously stated	48 670
Restatement due to straight-lining of leases	1 075
Restated balance	49 745
LIABILITIES	
Trade and other payables	
Balance previously stated	31 709
Restatement due to straight-lining of leases	3 582
Restated balance	35 291
EQUITY	
Retained earnings	
Balance previously stated	101 548
Restatement due to straight-lining of leases	(2 507)
Restated balance	99 041

INCOME STATEMENT

	R'000 Operating profit before taxation	R'000 Taxation	R'000 Net profit after taxation
Profit previously reported	64 844	(19 505)	45 339
Restatement due to straight-lining of leases	(462)	139	(323)
Restated profit	64 382	(19 366)	45 016

2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

Impairment losses on loans and advances

The Group reviews its loan portfolios to assess impairment at least on a monthly basis. In determining whether an impairment loss should be recorded in the income statement, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio.

This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. To the extent that the default modelling rates increase or decrease by 5 percent, the provision would be estimated R1 620 000 higher or R885 000 lower.

3 SEGMENTAL REPORTING

Primary reporting format – business segments

During the year the group conducted operations in two main business areas – banking and wholesale distribution of consumer goods.

	Banking R'000	Wholesale distribution R'000	Adjustment for intra-segment items R'000	Total R'000
Year ended 28 February 2006				
Revenues	830 157	131 368	(922)	960 603
Segment earnings	115 719	(438)	-	115 281
Segment headline earnings	116 860	(468)	-	116 392
Segment assets	1 246 970	14 158	(9 856)	1 251 272
Segment liabilities	678 968	18 344	(9 856)	687 456
Capital expenditure	72 190	204	-	72 394
Depreciation*	37 522	73	-	37 595
Amortisation*	27 111	-	-	27 111
Year ended 28 February 2005				
Revenues	556 528	118 039	(1 127)	673 440
Segment earnings	69 334	(1 955)	-	67 379
Segment headline earnings	71 466	(1 955)	-	69 511
Segment assets	803 589	11 942	(10 317)	805 214
Segment liabilities	326 423	15 690	(10 317)	331 796
Capital expenditure	82 551	1 505	-	84 056
Depreciation*	37 852	53	-	37 905
Amortisation*	13 296	-	-	13 296
Year ended 29 February 2004				
Revenues	401 207	92 206	(726)	492 687
Segment earnings	46 516	(1 500)	-	45 016
Segment headline earnings	48 166	(1 500)	-	46 666
Segment assets	510 910	10 698	(10 031)	511 577
Segment liabilities	83 825	12 119	(10 031)	85 913
Capital expenditure	44 177	53	-	44 230
Depreciation*	24 363	64	-	24 427
Amortisation*	7 723	-	-	7 723
Goodwill impairment	1 206	-	-	1 206

Secondary reporting format

No secondary geographical segment information is disclosed as all the company's business for the applicable years was conducted within the Republic of South Africa.

* In terms of the revised IAS 38 "Intangible assets", computer software that is not an integral part of the related computer hardware, should be treated as intangible assets. In order to comply with the requirements of IAS 38, computer software has been reallocated from property and equipment to intangible assets.

	2006	2005	2004
4. CASH AND CASH EQUIVALENTS	**R'000**	**R'000**	**R'000**
Cash on hand	173 914	95 689	42 218
Bank balances	322 520	189 378	114 913
Central Bank balances:			
Debentures	75 356	73 331	2 006
Mandatory reserve deposits with Central Bank	10 503	4 475	666
	582 293	362 873	159 803

Debentures are short-term fixed interest securities issued by the South African Reserve Bank.

	2006	2005	2004
5. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS			
Listed preference shares	6 766	16 745	-
Fair value adjustment	383	97	-
Total at fair value	7 149	16 842	-

	2006	2005	2004
6. LOANS AND ADVANCES			
Demand to one month	255 803	174 318	146 460
One to three months	128 679	53 833	17 006
Three months to one year	151 671	-	-
More than one year	11 157	10 414	165
	547 310	238 565	163 631
Provision for impaired advances	(92 649)	(30 668)	(28 753)
Net amount	454 661	207 897	134 878

All of these loans and advances, except R10 million relating to Arch Equity (2005: R10 million, 2004: R nil) and R1,2 million, (2005: R0,4 million, 2004: R0,2 million) granted to employees in terms of the share option scheme, are in the ordinary course of business.

Included within loans and advances is related accrued interest receivable of R13 319 000

Effective interest rates per month (%)	2006	2005
Demand to one month	18.3	19.6
One to three months	13.7	16.2
Three months to one year	11.5	-
More than one year	0.9	0.9

Movement on provision for impaired advances:	2006 R'000	2005 R'000	2004 R'000
Opening balance	30 668	28 753	32 421
Unidentified losses	45 364	2 170	2 752
Identified losses	21 054	(255)	(5 420)
Amounts recovered during the year	(4 437)	-	-
Transfer of general provision to general banking risk reserve	-	-	(1 000)
Closing balance	92 649	30 668	28 753

7. INVENTORY

Finished consumer goods	11 800	8 635	9 141

8. OTHER RECEIVABLES

Prepayments	5 238	5 016	8 297
Rental deposits	1 692	1 812	1 879
Other	147	1 192	952
Derivatives (note 40)	-	-	65
	7 077	8 020	11 193

9. INVESTMENT IN SUBSIDIARIES

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

The following information relates to the company's interest in subsidiaries.

Name	Domicile	Proportion owned	Nature of business
Capitec Bank Limited	South Africa	100%	Banking
Keynes Rational Corporate Services (Pty) Limited	South Africa	100%	Dormant
Smartfin Financial Services (Pty) Limited	South Africa	100%	Dormant
Finaid Financial Services (Pty) Limited	South Africa	100%	Dormant
Keymatrix (Pty) Limited	South Africa	100%	Dormant
Key Distributors (Pty) Limited	South Africa	75%	Wholesale distribution
Capitec Bank Holdings Share Trust	South Africa	-	Share incentive trust

All holdings are in the ordinary share capital of the subsidiary concerned. Holdings are unchanged from 2004.

In terms of the shareholders agreement the holding company absorbs all losses incurred by Key Distributors (Pty) Limited including the minority's share of these losses. In the event that Key Distributors begins to generate profits prior losses must be made good before the minorities can participate in their share of the profits.

Share of profit of subsidiaries

	2006 R'000	2005 R'000	2004 R'000
Capitec Bank Limited	118 341	70 660	46 979
Keynes Rational Corporate Services (Pty) Limited	-	-	-
Smartfin Financial Services (Pty) Limited	-	-	-
Finaid Financial Services (Pty) Limited	-	(86)	(15)
Keymatrix (Pty) Limited	-	-	-
Key Distributors (Pty) Limited	(438)	(1 955)	(1 500)
Capitec Bank Holdings Share Trust	19	11	(6)
Capitec Bank Holdings Limited	(2 641)	(1 251)	(442)
	115 281	67 379	45 016

10. PROPERTY AND EQUIPMENT

	Land and buildings* R'000	Computer equipment R'000	Office equipment and vehicles R'000	Total R'000
Year ended 28 February 2006				
Opening net book value	1 456	50 048	62 877	114 381
Additions	35	18 391	41 201	59 627
Disposals	-	(832)	(1 625)	(2 457)
Depreciation charge	(40)	(18 010)	(19 545)	(37 595)
Net book value at end of year	1 451	49 597	82 908	133 956
Cost	1 517	109 904	141 169	252 590
Accumulated depreciation	(66)	(60 307)	(58 261)	(118 634)
Net book value at end of year	1 451	49 597	82 908	133 956
Year ended 28 February 2005				
Opening net book value	-	42 512	40 211	82 723
Additions	1 482	29 322	41 956	72 760
Disposals	-	(335)	(2 862)	(3 197)
Depreciation charge	(26)	(21 451)	(16 428)	(37 905)
Net book value at end of year	1 456	50 048	62 877	114 381
Cost	1 482	94 337	103 230	199 049
Accumulated depreciation	(26)	(44 289)	(40 353)	(84 668)
Net book value at end of year	1 456	50 048	62 877	114 381

	Land and buildings* R'000	Computer equipment R'000	Office equipment and vehicles R'000	Total R'000
Year ended 29 February 2004				
Opening net book value	-	65 450	37 023	102 473
Additions	-	20 549	16 488	37 037
Disposals	-	(233)	(957)	(1 190)
Disposals of subsidiaries	-	53	75	128
Depreciation charge	-	(12 009)	(12 418)	(24 427)
Reclassification	-	(31 298)	-	(31 298)
Net book value at end of year	-	42 512	40 211	82 723
Cost	-	65 403	68 566	133 969
Accumulated depreciation	-	(22 891)	(28 355)	(51 246)
Net book value at end of year	-	42 512	40 211	82 723

* The land and buildings are encumbered in terms of a mortgage bond (note 13).

In terms of the revised IAS 38 "Intangible assets", computer software that is not an integral part of the related computer hardware, should be treated as intangible assets. In order to comply with the requirements of IAS 38, computer software has been reallocated from property and equipment to intangible assets.

11. INTANGIBLE ASSETS

	2006 R'000	2005 R'000	2004 R'000
Goodwill			
Opening net book value	-	-	-
Acquisition of subsidiary	-	-	1 206
Impairment charge	-	-	(1 206)
Net book value at end of year	-	-	-
Cost	6 107	6 107	6 107
Accumulated impairment	(6 107)	(6 107)	(6 107)
Net book value at end of year	-	-	-
Computer software*			
Opening net book value	62 032	64 032	33 300
Additions	12 767	11 296	7 193
Disposals	-	-	(43)
Disposals of subsidiaries	-	-	7
Reclassification	-	-	31 298
Amortisation charge	(27 111)	(13 296)	(7 723)
Net book value at end of year	47 688	62 032	64 032

	2006 R'000	2005 R'000	2004 R'000
Cost	98 406	85 639	74 344
Accumulated amortisation	(50 718)	(23 607)	(10 312)
Net book value at end of year	47 688	62 032	64 032
Total	47 688	62 032	64 032

Computer software substantially consists of the primary banking application system.

* In terms of the revised IAS 38 "Intangible assets", computer software that is not an integral part of the related computer hardware should be treated as intangible assets. In order to comply with the requirements of IAS 38, computer software has been reallocated from property and equipment to intangible assets.

12. DEFERRED INCOME TAX ASSETS

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 29% (2005: 30%, 2004: 30%).

The movement on the deferred income tax account is as follows:

	2006 R'000	2005 R'000	2004 R'000
At beginning of year*	24 534	49 745	69 084
Tax effect on settlement of share options	8 088	4 700	-
Rate change effect on settlement of share options	(157)	-	-
Cash flow hedges			
Fair value measurement	-	20	(20)
Movement in deferred tax taken to income statement	(25 817)	(29 931)	(19 319)
Utilisation of assessable losses	(24 455)	(33 138)	(20 868)
Movements due to other temporary differences	(801)	3 087	1 531
IFRS2 – Prior year share based payment expense	-	-	18
STC credits received	96	120	-
Rate change	(657)	-	-
At end of year	6 648	24 534	49 745

Deferred tax asset may be analysed as follows :

	2006 R'000	2005 R'000	2004 R'000
Assessable losses	-	16 932	45 370
Provisions and accruals*	7 339	7 086	3 989
Capital allowances	503	396	406
Prepayments	(1 410)	-	
STC credits	216	120	-
Cash flow hedges	-	-	(20)
	6 648	24 534	49 745

	2006 R'000	2005 R'000	2004 R'000
The expected recovery of deferred tax is as follows:			
Deferred tax asset to be recovered within 12 months	6 270	24 245	
Deferred tax asset to be recovered after more than 12 months	378	289	
	6 648	24 534	

Deferred income tax assets are recognised for tax losses carried forward only to the extent that realisation of the related tax benefit is probable.

* Refer to note 42 for the restatement of the comparative amount.

13. DEPOSITS AT AMORTISED COST

	2006 R'000	2005 R'000	2004 R'000
Deposits from customers on demand	314 348	73 539	4 337
Term deposits	223 546	148 873	44 539
Within one month	12 585	7 648	248
One to three months	2 080	1 042	1 310
Three months to one year	8 054	1 772	6 002
More than one year	200 827	138 411	36 979
	537 894	222 412	48 876
Effective interest rates per annum (%)			
Demand to one month	9.1	9.8	10.1
One to three months	8.8	10.2	7.6
Three months to one year	9.6	11.8	10.8
More than one year	11.3	11.9	12.6

Term deposits include a mortgage bond of R1.2 million (2005: R1.2 million) that is secured as stated in note 10. The remainder of the deposits are unsecured.

14. DEPOSITS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

	2006 R'000	2005 R'000	2004 R'000
Term funding	52 149	52 185	-
Within one month	-	-	-
One to three months	2 149	2 185	-
Three months to one year	-	-	-
More than one year	50 000	50 000	-
Fair value adjustment	4 953	6 098	-
	57 102	58 283	-

The contractual interest rate on the funding is fixed at 13.075% (2005: 13.075%) and the fair value thereof at 28 February 2006 was determined after applying a discount rate of 9.03% (2005: 9.22%).

	2006 R'000	2005 R'000	2004 R'000
15. TRADE AND OTHER PAYABLES			
Trade payables	39 586	24 774	9 598
Accruals*	30 077	25 289	25 693
Derivatives (Note 40)	4	-	-
	69 667	50 063	35 291

* Refer to note 42 for restatement of the comparative amount.

	2006 R'000	2005 R'000	2004 R'000
16. PROVISIONS			
Provision for pending litigation			
Opening balance	1 000	1 746	740
Net (release) / charge	(700)	(746)	1 006
Closing balance	300	1 000	1 746

	2006 R'000	2005 R'000	2004 R'000
17. SHARE CAPITAL, SHARE PREMIUM AND GROUP SHARES			
Share capital			
Authorised			
Ordinary shares			
100 000 000 shares of R0.01 each	1 000	1 000	1 000
Non-redeemable non-cumulative non-participating preference shares 100 000 000 shares of R0.01 each	1 000	-	-
	2 000	1 000	1 000
Issued			
Ordinary shares			
71 928 412 shares of R0.01 each (2005: 71 928 412 shares of R0.01 each; 2004: 68 837 250 shares of R0,01 each)	719	719	688
Share premium	347 146	347 146	325 727
Shares held by the group			
Nil shares held at cost (2005: 1 486 339, 2004: 93 762)*	-	(17 524)	(537)
Total share capital premium and group shares	347 865	330 341	325 878

All issued shares are fully paid.

7 192 841 (2005: 6 883 725, 2004: all) of the unissued shares are under the control of the directors until the next annual general meeting.

* The share incentive trust held shares in the group for the purpose of settling share options issued to employees in terms of the group share incentive scheme. The shares are reflected as a deduction against equity at cost to the group. During the year a loss of R31 million, R23 million after tax (2005: R16 million, R11 million after tax) was realised on the settlement of share options as reflected in the statements of changes in shareholders' equity.

18. RESERVES

The cash flow hedge reserve is released on recognition of the related hedged liability. An analysis of the movements in each category within reserves is presented below:

	2006 R'000	2005 R'000	2004 R'000
Cash-flow hedge reserve			
At beginning of year	-	45	-
Movement during the year			
(Losses)/Gains from changes in fair value	-	(65)	65
Deferred tax	-	20	(20)
At end of year	-	-	45
General banking risk reserve			
At beginning of year	700	700	-
Transfer from general doubtful debts provisions	-	-	1 000
Transfer from deferred tax	-	-	(300)
Tax rate change	10	-	-
At end of year	710	700	700
Total	710	700	745

19. NET INTEREST INCOME

	2006 R'000	2005 R'000	2004 R'000
Interest income			
Loan book	767 624	533 905	393 177
Bank balances	10 962	7 627	4 459
Central bank balances	5 316	2 450	136
Loan accounts	-	-	960
	783 902	543 982	398 732
Interest expense			
Demand deposits	(15 650)	(2 619)	(138)
Term deposits	(24 414)	(14 258)	(3 182)
Foreign exchange contracts	(15)	(13)	(198)
	(40 079)	(16 890)	(3 518)
Net interest income	743 823	527 092	395 214

Included within interest income is R3 314 000 (2005: Rnil) with respect to interest income accrued on impaired financial assets.

20. NET IMPAIRMENT CHARGE ON LOANS AND ADVANCES

	2006 R'000	2005 R'000	2004 R'000
Bad debts	54 181	55 608	49 117
Movement in impairment provision	61 981	1 915	(2 668)
Bad debts recovered	(20 537)	(18 274)	(17 658)
Net impairment charge	95 625	39 249	28 791

	2006 R'000	2005 R'000	2004 R'000
21. NET MOVEMENT IN FINANCIAL INSTRUMENTS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS			
Financial assets held at fair value through profit or loss	286	97	-
Deposits held at fair value through profit or loss	1 145	(6 098)	-
	1 431	(6 001)	-
22. OPERATING PROFIT BEFORE TAX			
The following items have been included in arriving at operating profit before tax:			
Exceptional items:			
Profit on disposal of subsidiaries	-	-	(357)
Amortisation and impairment of goodwill	-	-	1 206
Loss on disposal of equipment	1 565	3 062	1 144
	1 565	3 062	1 993
Depreciation on fixed assets*			
Change in estimated useful lives of certain hardware components	-	5 778	-
Depreciation based on original estimates	37 595	32 127	24 427
	37 595	37 905	24 427
Amortisation of computer software*			
Change in estimated useful life of software	10 000	-	-
Amortisation based on original estimates	17 111	13 296	7 723
	27 111	13 296	7 723
Operating lease rentals			
Land and buildings	43 984	37 485	34 382
Office equipment	2 988	3 730	3 153
	46 972	41 215	37 535
Income from sub-letting	(1 129)	(1 140)	(1 123)
Auditors' remuneration			
Audit fees - current year	1 270	1 182	880
- under provision previous year	35	-	78
Other services	127	282	117
	1 432	1 464	1 075
Staff costs			
Salaries and wages	187 547	146 399	110 538
Share-based payment	1 602	1 068	61
Social security cost	4 058	2 636	2 035
Training cost	13 173	12 911	5 605
Training refund	(777)	(585)	(603)
	205 603	162 429	117 636

* In terms of the revised IAS 38 "Intangible assets", computer software that is not an integral part of the related computer hardware, should be treated as intangible assets. In order to comply with the requirements of IAS 38, computer software has been reallocated from property and equipment to intangible assets.

	2006 R'000	2005 R'000	2004 R'000
Consultancy fees relating to non-employees comprise:			
Managerial services	240	295	1 605
Secretarial services	432	366	540
Technical	2 164	2 455	1 920
Administrative	1 862	203	2 049
	4 698	3 319	6 114

23. INCOME TAX EXPENSE

	2006 R'000	2005 R'000	2004 R'000
Current tax	25 015	1 739	47
Normal company tax	22 458	13	(4)
Secondary tax on companies	2 557	1 726	51
Deferred tax	25 817	29 931	19 319
Normal company tax	25 913	30 051	19 319
Secondary tax on companies	(96)	(120)	-
	50 832	31 670	19 366

The tax for the year differs from the theoretical amount that would arise using the basic tax rate as follows:

	2006 R'000	2005 R'000	2004 R'000
Profit before tax	166 113	99 049	64 382
Tax calculated at a tax rate of 29% (2005: 30%, 2004: 30%)	48 173	29 715	19 315
Secondary tax on companies	2 461	1 606	51
Income not subject to tax	(649)	(295)	(1 497)
Expenses not deductible for tax purposes	18	48	1 612
Prior year unrecognised tax losses utilised	-	-	(632)
Overprovision previous year	-	-	(5)
Tax rate change	657	-	-
Unutilised tax loss	150	589	474
Capital gains tax	22	7	-
Other	-	-	48
Tax charge	50 832	31 670	19 366

	2006 R'000	2005 R'000	2004 R'000
Estimated tax losses at year end available for utilisation against future taxable income	9 729	65 652	158 391
Less: Applied in raising a deferred tax asset	-	(56 440)	(151 173)
Net calculated tax losses carried forward	9 729	9 212	7 218
Tax relief calculated at current tax rates	2 821	2 764	2 165

The utilisation of the tax losses is dependent on sufficient future taxable income being earned.

24. ATTRIBUTABLE EARNINGS PER SHARE

Basic attributable earnings per share

Basic attributable earnings per share is calculated by dividing the net profit after tax attributable to equity holders by the weighted average number of ordinary shares in issue during the year. The shares held in the company by the share incentive trust reduced the weighted average number of shares for the year.

	2006	2005	2004
Net profit after tax attributable to shareholders	115 281	67 379	45 016
Weighted average number of ordinary shares in issue ('000)	70 555	68 860	67 028
Basic attributable earnings per share (cents)	163.4	97.8	67.2

Diluted attributable earnings per share

Diluted attributable earnings per share is calculated using the weighted average number of ordinary shares in issue, adjusted to assume conversion of all potentially dilutive ordinary shares. For 2006, 2005 and 2004 potentially dilutive ordinary shares consisted only of share options. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the company's shares) based on the monetary value of the subscription rights attached to outstanding options. The number of shares calculated above is compared with the number of shares that would have been issued assuming the exercise of the share options. The difference is added to the denominator as an issue of ordinary shares for no consideration. No adjustment is made to earnings (numerator).

	2006	2005	2004
Net profit used to determine diluted attributable earnings per share	115 281	67 379	45 016
Weighted average number of ordinary shares in issue ('000)	70 555	68 860	67 028
Adjustment for:			
Exercise of share options ('000)	3 979	4 676	4 840
Weighted average number of ordinary shares for diluted attributable earnings per share ('000)	74 534	73 536	71 868
Diluted attributable earnings per share (cents)	154.7	91.6	62.6

		2006 R'000	2005 R'000	2004 R'000
25.	**HEADLINE EARNINGS PER SHARE**			
	Basic headline earnings per share			
	Net profit attributable to shareholders	115 281	67 379	45 016
	Non-headline items after tax			
	Disposal of subsidiaries	-	-	(357)
	Disposal of equipment	1 111	2 132	801
	Amortisation and impairment of goodwill	-	-	1 206
	Headline earnings	116 392	69 511	46 666
	Headline earnings per share (cents)	165.0	100.9	69.6
	Diluted headline earnings per share			
	Headline earnings	116 392	69 511	46 666
	Diluted headline earnings per share (cents)	156.2	94.5	64.9

26. PROPOSED DIVIDEND PER SHARE

At the annual general meeting on 24 May 2006 a dividend in respect of 2006 of 45 cents per share (2005: 30 cents per share, 2004: 20,0 cents per share) amounting to a total dividend of R32.4 million (2005: R21.6 million, 2004: R13.8 million) will be proposed. The secondary tax on companies in respect of this dividend will amount to R4.0 million (2005: R2.7 million: 2004: R1.7million). These financial statements do not reflect this dividend payable, which will be accounted for in shareholders' equity as an appropriation of retained earnings in the year ending 28 February 2007, which is in line with recommended accounting policy.

		2006	2005	2004
27.	**NET ASSET VALUE PER SHARE**			
	Net asset value	563 816	473 418	425 664
	Number of ordinary shares in issue net of shares held by the group ('000)	71 928	70 442	68 743
	Net asset value per share (cents)	784	672	619

28. FINANCIAL RISK MANAGEMENT

Financial instruments carried on the balance sheet consist of cash and cash equivalents, loans and advances, other receivables, investments, forward foreign exchange contracts, inter-group loans receivable and payable, deposits and current accounts and trade and other payables.

Credit risk

Potential concentrations of credit risk exist principally in cash and cash equivalents. The Group only deposits cash surpluses with major banks and asset managers of high credit standing.

Advances are disclosed net of impairment provisions. The group operates in the micro-financing industry. The group's exposure to concentrated credit risk is low due to the nature and distribution of the loan book. Exposure to systemic credit risk is regarded as being higher than normal banking activities due to the demographic credit characteristics of the client base. Measures taken by the group to limit credit risk to acceptable levels include, *inter alia*, the application of standard credit acceptance procedures to assess potential customers, daily monitoring of collectible balances at both branch and head office level and monitoring by the risk committee.

Geographical concentrations of assets, liabilities and off-balance sheet items

All the Group's operating activities are situated within the Republic of South Africa.

Interest rate risk

The group operates within the ambit of the Usury Act exemption notice when considering interest rates on the advance of short-term micro-loans.

The current group interest profile is uncomplicated and is monitored by the Asset and Liability Committee. Effective rates on loans and advances are disclosed in note 6 and on deposit balances are disclosed in notes 14 and 15.

Liquidity risk

The bank manages liquidity cautiously and operates an uncomplicated maturity profile which is monitored by the asset and liability committee. The short-term nature of the loan book relative to the size of the deposit book and the term nature of much of the funding reduces the liquidity risk of the group.

The table below analyses assets and liabilities of the Group into relevant maturity groupings based on the remaining period at balance sheet date to the contractual maturity date.

Maturities of assets and liabilities	**Demand to one month R'000**	**One to three months R'000**	**Three months to one year R'000**	**More than one year R'000**	**Fair Value adjust-ment R'000**	**Total R'000**
2006						
Assets						
Loans to customers	255 803	128 679	151 671	11 157	-	547 310
Cash and bank balances	506 937	-	-	-	-	506 937
Investments at fair value through profit or loss*	6 766	-	-	-	383	7 149
Treasury bills/Debentures	75 356	-	-	-	-	75 356
Assets	844 862	128 679	151 671	11 157	383	1 136 752
Liabilities						
Liabilities to depositors	326 933	2 080	8 054	200 827	-	537 894
Trade and other payables	69 967	-	17 905	4 588	-	92 460
Deposits at fair value through profit or loss*	-	2 149	-	50 000	4 953	57 102
Liabilities	396 900	4 229	25 959	255 415	4 953	687 456
Net liquidity gap	447 962	124 450	125 712	(244 258)	(4 570)	449 296
Cumulative liquidity gap	447 962	572 412	698 124	453 866	449 296	449 296

Maturities of assets and liabilities	Demand to one month R'000	One to three months R'000	Three months to one year R'000	More than one year R'000	Fair value adjust-ment R'000	Total R'000
2005						
Assets						
Loans to customers	174 318	53 833	-	10 414	-	238 565
Cash and bank balances	289 542	-	-	-	-	289 542
Investments at fair value through profit or loss*	16 745	-	-	-	97	16 842
Treasury bills/Debentures	73 331	-	-	-	-	73 331
Assets	553 936	53 833	-	10 414	97	618 280
Liabilities						
Liabilities to depositors	81 187	1 042	1 772	138 411	-	222 412
Trade and other payables	51 101	-	-	-	-	51 101
Deposits at fair value*	-	2 185	-	50 000	6 098	58 283
Liabilities	132 288	3 227	1 772	188 411	6 098	331 796
Net liquidity gap	421 648	50 606	(1 772)	(177 997)	(6 001)	286 484
Cumulative liquidity gap	421 648	472 254	470 482	292 485	286 484	286 484
2004						
Assets						
Loans to customers	146 460	17 006	-	165	-	163 631
Cash and bank balances	157 797	-	-	-	-	157 797
Investments at fair value through profit or loss*	-	-	-	-	-	-
Treasury bills/Debentures	2 006	-	-	-	-	2 006
Assets	306 263	17 006	-	165		323 434
Liabilities						
Liabilities to depositors	4 585	1 310	6 002	36 979	-	48 876
Trade and other payables	37 037	-	-	-	-	37 037
Deposits at fair value*	-	-	-	-	-	-
Liabilities	41 622	1 310	6 002	36 979		85 913
Net liquidity gap	264 641	15 696	(6 002)	(36 814)	-	237 521
Cumulative liquidity gap	264 641	280 337	274 335	237 521	237 521	237 521

* Items held at fair value are stated at nominal values for the purposes of the maturity gap analysis.

The re-pricing dates for items above are not materially different from their contractual maturity dates.

Currency risk

The exposure to foreign currency risk is limited to the importation of capital equipment, technology and technology support services needed for the core banking activities. This risk is managed through the purchase of forward foreign exchange contracts to hedge anticipated payments.

Capital adequacy

To monitor the adequacy of its capital the Group uses ratios established by the South African Reserve Bank (SARB). These ratios measure capital adequacy (minimum 15% as required by SARB) by comparing the Group's eligible capital with its balance sheet assets, off-balance sheet commitments and market and other risk positions at weighted amounts to reflect their relative risk. Reporting to the SARB on capital adequacy occurs on a periodic basis. The group capital adequacy ratio at year end was 56% (2005: 84%, 2004: 98%).

29. RETIREMENT BENEFITS

The group contributed R9.0 million (2005: R6.5 million, 2004: R5.4 million) on behalf of all employees who elected to be members of the provident fund. The provident fund, a defined contribution fund, is administered independently of the Group and is subject to the Pension Funds Act, 1956 (Act 24 of 1956). These amounts have been included in staff costs. Since 1 July 2001 it is compulsory for all new appointments to be members of the provident fund. The company will continue to contribute to the fund on behalf of all members. The group has no exposure in respect of any post-retirement benefits payable to existing or former employees.

30. RELATED-PARTY TRANSACTIONS

	2006 R'000	2005 R'000	2004 R'000
Transactions with other related Parties			
Operating expenses with former holding company*			
- PSG Corporate Services management fee	-	-	1 084
- PSG Corporate Services facility fee	-	-	227
Transactions with Arch Equity Limited**			
Interest received	1 050	849	-
Loan receivable	10 000	10 000	-

The R10 million loan originated on 10 May 2004 with Capitec Bank Limited subscribing for redeemable preference shares in Arch Equity as an investment of excess funds. Dividends are received on a semi-annual basis at a rate of 10.5%. The preference shares are redeemable after 5 years.

* PSG Group unbundled its holdings in Capitec Bank Holdings Limited on 1 December 2003. The above related-party transactions took place up to 1 December 2003.

** Arch Equity Limited held 21.21% of the share capital of Capitec Bank Holdings Limited on 28 February 2006 (note 43).

	2006 R'000	2005 R'000	2004 R'000
31. CASH FROM OPERATIONS			
Net profit before tax	166 113	99 049	64 382
Adjusted for			
Other finance charges	-	-	30
Non-cash items			
Fair value adjustments	(1 431)	6 001	-
Movement in impairment charge	61 981	1 915	(2 668)
Depreciation*	37 595	37 905	24 427
Amortisation*	27 111	13 296	7 723
Goodwill impairment	-	-	1 206
Movement in provisions	(700)	(746)	1 006
Share-based staff costs	1 603	1 068	61
Loss on disposal of equipment	1 565	3 062	1 144
Profit on disposal of subsidiaries	-	-	(357)
Other items	-	-	(353)
Movements in current assets and liabilities			
Increase in loans and advances	(308 745)	(74 934)	(15 440)
(Increase)/Decrease in inventory	(3 165)	506	(5 377)
Decrease/(Increase) in other receivables	943	3 108	(4 955)
Increase in deposits	315 446	225 721	23 039
Increase in trade and other payables	19 604	14 772	7 565
Cash from operations	317 920	330 723	101 433

* In terms of the revised IAS 38 "Intangible assets", computer software that is not an integral part of the related computer hardware, should be treated as intangible assets. In order to comply with the requirements of IAS 38, computer software has been reallocated from property and equipment to intangible assets.

	2006 R'000	2005 R'000	2004 R'000
32. TAX PAID			
Outstanding at beginning of year	(38)	62	(484)
Interest due to the Receiver of Revenue	-	-	(30)
Charge to the income statement	(50 832)	(31 670)	(19 366)
Income statement movement in deferred tax	25 817	29 931	19 319
Outstanding end of year	22 493	38	(62)
Tax paid	(2 560)	(1 639)	(623)
33. NET CASH FLOW OUTFLOW ON ODD-LOT OFFER			
Share acquired	-	1 347	-
Shares sold	-	(784)	-
Odd-lot expenses	-	292	-
	-	855	-

	2006 R'000	2005 R'000	2004 R'000

34. SHARES ISSUED

	2006 R'000	2005 R'000	2004 R'000
Specific issue of shares	-	21 803	-
Share issues expenses	-	(353)	-
	-	21 450	-

The shares were issued to fund the normal operations of the business, including the growth of the loan book, capital expenditure and liquidity management.

35. SHARES ACQUIRED AND OPTIONS SETTLED

	2006 R'000	2005 R'000	2004 R'000
Share options settled in cash	826	515	-
Shares acquired for options settled	15 871	19 137	7 976
Proceeds on settlement of options	(3 598)	(3 986)	(5 366)
Shares transferred from odd-lot offer	-	(440)	-
Increase in shares held by the group	-	16 987	537
	13 099	32 213	3 147

36. COMMITMENTS AND CONTINGENT LIABILITIES

	2006 R'000	2005 R'000	2004 R'000
Property rental commitments*			
Within one year	45 905	39 307	33 859
From one to five years	115 599	68 245	44 719
After five years	4 203	6 104	-
	165 707	113 656	78 578
Other operating lease commitments			
Within one year	1 473	1 867	1 796
From one to five years	3 251	1 099	1 622
	4 724	2 966	3 418
Guarantees			
Issued to non-banking institutions	10 206	1 976	1 949
Facilities			
Unutilised loan facilities to clients	79 700	-	-
Capital commitments – approved by the board			
Contracted for	3 927	2 514	16 446
Not contracted for	79 985	81 261	39 991
	83 912	83 775	56 437

* The Group changed from accounting for operating leases on the contractual basis to the straight-line basis during the period as required in the SAICA Circular 7/2005. Refer to note 42 for the restatement of comparative amounts.

37. BORROWING POWERS

In terms of the articles of association of Capitec Bank Holdings Limited, the directors may at their discretion raise or borrow money for the purpose of the business of the company without limitation. These borrowing powers are subject to the limitations of the Banks Act, 1990 (Act 94 of 1990).

The increase in borrowings from the previous year is for the purposes of funding of general banking business including future expansion of the loan book and capital expenditure.

38. SHARE INCENTIVE SCHEME

	2006 Number	2005 Number	2004 Number
Options issued to personnel of Capitec Bank Limited			
Total number of options outstanding at year end	5 841 448	6 753 192	7 859 924
Balance at beginning of year	6 753 192	7 859 924	8 079 205
Options granted	1 690 000	1 810 000	752 500
Options cancelled	(115 000)	(16 875)	(95 001)
Options exercised	(2 486 744)	(2 899 857)	(876 780)

Expiry	2006 Weighted average strike price (R)	2006 Number	2005 Weighted average strike price (R)	2005 Number	2004 Weighted average strike price (R)	2004 Number
Financial year						
2004/05	-	-	-	-	1.44	2 026 464
2005/06	-	-	1.44	1 545 151	1.44	2 026 464
2006/07	1.67	713 056	1.55	1 664 651	1.53	2 052 385
2007/08	2.60	1 787 142	2.63	1 809 640	1.58	1 378 361
2008/09	8.60	1 038 125	4.78	640 625	2.40	188 125
2009/10	8.60	1 038 125	4.78	640 625	2.40	188 125
2010/11	9.80	850 000	5.78	452 500	-	-
2011/12	14.22	415 000	-	-	-	-
		5 841 448		6 753 192		7 859 924

	2006 Number	2005 Number
Shares available for settlement of options at year end	-	1 486 339
Balance at beginning of year	1 486 339	93 762
Shares purchased during the year	953 617	4 177 834
Shares used for settlement of options	(2 439 956)	(2 785 257)
Options exercised during the year	2 486 744	2 899 857
Settled in cash	46 788	114 600
Settled in shares	2 439 956	2 785 257

39. SHARE OPTION EXPENSE

Date utilised in the valuation of options granted.

The table below provides detail regarding the data used in the valuation of the share options to which International Financial Reporting Standard (IFRS) 2 has been applied.

Year Granted	Strike price R	Share price on issuing/ repricing date R	Volatility used in valuation (note 3) %	Dividend yield %	Year maturing	Risk-free rate %	Number of options out-standing	Fair value on issue/ repricing date ignoring vesting conditions R'000	Expected vesting proportion (note 4) %	Value taking into account expected vesting proportion R'000
2000/1 (note 1)	1.42	1.72	40	16.3	2006/07	11.7	349 526	97	97.1	94
(note 2)					2007/08	11.7	754 862	187	86.8	163
2001/2 (note 1)	1.42	1.72	40	16.3	2006/07	11.7	101 780	29	98.3	28
(note 2)					2007/08	11.7	227 655	57	88.3	51
2002/3 (note 2)	1.59	1.71	40	16.5	2006/07	11.5	94 875	22	97.9	22
					2007/08	11.5	181 500	39	88.1	35
2003/4	2.40	2.52	40	7.4	2006/07	10.3	166 875	109	98.9	108
					2007/08	10.1	188 125	130	89.0	116
					2008/09	10.1	188 125	134	80.1	107
					2009/10	10.0	188 125	135	72.1	97
2004/5	5.73	5.30	28	3.7	2007/08	9.5	422 500	463	88.5	410
					2008/09	9.7	422 500	553	79.6	440
					2009/10	9.8	422 500	626	71.6	448
					2010/11	9.9	422 500	684	64.5	441
	7.36	8.15	28	3.7	2007/08	8.3	12 500	27	85.0	23
					2008/09	8.5	12 500	30	76.5	23
					2009/10	8.7	12 500	33	68.9	23
					2010/11	8.9	12 500	35	62.0	22
2005/6	13.72	13.71	36	2.1	2008/09	7.8	18 750	75	80.2	60
					2009/10	8.0	18 750	87	72.2	63
					2010/11	8.2	18 750	97	65.0	63
					2011/12	8.3	18 750	105	58.5	61
	14.05	13.90	36	2.1	2008/09	7.5	377 500	1 497	79.1	1 184
					2009/10	7.8	377 500	1 739	71.2	1 238
					2010/11	8.0	377 500	1 942	64.1	1 245
					2011/12	8.1	377 500	2 114	57.7	1 219
	17.64	18.90	35	2.0	2008/09	7.2	18 750	110	77.5	85
					2009/10	7.3	18 750	125	69.7	87
					2010/11	7.5	18 750	137	62.8	86
					2011/12	7.6	18 750	148	56.5	83
Grand Total							5 841 448	11 566	70.2	8 125

(1) Initially issued at R5 strike price, repriced to R1.42 on 26 April 2002. Valuation done as at repricing date as required by IFRS 2.
(2) Issued/repriced prior to 7 November 2002 and will never be expensed through the income statement in terms of IFRS 2.
(3) The share options granted prior to 28 February 2003 have been valued for disclosure purposes by applying a standard expected volatility of 40%, since the short listing history available at the valuation date for those share options was inappropriate for forecasting purposes. The share options granted, to which IFRS 2 has been applied, have been valued by applying the expected volatility of the share price as of December 2003 as it was considered more appropriate in the valuation because the shares were traded more frequently after the PSG unbundling.
(4) Average South African executive staff turnover of 10% p.a. used to estimate likelihood of vesting conditions realising. A re-estimate in terms of IFRS 2 will be done on an annual basis.

40. DERIVATIVE FINANCIAL INSTRUMENTS

Included in other receivables and trade and other payables are the following forward foreign exchange contracts

	Notional amount '000	Fair values	
		Assets R'000	Liabilities R'000
Year ended 28 February 2006			
Forward foreign exchange contracts			
- Notional amounts in ZAR	1 609	-	4
- Notional amounts in US$	257	-	-
Year ended 28 February 2005			
The Group had no open forward foreign exchange contracts at 28 February 2005.			
Year ended 29 February 2004			
Forward foreign exchange contracts		65	-
- Notional amounts in ZAR	2 006	-	-
- Notional amounts in US$	297	-	-

Forward foreign exchange contracts represent commitments to purchase foreign currency, including undelivered spot transactions.

41. RINGFENCED ASSETS

In terms of the Keynes Rational Limited restructuring agreement, PSG Investment Bank Holdings Limited, the 100% holding company of PSG Investment Bank Limited, warranted to an in favour of the minority shareholders in Keynes Rational Holdings Limited and to Capitec Bank Holdings Limited that the tangible net asset value of Capitec Bank Limited as at 28 February 2001, would not be less than R100 million, comprising cash injected as share capital and share premium. During 2002, this liability was assumed by PSG Group Limited on the sale of PSG Investment Bank Holdings Limited.

It was agreed during the above mentioned restructuring that all assets and liabilities (the ringfenced assets), other than the R100 million mentioned above, in existence at, or emanating from activities prior to 1 March 2001, would be held and administered for the exclusive benefit, risk, profit and loss of PSG Investment Bank Limited. This benefit was transferred to Axiam Holdings Limited, a 100%-held subsidiary of PSG Group Limited, on the sale of PSG Investment Bank Holdings Limited.

42. ACCOUNTING FOR OPERATING LEASES

The Group changed from accounting for operating leases on the contractual basis to the straight-line basis during the period as required in the SAICA Circular 7/2005. The impact on results for the year (mainly on property rentals) and the restated prior periods were as follows:

	Group			
	Reduction in net profit after tax R'000	Increase in deferred tax asset R'000	Reduction in retained income R'000	Increase in lease escalation accrual R'000
Prior to 28 February 2003	2 184	936	2 184	3 120
Year ended 29 February 2004	323	1 075	2 507	3 582
Year ended 28 February 2005	547	1 309	3 054	4 363
Year ended 28 February 2006	1 185	1 732	4 239	5 971

43. SHAREHOLDERS HOLDING MORE THAN 5% OF THE COMPANY'S SHARES

Year ended 28 February 2006

Shareholder	Number of shares held	% share-holding
Arch Equity Limited	15 253 929	21.21
Limietberg Beleggings (Pty) Limited (previously Bielkor Beleggings (Pty) Limited)	11 548 950	16.06
JF Mouton Familie Trust	5 105 700	7.10

44. ACQUISITION OF SUBSIDIARIES

On 1 March 2003, the company acquired 75% of the share capital of Key Distributors from PSG Corporate Services (Pty) Limited. Key Distributors (Pty) Limited is a wholesale distribution company. Key Distributors (Pty) Limited incurred an operating loss of R0.4 million (2005: R2 million, 2004: R1,5 million). No outside shareholding is reflected, as the outside shareholders do not contribute to financing the loss of the company. On a group level the profit warranty given to PSG Corporate Services (Pty) Limited of R2.1 million, which was waived in the 2004 financial year, was offset against the purchase consideration to determine the goodwill on acquisition of Key Distributors (Pty) Limited. The effect was a lower group headline earnings.

The details of the assets and liabilities acquired and goodwill arising are as follows:

	2006 R'000	2005 R'000	2004 R'000
Equipment	-	-	135
Cash and cash equivalents	-	-	570
Inventory	-	-	3 764
Other receivables	-	-	510
Trade and other payables	-	-	(3 170)
Group loans payable	-	-	(2 104)
Goodwill	-	-	600
Total purchase consideration paid	-	-	305
Less: Cash and cash equivalents in subsidiary acquired	-	-	(570)
Cash inflow on acquisition	-	-	(265)
During the financial year ended 29 February 2004, the company continued to pay for the acquisition of Keymatrix (Pty) Limited (previously Curerisk (Pty) Limited) based on the purchase contract which specified that the purchase price be determined, based on the collection of the arrears book of the company. The purchase price was fully settled at the close of that financial year.			
Assets acquired	-	-	-
Liabilities acquired	-	-	-
Goodwill	-	-	606
Cash outflow on acquisition	-	-	606
Total cash outflow on acquisition	-	-	341

45. DISPOSAL OF SUBSIDIARIES

	2006 R'000	2005 R'000	2004 R'000
Net asset value excluding cash	-	-	-
Profit on sale	-	-	357
Non-cash proceeds	-	-	-
	-	-	357

The proceeds on sale of subsidiaries in the prior period related to the receipt of cash on subsidiaries disposed of in the financial year ended 28 February 2003.

46. CHANGES IN ACCOUNTING POLICY

Year ended 28 February 2006

The group applied SAICA circular 7/2005 relating to the straight line accounting for leases during the 2006 financial year. The impact of the application of SAICA circular 7/2005 is set out in note 1.20 and note 42.

Year ended 28 February 2005

The implementation of AC501 – Accounting for Secondary Tax on Companies and IFRS2 – Share-based Payment (which the group adopted early), in the 2005 financial year had the following effect:

	Gross R'000	Tax R'000	Net R'000
Effect on opening retained earnings			
Income statement effect of IFRS2 for 2004	(61)	18	(43)
Statement of changes in shareholders' equity effect of IFRS2 for 2004	61	-	61
Effect of AC501	-	-	-
	-	18	18
Effect on income statement result			
Year ended 28 February 2005			
Effect of IFRS2	(1 068)	320	(748)
Effect of AC501	-	120	120
	(1 068)	440	(628)
Year ended 29 February 2004			
Effect of implementation of IFRS2	(61)	18	(43)
Effect of implementation of AC501	-	-	-
	(61)	18	(43)

Year ended 29 February 2004

In the 2004 financial year the company adopted AC133. The effect on the results of 2004 is disclosed below:

	Gross R'000	Tax R'000	Net R'000
Effect of AC133 on results*			
- Adjustments to retained earnings[(1)]	(353)	-	(353)
- Adjustments to reserves[(2)]	1 000	(300)	700
	647	(300)	347

* *The effect of implementing AC133 on the results for 2004 was limited due to the short-term nature of the loan book. Comparative figures were not restated and opening adjustments were accounted for directly in opening retained earnings in terms of AC133, which was applied prospectively.*

[(1)] *Interest-free inter-group loans with a fixed maturity were fair valued in equity, with corresponding interest income amortised during the year.*

[(2)] *Creation of a reserve within equity for Banks Act regulatory requirements on general provisioning and transfer of prior year general doubtful debt provision net of tax to this account.*

EXTRACTS FROM THE ARTICLES OF ASSOCIATION OF CAPITEC

DIRECTORS

65.1 The number of the directors shall not be less than 4 (four), provided that the appointment of any director or alternate director will be subject to the provisions of the Banks Act.

QUALIFICATION

65.2 A director shall not be required to hold any qualifying shares.

REMUNERATION

66.1 The directors shall be entitled to such remuneration as the company in general meeting may from time to time determine, which remuneration shall be divided among the directors in such proportions as they may agree, or in default of such agreement, equally, except that in such event any director holding office for less than a year shall only rank in such division in proportion to the period during which he has actually held office.

66.2 Such remuneration shall accrue to the directors from day to day.

66.3 Any director who -

66.3.1 serves on any executive or other committee; or

66.3.2 devotes special attention to the business of the company; or

66.3.3 goes or resides outside South Africa for the purpose of the company; or

66.3.4 otherwise performs or binds himself to perform services which, in the opinion of the directors, are outside the scope of the ordinary duties of a director,

may be paid such extra remuneration or allowances in addition to or in substitution of the remuneration to which he may be entitled as a director, as a disinterested quorum of the directors may from time to time determine.

66.4 The directors shall also be paid all their traveling and other expenses necessarily expended by them in connection with -

66.4.1 the business of the company; and

66.4.2 attending meetings of the directors or of committees of the directors of the company.

67 A director may hold any other office or place of profit under the company (except that of auditor) or any subsidiary of the company in conjunction with his office of director, for such period and on such terms as to remuneration (in addition to the remuneration to which he may be entitled as a director) and otherwise as a disinterested quorum of the directors may determine.

68 A director of the company may be or become a director or other officer of, or otherwise interested in, any company promoted by the company or in which the company may be interested as shareholder or otherwise and (except insofar as otherwise decided by the directors) he shall not be accountable for any remuneration or other benefits received by him as a director or officer of or from his interest in such other company.

69 Any director may act by himself or through his firm in a professional capacity for the company (otherwise than as auditor) and he or his firm shall be entitled to remuneration for professional services as if he were not a director.

70 A director who is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the company, shall declare the nature of his interest in accordance with the Act.

72.1 No director or intending director shall be disqualified by his office from contracting with the company with regard to -

72.1.1 his tenure of any other office or place of profit under the company or in any company promoted by the company or in which the company is interested;

72.1.2 professional services rendered or to be rendered by such director;

72.1.3 any sale or other transaction.

72.2 No such contract or arrangement entered into by or on behalf of the company in which any director is in any way interested is voidable.

72.3 No director so contracting or being so interested shall be liable to account to the company for any profit realised by any such appointment, contract or arrangement by reason of such director holding office or of the fiduciary relationship thereby established.

73 A director may not vote nor be counted in the quorum and if he shall do so his vote shall not be counted on any resolution for his own appointment to any other office or place of profit under the company or in respect of any contract or arrangement in which he is interested, but this prohibition shall not apply to -

73.1 any arrangement for giving to any director any security or indemnity in respect of money lent by him to or obligations undertaken by him for the benefit of the company; or

73.2 any arrangement for the giving by the company of any security to a third party in respect of a debt or obligation of the company which the director has himself guaranteed or secured; or

73.3 any contract by a director to subscribe for or underwrite shares or debentures of the company; or

73.4 any contract or arrangement with a corporation in which he is interested by reason only of being a director, officer, creditor or member of such corporation,

and these prohibitions may at any time be suspended or relaxed either generally, or in respect of any particular contract or arrangement, by the company in general meeting.

74.1 A contract which violates the terms of Article 73 can be ratified by the company in general meeting.

74.2 The terms of Article 73 shall not prevent a director from voting as a member at a general meeting at which a resolution in which he has a personal interest is tabled.

75.1 The directors may exercise the voting powers conferred by the shares held or owned by the company in any other company in such manner in all respects as they think fit, including the exercise thereof in favour of any resolution appointing themselves or any of them to be directors or officers of such other company or for determining any payment of or remuneration to the directors or officers of such other company.

75.2 A director may vote in favour of a resolution referred to in 75.1 for the exercise of the voting rights in the manner described in 75.1 notwithstanding that he may be, or is about to become, a director or other officer of such other company and for that or any other reason may be interested in the exercise of such voting rights in the manner aforesaid.

ALTERNATE DIRECTORS

76.1 A director may, subject to the provisions of the Banks Act and with the approval of the directors -

76.1.1 appoint another director or any person approved for that purpose by a resolution of the directors to act as alternate director in his place and during his absence;

76.1.2 remove such alternate director.

76.2 A person so appointed shall, except as regards authority to appoint an alternate director and remuneration, be subject in all respects to the terms and conditions existing in respect of the other directors of the company.

76.3 Each alternate director, whilst so acting, shall be entitled to -

76.3.1 receive notices of all meetings of the directors or of any committee of the directors of which his appointer is a member;

76.3.2 attend and vote at any such meeting at which his appointer is not personally present;

76.3.3 generally exercise and discharge all the functions, powers and duties of his appointer in such appointer's absence as if he were a director.

76.4 Any director acting as alternate director shall in addition to his own vote have a vote for each director for whom he acts as alternate.

76.5 An alternate director shall *ipso facto* cease to be an alternate director if his appointer ceases for any reason to be a director, provided that if any director retires by rotation or otherwise, but is re-elected at the same meeting, any appointment made by him pursuant to this article which was in force immediately before his retirement shall remain in force as though he had not retired.

76.6 In the event of the disqualification or resignation of any alternate director during the absence or inability to act of the director whom he represents, the vacancy so arising shall be filled by the chairman of the directors who shall nominate a person to fill such vacancy, subject to the approval of the board.

76.7 Any appointment or removal of an alternate director shall be effected by written notice delivered at the office and signed by the appointer.

76.8 The remuneration of an alternate director shall be payable only out of the remuneration payable to the director whose alternate he is and he shall have no claim against the company for any remuneration.

76.9 An alternate director need not hold any share qualification.

RETIREMENT OF DIRECTORS IN ROTATION

77.1 All the directors shall retire at the first annual general meeting and subject to Article 91 hereof and at every annual general meeting thereafter, one-third of the directors for the time being or if their number is not a multiple of 3 (three), then the number nearest to but not less than one-third shall retire from office.

77.2 The directors so to retire shall be those who have been longest in office since their last election, but in the case of persons who became directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

77.3 Notwithstanding anything herein contained, if at the date of any annual general meeting any director shall have held office for a period of 3 (three) years since his last election or appointment, he shall retire at such meeting either as one of the directors to retire by rotation or additionally thereto.

77.4 The length of time a director has been in office shall be computed from his last election, appointment or date upon which he was deemed re-elected.

77.5 A director retiring at a meeting shall retain office until the election of directors at that meeting has been completed.

78.1 Retiring directors shall be eligible for re-election.

78.2 No person, other than a director retiring at the meeting shall, unless recommended by the directors, be eligible for election to the office of a director at any general meeting, unless -

78.2.1 not more than 14 (fourteen), but at least 7 (seven) clear days before the day appointed for the meeting, there shall have been delivered at the office of the company a notice in writing by a member (who may also be the proposed director) duly qualified to be present and vote at the meeting for which such notice is given;

78.2.2 such notice sets out the member's intention to propose a specific person for election as director; and

78.2.3 notice in writing by the proposed person of his willingness to be elected is attached thereto (except where the proposer is the same person as the proposed).

79 Subject to the preceding article, the company may at the meeting at which a director retires, fill the vacated office by electing a person thereto and in default the retiring director, if willing to continue to act, shall be deemed to have been re-elected, unless -

79.1 it is expressly resolved at such meeting not to fill such vacated office; or

79.2 a resolution for the re-election of such director shall have been put to the meeting and rejected.

80.1 The company in general meeting or the directors may appoint any person as director either to fill a casual vacancy or as an additional director, but the total number of directors shall not at any time exceed the maximum number fixed by or in accordance with the articles.

80.2 A person appointed by the directors as a director in terms of Article 80.1 -

80.2.1 shall retire at the following annual general meeting;

80.2.2 shall not be considered in determining the directors to retire by rotation;

80.2.3 shall be eligible for re-election.

80.3 If the number of directors should become less than the permissible minimum in terms of the articles, the remaining directors may only act -

80.3.1 to fill any vacancies on the board of directors; or

80.3.2 to convene general meetings.

80.4 If the company in general meeting increases or reduces the number of directors, it may also determine in what rotation such increased or reduced number is to retire.

POWERS OF DIRECTORS

81.1 Subject to the provisions of the Banks Act, the management and control of the business of the company shall be vested in the directors who, in addition to the powers and authorities expressly conferred upon them by the articles, may exercise all powers and authorities and perform all acts which may be exercised or done by the company, and are not hereby or by the Act expressly reserved to the company in general meeting.

81.2 Such management and control may not be inconsistent with the articles nor with the provisions of the Act nor the provisions of the Banks Act.

81.3 The general powers given by this article shall not be limited or restricted by any special authority or power given to the directors by any other article.

82 The directors may, subject to the provisions of the Banks Act -

82.1 in their discretion arrange that any branch of the business carried on by the company or any other business in which the company may be interested, shall be carried on by or through one or more subsidiary companies;

82.2 make such arrangements on behalf of the company as they think advisable -

82.2.1 for taking the profits or bearing the losses of any such branch or business; or

82.2.2 for financing, assisting or subsidising any such subsidiary company; or

82.2.3 guaranteeing its contracts, obligations or liabilities.

83 The directors may -

83.1 establish any contributory or non-contributory pension, retirement, provident, medical or other funds for the benefit of; and

83.2 pay on behalf of the company a gratuity or pension or allowance on retirement or other benefit to, any director or ex-director or other officer or employee of the company, its holding or subsidiary company (if any), whether or not he has held any other salaried office with the company, or to his widow or dependants, and may make contributions to any fund and pay premiums for the purchase or provision of any such gratuity, pension or allowance or life assurance or other benefits, subject to the provisions of the Act.

84 The directors may -

84.1 take all steps that may be necessary or expedient and incur any liability in order to enable the shares, debentures or other securities of the company to be -

84.1.1 negotiable in South Africa or elsewhere;

84.1.2 recognised by and quoted on any stock exchange in South Africa or elsewhere;

84.2 pay all taxes, duties, fees, expenses or other amounts which may be payable in relation to the matters referred to in Article 84.1.

85 Save as otherwise expressly provided by the articles, all cheques, promissory notes, bills of exchange and other negotiable or transferable instruments and all documents to be executed by the company, shall be signed, drawn, accepted, endorsed or executed as the case may be in such manner as the directors shall from time to time determine.

BORROWING POWERS

86.1 Subject to the provisions of the Banks Act, the directors may from time to time -

86.1.1 borrow for the purpose of the company such sums as they think fit;

86.1.2 secure the payment or repayment of any such sums or any other sum, as they think fit, whether by the creation and issue of debentures, mortgage or charge upon all or any of the property or assets of the company, including its uncalled or unpaid capital;

86.1.3 make such regulations regarding the transfer of debentures, the issue of certificates therefor (subject to Article 9 hereof) and all such other matters incidental to debentures as the directors think fit.

86.2 No special privileges as to -

86.2.1 allotment of shares in the company; or

86.2.2 the attending and voting at general meetings; or

86.2.3 the appointment of directors,

or otherwise shall be given to the holders of debentures of the company save with the sanction of the company in general meeting.

EXECUTIVE DIRECTORS

87 The directors may, subject to the Banks Act, from time to time appoint -

87.1 managing and other executive directors (with or without specific designation) of the company;

87.2 any director to any other executive office with the company,

as the directors shall think fit, for a period not exceeding 5 (five) years, and may from time to time remove or dismiss such persons from office and appoint another or others in his or their place or places.

92.1 Any director appointed in terms of Article 91 -

92.1.1 shall not (subject to the provisions of the contract under which he is appointed) whilst he continues to hold that position or office, be subject to retirement by rotation; and

92.1.2 shall not, during the currency of such appointment, be taken into account in determining the rotation of retirement of directors; and

92.1.3 shall be subject to the same provisions as to removal as the other directors of the company, and if he ceases to hold office as a director, his appointment to such position or executive office shall ipso facto terminate, without prejudice to any claims for damages which may accrue to him as a result of such termination.

92.2 If the provisions regarding the retirement of directors by rotation apply, only a minority of the directors may be so appointed on the basis that they shall not be subject to retirement by rotation.

93 The remuneration of a director appointed to any position or executive office in terms of Article 91 -

93.1 shall be determined by a disinterested quorum of the directors;

93.2 shall be in addition to or in substitution of any ordinary remuneration as a director of the company, as the directors may determine;

93.3 may consist of a salary or a commission on profits or dividends or both, as the directors may direct.

94 The directors may -

94.1 from time to time confer upon a director appointed to any position or executive office in terms of Article 91 any or all powers exercisable under the articles by the directors;

94.2 confer such powers for such time and to be exercised for such objects and purposes and upon such terms and conditions and with such restrictions, as they think expedient;

94.3 confer such powers with or to the exclusion of or in substitution for any powers of the directors;

94.4 from time to time revoke, withdraw or vary such powers.

TERMS AND CONDITIONS OF THE NON-REDEEMABLE, NON-CUMULATIVE, NON-PARTICIPATING PREFERENCE SHARES

140. Non-redeemable, non-cumulative, non-participating preference shares

The following terms shall attach to the 100 000 000 non-redeemable, non-cumulative, non-participating preference shares of R0,01 each in the share capital of the company :

140.1 for purposes of this Article 140 –

140.1.1 "**business day**" means any day other than a Saturday, Sunday or statutory public holiday in the Republic of South Africa;

140.1.2 "**deemed value**" means the deemed value of each preference share for purposes of calculating the preference dividend, being an amount determined by the directors at the time of allotment and issue of the first preference shares, notwithstanding the actual issue price of a preference share (that is the nominal value of the preference share plus a premium thereon) which may vary because of a difference in the premium at which the preference shares may be issued from time to time;

140.1.3 "**Income Tax Act**" means the Income Tax Act, 1962 (Act 58 of 1962), as amended or substituted from time to time;

140.1.4 "**issue price**" means the actual issue price of each preference share, being the par value of a preference share plus the premium at which a preference share is allotted and issued;

140.1.5 "**preference dividend**" means a non-cumulative, non-participating, preference cash dividend calculated in accordance with Article 140.2.4;

140.1.6 "**preference dividend calculation date**" means the last day of February and 31 August of each year;

140.1.7 "**preference dividend payment date**" means a date at least 5 (five) business days prior to the date on which the company pays its ordinary dividend, if any, in respect of the same period, but in any event the preference dividend shall be payable not later than 120 (one hundred and twenty) business days after the last day of February and 31 August, respectively;

140.1.8 "**preference dividend rate**" means, subject to Article 140.2.7 below, a rate determined by the directors at the time of allotment and issue of the first preference shares, which will not exceed the prime rate;

140.1.9 "**preference shares**" means the non-redeemable, non-cumulative, non-participating preference shares of R0,01 each in the share capital of the company;

140.1.10 "**prime rate**" means the publicly quoted basic rate of interest expressed as a percentage per year, compounded monthly in arrear and calculated on a 365 (three hundred and sixty five)-day year factor (irrespective of whether or not the year is a leap year) from time to time quoted by the corporate bankers of the Capitec group as being its prime overdraft rate as certified by any manager of such bank, whose appointment and/or designation need not be proved. A certificate from any manager of the bank concerned as to the prime rate at any time shall constitute prima facie proof thereof.

140.2 The following are the rights, privileges, restrictions and conditions which attach to the preference shares :

140.2.1 The issue price for each tranche of preference shares to be issued will be determined by the directors at the time of allotment thereof.

140.2.2 Each preference share will rank as regards dividends and a repayment of capital on the winding-up of the company prior to the ordinary shares, and any other class of shares in the capital of the company not ranking prior to or pari passu with the preference shares. The preference shares shall confer on the holders, on a per preference share and equal basis, the right to a return of capital on the winding-up of the company of an amount equal to the aggregate of the par value and premium of the preference shares then in issue, divided by the total number of preference shares in issue in priority to any payment in respect of any other class of shares in the capital of the company not ranking prior to or pari passu with the preference shares.

140.2.3 Each preference share will confer upon the holder thereof the right to receive out of the profits of the company which it shall determine to distribute, in priority to any payment of dividends to the holders of any other class of shares in the capital of the company not ranking prior to or pari passu with the preference shares, the preference dividend calculated in terms of Article 140.2.4 below.

140.2.4 The preference dividend shall be calculated :

140.2.4.1 by multiplying the deemed value of the preference shares by the applicable preference dividend rate applicable on the preference dividend calculation date (determined on a 365-day year factor, irrespective of whether the year is a leap year or not), on a daily basis, in arrear, but never compounded, for the appropriate period referred to in Article 140.2.4.2 below; and

140.2.4.2 from the date following a preference dividend calculation date until and including the preference dividend calculation date immediately following, provided that the first dividend payment, in respect of each tranche of preference shares issued, shall be calculated from the issue date up to and including the next preference dividend calculation date.

140.2.5 The preference dividend shall, if declared:

140.2.5.1 accrue on the preference dividend calculation date, calculated in accordance with Article 140.2.4.2 above;

140.2.5.2 be payable on the preference dividend payment date; and

140.2.5.3 failing payment by the relevant preference dividend payment date, considered to be in arrear.

140.2.6 If a preference dividend is not declared by the company in respect of the period to which such preference dividend calculation date relates, the preference dividend will not accumulate and will accordingly never become due to the holders of the preference shares and payable by the company whether in preference to payments to any other class of shares in the company or otherwise.

140.2.7 If there is an amendment or amendments to the Income Tax Act which results in the preference dividends being taxable in the hands of the preference shareholders and which results in payment of the preference dividend becoming a deductible expense for the company, provided such amendment is uniformly applicable to all corporate taxpayers and not only because of the particular circumstances of the company or any preference shareholder, the percentage of the prime rate referred to in Article 140.1.8 above will be increased by the company. Such increase will be equal to the lower of the reduced cost for the company or the uniformly reduced income in the hands of corporate taxpayers, which cost savings or reduced income would not have arisen but for such amendments to the Income Tax Act. If such amendments to the Income Tax Act do not result in the company incurring reduced costs in servicing the preference shares, then, notwithstanding that such amendment may result in a decrease in the after-tax returns of any preference shareholder on its holding of preference shares, no amendment shall be made to the percentage of the prime rate contemplated in Article 140.1.8 above. The company shall require its auditors to verify whether it is obliged to increase the percentage of the prime rate referred to in Article 140.1.8 above in accordance with this Article 140.2.7. The auditors in deciding whether such increase is required in terms of this Article 140.2.7 shall act as experts and not as arbitrators or quasi-arbitrators and their decision in the absence of manifest error shall be final and binding on the company and all preference shareholders. The costs of such auditors shall be borne and paid by the company.

140.2.8 Save as set out in Articles 140.2.2, 140.2.3, 140.2.6 and 140.2.7 above, the preference shares shall not be entitled to any further participation in the profits or assets of the company nor on a winding-up to any surplus assets of the company.

140.2.9 The holders of the preference shares shall be entitled to receive notice of and be present but not to vote, either in person or by proxy, at any meeting of the company, by virtue of or in respect of the preference shares, unless either or both of the following circumstances prevail at the date of the meeting :

140.2.9.1 the preference dividend or any part thereof remains in arrear and unpaid as determined in accordance with Article 140.2.5.3 after 6 (six) months from the due date thereof; and

140.2.9.2 a resolution of the company is proposed which resolution directly affects the rights attached to the preference shares or the interests of the holders thereof, including a resolution for the winding-up of the company or for the reduction of its capital, in which event the preference shareholders shall be entitled to vote only on such resolution.

140.2.10 At every general meeting of the company, at which holders of preference shares as well as other classes of shares are present and entitled to vote, a preference shareholder shall be entitled to that proportion of the total votes in the company which the aggregate amount of the nominal value of the preference shares held by him bears to the aggregate amount of the nominal value of all shares issued by the company.

140.2.11 Notwithstanding the provisions of Article 140.2.2, no shares in the capital of the company ranking, as regards rights to dividends or, on a winding-up as regards return of capital, in priority to the preference shares, shall be created or issued, nor will the rights for the time being attached to the preference shares be modified, amended, added or abrogated, without

140.2.11.1 the prior sanction of a resolution passed at a separate class meeting of the holders of the preference shares in the same manner mutates mutandis as a special resolution; or

140.2.11.2 the consent in writing of the holders of at least 75% (seventy five percent) of the preference shares.

At every meeting of the holders of the preference shares, the provisions of these articles relating to general meetings shall apply, mutatis mutandis, except that a quorum at any such general meeting shall be persons holding or representing by proxy at least one quarter of the issued preference shares provided that if at any adjournment of such meeting a quorum is not so present, the provisions of the articles relating to adjourned general meetings shall apply, mutatis mutandis.

INFORMATION RELATING TO THE UNDERWRITER

The following salient information pertains to PSG Financial Services:

- Date and Place of incorporation:
  25 July 1919, Pretoria

- Registered office:
  1st Floor, Ou Kollege, 25 Kerk Street, Stellenbosch, 7600

- Nature of business:
  PSG Financial Services, a wholly owned subsidiary of PSG Group, houses all of PSG Group's assets and liabilities and functions as its operational entity.

- Share capital:

	Shares	R
Authorised		
Ordinary shares of R0,08 per share	1 000 000 000	80 000 000
Preference shares of R0,01 per share	600 000 000	6 000 000
Issued		
Ordinary shares of R0,08 per share	573 401 094	45 872 087
Preference shares of R0,01 per share	550 000 000	550 000 000
Ordinary share premium		92 174 894
Preference share premium		529 298 785
Total issued share capital		627 845 765

- Commercial bankers:
  ABSA Corporate and Merchant Bank, a division of ABSA Bank Limited

- Auditors:
  PricewaterhouseCoopers Inc. Chartered Accountants (SA) Registered Accountants and Auditors

- Holding company:
  PSG Group

- Directors:
  Johannes Fredericus Mouton (Executive Chairman), Louretius van Andringa Bellingan, Patrick Ernest Burton, Jacob de Vos du Toit, Markus Johannes Jooste, Johannes Jacobus Mouton, Chris Adriaan Otto, Jacobus van Zyl Smit, Pierre Malan (Alternate), Willem Theron, Bruno Ewald Steinhoff

- Company Secretary:
  PSG Corporate Services (Proprietary) Limited

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