



PSG GROUP LIMITED

Registration number 1970/008484/06 JSE Share code: PSG ISIN code: ZAE00013017

☛ **Headline earnings per share increased by 29,8% to 33,1 cents**

☛ **Further unlocking of value with Capitec Bank unbundling**

☛ **Net asset value per share at 641 cents**

GROUP INCOME STATEMENTS

	31 Aug 2003	31 Aug 2002	28 Feb 2003
	Rm	Rm	Rm
Income			
Net interest income	203,0	191,6	389,0
Investment income	4,0	7,1	20,8
Other operating income	152,7	120,7	279,2
Sales (note 3)	78,0	349,9	495,4
Total income	437,7	669,3	1 184,4
– Continuing operations	437,7	228,3	614,7
– Discontinued operations		441,0	569,7
Expenses			
Operating expenses	302,9	283,7	556,5
Goodwill amortisation	19,0	22,0	27,6
Cost of sales (note 3)	68,0	303,5	426,4
Total expenses	389,9	609,2	1 010,5
– Continuing operations	389,9	239,8	503,3
– Discontinued operations		369,4	507,2
Net income from operations	47,8	60,1	173,9
Financing costs	(4,4)	(15,5)	(38,5)
Income from associated companies	2,2	16,7	5,6
Exceptional items	(4,6)	6,3	(236,8)
Net income before taxation	41,0	67,6	(95,8)
– Continuing operations	41,0	(0,5)	45,7
– Discontinued operations		68,1	(141,5)
Taxation	16,4	25,6	42,5
– Continuing operations	16,4	9,8	25,9
– Discontinued operations		15,8	16,6
Net income of the group	24,6	42,0	(138,3)
Attributable to outside shareholders	9,1	24,5	47,6
Attributable to ordinary shareholders	15,5	17,5	(185,9)
Reconciliation of headline earnings			
Attributable to ordinary shareholders	15,5	17,5	(185,9)
Non-headline items (note 4)	22,8	13,1	270,7
Headline earnings	38,3	30,6	84,8
Earnings per share (cents)			
– attributable	13,4	14,6	(154,9)
– headline	33,1	25,5	70,7
Distribution per share (cents)			
Normal dividend			
– final	–	–	20,0
Special distribution			
– dividend	–	–	100,0
– capital	–	–	100,0
Total	–	–	220,0
Number of shares (million)			
– in issue	109,7	120,0	120,0
– weighted average	115,8	120,0	120,0

Note: The discontinued operations referred to above are in respect of the sale of PSG Investment Bank Holdings Limited ("PSGIB")

GROUP BALANCE SHEETS

	31 Aug 2003	31 Aug 2002	28 Feb 2003
	Rm	Rm	Rm
Assets			
Fixed assets	180,4	313,2	165,4
Net intangible assets	92,3	102,3	65,6
Investment in associated companies	64,3	277,3	80,1
Investments of long-term insurance subsidiaries	815,3	396,5	557,6
Linked-product investments	591,4		271,9
Other investments and non-current assets	50,8	139,3	56,5
Deferred tax asset	95,2	268,9	105,0
Accounts receivable	182,0	239,4	785,6
Inventories and contracts in progress	17,8	17,8	14,1
Loans and advances	198,4	1 208,1	191,2
Investment and trading securities	53,9	184,4	72,7
Short-term money market assets		185,5	
Cash and short-term funds	245,4	370,0	228,4
Total assets	2 587,2	3 702,7	2 594,1
Shareholders' funds			
Ordinary shareholders' funds	703,5	1 194,5	993,1
Outside shareholders' funds	202,8	773,0	190,4
Total shareholders' funds	906,3	1 967,5	1 183,5
Liabilities			
Life insurance funds			
– Insurance contracts	215,5	418,2	556,9
– Investment contracts	591,5		
	807,0	418,2	556,9
Linked-product liabilities	591,4		271,9
Long-term liabilities	3,3	75,0	3,7
Deferred tax liability	0,9	15,5	0,4
Deposits and current accounts	28,5	801,6	25,8
Accounts payable and other liabilities	221,2	389,5	455,8
Short-term borrowings	28,6	35,4	96,1
Total liabilities	1 680,9	1 735,2	1 410,6
Total shareholders' funds and liabilities	2 587,2	3 702,7	2 594,1
Net asset value per share (cents)	641	995	828*
Net tangible asset value per share (cents)	497	778	712*

* Before distribution of 220 cents per share

CONTRIBUTION TO HEADLINE EARNINGS

	31 Aug 2003	31 Aug 2002	28 Feb 2003
	Rm	Rm	Rm
Channel Life Limited	6,3	7,1	17,6
PSG Investment Services (Pty) Limited *	(0,4)	7,8	6,6
PSG Capital Limited	7,1		10,0
Corporate	15,4	(13,4)	3,3
Capitec Bank Holdings Limited	9,9	2,6	16,2
PSG Investment Bank Holdings Limited		26,5	31,1
Total	38,3	30,6	84,8

* Including contribution from mCubed

GROUP CASH FLOW STATEMENTS

	31 Aug 2003	31 Aug 2002	28 Feb 2003
	Rm	Rm	Rm
Cash retained from/(used in) operating activities	94,6	(55,8)	120,0
Special distribution	(240,0)		
Cash retained from/(used in) investment activities	250,8	(41,4)	(275,4)
Cash flow attributable to investment in short-term income-earning assets	14,4	154,8	176,2
Cash flow from financing activities	(104,7)	(141,0)	(240,5)
Net increase in cash and cash equivalents	15,1	(83,4)	(219,7)
Cash and cash equivalents at beginning of period	223,3	443,0	443,0
Cash and cash equivalents at end of period	238,4	359,6	223,3

COMMENTARY

REVIEW OF INTERIM RESULTS

The results for the six months to 31 August 2003 are not strictly comparable to those of the previous corresponding period, since PSGIB is no longer a subsidiary of PSG Group and a special distribution of 200 cents per share was made to shareholders on 31 March 2003, reducing equity by R240 million.

Despite this substantially reduced capital base, PSG Group increased its headline earnings by 29,8% to 33,1 (2002: 25,5) cents per share. The net asset value per share decreased to 641 cents per share.

PSG Group generated a positive cash flow and has no external debt.

PROJECT UNLOCKING VALUE

As stated in our annual report for the year to 28 February 2003, we are continuously addressing the unlocking of value to shareholders:

- Finalised the sale of PSGIB on 31 March 2003 and made a special distribution of 200 cents per share.
- As announced on 29 September 2003, PSG Group has resolved to unbundle its shares in Capitec Bank Holdings Limited ("Capitec Bank") to shareholders. Shareholders will receive approximately 33 Capitec shares for every 100 PSG shares.
- It is planned to pay a further special dividend/distribution will be paid to shareholders early in the next financial year. No interim dividend will be paid.

REVIEW OF OPERATIONS

Capitec Bank (55%)
Shareholders are referred to the announcement of the Capitec Bank results on 18 September 2003, as well as the notice of unbundling of 29 September 2003.

Capitec Bank performed according to budget and we are confident that it will continue to meet its growth and profit targets.

PSG Investment Services (Pty) Limited ("PSGIS") (96%)
During the period under review, PSGIS acquired and integrated the business of Appleton. This was a painful process and a tougher task than originally anticipated, with substantial losses having been incurred by Appleton. This business has now been turned around and has passed the breakeven point.

The original Appleton institutional asset management business was sold to Tradek in a BEE transaction. PSGIS will retain a 10% interest in this business. The non core asset management businesses in both London and Dublin were sold.

The PSGIS operations have been streamlined with the integration of the businesses of PSG Consult with the Wealth Management division. The other two divisions will be PSG Fund Management and PSG Online.

Funds under administration grew to R13 billion and assets under management to R6 billion.

mCubed Holdings Limited ("mCubed") (20%)
Shareholders are referred to the announcement of the mCubed results on 29 September 2003, which reflected a 12% increase in headline earnings per share to 2,3 cents.

Assets under administration grew to R61 billion and assets under management to R45 billion.

Channel Life Limited ("Channel Life") (89%)
Total assets grew to R1 billion, up 40% since year end.

Its unique positioning in the market makes Channel Life the ideal candidate for a BEE transaction which is under negotiation.

PSG Capital Limited ("PSG Capital") (94%)
The businesses of PSG Capital consist of PSG Trade Finance, PSG Treasury Outsourcing, PSG Quantitative, Corporate Finance, Alternative Investments, Private Equity and other banking assets.

These businesses are performing satisfactorily.

PROSPECTS

The results and performance for the six months to 28 February 2004 will not be comparable to those of the previous corresponding period following the sale of PSGIB, the R2 per share special distribution and the unbundling of Capitec Bank.

The remaining businesses in PSG Group are performing profitably although PSGIS is lagging expectations.

WITHDRAWAL OF CAUTIONARY ANNOUNCEMENT

PSG Group withdraws the cautionary announcement published as part of its trading update on 1 September 2003. Shareholders do not need to exercise caution anymore when dealing in their PSG Group shares.

STATEMENTS OF CHANGES IN OWNERS' EQUITY

	31 Aug 2003	31 Aug 2002	28 Feb 2003
	Rm	Rm	Rm
Ordinary shareholders' funds at beginning of period	993,1	1 218,0	1 218,0
Shares bought back and cancelled (5 million)	(17,7)		
Treasury shares acquired (5,3 million)	(20,5)		
Movement in non-distributable reserves	(2,7)	(1,4)	0,6
Net income for period	15,5	17,5	(185,9)
Distribution to shareholders	(263,1)	(39,6)	(39,6)
Adoption of AC 133 (note 2)	(1,1)		
Ordinary shareholders' funds at end of period	703,5	1 194,5	993,1

NOTES

1. Accounting policies
The accounting policies adopted for the purpose of this report comply with South African Statements of Generally Accepted Accounting Practice. These accounting policies are also consistent with those of the previous year, with the exception of the implementation of AC 133.

2. Effect of AC 133 on results
In terms of AC 133, comparative figures are not restated and opening adjustments for the change in the basis of valuation are accounted for directly to opening retained income as disclosed in the statements of changes in equity. These changes have had the effect of reducing attributable earnings for the period under review by R0,2 million.

3. Non-financial operations
Certain subsidiary businesses are not related to that of the rest of the group and the corresponding sales and cost of sales are disclosed on separate line items in the income statement in order to prevent distortion of ratios.

4. Non-headline items (Rm)

	31 Aug 03	31 Aug 02	28 Feb 03
Exceptional items	4,6	(6,3)	236,8
Loss on sale of PSGIB			183,3
Restructuring costs			20,6
Goodwill impairment			21,3
Impairment charges			16,6
Investment activities	4,6	(6,3)	(5,0)
Goodwill amortised	19,0	22,0	27,6
Non-headline items of associated companies			6,2
Profit before taxation	23,6	15,7	270,6
Taxation	(0,1)		(1,4)
Profit after taxation	23,5	15,7	269,2
Attributable to outside shareholders	(0,7)	(2,6)	1,5
Total	22,8	13,1	270,7

5. Investment in associated companies (Rm)

	31 Aug 03	31 Aug 02	28 Feb 03
Carrying value			
– listed	62,5	260,5	78,5
– unlisted	1,8	16,8	1,6
Total	64,3	277,3	80,1
Valuation			
– listed – market value	43,5	156,8	53,5
– unlisted – directors' valuation	6,4	28,0	2,7
Total	49,9	184,8	56,2

6. Unbundling of Capitec Bank

It was announced in the press on 29 September 2003 that PSG Group would, subject to conditions precedent, unbundle its 38,0 million shares (55%) in Capitec Bank with effect from 1 December 2003. In terms of the unbundling, shareholders will receive 33,08453 Capitec Bank shares for every 100 PSG Group shares.

The following information pertains to the unbundling of Capitec Bank:

	Rm
Assets and liabilities at 31 August 2003	
Total assets	459,8
Total liabilities	57,6
Net assets	402,2

Income for the six months ended 31 August 2003	
Headline earnings	9,9
Non-headline earnings	(0,3)
Attributable earnings included in PSG Group results	9,6

	Before	After
PSG Group's net asset value at 31 August 2003		
Net asset value per share (cents)	641	410
Net tangible asset value per share (cents)	497	327

By order of the board
Jannie Mouton Chairman
Chris Otto Director
Stellenbosch 6 October 2003

Secretaries and registered office
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Sponsor
PSG Capital Limited (Registration number: 2000/017362/06)