

GROUP LIMITED

Registration number 1970/008484/06 JSE Share code: PSG ISIN code: ZAE000013017

- * Base headline earnings per share increased by 90,2% to 36,9 cents
 - → ROE increased from 10,9% to 21,0%
 - * Project growth gains momentum

29 Feb

2004

Rm

17,7

21,0

8,5

→ Interim dividend of 10 cents per share declared

FOR THE SIX MONTHS ENDED 31 AUGUST

31 Aug

2004

Rm

9.7

8,8

3,9

4,3

2,1

4,8

4,0

31 Aug

2003

Rm

6,3

3,5

CONTRIBUTION TO HEADLINE EARNINGS

Channel Life Ltd

PSG Capital Ltd

PSG Konsult Ltd

Arch Equity Ltd

PSG Fund Management

m Cubed Holdings Ltd

PSG Online Holdings Ltd

UNAUDITED		EKIM	R E
GROUP INCOME STATEMENTS			
	31 Aug 2004	31 Aug 2003	29 Feb 2004
	Rm	Rm	Rm
Revenue - Continuing operations	022 5	650.3	1 206 2
– Continuing operations – Discontinued operations	933,5	232,3	1 306,3 308,3
	933,5	882,6	1 614,6
Net interest income Investment income	4,6 10,1	203,0 4,0	316,3 32,2
Operating income	189,6	162,7	313,6
Total operating income Expenses	204,3	369,7	662,1
Operating expenses	155,4	302,9	537,8
Goodwill amortisation	12,6	19,0	31,4
Total expenses - Continuing operations	168,0	321,9 115,5	569,2 302,1
- Discontinued operations	100,0	206,4	267,1
Net income from operations	36,3	47,8	92,9
Financing costs Income from associated companies	(1,5) 8,5	(4,4) 2,2	(3,7) 11,1
Exceptional items	3,1	(4,6)	(15,9)
Net income before taxation	46,4	41,0	84,4
Continuing operationsDiscontinued operations	46,4	15,8 25,2	54,7 29,7
Taxation	9,9	16,4	31,2
- Continuing operations	9,9	8,5	16,7
– Discontinued operations		7,9	14,5
Net income of the group	36,5	24,6	53,2
Attributable to outside shareholders Attributable to ordinary shareholders	31,4	9,1	20,5 32,7
Attributable to ordinary shareholders	31,4	15,5	32,7
Non-headline items (note 2)	9,5	22,8	48,4
Headline earnings	40,9	38,3	81,1
Earnings per share (cents) – attributable	28,3	13,4	29,3
- headline	36,9	33,1	72,6
Distribution per share (cents) Normal dividend			
– interim Special distribution	10,0	-	100.0
Number of shares (million) – in issue	115,0	100.7	, .
– III 135de – weighted average	110,8	109,7 115,8	105,0 111,7
GROUP BALANCE SHEETS			
GROOT BALANCE SHEETS	31 Aug	31 Aug	29 Feb
	2004 Rm	2003 Rm	2004 Rm
Assets	KIII	KIII	KIII
Non-current assets			
Fixed assets Net intangible assets	26,7 22,3	180,4 92,3	28,3 40,4
Investment in associated companies Investments of assurance subsidiaries	90,1 1 714,9	64,3 815,3	67,5 1 083,4
Linked-product investments	605,0	591,4	598,2
Other investments and non-current assets Deferred tax asset	55,8 36,8	50,8 95,2	49,1 38,1
Current assets Inventories	12,5	17,8	13,5
Accounts receivable	106,7	182,0	137,5
Loans and advances Trading securities	16,2 107,2	198,4 53,9	20,8 96,7
Cash and short-term funds	154,7	245,4	206,8
	2 948,9	2 587,2	2 380,3
Shareholders' funds Ordinary shareholders' funds	390,4	703,5	331,6
Outside shareholders' funds	58,8	202,8	29,5
	449,2	906,3	361,1
Liabilities Non-current liabilities			
Policyholders' contracts	1 698,1	807,0	1 082,7
– Insurance contracts – Investment contracts	126,0 1 572,1	215,5 591,5	114,5 968,2
Linked-product liabilities	605,0	591,4	598,2
Long-term liabilities Deferred tax liability	1,9 0,7	3,3 0,9	2,5 0,5
Current liabilities			
Accounts payable and other liabilities Short-term borrowings	171,4 22,6	249,7 28,6	325,4 9,9
	2 499,7	1 680,9	2 019,2
	2 948,9	2 587,2	2 380,3
Net asset value per share (cents)	339	641	316
Net tangible asset value per share (cents)	320	557	277
DACE HEADI THE FARMINGS			
BASE HEADLINE EARNINGS	21 1	21 Διια	29 Feb
	31 Aug 2004	31 Aug 2003	29 Feb 2004

	-		
Net asset value per share (cents)	339	641	316
Net tangible asset value per share (cents)	320	557	277
BASE HEADLINE EARNINGS			
	31 Aug	31 Aug	29 Feb
	2004	2003	2004
	cps	cps	cps
Reported headline earnings	36,9	33,1	72,6
Adjusted for:			
Loss of interest following payment of 200c special			
dividend in March 2003 ¹		(1,3)	(1,3)
Capitec Bank unbundling ²		(8,6)	(16,1)
Loss of interest following payment of 100c special			
dividend in May 2004 ¹		(3,8)	(7,5)
	-		

1 Adjustment for loss of interest previously earned (after-tax rate 7,5%) 2 Adjustment for earnings contribution previously received from Capitec Bank

Base headline earnings

BASE HEADLINE EARNINGS			
	31 Aug 2004 cps	31 Aug 2003 cps	29 Feb 2004 cps
Reported headline earnings Adjusted for:	36,9	33,1	72,6
Loss of interest following payment of 200c special dividend in March 2003 ¹ Capitec Bank unbundling ² Loss of interest following payment of 100c special		(1,3) (8,6)	(1,3) (16,1)

36.9

19,4

47.7

15,4¹ 13,0¹ PSG Investment Services (Pty) Ltd ² Capitec Bank Holdings Ltd 18,1 40.9 38,3 81,1 1 Including interest on excess cash. 2 Since the beginning of the financial year PSG Konsult, PSG Fund Management and PSG Online are operating independently. CROUR CACH FLOW STATEMENTS

GROUP CASH FLOW STATEMENTS			
	31 Aug 2004 Rm	31 Aug 2003 Rm	29 Feb 2004 Rm
Cash retained from/(used in) operating activities Cash retained from/(used in) investment activities Cash flow attributable to investment in	534,0 (643,1)	(145,4) 250,8	421,3 (314,1)
short-term income-earning assets Cash flow from financing activities	(14,9) 77,5	14,4 (104,7)	(5,9) (123,6)
Net increase/(decrease) in cash and cash equivalents Cash and cash equivalents at	(46,5)	15,1	(22,3)
beginning of period	201,0	223,3	223,3
Cash and cash equivalents at end of period	154,5	238,4	201,0

STATEMENTS OF CHANGES IN OWNERS' EQUIT	Υ	
	31 Aug 2004 Rm	31 Aug 2003 Rm
Ordinary shareholders' funds at beginning of period Shares bought back and cancelled	331,6	993,1 (17,7)
Treasury shares sold/(acquired) Surplus on realisation of treasury shares	31,2 3,2	(20,5)
Movement in non-distributable reserves Net income for period	(7,0) 31.4	(2,7) 15.5
Distribution to shareholders Adoption of AC 133	31,4	(263,1) (1,1)
Ordinary shareholders' funds at end of period	390,4	703,5

NOTES

1. Accounting policies

The accounting policies adopted for the purpose of this report comply with South African Statements of General Accepted Accounting Practice as well as with applicable legislation. These accounting policies are consistent with those of the previous year.

2. Non-headline items	31 Aug 2004 Rm	31 Aug 2003 Rm	29 Feb 2004 Rm
Exceptional items	(3,1)	4,6	15,9
Loss on discontinuance Goodwill impairment Other impairment charges Investment activities	(3,1)	4,6	8,6 6,8 (0,7) 1,2
Goodwill amortised Non-headline items of associated companies	12,6	19,0	31,4 1,2
Profit before taxation Taxation	9,5 0,7	23,6 (0,1)	48,5 0,6
Profit after taxation Attributable to outside shareholders	10,2 (0,7)	23,5 (0,7)	49,1 (0,7)
	9,5	22,8	48,4
3. Investment in associated companies Carrying value			
listedunlisted	86,9 3,2	62,5 1,8	65,1 2,4
	90,1	64,3	67,5
Market and directors' valuation			
- listed	63,4	43,5	59,4
– unlisted	3,2	6,4	7,2
	66,6	49,9	66,6
4. Discontinued operations			

The discontinued operations relate to the unbundling of the investment in Capitec Bank

Holdings Ltd to snareholders with effect from 1 Dec	cember 2003.		
The following information pertains to the unbundling of Capitec: Assets and liabilities at 31 August 2003			Rm
Total assets			459,8
Total liabilities			57,6
Net assets			402,2
5. Commitments	31 Aug	31 Aug	29 Feb
	2004	2003	2004
	Rm	Rm	Rm
Contingent liability in respect of risk sharing	20,0	20,0	20,0
Operating lease commitments	51,5	129,3	59,5

COMMENTARY

REVIEW OF RESULTS

On a comparable basis, base headline earnings per share for the six-month period ended 31 August 2004 increased by 90,2% from 19,4 cents per share to 36,9 cents per share. Accordingly, the Group's return on equity during the period under review increased from 10,9% to 21,0% as the current period's earnings were generated on shareholder funds of R390,4 million compared to R703,5 million in the corresponding financial period.

The net asset value per share increased since the year end from 316 to 339 cents per share. REVIEW OF OPERATIONS

CHANNEL LIFE LIMITED (76%)

Channel Life had a satisfactory first six months with headline earnings of R12,3 million (up 75% compared to the same period last year), operating income of R766 million (up 68%), and total assets of R1 886 million (up 82%).

René Otto was appointed CEO and Leon de Wit, the former CEO of Channel Life, was appointed chairman with effect from 1 September 2004.

The company is positioning itself for growth in South Africa and has disposed of the non-core Channel Consulting. Shareholders are referred to the press announcement dated 28 September 2004 regarding discussions between Channel Life Namibia and Metropolitan Life Namibia

PSG CAPITAL LIMITED (91%)

This business consists of *Private Equity* investments, the management of *Alternative Investment* funds supported by dedicated Corporate Finance teams in Johannesburg and Stellenbosch.

- Headline earnings per share increased by 19,6% over the 2003 interim stage.
- PSG Group acquired the minority shares to constitute PSG Capital as a wholly owned subsidiary with effect from 1 September 2004.
- The Private Equity businesses include the following investments:
- PSG Treasury Outsourcing - Cullinan Industrial Porcelain - Algoa Insurance Company - PSG Trade Finance
- Axon Financial Services PSG Capital Quants

PSG KONSULT LIMITED (82%)

Financial planning, investment advice, stockbroking and short-term insurance broking

PSG Konsult, following the successful merger and integration of Appleton and PSG Investment Services, had a successful six months and is now one of the largest independent financial planning and advisory businesses in South Africa. It operates throughout the country via its 97 branch offices and employs 170 financial planners and stockbrokers. PSG Konsult has approximately 30 000 clients and in excess of R5bn funds under management and R10,3bn under administration.

PSG Konsult has adapted to the new FAIS Bill coming into effect 1 October 2004 and its financial planners are fully compliant and trained to service its clients accordingly

PSG FUND MANAGEMENT (100%)

PSG Fund Management's core business components include:

- Asset management (local and offshore)
- Management companies (local and offshore unit trusts)
- Product development (specialised investment products)

PSG Fund Management had an excellent first six months with strong inflows locally due to the excellent performance of the local asset management team and distribution relationships that are currently in place. During the period under review funds under management increased by 13% to R4,2bn.

PSG ONLINE HOLDINGS LIMITED (94%)

PSG Online Holdings, which consists of the following three operating divisions, had a satisfactory six months:

- Stock Broking Service Provider: This business unit provides the stock broking community with execution, settlement, finance, corporate actions and reporting at affordable rates. This business has 21 300 active client accounts and funds under administration of R9,2bn.
- PSG Online: PSG Online remains a strong brand in online stockbroking and intends to improve further on its superior electronic offering.
- Investor education: The investor education division sold 1 299 courses during the six-month period under review. In addition, this business unit recently launched an electronic offering that can be subscribed to on a monthly basis. It is in the process of obtaining FASSET accreditation

m CUBED HOLDINGS LIMITED (26%)

Multi-manager and provider of risk-targeted investment solutions

- Headline earnings increased by 8% to R18,6 million (2003: R17,3 million).
- Assets under management increased by 7% to R48bn (2003: R45bn)

The last six months were dominated by the recently announced establishment of a new multimanager asset management business together with Momentum and is complemented by solid steps forward in the rest of the business. On conclusion of the Momentum transaction m Cubed will have approximately R200 million cash funds.

ARCH EQUITY LIMITED (16%)

Arch Equity was launched on 17 May 2004 by Desmond Lockey as a BEE company focusing on private equity investments and black empowerment transactions. To date Arch Equity has acquired significant stakes in PSG Group Limited (17%), Capitec Bank Holdings Limited (14%), Channel Life Limited (effective 13%), Big Box Containers (Pty) Ltd (30%) and comPress Publications Management (Pty) Ltd (75%).

Arch Equity increased its net asset value per share from 99c to 132c, a 33% increase, during the period to end of August 2004. Prospects for the next six months are favourable as the underlying investments are performing well. It is in the process of increasing its stake in both PSG Group (to 20%) and Capitec (to 15,3%) as well as acquiring an effective 4,5% stake in Unitrans Limited.

Arch Equity has commenced the process to list the company by the end of 2004.

PREFERENCE SHARE FUNDING

To enable PSG Group to obtain cost-effective permanent share capital to fund BEE and other attractive growth opportunities, we are considering raising up to R150 million of preference share capital funding.

RELATED-PARTY TRANSACTIONS

As mentioned above, PSG Group acquired the minority shareholders interest in PSG Capital from management of PSG Capital. The total consideration payable for the minority interest is R6.4 million. The consideration will be settled R960 000 in cash and through the issue of 1 820 000 new PSG Group shares at the 30-day weighted average price of R2,99 cents per share up to 31 July 2004. In addition the directors resolved to increase PSG Group's stake in Arch Equity, its black economic empowerment partner. The total consideration payable for the increase of the stake in Arch Equity amounts to R11,5 million. In terms of the JSE Listings Requirements, both transactions constitute small related-party transactions and require fair and reasonable opinions by an independent expert. Newfound Capital (Pty) Ltd has provided the board of directors of PSG Group with such opinions.

FINANCIAL EFFECTS OF RELATED-PARTY TRANSACTIONS

 $The \ financial \ effects \ of \ both \ related-party \ transactions \ are \ insignificant \ on \ the \ results \ of \ PSG \ Group.$

Project growth is gaining momentum and the Group is confident that the underlying strength of its

businesses will deliver real growth in headline earnings albeit off a substantially lower capital base.

The board has resolved on an annual 40% dividend pay-out ratio, with approximately one-third payable at the interim stage, and has consequently declared an interim dividend of 10 cents per share in respect of the six months ended 31 August 2004. The following are the salient dates for the payment of the interim dividend:

Last day to trade cum dividend Friday, 12 November 2004 Trading ex dividend commences Monday, 15 November 2004 Record date Friday, 19 November 2004 Monday, 22 November 2004

Share certificates may not be dematerialised between Monday, 15 November 2004, and Friday, 19 November 2004, both days inclusive.

By order of the board

Jannie Mouton Chris Otto Jaap du Toit Chairman Director Director Stellenbosch

11 October 2004

Secretaries and registered office: PSG Corporate Services (Pty) Limited, 1st Floor, Ou Kollege, 35 Kerk Street, Stellenbosch, 7600. PO Box 7403, Stellenbosch 7599

Registrars: Ultra Registrars (Pty) Limited, 11 Diagonal Street, Johannesburg, 2001. PO Box 4844, Johannesburg 2000

Directors: JF Mouton (chairman)*, L van A Bellingan, PE Burton, J de V du Toit*, MJ Jooste, D Lockey, CA Otto*, Dr J van Zyl Smit * Executive

Sponsor: PSG Capital Limited (Registration number: 2000/017362/06)

Website: www.psggroup.co.za