BOARD OF DIRECTORS

JANNIE MOUTON (53)* BCom (Hons), CA(SA), AEP
Executive chairman

LOUIS DE WAAL (49) BA
Executive director – PSG Matrix

LEON DE WIT (45)# BCom, FIA
Chief executive officer – PSG Channel Holdings

JAAP DU TOIT (45)* BAcc, CA(SA), CFA
Chief executive officer – PSG Investment Services

ANDRÉ LA GRANGE (49)# BCom (Hons), MCom
Chief executive officer – PSG Investment Bank Holdings

MICHIEL LE ROUX (50) BCom, LLB
Chief executive officer – Keynes Rational

HUGH OOSTHUIZEN (39) BCompt (Hons), CA(SA)
Executive director – PSG Investment Bank Holdings

CHRIS OTTO (50)*# BCom, LLB
Executive director

LEONÉ ROUILLARD (49)
Managing director – Graphicor

BOTHA SCHABORT (42)
Pr Eng, B Eng (Hons), MBA
Business consultant

CHARLES TURNER (48) CA(SA), H Dip Tax, AEP
Deputy chairman – PSG Investment Bank Holdings

COLIN VAN DER MEULEN (47) BBusSc, FFA, ASA
Managing director – PSG Anchor Life

ROB WILLIAMS (42) BEcon, BCom (Hons), MBA
Director – Siphumelele Investments

** Member of audit committee*
 # Member of remuneration committee

*From left front row:
Colin van der Meulen,
Jannie Mouton, Leoné Rouillard,
Charles Turner, Louis de Waal,
Botha Schabort
Middle row: André la Grange,
Connie Myburgh, Michiel le Roux
Back row: Chris Otto, Leon de Wit,
Jaap du Toit, Hugh Oosthuizen ,
Rob Williams, Botha Schabort*

ADMINISTRATION

Secretaries and registered office

PSG Corporate Services (Pty) Limited
Ou Kollege
35 Kerk Street
Stellenbosch, 7600
PO Box 7403
Stellenbosch, 7599
Telephone (021) 887-9602
Telefax (021) 887-9619

Transfer secretaries

Computershare Services Limited
Edura
41 Fox Street
Johannesburg, 2001
PO Box 61051
Marshalltown, 2107
Telephone (011) 370-7700
Telefax (011) 836-0792

Company registration number

1970/008484/06

Investment bank

PSG Investment Bank Limited

Auditors

PricewaterhouseCoopers Inc

Bankers

ABSA Bank

Attorneys

Hofmeyr Herbstein Gihwala Inc

Website address

www.psg.co.za

GRAPHICOR
19801

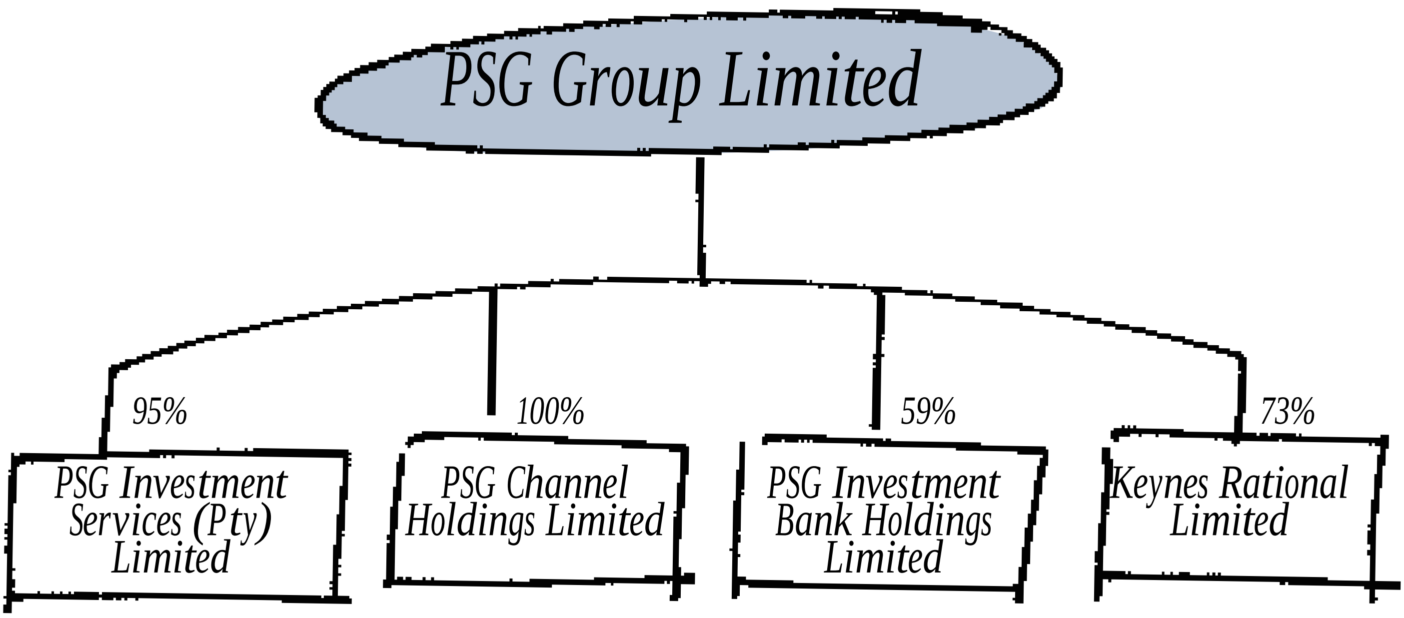
FINANCIAL HIGHLIGHTS

PSG GROUP LIMITED

PSG Group is one of South Africa's leading independent financial services groups, listed in the Financial Services sector on the Johannesburg Stock Exchange.

	2000	**Increase %**	1999	Increase %	1998
Headline earnings per share (cents)	**120,6**	**40**	85,9	82	47,3
Headline earnings (R000)	**164 745**	**101**	82 031	138	34 467
Distribution per share (cents)	**36**	**44**	25		
Return on equity (%)	**19,1**		14,0		11,3
Market capitalisation (Rm)	**1 395**	**25**	1 117	(5)	1 172

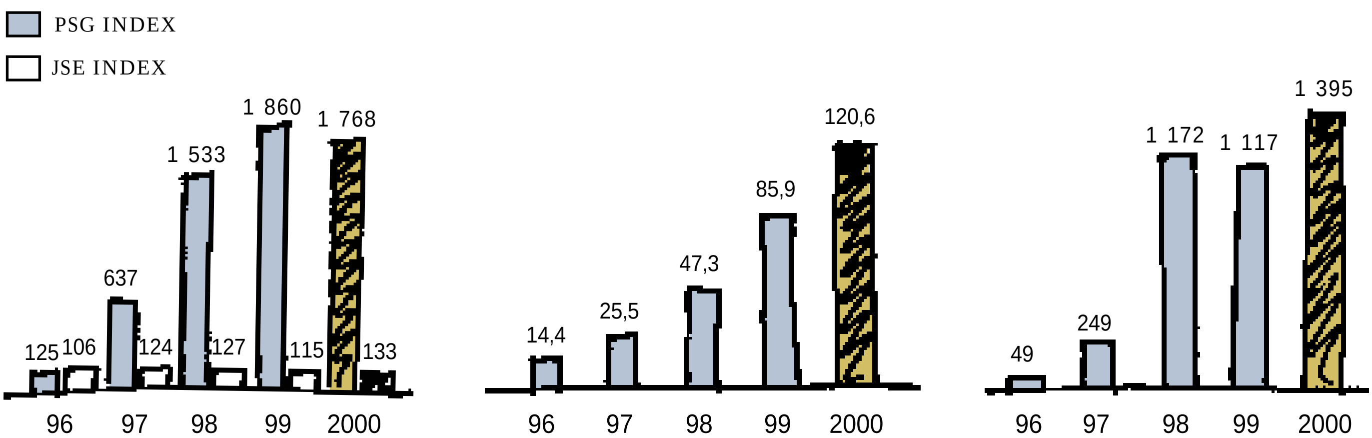
GROUP STRUCTURE



STOCK EXCHANGE PERFORMANCE

	2000	1999	1998	1997	1996	1995
Market price (cents)						
– High for the year	**1 585**	1 900	1 550	510	300	125
– Low for the year	**800**	495	445	210	20	22
– Closing price	**1 000**	1 170	1 530	470	225	60
– Average	**1 114**	1 172	966	401	78	63
Closing price/earnings	**8,3**	13,6	32,3	17,9	16,4	14,6
Volume of shares traded (000)	**45 265**	30 219	23 443	14 120	22 210	442
Value of shares traded (R000)	**504 273**	354 050	226 564	56 557	17 238	278
Volume/weighted average shares (%)	**33,1**	37,1	32,2	36,7	101,8	2,0
JSE Financial Services index*	**419**	527	427	240	110	100
JSE All Share index*	**133**	115	127	124	106	100
PSG share price index*	**1 768**	1 860	1 533	637	125	100

** Index March 1995 = 100*



RELATIVE SHARE PRICE

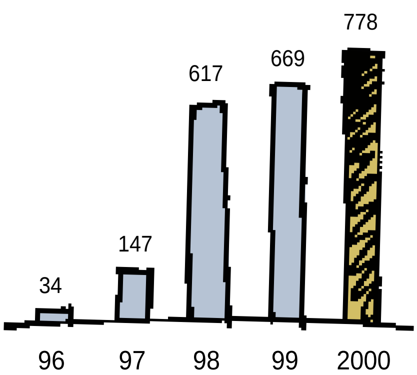
EARNINGS PER SHARE (CENTS)

MARKET CAPITALISATION (RM)

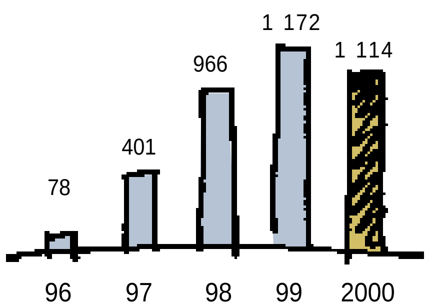
OUR TRACK RECORD

	2000	1999	1998	1997	1996	1995	Five-year compounded growth %
Headline earnings per share (cents)	**120,6**	85,9	47,3	25,5	14,4	4,3	95
Headline earnings (R000)	**164 745**	82 031	34 467	10 105	3 133	941	180
Distribution per share (cents)	**36**	25					
Ordinary shareholders' funds (Rm)	**1 085**	638	535	78	7	4	207
Net worth per share (cents)	**778**	669	617	147	34	20	108
Return on average equity (%)*1	**19,1**	14,0	11,3	23,8	53,6	24,7	
Total assets (Rm)*2	**3 275**	2 088	1 105	144	24	13	202
Return on average assets (%)*1	**6,1**	5,1	5,5	12,0	16,9	9,4	
Market capitalisation (Rm)	**1 395**	1 117	1 172	249	49	13	155
Number of shares (000) – issued	**139 500**	95 445	86 611	52 930	21 818	21 818	
– weighted average	**136 613**	95 445	72 869	39 588	21 818	21 818	

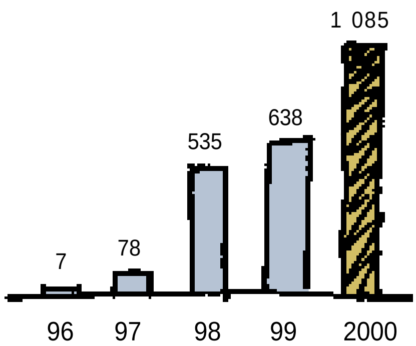
*1 *Ratios calculated using headline earnings*
*2 *Excluding investments of assurance subsidiaries*



NET WORTH PER SHARE (CENTS)



AVERAGE SHARE PRICE (CENTS)



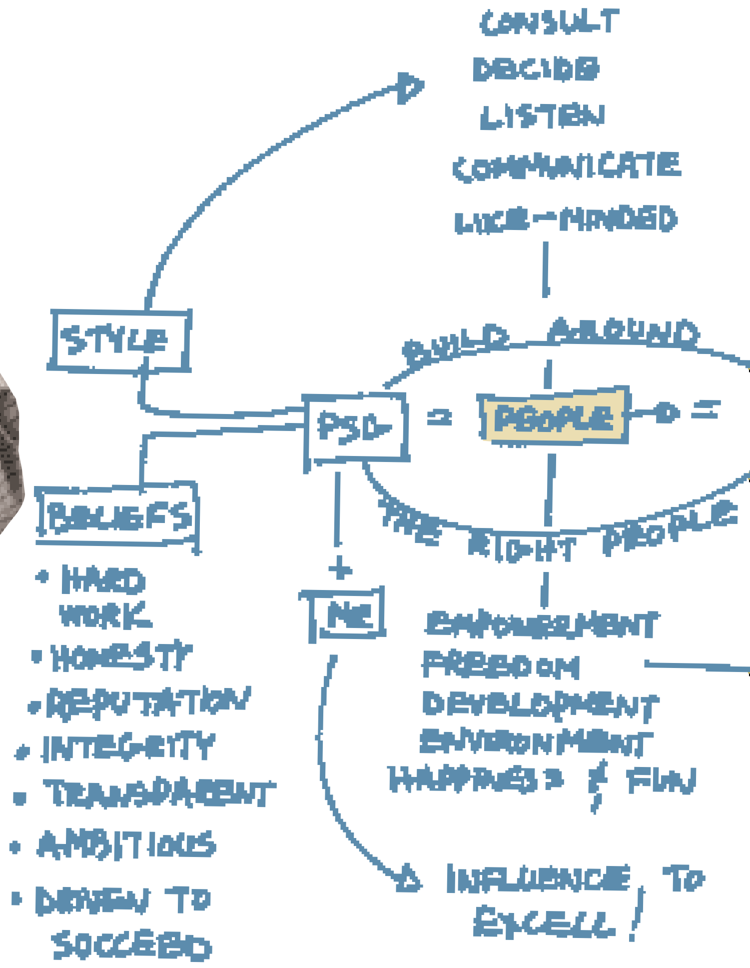
SHAREHOLDERS' FUNDS (RM)

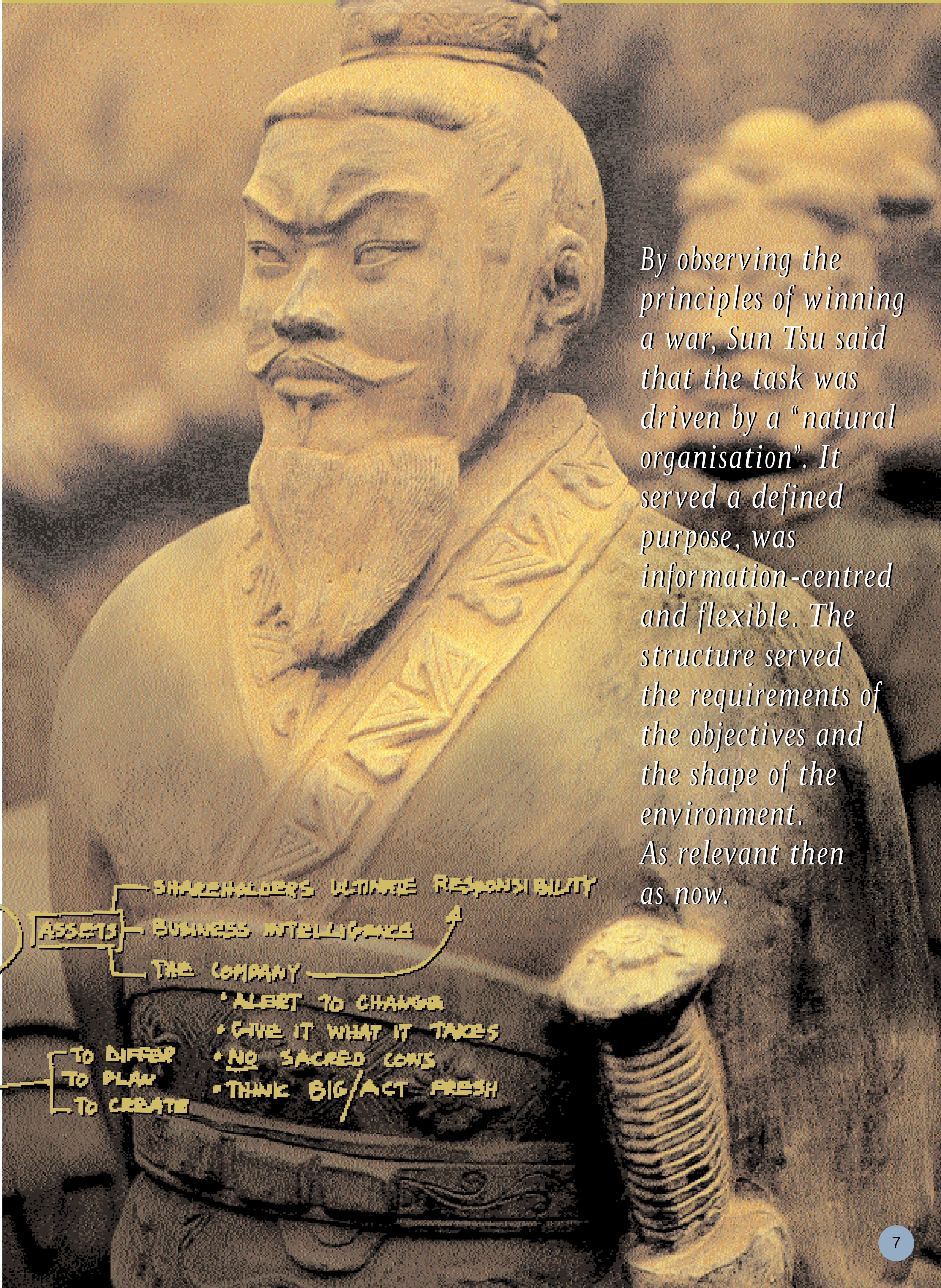
PSG GROUP LIMITED

ULTIMATE EMPOWERMENT

Jannie Mouton

EXECUTIVE CHAIRMAN





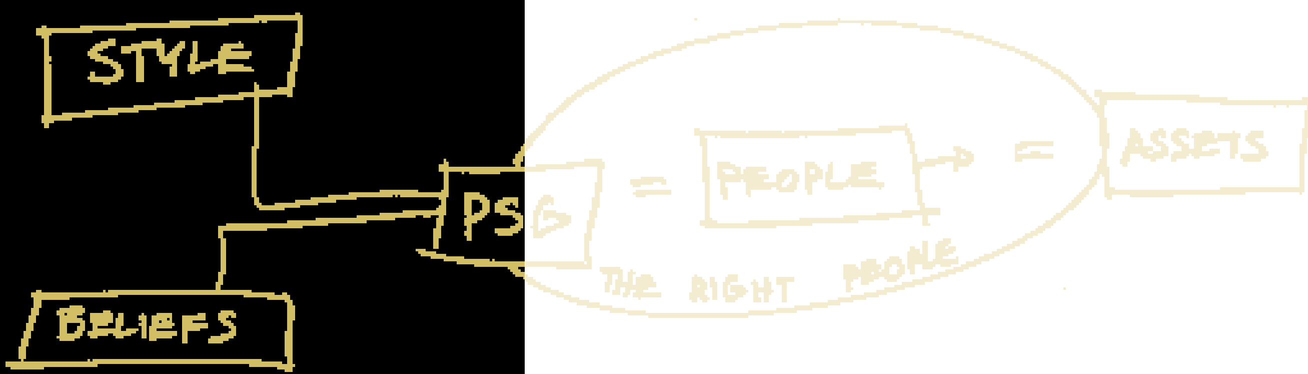
By observing the principles of winning a war, Sun Tsu said that the task was driven by a "natural organisation". It served a defined purpose, was information-centred and flexible. The structure served the requirements of the objectives and the shape of the environment. As relevant then as now.

Ultimate empowerment is our style and strategy.

PSG GROUP LIMITED

It gives me great pleasure to review the results of a year during which our group performed exceptionally. Headline earnings per share for the past year increased by 40% from 85,9 cents to 120,6 cents which equals a compounded growth rate of 95% for the past five years. Headline earnings rose by 101% from R82,0 million in 1999 to R164,7 million in 2000.

The group's net asset value per share increased by 16% from 669 cents at the 1999 year-end to 778 cents at 29 February 2000. Ordinary shareholders' funds rose by 70% to R1 085 million and total assets, excluding investments of assurance subsidiaries, rose by 57% to R3 275 million during the period.



DIVISIONAL CONTRIBUTION

	Interest %	Capital invested Rm	Return on investment %	Medium term growth %	Rm	Contribution to headline earnings %
PSG Investment Services	95	54	16,7	30	9,0	5
PSG Investment Bank	59	640	19,5	20	125,1	76
Keynes Rational	73	208	7,7	50	16,1	10
PSG Channel Holdings	100	60	14,3	45	8,6	5

By further investments and higher growth rates from the non-banking companies, we aim to have a more balanced portfolio in years to come and be less dependent on PSG Investment Bank.

OUR FOCUS

- Financial services
- Market segments that are growing or have significant growth potential
- Cash generating companies instead of capital-intensive industries
- Startup and greenfields operations instead of matured companies
- Support creative entrepreneurs instead of professional managers
- Support, gather and develop intellectual capital
- Invest in leaders with flair
- Buy teams/people instead of companies

VALUES AND CULTURE

It embraces the following:

- No hierarchies. We believe in a flat structure.
- Bureaucracy – we encourage an open, informal, creative environment where we can take decisions quickly. Yes, we make mistakes, because of our culture of quick decision-making.
- Transparency and fairness – we live by it and believe that transparency is the jury for fairness.
- Success is not the key to happiness. Happiness is the key to success.
- Enthusiasm – *"Nothing great was ever achieved without enthusiasm"* – Ralph Emerson
- Impeccable corporate governance (our way of life)
  - Audit committee (chaired by independent non-executive Prof J van Zyl Smit)
  - Remuneration committee (chaired by independent non-executive Adv Fran du Plessis)
  - Integrity of results and management information

"For what is a man profited, if he shall gain the whole world, and lose his own soul" – Matthew 16:26

OUR GOALS

- Earnings per share of 200 cents by 2002
- Return on equity of 20% by 2002
- Offshore profit contribution 30% by 2002
- Dividend policy: 30% pay-out
- Rule of 25:25 – 25% annual growth and 25% return on investments

The more we empower our people, the more the company grows.

STYLE AND STRATEGY

We believe that our people in PSG are our most important asset. We strive to give them the two biggest gifts in life – "Purpose and Freedom" through our philosophy of ultimate empowerment.

Ultimate Empowerment is our style and strategy and involves the following:

- Develop corporate identities (new companies and greenfield operations)
- Develop strategic thinking at company level
- Independent and own board of directors for each entity
- Board and management prepare their own business plan
- Set their own goals
- Finalise their own vision and mission statements
- Employ competent people with flair and creativeness
- Share the well-being of the company with all involved
- Create new managing directors with a purpose
- Must be proud and motivated to achieve goals
- Must be free to think and to perform

It could lead to a new listing or even unbundling in the true spirit of ultimate empowerment.

It will lead to the creation of wealth for all stakeholders.

THE FRUITS OF ULTIMATE EMPOWERMENT

We are proud and convinced that our strategy of ultimate empowerment works in practice. The milestones for the past year are:

PSG GROUP LIMITED

- Acquired minorities in PSG Online and merged with PSG Securities.
- Established PSG Online Solutions, the platform of our drive into e-commerce.
- Merged PSG Noble and PSG Investment Bank and listed on JSE on 2 August 1999 to have seventh largest bank in SA with shareholders' funds in excess of R1,5 billion.
- Established PSG Life with a share capital of R20 million.
- Grew PSG Escher's assets under management to R12 billion – a success story.
- Acquired Superflex UK to form the springboard for Escher's overseas expansion.
- Launched PSG Vantage – our cell captive insurance operation.
- Launched PSG Progressive – our corporate finance boutique.
- Took a 26% interest in Indequity (Private Equity).
- Simplified corporate structure by taking out minorities in PSL and delisting of PSL.
- Sold our 20% interest in Teljoy to focus more on financial services.
- Established the Keynes Rational Group.
  - Raised R225 million cash.
  - Increased micro-service branches to 125.
  - Merged with Anchor Life.
- We have recently announced the new Velocity deal between PSG Investment Bank and the management in the press. With R1 billion now under management the company is well placed for future growth.
- We have aggressively built our distribution channels by developing PSG Konsult, PSG Independent Consulting and PSG International.
- Both Channel Management Services and PSG Channel Matrix are established, focused and in business.
- For more details refer to the individual investment reports.
- The more we empower our people the more the company grows.

CONCLUSION

This past year has been successful, exceptional and exciting and would not have been possible without the talents and enthusiasm of all the people in the PSG Group. I thank them most sincerely for their vital contributions.

I look forward to the new financial year as our group continues to develop its full potential.

Jannie Mouton

Stellenbosch

10 April 2000

PSG INVESTMENT BANK

PSG Investment Bank is a niched and focused investment bank with a strong capital base and exceptional intellectual skills and expertise. PSG Investment Bank started the year with a capital base of R388 million and ended the financial year with R1,6 billion. This substantial balance sheet will enable the bank to fulfil its mandate of innovating, bridging and trading in selected specialised areas. The banking group has focused on the acquisition of talented teams and building specialised complementary businesses. The bank was granted a banking licence in September 1998 and listed successfully on the JSE in August 1999. The banking group is one of the top 100 companies and one of the top ten banks in South Africa in respect of market capitalisation and share capital, respectively.

André la Grange
GROUP CHIEF EXECUTIVE

Mehmed II showed particular interest in and knowledge of the expertise of the best scholars, craftsmen and artists worldwide. Much of his successful reign resulted from his wisdom, in gathering and empowering specialists to perform at their best, irrespective of their nationalities.

FUTURE STRATEGIES

- IMPLEMENTING OUR STRATEGY OF INNOVATION, BRIDGING AND TRADING
- DEPLOY CAPITAL WHERE WE GET OUR REQUIRED ROE
- INTERNATIONALISE
- BE THE BEST IN OUR FOCUS AREAS
- BE ENTREPRENEURIAL AND INNOVATIVE
- COURAGE TO DO THINGS DIFFERENTLY
- HAVE FUN

OPERATING ENVIRONMENT

The period under review was characterised by subdued financial markets, increased corporate failures, falling interest rates and a run on some banks – in summary very “demanding and challenging conditions”.

In spite of these difficulties, PSG Investment Bank (PSGBH) successfully listed in August 1999 and continued to grow its core business while breaking into important new financial markets.

The group started the year with a capital base of R388 million and ended the financial year with R1,6 billion. We believe this meaningfully sized balance sheet will enable PSGBH to fulfil its mandate of innovating, bridging and trading in selected “niche” areas. It is also our belief that size counts in the banking sector.

PSGBH has an A2 rating awarded by Fitch IBCA and a D1 rating by Duff & Phelps.

PERFORMANCE

PSGBH recorded exceptional growth of 183% in attributable income for the year ended 29 February 2000, benefiting from the acquisition of PSG Noble Capital and its unique positioning in the market. The group achieved a materially improved revenue mix with a substantial contribution from after-tax sources and annuity-based income.

The profit on disposal of one of the group’s investments, Teljoy, enhanced earnings and added R176 million to free cash assets.

Annuity income comprised 63% of total income. With the exception of Velocity Funds Management, all operations contributed positively to the group’s 183% growth in attributable income to R211 million. The average return on equity (ROE) of 14,4% for the year is below the target of 20% plus. However, it is important to recognise that a “snap shot” ratio does not reflect the true return profile of the group. PSGBH is writing business at, and above, the market on an ongoing basis. With its low cost structure, focus and business strategy, it will, in time, achieve a ROE ratio ahead of the market.

Total assets increased to R2,7 billion against R1,4 billion in February 1999. Provisions amount to approximately 1,8% of total loans.

PSGBH will continue cautiously pursuing its organic and inorganic growth strategies while focusing on niche operations. It will also take advantage of opportunities that become available as a result of its capital base and flexible structure.

We expect significant rationalisation in the financial services sector this year and, because of our size and available capital, are well-placed to be an active participant in the sector's changes.

REVIEW OF OPERATIONS

PSGBH has divisions at various stages of development. They all have the ability to identify, and benefit from, trends in the financial services market. The group continues to deploy capital in the operating divisions as required, after they have first satisfied strict risk and investment requirements.

The divisions of the bank are as follows:

Structured, project, asset finance and corporate lending

A team of experienced executives was brought together in April 1999 to develop and generate debt and interest-financing financial products. All debt investments are tradable and self liquidating and the division does not offer commercial credit facilities.

The highlights of the period were:

- Developing structured finance products for investments totalling plus R2 billion.
- Increasing the project finance book to R520 million and closing the asset finance book at R130 million.
- Building a corporate lending book of R400 million.
- Asset management's successful participation in the reconstruction of the New Republic Bank, the benefits of which will accrue during the next two financial periods.

The division contributed R54 million to attributable income.

Risk Management International

This international risk management division operates out of the group's Mauritian offices and runs a structured derivative book. It is an active player in the global capital markets but does not use PSGBH capital to create the financial products it sells. It uses sophisticated models to price and manage market risk.

Although market conditions were treacherous during the year, the division's "intellectual capital" and skills resulted in a contribution of R29 million to attributable income.

Treasury

A fully-fledged treasury was established during the year that trades in the money, capital, foreign exchange and interest rate derivative markets. Trading conditions during the period under review were mixed, volatile and marked with uncertainty and falling interest rates.

The division will be able to broaden its activities after being awarded a foreign exchange licence during the year.

The focus is on proprietary trading and a bank funding treasury. The capital allocation and income streams of the two activities are separately measured and appropriate risk profiles adopted for each. The treasury procured and retained deposits of R900 million at a time when many of its peers were struggling to maintain their funding bases.

ANDRÉ LA GRANGE, HUGH OOSTHUIZEN, CHARLES TURNER

FOCUS AREAS

- TREASURY: TRADING AND FUNDING
- STRUCTURED PRODUCTS
- STRUCTURED AND PROJECT FINANCE
- PROPRIETARY INVESTMENTS
- CORPORATE FINANCE
- SPECIALISED INSURANCE
- FUNDS MANAGEMENT
- TREASURY OUTSOURCING

OUR DIFFERENTIATORS

- CAPITAL
- PEOPLE
- STRUCTURE
- FOCUS-SPECIALISATION

The bank treasury invests the group's capital. This division contributed R35 million to attributable income.

Proprietary Investments

The division makes use of the group's capital base to underwrite rights issues, fund management buy-outs and make select investments.

During the year the division disposed of shares in Teljoy Holdings Limited. The deal resulted in headline earnings of R59 million.

During the year the division invested R169 million in seven new projects. However, competition in the sector is increasing and deal flow and profitability is coming under pressure. This year the focus of this division will be on making a few meaningful investments where it can use its expertise to add value.

In line with this philosophy, PSGBH acquired a 34,9% interest in Vestacor Group for R57,5 million. Post year-end, the group also concluded the purchase of The Business Bank (TBB) on a favourable and opportunistic basis. PSGBH's attributable profit from TBB on the next financial year should exceed R50 million.

Proprietary investments for the year under review contributed R80 million to attributable income.

Corporate Finance

This division provides the full spectrum of advisory, equity, capital raising, underwriting and mergers and acquisitions services. The review period was characterised by very competitive market conditions and a shift away from new listings to minority schemes, share buy-backs, mergers and acquisitions, management buy-outs and private equity investments. The team completed 34 consulting assignments with a market value of R3,5 billion.

PSGBH sees corporate finance as a window to the financial markets and a source provider for other bank activities. The division is well positioned to increase market share with its focus on the middle market. The division offers innovative solutions and a superior service.

Corporate finance contributed R5 million to attributable income.

Funds Management

PSGBH's funds management activities were conducted through its listed, 92%-held subsidiary Velocity Holdings Limited. The fund manager's performance was adversely affected by a substantial downward rating in the small-cap stocks and the market's focus on resource stocks. The team also experienced start-up difficulties and declining equity prices.

The highlights of the review period for Velocity were:

- Securing a unit trust licence in July 1999 and launching five unit trusts on 1 August 1999.

- Funds under management growing from R20 million in August 1999 to almost R1 billion by year-end.
- A comprehensive restructuring of the business.

At year-end, PSGBH's indirect investment in fund management amounted to R9 million. Velocity incurred an attributable loss of R7 million during the period but is expected to return to profitability this year.

Specialised Insurance

PSGBH's specialised insurance activities are marketed by its onshore subsidiary, PSG Vantage, and by the group's Mauritian joint venture company, PSG International Financial Services. Both offer innovative solutions for a wide range of insurable risks. The cell captive insurance business offers customers, or cell holders, the option of participating in the profits of the business.

PSG Vantage was granted its short-term insurance licence in December 1999.

The small attributable loss for the period under review was primarily due to a delay in start up. However, the business has a promising pipeline of new business and expects to make profits by 2001.

Treasury Outsourcing

This division manages foreign exchange risk, short-term and working capital interest rate risk, administration of foreign debtors and creditors, hedges and cash flow for third parties. The strategic acquisition of Indevco, a 12-year old industrial development consultancy, will increase the division's client base substantially. Indevco is a niche business that identifies trade and industrial incentives and procures capital for corporates.

Treasury outsourcing is well-placed for exponential growth. The review period was characterised by:

- R4 billion forex under management;
- R200 million interest rate management; and
- an active client base of plus 140 clients.

The activity utilises minimal capital and contributed R3 million to attributable income.

Corporate Services

Administration, risk control, compliance and technology are centralised within the corporate services division. It is the backbone of the group and operates in a matrix format, providing essential backing to all the operating divisions.

INTANGIBLES

PSGBH's policy was to immediately write off any goodwill, restructure provisions and restraints against share premium. The policy will be changed in line with Accounting Statement 131 in the next accounting period. Write-offs during the period under review amounted to R189 million equivalent to 14,5 cents per share.

DIVIDEND AND DISTRIBUTION

PSGBH's policy is to declare dividends and/or distribute amounts annually either by way of a capitalisation award or cash. The group distributed 6,5 cents per share for the period under review (a dividend of 4,15 cents and capital distribution of 2,35 cents per share).

PROSPECTS

PSGBH is strategically placed to capitalise on the envisaged consolidation in the financial services market. The group continues to focus on managing liquidity, risk and is continually intensifying already stringent controls required to promote an entrepreneurial, empowered work environment.

The next financial period will be demanding, characterised by volatile equity prices, a tighter interest rate environment, the effects of changes in tax legislation, an expected decline in the value of the rand and possibly renewed inflationary pressures.

The investment banking transaction in terms of which PSGBH acquired control of TBB and a substantial minority interest in Vestacor should significantly contribute to profits in the next financial period.

The group, given its intellectual capital and solid capital base, is well-positioned to take advantage of opportunities bound to arise this year.

PSGBH's focus is that of innovation, bridging and trading. This approach, coupled with quality service and integrity, is the cornerstone of our strong, dynamic, youthful group and the qualities that will drive us to superior performance.

ACKNOWLEDGEMENTS

We are proud to be part of the PSG family. Thanks are due to our shareholders, directors, clients and staff for their support and participation in our activities. A special word of thanks to our chairman Jannie Mouton for his support and wise counsel and our executive for their diligence and exceptional efforts – well done.

PSG CHANNEL

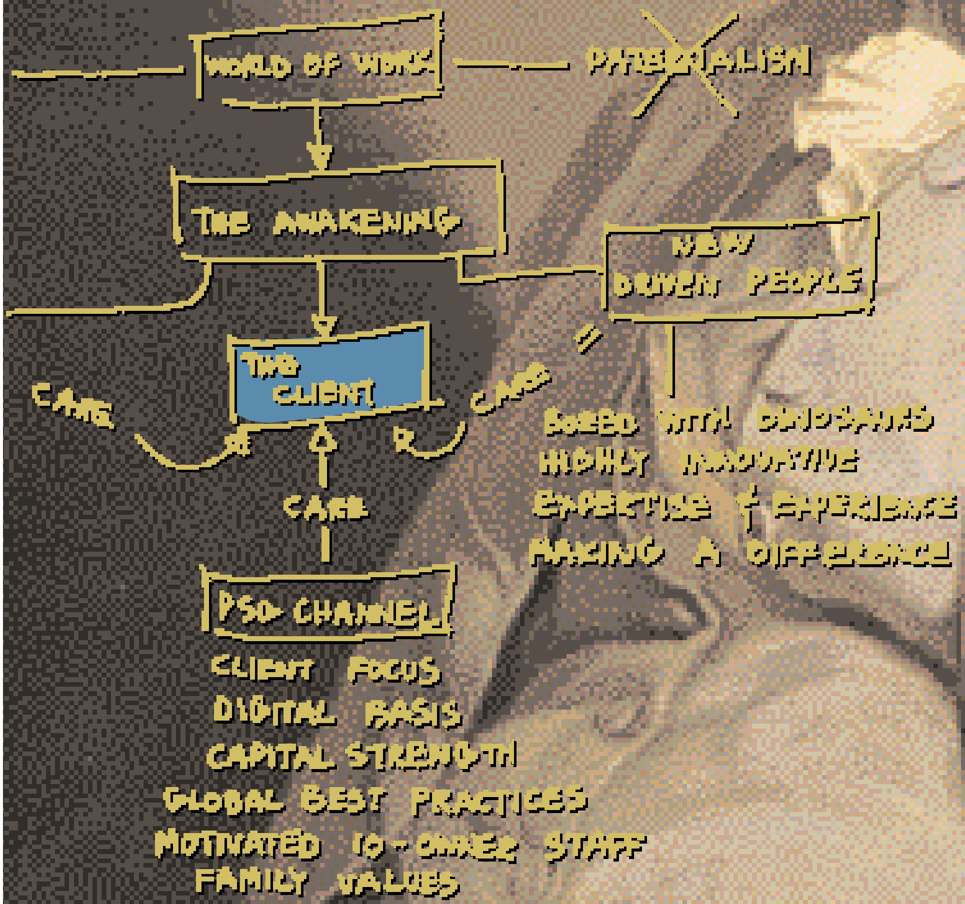
PSG CHANNEL HOLDINGS

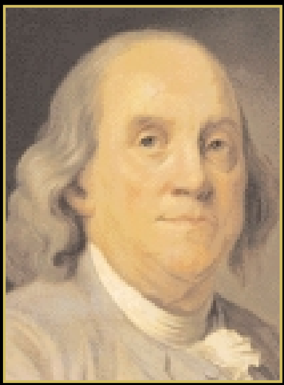
PSG Channel was formally launched in January 1998, to provide leading-edge products and services in the field of remuneration, employee benefits and asset management. It has established itself as a prominent player by attracting some of the best people in the industry giving autonomy to the staff on an owner manager basis. PSG Channel also benefits from its financially strong entrepreneurial parent company, PSG Group. Channel reinforced its business ties with a leading-edge international player, by way of an exclusive affiliation with William M Mercer Worldwide.

Leon de Wit

CHIEF EXECUTIVE

American printer, author, inventor and diplomat. Characterised by industry, science, thrift and common sense. Benjamin Franklin's superb awareness of the trends and the needs in areas where his diplomatic prowess was applied, made it possible to lead traditional thinkers to accept advantageous new, effective and fair practices.





PSG CHANNEL

PRODUCTS AND SERVICES

- INSTITUTIONAL ASSET MANAGEMENT
- INVESTMENT ASSURANCE
- HEALTH CARE CONSULTING
- REMUNERATION CONSULTING
- ACTUARIAL CONSULTING
- RETIREMENT ADMINISTRATION SERVICES

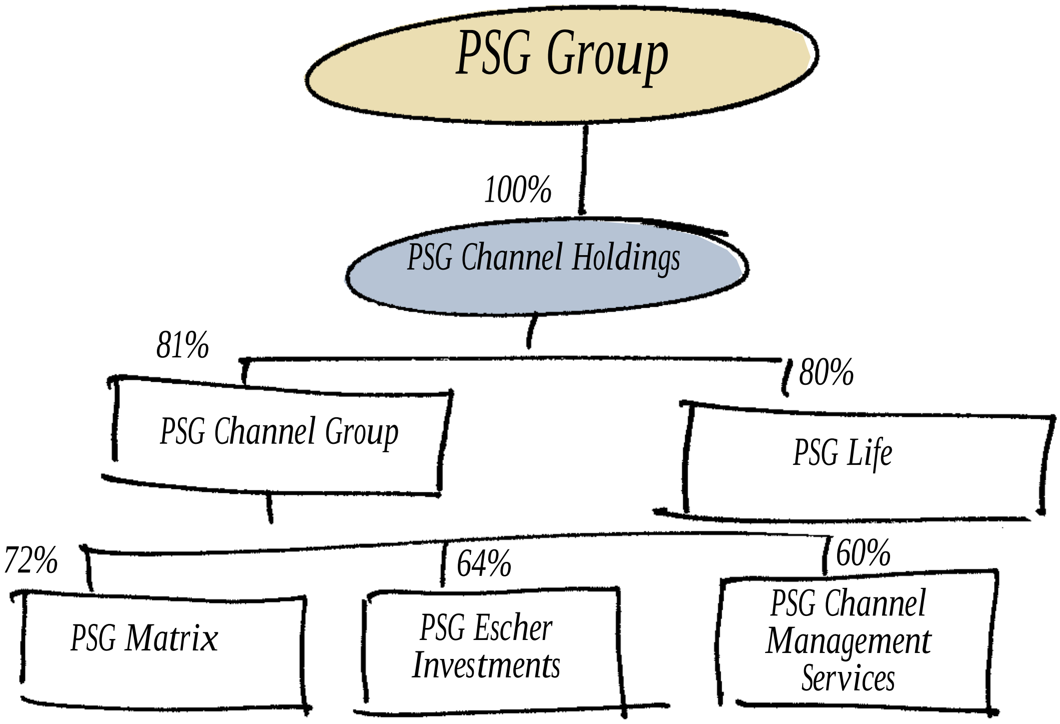
When PSG decided to enter the remuneration and employee benefits market early in 1998 with the formation of the PSG Channel Group, we realised that it was never going to be easy. As a truly greenfields operation, the Channel Group had to go through the phases of "forming, storming and norming".

In our first full year of operation to 28 February 1999, we recorded a modest net profit after tax of R1,7 million. However, we had reason to remain positive as it became apparent that Channel had been successful in attracting a team of quality people from the market place.

In the last twelve months to 29 February 2000, Channel started realising its potential and it is fair to conclude that the company has now entered the "performing" phase. Hence, it is our pleasure to report on Channel's progress to date, and to comment on the way forward.

CORPORATE STRUCTURE

The year to 29 February 2000 saw a number of changes in Channel's corporate structure. Our remuneration, actuarial and healthcare consulting businesses were consolidated to form a much stronger PSG Matrix Consultants (Pty) Limited. PSG Life Limited was established in August 1999, with a primary capital base of R20 million. This caused us to establish PSG Channel Holdings Limited, in order to consolidate PSG's interests in Channel.



PSG's effective shareholding in Channel, weighted by profits in the 2000 financial year, is some 57%. The remainder of the shareholding belongs to founder members and other executives (33%) and share incentive trusts for staff (10%).

Primary capital increased from R40 million to R60 million during the year.

SEATED: IZAK FOURIE, JOHAN MARAIS, ERIC VISSER, LOUIS DE WAAL
STANDING: PHILIP CROESER, LEON DE WIT, CORNIE FOORD

FUTURE STRATEGIES

- GROW TO TOP THREE POSITION IN SOUTHERN AFRICA
- DEVELOP NETWORK OF BUSINESSES
- INCREASE PROFIT BY 50% IN 2001
- FOCUS HEAVILY ON INTERNET BUSINESS
- EXPAND GLOBALLY
- RETURN 30%+ ON SHAREHOLDERS' FUNDS
- CONSIDER PUBLIC LISTING OF SUCCESSFUL BUSINESSES

WORLD OF WORK

Channel's playing field is the very exciting "World of Work", be it remuneration and employee benefits consulting, human resources and pensions administration, institutional asset management, or the closely aligned underwriting of investment products.

All of these businesses are complementary by nature, and cross-selling of services are on the increase. For example, the combination of Channel's administration and asset management competencies in the area of pensions to provide members with flexible investment options, is unique in South Africa.

We will continue to expand in order to become influential in the South African World of Work.

ESCHER: A DREAM COME TRUE

PSG Escher's story is a fairy tale that fills one with pride. They started the year as a young and untested team, but with an uncompromising belief in themselves and a clear business vision. A modest R200 million of assets under management turned into an impressive R11,0 billion by year-end.

Escher has in a short period of time become a leading specialist multi-manager in southern Africa. Philip Croeser, Tracy Ledger, Gerrit le Roux and their colleagues have their sights on international expansion, whilst continuing the impressive growth path locally.

Escher has been the greatest contributor to Channel's profits in the year to 29 February 2000, and we expect this position to prevail for the foreseeable future.

MATRIX: AN INFLUENCE BUSINESS

Jack Welch of General Electric once said –

"An organisation's ability to learn, and translate that learning into action rapidly, is the ultimate competitive advantage."

This is particularly true in the case of PSG Matrix, a multi-disciplinary team of consultants under the able leadership of Dr Izak Fourie, Louis de Waal and Gayle Whitcher. A growing relationship with the world's leading remuneration and employee benefits consulting business, William M Mercer Worldwide, provides Matrix with a competitive advantage in terms of international best practices.

CHANNEL MANAGEMENT SERVICES: EXCITING BUT TRICKY

The establishment of a pension administration business based on flexible investment choice for members of defined contribution funds, is not for the faint-hearted. A truly J-shaped business with onerous capital requirements.

However, we believe that it dovetails particularly well with Escher's asset management business to form a combination that is fast becoming a leader in the southern African market. Channel Management Services expanded its network to include offices in Johannesburg, Pretoria and Durban. Our unique Channel umbrella funds attracted more than R150 million, and total members under administration are approaching 50 000.

Eric Visser and his executives are realistic about the future: we need to do it right first time, render a professional service and reach a critical mass (100 000 members). We are confident about the way ahead, particularly in view of a developing e-commerce business strategy. Channel is committed to the success of this company.

PSG LIFE: THE 'FAT BABY'

PSG Life was born on 19 August 1999, as a pure linked investment life office. Today, a mere six months later, PSG Life has a balance sheet that boasts assets approaching R11,0 billion – mostly assets sourced by PSG Escher. Johan Marais set the wheels in motion by launching the impressive Pegasus range of global investment products. More than R150 million has been sourced by way of single premium policies issued to high net worth individuals and corporates.

A business with great potential that produced cash profits from the outset. The future lies in a combination of unique product development and fresh distribution channels – once again, the internet is high on our agenda.

FINANCIAL HIGHLIGHTS

	2000 Rm	1999 Rm
REVENUE		
assurance	10 732,1	–
operating	80,5	20,5
investment and interest	2,0	2,8
	10 814,6	23,3
EXPENSES		
assurance	10 732,1	–
remuneration	31,3	13,9
other	30,1	7,1
	10 793,5	21,0
Net profit before tax	21,1	2,3
Income tax	7,1	0,6
Net profit after tax	14,0	1,7
Minorities	5,3	0,3
Attributable to ordinary shareholders	8,7	1,4

KEY FINANCIAL RATIOS INCLUDE

	2000	1999
Net profit after tax as % of non-assurance revenue	17,0	7,3
Headline earnings per share (cents)	23,5	3,8
Dividend per share (cents)	9,6	0,0
Dividend cover (times)	2,5	–
Return on shareholders' funds (%)	26,5	6,6

THE WAY FORWARD

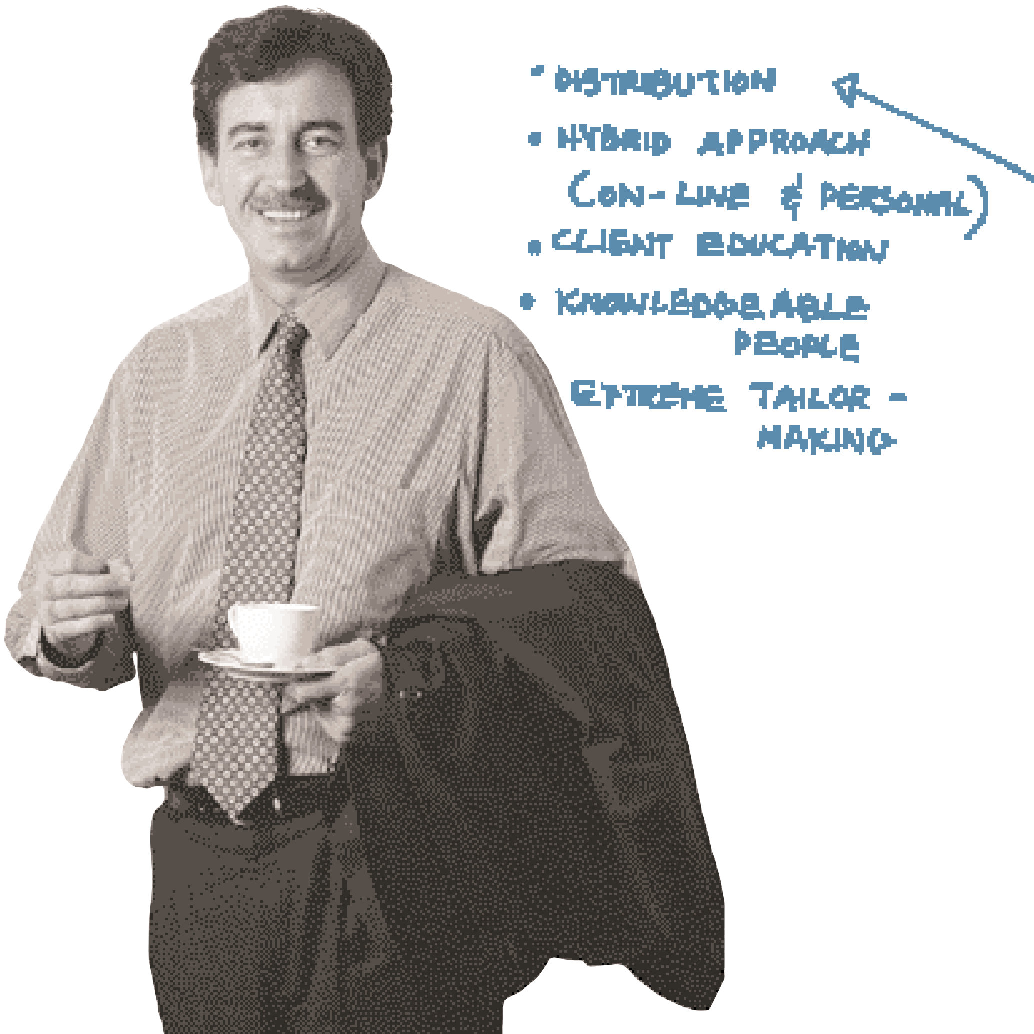
- We shall continue to grow organically and incrementally, as part of our vision to be one of the top three providers of remuneration and employee benefit services in southern Africa.
- We shall do so by developing a network of like-minded and co-operative businesses.
- We expect to increase our profits by more than 50% in the year ahead.
- We intend to become a truly "new economy" business, with the internet playing an increasingly important role.
- We have acquired a multi-manager business from our global associates, William M Mercer, in the United Kingdom and intend expanding our activities abroad.
- We shall increasingly concentrate on returning 30%+ on shareholders' funds, rather than absolute shareholder control.
- We shall consider a public listing of operating subsidiaries should it be deemed appropriate.

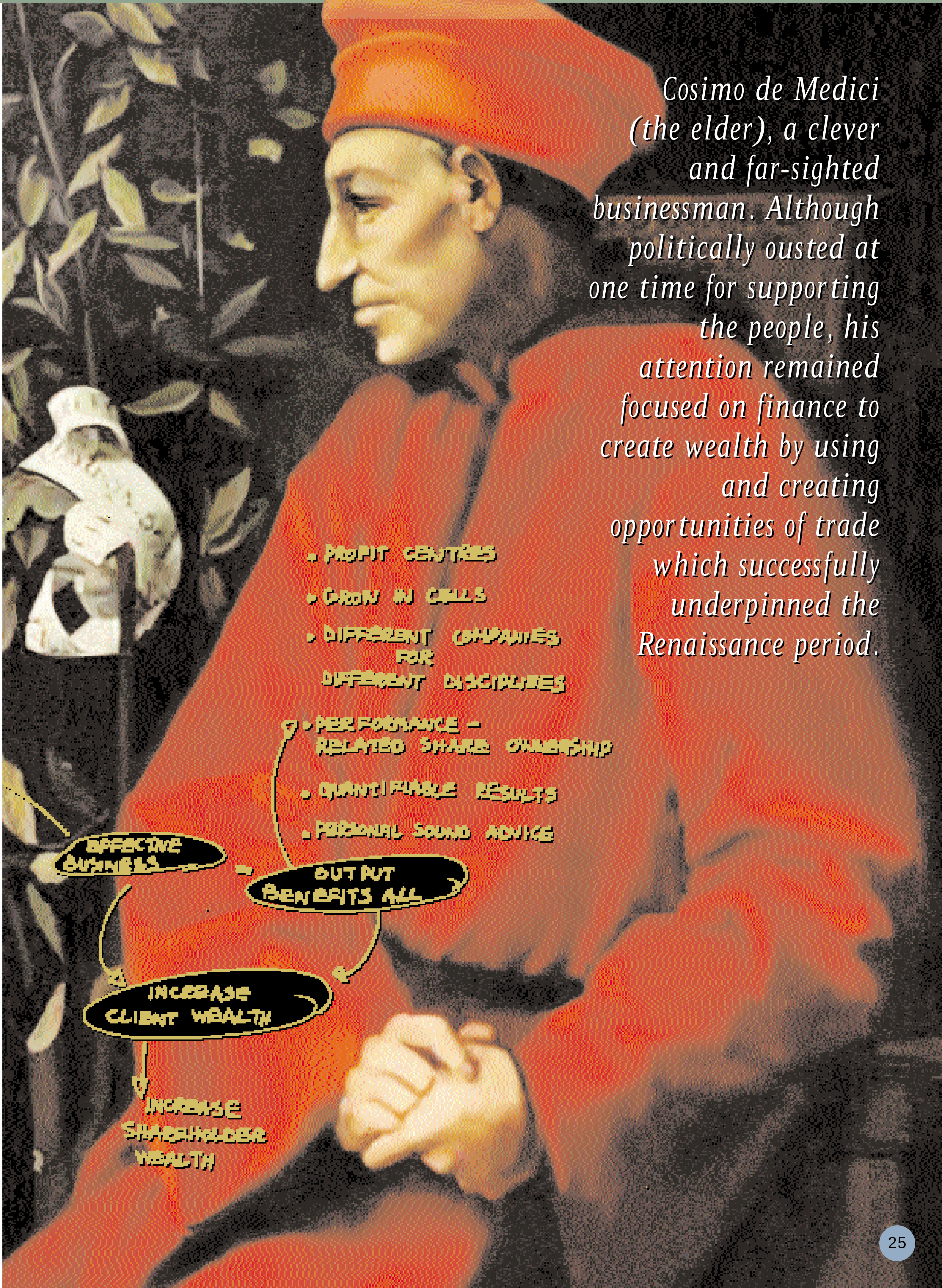
PSG INVESTMENT SERVICES

PSG INVESTMENT SERVICES

Since inception in 1996, PSG Investment Services has grown to a highly focused niche market and entrepreneurial company mostly catering to the investment requirements of high net worth individuals. The year under review was an exciting one. PSG Investment Services added 25 new offices and 55 new financial advisors to the business. In addition, we substantially increased the size of the unit trust business, launched our first wrap fund, and took quantum leaps in the development of the PSG Online initiative – which is set to transform our service delivery.

Jaap du Toit
CHIEF EXECUTIVE OFFICER





Cosimo de Medici (the elder), a clever and far-sighted businessman. Although politically ousted at one time for supporting the people, his attention remained focused on finance to create wealth by using and creating opportunities of trade which successfully underpinned the Renaissance period.

FUTURE STRATEGIES

- FOCUS ON INVESTMENTS
- IMPLEMENTING E-BUSINESS INITIATIVE
- STRENGTHEN OWN BRAND
- REACHING POTENTIAL 70 000 CLIENTS
- SETTING UP STRATEGIC ALLIANCES TO EXPAND INTERNATIONALLY
- SEPARATE LISTING

PSG INVESTMENT SERVICES

The year under review was characterised by volatile market conditions that affected investor confidence – particularly until August last year. However, PSG Investment Services continued to develop and re-engineer the business, placing it at the leading edge of service delivery to ensure its continued success into the future.

Both the tough market conditions and business development costs impacted negatively on results for the year, which were not as pleasing as in previous years.

Income has increased by 67% to R80,9 million (1999: R48,5 million), while profit after tax is reported at a 9% increase at R9,5 million (1999: R8,7 million). This profit represents a compound growth of 73% since the inception of the business in 1996.

	1997 R000	1998 R000	1999 R000	**2000 R000**
Headline earnings	1 832	5 535	8 715	**9 483**

- Profit margins during the year under review were substantially affected by the investment into two greenfields operations:

The first is the PSG Online operation, which broke even for the first time in the last few months of the year. This follows two years of capital investment in the form of internal systems and technology development, training expenses and the R7,5 million acquisition of the WenTech business, which provides investor education and technical analysis software products.

The second is the unit trust business. While the individual funds performed well, substantial investment was made in a sales and marketing drive to increase the size of the funds. Although this drained profitability in the year under review, the local and offshore unit trust assets under PSG's management have reached a pleasing R509 million and R191 million respectively.

- The offshore profit contribution for the year under review was a satisfactory 35%. This is a result of full utilisation of structures which were set up abroad in the previous financial year as well as a concerted marketing drive.
- To finance the new business developments as well as the opening of many additional offices, the capital structure of the business changed significantly during the year – with a 57% increase in capital to R55 million (1999: R35 million). Intangible assets of R42,4 million have been written off against share premium to provide the balance sheet figure of R12,6 million. In a post-balance sheet transaction in March, the capital was further increased to R95 million.

CORPORATE MILESTONES

- To gear for future growth, PSG Investment Services has been consolidated in a profit-centre structure based on core business – distribution of investment products, fund management, stockbroking and e-commerce – as shown in the company structure.
- During the year, 25 new PSG Konsult offices opened around the country. Fifty-five new financial advisors joined the business bringing the total to 90 advisors servicing more than 70 000 private clients. This is a phenomenal achievement considering that less than two years ago, there were only six advisors servicing clients.
- In addition to offering PSG Investment Services' innovative products through traditional advisors, there is an enormous trend worldwide to doing business from an electronic platform. Therefore substantial investment was made in gearing the business for e-commerce. The focus was on improving the quality and scope of content available to our client base

PSG INVESTMENT SERVICES EXECUTIVE COMMITTEE

SEATED: THEO BIESENBACH, JAAP DU TOIT, MARTUS CLAASSEN

STANDING: JOHNNY MACRIDES, LOUIS VAN DER WALT, DIEDRICH SCHUTTE, THEO VORSTER

PRODUCTS AND SERVICES

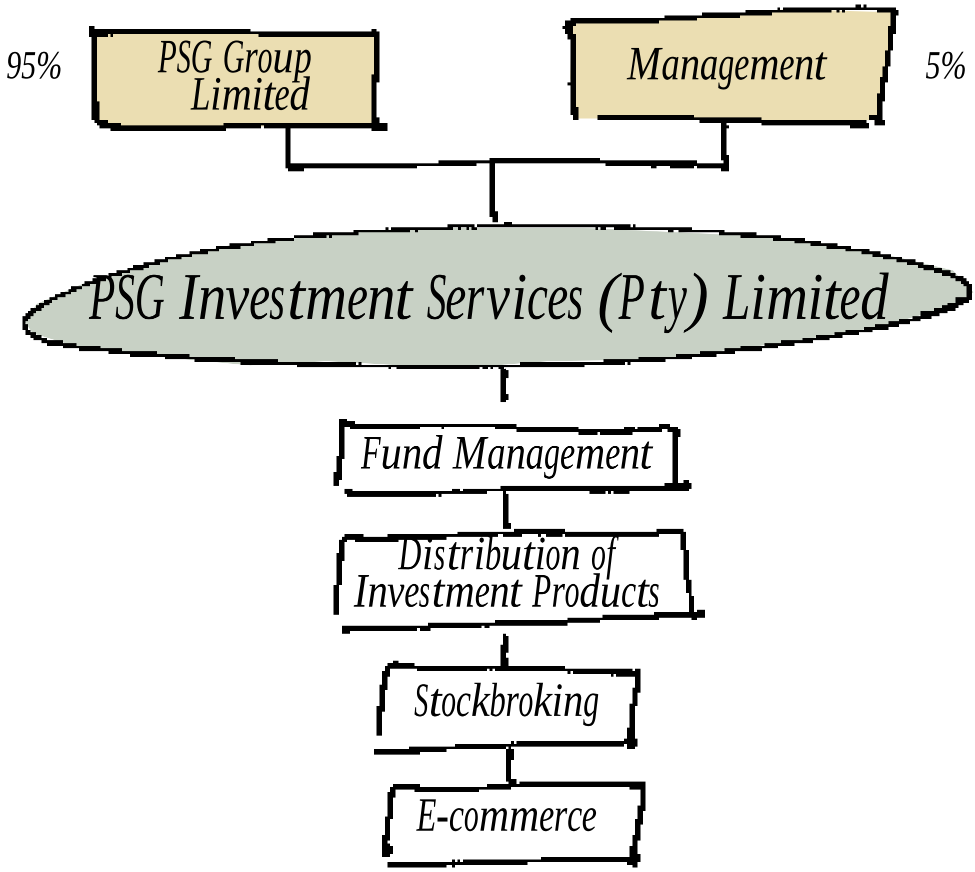
- ASSET MANAGEMENT
- FULL-SERVICE STOCKBROKING
- ONLINE TRADING
- INVESTMENT CONSULTING
- UNIT TRUSTS
- OFFSHORE SERVICES
- FINANCIAL PLANNING

electronically. We are pleased to say that PSG Online now offers the most comprehensive service available to the personal investor.

- To ensure a holistic and integrated approach to the online business, minority shares in PSG Online have been acquired by PSG Investment Services, and initiatives are under way to include the distribution of other PSG products through the internet.
- Another highlight of the year was the successful introduction of PSG's own wrap fund range. A relatively new innovation in the market, the wrap fund combines a diverse combination of unit trusts, overseen by a wrap fund manager. In a short space of time, the asset base of the funds has reached more than R150 million.
- In addition, individual funds managed by PSG continued to perform well. The PSG Growth Fund has shown strong growth of 50% since inception, ranking it first in its category. Both the PSG International Fund and Balanced Fund were ranked second in their categories, with strong growth rates of 34% and 53% respectively since inception.
- In addition, PSG Asset Management's Balanced Fund for pension funds was ranked seventh out of 42 funds in its first three-year review in the ABSA Consultants and Actuaries Pension Fund Survey.
- Incentivising key people remains critical in the financial services industry, and new achievement-based incentives based on profit-centre performance were introduced during the year to ensure that we retain and build intellectual capital.

PROSPECTS

- Looking ahead, the economic forecast is positive. PSG Investment Services' strong performance in the last quarter of the year confirms that volatile trading conditions seem to have stabilised, with investors once again showing confidence in longer-term investments.
- This, together with PSG Investment Services' ability to combine personal and online delivery of our products, stands the company in good stead for a strong financial performance in the year ahead.
- Reaching the potential target base of 70 000 investors remains our key challenge for the year ahead.
- The expected growth in e-commerce and online trading is expected to start paying dividends as we merge old with new



ways of doing business in a way that is profitable and acceptable to this South African user base.

- The introduction of Share Transactions Totally Electronic (STRATE) is expected to have a significant impact on the stockbroking business, and managing this process will be a priority in the year ahead.
- As a fast-thinking entrepreneurial company, we will continue to monitor new trends in the investment industry and will continue setting up strategic alliances, with the specific aim of furthering international growth.
- A separate listing for PSG Investment Services remains a possibility should the need arise under the right circumstances.

SENIOR MANAGEMENT

PSG INVESTMENT SERVICES

Jaap du Toit (45), BAcc, CA(SA), CFA, Chief Executive Officer
Martus Claassen (41), BCom, Deputy Chief Executive Officer
Theo Biesenbach (36), CA(SA), Financial Director

PSG INTERNATIONAL TRUST COMPANY

Martus Claassen (41), BCom, Deputy Chief Executive Officer

PSG KONSULT

Willem Theron (47), BCompt(Hons), CA(SA), Executive Chairman
P W Moolman (40), BCom(Hons), CFA, ACII, Managing Director

PSG INDEPENDENT CONSULTING

Ian Crooks (58), Director
Mike Allen (53), CA(SA), FCA, ACII, Director
Frans Nolte (47), BEcon(Hons), B(B&A), Director
Marius Kruger (46), Director

PSG PRIVATE

Johan van der Westhuizen (53), Director
Theo Vorster (37), BCom(Hons), Director

PSG INVESTMENT SOLUTIONS

Dawie Klopper (41), BCom(Hons), MBL, Director

PSG ASSET MANAGEMENT

Louis van der Walt (33), CA(SA), Managing Director

PSG UNIT TRUSTS AND PSG GLOBAL

Jeanette Marais (32), BSc(Hons), Managing Director

PSG ONLINE SECURITIES

Johnny Macrides (52), MISB, Managing Director
– Compliance Officer
Emil Linde (33), BCom, Managing Director

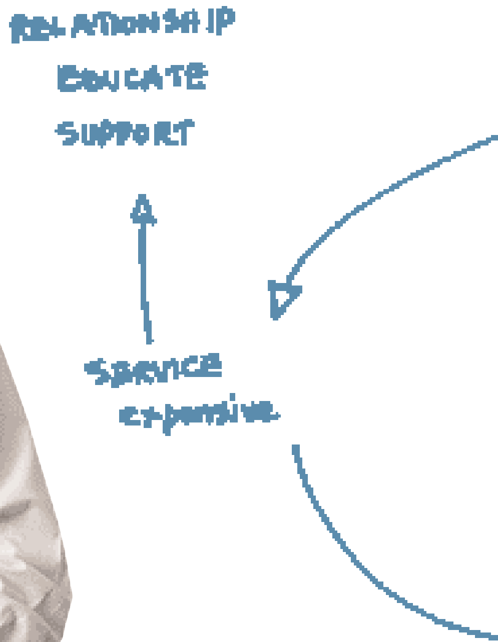
PSG ONLINE SOLUTIONS

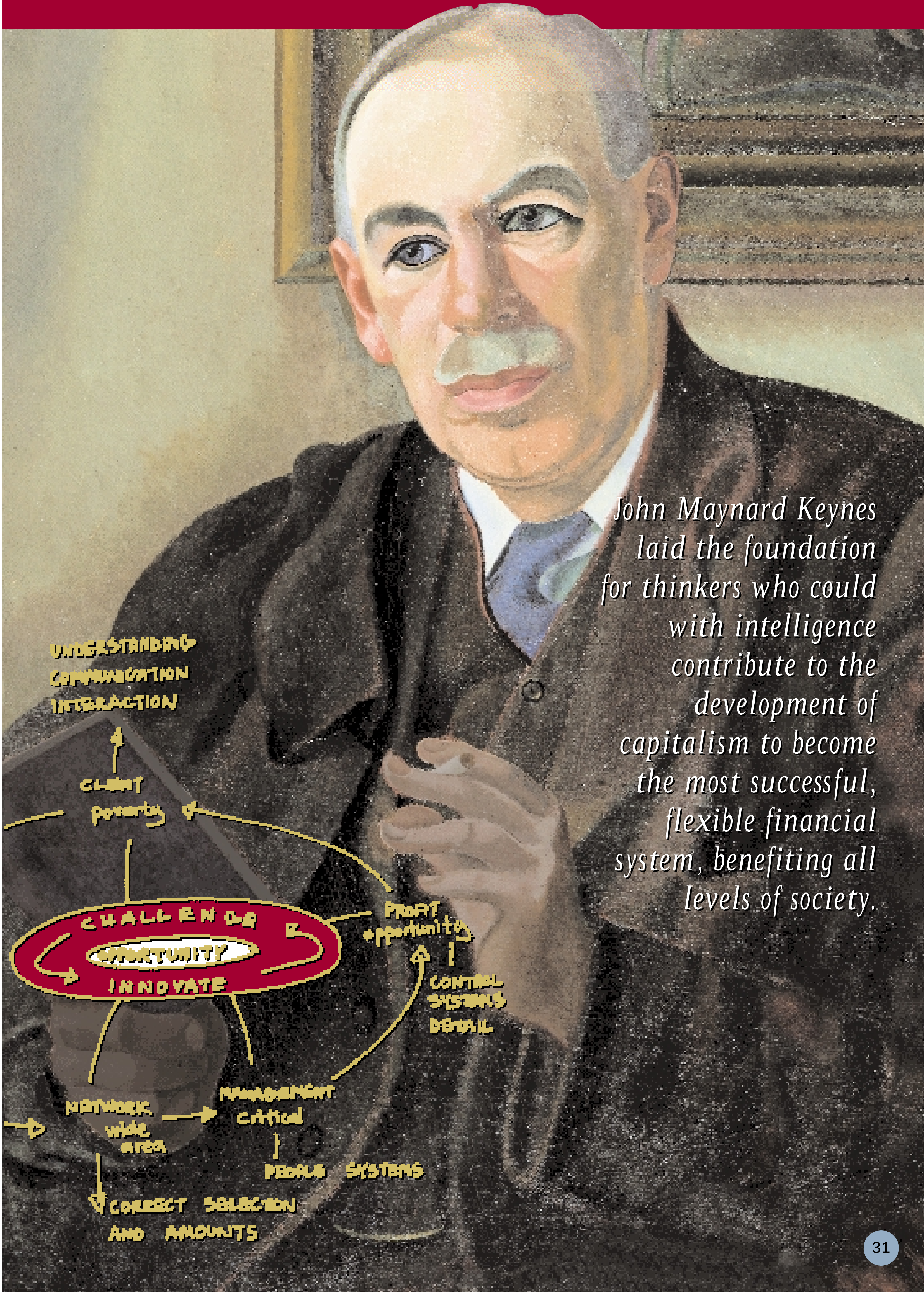
André Maartens (31), Managing Director
Diedrich Schutte (33), CA(SA), Managing Director
Charles Chapman (32), CA(SA), CISA,
Financial Director

KEYNES RATIONAL

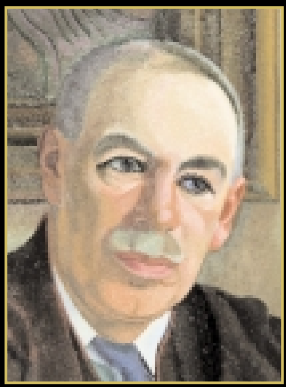
There is an opportunity to provide financial services to the lower income segment of our society. Keynes Rational has taken control of four PSG companies operating in this field. They have been restructured in Keymatrix which is building a national capacity, Anchor Life, a life insurer, and Anchor Finance, a payroll-based lending company.

Michiel le Roux
CHAIRMAN





John Maynard Keynes laid the foundation for thinkers who could with intelligence contribute to the development of capitalism to become the most successful, flexible financial system, benefiting all levels of society.



FUTURE STRATEGIES

- KEYNES RATIONAL HAS EVOLVED INTO A PROFITABLE GROUP
- THE FOUNDATION HAS BEEN LAID FOR A VERY PROMISING FUTURE
- THE ULTIMATE GOAL IS TO BECOME A FULLY-FLEDGED FINANCIAL SERVICES PROVIDER FOR THE UNDERSERVICED MARKET
- WE WILL TAKE ADVANTAGE OF THE GROWTH OPPORTUNITIES IN THE MARKET SEGMENT

KEYNES RATIONAL

This section in last year's annual report was dedicated to PSG Specialised Lending (Pty) Limited. This was the holding company for PSG Smartfin and PSG Anchor Finance, two newly established companies. From these modest beginnings, Keynes Rational has evolved into a profitable group with a strong balance sheet.

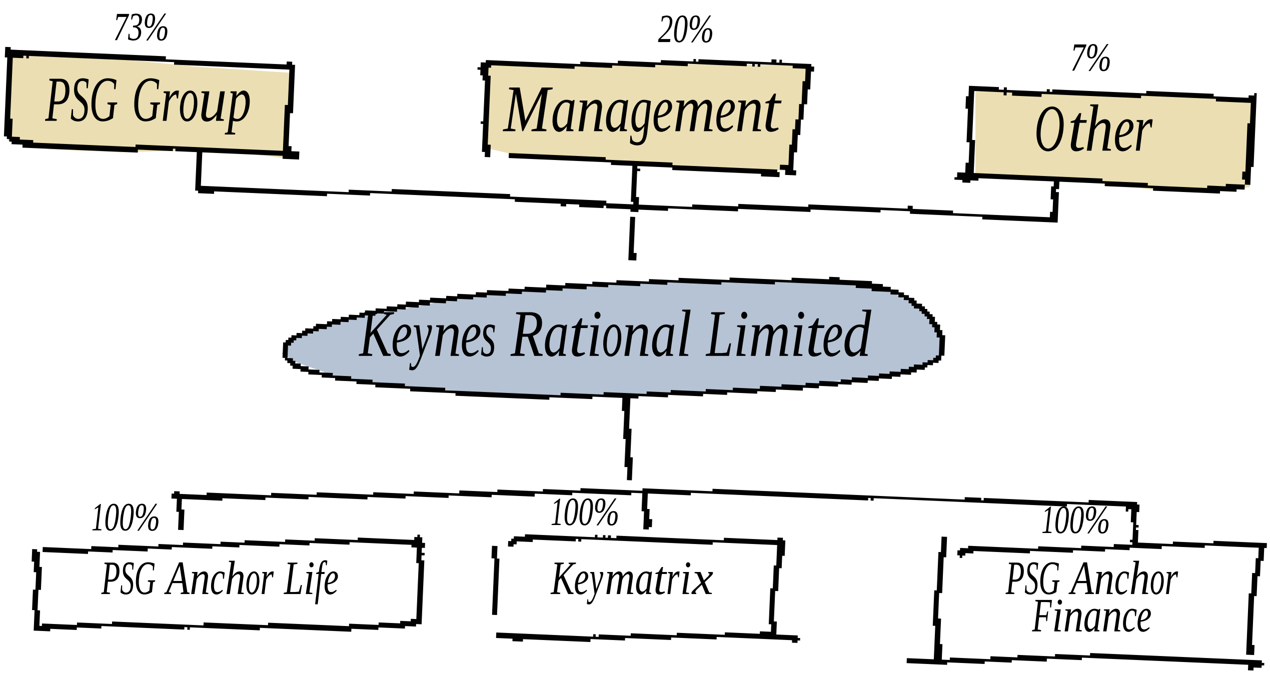
The foundation has been laid for a very promising future. Keynes Rational is well capitalised to take advantage of the growth opportunities within its market segment and the necessary expertise and experience have been obtained to enable it to succeed.

The ultimate goal is to become a listed and credible fully-fledged financial services provider for the underserviced market. Existing services include life assurance products, medium-term and short-term loans. Apart from growing these businesses, receiving money on deposit is the next step in reaching the ultimate goal, and moves are afoot to become a deposit-taking institution.

Two of the immediate challenges that Keynes Rational faces are the threat of Government intervention into, and negative perceptions concerning the short-term loan industry. Keynes Rational fully supports a regulated industry that is allowed to develop subject to the normal market forces of supply and demand. This would be in the best interests of both suppliers and users of credit. Keynes Rational believes a large and credible player will create confidence amongst consumers and regulators.

With effect from 1 March 1999, PSG Smartfin (short-term loans), PSG Anchor Finance (medium-term loans) and PSG

Anchor Life (life assurance) became 100%-held subsidiaries of PSG Specialised Lending. 100% of Finaid Financial Services, a company operating in the short-term loan industry, was also purchased with effect from this date. The businesses of Finaid and PSG Smartfin were subsequently merged and the company renamed Keymatrix. PSG Specialised Lending was also renamed Keynes Rational Limited. Below is a diagram of the group structure at 29 February 2000.



FINANCIAL

The restructuring did not detract Keynes Rational from its primary objectives of growing the businesses and doing so profitably. The following illustrates the financial progress made during the past year:

	2000 R000	Change %	(Pro forma)* 1999 R000
Net income after tax from: Assurance activities	**2 036**	(38)	3 267
Banking and head office	**15 695**	1 840	809
Earnings attributable to shareholders	**17 731**	335	4 076
Weighted number of shares in issue ('000)	**288 957**	5	276 100
Earnings per share (cents)	**6,1**	307	1,5
Total assets	**609 667**	(3)	628 615
Total liabilities	**389 589**	(28)	541 152
Total shareholders' funds	**220 078**	152	87 463
Shares in issue at year-end ('000)	**446 523**	62	276 100
Net asset value per share (cents)	**49,3**	56	31,7
Return on equity (%)	**11,5**		N/a
Return on assets (%)	**2,9**		N/a

**These figures have been compiled on the basis that the current group structure was in place since 1 March 1998.*

- FUNDING OF R227 MILLION OBTAINED
- PROFITS IN KEYMATRIX INCREASED FROM R1,2 MILLION TO R9,8 MILLION
- NATIONAL BRANCH NETWORK NOW IN EXCESS OF 120
- PSG ANCHOR FINANCE ACHIEVED R6,9 MILLION PROFIT
- NEW RANGE OF INSURANCE PRODUCTS LAUNCHED
- 29% INCREASE IN ANNUAL PREMIUM INCOME

THE DIVISIONS

Some notable achievements from the business units include:

KEYNES RATIONAL

Keynes Rational raised equity of R147 million and convertible debt of R80 million during the year. The services of Michiel le Roux, an experienced banker, were obtained and he is chairman of the group.

KEYMATRIX

Profits attributable to shareholders increased from R1,2 million to R9,8 million in 2000. The number of branches increased from 60 in 1999 to more than 120 in 2000 and the number of employees increased from 180 to 463 at year-end. Since the branches are spread over a wide geographical area, which includes Namibia and Botswana, the management of systems and controls is a priority. Management has been strengthened and Gerrie Fourie joined Keymatrix as managing director in April 2000.

PSG ANCHOR FINANCE

Advances increased from R21,0 million to R84,0 million in 2000 and a loss of R363 000 in 1999 was transformed into a profit of R6,9 million in 2000. As these figures indicate, the business has now also shed its greenfields status and all systems and operations are running effectively. Significant growth opportunities in advancing term loans to private sector employees have been identified and this market segment is being actively targeted.

PSG ANCHOR LIFE

The year under review saw further development of the company in both the administration and sales areas.

The company's new business in its traditional market in the C and D income brackets increased by 29% from R49 million to R63 million annual premium income. A new range of products was launched based on the universal life concept. This will provide greater flexibility in designing specific products as well as providing customers with wider choice.

Sales of single premium products continued to develop with the launch of guaranteed investment plans. Sales of investment-related products were R57 million against R78 million in the

KEYMATRIX

HENK LOURENS, NEELS BORSTLAP, FRANCOIS STASSEN, CASPER OELOFSEN, GERRIE FOURIE, WERNER DU PLESSIS

PSG ANCHOR LIFE

SEATED: COLIN VAN DER MEULEN

STANDING: SHACHAR SHLESINGER, MICHAEL BLAIN, ETIENNE PROWSE

previous year. Credit life business increased from R2 million to R10 million. Following the launch of PSG Channel's own investment-related life insurance company (PSG Life), the arrangement with PSG Channel was terminated. This means that single premium business of R330 million reflected in last year's accounts was not repeated. The policies placed with the company were transferred to PSG Life.

The company is introducing new marketing strategies in the C and D income market, including distributing products via independent brokers and direct response methods.

The integration of the company into Keynes Rational also presents marketing opportunities for our products.

VALUE ADDED STATEMENT

FOR THE YEAR ENDED 29 FEBRUARY 2000

	2000 R000	2000 %	1999 R000	1999 %
Value added				
Net interest income	216 549	35	55 546	20
Investment income	136 210	22	46 177	17
Other operating income	267 208	43	172 305	63
	619 967	100	274 028	100
Net operating expenses	123 541	20	46 959	17
Value allocated	496 426	80	227 069	83
To employees				
Salaries, wages and other benefits	168 229	34	83 984	37
To providers of capital	56 961	11	11 882	5
Financing costs	18 088	4		
Dividends – own shareholders	16 740	3	9 544	4
– outside shareholders	22 133	4	2 338	1
To Government	59 269	12	36 398	16
Normal taxation	46 993	9	32 874	15
Value-added tax	6 179	2	619	
Financial services levy	247		336	
Regional services levy	1 558		571	
Stamp duties	4 292	1	1 998	1
To expansion and growth	211 967	43	94 805	42
Depreciation	11 474	2	3 361	2
Retained income – own shareholders	133 504	27	57 156	25
– outside shareholders	66 989	14	34 288	15
	496 426	100	227 069	100

EMPLOYEE STATISTICS

	Number	%
Gender		
Male	969	42
Female	1 331	58
Race		
Black	1 298	56
White	1 002	44
Education		
Up to grade 11	316	14
Grade 12	1 172	51
Post grade 12 (eg diploma/certificate)	430	19
University degree	284	12
Post graduate degree or professional qualification	98	4
Hierarchy		
Executive directors (including CEOs and MDs)	50	2
Executive management	80	3
Operational	1 875	82
Support	295	13
Total number of empoyees	***2 300***	

CORPORATE GOVERNANCE

PSG is committed to the principles of transparency, integrity and accountability as advocated in the King Report on Corporate Governance. Accordingly PSG's corporate governance policies have been appropriately applied during the period under review.

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

BOARD OF DIRECTORS

Details of the executive and non-executive directors are provided on page 3 of the annual report.

The board, which meets not less than nine times per annum, comprises the company's executive directors, the chief executives of each of the major operating subsidiaries and independent outside directors. The group is owner-managed with each director owning or representing a shareholding in the company.

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

The board considers it in the company's and the group's best interest to have an executive chairman.

REMUNERATION COMMITTEE

The remuneration committee comprises Adv F-A du Plessis BCom, LLB, CA(SA), BCom (Hons) (Taxation) (chairman) and Messrs A B la Grange, C A Otto and L de Wit.

AUDIT COMMITTEE

The audit committee comprises Dr J van Zyl Smit (57) BCom, LLB, CA(SA), DCom (chairman) and Messrs J de V du Toit, J F Mouton and C A Otto.

EMPLOYEE PARTICIPATION

A significant percentage of employees are either shareholders in the company, participants in the share incentive scheme, shareholders in subsidiary companies or participants in share incentive schemes in those subsidiaries. Employees are co-owners of the business and are treated as such with transparent communication a priority.

AFFIRMATIVE ACTION

The group is committed to being a new South Africa company and is representative of all the people in South Africa. An affirmative action programme has been adopted to ensure proper compliance. Our economic empowerment partner, Siphumelele, will assist in this process.

ETHICS

PSG's code of ethics commits the group to maintaining high ethical and moral codes of conduct in our professional and social dealings. This is ingrained in the culture of the group.

YEAR 2000 COMPLIANCE

The advent of Y2K had no impact on PSG group nor any of its divisions.

STATEMENT OF AUDIT COMMITTEE

The annual financial statements are the responsibility of the directors of PSG Group Limited.

In meeting this responsibility they are guided by the management of the group, who prepares the financial statements and maintains the systems of control, and are assisted by the external auditors and audit committee of the board.

The audit committee, chaired by an independent non-executive, meets regularly with the auditors and management to consider matters of governance and fair presentation of financial information in terms of generally accepted accounting practice. These financial statements have also been reviewed by the audit committee and recommended for acceptance by the board of directors.

The auditors, management and staff of the group have unrestricted access to this committee.

Dr J van Zyl Smit
Chairman of audit committee
6 April 2000

STATEMENT OF REMUNERATION COMMITTEE

The PSG Group Remuneration Committee is chaired by an independent non-executive and further comprises one executive director as well as the chief executive officers of two group divisions. Furthermore each major group subsidiary has its own remuneration committee chaired by the same independent non-executive.

This committee operates according to a board-approved charter and is primarily responsible for overseeing the remuneration and incentives of the executive directors as well as providing strategic guidance to the other divisional remuneration committees. It takes cognisance of both local and international best remuneration practices in order to ensure that such total remuneration is fair and reasonable to both the employee and the company.

The committee has satisfied itself that the correct procedures have been followed throughout the group and that current remuneration practices within PSG is in line with best practice.

Adv F-A du Plessis
Chairman of remuneration committee
17 April 2000

RISK MANAGEMENT

Each group company has its own board of directors responsible for the management, including risk management, of that company and its business. In the instance of PSG Investment Bank Holdings (PSGBH) its sophisticated risk management controls and procedures are comprehensively dealt with in their annual report. PSGBH manages financial risk for reward using their experience and knowledge in the financial services arena. A summary of their risk management procedures is set out below.

MARKET RISK MANAGEMENT

Market risk is the risk of a loss from on- and off-balance sheet positions if there are unfavourable market movements. Market risk is managed by setting strict risk limits approved by the board. Responsibility for the day-to-day risk management activities has been delegated to an independent risk management committee, who makes extensive use of mathematical and statistical methodologies including Value at Risk techniques.

INTEREST RATE AND LIQUIDITY RISK MANAGEMENT

Interest rate risk is the impact the repricing of the bank's assets and liabilities may have on future cash flows and earnings. Liquidity risk is the ability to meet financial obligations as they fall due while managing the mismatch in the maturity of assets and liabilities. The asset and liability committee is responsible for the establishment and monitoring of lending and funding policies. It ensures that the balance sheet is flexible enough to adapt to changing economic conditions and that quality assets are taken on.

CREDIT RISK MANAGEMENT

Credit and counterparty risk is the possibility that clients may default on their future cash flow obligations to the bank. Policies and procedures to measure and manage credit risk exposure have been determined by the credit committee and approved by the board of directors. Responsibility for the day-to-day risk management activities is delegated to an independent credit risk management department that reports to the credit committee and the board of directors.

OPERATIONAL RISK

Operational risk refers to the risk of losses arising from events related to people, processes and technology risks and external dependencies. The financial and operational committee manages operational risk with day-to-day responsibilities being delegated to the operational director.

Legal, human resource, technology and process risks are mitigated by policies and practices that include amongst others a dedicated internal legal function, employee training and development, code of conduct policies, segregation of duties, comprehensive business recovery planning processes and an internal audit function.

CAPITAL ADEQUACY

PSGBH's capital adequacy risk is managed by the asset and liability committee which monitors the adequacy of its capital using Bank of International Settlement and SA Reserve Bank ratios. These ratios measure capital adequacy by comparing PSGBH's eligible capital with its balance sheet assets, off-balance sheet commitments and market and other risk positions at a weighted amount to reflect their relative risk. The Banks Act specifies the minimum capital holding required in relation to risk-weighted assets. The current regulatory requirement is 8%, compared to PSGBH's 55%.

CONTENTS

APPROVAL OF ANNUAL FINANCIAL STATEMENTS

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

The audit committee of the group meets regularly with the external auditors, as well as senior management, to evaluate matters concerning accounting policies, internal control, auditing and financial reporting. The external auditors have unrestricted access to all records, assets and personnel as well as to the audit committee.

The financial statements are prepared on the going concern basis, since the directors have every reason to believe that the group has adequate resources to continue for the foreseeable future.

The financial statements set out on pages 42 to 67 were approved by the board of directors of PSG Group Limited and are signed on its behalf by:

J F Mouton
Chairman

C A Otto
Director

10 April 2000
Stellenbosch

REPORT OF THE INDEPENDENT AUDITORS

To the members of PSG Group Limited

We have audited the financial statements and the group financial statements set out on pages 42 to 67 for the year ended 29 February 2000. These financial statements are the responsibility of the directors of the company. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope

We conducted our audit in accordance with statements of South African Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures included in the financial statements;
- assessing the accounting principles used and significant estimates made by management; and
- evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion.

Audit opinion

In our opinion, the financial statements fairly present, in all material respects, the financial position of the company and the group at 29 February 2000 and the results of their operations, changes in equity and cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice and in the manner required by the Companies Act.

PricewaterhouseCoopers

PricewaterhouseCoopers Inc
Chartered Accountants (SA)
Registered Accountants and Auditors

10 April 2000
Stellenbosch

DECLARATION BY THE COMPANY SECRETARY

We declare that, to the best of our knowledge, the company has lodged with the Registrar all such returns as are required of a public company in terms of the Companies Act and that all such returns are true, correct and up to date.

PSG Corporate Services (Pty) Limited
Per J A Swanepoel
Company secretary

10 April 2000
Stellenbosch

DIRECTORS' REPORT

Nature of business

The company's subsidiaries and associated entities offer diversified financial services.

Operating results

The operating results and the state of affairs of the company and the group are fully set out in the attached income statements, balance sheets and notes thereto. The group's headline earnings attributable to shareholders amounted to R164,7 million (1999: R82,0 million).

Share capital

Details of the authorised and issued share capital appear in note 26 to the financial statements.

Dividends and capital distribution

Details of dividends and the capital distribution appear in note 9 to the financial statements.

Share incentive scheme

At 29 February 2000 the PSG Group Share Incentive Trust held 15 596 241 shares at a cost of R136 820 513. Of these, 14 896 446 have been allocated to employees at a total consideration of R133 793 465.

The remaining shares are under the control of the trustees of the trust to offer to eligible employees.

Directorate

The directors of the company at the date of this report appear on page 3.

Since the date of the previous report Messrs A B la Grange and M S du P le Roux have been appointed as directors of the company and Mr C F Myburgh resigned as a director of the company.

In terms of the company's articles of association, Messrs A B la Grange and M S du P le Roux, being new appointments to the board, retire as directors at the next annual general meeting, but being eligible, offer themselves for re-election.

Messrs L A de Waal, L de Wit and H H Oosthuizen retire by rotation but being eligible, offer themselves for re-election.

The directors' total shareholding in the issued share capital of the company as at 29 February 2000 was as follows:

	Direct	Indirect
Beneficial	245 300	7 339 654
Non-beneficial		15 167 997

Secretary

The secretary of the company is PSG Corporate Services (Pty) Limited. The business and postal addresses are shown on the inside back cover.

ACCOUNTING POLICIES

1. Basis of presentation

The annual financial statements have been prepared on the historical cost basis in conformity with South African Statements of Generally Accepted Accounting Practice. These policies are in all material respects consistent with those adopted in the previous year. One of the assurance subsidiaries changed its policies in respect of the recognition of revenue (see note 20), but the effect of this change is not considered to be material to the group.

2. Group financial statements

The group annual financial statements comprise those of the company, its subsidiaries and associated companies.

Subsidiaries

Subsidiary undertakings, which are those companies in which the group, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has power to exercise control over the operations, have been consolidated. Subsidiaries are consolidated from the date on which the effective control is transferred to the group and are no longer consolidated from the date of disposal. All intercompany transactions and balances between group companies have been eliminated. Investments by group companies in the policyholders' funds of assurance subsidiaries are however not eliminated as these are being done on an arm's length basis.

Associated companies

Associated companies are those companies which are not subsidiaries and in which the group holds a long-term investment and exercises significant influence over their financial and operating policies. The results of associated companies are accounted for according to the equity method, based on their most recent audited financial statements.

Intangible assets on acquisition

Premiums in respect of the purchase consideration of shares and businesses in excess of the book value of the net tangible assets are set off against the share premium account. Deficits on acquisition are credited against a non-distributable reserve.

3. Investments

Investments of assurance subsidiaries

Investments other than fixed properties are reflected at market value. The unrealised surpluses or deficits arising on the adjustment of listed investments to market value are taken to the income statement.

Fixed properties are reflected at directors' valuation and unrealised surpluses or deficits arising on the revaluation are transferred directly to the policyholders' fund.

The difference between the consideration paid to date and the fair value of the net tangible assets of the subsidiaries at the date of acquisitions is transferred directly to the life policyholders' fund.

Other investments

Investments in which the group has a long-term interest but which do not meet the criteria for subsidiaries or associated companies are classified as other investments. These investments are stated at cost to the group unless, in the opinion of the directors, a permanent diminution in the value of an investment has occurred. In these circumstances the investment is stated at its written down value and the relevant diminution is written off against income.

4. Fixed assets

Fixed assets are stated at cost less accumulated depreciation.

Land and buildings are not depreciated. Depreciation on office equipment and computer equipment is calculated on the straight line method at rates considered appropriate to reduce book values to estimated residual values over the useful lives of the assets, as follows:

– Office equipment	5 years
– Computer equipment	3 years

ACCOUNTING POLICIES

5. Offsetting

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.

6. Revenue recognition

INCOME OF ASSURANCE SUBSIDIARIES

Premium income

Premium income is raised when due by policyholders.

Investment income

Investment income is stated net of all property operating expenses and also includes realised investment surpluses and deficits and unrealised listed investment surpluses and deficits based on the difference between the market value at the beginning of the year and the proceeds of sale at the date of disposal.

Commission

Commission paid in advance is deferred and expensed as they become earned.

Commission received from reinsurers, as far as they relate to expense recoveries, are recognised as income when they become due and payable by reinsurers. The deemed commission recoveries are deferred and recognised in accordance with the premiums received on the underlying insurance policies.

INCOME OF BANKING-RELATED ACTIVITIES

Financial instruments

Investments in financial instruments are held in investment and trading portfolios.

Financial instruments held in trading portfolios are stated at market value, and any surplus or deficit included in net income. Financial futures contracts and options are stated at fair value and gains and losses are included in net income.

Financial instruments held in investment portfolios are stated at book value and profits or losses are recognised on realisation. Investments with a fixed redemption date are stated at original cost plus accrued interest.

Finance leases

When assets are sold under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

Repurchase agreements

Where the group sells securities from its portfolios and agrees to repurchase these at a future date and risk of ownership remains with the group, the consideration received and accrued interest are included in loans and deposits. The cost attached to such an advance is included under interest expense. The securities continue to be recorded on the balance sheet.

Conversely, where securities are purchased under such a repurchase agreement with a commitment to resell them at a future date and the risks of ownership have not passed to the group, the consideration paid is included under loans and advances with the resulting income shown as interest income. The securities are not recorded on the balance sheet.

Doubtful advances

Advances are stated net of amounts for specific and general provisions. Specific provisions are made against identified doubtful advances. General provisions are maintained to cover potential losses, which although not specifically identified, may be present in any financial institution's portfolio of advances. The provisions created net of any recovery is included in net income.

Other trading activities

Commission and fees

Commission and fees include fees earned from providing advisory services, portfolio management and brokerage activities. All such commission and fees are recognised as revenue when the related services are performed.

Income of microlending activities

Revenue is recognised in the financial statements at the date when services are rendered to clients. Finance charges earned are computed at the effective rates of interest in the contracts and are brought to income in proportion to balances outstanding.

Accrual of interest on advances is suspended when the recoverability of the advance becomes uncertain. Advances are written off once the probability of recovering any significant amounts becomes remote.

7. Foreign currency translation

Foreign transactions

Transactions in foreign currencies are converted to South African Rand at the rate of exchange ruling at the date of the transaction. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement. Such balances are translated at year-end rates.

Foreign entities

Assets and liabilities in the financial statements of foreign subsidiaries are translated into South African Rand at middle closing rates of exchange ruling at the year end. Income, expenditure and cash flow items are translated at the weighted average rates of exchange during the relevant financial year.

Exchange differences arising on translation are taken to a non-distributable reserve.

8. Deferred taxation

Deferred taxation is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred taxation.

No deferred tax asset is raised.

9. Retirement benefits

Current contributions to retirement funds are charged against income as incurred. The group has no liabilities with regard to post-retirement medical benefits.

INCOME STATEMENTS

FOR THE YEAR ENDED 29 FEBRUARY 2000

		Group		Company	
	Notes	**2000 R000**	1999 R000	**2000 R000**	1999 R000
Income					
Net interest income	1	**216 549**	55 546		4 265
Investment income	2	**136 210**	46 177	**16 740**	40 866
Other operating income	3	**267 208**	172 305		
Total income		**619 967**	274 028	**16 740**	45 131
Expenses					
Employee compensation and benefits		**168 229**	83 984		
Other operating expenses		**147 291**	53 844		123
Net income from normal operations	4	**304 447**	136 200	**16 740**	45 008
Financing costs	5	**18 088**			
Income from associated companies		**18 737**	14 066		
Exceptional items	6		20 684		
Net income before taxation		**305 096**	170 950	**16 740**	45 008
Taxation	7	**51 229**	37 610		11 455
Net income of the group		**253 867**	133 340	**16 740**	33 553
Attributable to outside shareholders		**89 122**	36 626		
Earnings attributable to ordinary shareholders		**164 745**	96 714	**16 740**	33 553
Earnings per share (cents)	8				
Headline earnings		**120,6**	85,9		
Total earnings		**120,6**	101,3		
Distribution per share (cents)	9				
Dividend		**12,0**	10,0		
Capital		**24,0**	15,0		

BALANCE SHEETS

AS AT 29 FEBRUARY 2000

	Notes	Group 2000 R000	Group 1999 R000	Company 2000 R000	Company 1999 R000
Assets					
Fixed assets	10	**48 419**	23 944		
Investment in subsidiaries	11			**1 188 238**	912 249
Investment in associated companies	12	**12 510**	297 412		
Other investments	13	**100 705**	36 538		
Other assets	14	**258 111**	86 129		
Accounts receivable	15	**274 901**	138 829	**72 807**	37 123
Loans and advances	16	**658 827**	149 091		
Investment and trading securities	17	**891 159**	404 328		
Short-term negotiable securities	18	**651 581**	663 257		
Cash and short-term funds	19	**378 275**	287 958	**25**	
		3 274 488	2 087 486	**1 261 070**	949 372
Investments of assurance subsidiaries	20	**10 932 044**	456 457		
		14 206 532	2 543 943	**1 261 070**	949 372
Liabilities					
Long-term liabilities	21	**25 583**			
Deferred taxation	22	**1 704**			
Accounts payable and other liabilities	23	**447 894**	207 072	**33 586**	35 316
Loans and deposits	24	**849 772**	894 797		
Short-term borrowings	25	**94 362**			
		1 419 315	1 101 869	**33 586**	35 316
Shareholders' and policyholders' funds					
Share capital	26	**1 395**	954	**1 395**	954
Share premium		**553 159**	240 172	**553 159**	240 172
Non-distributable reserves	27	**175 526**	39 273		
Retained earnings	28	**355 214**	357 960	**672 930**	672 930
Ordinary shareholders' funds		**1 085 294**	638 359	**1 227 484**	914 056
Outside shareholders		**770 672**	325 564		
Total shareholders' funds		**1 855 966**	963 923	**1 227 484**	914 056
Policyholders' funds	20	**10 931 251**	478 151		
		12 787 217	1 442 074	**1 227 484**	914 056
		14 206 532	2 543 943	**1 261 070**	949 372

STATEMENTS OF CHANGES IN OWNERS' EQUITY

FOR THE YEAR ENDED 29 FEBRUARY 2000

	Group 2000 R000	Group 1999 R000	Company 2000 R000	Company 1999 R000
Ordinary shareholders' funds at beginning of year	**638 359**	534 754	**914 056**	862 811
Movements in share capital				
Shares issued	**441**	88	**441**	88
Movements in share premium				
Shares issued	**524 780**	88 245	**524 780**	88 245
Issue cost	**(1 356)**	(207)	**(1 356)**	(207)
Goodwill on acquisition*	**(177 445)**	(46 573)	**(177 445)**	(46 573)
Capital distribution*	**(32 992)**	(14 317)	**(32 992)**	(14 317)
	312 987	27 148	**312 987**	27 148
Movements in non-distributable reserves				
Transferred to retained earnings		(298)		
Foreign exchange translation	**2 263**	1 184		
Non-distributable reserve on acquisition of subsidiary	**133 572**	37 984		
Revaluation reserve	**418**	105		
	136 253	38 975	**–**	–
Movements in retained earnings				
Net income for the year	**164 745**	96 714	**16 740**	33 553
Ordinary dividends	**(16 740)**	(9 544)	**(16 740)**	(9 544)
Change in shareholding of subsidiary	**(150 751)**	(50 074)		
Transfer from non-distributable reserves		298		
	(2 746)	37 394	**–**	24 009
Ordinary shareholders' funds at end of year	**1 085 294**	638 359	**1 227 484**	914 056

* *The capital distribution and write-off of intangibles on acquisition are to be approved for purposes of a capital reduction in terms of section 90 of the Companies Act.*

CASH FLOW STATEMENTS

FOR THE YEAR ENDED 29 FEBRUARY 2000

	Notes	Group 2000 R000	Group 1999 R000	Company 2000 R000	Company 1999 R000
Cash retained from operating activities					
Cash generated by operating activities	36.1	**10 571 927**	540 408	**16 740**	45 008
Change in net current assets	36.2	**80 390**	(48 127)	**(35 578)**	(28 237)
Financing costs		**(18 088)**			
Taxation paid	36.3	**(56 249)**	(18 374)	**(11 455)**	
Cash available from operating activities		**10 577 980**	473 907	**(30 293)**	16 771
Policyholders' fund – terminal bonuses paid		**(460)**	(927)		
Dividends and capital distributions	36.4	**(40 113)**		**(40 113)**	
		10 537 407	472 980	**(70 406)**	16 771
Cash utilised in investing activities					
Net investment in fixed assets		**(36 489)**	(17 576)		
Restraint and intellectual property payments		**(49 490)**	(7 020)		
Investments					
Acquisition of subsidiaries	36.5	**834 503**	(34 886)	**13 609**	(334 628)
Additional shares in subsidiaries acquired		**(108 912)**			
Net cash flow on sale of subsidiaries			128 632		
Investment in associates acquired		**(16 076)**	(342 411)		
Proceeds on disposal of associates		**175 187**			
Loans to subsidiaries and associates		**(567)**	(1 394)		
Investments made by assurance subsidiaries		**(10 306 341)**	(360 420)		
Other investments and loans		**(195 929)**	(70 714)		
Restructuring costs		**(18 841)**			
		(9 722 955)	(705 789)	**13 609**	(334 628)
Cash flow attributable to investment in short-term income earning assets					
Change in loans and deposits		**(103 669)**	894 797		
Change in loans and advances		**(454 446)**	(149 899)		
Change in investment and trading securities		**(444 726)**	(264 653)		
Change in short-term negotiable securities		**36 662**	(663 257)		
		(966 179)	(183 012)	**–**	–
Cash flow from financing activities					
Net increase in shareholder funding	36.6	**56 822**	(207)	**56 822**	(207)
Outside shareholder funding		**74 532**	304 816		
Change in long-term borrowings		**16 328**			
Change in short-term borrowings		**5 683**			
		153 365	304 609	**56 822**	(207)
Net increase/(decrease) in cash and equivalents		**1 638**	(111 212)	**25**	(318 064)
Cash and equivalents at beginning of year		**287 958**	399 170		318 064
Cash and equivalents at end of year	36.7	**289 596**	287 958	**25**	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29 FEBRUARY 2000

	Group		Company	
	2000 R000	1999 R000	**2000 R000**	1999 R000
1. Net interest income				
Interest income				
Loans and advances	**163 722**	15 893		
Investment and trading securities	**10 766**	5 078		
Short-term negotiable securities	**98 712**	27 868		
Cash and short-term funds	**110 468**	30 738		
Other	**11 246**	14 179		4 265
	394 914	93 756	**–**	4 265
Interest expense				
Loans and deposits	**170 872**	36 551		
Other interest bearing liabilities	**7 493**	1 659		
	178 365	38 210	**–**	–
Net interest income	**216 549**	55 546	**–**	4 265
2. Investment income				
Profit on realisation of investments	**67 461**	17 118		
Loss on realisation of investments	**(11 515)**	(2 354)		
Income from investment securities				
Dividends	**62 432**	30 654		
Income from other investments				
Interest	**11 884**	122		
Dividends	**5 948**	637		
Income from subsidiaries				
Interest				28 588
Dividends			**16 740**	12 278
Investment income	**136 210**	46 177	**16 740**	40 866

	Group 2000 R000	Group 1999 R000	Company 2000 R000	Company 1999 R000
3. Other operating income				
Income from assurance subsidiaries				
Premium income				
Recurring premiums	**79 901**	80 654		
Single premiums	**11 090 574**	382 911		
Gross premium income	**11 170 475**	463 565		
Less: Premiums paid	**(40 450)**	(33 014)		
Net premium income	**11 130 025**	430 551		
Investment income				
Dividends	**15 256**	1 119		
Interest	**156 509**	29 420		
Net property income	**(683)**	(871)		
Realised surplus/(deficit) on investments	**51 487**	(15 785)		
Unrealised surplus on investments	**1 455 422**	(6 872)		
Net investment income	**1 677 991**	7 011		
Reassurance commission	**20 453**	25 007		
Total income	**12 828 469**	462 569		
Expenses				
Commission and marketing	**50 787**	38 529		
Claims and other policyholders' benefits	**2 261 204**	9 394		
Other operating expenses	**49 900**	33 871		
	2 361 891	81 794		
Appropriations				
Policyholders' funds	**10 459 869**	374 855		
Policyholders' bonuses		2 409		
	10 459 869	377 264		
Net income from assurance activities	**6 709**	3 511		
Other operating income				
Commission and fees	**156 305**	70 591		
Dealing and structuring transactions	**65 363**	93 751		
Treasury operations	**38 831**	4 452		
	260 499	168 794		
	267 208	172 305		

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29 FEBRUARY 2000

	Group 2000 R000	Group 1999 R000	Company 2000 R000	Company 1999 R000
4. Net income from normal operations				
The following items have been charged in arriving at net income from normal operations:				
Depreciation				
Office equipment	**2 900**	908		
Computer equipment	**8 574**	2 453		
	11 474	3 361		
Loss on sale of fixed assets	**–**	181		
Rental and operating lease charges				
Properties	**15 058**	5 987		
Other	**5 523**	888		
	20 581	6 875		
Auditors' remuneration				
Audit fees	**3 151**	1 586		
Other consulting services	**901**	762		
	4 052	2 348		
Remuneration other than to employees				
Administration and managerial	**14 739**	705		
Secretarial	**1 656**	238		
Technical	**8 474**	2 884		
	24 869	3 827		
Retirement benefits	**5 959**	2 436		
Foreign exchange differences				
Foreign exchange gains	**1 329**	27		
Foreign exchange losses	**556**	3		
	773	24		
Directors' emoluments				
Executive directors				
Remuneration			**9 038**	3 795
Benefits			**532**	260
Performance related bonus				8 250
			9 570	12 305
Non-executive directors				
Fees			**22**	22
			9 592	12 327
Less: Paid by subsidiaries			**9 592**	12 327
			–	–

	Group 2000 R000	Group 1999 R000	Company 2000 R000	Company 1999 R000

5. Financing costs

	Group 2000 R000	Group 1999 R000	Company 2000 R000	Company 1999 R000
Long-term liabilities	**1 803**			
Short-term liabilities	**16 285**			
	18 088	–		

6. Exceptional items

	Group 2000 R000	Group 1999 R000	Company 2000 R000	Company 1999 R000
Net surplus on sale of investments				
Attributable to ordinary shareholders		14 683		
Attributable to outside shareholders		6 001		
	–	20 684		

7. Taxation

	Group 2000 R000	Group 1999 R000	Company 2000 R000	Company 1999 R000
South African normal tax				
Current tax – current year	**43 861**	36 405		11 455
Current tax – previous year	**(329)**			
Deferred tax – current year	**1 759**	(3 856)		
Deferred tax – previous year	**(55)**			
Secondary tax on companies	**755**			
Tax related to income from associates	**4 236**	4 736		
Foreign taxation	**1 002**	325		
Tax for the year	**51 229**	37 610	**–**	11 455
Reconciliation of rate of taxation	**%**	%	**%**	%
South African normal tax rate	**30,0**	35,0	**30,0**	35,0
Adjusted for:				
Exempt income	**(15,8)**	(11,4)	**(30,0)**	(9,5)
Disallowable expenditure	**1,7**	3,7		
Foreign tax rate differential	**(3,1)**	(5,3)		
Income from associated companies		(0,2)		
Secondary tax on companies	**0,3**			
Deferred tax not provided for	**5,2**	0,3		
Utilisation of assessed loss	**(1,5)**	(0,1)		
Effective rate of tax	**16,8**	22,0	**–**	25,5
Gross calculated tax losses at the end of the year available for utilisation against future taxable income.	**42 736**	505	**–**	–
Tax relief calculated at current rates	**12 821**	177	**–**	–
STC credits available within the group	**33 004**	18 503	**3 013**	3 013

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29 FEBRUARY 2000

7. Taxation (continued)

Taxation on income derived from the carrying on of the long-term assurance business is computed in terms of the Income Tax Act, 1962, in accordance with the special formula applicable to life assurance companies.
PSG Anchor Life Limited has last been assessed for the year ended 28 February 1998 and estimates its available assessed loss in the individual policyholders' fund to be R141 million (1999: R127 million) and the corporate fund R71 million (1999: R30 million). The loss in the corporate fund will be largely utilised in the next financial year due to the change in the tax basis applicable from 1 March 2000 and is therefore not all available for offset against future taxable income.

8. Earnings per share

	Group		Company	
	2000 R000	1999 R000	**2000 R000**	1999 R000
The calculations of earnings per share is based on the following:				
Total earnings attributable to ordinary shareholders	**164 745**	96 714		
Exceptional items (net of outside shareholders)		14 683		
Headline earnings	**164 745**	82 031		
Weighted average number of shares (000)	**136 613**	95 445		

9. Distributions to shareholders

	Group		Company	
	2000 R000	1999 R000	**2000 R000**	1999 R000
Dividends				
12,0 cents per share (1999: 10,0 cents)	**16 740**	9 544	**16 740**	9 544
Capital				
24,0 cents per share (1999: 15,0 cents)	**32 992**	14 317	**32 992**	14 317
	49 732	23 861	**49 732**	23 861

	Group		Company	
	2000 R000	1999 R000	2000 R000	1999 R000

10. Fixed assets

Historic costs

	Land and buildings	Office equipment	Computer equipment	Group Total 2000	Total 1999
Balance at the beginning of the year	1 303	10 208	18 529	**30 040**	12 686
Additions		16 076	27 578	**43 654**	18 425
Disposals		(1 533)	(7 588)	**(9 121)**	(2 189)
Subsidiaries acquired		68	40	**108**	1 118
Balance at the end of the year	1 303	24 819	38 559	**64 681**	30 040

Accumulated depreciation

	Land and buildings	Office equipment	Computer equipment	Total 2000	Total 1999
Balance at the beginning of the year		1 607	4 489	**6 096**	4 075
Depreciation charge		2 900	8 574	**11 474**	3 361
Disposals		(374)	(1 001)	**(1 375)**	(1 340)
Subsidiaries acquired		27	40	**67**	
Balance at the end of the year	–	4 160	12 102	**16 262**	6 096
Net carrying value	1 303	20 659	26 457	**48 419**	23 944

Details of land and buildings are available at the registered office of the relevant group company.
The market value of land and buildings at 29 February 2000, as determined by the directors of the relevant property owning group company, amounted to R1 800 000 (1999: R1 303 000).

11. Investment in subsidiaries

	2000	1999
Unlisted shares at book value	**1 188 238**	912 249
Included in accounts receivable are amounts due by subsidiaries	**72 807**	37 123

Refer Annexure A

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29 FEBRUARY 2000

	Group 2000 R000	Group 1999 R000	Company 2000 R000	Company 1999 R000

12. Investment in associated companies

	Group 2000 R000	Group 1999 R000	Company 2000 R000	Company 1999 R000
Listed				
Shares at cost	**14 977**	336 867		
Goodwill written off	**(9 562)**	(51 113)		
Retained earnings		9 006		
	5 415	294 760		
Unlisted				
Shares at cost	**5 471**	1 210		
Goodwill written off	**(2 787)**			
Retained earnings	**2 450**	48		
Unsecured loans	**1 961**	1 394		
	7 095	2 652		
	12 510	297 412		
Market value of listed investments	**14 977**	326 521		
Directors' valuation of unlisted investments	**16 710**	2 652		

Refer Annexure A

13. Other investments

	Group 2000 R000	Group 1999 R000	Company 2000 R000	Company 1999 R000
Listed investments at cost	**24 865**	22 361		
Unlisted investments at cost	**75 840**	14 177		
	100 705	36 538		
Market value of listed investments	**24 596**	20 111		
Directors' valuation of unlisted investments	**71 725**	14 177		

Refer Annexure A

14. Other assets

	Group 2000 R000	Group 1999 R000	Company 2000 R000	Company 1999 R000
Amounts advanced to share incentive trusts	**227 256**	76 800		
Other	**30 855**	9 329		
	258 111	86 129		

	Group		Company	
	2000 R000	1999 R000	2000 R000	1999 R000
15. Accounts receivable				
Trade debtors	110 247	71 647		
Prepayments	115 005	29 691		
Other	49 649	37 491	72 807	37 123
	274 901	138 829	72 807	37 123
16. Loans and advances				
Category analysis				
Secured loans	255 019	29 736		
Unsecured loans	116 253	5 800		
Leases and installment debtors	168 048	53 948		
Microloans	123 422	24 600		
Other	10 181	37 300		
	672 923	151 384		
Specific and general provisions	14 096	2 293		
	658 827	149 091		
Maturity analysis				
On demand to one month	190 655	46 783		
One month to six months	86 359	45 872		
Six months to one year	44 050	8 972		
Greater than one year	351 859	49 757		
	672 923	151 384		
Analysis of provisions				
Specific provisions for bad and doubtful debts	7 663	1 490		
General provision	6 433	803		
	14 096	2 293		
Movement in provisions				
Balance at beginning of year	2 293			
Debts written off	(5 548)	(1 079)		
Charge to income statement to increase provision	17 351	3 372		
Provision at year-end	14 096	2 293		

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29 FEBRUARY 2000

	Group		Company	
	2000 R000	1999 R000	2000 R000	1999 R000
17. Investment and trading securities				
Category analysis				
Government and government guaranteed	50 578	72 869		
Listed securities	274 196	6 739		
Unlisted securities	566 385	324 720		
	891 159	404 328		
Analysis by portfolio				
Liquid assets	50 578	14 629		
Investment	783 385	324 661		
Trading	57 196	65 038		
	891 159	404 328		
Maturity analysis				
On demand to one month	152 005	6 897		
One month to six months	129 228			
Six months to one year	30 733	14 629		
Greater than one year	579 193	382 802		
	891 159	404 328		
18. Short-term negotiable securities				
Bills	411 588	86 564		
Negotiable certificates of deposits	217 730			
Money market instruments	22 263	576 693		
	651 581	663 257		
19. Cash and short-term funds				
Balances with central bank	16 338	5 100		
Balances with other banks	265 913	65 763		
Money on call and short notice	55 660	174 945		
Reserved deposits	21 562			
Bank and cash	18 802	42 150	25	–
	378 275	287 958	25	–

	Group 2000 R000	Group 1999 R000	Company 2000 R000	Company 1999 R000

20. Interest in assurance subsidiaries

The following information relates to the group's interest in assurance activities:

Name of company and nature of business	Carrying value of investment	
PSG Anchor Life Limited	**69 670**	69 670
– Life assurance to C and D income groups		
PSG Life Limited	**20 000**	–
– Investment management activities		

Policyholders' funds

Opening balance at market value	**478 151**	113 241
Amount transferred from the income statement in respect of increase in actuarial liabilities and additional reserves	**10 459 869**	374 855
Property and subsidiary revaluation	**(6 309)**	
Change in accounting policy		(11 427)
Cash and terminal bonuses:		
declared		2 409
paid	**(460)**	(927)
Closing balance at market value	**10 931 251**	478 151
Comprising:		
Individual policyholders' funds	**199 102**	147 523
Investment-linked managed portfolios	**10 732 149**	330 628
	10 931 251	478 151

Policyholders' assets

Policyholders' assets are included in the balance sheet under both Cash and short-term funds and Investments of assurance subsidiaries. A certain proportion of these are also attributable to shareholders' funds.

Investments of assurance subsidiaries comprise:		
Unit trusts	**55 833**	672
Government, public utility and municipal stock	**2 769 546**	14 566
Preferential investment	**2 828**	
Equity portfolios, including cash	**4 634 109**	412 376
Ordinary debentures, mortgages and loans	**50 118**	163
Property investments	**312 301**	19 300
Secured loans	**20 415**	9 380
Money market	**2 147 228**	
Offshore funds	**939 666**	
Investments at market value	**10 932 044**	456 457

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29 FEBRUARY 2000

	Group 2000 R000	Group 1999 R000	Company 2000 R000	Company 1999 R000

20. Interest in assurance subsidiaries (continued)

Financial soundness

In their reports to the respective companies, the statutory actuaries reported that they have valued the policy liabilities consistent with the fair value of the corresponding assets in accordance with the applicable guidelines of the Actuarial Society of South Africa. They were also satisfied that the companies are financially sound and that the excess of its assets over its liabilities are more than sufficient to cover its capital adequacy requirements.

Change in accounting policies

During the year PSG Anchor Life changed its accounting policies in respect of the recognition of premium income, commission received from reassurers and commissions paid. There is no effect of the changes in accounting policies on the current year income, comparative amounts and retained income brought forward. Changes in premium income, commission income and expenses are offset by equal changes in the transfer to the policyholders' fund. This arises from the fact that the accounting policies used by PSG Anchor Life are part of the key assumptions that underlie the actuarial valuation. The changes in accounting policies give rise to corresponding changes in the valuation assumptions used by the actuary. The effect on the amounts disclosed in the 1999 balance sheet, was a debit to the opening balance of the policyholders' fund of R11,4 million and a credit to deferred assets of R17,0 million and a transfer to the policyholders' fund of R5,6 million.

21. Long-term liabilities

	Group 2000 R000	Group 1999 R000	Company 2000 R000	Company 1999 R000
Redeemable preference shares (25 000 shares in PSG Financial Services Limited of R0,01 each issued at a premium of R999,99)	**25 000**			
Other	**583**			
	25 583	–		

Dividends are paid half yearly at a rate of 75% of the prime overdraft rate and shares are redeemable in full on 6 November 2002.
PSG Group Limited has issued an undertaking to repurchase the shares should PSG Financial Services Limited fail to redeem the shares in full at the redemption date or fail to pay the final dividend.

22. Deferred taxation

	Group 2000 R000	Group 1999 R000	Company 2000 R000	Company 1999 R000
Balance at the beginning of the year		3 856		
Temporary difference charges to income statement	**1 704**	(3 856)		
Balance at the end of the year	**1 704**	–		
The deferred tax liability at year-end consists of the following items:				
Prepaid expenses	**95**			
Provisions	**(1 103)**			
Investment revaluations	**2 539**			
Other	**173**			
	1 704	–		

	Group 2000 R000	Group 1999 R000	Company 2000 R000	Company 1999 R000
23. Accounts payable and other liabilities				
Accounts payable	**391 879**	149 716	**106**	
Taxation	**22 535**	33 495		11 455
Payments to shareholders	**33 480**	23 861	**33 480**	23 861
	447 894	207 072	**33 586**	35 316
24. Loans and deposits				
Category analysis				
Call deposits	**239 139**	289 715		
Term deposits	**27 488**	133 181		
Repurchase agreements	**372 920**	471 901		
Structured products	**171 700**			
Deposits from banks	**38 525**			
	849 772	894 797		
Maturity analysis				
On demand to one month	**813 240**	761 241		
One month to six months	**36 532**	133 556		
	849 772	894 797		
25. Short-term borrowings				
Bank overdrafts	**88 679**			
Unsecured loans	**5 683**			
	94 362	–		
26. Share capital				
Authorised				
200 000 000 shares of 1 cent each	**2 000**	2 000	**2 000**	2 000
Issued				
139 500 000 shares of 1 cent each (1999: 95 444 666)	**1 395**	954	**1 395**	954

The unissued shares in the company are placed under the control of the directors until the next annual general meeting.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29 FEBRUARY 2000

	Group 2000 R000	Group 1999 R000	Company 2000 R000	Company 1999 R000
27. Non-distributable reserves				
Foreign exchange translation	**3 447**	1 184		
On acquisition of subsidiary	**171 556**	37 984		
Other	**523**	105		
	175 526	39 273		
28. Retained earnings				
Company	**47 542**	198 293	**672 930**	672 930
Consolidated subsidiaries	**307 672**	159 667		
	355 214	357 960	**672 930**	672 930
29. Capital expenditure approved				
Expenditure contracted for	**1 790**	1 950		
Expenditure authorised but not contracted for		12 895		
	1 790	14 845		

Capital expenditure will be financed from working capital generated within the group.

	Group 2000 R000	Group 1999 R000	Company 2000 R000	Company 1999 R000
30. Operating lease commitments				
Future commitments in terms of:				
Rental agreements				
Due within one year	**1 555**	838		
Due thereafter	**3 472**	2 546		
Operating leases – premises				
Due within one year	**20 958**	8 404		
Due thereafter	**47 832**	18 128		

	Group		Company	
	2000	1999	**2000**	1999
	R000	R000	**R000**	R000
31. Contingent liabilities				
Guarantees				
Underwriting commitments in respect of structured products	**15 228**			
Suretyships in favour of banks for facilities granted to a subsidiary			**84 122**	
Undertakings to repurchase preference shares issued by a subsidiary	**25 000**		**125 000**	
Deferred tax liabilities				
Contingent liabilities in respect of taxes that would be payable on unremitted earnings of certain foreign subsidiaries	**16 272**			

32. Borrowing powers

In terms of the company's articles of association, borrowing powers are unlimited.

33. Pension fund

The group provides a retirement fund to all employees. It is a defined contribution fund and is regulated by the Pension Funds Act.

34. Related party transactions

During the year restraints of trade amounting to R37,9 million were paid to executive directors of PSG Investment Bank Holdings Limited as part of the restructuring and listing of that company.

A management fee of R7,8 million was paid to Whistler Limited, a company of which an executive director of PSG Investment Bank Holdings Limited is a director.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29 FEBRUARY 2000

35. Financial instruments

Derivative instruments

The table below provides a detailed breakdown of the fair values of the derivative instruments as at year-end. Exchange traded futures and options are marked to market and cash settled daily and the market values are therefore not included in this table.

Transactions in derivative financial instruments have been entered into during the normal course of business. These instruments allow the bank and its clients to transfer, modify or reduce their risks.

	2000		1999	
	Fair value		Fair value	
R000	Assets	Liabilities	Assets	Liabilities
Interest rate derivatives				
OTC options bought and sold	**2 987**	**280**	6 574	16 708
Interest rate swaps and forward rate agreements	**34 766**	**37 547**		
Foreign exchange derivatives				
Spots and forward foreign exchange	**16 459**	**20 569**		
Currency swaps		**2 226**		

Financial assets and liabilities

The table below sets out the fair values of financial assets and liabilities carried on the balance sheet. Unless otherwise indicated below, the amount subject to credit risk is limited to the current fair value of instruments that are favourable to the group (i.e. assets) as well as potential future exposure. This credit risk exposure is managed as part of the overall borrowing limits granted to clients as discussed in more detail in the risk mangement review section of the annual financial statements.

	2000		1999	
R000	Carrying value	Fair value	Carrying value	Fair value
Assets				
Investment in associated companies	**12 510**	**31 687**	297 412	329 173
Other investments*	**100 705**	**96 321**	36 538	34 288
Other assets*	**258 111**	**246 289**	86 129	86 129
Accounts receivable	**274 901**	**274 901**	138 829	138 829
Loans and advances	**658 827**	**658 827**	149 091	149 091
Investment and trading securities	**891 159**	**910 498**	404 328	397 567
Short-term negotiable securities	**651 581**	**653 222**	663 257	676 488
Cash and short-term funds	**378 275**	**378 275**	287 958	287 958
	3 226 069	**3 250 020**	2 063 542	2 099 523
Liabilities				
Long-term liabilities	**25 583**	**25 583**		
Loans and deposits	**849 772**	**849 772**	894 797	894 797
Accounts payable	**391 879**	**391 879**	149 716	149 716
Short-term borrowings	**94 362**	**94 362**		
	1 361 596	**1 361 596**	1 044 513	1 044 513

** The carrying value of advances to the share incentive trusts and certain other investments exceed the fair value of these assets, but the directors do not consider these to be permanent diminutions in value.*

	Group 2000 R000	Group 1999 R000	Company 2000 R000	Company 1999 R000

36. Notes to the cash flow statement

36.1 Cash generated by operating activities

	Group 2000 R000	Group 1999 R000	Company 2000 R000	Company 1999 R000
Income before taxation	**304 447**	136 200	**16 740**	45 008
Transfer to policyholders' fund	**10 459 869**	382 852		
Adjustment for other non-cash items	**(192 389)**	21 356		
	10 571 927	540 408	**16 740**	45 008

36.2 Change in net current assets

	Group 2000 R000	Group 1999 R000	Company 2000 R000	Company 1999 R000
Change in accounts receivable	**(162 368)**	309 724	**(35 684)**	(28 237)
Change in accounts payable and other liabilities	**242 758**	(357 851)	**106**	
	80 390	(48 127)	**(35 578)**	(28 237)

36.3 Taxation paid

	Group 2000 R000	Group 1999 R000	Company 2000 R000	Company 1999 R000
Balance at beginning of the year	**(33 495)**	(15 139)	**(11 455)**	
Charge in income statement	**(51 229)**	(37 610)		(11 455)
Deferred tax adjustment	**1 704**	(3 856)		
Tax related to associated companies	**4 236**	4 736		
Balance at end of the year	**22 535**	33 495		11 455
	(56 249)	(18 374)	**(11 455)**	–

36.4 Dividends and capital distribution

	Group 2000 R000	Group 1999 R000	Company 2000 R000	Company 1999 R000
Provision for payments to shareholders at beginning of year	**(23 861)**	–	**(23 861)**	
Dividends and capital distribution for the year	**(49 732)**	(23 861)	**(49 732)**	(23 861)
Provision for payments to shareholders at end of year	**33 480**	23 861	**33 480**	23 861
	(40 113)	–	**(40 113)**	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29 FEBRUARY 2000

	Group 2000 R000	Group 1999 R000	Company 2000 R000	Company 1999 R000
36. Notes to the cash flow statement (continued)				
36.5 Subsidiaries acquired				
Net assets of subsidiaries acquired				
Fixed assets	**(41)**	(1 118)		
Investments in associated companies	**(103 130)**			
Other assets		(459)		
Loans and advances	**(56 174)**			
Investment and trading securities	**(41 663)**			
Short-term negotiable securities	**(24 986)**			
Cash and short-term funds	**(963 589)**	(13 734)		
Working capital	**(443)**	7 748		
Loans and deposits	**58 644**			
Long-term liabilities	**9 180**			
Outside shareholders	**34 702**	2 625		
Intangibles on acquisition	**(218 290)**	(43 682)		
Total purchase price	**(1 305 790)**	(48 620)		
Less: Paid for by non-cash means	**1 176 704**			
Cash consideration paid	**(129 086)**	(48 620)		
Deposits and cash of subsidiaries	**963 589**	13 734		
Cash flow on acquisition	**834 503**	(34 886)		
36.6 Net increase in shareholder funding				
Shares issued	**525 221**	88 333	**525 221**	88 333
Non-cash consideration received	**(467 043)**	(88 333)	**(467 043)**	(88 333)
Expenses incurred	**(1 356)**	(207)	**(1 356)**	(207)
	56 822	(207)	**56 822**	(207)
36.7 Cash and cash equivalents at end of year				
Cash and short-term funds	**378 275**	287 958	**25**	
Bank overdrafts	**(88 679)**			
	289 596	287 958	**25**	–

ANNEXURE A
INTEREST IN SUBSIDIARIES

AT 29 FEBRUARY 2000

Company	Issued share capital 2000 R000	Issued share capital 1999 R000	Proportion held directly or indirectly by holding company 2000 %	Proportion held directly or indirectly by holding company 1999 %	Amounts owing to PSG Group Limited 2000 R000	Amounts owing to PSG Group Limited 1999 R000
PSG Financial Services Limited	**45 872**	45 872	**100,0**	71,4	**43 800**	28 661
Keynes Rational Limited	**446**		**73,0**			
PSG Investment Services (Pty) Limited	**550**	10	**95,0**	100,0		
PSG Corporate Services (Pty) Limited	**4**	4	**100,0**	100,0	**29 007**	8 462
PSG Investment Bank Holdings Limited	**6 523**	3 001	**59,2**	83,3		
PSG Channel Holdings Limited	**370**		**100,0**			
PSG Channel Group Limited		1		86,0		
					72 807	37 123

The company's interest in attributable income and losses of subsidiaries amounts to R177 760 000 (1999: R62 372 000) and R13 015 000 (1999: R1 615 000) respectively.

Information is only disclosed in respect of the direct subsidiaries of PSG Financial Services Limited. Details of indirect subsidiaries are available at the registered office.

INVESTMENT IN ASSOCIATED COMPANIES

AT 29 FEBRUARY 2000

Company	Nature of business	Proportion held directly or indirectly by holding company 2000 %	Proportion held directly or indirectly by holding company 1999 %	Group carrying value 2000 R000	Group carrying value 1999 R000
Listed					
Indequity Group Limited	Financial services	**26,3**		**5 415**	
PSG Noble Capital Limited	Investment trust		31,1		294 760
				5 415	294 760
Unlisted					
PSG Konsult Limited	Financial consulting	**50,0**	51,0	**3 810**	1 974
Graphicor (Pty) Limited	Financial communications	**50,0**	*	**3 285**	
Other					678
				7 095	2 652

** In 1999 this investment was held by PSG Noble Capital Limited.*

OTHER INVESTMENTS

AT 29 FEBRUARY 2000

Company	Proportion held directly or indirectly by holding company 2000 %	Proportion held directly or indirectly by holding company 1999 %	Group carrying value 2000 R000	Group carrying value 1999 R000
Listed				
PSG Investment Bank Holdings Limited *	**1,3**		**22 589**	
Other			**2 276**	22 361
Unlisted				
Keynes Rational Limited *	**5,8**		**25 993**	
Other investment and loans			**49 847**	14 177
			100 705	36 538

** These investments represent interests in subsidiary companies which are not consolidated since it is regarded as trading stock.*

SHARE ANALYSIS

Distribution of shareholders	Shareholders Number	Shareholders %	Shares held Number	Shares held %
Range of shareholdings				
1 – 1 000	1 662	72,7	478 155	0,3
1 001 – 10 000	492	21,5	1 399 180	1,0
10 001 – 100 000	92	4,0	3 161 901	2,3
100 001 – 1 000 000	27	1,2	10 118 160	7,3
Over 1 000 000	14	0,6	124 342 604	89,1
	2 287	100,0	139 500 000	100,0
Type of shareholder				
Individuals	2 080	91,0	3 181 873	2,3
Investment and trust companies	21	0,9	25 926	
Banks and nominee companies	124	5,4	135 189 206	96,9
Pension and provident funds	3	0,1	6 073	
Other corporate bodies	59	2,6	1 096 922	0,8
	2 287	100,0	139 500 000	100,0
Six largest shareholders				
PSG Nominees (Pty) Limited			49 159 256	35,2
Standard Bank Nominees (Tvl) (Pty) Limited			23 903 588	17,1
Old Mutual Nominees (Pty) Limited			11 669 371	8,4
Marser Nominees (Pty) Limited			10 054 100	7,2
CMB Nominees Limited			8 913 399	6,4
First National Nominees (Pty) Limited			7 085 338	5,1
			110 785 052	79,4
Individual shareholders holding more than 5% as at 31 December 1999				
PSG Group Share Incentive Trust			15 596 241	11,2
J F Mouton Familie Trust			10 780 913	7,7
Siphumelele Investments Limited			10 000 000	7,2
Sanlam Limited			7 723 933	5,5
Old Mutual Plc			7 477 771	5,4
			51 578 858	37,0

SHAREHOLDERS' DIARY

Financial year-end	29 February
Profit announcement	April
Annual report	April
Annual general meeting	May
Interim report	September