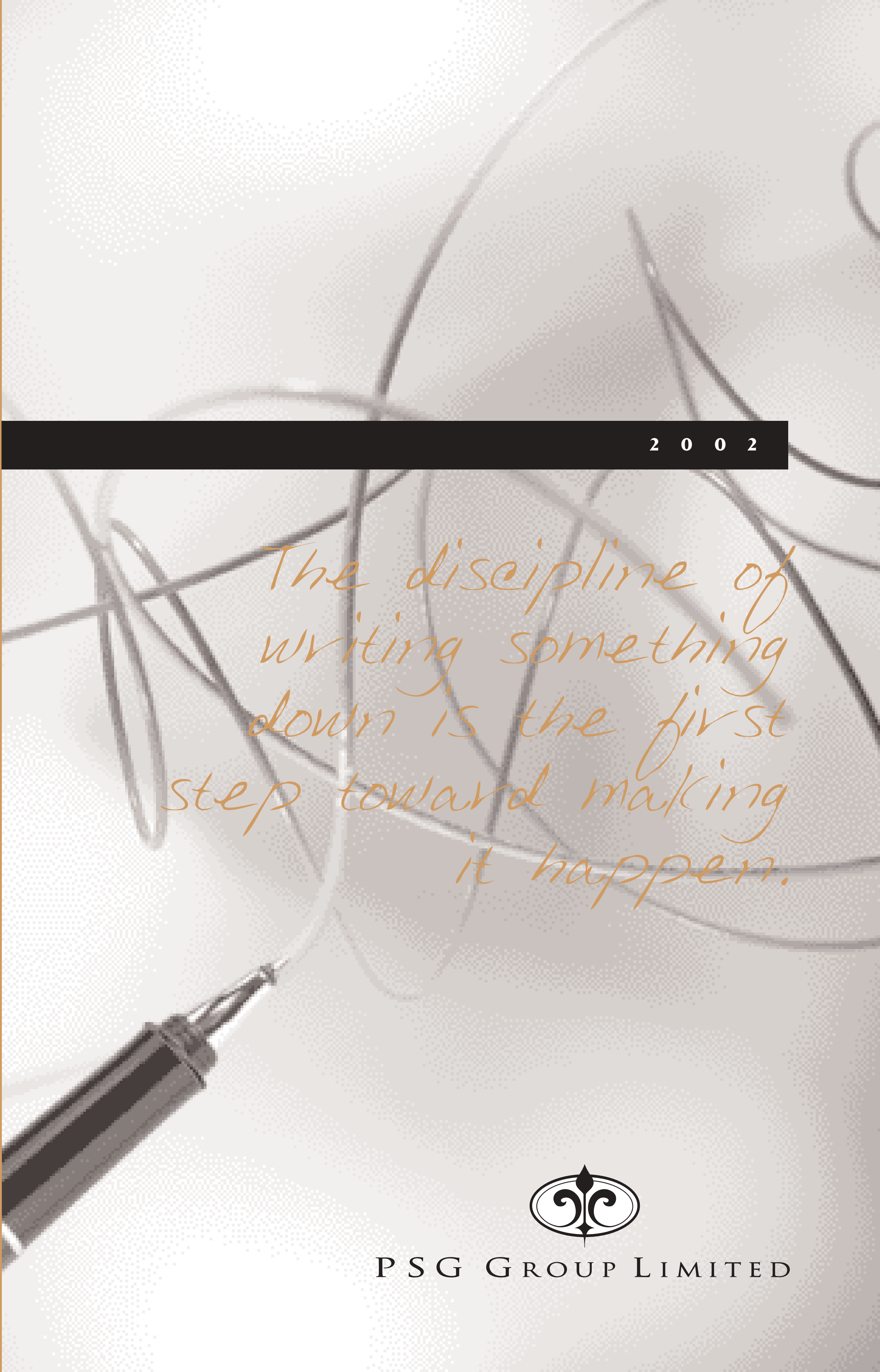
ANNUAL REPORT



2002

The discipline of writing something down is the first step toward making it happen.

PSG Group Limited

CONTENTS

BOARD OF DIRECTORS

JANNIE MOUTON (55)
BCom (Hons), CA(SA), AEP
Executive chairman

KLEINTJIE BELLINGAN (56)*1 *3
BCom (Hons), LLB, CA(SA)
Entrepreneur

PATRICK BURTON (49)*3
BCom (Hons), PG Dip Tax
Financial director – Snoek Wholesalers

JAAP DU TOIT (47)*1 *4
BAcc, CA(SA), CFA
Chief executive officer – PSG Investment Services

MARKUS JOOSTE (41)*2 *3
BAcc, CA(SA)
Managing director – Steinhoff International

CHRIS OTTO (52)
BCom, LLB
Managing director

LEONÉ ROUILLARD (52)*3
Managing director – Graphicor

**1 Member of audit committee*
**2 Member of remuneration committee*
**3 Independent non-executive*
**4 Non-executive*

Year upon year we have clearly spelt out PSG's intent and I believe transparency has been the motivation to make it happen.

JANNIE MOUTON

What is the driving force that powers PSG?

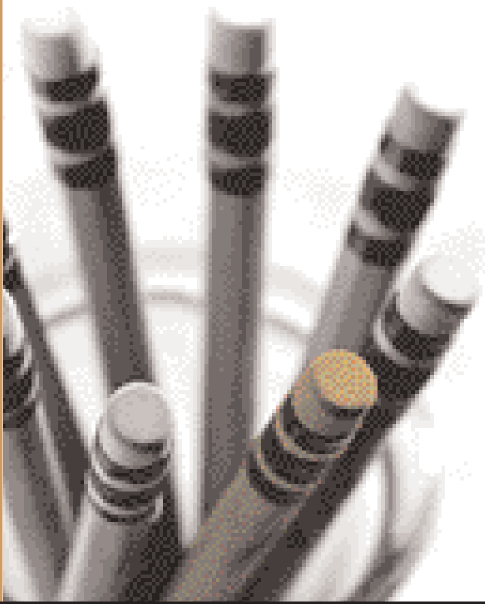
Honesty, discipline and ultimate empowerment drives the group. It is as basic and powerful as the fundamentals that reflect the financial health of PSG. We welcome any need to understand the value and values of our company.

We like to be measured by our NAV because that achieves true growth and we agree with Warren Buffet who says: "If the business does well, the stock eventually follows."

For this report we drew our inspiration from the observations penned by like-minded thinkers.

KEY FINANCIAL INFORMATION

	2002	**Change %**	2001	Change %	2000
Headline earnings per share (cents)	**141,1**	**(6)**	150,3	25	120,6
Headline earnings (Rm)	**175,2**	**(12)**	200,2	22	164,7
Distribution per share (cents)	**50**	**11**	45	25	36
Net asset value per share (cents)	**1 015**	**13**	899	16	778
Return on equity (%)	**14,9**		18,0		19,1



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

JACK WELCH

In the PSG Group we understand speed, energy and the value of rapid, informed decision making. We have built a dynamic, ever-changing group with clear intent.

JANNIE MOUTON

CHAIRMAN'S LETTER

The past year was a difficult year in the banking and financial services industry, especially for the smaller financial institutions. We saw the collapse of UniFer, Saambou, Regal and RAD, which had a negative effect on the sector as a whole.

PSG'S PERFORMANCE

	NAV cps	Growth[1] %	FINI[2] %	Relative results[3]	Closing share price cps	Growth[4] %	Relative results[5]
1995	20				60		
1996	34	70	10	60	225	275	265
1997	147	332	113	219	470	109	(4)
1998	617	320	81	239	1 530	226	145
1999	669	8	26	(18)	1 170	(24)	(50)
2000	778	16	(20)	36	1 000	(15)	5
2001	899	16	(26)	42	660	(34)	(8)
2002	1 015	13	(19)	32	476	(28)	(9)
Compounded growth %		**75**	**15**	**60**		**34**	**19**

Notes *1 Growth in NAV 2 Growth in financial and industrial index (FINI) 3 NAV relative to FINI 4 Growth in share price 5 Share price relative to FINI*

We had a decent year, with our net asset value per share (NAV) increasing by 13% from 899 to 1 015 cents per share compared with the financial and industrial index losing 19% over the corresponding period.

Despite a 6% decrease in headline earnings per share from 150 to 141 cents per share we increased dividends by 11% from 45 to 50 cents.

Our share price at year-end was trading at a 47% discount to NAV, the highest in the short history of our group. Over the six-year period the compounded growth in PSG's NAV was 60% better than the yardstick FINI whilst the share price was 19% better.

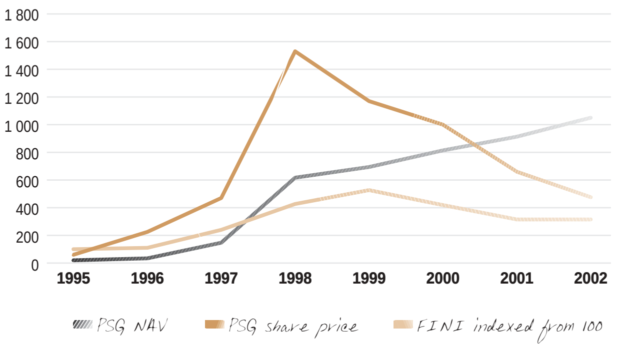
VALUE CREATION

We remain committed to **create wealth** for our shareholders and employees; this has been a recurring theme of mine before it became fashionable in recent times. We must develop and build South Africa to make it a better place for all.

	2002 Rm	1996 – 2002 Rm
Employees	**240,0**	757,7
Dividends	**91,7**	213,3
Government	**51,1**	232,5
Retention	**104,7**	717,8
Total	**487,5**	1 921,3

THE PAST – THE FIRST SIX YEARS

NAV/Share price (cents)



SIGNIFICANT EVENTS

November 1995

- acquired control of PAG for 36 cents per share

March 1996 – February 1997

- established PSG Investment Services
- raised R31 million through issue for cash and rights issue
- acquired Anchor Life for R44 million

March 1997 – February 1998

- disposed of PAG for R107 million cash
- established Channel Group and Escher Group
- reverse listed into Servgro (acquired R327 million in cash)
- raised R90 million through issue for cash to Siphumelele Investments

March 1998 – February 1999

- raised R1,2 billion capital for PSG Noble
- listed PSG Noble on JSE
- established PSG Specialised Lending
- launched PSG Investment Bank with capital of R400 million
- completed R492 million rights issue at PSL (R350 million from PSG)

March 1999 – February 2000

- merged PSG Noble and PSG Investment Bank and listed new entity on JSE
- simplified corporate structure by taking out minorities in PSL and delisting PSL
- established Capitec Bank and raised R225 million capital

March 2000 – February 2001

- listed Escher and raised R41,9 million
- PSG Investment Bank acquired TBB
- PSG Investment Bank made substantial investment in Vestacor

March 2001 – February 2002

- Capitec Bank obtained bank licence
- PSG Investment Bank acquired RAD
- merged Escher and m Cubed
- listed Capitec Bank on JSE

PSG is an investment holding company with its focus on financial services and will concentrate on increasing its NAV over time. We believe that our shareholders are entitled to a return on their investment in PSG. This is achieved through the growth in PSG's share price and dividends paid. Although our earnings fluctuate, PSG will pay out approximately 30% of taxed profits to shareholders annually.

For people to better understand and evaluate PSG I would like to summarise the philosophies, strategies and operational framework of our group as follows:

- We are an investment holding company with a focus on financial services.
- We will focus more on growth in NAV over the long-term than on short-term increases in earnings per share.
- Our strategy is ultimate empowerment – we employ competent and competitive people and empower them through trust. Our people have the freedom to build out their business and excel in life. Trust the person implicitly and he/she will build the company.
- It is important to be open, honest and transparent with all shareholders to enable them to understand and analyse PSG.
- We believe in a well-run administration and good corporate governance.
- The board of PSG was reconstituted to include more non-executive than executive directors.
- We have appointed Markus Jooste and Kleintjie Bellingan as non-executive directors. Markus is the Managing Director of Steinhoff International, has local and international business experience and is a seasoned businessman. Kleintjie has a wealth of tax and business knowledge and is a successful entrepreneur in his own right.
- Most of our businesses started as greenfield operations, knowing that we had the confidence and knowledge to start new operations. We recently started a special projects division and will build out this new business entity to further add value over the longer term.
- We will dispose of or exit an investment if:
  – the return on equity is less than 20%; or
  – it is not strategic; or
  – does not provide a positive cash flow, eg pay dividends; or
  – does not expand in a strategic market.
- It is not of strategic importance to have control of a company. We are absolutely at ease to have less than 50% in a well-run company. If our interest in a company falls below 20% and we cannot make a worthwhile contribution we shall sell our shareholding and resign from the board of such company.
- We expect all investments to pay at least 40% of profits as dividends. If a company cannot grow its profits by an agreed percentage per year, PSG will endeavour to increase the dividend payment ratio to a desirable level (eg up to 100%).
- Chris Otto and myself represent PSG on the board of all group companies to ensure:
  – good corporate governance;
  – continuity and growth;
  – the best management is employed; and
  – that a sound business model is in place.
- As at the end of February our corporate debt at group level was:

	Rm
Preference shares	200
Overdraft balance	75
Total debt	275

We plan:

	Rm
Positive dividend flows up to 30 June 2002	210
Corporate debt at 30 June 2002	65

- We should be able to reduce PSG's short-term debt substantially by the end of our 2003 financial year, and will endeavour to arrange long-term finance for long-term investments.

Transparency starts at home and it is about time that I publish exactly what PSG pays me:

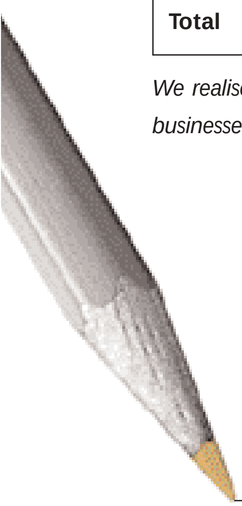
	Salary R000	Bonus R000
28/02/96	Nil	Nil
28/02/97	248	Nil
28/02/98	428	Nil
28/02/99	717	Nil
28/02/00	1 131	Nil
28/02/01	1 215	Nil
28/02/02	1 800	2 500

- In addition I have the right and obligation to buy 2 178 200 PSG shares in terms of the share incentive trust scheme which were allocated as follows:
  – During December 2000, 1 431 700 shares at a strike price of R6 each to be released over five years, the first release to be during December 2002.
  – During March 2002, 746 500 shares at a strike price of R3,75 each to be released over five years, the first release to be during March 2004.
- I have increased our family trust's investment in PSG to 15,5 million shares (12,9%) from 10,5% the previous year. As it represents the major part of our wealth, I am totally committed to build out the company for years to come.
- We have neither a shareholders' agreement nor a voting pool agreement in place, therefore PSG is fairly open to a hostile takeover. I, however, believe that the quality of leadership is more important than an agreement that keeps an average person in control and protects control at all costs.
- We believe in share buybacks when it enhances shareholder value. We have been able to raise cash at a substantial premium to NAV in 1998 because we had the foresight to know that we will need it. We have a long-term business and believe that long-term planning is essential. At a substantial discount to NAV, especially if NAV is almost cash, it makes sense to do a share buyback.

FINANCIAL CONTRIBUTION OF INVESTMENTS

	Interest	**2002**		2001	
	%	**Rm**	**%**	Rm	%
Company					
PSG Investment Bank	60	**141,3**	**81**	159,7	80
Capitec Bank	52	**24,9**	**14**	33,1	17
PSG Investment Services	95	**10,2**	**6**	10,6	5
Channel Group	87	**12,2**	**7**	2,1	1
Other		**(13,4)**	**(8)**	(5,3)	(3)
Total		**175,2**	**100**	200,2	100

We realise that we are too dependent on PSG Investment Bank and would like to reduce this dependence by either growing existing businesses or acquiring new ones.



Corporate governance, excellent administration and good management information systems are cornerstones.

JANNIE MOUTON

OUR INVESTMENTS

PSG INVESTMENT BANK HOLDINGS LIMITED 60%

PSG INVESTMENT BANK

Specialised financial services group that seeks and creates financial solutions for its clients

	2002	2001	2000
Year-end 28 February			
Headline earnings (Rm)	**301,6**	262,1	211,4
Headline earnings (cps)	**22,2**	21,5	16,2
Dividend (cps)	**8,0**	8,0	6,5
Special dividend/distribution (cps)	**17,0**	8,6	
Shareholders' funds (Rm)	**1 589,9**	1 679,0	1 532,4
Return on shareholders' funds (%)	**21,4**	16,4	15,0
Net asset value (cps)	**111**	138	118
Number of shares in issue (m)	**1 431,9**	1 216,3	1 304,5
Number of employees	**131**	118	150

Comments on results

- PSG Investment Bank Holdings (PSGBH) continued its growth as a specialised investment bank growing net profit by 26% to R316,2 million and headline earnings by 15% to R301,6 million.
- As a result of exceptional liquidity management and capital preservation PSGBH's board recommends a final dividend of 8 cents per share and a special dividend of 17 cents per share for a total of 25 cents (16,6 cents) for the year.

The people empowered to run PSGBH

- I have absolute trust in management and support their business model.
- I am proud of how they managed the bank and protected our capital in difficult times.
- I thank them for their loyalty and commitment.

The bank's exco consists of André la Grange (chief executive), Charles Turner (deputy chairman), Dave Kennealy, Enrico Greyling and Dr Marius Mostert.

Background

PSG Investment Bank

- is three years old and was established as a greenfields operation.
- is an investment bank which also does innovative corporate deals, with a positive effect on earnings. This is in the nature of its business.
- has distributed R645 million or 48 cents per share to shareholders since 28 February 2000.
- delivered a 17% internal rate of return to investors since listing in August 1999.
- has free cash of approximately R700 million, equivalent to 49 cents per share or 44% of its NAV of 111 cents per share. Balance of assets reasonably tradeable and fairly valued.
- is conservatively managed with the *emphasis* on *liquidity* and *capital preservation* and a commensurate or better return.
- has annual *annuity income* of approximately R150 million equivalent to earnings of 10,5 cents per share.

Highlights of the past year

- Acquisition of RAD for R316 million, R147 million paid in cash.
- Capitalisation, unbundling and listing of Capitec Bank.
- Expanded Australian business, formed PSG Doyle Capital. Profits of Au$1,6 million before tax.

If you want to build a ship, don't drum up the men to go to the forest to gather wood, saw it, and nail the planks together. Instead, teach them the desire for the sea.

ANTOINE DE SAINT EXUPERY

We employ talented people with flair and the drive to acquire specialised knowledge related to their major purpose.

JANNIE MOUTON

- Strengthening of the executive management team – appointed an experienced finance director, and a corporate executive.
- Reduced exposure to trading and derivative-type investments.
- Initially built and increased deposit base. Strategy was adversely affected and timeously changed as a result of negativity to "A2" banking sector (the "A2" rubicon).
- Material disposal of assets post the "A2 rubicon"; conversion to cash and reassessment of business model.
- Rationalisation of PSGBH which will result in the cancelling of one banking licence. A streamlined structure now in place.
- Corporate finance completed 30 advisory assignments with a market value of R2 billion.
- Trade and Commodity Finance achieved R238 million assets under management in its maiden year.
- Project and Structured Finance provided funding worth R641,5 million, retaining R246,5 million on our books.

Future challenges

As a result of the "A2 rubicon" PSGBH has changed its business model from a strategy of growing to an A1 bank to:

- growing the footprint of its main activities – corporate finance and proprietary investment, project/structured finance, structured products, trade and commodity finance, treasury (funding and outsourcing) – using the banking franchise to support its main activities.
- reducing reliance on deposits.
- moving away from proprietary trading.

And focusing on

- product development,
- investments in profitable businesses with growth potential,
- providing *value-added services and products* in the financial services sector,
- acquiring talent, performance-based reward, accountability and good basic business principles.

The challenge for the coming year will be implementing the new business model to continue growing the footprint and building shareholders' wealth whilst meeting and matching the demands of all stakeholders in very difficult and challenging internal and external environments.

CAPITEC BANK HOLDINGS LIMITED 52%

CAPITEC BANK LIMITED

Full service retail banking for all South Africans.

	2002	2001	2000
Year-end 28 February			
Headline earnings (Rm)	**48,0**	45,4	15,7
Headline earnings (cps)	**80,2**	137,1	47,4
Dividend (cps)	**28,5**	34,1	19,0
Return on shareholders' funds (%)	**17,4**	24,9	14,4
Number of shares in issue (m)	**66,7**	53,1	33,1
Size of loan book (Rm)	**92,1**	83,9	77,7
Number of branches	**315**	296	108
Number of employees	**1 304**	1 265	577

Income mainly comprises interest received on thirty-day loans made through a network of 260 Finaid and 55 Capitec branches throughout South Africa, Namibia and Botswana. The total value of loans advanced during the year is R1 072 million.

People

- We are proud of Capitec Bank's management; they protected our capital and avoided exposure to payroll deductions, particularly the central government payroll, Persal.
- They have developed a clear, exciting and, I think, unique business model.
- Their balance sheet is totally ungeared, a great advantage in a difficult banking environment.
- Their management team is Michiel le Roux (chief executive), Riaan Stassen (managing director), Carl Fischer, André du Plessis, Christian van Schalkwyk, Chris Oosthuizen, Leon Venter, Gerrie Fourie, André Olivier and Henk Lourens.

Highlights of the past year

- Capitec became a registered bank.
- It made a profit after tax of R48 million which is better than the forecast in the prelisting statement.
- Established a low-cost systems infrastructure to roll out a retail bank.
- Fifty-five Capitec Bank retail branches were established.
- Listed on the JSE.
- Capital base grew to R391 million.
- Average bad-debt ratio of 3,47% is the lowest in the industry.

Business model

I think in light of events in the financial services sector during the past six months it is prudent to note the following:

- Capitec Bank wants to be a full-service retail bank for all South Africans.
- It does not see the four big banks in South Africa as its competition. Capitec offers services at a price and in a manner that makes it accessible to its target market.
- Capitec differs from other banks in that it:
  - is at locations where its target markets work;
  - is open from 08:00 to 17:30 (eg it offers 78 more banking hours per month);
  - will have the lowest ATM fee in South Africa and its accounts will have the lowest minimum balance;
  - has virtually paperfree branches;
  - provides every client access to a consultant.
- We believe that the fact that Capitec's branches are virtually paperless and that their system is modern will increase profitability.
- To roll out Capitec's expansion plan we need to raise additional finance during the 2003 financial year. Although Capitec is totally ungeared, we realise it will be more difficult in the light of the negative perception raised by recent bank failures.
- Rolling out banking products will increase its cost structure during the coming year, as it positions itself for future growth. However, it still project a profit of R29 million for the new financial year.

CHANNEL GROUP LIMITED 87%

Channel is a provider of niche life assurance and employee benefits products in southern Africa.

	2002	2001	2000
Year-end 28 February			
Headline earnings (R000)	**14 084**	2 100	2 700
Dividend (R000)	**5 634***	840	1 080
Return on shareholders' funds (%)	**14,1**	3,3	3,0
Fair value (Rm)	**198**	180	160
Number of shares in issue (m)	**180**	180	180
Number of employees	**204**	237	948

**Not yet declared*

People

- It has skilled and enthusiastic people to take the company to the next level.
- Management consists of Leon de Wit (chief executive officer), Cornie Foord, Pieter de la Rey, Jay Karunaratne, Gil Mahlati and Izak Fourie. René Rossouw was recently appointed to head up special projects, and the Namibian operations are led by Lennie Louw.

Highlights of the past year

- Channel Life, which includes the Namibian operation, exceeded budget and contributed most of the total profit of Channel Group.
- Management managed to contain policy lapses compared to previous years, but new business lagged expectations. Alternatives are being sought.
- Grew the life assurer's asset base from R180 million to R550 million.
- Increased headline earnings from R2,1 million to R14,1 million.
- Increased fair market value of the Channel Group, as assessed by a third party, from R180 million to R198 million.
- Right-sized the staff complement by appointing higher-qualified people. In the process, the expense base was reduced by more than 50% to approximately R50 million per annum.

The way forward

- Four of Channel's divisions performed poorly against budget. In the coming year these will either be streamlined to acceptable profitability or disposed of.
- Exercise strong corporate governance and keep a close eye on our cash flow from operations.
- Increase headline earnings to a point where our ROE exceeds 20%.
- We are in discussions to sell between 26% and 51% of Channel Group to a black empowerment group under the leadership of Dr Gil Mahlati. The transaction had not yet been finalised at going to print. We support the initiative because we are of the opinion that it would benefit the company in years to come.

Today knowledge has power. It controls access to opportunity and advancement.

PETER F DRUCKER

PSG INVESTMENT SERVICES (PTY) LIMITED 95%

PSG Investment Services

Integrated private wealth management.

	2002	2001	2000
Year-end 28 February			
Headline earnings (R000)	**10 713**	11 153	9 483
Dividend (R000)	**4 285**	4 461	3 793
Return on shareholders' funds (%)	**24**	22	17
Assets under administration (Rbn)	**7,2**	6,0	5,0
Number of shares in issue (m)	**95**	95	55
Number of employees	**186**	200	220

Approximately 66% of earnings are derived from the advisory division of the business, which will remain the key business driver. The stockbroking division, which includes the investor education courses and data analysis software, contributed 23% to earnings, while 11% was derived from the asset management business.

People

We are proud of the achievements of management under the leadership of Jaap du Toit (chief executive). The rest of the exco team is Theo Biesenbach, Dawie Klopper and Theo Vorster.

Highlights of the past year

- The company has further grown its footprint to include 132 (2001: 105) advisors operating from 75 (2001: 63) outlets countrywide.
- PSG Private, PSG Independent Consulting and the stockbroking advisors have been consolidated into one operation, namely PSG Investment Services (Consulting).
- PSG Online acquired E-Trade's clients, which further strengthened its position in the market, not only in terms of number of active clients (20 000) but also in terms of positioning, as the online trader that not only matches but surpasses international standards.
- PSG Investment Services acquired Investors Academy, a business specialising in the direct marketing and distribution of investment tools comprising a national network of seven offices with 150 direct marketers.
- PSG Investment Services' Namibian operation acquired the private client business of HSBC.
- Assets under administration grew by 20% to R7,2 billion.
- After the introduction of CGT, PSG Investment Services changed its range of PSG wrap funds to the Investus multi-managed funds to minimise the impact of CGT and to facilitate easier administration.
- The PSG Investus range of funds performed exceptionally well in 2001, with an average performance over nine funds of 24% return on investment. The best performing fund was the PSG Investus Foreign Balanced Fund showing a growth of 42% for the year. Six of the nine funds were rated best performers in an independent peer group survey.
- A PSG Globus range of multi-managed offshore funds was launched in October, which has yielded an average performance in excess of 36% to date.

Strategy going forward

- To further strengthen the PSG Investment Services brand and position as leader in private wealth management.
- To further expand the footprint, through opening new offices and/or acquisitions. This includes a venture into Australia with the WEN range of share trading and data analysis software.
- Selling more products to the existing client base.
- Reducing fixed cost structures.
- Expanding annuity income.
- Leveraging joint negotiation power.
- To improve the performance of PSG's unit trust funds.

m CUBED HOLDINGS LIMITED 20%

Independent financial solutions provider to institutions, corporates and individuals.

	2002*	2001	Pro forma 2000
Year-end 28 February			
Headline earnings (R000)	**51 206**	20 164	12 018
Headline earnings (cps)	**9,1**	7,5	4,9
Dividend (cps)	**note 1**	3,0	2,1
Return on shareholders' funds (%)	**13**	39	38
Number of shares in issue (m)	**750**	300	258
Number of employees	**317**	note 2	note 2

** Per prelisting statement*
1 Not yet declared
2 Not comparable

Comments on results

- The group has seen strong performance across nearly all of its businesses, realising a number of synergies in the second half of the year. Some major business was won during the year, on the back of good product offerings combined with sound investment performance.
- The broker distribution division performed ahead of expectation, while asset management and structured products contributed strongly to bottom-line performance. The outsourcing business and Escher (UK), which has yet to achieve critical mass, performed according to expectation.

People

- m Cubed has a highly motivated and enthusiastic management team owning some 46% of the company.
- This team of professionals is led by John Storey (managing director), Margaret Dawes, Anne Cabot-Alletzhauser, Gerrit le Roux, Johann Larney and Bruce Dunnington.

Highlights of the past year

- The merger between Escher Group and m Cubed Capital to form m Cubed Holdings was successfully completed and all operations were fully integrated.
- The profits accrued from m Cubed are in line with the pre-listing forecast of 9,1 cents per share.
- Acquisition of Policy Exchange which specialises in the on-selling of pre-owned endowment policies.

Strategy going forward

- Real growth in after-tax profits in the quest to achieve a 20% return on equity by the 2004 financial year-end.
- Growth in assets under management.
- Expanding the the administration outsourcing businesses in the Channel Islands.
- Growing the business organically and by acquisitions.

Growth for the sake of growth is the ideology of the cancer cell.

EDWARD ABBEY

THE FUTURE – PSG GROUP

"*Appoint competent people and trust their judgement implicitly*" – Conrad Hilton

- We have competent management in place at all group companies.
- To give management a full and comprehensive mandate to build out their businesses, to reach their targets, to create wealth and to enjoy themselves.
- Enhance ultimate empowerment
  - – Freedom and purpose to management.
  - – Develop own strategic plans and define business model.
  - – Appoint own boards of directors.
  - – All audit and remuneration committees to be constituted as per King Report.
  - – Monthly information for presentation to PSG board.
  - – Chris Otto and myself to be included in strategic discussions, but not day-to-day management issues.
- Policy statement
  - – The strategy of ultimate empowerment could lead to the listing of any company.
  - – Strategy is more important than structure.
  - – We do not believe multiple entry points in the group is a problem.
  - – A strong management team prefers their own independence and to have a significant say in their own destiny.
  - – We are a living company and will effect dramatic changes if it is in the interest of shareholders.
- Targets for 28 February 2004
  - – The earnings model should result in a ROE of 20%, a 20% return on investment for PSG would result in PSG Group achieving its targets and have a good performance.

We will focus on the following:

- Substantially reduce short-term corporate debt of R275 million by 28 February 2003.
- Utilise cash for share buyback if beneficial for shareholders.
- Increase my family's shareholding in the group from 12,9% to 14% in new year.
- Eliminate discount to NAV and improve rating by way of communication to shareholders and other strategic initiatives.
- Establishment and growth of the special projects division within PSG Corporate Services (Pty) Limited.
- It is also a pleasure to announce that Chris Otto has been appointed managing director of the group with effect from 1 December 2001. His loyalty, wisdom and friendship is an important cornerstone for the future of our group.
- I would like to thank André la Grange, Charles Turner, Hugh Oosthuizen, Leon de Wit and Michiel le Roux, who served as non-executive directors until February 2002, for their invaluable contributions.
- In conclusion I would also like to thank management at all operating companies for their dedication and commitment. Your company is in good hands!

Jannie Mouton

Stellenbosch
16 April 2002

I am a longtime shareholder. I enjoy building out the company and I like to focus on substance and less on form.

JANNIE MOUTON

STOCK EXCHANGE PERFORMANCE

	2002	2001	2000	1999	1998	1997	1996	1995
Market price (cents)								
– High for the year	**885**	986	1 585	1 900	1 550	510	300	125
– Low for the year	**440**	527	800	495	445	210	20	22
– Closing price	**476**	660	1 000	1 170	1 530	470	225	60
– Average	**675**	685	1 114	1 172	966	401	78	63
Closing price/earnings	**3,4**	4,4	8,3	13,6	32,3	17,9	16,4	14,6
Volume of shares traded (000)	**47 775**	49 009	45 265	30 219	23 443	14 120	22 210	442
Value of shares traded (R000)	**322 493**	335 512	504 273	354 050	226 564	56 557	17 238	278
Volume/weighted average shares (%)	**38,5**	36,8	33,1	37,1	32,2	36,7	101,8	2,0
JSE Financial Services index	**259**	319	431	536	424	234	110	100
JSE All Share index	**168**	148	133	116	127	124	106	100
PSG share price index	**1 071**	1 087	1 768	1 860	1 533	637	124	100

OUR TRACK RECORD

	2002	2001	2000	1999	1998	1997	1996	1995	7-year compounded growth %
Headline earnings per share (cents)	**141,0**	150,3	120,6	85,9	47,3	25,5	14,4	4,3	65
Headline earnings (R000)	**175 152**	200 211	164 745	82 031	34 467	10 105	3 133	941	111
Distribution per share (cents)	**50**	45	36	25					
Ordinary shareholders' funds (Rm)	**1 218**	1 141	1 085	638	535	78	7	4	126
Net worth per share (cents)	**1 015**	899	778	669	617	147	34	20	75
Return on average equity (%) *	**14,9**	18,0	19,1	14,0	11,3	23,8	53,6	24,7	
Total assets (Rm)	**4 477**	3 416	3 474	2 543	1 258	233	25	13	130
Market capitalisation (Rm)	**571**	838	1 395	1 117	1 172	249	49	13	72
Number of shares (000)									
– Issued	**120 000**	126 900	139 500	95 445	86 611	52 930	21 818	21 818	
– Weighted average	**124 200**	133 200	136 613	95 445	72 869	39 588	21 818	21 818	

**Ratio calculated using headline earnings*

VALUE ADDED STATEMENT

for the year ended 28 February 2002

	2002		2001	
	R000	**%**	R000	%
VALUE ADDED				
Net interest income	**366 853**	**50**	344 168	48
Investment income	**159 737**	**21**	143 633	20
Other operating income	**212 917**	**29**	233 958	32
	739 507	**100**	721 759	100
Net operating expenses	**235 886**	**32**	170 561	24
	503 621	**68**	551 198	76
VALUE ALLOCATED				
To employees				
Salaries, wages and other benefits	**240 045**	**48**	204 610	37
To providers of capital	**107 783**	**21**	18 759	4
Interest on loans	**16 116**	**3**	14 722	3
Dividends – own shareholders	**59 762**	**12**		
– outside shareholders	**31 905**	**6**	4 037	1
To government	**51 133**	**10**	67 949	12
Normal taxation	**36 723**	**8**	44 402	8
Value added tax	**11 093**	**2**	14 742	3
Financial services levy	**112**		151	
Regional services levy	**1 927**		2 569	
Stamp duties	**1 278**		6 085	1
To expansion and growth	**104 660**	**21**	259 880	47
Depreciation	**23 804**	**5**	14 019	3
Retained income – own shareholders	**11 742**	**2**	156 973	28
– outside shareholders	**69 114**	**14**	88 888	16
	503 621	**100**	551 198	100

EMPLOYEE STATISTICS

as at 28 February 2002

	Number	%
GENDER		
Male	802	48
Female	860	52
RACE		
Black	976	59
White	686	41
EDUCATION		
Up to grade 11	517	30
Grade 12	683	41
Post-grade 12 (eg diploma/certificate)	178	11
University degree	158	10
Post-graduate degree or professional qualification	126	8
HIERARCHY		
Executive directors (including CEOs and MDs)	26	2
Executive management	41	2
Operational	1 273	77
Support	322	19
Total number of employees	1 662	

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 PSG's directors are provided on the inside front cover of this annual report.

The board, which meets not less than six times per annum, comprises two executive directors, one non-executive director and four independent non-executive directors. Four of the five independent and non-executive directors are also substantial shareholders in PSG.

In terms of the company's articles, the two executive directors are appointed for a period not exceeding five years and which expires on 30 November 2005. Where appropriate, the chief executives and executive directors of subsidiary companies have entered into formal 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 Mr J Hoffman, BA, LLB (chairman) and Messrs MJ Jooste, AB la Grange and MS du P le Roux.

Audit committee

The audit committee comprises Dr J van Zyl Smit, BCom, LLB, CA(SA), DCom (chairman), and Messrs J de V du Toit, L van A Bellingan and J A Swanepoel.

Executive directors' remuneration

The remuneration of the executive directors of PSG Group is dealt with in both the *Chairman's letter* and in the *Directors' report*. They are also members of the PSG long-term share incentive scheme, which is not an option but a share purchase scheme in terms of which they are obliged to purchase the allocated shares regardless of whether these shares are in the money or not.

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.

Employment equity

The group is committed to being a new South Africa company and is representative of all the people in South Africa. PSG subscribes to the principles of equal opportunity and employment equity. Group companies have specific action plans whilst PSG has instituted a tertiary bursary programme for disadvantaged students.

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.

Risk management

Each group company has its own board of directors responsible for the management, including risk management, of that company and its business.

The Banks Act imposes additional responsibilities on the boards of the group operating companies that are registered as banks. PSG Investment Bank Holdings Limited and Capitec Bank Holdings Limited have sophisticated risk management controls and procedures, which are comprehensively dealt with in their annual reports. The group audit committee assists the board in discharging the responsibilities and monitors the advice given by the other operating companies' audit committees to their respective boards.

SOCIAL RESPONSIBILITY

PSG has established a **chairman's fund** to co-ordinate its social responsibility affairs. The areas of endeavour are socio-economic, the youth and education in a wide sense. The long-term aim is to make a contribution to the advancement of stability in South Africa.

The chairman's fund is funded by PSG Group with an annual endowment equal to 1% of dividends declared. R600 000 will be set aside this year.

Recent activities include the following:

- Contribution to the University of the Western Cape, chair of development studies.
- Bursaries in the economic and accounting sciences to outstanding candidates and the previously disadvantaged. Fifteen bursaries are awarded annually and three recipients have already graduated, two with distinction.
- Grant to skills training for disadvantaged adults and support of inter-denominational religious programmes on radio.
- Support of the arts, including support of the multicultural Libertas Choir and the Klein Karoo National Arts Festival.

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 accounting systems supported by internal accounting controls, 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

12 April 2002

STATEMENT OF REMUNERATION COMMITTEE

The PSG Group remuneration committee is chaired by an independent non-executive and further comprises one independent non-executive director and two group non-executives. 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 are in line with best practice.

J Hoffman
Chairman of remuneration committee

11 April 2002

ANNUAL FINANCIAL STATEMENTS

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 19 to 53 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
Managing director

12 April 2002
Stellenbosch

REPORT OF THE INDEPENDENT AUDITORS

To the members of PSG Group Limited

We have audited the annual financial statements and group annual financial statements of PSG Group Limited set out on pages 19 to 53 for the period ended 28 February 2002. These financial statements are the responsibility of management. 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 about whether 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 group as at 28 February 2002 and the results of its operations, and cash flow for the period then ended in accordance with South African Statements of Generally Accepted Accounting Practice, and in the manner required by the Companies Act in South Africa.

PricewaterhouseCoopers

PricewaterhouseCoopers Inc
Registered Accountants and Auditors
Chartered Accountants (SA)

12 April 2002

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

12 April 2002
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 R175,1 million (2001: R200,2 million).

SHARE CAPITAL

Details of the authorised and issued share capital appear in note 14 to the financial statements.

DIVIDENDS AND CAPITAL DISTRIBUTION

Details of dividends and the capital distribution appear in note 30 to the financial statements.

SHARE INCENTIVE SCHEMES

PSG Group Limited

The Share Trust currently holds 5 531 700 PSG shares at a cost of R34,2 million. Of these, 5 294 300 have been allocated to participants at a total consideration of R27,4 million. The remaining shares are under the control of the trustees of the trust to offer to eligible participants. Messrs J F Mouton and C A Otto are executive directors of PSG Group. Their participation in this scheme is 2 178 200 and 1 641 200 shares respectively.

Subsidiary companies

Capitec Bank Holdings Limited

The Share Trust currently holds 3 465 352 Capitec shares at a cost of R17,3 million. A total number of 7 384 338 options have been granted at a price of 545 cents per share. These options may be exercised over a period of four years, commencing three years after date of allocation in quantities of 25% per year.

PSG Investment Bank Holdings Limited

The Share Trust currently holds 27 188 815 PSG Investment Bank shares at a cost of R25,8 million. A total number of 129 377 415 options have been granted at prices ranging from 80 cents to 161 cents per share. These options may be exercised at varying periods, but generally over a period of six years.

DIRECTORATE

The directors of the company at the date of this report appear on the inside front cover. Since the date of the previous report Messrs L van A Bellingan and M J Jooste have been appointed as directors of the company and Messrs L de Wit, A B la Grange, M S du P le Roux, H H Oosthuizen and C F Turner resigned as directors of the company.

In terms of the company's articles of association, Messrs L van A Bellingan and M J Jooste being new appointments to the board, retire as directors at the next annual general meeting, but being eligible, offer themselves for re-election. Mr J de V du Toit retire by rotation but being eligible, offer himself for re-election.

DIRECTORS' EMOLUMENTS

The following directors' emoluments have been paid for the year ended 28 February 2002:

R000	Services as directors	Cash package	Other benefits[*1]	Performance related	Total
Executive					
J F Mouton		1 800		2 500[*2]	4 300
C A Otto		1 500		2 000[*2]	3 500
Non-executive					
L van A Bellingan	13				13
P E Burton	35				35
J de V du Toit		714	158		872
M J Jooste	13				13
L M Rouillard	31				31
	92	4 014	158	4 500	8 764
Paid to retiring directors[*3]	32	3 497	433		3 962
	124	7 511	591	4 500	12 726
28 February 2001	16	7 330	853	5 000	13 199

[*1] *No gains in terms of any share option or share incentive scheme.*
[*2] *Relates to 2001 financial year, paid in current year.*
[*3] *Emoluments of executive directors of subsidiary companies, paid by those subsidiaries.*

SHAREHOLDING OF DIRECTORS

The shareholding of directors in the issued share capital of the company as at 28 February 2002 was as follows:

	Beneficial		Non-beneficial		Total shareholding	
	Direct	**Indirect**	**Direct**	**Indirect**	**Number**	**%**
L van A Bellingan				220 000	220 000	0,2
P E Burton				–	–	–
J de V du Toit				2 500 000	2 500 000	2,1
M J Jooste				538 344	538 344	0,4
J F Mouton	100			15 506 026	15 506 126	12,9
C A Otto	100			1 737 762	1 737 862	1,4
L M Rouillard				311 582	311 582	0,3
	200	–	–	20 813 714	20 813 914	17,3

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 consistent with those adopted in the previous year.

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 inter-company transactions and balances between group companies have been eliminated. Investments by group companies in the policyholders' funds of long-term insurance subsidiaries are not eliminated.

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 or latest management information where the financial year-ends do not coincide.

Equity accounting involves recognising in the income statement the group's share of the associates' profit or loss for the year. Post-acquisition attributable income and movements in reserves since acquisition, less dividends, are added to the carrying value of these investments.

3. 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

4. INTANGIBLE ASSETS

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net assets of the acquired subsidiary or associated company at the date of acquisition. Goodwill on acquisitions is reported in the balance sheet as an intangible asset and is amortised using the straight-line method over its estimated useful life.

Goodwill arising on major strategic acquisitions of the group to expand its product or geographical coverage is amortised over a maximum period of twenty years. For all other acquisitions (including those relating to microlending businesses acquired), goodwill is generally amortised over a shorter period not exceeding five years.

The carrying amount of goodwill is reviewed annually and written down for permanent impairment where it is considered necessary.

Negative goodwill arises where the net assets of a subsidiary at the date of acquisition, fairly valued, exceed the cost of the acquisition. Negative goodwill – to the extent that it does not exceed the fair value of acquired non-monetary assets – is reported on the balance sheet net of other intangible assets and amortised over the estimated useful lives of the non-monetary assets. Other negative goodwill are taken directly to income.

Expenditure on acquired patents, trademarks and licenses is capitalised and amortised using the straight-line method over their useful lives, generally over 20 years. Intangible assets are not revalued. The carrying amount of each intangible asset is reviewed annually and adjusted for impairment.

5. *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. Monetary assets and liabilities in foreign currencies are translated using rates of exchange ruling at the financial year-end. Foreign exchange trading positions, including spot and forward exchange contracts, are valued at current market rates taking maturity profiles into account. Resulting exchange differences are accounted for in net income.

Foreign operations and foreign entities

Assets and liabilities of subsidiaries which are considered to be integrated foreign operations, are translated at rates of exchange ruling at the financial year-end. Income and expenditure of foreign entities are translated at the weighted average rate of exchange during the year. Exchange differences arising from the translation of integrated foreign operations are dealt with in the income statement in the year in which the difference occurs.

Assets and liabilities in subsidiaries which are considered to be foreign entities 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.

6. *FINANCIAL INSTRUMENTS*

Financial instruments carried on the balance sheet include investments, receivables, loans and advances, investment and trading securities, cash and short-term funds, deposits and current accounts, trade creditors and borrowings. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

The company and group are also parties to financial instruments that reduce exposure to interest rates and fluctuations in foreign currency exchange rates. These instruments, which mainly comprise foreign currency forward contracts and interest rate swap agreements, are not recognised in the financial statements on inception. The purpose of these instruments is to reduce risk.

Disclosure of financial instruments to which the group is a party is provided in the notes to the financial statements.

7. INVESTMENTS

Investments of long-term insurance 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.

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 policyholders' funds.

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.

8. ACCOUNTS RECEIVABLE

Trade receivables are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at the year-end. Bad debts are written off during the year in which they are identified.

9. LOANS AND 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 are included in net income.

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.

10. INVESTMENT AND TRADING SECURITIES

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

Trading portfolios

Financial instruments held in trading portfolios are stated at fair value, which is determined by reference to quoted market prices. Gains and losses are taken directly to the income statement.

Investments portfolios

Financial instruments with no fixed redemption date are recognised initially at cost. Profits or losses are recognised on realisation.

Investments with a fixed redemption date are stated at original cost plus accrued interest. Premium or discounts on purchases are amortised over the period to maturity.

Any permanent diminution in the value of an investment is accounted for against income.

Transaction costs are taken directly to the income statement.

11. 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 deposits and current accounts. 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.

12. FINANCE LEASES

Assets subject to finance lease in which the risk and rewards of ownership are substantially transferred to the lessees are treated as advances. The investment is recorded as the present value of the future lease payments in the leased asset. Adequate provision is made for doubtful debts which is deducted from the amount invested.

Finance charges on leased assets are credited to income over the lifetime of the leases and reflect a constant rate of return on the net investment outstanding. Unearned finance income is calculated as the difference between the gross receivable and the net investment in the leased asset.

13. 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.

14. 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 amounts for financial reporting purposes. Currently enacted taxation rates are used to determine deferred income tax.

Deferred tax assets relating to the carry forward of unused tax losses are recognised to the extent that it is probable that future taxable profits will be available against which the unused tax losses can be utilised.

15. PROVISIONS

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long-service leave as a result of services rendered by employees up to the balance sheet date.

16. REVENUE RECOGNITION

Income of long-term insurance 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

Interest income and expenses

Interest income and expense is recognised on a time proportion basis, taking account of the principal amount outstanding and the effective rate over the period to maturity.

Investment income

Investment income includes realised investment surpluses and deficits. Cash dividends and the full cash equivalent of capitalisation share awards received are recognised when the right to receive payment or transfer is established.

Other trading activities

Other trading income comprises fees earned from brokerage activities and related services, advisory services and portfolio management. Fee income is recognised when the company is unconditionally entitled thereto. No profit is recognised if the outcome of a transaction cannot be estimated reliably. Where income has been recognised and uncertainties arise regarding the outcome of the transaction, a provision is raised against the income.

17. 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.

18. TRUST AND FIDUCIARY ACTIVITIES

The group acts as a trustee or in other fiduciary capacities that result in the holding, placing or managing of assets for the account of, and the risk of, clients. As these are not the assets of the group, they are not reflected on the balance sheet.

BALANCE SHEETS

	Notes	Group 2002 R000	Group 2001 R000	Company 2002 R000	Company 2001 R000
ASSETS					
Fixed assets	1	**155 972**	60 954		
Intangible assets	2	**99 214**	63 662		
Investment in subsidiaries	3			**1 188 238**	1 188 238
Investment in associated companies	4	**268 084**	157 199		
Investments of long-term insurance subsidiaries	5	**371 606**	97 821		
Other investments and non-current assets	6	**118 538**	96 811		
Assets of proprietary consolidated investments	7	**261 776**			
Deferred tax asset	8	**270 085**	154 504		
Accounts receivable	9	**146 001**	170 245		
Loans and advances	10	**1 073 214**	953 906		
Investment and trading securities	11	**557 237**	455 483		
Short-term money market assets	12	**656 364**	668 775		
Cash and short-term funds	13	**498 995**	536 200	**125**	44
Total assets		**4 477 086**	3 415 560	**1 188 363**	1 188 282
SHAREHOLDERS' FUNDS					
Share capital	14	**1 200**	1 269	**1 200**	1 269
Share premium		**382 820**	427 312	**382 820**	427 312
Non-distributable reserves	15	**23 576**	11 015		
Retained earnings	16	**810 386**	701 223	**672 930**	672 930
Ordinary shareholders' funds		**1 217 982**	1 140 819	**1 056 950**	1 101 511
Outside shareholders' funds		**910 327**	613 430		
Total shareholders' funds		**2 128 309**	1 754 249	**1 056 950**	1 101 511
LIABILITIES					
Deposits and current accounts	17	**1 339 313**	1 139 204		
Policyholders' funds	18	**372 146**	87 119		
Long-term liabilities	19	**75 000**	108 457	**131 072**	86 547
Deferred tax liability	8	**1 475**	4 046		
Liabilities of proprietary consolidated investments	7	**170 085**			
Accounts payable		**292 352**	214 918	**341**	224
Provisions	20	**13 514**	12 654		
Current tax liabilities		**3 734**	60 081		
Short-term borrowings	21	**81 158**	34 832		
Total liabilities		**2 348 777**	1 661 311	**131 413**	86 771
Total liabilities and shareholders' funds		**4 477 086**	3 415 560	**1 188 363**	1 188 282

INCOME STATEMENTS

	Notes	Group 2002 R000	Group 2001 R000	Company 2002 R000	Company 2001 R000
Income					
Net interest income	22	**364 053**	344 168		
Investment income	23	**159 737**	143 633	**59 762**	
Other operating income	24	**215 717**	233 958	**537**	328
Total income		**739 507**	721 759	**60 299**	328
Expenses					
Employee compensation and benefits		**240 045**	204 610		
Other operating expenses		**274 100**	208 127	**537**	328
Net income from normal operations	25	**225 362**	309 022	**59 762**	–
Financing costs	26	**(16 116)**	(14 722)		
Income from associated companies		**37 994**	50 383		
Goodwill amortisation		**(25 719)**	(11 020)		
Exceptional items	27	**25 828**	(3 204)		
Net income before taxation		**247 349**	330 459	**59 762**	–
Taxation	28	**(83 608)**	48 721		
Net income of the group		**330 957**	281 738	**59 762**	–
Attributable to outside shareholders		**158 041**	92 925		
Earnings attributable to ordinary shareholders		**172 916**	188 813	**59 762**	–
Earnings per share (cents)	29				
Headline earnings		**141,1**	150,3		
Total earnings		**139,3**	141,7		
Distribution per share (cents)	30				
Dividend		**50**	31		
Capital		**–**	14		
		50	45		

STATEMENT OF CHANGES IN OWNERS' EQUITY

	Group		Company	
	2002	2001	**2002**	2001
	R000	R000	**R000**	R000
Ordinary shareholders' funds at beginning of year	**1 140 819**	1 085 294	**1 101 511**	1 227 484
Movements in share capital				
Repurchase of shares	**(69)**	(126)	**(69)**	(126)
	(69)	(126)	**(69)**	(126)
Movements in share premium				
Repurchase of shares	**(44 492)**	(106 317)	**(44 492)**	(106 317)
Capital distribution		(19 530)		(19 530)
	(44 492)	(125 847)	**(44 492)**	(125 847)
Movements in non-distributable reserves				
Transferred from retained earnings	**3 991**	15		
Foreign exchange translation	**8 570**	7 030		
	12 561	7 045	**–**	–
Movements in retained earnings				
Net income for the year	**172 916**	188 813	**59 762**	
Ordinary dividends	**(59 762)**		**(59 762)**	
Adjustment to prior year goodwill		(14 345)		
Transfer to non-distributable reserves	**(3 991)**	(15)		
	109 163	174 453	**–**	–
Ordinary shareholders' funds at end of year	**1 217 982**	1 140 819	**1 056 950**	1 101 511

CASH FLOW STATEMENTS

	Notes	Group 2002 R000	Group 2001 R000	Company 2002 R000	Company 2001 R000
Cash retained from operating activities					
Cash generated by operating activities	38.1	**397 925**	238 402	**59 762**	
Change in net current assets	38.2	**(157 558)**	(59 054)	**117**	118
Financing costs		**(16 116)**	(14 722)		
Taxation paid	38.3	**(91 640)**	(25 777)		
Cash available from operating activities		**132 611**	138 849	**59 879**	118
Dividends and capital distributions	38.4	**(59 762)**	(53 010)	**(59 762)**	(53 010)
Net cash retained		**72 849**	85 839	**117**	(52 892)
Cash utilised in investing activities					
Net investment in fixed assets		**(112 617)**	(33 737)		
Investments					
Subsidiaries acquired	38.5	**(24 858)**	(6 135)		
Additional shares in subsidiaries acquired		**(94 550)**	(58 596)		
Subsidiaries sold	38.6	**3 810**	133 379		
Investment in associates acquired		**(66 561)**	(115 442)		
Proceeds on disposal of associates			16 000		
Loans to subsidiaries and associates		**1 871**	(1 428)	**44 525**	72 807
Investments made by long-term insurance subsidiaries		**(75 980)**	111 751		
Other investments and loans		**(57 701)**	67 169		
Foreign exchange translation		**16 060**	10 325		
		(410 526)	123 286	**44 525**	72 807
Cash flow attributable to investment in short-term income earning assets					
Change in deposits and current accounts		**(117 173)**	107 631		
Change in loans and advances		**225 080**	(458 906)		
Change in investment and trading securities		**223 795**	381 498		
Change in short-term money market assets		**103 673**	(55 373)		
		435 375	(25 150)	**–**	–
Cash flow from financing activities					
Repurchase of shares		**(44 561)**	(9 949)	**(44 561)**	(106 443)
Paid to outside shareholders		**(66 246)**	(39 488)		
Change in long-term borrowings		**(45 422)**	82 874		86 547
Change in short-term borrowings		**(5 832)**	400		
		(162 061)	33 837	**(44 561)**	(19 896)
Net increase/(decrease) in cash and equivalents		**(64 363)**	217 812	**81**	19
Cash and equivalents at beginning of year		**507 408**	289 596	**44**	25
Cash and equivalents at end of year	38.7	**443 045**	507 408	**125**	44

NOTES TO THE FINANCIAL STATEMENTS

	Land and buildings R000	Office equipment R000	Computer equipment and software R000	Group Total 2002 R000	Group Total 2001 R000
1. FIXED ASSETS					
Historic costs					
Balance at the beginning of year	2 563	31 992	53 053	**87 608**	64 681
Additions	1 299	32 520	83 471	**117 290**	36 180
Disposals		(2 525)	(1 110)	**(3 635)**	(4 920)
Subsidiaries acquired	233	5 886	20 681	**26 800**	1 765
Subsidiaries sold	(627)	(204)	(971)	**(1 802)**	(10 098)
Balance at the end of year	3 468	67 669	155 124	**226 261**	87 608
Accumulated depreciation					
Balance at the beginning of year		7 898	18 756	**26 654**	16 262
Depreciation charge		10 645	13 159	**23 804**	14 019
Disposals		(1 273)	(747)	**(2 020)**	(1 974)
Subsidiaries acquired		3 807	18 822	**22 629**	597
Subsidiaries sold		(215)	(563)	**(778)**	(2 250)
Balance at the end of year	–	20 862	49 427	**70 289**	26 654
Net carrying value	3 468	46 807	105 697	**155 972**	60 954

Details of land and buildings are available at the registered offices of the relevant group companies.

The market value of land and buildings at 28 February 2002, as determined by the directors of the relevant property owning companies, amounted to R5 081 000 (2001: R2 949 000).

	Trade-marks R000	Goodwill R000	Negative goodwill R000	Group **Total 2002 R000**	Total 2001 R000
2. INTANGIBLE ASSETS					
Historic costs					
Balance at the beginning of year	3 052	224 107	(136 810)	**90 349**	
Adjustments to prior year goodwill		1 086		**1 086**	(20 177)
Additions	338	82 764		**83 102**	110 526
Disposals	(950)	(3 080)		**(4 030)**	
Released to income			107 000	**107 000**	
Realised on unbundling		(40 102)		**(40 102)**	
Balance at the end of year	2 440	264 775	(29 810)	**237 405**	90 349
Accumulated amortisation					
Balance at the beginning of year	318	11 144		**11 462**	
Amortisation charge	441	25 719		**26 160**	11 338
Accelerated amortisation charge		52 343		**52 343**	
Disposals	(299)	(2 122)		**(2 421)**	124
Balance at the end of year	460	87 084	–	**87 544**	11 462
Subtotal	1 980	177 691	(29 810)	**149 861**	78 887
Attributable to outside shareholders		(50 647)		**(50 647)**	(15 225)
Net carrying value	1 980	127 044	(29 810)	**99 214**	63 662

	Group 2002 R000	Group 2001 R000	Company 2002 R000	Company 2001 R000
3. INVESTMENT IN SUBSIDIARIES				
Unlisted shares at cost less goodwill written off			**1 188 238**	1 188 238
Refer Annexure A.				
4. INVESTMENT IN ASSOCIATED COMPANIES				
Listed				
Shares at cost	**150 176**	82 194		
Goodwill transferred to intangible assets	**(11 036)**			
Retained earnings	**104 454**	59 609		
	243 594	141 803		
Unlisted				
Shares at cost	**42 764**	25 677		
Goodwill transferred to intangible assets	**(14 016)**	(14 016)		
Retained earnings	**(5 770)**	352		
Unsecured loans	**1 512**	3 383		
	24 490	15 396		
	268 084	157 199		
Market value of listed investments	**198 534**	137 999		
Directors' valuation of unlisted investments	**31 247**	13 285		
Refer Annexure A.				
5. INVESTMENTS OF LONG-TERM INSURANCE SUBSIDIARIES				
Unit trusts	**32 656**	33 535		
Government, public utility and municipal stock	**67 315**	40 280		
Preferential investment	**2 828**	2 828		
Equity portfolios	**31 216**	8 157		
Secured loans	**63 431**	13 021		
Property investments	**2 026**			
Structured products	**74 074**			
Cash	**82 954**			
Annuities	**15 106**			
Investments at market value	**371 606**	97 821		

Policyholders' assets are included in the balance sheet under both cash and short-term funds and investments of long-term insurance subsidiaries. A certain proportion of these are also attributable to shareholders' funds.

	Group		Company	
	2002	2001	**2002**	2001
	R000	R000	**R000**	R000

6. OTHER INVESTMENTS AND NON-CURRENT ASSETS

Listed investments at cost less provisions	**18 693**	24 717		
Unlisted investments at cost	**27 009**	12 543		
Amounts advanced to share incentive trusts	**67 117**	38 871		
Other	**5 719**	20 680		
	118 538	96 811		
Market value of listed investments	**21 786**	37 221		
Directors' valuation of unlisted investments	**26 947**	13 529		

Refer Annexure A.

7. ASSETS OF PROPRIETARY CONSOLIDATED INVESTMENTS

The group has obtained, through the acquisition of Real Africa Durolink Limited during this year, an interest in a company called Fraser Alexander Holdings Limited. Due to the nature of its activities being so different to that of the rest of the group, it was decided not to consolidate the subsidiary on the conventional basis, but to rather include the assets and liabilities thereof as separate line items on the face of the balance sheet. Set out below is the summarised balance sheet of the company on the lines in which it is included in the group balance sheet:

Fixed assets	**136 982**			
Debtors and prepayments	**98 513**			
Other assets	**26 281**			
Assets of proprietary consolidated investments	**261 776**			
Cash	**32 468**			
Total assets	**294 244**			
Interest bearing debt	**61 153**			
Creditors and other liabilities	**108 932**			
Liabilities of proprietary consolidated investments	**170 085**			
Net asset value of the company	**124 159**			

8. DEFERRED TAXATION

Movements in deferred taxation

Balance at the beginning of the year	**150 458**	(1 704)		
Charges to income statement	**20 592**	18 921		
Deferred tax asset created (refer note 27)	**106 538**			
Subsidiaries acquired	**(8 978)**	133 876		
Subsidiaries disposed		(635)		
Balance at the end of the year	**268 610**	150 458		

	Group 2002 R000	Group 2001 R000	Company 2002 R000	Company 2001 R000
8. DEFERRED TAXATION *(continued)*				
Analysis of deferred taxation				
Prepaid expenses	**(479)**	(63)		
Provisions	**20 173**	7 875		
Capital allowances	**(24 073)**	8 502		
Assessable losses	**270 440**	140 227		
Investment revaluations		(5 707)		
Other	**2 549**	(376)		
	268 610	150 458		
Composition of deferred taxation				
Deferred tax asset	**270 085**	154 504		
Deferred tax liability	**(1 475)**	(4 046)		
	268 610	150 458		
9. ACCOUNTS RECEIVABLE				
Trade debtors	**81 037**	81 699		
Prepayments and sundry debtors	**64 964**	88 546		
	146 001	170 245		
10. LOANS AND ADVANCES				
Category analysis				
Secured loans	**444 702**	432 519		
Unsecured loans	**362 614**	317 091		
Leases and instalment debtors	**39 160**	84 954		
Trade finance debtors	**146 082**	8 349		
Cash loans	**161 621**	105 278		
Other	**25 970**	43 831		
	1 180 149	992 022		
Specific and general provisions	**106 935**	38 116		
	1 073 214	953 906		
Maturity analysis				
On demand to 1 month	**549 654**	373 567		
1 – 6 months	**85 701**	134 462		
6 months – 1 year	**16 142**	12 835		
More than 1 year	**528 652**	471 158		
	1 180 149	992 022		

	Group 2002 R000	Group 2001 R000	Company 2002 R000	Company 2001 R000
10. LOANS AND ADVANCES *(continued)*				
Analysis of provisions				
Specific provisions for bad and doubtful debts	**89 578**	25 425		
General provision	**17 357**	12 691		
	106 935	38 116		
Movement in provisions				
Balance at beginning of year	**38 116**	14 096		
Debts written off	**(5 327)**	(2 552)		
Subsidiaries acquired	**10 964**			
Subsidiaries disposed		(11 840)		
Charge to income statement to increase provision	**63 182**	38 412		
Provision at year-end	**106 935**	38 116		
Loans and advances include finance lease receivables, analysed as follows:				
Gross investment in finance leases	**44 937**	102 393		
Unearned finance income	**5 777**	17 439		
Net investment in finance leases	**39 160**	84 954		
Receivable within 1 year	**18 896**	36 296		
Receivable between 1 – 5 years	**18 958**	47 310		
Receivable after 5 years	**1 306**	1 348		
	39 160	84 954		
11. INVESTMENT AND TRADING SECURITIES				
Category analysis				
Government and government guaranteed	**25 594**	10 336		
Listed securities	**104 693**	39 382		
Unlisted securities	**155 847**	405 765		
Forward exchange contracts	**271 103**			
	557 237	455 483		
Analysis by portfolio				
Liquid assets		10 336		
Investment	**132 244**	368 707		
Trading	**424 993**	76 440		
	557 237	455 483		

NOTES TO THE FINANCIAL STATEMENTS

	Group		Company	
	2002	2001	**2002**	2001
	R000	R000	**R000**	R000
11. INVESTMENT AND TRADING SECURITIES *(continued)*				
Maturity analysis				
On demand to one month	**66 473**	16 597		
One month to six months	**270 688**	312 379		
Six months to one year	**14 977**	24 596		
More than one year	**205 099**	101 911		
	557 237	455 483		
12. SHORT-TERM MONEY MARKET ASSETS				
Bills	**24 817**	76 526		
Money market instruments	**631 547**	592 249		
	656 364	668 775		
13. CASH AND SHORT-TERM FUNDS				
Balances with central bank	**24 485**	11 625		
Balances with other banks	**344 272**	410 449		
Money on call and short notice	**65 162**	27 909		
Reserved deposits	**1 390**	32 282		
Bank and cash	**63 686**	53 935	**125**	44
	498 995	536 200	**125**	44
14. SHARE CAPITAL				
Authorised				
200 000 000 shares of 1 cent each	**2 000**	2 000	**2 000**	2 000
Issued				
120 000 000 shares of 1 cent each (2001: 126 900 000)	**1 200**	1 269	**1 200**	1 269

The unissued shares in the company are placed under the control of the directors until the next annual general meeting. The directors are authorised to buy back shares subject to certain limitations and JSE requirements.

	Group		Company	
15. NON-DISTRIBUTABLE RESERVES				
Foreign exchange translation	**19 458**	10 888		
Other	**4 118**	127		
	23 576	11 015		

	Group		Company	
	2002	2001	**2002**	2001
	R000	R000	**R000**	R000
16. RETAINED EARNINGS				
Company	**47 542**	47 542	**672 930**	672 930
Consolidated subsidiaries	**762 844**	653 681		
	810 386	701 223	**672 930**	672 930

17. DEPOSITS AND CURRENT ACCOUNTS

	Group 2002 R000	Group 2001 R000
Category analysis		
Call deposits	**183 012**	271 284
Negotiable securities of deposit	**102 204**	84 484
Term deposits	**262 438**	283 257
Repurchase agreements	**544 574**	432 285
Structured products	**37 548**	
Deposits from banks	**209 537**	67 894
	1 339 313	1 139 204
Maturity analysis		
On demand to one month	**827 381**	756 857
One month to six months	**337 639**	315 192
Six months to one year	**23 256**	43 575
More than one year	**151 037**	23 580
	1 339 313	1 139 204

18. POLICYHOLDERS' FUNDS

	Group 2002 R000	Group 2001 R000
Opening balance at market value	**87 119**	199 102
Amount transferred (to)/from the income statement in respect of increase in actuarial liabilities and additional reserves	**35 531**	(111 983)
Property and subsidiary revaluation	**(443)**	
Subsidiaries acquired	**249 939**	
Closing balance at market value	**372 146**	87 119

Financial soundness

In their report to the company, 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 are satisfied that the operations of the company are financially sound and that the excess of its assets over its liabilities are more than sufficient to cover its capital adequacy requirements.

	Group 2002 R000	Group 2001 R000	Company 2002 R000	Company 2001 R000
19. LONG-TERM LIABILITIES				
Redeemable preference shares (25 000 shares in PSG Financial Services Ltd of R0,01 each issued at a premium of R999,99)	**25 000**	25 000		
Redeemable preference shares (75 000 shares in Business Venture Investments No. 366 (Pty) Ltd of R0,01 each issued at a premium of R999,99)	**75 000**	75 000		
Loans from subsidiary companies			**131 072**	86 547
Other		8 457		
	100 000	108 457	**131 072**	86 547
Less: Transferred to short-term borrowings	**(25 000)**			
	75 000	108 457	**131 072**	86 547

Dividends are paid half yearly at a rate of 74% – 75% of the prime overdraft rate and shares are redeemable in full at par on 5 November 2002 and 30 September 2003 respectively.

Group companies have issued an undertaking to repurchase the shares should the respective subsidiary fail to redeem the shares in full at the redemption date or fail to pay the final dividend due. In addition, the liability of R75 000 000 is secured by a session of 370 000 000 shares in PSG Investment Bank Holdings Limited.

	Group 2002 R000	Group 2001 R000	Company 2002 R000	Company 2001 R000
20. PROVISIONS				
Liquidity provision	**8 514**	8 514		
Regulatory provision	**5 000**	4 140		
	13 514	12 654		

Movements in the provisions have been charged to the income statement.

	Group 2002 R000	Group 2001 R000	Company 2002 R000	Company 2001 R000
21. SHORT-TERM BORROWINGS				
Bank overdrafts	**55 950**	28 792		
Unsecured loans	**208**	6 040		
Short-term portion of long-term liabilities	**25 000**			
	81 158	34 832		

	Group 2002 R000	Group 2001 R000	Company 2002 R000	Company 2001 R000
22. NET INTEREST INCOME				
Interest income				
Loans and advances	**443 147**	321 185		
Investment and trading securities	**26 804**	6 264		
Short-term money market assets	**36 538**	75 330		
Cash and short-term funds	**21 766**	82 806		
Other	**9 333**	16 839		
	537 588	502 424		
Interest expense				
Deposits and current accounts	**167 150**	157 434		
Other interest-bearing liabilities	**6 385**	822		
	173 535	158 256		
Net interest income	**364 053**	344 168		
23. INVESTMENT INCOME				
Income from listed investments				
Interest	**3 398**			
Dividends	**12 261**	9 984		
Profit on realisation of investments	**6 299**	10 019		
Loss on realisation of investments	**(8 102)**	(2 150)		
Foreign exchange gains	**25 098**			
Income from unlisted investments				
Interest	**312**	1 840		
Dividends	**42 520**	67 715	**59 762**	
Profit on realisation of associates		13 242		
Profit on realisation of investments	**74 593**	32 960		
Loss on realisation of investments	**(24 651)**			
Foreign exchange gains	**28 009**	10 023		
Investment income	**159 737**	143 633	**59 762**	–

NOTES TO THE FINANCIAL STATEMENTS

	Group		Company	
	2002	2001	**2002**	2001
	R000	R000	**R000**	R000
24. OTHER OPERATING INCOME				
Income from long-term insurance subsidiaries				
Premium income				
Recurring premiums	**143 664**	85 022		
Single premiums	**75 688**	858 398		
Gross premium income	**219 352**	943 420		
Less: Premiums paid	**(53 130)**	(34 884)		
Net premium income	**166 222**	908 536		
Investment income				
Dividends	**5 115**	25 238		
Interest	**22 382**	190 736		
Net property income	**239**	(624)		
Realised surplus/(deficit) on investments	**16 330**	(292 384)		
Unrealised surplus/(deficit) on investments	**(10 601)**	2 426		
Net investment income	**33 465**	(74 608)		
Re-insurance commission	**4 325**	16 967		
Total income	**204 012**	850 895		
Expenses				
Operating expenses	**109 443**	90 430		
Claims and other policyholders' benefits	**39 206**	867 078		
	148 649	957 508		
Transfers to/(from) policyholders' funds	**35 532**	(111 983)		
Net income from long-term insurance activities	**19 831**	5 370		
Income from proprietary consolidated investments (refer note 7)				
Sales	**394 239**			
Cost of sales	**320 281**			
Gross profit	**73 958**			
Other income	**11 148**			
Operating expenses	**(36 839)**			
Net interest paid	**(4 020)**			
Net profit before taxation	**44 247**	–		

	Group		Company	
	2002	2001	**2002**	2001
	R000	R000	**R000**	R000
24. OTHER OPERATING INCOME *(continued)*				
Other operating income				
Commission and fees	**130 242**	193 821		
Dealing and structuring transactions	**16 192**	17 163		
Treasury operations	**5 205**	17 604		
Management fees – subsidiary companies			**537**	328
	151 639	228 588	**537**	328
	215 717	233 958	**537**	328

	Group	
	2002	2001
	R000	R000
25. NET INCOME FROM NORMAL OPERATIONS		
The following items have been charged in arriving at net income from normal operations:		
Depreciation		
Office equipment	**10 645**	4 566
Computer equipment and software	**13 159**	9 453
	23 804	14 019
Amortisation of trademarks	**441**	318
Loss/(profit) on sale of fixed assets	**(89)**	503
Rental and operating lease charges		
Properties	**61 354**	30 608
Other	**5 162**	4 308
	66 516	34 916
Foreign exchange differences – borrowings		
Foreign exchange gains	**3 792**	324
Foreign exchange losses	**(291)**	(2 377)
	3 501	(2 053)
Auditors' remuneration		
Audit fees	**5 829**	4 550
Taxation services	**1 549**	236
Other consulting services	**1 508**	1 245
	8 886	6 031

NOTES TO THE FINANCIAL STATEMENTS

	Group 2002 R000	Group 2001 R000	Company 2002 R000	Company 2001 R000
25. NET INCOME FROM NORMAL OPERATIONS *(continued)*				
Remuneration other than to employees				
Administration and managerial	**35 681**	20 514		
Secretarial	**1 054**	422		
Technical	**6 236**	8 087		
	42 971	29 023		
Staff costs				
Salaries, wages and allowances	**222 386**	191 395		
Contributions to retirement funds	**10 332**	8 229		
Social security costs	**1 445**	1 066		
Termination benefits	**2 671**	1 038		
Training costs	**3 211**	2 882		
	240 045	204 610		
Directors' emoluments				
Refer directors' report				
26. FINANCING COSTS				
Long-term liabilities	**13 342**	6 565		
Other interest-bearing liabilities	**2 774**	8 157		
	16 116	14 722		

27. EXCEPTIONAL ITEMS

	Profit before taxation R000	Taxation R000	Outside shareholders R000	Group Net 2002 R000	Group Net 2001 R000
Negative goodwill	102 516		(20 184)	**82 332**	7 897
Goodwill impairment	(52 343)		10 685	**(41 658)**	–
Impairment charges	(22 941)		4 235	**(18 706)**	(29 948)
Investment activities	(1 404)		2 711	**1 307**	18 786
Net total	25 828	–	(2 553)	**23 275**	(3 265)
Taxation					(553)
Outside shareholders				**2 553**	614
				25 828	(3 204)

The acquisitions by PSG Investment Bank Holdings Limited of Real Africa Durolink Limited ("RAD") and The Business Bank Limited resulted in negative goodwill that was taken to the income statement this year. These items relate to assessable tax losses within these entities. Included in exceptional items above is a net amount of R51,4 million attributable to the group which relates to the position at acquisition. A further R106,5 million in respect of RAD only vested post-acquisition and is included in taxation (R63,6 million attributable to the group).

	Group		Company	
	2002	2001	**2002**	2001
	R000	R000	**R000**	R000

28. TAXATION

South African normal taxation				
Current taxation – current year	**29 689**	60 794		
Current taxation – previous year	**(285)**	(1 523)		
Deferred taxation – current year	**(22 022)**	(18 467)		
Deferred taxation – previous year	**1 430**	(454)		
	8 812	40 350		
Secondary tax on companies	**9**	2 508		
Taxation related to income from associates	**8 229**	4 319		
Foreign taxation	**5 880**	1 544		
Taxation on normal operations	**22 930**	48 721		
Deferred tax asset created (refer note 27)	**(106 538)**			
	(83 608)	48 721		
Reconciliation of rate of taxation	**%**	%		
South African normal tax rate	**30**	30		
Adjusted for:				
Non-taxable income	**(35,4)**	(19,6)		
Non-deductible charges	**11,2**	9,6		
Foreign tax rate differential	**(1,1)**	(1,3)		
Income from associated companies	**(0,7)**	(3,2)		
Secondary tax on companies		0,7		
Prior year over provision	**(0,2)**	(0,5)		
Prior year unrecognised tax asset utilised		(5,0)		
Deferred tax asset not provided for	**5,5**	3,9		
Effective rate of tax on normal operations	**9,3**	14,6		
Gross calculated tax losses at the end of the year available for utilisation against future taxable income	**887 690**	444 945		
Deferred tax asset provided	**882 800**	432 038		
Available for future utilisation	**4 890**	12 907		
STC credits available within the group	**191 584**	49 178	**3 013**	3 013

NOTES TO THE FINANCIAL STATEMENTS

	Group 2002 R000	Group 2001 R000	Company 2002 R000	Company 2001 R000
29. EARNINGS PER SHARE				
The calculations of earnings per share is based on the following:				
Total earnings attributable to ordinary shareholders	**172 916**	188 813		
Goodwill amortisation (net of outside shareholders)	**25 511**	8 133		
Exceptional items (net of outside shareholders)	**(23 275)**	3 265		
Headline earnings	**175 152**	200 211		
Weighted average number of shares (000)	**124 200**	133 200		
30. DISTRIBUTIONS TO SHAREHOLDERS				
Interim				
Dividend				
17 cents per share (2001: 0 cents)	**21 012**		**21 012**	
Capital				
14 cents per share		19 530		19 530
Final				
Dividend				
33 cents per share (2001: 31 cents)	**39 600**	39 339	**39 600**	39 339
	60 612	58 869	**60 612**	58 869

Dividends payable are not accounted for until it has been ratified at the annual general meeting. Accordingly, these financial statements do not reflect the final dividend payable, which will be accounted for in shareholders' equity as an appropriation of retained earnings in the year ending 28 February 2003.

	Group 2002 R000	Group 2001 R000	Company 2002 R000	Company 2001 R000
31. CAPITAL EXPENDITURE APPROVED				
Expenditure contracted for	**3 030**	7 506		
Expenditure authorised but not contracted for	**1 992**	57 371		
	5 022	64 877		

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

	Group		Company	
	2002	2001	**2002**	2001
	R000	R000	**R000**	R000
32. OPERATING LEASE COMMITMENTS				
Future commitments in terms of:				
Rental agreements				
Due within one year	**3 492**	3 042		
One to five years	**8 016**	3 562		
Operating leases – premises				
Due within one year	**45 111**	21 890		
One to five years	**74 825**	64 181		
Longer than five years		27 542		
33. CONTINGENT LIABILITIES				
Guarantees				
Suretyships in favour of banks and other institutions for underwriting commitments and facilities granted	**24 434**	13 390		50 000
Undertakings to repurchase preference shares issued by subsidiaries	**100 000**	100 000	**200 000**	200 000

Share purchase arrangement

PSG Group Limited provided a suretyship to the PSG Share Incentive Trust in respect of a contingent liability it has as a result of a put option against it to acquire shares in PSG Group Limited. The contingency relates to a share purchase arrangement for senior staff of the group set up within an independent financial trust and financed by personal means and with a third party institution.

At year-end the potential exposure of the group amounted to R12 875 000.

Deferred tax liabilities

Deferred tax liabilities have not been raised for any SA normal income tax that would be payable on the unremitted earnings of certain offshore subsidiaries, as it is the intention that such amounts will be permanently reinvested.

34. BORROWING POWERS

In terms of the company's articles of association, borrowing powers are unlimited. Details of actual borrowings are disclosed in note 19 to the financial statements.

35. RETIREMENT FUND

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

36. RELATED-PARTY TRANSACTIONS

PSG Group Limited and its subsidiaries enter into various financial services transactions with associates of and other members of the PSG Group. These transactions include a range of investment, administrative, advisory and corporate services in the normal course of business. These transactions are executed under terms no less favourable than those arranged with third parties.

37. 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. Therefore, the market values are 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. Unless otherwise indicated below, the amount subject to credit risk is limited to the fair value of instruments that are favourable to the group (ie assets) as well as potential future exposure. This risk exposure is managed as part of the overall credit limits granted to clients as discussed in more detail in the risk management review section of the annual financial statements.

	2002		2001	
	Fair values		Fair values	
	Assets	**Liabilities**	Assets	Liabilities
	R000	**R000**	R000	R000
Interest rate derivatives				
OTC options bought and sold	**8 062**	**2 807**	4	9 827
Interest rate swaps and forward rate agreements	**95 737**	**120 582**	74 144	92 157
Foreign exchange derivatives				
Spots and forward foreign exchange			51 688	35 134
Currency swaps	**607 338**	**350 860**		

37. FINANCIAL INSTRUMENTS *(continued)*

Financial assets and liabilities

The table below sets out the fair value of financial assets and liabilities carried on the balance sheet:

	2002 Carrying value R000	2002 Fair value R000	2001 Carrying value R000	2001 Fair value R000
Assets				
Other investments and non-current assets	**118 538**	**121 569**	96 811	110 301
Accounts receivable	**146 001**	**146 001**	170 245	170 245
Loans and advances	**1 073 214**	**1 073 214**	953 906	953 906
Investments and trading securities	**557 237**	**557 237**	455 483	455 612
Short-term money market assets	**656 364**	**656 364**	668 775	668 637
Cash and short-term funds	**498 995**	**498 995**	536 200	536 200
	3 050 349	**3 053 380**	2 881 420	2 894 901
Liabilities				
Long-term liabilities	**75 000**	**75 000**	108 457	108 457
Liabilities of proprietary consolidated investments	**170 085**	**170 085**		
Deposits and current accounts	**1 339 313**	**1 339 313**	1 139 204	1 139 204
Accounts payable	**292 352**	**292 352**	214 918	214 918
Current tax liabilities	**3 734**	**3 734**	60 081	60 081
Short-term borrowings	**81 158**	**81 158**	34 832	34 932
	1 961 642	**1 961 642**	1 557 492	1 557 592

NOTES TO THE FINANCIAL STATEMENTS

	Group		Company	
	2002	2001	**2002**	2001
	R000	R000	**R000**	R000
38. NOTES TO THE CASH FLOW STATEMENT				
38.1 Cash generated by operating activities				
Net income from normal operations	**225 362**	309 022	**59 762**	
Transfer to policyholders' fund	**35 532**	(111 983)		
Adjustment for other non-cash items	**137 031**	41 363		
	397 925	238 402	**59 762**	–
38.2 Change in net current assets				
Change in accounts receivable	**62 065**	104 656		
Change in assets and liabilities of proprietary consolidated investments	**(188 987)**			
Change in accounts payable	**(30 636)**	(163 710)	**117**	118
	(157 558)	(59 054)	**117**	118
38.3 Taxation paid				
Balance at beginning of the year	**(60 081)**	(22 535)		
Charge in income statement	**83 608**	(48 721)		
Deferred tax adjustment	**(127 130)**	(18 921)		
Share of associates taxation	**8 229**	4 319		
Balance at end of the year	**3 734**	60 081		
	(91 640)	(25 777)	**–**	–
38.4 Dividends and capital distributions				
Provision for payments to shareholders at beginning of year		(33 480)		(33 480)
Dividends and capital distribution for the year	**(59 762)**	(19 530)	**(59 762)**	(19 530)
	(59 762)	(53 010)	**(59 762)**	(53 010)

	Group		Company	
	2002	2001	**2002**	2001
	R000	R000	**R000**	R000

38. NOTES TO THE CASH FLOW STATEMENT *(continued)*

38.5 Subsidiaries acquired

	Group 2002 R000	Group 2001 R000	Company 2002 R000	Company 2001 R000
Net assets of subsidiaries acquired				
Fixed assets	**(4 171)**	(1 168)		
Investments of long-term insurance subsidiaries	**(198 249)**			
Other assets		(8 481)		
Assets of proprietary consolidated investments	**(226 869)**			
Deferred tax asset	**8 978**	(133 876)		
Accounts receivable	**(72 938)**			
Loans and advances	**(420 885)**	(18 334)		
Investment and trading securities	**(274 326)**	(66 739)		
Short-term money market assets	**(91 262)**	(79 742)		
Cash and short-term funds	**(58 017)**	(60 918)		
Deposits and current accounts	**306 556**	179 550		
Long-term liabilities	**36 965**			
Policyholders' funds	**249 939**			
Liabilities of proprietary consolidated investments	**266 624**			
Accounts payable	**85 380**			
Outside shareholders	**43 245**	4 417		
Goodwill on acquisition	**97 116**	40 238		
Total purchase price	**(251 914)**	(145 053)		
Less: Paid for by non-cash means	**169 039**	78 000		
Cash consideration paid	**(82 875)**	(67 053)		
Deposits and cash of subsidiaries	**58 017**	60 918		
Cash flow on acquisition	**(24 858)**	(6 135)		

	Group		Company	
	2002	2001	**2002**	2001
	R000	R000	**R000**	R000
38. NOTES TO THE CASH FLOW STATEMENT *(continued)*				
38.6 Subsidiaries sold				
Net assets of subsidiaries sold				
Fixed assets	**1 024**	7 848		
Other assets	**2 706**	2 165		
Loans and advances	**2 500**	81 342		
Account receivable	**2 229**	76 137		
Deposits and current accounts	**(8 093)**	(38 748)		
Net assets of subsidiaries sold	**366**	128 744		
Outside shareholders	**(1 495)**	(31 138)		
Profit on sale of subsidiaries	**4 939**	37 064		
Proceeds of sale	**3 810**	134 670		
Settled by way of reduction in liability		(16 800)		
Deposits and cash of subsidiaries		15 509		
Net cash flow on disposal	**3 810**	133 379		
38.7 Cash and equivalents at end of year				
Cash and short-term funds	**498 995**	536 200	**125**	44
Bank overdrafts	**(55 950)**	(28 792)		
	443 045	507 408	**125**	44

ANNEXURE A
INTEREST IN SUBSIDIARIES

Company	2002 R000	2001 R000	Proportion held directly or indirectly by holding companies 2002 %	2001 %
PSG Financial Services Limited	**45 872**	45 872	**100**	100
PSG Investment Services (Pty) Limited	**950**	950	**95**	95
PSG Corporate Services (Pty) Limited	**4**	4	**100**	100
PSG Investment Bank Holdings Limited	**7 160**	6 082	**60**	68
Channel Group Limited	**1 800**	1 800	**87**	84
Capitec Bank Holdings Limited	**667**		**52**	
Keynes Rational Limited		449		73

The company's interest in attributable income and losses of subsidiaries amounts to R201 790 000 (2001: R246 352 000) and R29 074 000 (2001: R57 539 000) respectively.

Information is only disclosed in respect of subsidiaries of which the financial position or results are material. Further details of investments are available at the registered offices of the relevant group companies.

ANNEXURE A
INVESTMENT IN ASSOCIATED COMPANIES

Company	Nature of business	Proportion held directly or indirectly by holding companies 2002 %	2001 %	Group Carrying value 2002 R000	2001 R000
INVESTMENT IN ASSOCIATED COMPANIES					
Listed					
m Cubed Holdings Limited	Financial services	**20**		**78 346**	
Escher Group Limited	Financial services		40		34 820
Vestacor Limited	Private equity	**45**	43	**138 364**	106 983
Appleton Limited	Asset management	**28**		**26 884**	
				243 594	141 803
Unlisted					
Whistler Risk Managers (Pty) Limited	Financial services	**30**	30	**2 721**	8 221
Alfinanz Limited	Back office administration	**39**	39	**2 580**	2 000
Kiwane Capital Management Limited	Financial services	**50**		**2 269**	
Other				**16 920**	5 175
				24 490	15 396

Information is only disclosed in respect of associates of which the financial position or results are material. Further details of investments are available at the registered offices of the relevant group companies. Details pertaining to the assets and liabilities of associates are not provided since both material associates are listed companies of which the financial statements are readily available to the public.

Company	2002 %	2001 %	2002 R000	2001 R000
OTHER INVESTMENTS				
Listed				
PSG Investment Bank Holdings Limited*	**1,8**	1,1	**11 691**	11 912
m Cubed Holdings Limited*	**2,2**		**5 304**	
Escher Group Limited*		4,7		3 553
AST Group Limited		0,7		9 252
Other			**1 698**	
			18 693	24 717
Unlisted				
Sundry investments and loans			**27 009**	12 543

** These investments represent non-consolidated interests in subsidiary and associate companies which are regarded as trading stock.*

Information is only disclosed in respect of investments of which the financial position or results are material. Further details of investments are available at the registered offices of the relevant group companies.

ANNEXURE B
SEGMENT REPORT

Primary reporting segment
The group is organised into two primary segments:
– Investment banking
– Retail banking

The other operations of the group mainly comprise stockbroking, funds management and employee benefit consulting, none of which constitute a separate reportable segment.

Elimination of transactions between business segments have been included in the "other" category. Segment assets and liabilities include all assets and liabilities categories as listed in the balance sheet of the group. Capital expenditure comprises additions to fixed assets and trademarks.

For the year ended 28 February 2002	Revenues R000	Segment result R000	Segment assets R000	Segment liabilities R000
Investment banking	**385 112**	**331 526**	**3 341 513**	**1 679 329**
Retail banking	**269 099**	**48 067**	**408 877**	**17 628**
Other	**85 296**	**(48 636)**	**726 696**	**651 820**
	739 507	**330 957**	**4 477 086**	**2 348 777**

	Capital expenditure R000	Depreciation R000	Amortisation R000	Impairment charge R000
Investment banking	**1 871**	**4 158**	**773**	**70 270**
Retail banking	**108 274**	**10 845**	**18 925**	
Other	**7 483**	**8 801**	**6 462**	**5 014**
	117 628	**23 804**	**26 160**	**75 284**

Reconciliation of segment result	2002 R000	2001 R000
Segment result (net income of the group after taxation)	**330 957**	281 738
Attributable to outside shareholders	**(158 041)**	(92 925)
Earnings attributable to ordinary shareholders	**172 916**	188 813

The segment result of the investment banking segment, includes income from associated companies before taxation of R21 920 000.

Secondary reporting segment
No secondary reporting segment has been included as the group derives substantially all of its revenue from inside the Republic of South Africa.

SHARE ANALYSIS

	Shareholders Number	%	Shares held Number	%
RANGE OF SHAREHOLDING				
1 – 1 000	2 463	57,5	2 628 600	2,2
1 001 – 10 000	1 485	34,7	4 781 288	4,0
10 001 – 100 000	250	5,8	8 025 974	6,7
100 001 – 1 000 000	64	1,5	15 684 860	13,1
Over 1 000 000	21	0,5	88 879 278	74,0
	4 283	100	120 000 000	100
TYPE OF SHAREHOLDER				
Individuals	3 283	76,6	13 827 479	11,5
Investment companies and trusts	925	21,6	88 849 313	74,0
Banks and nominee companies	59	1,4	15 453 491	12,9
Pension and provident funds	16	0,4	1 869 717	1,6
	4 283	100	120 000 000	100
PUBLIC AND NON-PUBLIC SHAREHOLDING				
Non-public				
Directors	6	0,1	20 813 914	17,3
Employee share scheme	1		5 531 700	4,6
	7	0,1	26 345 614	21,9
Public	4 276	99,9	93 654 386	78,1
	4 283	100	120 000 000	100
INDIVIDUAL SHAREHOLDERS HOLDING MORE THAN 5% AS AT 28 FEBRUARY 2002				
Old Mutual Asset Management			19 974 981	16,6
JF Mouton Family Trust			15 506 126	12,9
Sanlam Asset Management			11 500 227	9,6
Siphomelele Investments			10 000 000	8,3
Prudential Asset Management			6 408 615	5,3
			63 389 949	52,7

SHAREHOLDERS' DIARY

	2002
Financial year-end	28 February
Profit announcement	16 April
Annual report	9 May
Annual general meeting	31 May
Interim report	8 October

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given of the annual general meeting of the company to be held in the Auditorium, Oude Libertas, Adam Tas Street, Stellenbosch on Friday, 31 May 2002 at 12:15.

AGENDA

1. To receive and consider the annual financial statements of the company and the reports of the directors and the auditors for the year ended 28 February 2002.
2. To confirm the dividends to shareholders set out in the financial statements in 1 above.
3. To re-elect as directors of the company L van A Bellingan, M J Jooste and J de V du Toit.
4. To re-appoint Messrs PricewaterhouseCoopers Inc. as auditors for the ensuing year.
5. To authorise the directors to determine and pay the auditors' remuneration for the year ended 28 February 2002.
6. To confirm the directors' remuneration, as disclosed in the annual financial statements, for the year ended 28 February 2002.
7. To consider and if deemed fit, pass with or without modification, the following ordinary and special resolutions:

7.1 As an ordinary resolution

"Resolved that the unissued shares in the company be and are hereby placed under the control of the directors until the next annual general meeting and that they be and are hereby authorised to issue any such shares as they may deem fit subject to the Companies Act 1973, (Act 61 of 1973), the articles of association of the company, and the rules and regulations of the JSE Securities Exchange South Africa."

7.2 As an ordinary resolution

"Resolved that, subject to not less than 75% of those shareholders of PSG present in person or represented by proxy and entitled to vote at the general meeting at which this resolution is proposed, voting in favour of this resolution, the directors of the company be and are hereby authorised and empowered, by way of a general authority, to allot and issue for cash without restriction, all or any of the unissued shares in the share capital of PSG placed under their control as they in their discretion may deem fit, subject to the provisions of the listings requirements of the JSE Securities Exchange South Africa ("JSE"):

- the authority shall be valid until the date of the next annual general meeting of the company, provided it shall not extend beyond fifteen months from the date of this resolution;
- a paid press announcement giving full details, including the impact on net asset value and earnings per share, will be published after any issue representing, on a cumulative basis within any one financial year, 5% or more of the number of shares in issue prior to such issue;
- the general issues of shares for cash in the aggregate in any one financial year may not exceed 15% of the applicant's issued share capital (number of securities) of that class. The securities of a particular class will be aggregated with the securities that are compulsorily convertible into securities of that class; and, in the case of the issue of compulsorily convertible securities, aggregated with the securities of that class into which they are compulsorily convertible. The number of securities of a class which may be issued shall be based on the number of securities of that class in issue at the date of such application less any securities of the class issued during the current financial year, provided that any securities of that class to be issued pursuant to a rights issue (announced and irrevocable and underwritten) or acquisition (concluded up to the date of application) may be included as though they were securities in issue at the date of application;

NOTICE OF ANNUAL GENERAL MEETING

- in determining the price at which an issue of shares will be made in terms of this authority the maximum discount permitted will be 10% of the weighted average traded price of such shares, as determined over the 30 trading days prior to the date that the price of the issue is determined or agreed by the directors. The committee of the JSE should be consulted for a ruling if the applicant's securities have not traded in such 30 business day period;
- any such issue will only be made to public shareholders as defined in paragraph 4.22 of the Listings Requirements of the JSE and not to related parties; and
- any such issue will only be securities of a class already in issue."

7.3 As special resolution number 1

"Resolved as a special resolution that the company be and is hereby authorised, as a general approval, to repurchase any of the shares issued by the company, upon such terms and conditions and in such amounts as the directors may from time to time decide, but subject to the provisions of section 85 to section 88 of the Companies Act 1973, (Act 61 of 1973) and the listing requirements of the JSE Securities Exchange South Africa ("JSE") and the requirements of any stock exchange upon which the shares of the company may be quoted or listed namely that:

the general repurchase of the shares may only be implemented on the open market of the JSE;

- this general authority shall only be valid until the next annual general meeting of the company, provided that it shall not extend beyond fifteen months from the date of this resolution;
- an announcement must be published as soon as the company has acquired shares consisting, on a cumulative basis of 3% of the number of shares in issue, prior to the acquisition, pursuant to which the aforesaid 3% threshold is reached, containing full details thereof;
- the general authority to purchase is limited to a maximum of 20% of the company's issued share capital at the time the authority is granted;
- repurchases must not be made at a price more than 10% above the weighted average of the market value of the shares for five business days immediately preceding the date of repurchase."

7.4 As special resolution number 2

"Resolved as a special resolution that the company, insofar as it may be necessary to do so, hereby approves of, as a general approval and authorises the acquisition by any subsidiary of the company of shares issued by such subsidiary and/or by the company, upon such terms and conditions and in such amounts as the directors of such subsidiary/ies may from time to time decide, but subject to the provisions of section 85 to section 88 of the Act, and (if listed) the listings requirements of the JSE Securities Exchange South Africa ("JSE") and the requirements of any stock exchange upon which the shares of the acquiree company may be quoted or listed, namely that:

- the general purchase of shares may only be implemented on the open market of the JSE;
- this general authority shall only be valid until the next annual general meeting of the company, provided that it shall not extend beyond fifteen months from the date of this resolution;
- an announcement must be published as soon as the subsidiary has acquired shares consisting, on a cumulative basis, of 3% of the number of shares of the acquiree company in issue, prior to the acquisition, pursuant to which the aforesaid 3% threshold is reached, containing full details thereof;

- this general authority to purchase is limited to a maximum of 20% in the aggregate of the acquiree company's issued share capital at the time the authority is granted, subject to a maximum of 10% in the event that it is the company's share capital that is repurchased by a subsidiary; and
- purchases must not be made at a price more than 10% above the weighted average of the market value of the shares for the five business days immediately preceding the date of purchase."

Reasons for and effects of the special resolutions

1. The reason for and effect of special resolution number 1 is to grant the directors a general authority in terms of the Act for the acquisition by the company of shares issued by it on the basis reflected in the special resolution.

   In terms of the listings requirements of the JSE any general repurchase by the company must, inter alia, be limited to a maximum of 20% of the company's issued share capital in any one financial year of that class at the time the authority is granted.

2. The reason for and effect of special resolution number 2 is to approve that the board of directors of any subsidiary of the company could acquire shares issued by such subsidiary and/or by the company on the basis reflected in the special resolution.

   In terms of the listings requirements of the JSE any general purchase by a subsidiary of listed shares must, inter alia, be limited to a maximum of 20% of the issued share capital of the acquiree company in any one financial year of that class at the time the authority is granted, subject to a maximum of 10% in the event that it is the company's share capital that is repurchased by a subsidiary.

3. The directors of the company or its subsidiaries will only utilise the general authority to purchase shares of the company and/or the subsidiary as set out in special resolutions number 1 and 2 to the extent that the directors, after considering the maximum shares to be purchased, are of the opinion that PSG and its subsidiaries ("PSG Group") position would not be compromised as to the following:
   - the PSG Group's ability in the ordinary course of business to pay its debts for a period of 12 months after the date of the notice of the annual general meeting;
   - the consolidated assets of the PSG Group will be in excess of the consolidated liabilities of the PSG Group. The assets and liabilities should be recognised and measured in accordance with the accounting policies used in the latest audited annual financial statements of the PSG Group;
   - the ordinary capital and reserves of the PSG Group after the purchase will remain adequate for the purpose of the business of the PSG Group for a period of 12 months after the date of the notice of the annual general meeting; and
   - the working capital available to the PSG Group after the purchase will be sufficient for the PSG Group's requirements for a period of 12 months after the date of the notice of the annual general meeting.

4. Special resolutions 1 to 2 are renewals of resolutions taken at the previous annual general meeting on 25 May 2001.

NOTICE OF ANNUAL GENERAL MEETING

VOTING

Shareholders entitled to attend and vote at the annual general meeting may appoint one or more proxies to attend, speak and vote thereat in their stead. A proxy need not be a member of the company. A form of proxy, in which are set out the relevant instructions for its completion, is enclosed for the use of a shareholder who wishes to be represented at the meeting. Completion of a form of proxy will not preclude such shareholder from attending and voting (in preference to that shareholder's proxy) at the meeting.

The instrument appointing a proxy and the authority (if any) under which it is signed must reach the transfer secretaries of the company at the address given below by not later than 12:15 on Thursday, 30 May 2002.

On a poll, ordinary shareholders will have one vote in respect of each share held.

By order of the board

PSG Corporate Services (Proprietary) Limited

Company secretaries

Stellenbosch

9 May 2002

Registered office

Ou Kollege

35 Kerk Street

Stellenbosch 7600

(PO Box 7403, Stellenbosch 7599)

Transfer Secretaries

Ultra Registrars (Pty) Limited

11 Diagonal Street

Johannesburg 2001

(PO Box 4844, Johannesburg 2000)

P S G GROUP LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 1970/008484/06)

("PSG" or "the company")

FORM OF PROXY

For use at the annual general meeting of ordinary shareholders of the company to be held at 12:15 in the Auditorium, Oude Libertas, Adam Tas Street, Stellenbosch on Friday, 31 May 2002.

I/We ____

Being the registered holder of [   ] shares hereby appoint:

1. ______________________________ of ______________________________ failing him/her,

2. ______________________________ of ______________________________ failing him/her,

3. the chairman of the meeting,

as my proxy to vote for me/us at the annual general meeting for purposes of considering and, if deemed fit, passing, with or without modification, the special resolutions and ordinary resolutions to be proposed thereat and at each adjournment thereof and to vote for and/or against the resolutions and/or abstain from voting in respect of the shares registered in my/our name/s in accordance with the following instructions (see notes):

	Number of shares		
	In favour of	Against	Abstain
1. To adopt the annual financial statements and reports			
2. To confirm the dividend to shareholders set out in the financial statements			
3.1 To re-elect L van A Bellingan as director			
3.2 To re-elect M J Jooste as director			
3.3 To re-elect J de V du Toit as director			
4. To re-appoint the auditors PricewaterhouseCoopers Inc			
5. To authorise the directors to determine and pay the auditors' remuneration			
6. To confirm the directors' remuneration			
7.1 Ordinary resolution re unissued shares			
7.2 Ordinary resolution re authority to issue shares for cash			
7.3 Special resolution number 1 re share buy back by PSG			
7.4 Special resolution number 2 re share buy back by subsidiaries			

Please indicate your voting instruction by way of inserting the number of shares or by a cross in the space provided.

Signed at ______________________ on this __________ day of ________________ 2002

Signature(s) ____

Assisted by (where applicable) (state capacity and full name)

____

Each PSG shareholder is entitled to appoint one or more proxy(ies) (who need not be a shareholder(s) of the company) to attend, speak and vote in his stead at the annual general meeting.

NOTES

1. A PSG shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space(s) provided, with or without deleting "the chairman of the meeting". The person whose name appears first on the form of proxy and who is present at the meeting will be entitled to act as proxy to the exclusion of those whose names follow.

2. A PSG shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of shares to be voted on behalf of that member in the appropriate box provided. Failure to comply with the above will be deemed to authorise the chairman of the meeting, if he/she is the authorised proxy, to vote in favour of the resolutions at the meeting, or any other proxy to vote or to abstain from voting at the meeting as he/she deems fit, in respect of all the shares concerned. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholder or his/her proxy, but the total of the votes cast and in respect whereof abstentions recorded may not exceed the total of the votes exercisable by the shareholder or his/her proxy.

3. When there are joint registered holders of any shares, any one of such persons may vote at the meeting in respect of such shares as if he/she were solely entitled thereto, but, if more than one of such joint holders be present or represented at any meeting, that one of the said persons whose name stands first in the register in respect of such shares or his/her proxy, as the case may be, shall alone be entitled to vote in respect thereof. Several executors or administrators of a deceased member, in whose name any shares stand, shall be deemed joint holders thereof.

4. Dematerialised shareholders who wish to attend the annual general meeting or to vote by way of proxy must contact their CSDP or broker who will furnish them with the necessary authority to attend the meeting or to be represented thereat by proxy. This must be done in terms of the agreement between the member and his/her CSDP or broker.

5. Forms of proxy must be completed and returned to be received by the transfer secretaries of the company, Ultra Registrars (Pty) Limited, 11 Diagonal Street, Johannesburg 2001 (PO Box 4844, Johannesburg 2000), by not later than 12:15 on Thursday, 30 May 2002.

6. Any alteration or correction made to this form of proxy must be initialled by the signatory/ies.

7. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the company's transfer secretaries or waived by the chairman of the annual general meeting.

8. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so.

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

Ultra Registrars (Pty) Limited
11 Diagonal Street
Johannesburg 2001
PO Box 4844
Johannesburg 2000
Telephone 011 370 5775
Telefax 011 370 5780

COMPANY REGISTRATION NUMBER

1970/008484/06

INVESTMENT BANK AND SPONSOR

PSG Investment Bank Limited

BROKERS

PSG Online Securities Limited
UBS Warburg

AUDITORS

PricewaterhouseCoopers Inc

BANKERS

ABSA Bank Limited

ATTORNEYS

Hofmeyr Herbstein Gihwala Inc
Jan S de Villiers

WEBSITE ADDRESS

www.psg.co.za

GRAPHICOR
26236

PSG Group Limited

www.psg.co.za