GROUP REVIEW

PSG is an investment holding company and our preferred performance yardstick is the increase in net asset value per share, especially in volatile markets. The aim remains to provide shareholders with a growing and less volatile dividend income with the interim dividend being increased to 17 cents per share (2000: 14 cents).

During the period under review the net earnings over the comparable period increased by 21% to R118,3 million and earnings per share by 35% to 94,6 cents (2000: 70,2 cents). The net asset value per share increased to 933 cents.

DIVISIONAL REVIEW

PSG Investment Bank Holdings Limited
PSG Investment Bank (PSGBH) has reiterated its commitment to expand its presence in the investment banking market following good results for the six months to 31 August 2001. Against a background of interest rate declines, the bank increased net earnings over the comparable period by 34% to R139 million and earnings per share by 39% to 11,1 cents (2000: 8,0 cents).

The strategy remains to initiate, bridge and trade.

PSGBH's contribution by activity is primarily corporate finance and proprietary investment income (50%), structured finance (14%) and income on capital (31%). Annuity earnings are approximately 50% of attributable earnings and the group is still looking to structured deals to enhance its bottom line. PSGBH is conservatively geared and in a strong position to take advantage of opportunities in the market.

In the period under review, total assets increased to R4,4 billion an increase of 92% since February 2001. This was not only as a result of the take-over of *Real Africa Durolink* Holdings ("RAD") and The Business Bank ("TBB"), but also due to increasing confidence by depositors.

PSGBH's acquisition of RAD for R315 million was funded by the issue of 216 million shares and a cash payment of R147 million. Real Africa Holdings, RAD's empowerment partner, elected to take PSGBH shares. RAD's contribution during the period was R99 million which excluded any future benefit arising from RAD's estimated tax loss of R280 million.

Further expansion in the period comprised the acquisition of *Trans Atlantic Securities*, the *Doyle* business in Australia and *Keynes Rational*, which was acquired and merged with TBB. PSGBH has announced its intention to unbundle Keynes Rational in the near future.

The net financial effects in this period of the RAD and TBB deals are presented as exceptional items although these types of investment banking transactions are core to our business. Although the TBB acquisition has been financially beneficial to PSGBH, it is still under performing and is not as profitable as originally anticipated.

Keynes Rational Limited
The long term strategy of Keynes Rational's subsidiary, *Capitec Bank Ltd*, is to convert its micro-lending activities to become a retail bank. This requires the appointment and training of specialized personnel, the relocation of branches and the installation of systems.

The only current profit generator in the company is the short-term loan business. This business is now operating as *Finaid* and is a division of Capitec Bank. At the end of August 2001, Finaid had 262 branches, 932 staff and a book of R72 million. This business made a profit of R35 million before tax for the six months to August 2001.

During the period under review the company has opened 45 Capitec branches, with a book of R12 million by 31 August 2001. This new concept is successful although absorbing investments and start-up costs.

Headline earnings for Keynes Rational for the six months to August 2001 amounted to R16,3 million and attributable earnings to R11,7 million. This is below budget. We expect an equally difficult second half year.

Keynes Rational Limited is a different company from the one operating with the same name this time last year. Its capital structure and the composition of its businesses have changed significantly. Profits in this period cannot be compared to those reported last year. We plan to start operating as a Bank on 1 March 2002, when we will start earning a return on the investments we are now making and are confident about the success of our long term strategy.

PSG Investment Services (Pty) Limited
PSG Investment Services has maintained and improved its positioning with a 37% increase in assets under administration since end-August 2000, despite considerable pressures on income and profit.

The overall income for the comparable 6 months decreased by 8% to R46 million. Expenses have been curbed and are 5% lower than last year. After-tax profit at R4,5 million is satisfactory.

The performance of the advisory and distribution side of the business remained pleasingly consistent. The division is well placed for an improvement in trading conditions, with the number of advisors having increased from 105 to 120. Eight new outlets have been added to the business since year-end and are trading profitably. We are well positioned to leverage off our distribution network with the total offices countrywide now at 71.

The 'do-it-yourself' investment division – comprising online stock broking and investor tools – has seen a significant improvement over the year. PSG Investment Services is reaping the benefits of the development of PSG Online, which is largely complete. PSG Online is now a significant brand name, and encompasses the fast and effective delivery mechanism of PSG Investment Services products. It has provided the platform to offer a complete and cost-effective online investment service, and has also aided the marketing of investor tools.

Channel Group Limited
Following the unbundling of Escher Group out of Channel Group, and the incorporation on 1 March 2001 of PSG Anchor Life into *Channel Life*, management effected the repositioning of Channel as a life assurer with complementary subsidiaries. This has been completed satisfactorily.

Costs have been severely curtailed and critical mass achieved. The platform has been established for substantial growth in assets and profitability.

Fedsure Life Namibia was acquired with effect from 1 September 2001, as part of our regional strategy. We expect that the earnings will increase as a result of this transaction.

m Cubed Holdings Limited
Escher Group Limited and m Cubed Capital Holdings Limited successfully merged to become m Cubed Holdings Limited, on 1 August 2001.

The merger brings substantial benefits for both organisations. m Cubed Capital enhanced critical mass in its asset management business and obtained a listing on the JSE Securities Exchange South Africa, while Escher gained a retail and operations business with a more diversified revenue mix. Both groups have similar investment philosophies and complementary skills, providing synergies and economies of scale opening up a number of opportunities in the local and international financial services markets, which might not have been as accessible to the individual companies. We believe that the material effect of these synergies on bottom line will only be reflected in the group's 2003 annual results.

The group has produced pleasing results for the 6 months ended 31 August 2001 with headline earnings per share increasing by 42% to 3,4 cents. These results reflect Escher's results for six months and one month of m Cubed. Currently, the merged group is on track to meet its forecast results for 2002. The combined assets under management increased to R33,4 billion and assets under administration to R40 billion.

DISTRIBUTION TO SHAREHOLDERS

The directors have declared an interim dividend of 17 cents per share (2000: Capital of 14 cents).

To comply with the requirements of STRATE, the following dates are applicable:

Last day to trade cum-dividend	Friday, 26 October 2001
Trading ex-dividend commences	Monday, 29 October 2001
Record date	Friday, 2 November 2001
Day of payment	Monday, 5 November 2001

Share certificates may not be dematerialised between Monday, 22 October 2001 and Friday, 2 November 2001, both days inclusive.

THE FUTURE

The board of PSG remains positive about the future and all divisions have adopted and are implementing growth strategies. The challenge remains to increase income and curtail costs.

Recent events have cast a pall of uncertainty over the future. We expect future earnings of PSG Group and its major subsidiary, PSG Investment Bank Holdings Ltd, to be volatile bearing in mind that it is an investment bank affected by levels of investment income, the volatility in national and international markets and the effects of new accounting conventions such as AC133.

PSG Group has an enviable record of creating shareholders' value and wealth and shall concentrate on doing so, also by using its healthy balance sheets to seize investment opportunities as they arise.

By order

Jannie Mouton	**Chris Otto**
Chairman	*Director*

Stellenbosch
10 October 2001

ADMINISTRATIVE INFORMATION

PSG Group Limited
Registration number: 1970/008484/06
JSE Share code: PSG ISIN code: ZAE 000013017

Secretaries and registered offices
PSG Corporate Services (Pty) Limited
1st Floor, Ou Kollege, 35 Kerk Street, Stellenbosch 7600

Registrars
Ultra Registrars (Pty) Limited, 11 Diagonal Street, Johannesburg 2001

Directors
JF Mouton* (Chairman), PE Burton (alt. WH Rule), L de Wit, J de V du Toit,
AB la Grange, MS du P le Roux, HH Oosthuizen, CA Otto*, LM Rouillard, JC Storey,
CF Turner * Executive

GRAPHICOR 25259

INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 AUGUST 2001

PSG GROUP LIMITED

(Incorporated in the Republic of South Africa)
("PSG Group" or "the company")

Attributable earnings increased by 35% to 94,6 cents per share

Interim dividend increased by 21% to 17 cents per share

Net asset value increased to 933 cents per share

Strong balance sheets and cash flow enables us to seize opportunities

We remain committed to create new businesses, employment and shareholders' wealth

These results are also available on our website www.psg.co.za

GROUP INCOME STATEMENTS

	31 Aug 2001 R'm	Change %	31 Aug 2000 R'm	28 Feb 2001 R'm
Income				
Net interest income	**163,6**		163,2	344,2
Investment income	**51,7**		82,9	133,6
Other operating income	**87,6**		123,8	233,9
Total income	**302,9**		369,9	711,7
Expenses				
Operating expenses	**234,9**		210,7	402,7
Net income from operations	**68,0**		159,2	309,0
Financing costs	**(17,6)**		(9,1)	(14,7)
Income from associated companies	**15,6**		6,8	50,3
Exceptional items	**140,7**		16,4	(14,2)
Net income before taxation	**206,7**	19	173,3	330,4
Taxation	**9,7**		22,4	48,7
Net income of the group	**197,0**	31	150,9	281,7
Attributable to outside shareholders	**78,7**		53,0	92,9
Attributable to ordinary shareholders	**118,3**	21	97,9	188,8
Exceptional items (net of taxation and outside shareholders)				
Investment activities	**(83,7)**		(12,5)	11,4
Headline earnings	**34,6**	(59)	85,4	200,2
Earnings per share (cents)				
– attributable	**94,6**	35	70,2	141,7
– headline	**27,7**	(55)	61,2	150,3
Distribution per share (cents)				
– interim	**17,0**	21	14,0	14,0
– final				31,0
Total	**17,0**		14,0	45,0
Number of shares (million)				
– in issue	**125,0**		139,5	126,9
– weighted average	**125,0**		139,5	133,2

GROUP BALANCE SHEETS

	31 Aug 2001 R'm	31 Aug 2000 R'm	28 Feb 2001 R'm
Assets			
Fixed assets	**96,5**	44,6	61,0
Intangible assets	**164,1**	57,9	78,9
Investment in associates	**197,8**	130,0	157,2
Investments of long term insurance subsidiaries	**166,9**	146,6	97,8
Other investments	**61,2**	17,8	37,3
Other assets	**94,1**	318,2	59,5
Deferred tax asset	**121,6**	5,6	154,5
Accounts receivable	**153,6**	187,3	170,2
Loans and advances	**1 420,7**	741,2	953,9
Investment and trading securities	**741,5**	538,5	455,5
Cash and short-term funds	**1 629,8**	980,9	1 205,0
	4 847,8	3 168,6	3 430,8
Shareholders' funds			
Ordinary shareholders' funds	**1 166,0**	1 188,8	1 140,8
Outside shareholders' funds	**869,5**	725,2	628,7
	2 035,5	1 914,0	1 769,5
Liabilities			
Deposits and current accounts	**2 210,2**	813,1	1 139,2
Policyholders' funds	**103,5**	161,3	87,1
Long term liabilities	**100,0**	25,9	108,5
Deferred tax liability	**5,3**	3,6	4,0
Accounts payable and other liabilities	**388,1**	235,9	287,7
Short-term borrowings	**5,2**	14,8	34,8
	2 812,3	1 254,6	1 661,3
Total shareholders' funds and liabilities	**4 847,8**	3 168,6	3 430,8
Net asset value per share (cents)	**933**	852	899

NOTES

1. The accounting policies adopted for the purpose of this interim report comply in all material respects, with South African Statements of Generally Accepted Accounting Practice as well as with applicable legislation. These accounting policies are also consistent with those of the previous year, with the exception of the treatment of financial instruments, which is treated in accordance with the current accounting statement.

2. The group balance sheet includes investments in listed associated companies with a carrying value of R184 million and a market value of R212 million as at 31 August 2001.

3. Attributable earnings include income from investment activities comprising some RAD and TBB contributions less provisions.

4. No account taken of RAD estimated tax loss of R280 million.

GROUP CASH FLOW STATEMENTS

	31 Aug 2001 R'm	31 Aug 2000 R'm	28 Feb 2001 R'm
Cash retained from/(utilised in) operating activities	**(77,9)**	(12,5)	85,8
Cash retained from/(utilised in) investment activities	**(194,5)**	(179,4)	123,3
Cash flow attributable to investment in short-term income earning assets	**321,5**	282,9	(25,1)
Cash flow from financing activities	**(21,5)**		33,8
Net increase in cash and cash equivalents	**27,6**	91,0	217,8
Cash and cash equivalents at beginning of period	**507,4**	289,6	289,6
Cash and cash equivalents at end of period	**535,0**	380,6	507,4

STATEMENTS OF CHANGES IN OWNERS' EQUITY

	31 Aug 2001 R'm	31 Aug 2000 R'm	28 Feb 2001 R'm
Ordinary shareholders' funds at beginning of period	**1 140,8**	1 085,3	1 085,3
Share buy back	**(13,0)**		(106,4)
Movement in non-distributable reserves	**5,2**	14,8	7,0
Adjustment to prior year's goodwill		10,3	(14,4)
Change in shareholding of subsidiary	**(46,5)**		
Net income for period	**118,3**	97,9	188,8
Distribution to shareholders	**(38,8)**	(19,5)	(19,5)
Ordinary shareholders' funds at end of period	**1 166,0**	1 188,8	1 140,8

DIVISIONAL CONTRIBUTION TO ATTRIBUTABLE EARNINGS

	31 Aug 2001 R'm
Investment banking	**115,5**
Retail banking	**6,6**
Private wealth	**4,3**
Insurance and multi management funds	**4,5**
Corporate*	**(12,6)**
	118,3
* Including financing cost of	**12,5**