PSG Konsult

INTEGRATED REPORT
FOR THE YEAR ENDED 28 FEBRUARY 2015

PSG Konsult INTEGRATED REPORT 2015

www.psg.co.za

VISION

To be the leading independent financial services group in Southern Africa and selected regions abroad.

MISSION STATEMENT

To make a difference in the lives of all stakeholders, by creating and preserving wealth through excellence.

CONTENTS

KEY FACTS

- Largest independent adviser network in South Africa and Namibia
- Market capitalisation of R9.12 billion at 28 February 2015
- Listed on the Johannesburg Stock Exchange (JSE) under the share code KST
- Secondary listing on the Namibian Stock Exchange (NSX) under the share code KFS
- 193 offices throughout South Africa and Namibia
- 5 742 shareholders
- 659 advisers
- 404 professional associates
- 150 000+ clients
- Chairman: Willem Theron
- Chief executive officer: Francois Gouws
- Chief financial officer: Mike Smith

KEY DEVELOPMENTS OF THE YEAR

Listing on the JSE and NSX in June 2014 and July 2014, respectively

- PSG Konsult profiled as a leading financial services group
- Improved access and flexibility to equity and debt funding

Credit rating upgrade

- Upgraded credit rating from BBB to BBB+ by Global Credit Rating Company (GCR)
- Short-term rating of A2 re-affirmed
- Both ratings given a stable outlook

Internal improvements

- Strategic appointments in key areas strengthened the business infrastructure for future growth
- Roll-out of improved internal management information systems and data analytics
- Increased focus on building the brand and corporate identity
- Launch of new consolidated corporate website
- Standardised adviser contract terms and revenue sharing model via adviser buyback transaction

Transformation momentum

- First broad-based black economic empowerment (BBBEE) verification process completed
- Rated level 8 contributor and approved as a value-adding supplier
- Transformation strategy developed and being implemented

Governance strengthened

- Audit and risk committee established
- Social and ethics committee established
- Two independent non-executive directors appointed
- Dedicated group internal auditor appointed

FINANCIAL HIGHLIGHTS

↑ 36%
Recurring headline earnings

↑ 39%
Headline earnings

↑ 31%
Recurring headline earnings per share

↑ 35%
Headline earnings per share

↑ 27%
Assets under management

↑ 31%
Assets under administration

↑ 18%
Revenue

12 cents per share
Dividend

ABOUT THIS REPORT

This integrated annual report is PSG Konsult's first report as a listed entity and is a further step on the group's reporting journey – reflecting its increased focus on stakeholder engagement.

Scope

This integrated annual report covers the activities of PSG Konsult Limited ('PSG Konsult' or 'the group') for the 12 months ended 28 February 2015. It includes a holistic assessment of its performance (financial and non-financial), strategy implementation and outlook. The report addresses PSG Konsult's material challenges and opportunities within its operating context and articulates how the group creates value in a sustainable and ethical manner. Stakeholder engagement takes place on a continuous basis and this report has been developed to respond to their expectations and information requirements.

This report is PSG Konsult's first report as a listed entity and is a further step on the group's reporting journey – reflecting its increased focus on stakeholder engagement. It expands on performance indicators and trends, particularly pertaining to the operating divisions, and provides greater insight into the future prospects of the business.

The group elected not to prepare a separate sustainability report. All relevant social and environmental initiatives and indicators were integrated into the financial and divisional reports.

This report has been prepared with reference to the following legislation and standards:

- International Financial Reporting Standards (IFRS)
- The South African Institute of Chartered Accountants (SAICA) Financial Reporting Guides as issued by the Accounting Practices Committee
- Financial Pronouncements as issued by the Financial Reporting Standards Council
- The Companies Act, 71 of 2008, as amended
- The JSE Listings Requirements
- The International Integrated Reporting Council's (IIRC) Integrated Reporting Framework
- Global Reporting Initiative (GRI)
- King Report on Governance and King Code of Governance Principles for South Africa 2009 (King III)
- Department of Trade and Industry (dti) Code of Good Practice for BBBEE
- Financial Sector Charter (FSC)

The group strives to align internal and external financial reporting in terms of content and format. Content selection and development took materiality into account by considering and exercising judgement on the relevance and impact of the information for various stakeholders. The structure of the 2015 report closely resembles the previous report in the interest of consistency and ease of comparison.

Forward-looking information

This integrated annual report contains certain statements that are not historical facts and relate to analyses and other information based on forecasts of future results not yet determinable. This information relates to, among others:

- Global and national economic and market conditions
- Changes in the domestic or international regulatory and legislative environment in the countries in which the group operates or intends to operate
- Foreign exchange rates
- Competitive conditions
- Changes to domestic and international operational, economic, political and social risks
- Changes to IFRS and the interpretations, applications and practices subject thereto as they apply to past, present and future periods
- The effect of both current and future litigation

These are forward-looking statements and words such as *expect, believe, anticipate, plan, intend, seek, estimate, project, target, predict, outlook, endeavour* and similar expressions are intended to identify such statements. However, they are not an exclusive means of identifying such statements. No assurance can be given that forward-looking statements will prove to be correct and undue reliance should not be placed on such statements.

Forward-looking statements involve inherent risk, uncertainties and – if one or more of these risks materialise, or should the underlying assumptions prove incorrect – actual results may differ from those anticipated. Forward-looking statements apply only as of the date on which they are made. PSG Konsult does not undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise, other than as is required in terms of the JSE Listings Requirements.

Assurance

The board of directors, assisted by the audit and risk committee, is ultimately responsible for the content of this report. The group makes use of a combined assurance model. The content development process of both financial and non-financial information involved ongoing internal assurance, with the support of established divisional reporting lines and oversight by the chief financial officer. The group risk and internal audit functions independently assess and review the internal controls and business risks of the group, which fall within the scope of the integrated annual report. External assurance obtained was limited to control reviews on the administration services, cash management processes and the audit opinion on the consolidated and separate annual financial statements.

PSG Konsult appointed rating agency AQRate Proprietary Limited to verify, rate and confirm the BBBEE status of the group.

Approval

The board confirms that it has applied its collective mind to the contents of the integrated report, as recommended by the audit and risk committee. It is confident of the accuracy and fairness of the information included herein, and has evaluated its preparation and presentation accordingly. The directors approved the contents of the integrated report to stakeholders on 18 May 2015 and it is signed on their behalf by

W Theron	FJ Gouws	MIF Smith
Chairman	*Chief executive officer*	*Chief financial officer*

How to use this report

This report contains commentary in addition to the annual consolidated and separate financial statements of PSG Konsult Limited. The statements are also available on the company's website (www.psg.co.za). This report can be requested in print or electronically from the company secretary.

References to notes in this report refer to the notes to the consolidated annual financial statements. Where industry-specific terms or abbreviations are not explained in the body of the report, refer to the glossary on page 100.

This icon indicates where more information is provided elsewhere in the report.

This icon indicates where more information is available online.

GROUP OVERVIEW

AT A GLANCE

PSG Konsult's business approach is founded on integrity, trust and transparency.

In 1997, Willem Theron, PSG Konsult's current chairman, and Wallie Krumm, former director and founding member of PSG Konsult, sat down in a coffee shop in Hermanus and discussed the business model on which PSG Konsult was built. The idea was simple but not simplistic – to grow a vast network of financial advisers providing excellent financial advice to clients where they reside.

Jannie Mouton and Jaap du Toit, directors of PSG Group Limited (PSG Group) at that stage, saw the value in the model, leading PSG Group to acquire a 50% interest in PSG Konsult for R2 million. The first directors' meeting was held in Cape Town on 7 August 1998 and PSG Konsult commenced business by September 1998, with seven offices across South Africa.

Today, PSG Konsult is a fully fledged financial services group with 193 offices, a network of 659 advisers and a market capitalisation of over R9 billion.

Who we are

PSG Konsult is a leading financial services provider with the largest independent adviser network in Southern Africa. The group's integrated advice, product and service offering supports a unique, value-oriented solution to clients' financial requirements, from asset and wealth management to insurance. PSG Konsult's client advice focused business approach is founded on integrity, trust and transparency. The group is listed on the JSE and has a secondary listing on the NSX.

Core business principles

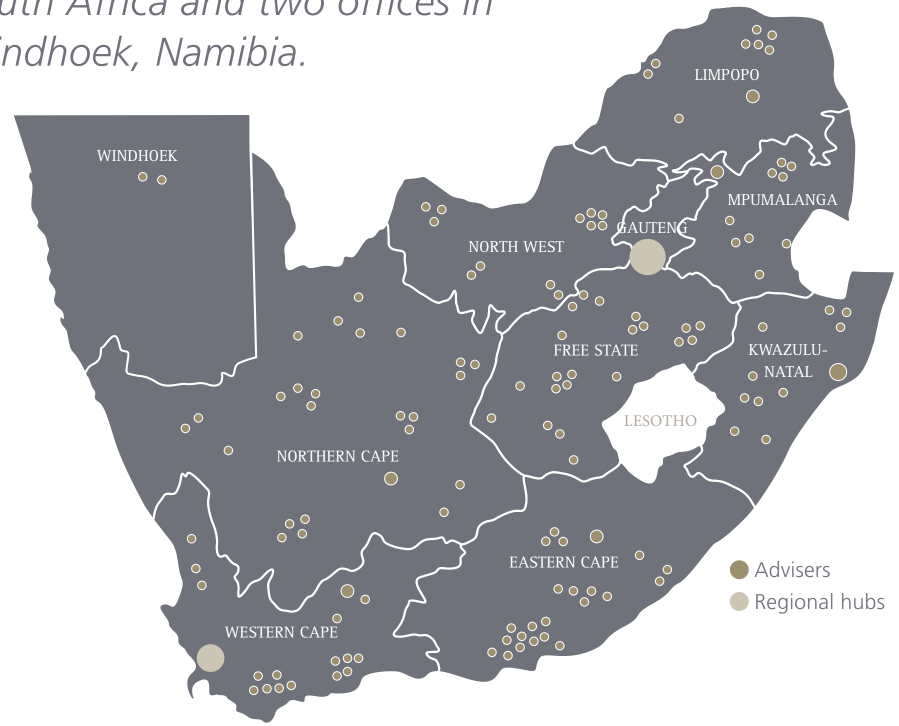
PSG Konsult's business model is built on a foundation of strong values. These are encapsulated in the core business principles that are communicated to all employees via an induction programme when they join the group. They are also reiterated through internal communication on a regular basis.

- Our clients are our priority
- Our people are our strength
- We are a team
- We will provide clients with the best products, backed by superb systems
- Growth is part of our DNA
- We will adapt to the constantly changing business environment
- We are first and foremost a South African company

What we do

PSG Konsult has three divisions – PSG Wealth, PSG Asset Management and PSG Insure – supported by a network of financial advisers. The group focuses on areas of wealth creation and preservation, asset management and insurance solutions for enterprises and individuals. PSG Konsult emphasises the importance of personal service and building lifelong relationships with clients.

Providing excellent service to clients where they reside, with 191 offices throughout South Africa and two offices in Windhoek, Namibia.



Client complement >150 000 across all offices

Revenue >R3 billion

Assets under administration >R308 billion

Assets under management >R141 billion

Short-term premiums under administration >R2.8 billion

Compound growth rate of 39% in headline earnings over 10 years

Market capitalisation >R9 billion

OUR BRAND

Overview

The appointment of the head of marketing in February 2014 and subsequent additional resources to the marketing team has renewed the focus on this area of the business. PSG Konsult's expanded competency in this area now includes plain language communications and public relations expertise.

The marketing team is focused on the clarification of PSG's brand architecture and distinguishing the products and platforms of the three divisions following the restructuring. Each adviser is linked to a specific division based on their discipline, which means that a client will only deal with the divisions, or sub-brands, that directly service their needs. PSG Wealth and PSG Insure also have a direct distribution model in place whereby clients can access expertise, research and investment tools to assist and support their decision-making.

This model supports clients to better understand and benefit from the distinct but complementary range of products and services on offer.

Client segmentation

The marketing team performed an extensive client analysis by benchmarking and segmenting both existing clients and potential or target clients. This means that PSG Konsult is able to better understand and meet client needs over time, ultimately leading to its goal of increasing its share of high-quality, high-margin clients in the market.

New consolidated website

At the end of the 2015 financial year, PSG launched its new, user-centric website: www.psg.co.za. Following the restructuring of the business, the group began a process of consolidating multiple websites within a holistic, user-focused platform. Significant research was conducted to ensure that the final product is well designed and easy to navigate.

Outlook

A key marketing objective is driving increased traffic to the website and the group has launched a comprehensive digital campaign to support this. In addition, the board has approved the production of a television commercial, allowing PSG Konsult to compete directly with other established financial services brands.

PSG Konsult is leveraging the benefits of a refocused public relations drive, which involves proactive engagement with the media. Content experts throughout the business provide analysis and insight to financial journalists on topical matters, thereby positioning PSG Konsult as a thought-leader in the industry.

Finally, the marketing team is undergoing a review of adviser/client communication through-out the business (considering quantity and quality). The group recognises that this is a critical component of PSG Konsult's business model, which contributes to a positive brand experience and ultimately ensures client retention and adviser loyalty. In adopting the Treating Customers Fairly (TCF) regulatory framework, the group is confident that plain language will enhance client experience.

RECOGNITION, AWARDS AND ACHIEVEMENTS

PSG Konsult is proud of the following notable milestones:

PSG Wealth

Consistently ranked as one of South Africa's top three stockbrokers in the *Business Day Investors Monthly* 'Stockbroker of the Year' award for the past four years, winning joint third place in 2014.

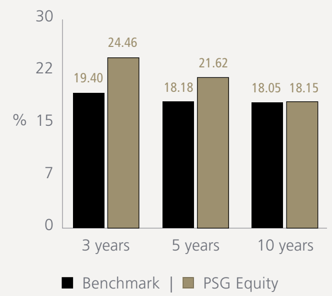
Runner up in the 2014 *Business Day Investors Monthly* 'Top Private Bank and Wealth Manager' award and also voted the top 'Wealth Manager for Successful Entrepreneurs'.

PSG Asset Management

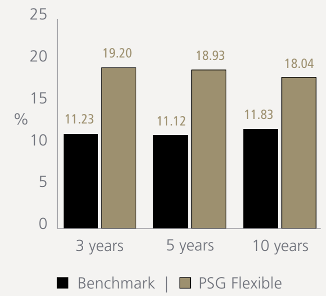
Runner-up for the South African Collective Investment Schemes Management Company of the Year Award in the 2014 Raging Bull awards held in January 2015. The PSG Balanced Fund was named the best risk-adjusted South African Multi-Asset High Equity Fund and was ranked as having the lowest absolute risk in the December 2014 Towers Watson watchlist survey.

Top-quartile investment returns were recorded across the entire domestic flagship range over three years, five years and ten years up to 28 February 2015, in the respective Morningstar categories:

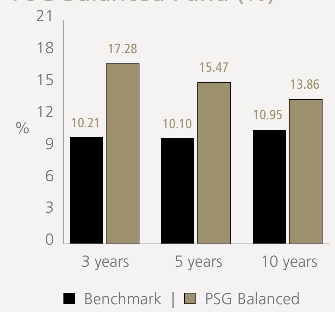
PSG Equity Fund (%)



PSG Flexible Fund (%)



PSG Balanced Fund (%)



PSG Insure

Broker of the Year for Commercial Lines 2014 in Santam's National Broker Awards.

OUR HISTORY

The timeline below is an overview of the major events in PSG Konsult's history. Dates provided refer to calendar years.

Development phase

1998 PSG Group acquired 50% shareholding in PSG Konsult

2003 PSG Konsult acquired 51% interest in PSG Konsult Namibia

2005 Shares made available to the public through an over-the-counter (OTC) trading platform

Acquisition phase

2006 PSG Konsult acquired 100% of Online Securities (now PSG Securities) from PSG Group

2008 PSG Konsult acquired 49% of the shareholding in PSG Konsult Nhluvuko (today known as PSG Employee Benefits) in an empowerment deal, increasing its shareholding to 74% in 2010

2011 PSG Konsult acquired 100% of PSG Asset Management, including PSG Life and PSG Invest, from PSG Group

2012 PSG Konsult acquired 75% of Western Group Holdings (Western) over two transactions during the year

Growth phase

2013 Internal restructuring undertaken, streamlining multiple business units into three divisions

PSG Konsult acquired the remainder of Western in two transactions and subsequently disposed of 40% of its shareholding to Santam

2014 PSG Konsult listed on the JSE and NSX with a market capitalisation of over R9 billion

OUR TRACK RECORD

The group has demonstrated growth in all major financial indicators over the past few years.

Total return index

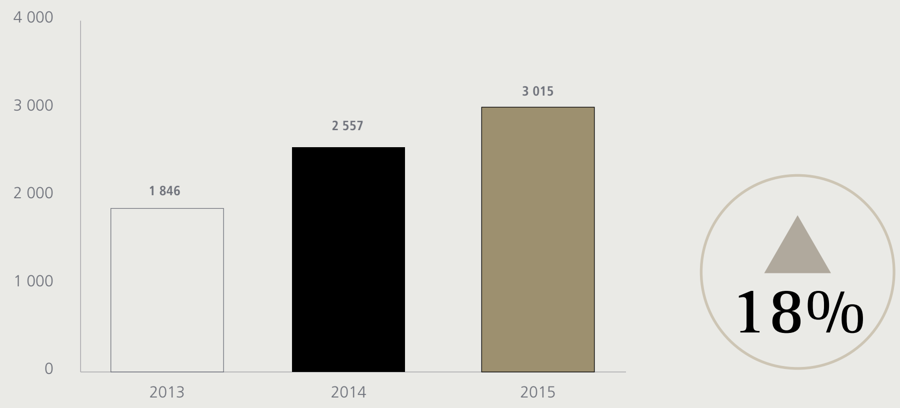
PSG Konsult has substantially outperformed the FTSE/JSE All Share Index (ALSI) total return index over 10 years to 28 February 2015. If R100 000 were invested in PSG Konsult on the day that OTC trading commenced in 2005, and if all dividends received and other distributions over the period were reinvested, it would be worth over R3.2 million on 28 February 2015 at a compound annual growth rate (CAGR) of 42.1%.

Date	Number of PSG Konsult shares	PSG Konsult investment R	Annual growth in investment %	JSE ALSI Total Return Index	JSE ALSI Investment R	Annual growth in investment %
2005-04-11	250 000	100 000		1 311	100 000	
2006-02-28	260 725	286 797	187	1 926	146 929	47
2007-02-28	297 398	490 706	71	2 670	203 678	39
2008-02-28	309 914	526 854	7	3 255	248 335	22
2009-02-28	327 703	426 014	(19)	2 032	154 988	(38)
2010-02-28	351 652	509 895	20	3 013	229 848	48
2011-02-28	373 653	597 845	17	3 723	284 027	24
2012-02-28	395 168	790 336	32	4 082	311 393	10
2013-02-28	423 359	1 206 573	53	4 870	371 546	19
2014-02-28	438 861	2 194 304	82	5 981	456 251	23
2015-02-28	446 344	3 222 606	47	6 946	529 912	16
		3 222 606			**529 912**	

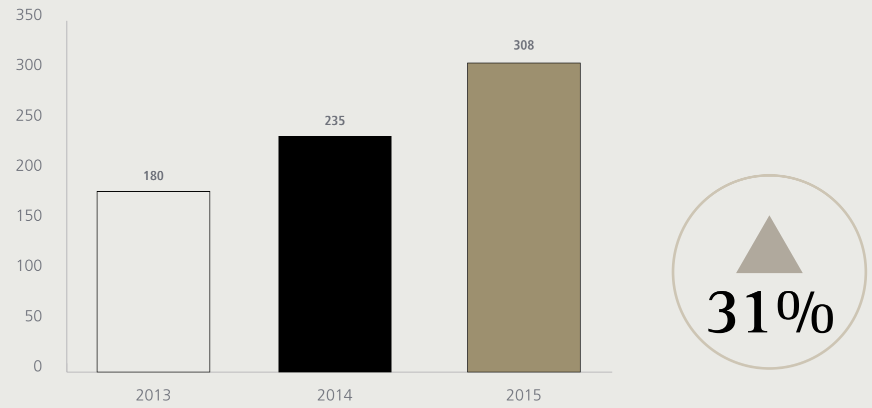
CAGR 42.1% 18.4%

OUR TRACK RECORD

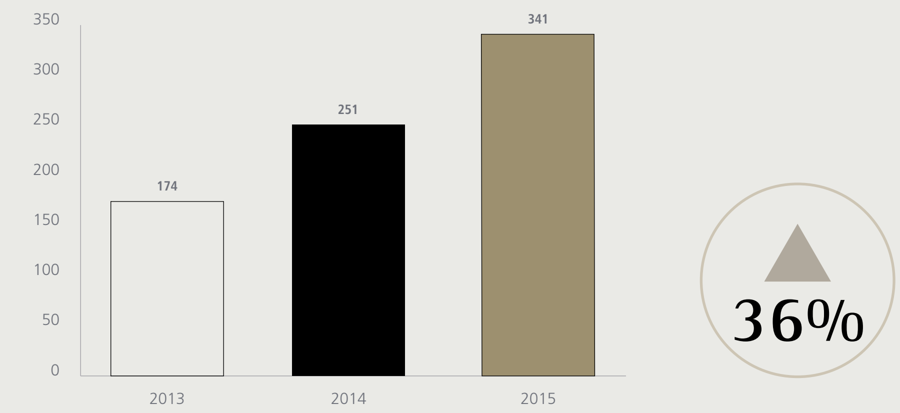
Revenue (Rm)



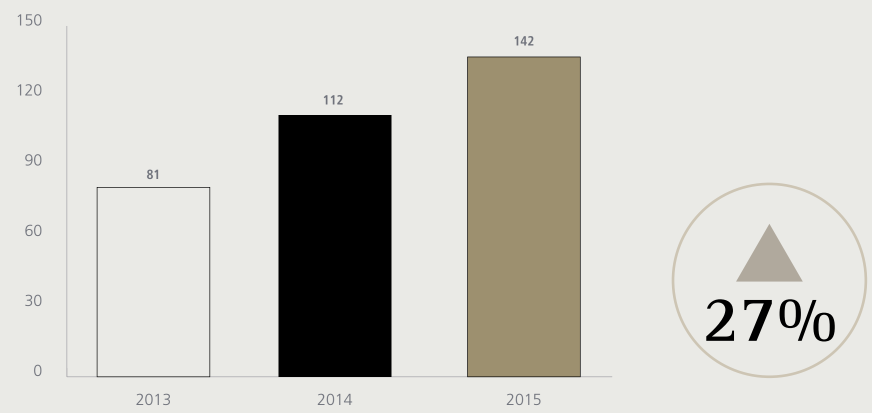
Assets under administration (Rbn)



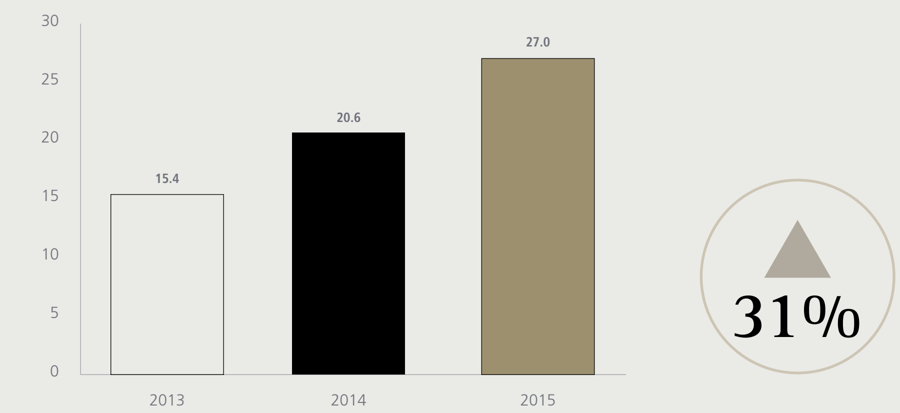
Recurring headline earnings (Rm)



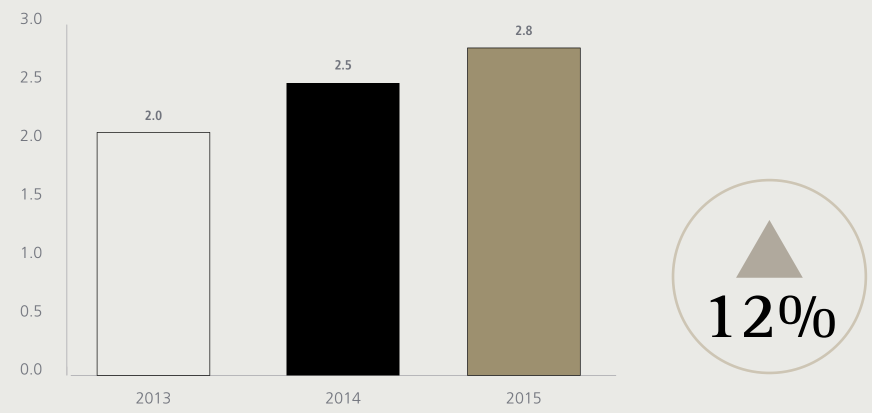
Assets under management (Rbn)



Recurring headline earnings per share (cents)



Short-term premiums under administration (Rbn)



SEVEN-YEAR FINANCIAL REVIEW

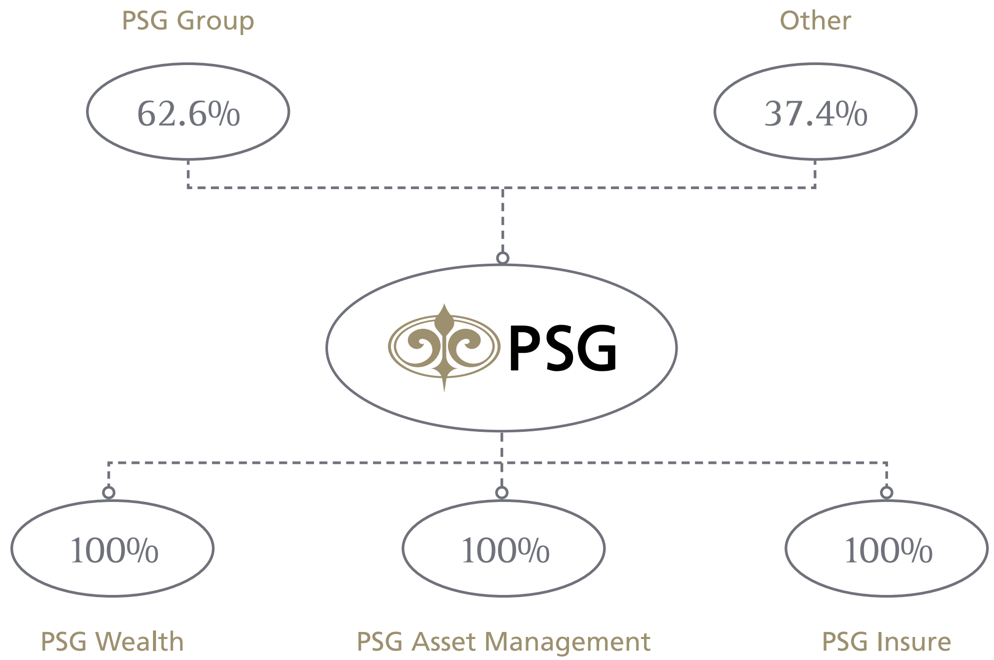
	2015 R000	2014 R000	2013 R000	2012 R000	2011 R000	2010 R000	2009 R000
Income	**3 014 600**	2 557 436	1 846 019	1 603 826	1 018 111	901 016	822 710
Profit before tax	**525 032**	383 637	136 004	235 195	135 139	144 056	132 325
Taxation	**(163 234)**	(117 677)	(82 633)	(73 516)	(36 173)	(45 530)	(33 859)
Profit for the year	**361 798**	265 960	53 371	161 679	98 966	98 526	98 466
Headline earnings	**339 261**	244 485	173 808	162 282	91 510	89 875	96 817
Recurring	**341 175**	251 145	174 424	151 305	91 510	89 875	96 817
Non-recurring	**(1 914)**	(6 660)	(616)	10 977	–	–	–
Non-headline earnings	**1 140**	4 773	(115 677)	(7 960)	2 294	6 886	276
Attributable income	**340 401**	249 258	58 131	154 322	93 804	96 761	97 093
Headline earnings per share (cents)	**26.9**	20.0	15.4	15.2	12.5	12.3	13.2
Recurring headline earnings per share (cents)	**27.0**	20.6	15.4	14.1	12.5	12.3	13.2
Earnings per share (cents)	**27.0**	20.4	5.1	14.4	12.8	13.3	13.2
Dividends per share (cents)	**12.0**	11.3	10.8	10.3	8.8	8.3	8.8
Interim dividend (cents)	**4.0**	4.0	3.5	3.0	2.8	2.8	2.8
Final dividend (cents)	**8.0**	7.3	7.3	7.3	6.0	5.5	6.0
Weighted average shares (000)	**1 261 394**	1 220 523	1 131 880	1 070 689	733 081	730 492	732 668
Actual shares in issue (000)	**1 262 484**	1 221 917	1 209 582	1 072 301	733 081	730 492	733 088
Market capitalisation (Rm)	**9 115**	6 110	3 447	2 145	1 173	1 059	953
Price (cents per share)							
Last day of trade	**722**	500	285	200	160	145	130
Highest	**790**	534	295	200	180	145	170
Lowest	**500**	255	175	139	117	106	100
Trading volume (number of shares)	**61 842 093**	31 449 042	21 185 957	14 892 827	9 489 196	6 657 760	1 732 750
Trading value (R)	**429 153 022**	128 845 854	46 826 925	23 609 472	13 266 362	8 835 220	2 492 053
Number of trades	**11 878**	2 369	726	272	191	125	103
Net asset value per share (cents)	**118.3**	89.1	76.0	67.8	66.9	63.7	60.6
Assets under administration (Rbn)	**308.1**	234.5	179.5	139.0	97.3	72.4	43.6

GROUP STRUCTURE

PSG Konsult has three operating divisions.

PSG Konsult has three operating divisions: PSG Wealth, PSG Asset Management and PSG Insure. These divisions are supported by an independent network of financial advisers across South Africa and Namibia. Reporting and assurance channels are integrated into the structure, whereby each of the three divisions is monitored and assessed on an ongoing basis. This ensures risk and regulatory compliance, to drive operational and financial performance of the business.

A range of centralised support services are provided across the group, including finance, human resources, marketing, information technology, legal and compliance, risk and internal audit.



DIVISIONAL OVERVIEW

	PSG Wealth	PSG Asset Management	PSG Insure
Nature of business	Wealth management services to individuals, families and businesses, including investment opportunities, estate planning and fiduciary services	Investment management services to both retail and institutional investors, with a range of local unit trusts and international funds across the investment risk spectrum	Insurance advice and underwriting of short-term policies and their administration in personal and commercial lines
Business units	• PSG Securities (previously Online Securities) • Multi-management • Employee benefits • Linked investment business/LISP platform • Wealth distribution (including Fiduciary services)	• Asset management • Collective investments: local and offshore	• Western Group Holdings • Short-term administration • Insure distribution
Headcount	1 239 (2014: 1 137)	95 (2014: 81)	651 (2014: 623)
Contribution to group income*	55.9% (2014: 57.7%)	12.2% (2014: 11.5%)	31.9% (2014: 30.8%)
Contribution to group recurring headline earnings*	66.9% (2014: 66.3%)	24.1% (2014: 21.7%)	9.0% (2014: 12.0%)
Chief executive officer	Corrie de Bruyn	Anet Ahern	Rikus Visser
Main office	Bryanston, Johannesburg	Constantia, Cape Town	Tyger Valley, Bellville

* *Based on the 2015 segment reporting on pages 143 to 149.*

More information on the divisions is provided in the divisional reports from page 65.

WHAT WE OFFER

PSG Konsult's collective range of products and services covers a broad spectrum of client needs to help clients build and protect their wealth.

- Financial advice on investing, saving, stockbroking, retirement planning and insurance
- Distributed through a network of PSG Konsult and independent advisers

- Unit trust-based products for investing, including saving for personal goals and for retirement
- Options include PSG Wealth multi-managed solutions, PSG Asset Management unit trusts and unit trusts from a wide range of other management companies for diversification
- Online investment platform allows clients to access and manage their portfolios both locally and offshore

- A comprehensive suite of local and international unit trusts
- Access to global markets is provided through both foreign-domiciled funds and rand-denominated feeder funds that invest internationally

- Online trading platform provides clients with direct market access to local and international markets
- Involves building a customised portfolio of shares, exchange-traded products and derivative trading instruments

- Access to car, household, liability and accident cover through partnerships with leading insurance providers
- Advisers assist clients by evaluating available options to structure a tailored insurance solution

WHAT WE OFFER

- Access to business cover for theft, damages and commercial interruptions through business partnerships with leading insurance providers
- Analysis and advice on clients' business insurance needs on a case-by-case basis

- A full estate planning service, encompassing local and offshore trust services
- Assisting in drafting a last will and testament, and acting as executor in administering deceased estates

- Access to the combined resources and specialised skills of a selected group of top asset managers to target specific investment objectives
- Access to a diverse range of local and global multi-managed solutions

- Customisable asset consulting service to institutional investors, allowing clients to combine PSG Konsult's local multi-managed solutions and discretionary portfolios
- Access to a diverse range of local and global multi-managed solutions

- Access to a range of hospital plans and medical aid options through partnerships with a selection of medical aid providers
- Gap cover is available as a supplement to medical aid by paying towards hospitalisation and medical costs not covered by a specific plan

- Complete corporate package including retirement and risk benefits
- Analysis and customised solutions based on clients' needs for corporates, institutions, or small to medium enterprises

- Access to life, disability and critical illness cover through partnerships with leading insurance providers
- Advisers assist clients by evaluating the available options to structure the most suitable life cover on a case-by-case basis

- Investment expertise to assist institutional clients to protect and grow their business capital, or perform their fiduciary responsibilities towards their investors
- Management of segregated and institutional mandates, tailored to clients' business requirements
- Management of a range of multi-managed solutions and unit trusts that can be included as investment options in retirement funds

INVESTMENT CASE

Business features underpin PSG Konsult's expectations of future success.

Adviser network

- Largest independent financial adviser network in South Africa and Namibia
- Broad geographic footprint with offices throughout the country

Track record

- History of superior shareholder returns and demonstrable asset and premium growth over time
- Conservative investment approach based on three layers of defence risk management
- We maximise every rand of income earned relative to the acceptable unit of risk we take

Scope for growth

- Relatively small market share with significant room for growth in our chosen wealth, asset management and insurance markets
- Holistic and complementary financial services creating cross-selling opportunities and synergies
- Entrepreneurial adviser remuneration model encourages client retention and performance
- Operating leverage leading to higher margins as the business gains scale

Respected and trusted brand

- Established and trusted brand with focus on increasing exposure
- Successful transition to and benefits of listed environment
- Committed to brand enhancement in the public sphere

Sound financial position and credit rating

- Highly cash-generative business
- All entities are adequately capitalised to achieve growth objectives
- Majority of businesses are not capital intensive
- Debt facilities settled prior to maturity with low gearing projected
- Upgraded credit rating of BBB+ in 2014 from Global Credit Rating (GCR) Company with a stable outlook
- Increased access to capital markets as a listed entity providing funding flexibility
- Sufficient funding facilities are in place to fund growth plans

Strong relationships

- PSG Group acts as supportive anchor shareholder
- Directors, advisers and employees are significant shareholders
- Well-established, mutually beneficial relationship with regulators
- Membership of industry bodies and participation in industry forums
- Established adviser network with long-standing client relationships in higher LSM (living standard measure) groups
- Recipient of numerous industry awards

OPERATING CONTEXT

Financial service providers must be able to navigate shifts in the global, national and industry environments to take advantage of wealth creation opportunities as they arise.

PSG Konsult competes for the business of a client base that demands increasing transparency and security while pursuing investment solutions with the right balance of risk and return. Financial service providers must be able to navigate shifts in the global, national and industry environments to take advantage of wealth creation opportunities as they arise. They must also mitigate risks related to their assets through appropriate insurance products. What follows is a broad description of the material trends in the group's external environment and their relevance to PSG Konsult.

Global context

Material trends	Relevance to PSG Konsult
• Unpredictable investor activity following the global financial crisis, with signs of recovery in major global currencies and markets • Consumer empowerment and demand for transparency • Expanded reach for ecommerce platforms	The global investment landscape has seen greater volatility and unpredictability in the years since 2008, with fluctuating commodity dynamics affecting international relations and trade. The corporate world – and the financial services sector in particular – had to transform to be more transparent, with an emphasis on corporate governance and responsible stewardship of client assets. At the same time, online accessibility has become a necessity rather than a nice-to-have, and consumers expect access to information and advice wherever they are in the world.

National context

Material trends	Relevance to PSG Konsult
• Forecast GDP growth of 2.1% for 2015 (*IMF world economic outlook*) • Unemployment rate of around 25% (*Statistics South Africa quarterly labour force survey*) • Limited availability of skills and technical knowledge	A combination of factors have contributed to the country's sluggish growth prospects, including growing labour unrest, poor quality education and a lack of meaningful government intervention. BBBEE is an additional challenge to sourcing and retaining appropriately skilled employment candidates. Despite these challenges, conditions in the South African equity market remain positive and the JSE's strong track record bodes well for future stability. The asset and wealth management industry is well established and supported by resilient higher LSM groups.

Industry context

Material trends	Relevance to PSG Konsult
• New regulatory and compliance requirements, for example: – Solvency Assessment and Management (SAM) – Treating Customers Fairly (TCF) – Protection of Personal Information Act (POPI) – Retail Distribution Review (RDR) • Highly competitive industry vying for an increasingly cautious and savvy client base • Amplified market volatility of asset prices • Unpredictability of claims volumes and scale	The financial services industry focused greater resources on compliance and risk management. The increased regulatory burden is driving consolidation within the sector, as smaller practices are attracted to larger firms with the infrastructure and administrative support services to monitor changing legal and regulatory compliance requirements. Competition in the industry is driven by track record (demonstrable asset and premium growth over time), quality of relationships (advisers, who clients trust to offer excellent advice) and reputation (recognisable, established brands).

STAKEHOLDERS

PSG Konsult recognises the need to continually adapt, improve and deliver value for all stakeholders if the group is to achieve its ambition of becoming the investment, business partner and employer of choice.

Since its establishment in 1998, the group has been a prominent part of the South African financial services industry. PSG Konsult takes a long-term view when determining methods for adapting to the demands of the environment in which it operates. Stakeholder engagement is a critical aspect of this process.

PSG Konsult strengthened its stakeholder engagement during the year through a number of activities, understanding its role as the 'relationship owner' and consolidating learnings resulting from these activities. The group is committed to growing the business in a sustainable manner for the benefit of all stakeholders, particularly:

- Advisers
- Employees
- Clients
- Shareholders
- Analysts
- Suppliers
- Service providers
- Communities
- Government, regulatory bodies and industry associates

The board of directors oversees stakeholder management, while the management teams of the group are responsible for the implementation and monitoring of stakeholder engagement. PSG Konsult has positioned itself as an engaged partner with its various stakeholders and will build on this positive momentum going forward.

The following table provides an overview of PSG Konsult's stakeholder engagement activities during the year, and is followed by greater detail on the key developments relative to each group.

	Nature of engagement	Stakeholder expectations
Advisers 659 advisers	• Range of communications via our internally developed client relationship management system (myPractice) • Annual conference to discuss strategy and policy • Bi-annual adviser strategy sessions • Training, technical advice and support • Ongoing development of IT systems to streamline communication • Adviser learnership programme • Compliance officer learnership programme • Santam industry development programme	• Performance recognition and reward • Administrative support services • Open and efficient channels of communication • Clearly articulated strategy with achievable growth targets • Compelling products and services with demonstrable growth record • Excellent regulatory compliance records and management thereof
Employees 1 985 employees	• Bi-annual performance management process • Promotion of internal candidates wherever possible • Induction programme for new appointments • Training, information sessions, seminars on specific topics (e.g. new regulations and systems)	• Performance recognition and reward • Equal advancement opportunities • Safe and comfortable working environment • Skills development opportunities • Long-term wellbeing and job security • Talent management
Clients >150 000 clients	• Range of online communication channels, including MyPSG • One-on-one interactions with clients • Range of client newsletters • Client events • Inclusion on platforms and market surveys • Follow-up and activity in institutional space	• High-quality products and services • Regular proactive product and service counterparty due diligence reviews conducted • Responsible investing yielding sustainable returns • Protecting client assets through tailored insurance products • Approachability and access to information • Trusted brand and reputation

Stakeholder	Nature of engagement	Stakeholder expectations
Shareholders and analysts >5 700 shareholders	• Investor relations responsibility under direct guidance of chief financial officer • Bi-annual investor roadshow presentations to analysts and institutional investors • Annual general meeting (AGM) investor day presentation by chief executive officer	• Responsible investing yielding sustainable returns • Transparent and clearly articulated strategy • Sound corporate governance • Consistent and reliable performance reporting
Suppliers, service providers and communities	• Assessment of service quality and standards of suppliers and service providers for major expense items (e.g. IT and marketing) • Re-assessment of supplier service level agreements currently in place • Supplier engagement focused on ensuring suppliers are committed to and can demonstrate progress towards BBBEE objectives • Corporate social investment (CSI) spend allocated to JDI Foundation and Ubuhle Care Centre. Contribution to ASISA Enterprise Development Fund • Ongoing effort to improve measurement of the impact of the group's support of community development initiatives to channel CSI spend as effectively as possible	• Open and fair contracting process • Productive relationship built on accountability and understanding of service level requirements • Encouragement and support of BBBEE objectives • Long-term support for community development initiatives
Government, regulatory bodies and industry associates >15 industry bodies	• Monthly internal management legislation workshop to assess progress on implementation of new legislation requirements • Frequent interaction with the Financial Services Board (FSB) and JSE • Membership of various industry bodies • Proactive interaction with various regulators and monthly reporting on regulatory and compliance aspects • Management training sessions presented by industry specialists	• Contributing and playing a constructive role in the development of policy and regulation • Full regulatory compliance in all operations • Participation in industry forums • Application of fair business practices

Advisers

We are a team.

Overview

PSG Konsult's national network of advisers is what differentiates the group and gives PSG Konsult its competitive edge in the financial services industry. A major focus is to attract and retain advisers who possess excellent business acumen and the ability to provide meaningful and effective advice to clients across the three divisions and offer our clients investment solutions that will meet their needs by growing and preserving their wealth. The group strives to ensure that the channels of communication between advisers and senior management of PSG Konsult are open, honest and effective.

Growth

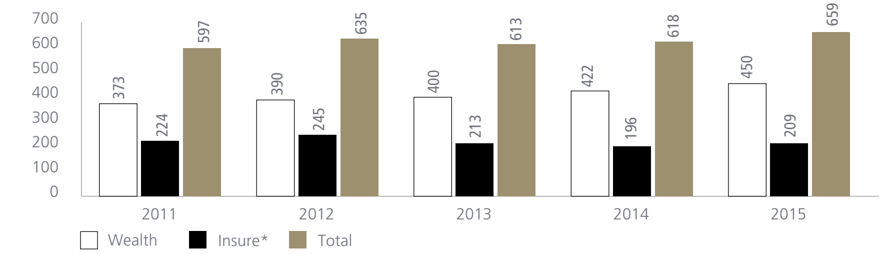
While growth is the overarching objective of the group's strategic focus, expansion takes place with an emphasis on quality over quantity. The increase in regulatory requirements and subsequent administrative burden has resulted in a measure of consolidation in the industry as smaller scale practices are attracted to the dedicated compliance and legal support offered by larger firms. Several key adviser acquisitions were made during the year and organic growth was achieved in many existing PSG Konsult offices, growing the total number of advisers from 618 to 659 at 28 February 2015.

Entrepreneurial model

PSG Konsult's entrepreneurial approach to adviser remuneration encourages long-term loyalty and client service excellence. It also incentivises performance aligned with the group's key values, principles and philosophy. PSG Konsult undertook an extensive buyback transaction in the current financial year in order to streamline and standardise the revenue sharing model and contract terms of advisers. PSG Konsult, which is an advice-led firm, prides itself on the business acumen and quality of its independent client services and advice.

More information on the adviser buyback transaction is provided in the chief financial officer's report on page 60.

Adviser growth over five years



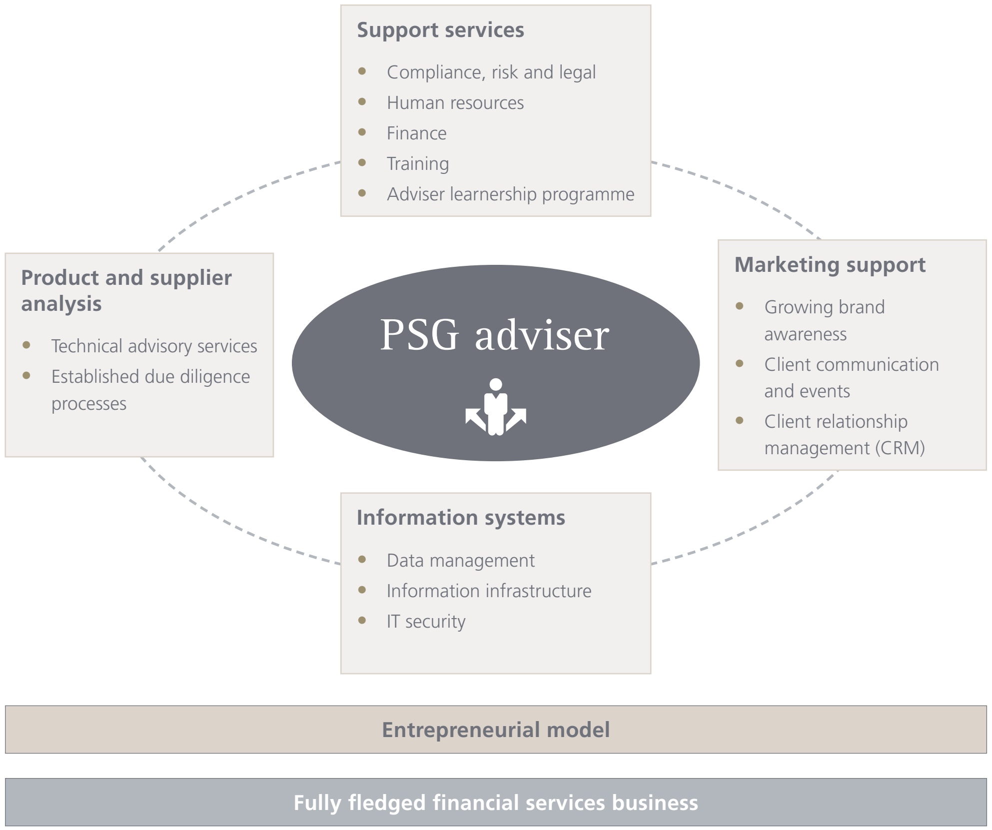
* *Historical decrease in insure advisers due to amalgamation and consolidation of PSG Insure adviser offices.*

Adviser value proposition

PSG Konsult offers advisers a compelling value proposition in the form of its comprehensive financial services offering, established brand and track record of performance. A due diligence process is followed with the approval of all potential new products and services. It also assesses the suitability of suppliers and product providers. The financial soundness of all product providers is continuously monitored to ensure all potential risks are identified and mitigated. This ensures that all aspects of PSG Konsult's offering are in line with the business principle of pursuing returns within acceptable levels of risk.

The entrepreneurial remuneration model ensures alignment of adviser fee income with client interests. Advisers benefit from a range of support mechanisms provided by the group, enabling them to work more effectively and efficiently, thereby benefiting the adviser and the group as a whole. PSG Konsult provides support services covering compliance and risk, administration, financial, marketing, human resources, legal and information systems. This includes an ongoing development programme in the form of training and technical advice.

PSG Konsult's adviser value proposition, including interaction with and support from the group, can be summarised as follows:



Adviser engagement events

PSG Konsult engages with advisers on an ongoing basis, and arranges formal and ad hoc meetings throughout the year. The following annual and bi-annual strategy meetings form a critical component of strategy development:

- Annual conference

  PSG Konsult holds an annual conference to which advisers and professional associates are invited. The purpose is to engage with the group's leadership over strategic objectives, identify potential client product and service opportunities, discuss the impact of changes in the regulatory environment, and unpack related industry trends.

- Adviser strategy sessions

  Bi-annual adviser strategy sessions are held with selected advisers to allow management the opportunity to conduct focused strategic discussions on industry-related issues and challenges in the intermediary space. It is also an opportunity to share adviser success stories.

- Adviser work sessions

  Bi-annual work sessions are held across the country to keep advisers and their support staff up to date with changing legislative requirements and internal enhancements.

Adviser learnership programme

PSG Konsult launched an adviser learnership programme in 2008. Since then, 46 trainees have completed the programme, 24 of whom found permanent employment within the group. The objective of this programme is to train new advisers in an office context and involves a formal training syllabus over 12 months, with an additional 12-month lock-in period.

Employees

Our people are our strength.

Overview

The ability and willingness of employees to perform at a consistent high level is integral to successfully delivering the group's strategic objectives. To create and sustain a diverse, high-performance culture, the group invests in performance management and employee development initiatives for which the human resources function is responsible.

The various development initiatives are described in the adviser section on page 29.

Some of the priorities of the human resources function include:

- Attracting and retaining quality employees
- Building an innovative culture
- Fostering a culture of high performance and collaboration
- Continuously focusing on transformation

Employee development

PSG Konsult has a number of development opportunities available as the group seeks to grow and develop its human capital.

- Bursary and internship programme

  During the year, PSG Konsult launched a bursary and internship programme in the form of financial assistance (a bursary, monthly stipend and funds for textbooks). The programme is open to students from previously disadvantaged backgrounds currently in their honours year at selected universities. After graduating, participants undergo a one-year internship at one of PSG Konsult's divisions. Six students were accepted in the first year of the programme.

- Santam industry development programme

  Santam has initiated a programme in which it aims to train 100 previously disadvantaged individuals in the short-term insurance environment. As part of this programme, Santam requested its partners to take on some of these students. PSG Insure is fully supportive of this initiative and has agreed to train 10 individuals within its short-term administration business unit.

- Compliance officer learnership programme

  Participants in the compliance officer learnership programme sign up for a three-year non-rotational training programme within PSG Konsult's compliance department where they are exposed to on-the-job training with the support of individual coaching, and formal courses on legal and compliance regulation. PSG Konsult embarked on its first compliance officer learnership programme in 2014 and currently has two participating individuals.

Performance management

Every PSG Konsult employee is assessed bi-annually according to a list of key performance indicators (KPIs) and responsibilities agreed upon between the employee and their line manager. This is to ensure that the time and effort contributed by every individual are aligned with the overall strategic objectives of the group and encourage goal congruence. Discretionary bonuses and increases are linked to the outcome of these meetings, although the payment of bonuses and increases is also linked to divisional and group performance.

More information on remuneration is provided in the remuneration report on page 99.

Transformation

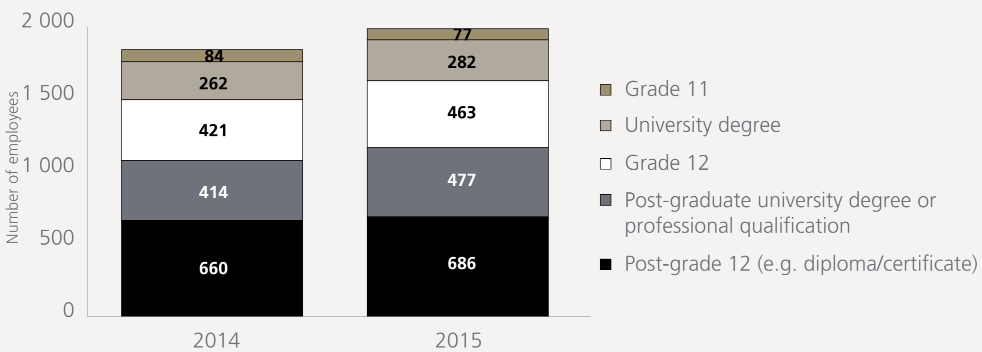
As stated in the core business principles, PSG Konsult is, first and foremost, a South African company. Therefore, the group considers transformation to be a sustainable business imperative. PSG Konsult completed its first BBBEE verification process and received a level 8 contributor score. It has been recognised as a value-adding supplier. The group considers this to be a benchmark against which future progress will be measured. We have invested R10 million in the ASISA Enterprise Development Fund, a fund founded by the Association of Savings and Investment South Africa (ASISA) for the purpose of assisting with the development of operational and financial capacity of BBBEE enterprises and suppliers. We have also appointed five senior EE employees after our BBBEE verification review.

The social and ethics committee is accountable for driving transformation within the group. A number of initiatives, most notably the development programmes highlighted above, are in place and are a critical component of PSG Konsult's transformation objectives.

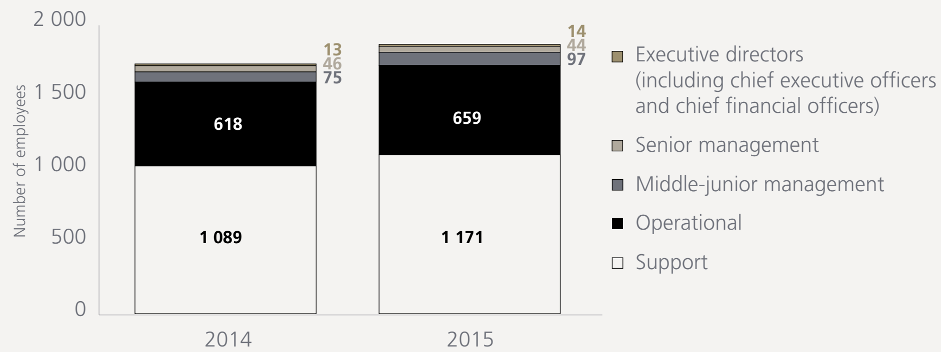
Employee demographics

As at 28 February 2015:

Education



Hierarchy



Clients

Our clients are our priority;
we put the needs of our clients first.

Overview

PSG Konsult is committed to prioritising the needs of its clients and this approach is the foundation of the group's business model. Extending the reach and quality of client relationships is a core component of the group strategy. Client-centred initiatives were developed to enhance client relations throughout the operating businesses.

PSG Konsult's clients consist mainly of retail clients (higher LSM groups) and institutional clients. Client retention is a key component of managing the group's recurring profitability over the long term. Client retention initiatives are built into the value chain, including marketing, appropriate advice to clients, remuneration structures of advisers, post-sales client service and claims management. This ensures that the group writes and retains quality business.

Client value proposition: PSG Wealth

PSG Wealth's focus is to offer an end-to-end client proposition through its extensive distribution network with strong relationships between advisers and clients. The strong growth in new clients can be attributed to client referrals, which is testament to the client service excellence of our advisers. PSG Wealth is focused on the following core capabilities:

- CRM and client services
- Integrated end-to-end platforms
- Accessibility through a range of communication channels
- Quarterly, monthly and daily communications
- Innovative and profitable products and services within acceptable risk parameters

Client value proposition: PSG Asset Management

PSG Asset Management offers long-term retail and institutional investment management based on a bottom-up approach with a strong emphasis on capital preservation and risk management. PSG Asset Management is focused on effectively positioning PSG Konsult funds on a number of key platforms to enhance accessibility of funds both to clients and advisers, together with prioritising the following core capabilities:

- Easy, accessible investment platform
  - Offer investors a simple, yet comprehensive range of investment products over the entire investment risk spectrum
  - Local unit trust funds and access to global markets through both rand-denominated unit trusts that invest internationally, and foreign currency-denominated global funds
- Long-term performance track record
  - Highly qualified, stable and experienced investment team
  - House view adopted by investment team to optimise research ideas and also ensure a greater degree of consistency across the range of PSG funds
- Quarterly and monthly communications

Client value proposition: PSG Insure

PSG Insure aims to protect clients from the negative impact of unforeseen events through customised short-term insurance solutions. The strategic emphasis of the division is to focus on profitable growth in an environment characterised by low growth rates, and to increase market awareness of the Western brand. PSG Insure is focused on the following core capabilities:

- Short-term distribution
  - Direct sales and access to products through large adviser network
  - Established systems and processes
- Short-term administration
  - Dedicated claims team
  - Skilled and experienced underwriting team
  - Client self-service system and access to product range
- Established insurance business (Western)
  - Various distribution channels extending reach and accessibility
  - Quality and diversity of product range
  - Emphasis on personalised service

More information on the divisions is provided in the divisional reports from page 65.

Protection of client assets

PSG Konsult takes its fiduciary duty to protect clients' assets seriously. In the service of this duty and to ensure that the group lives up to its promise of trustworthiness and quality, a number of processes and controls are in place:

- A robust due diligence process is followed prior to accepting any new products and services, which includes the respective providers
- Mutually beneficial relationships are maintained with all business partners
- The financial soundness of all product providers is constantly monitored through risk and compliance measures
- Dedicated compliance officers oversee all compliance processes, businesses, platforms and transactions
- An independent risk management department assesses all potential risks and the implementation of any mitigating actions
- Strict compliance with all laws, regulations and international best practise is maintained
- Good working relationship with regulators and a culture of compliance are actively encouraged and managed
- The internal audit function performs numerous reviews during the year, which ensures that the controls and processes surrounding clients' assets are sufficiently secure and effective

Shareholders and analysts

We consistently provide sustainable returns and value to shareholders over the short, medium and long term.

Overview

PSG Konsult considers shareholders and analysts a critical stakeholder group and communicates relevant information about its performance, strategy development and future outlook through a number of channels in a consistent and open fashion. The group uses recurring headline earnings and recurring headline earnings per share as non-IFRS measures to evaluate performance. It is also a method to provide shareholders with clear and consistent reporting, and to demonstrate the sustainable earnings of the group.

Shareholder and analyst engagement

Shareholders attend PSG Konsult's annual general meeting and vote on the appointment of directors, the audit and risk committee and various resolutions proposed by management and the board. Formal interaction with shareholders and analysts occurs through SENS announcements, results presentations and investor roadshows. Informal engagements are limited to specific meetings (including one-on-one meetings) with analysts held throughout the year. The group makes use of various forms of media (print, television and radio broadcasts) as well as local and international roadshows to engage with shareholders. This integrated annual report is the primary tool for communicating the group's value creation process.

Listing process

PSG Konsult shares were traded over the counter on the PSG Securities platform (previously Online Securities) from April 2005 until the end of May 2014, prior to listing on the JSE on 18 June 2014. The changes to the group's shareholder profile were only structural and involved converting existing unlisted shareholder equity to listed equity and no new capital was raised through the listing. The group also announced a secondary listing on the NSX effective 16 July 2014. As at 28 February 2015, shares traded at R7.22 (2014: R5.00) per share.

Trading statistics

	2015	Change %	2014
Number of shares in issue	1 262 484 423	3	1 221 917 770
Number of shares traded	61 842 093	97	31 449 042
Value of shares traded (R)	429 153 022	233	128 845 854
Market price (cents per share)			
– Closing	722	44	500
– High	790		534
– Low	500		255
Headline earnings per share (HEPS) (cents)	26.9	35	20.0
Earnings yield percentage (HEPS)	3.7	(8)	4.0
PE ratio (HEPS)	26.8	7	25.0

Distribution of shareholders*

	2015		2014	
Category	Number of shares	Percentage of total	Number of shares	Percentage of total
PSG Group (through PSG Financial Services)	790 813 029	63	790 813 029	65
PSG Konsult directors	91 374 414	7	107 378 262	9
Management	46 408 073	4	53 624 429	4
Treasury shares	357 875	–	357 875	–
Public	333 531 032	26	269 744 175	22
Grand total	1 262 484 423	100	1 221 917 770	100

Spread of listed holdings – number of shareholders*

	2015		2014	
Category	Number of shareholders	Percentage of total	Number of shareholders	Percentage of total
Over 1 000 000	68	1	80	5
500 001 – 1 000 000	35	1	35	2
100 001 – 500 000	199	3	183	10
50 001 – 100 000	218	4	126	7
1 – 50 000	5 222	91	1 332	76
Grand total	5 742	100	1 756	100

* *Includes treasury shares held.*

Spread of listed holdings – number of shares*

Category	2015 Number of shares	2015 Percentage of total	2014 Number of shares	2014 Percentage of total
Over 1 000 000	1 132 452 923	90	1 128 245 207	92
500 001 – 1 000 000	24 181 012	2	25 720 430	2
100 001 – 500 000	43 080 184	3	40 622 632	3
50 001 – 100 000	15 909 744	1	9 143 665	1
1 – 50 000	46 860 560	4	18 185 836	1
Grand total	1 262 484 423	100	1 221 917 770	100

* *Includes treasury shares held.*

Dividend policy

The directors of PSG Konsult approved the following dividend policy.

The group's dividend is set with reference to underlying core operating earnings, taking cognisance of the need to:

- adhere to capital adequacy, financial soundness and legislative requirements;
- retain earnings and cash flows to support future growth initiatives;
- provide a sustainable dividend that will be paid out to shareholders; and
- maintain a payout policy of between 40% and 50% of full-year headline earnings (as communicated in the pre-listing statement; a third of the payout to take place at interim and two thirds after approval of the financial results).

However, to maximise the use of capital to sustain an attractive dividend flow and fund the group's growth ambitions, it is necessary to have significant capital buffers to meet business regulatory capital requirements and internally fund organic growth initiatives.

More information on the group's dividend track record is provided in the chief financial officer's report on page 60.

Suppliers, service providers and communities

We are, first and foremost, a South African company.

Overview – suppliers and service providers

PSG Konsult makes use of various suppliers and service providers for an array of products and services to support business operations. Relationships with suppliers commence with fair selection and pricing processes and are governed on an ongoing basis by comprehensive service level agreements. Most recently, the group's engagement with suppliers and service providers was focused on ensuring their commitment to BBBEE and providing the support to improve their accreditation.

Overview – communities

- Just do it (JDI) foundation

  The JDI foundation provides a platform and support network for people to contribute to a range of community and youth development programmes. The objective of the foundation is to support and enable young people to learn about challenges facing society and to develop innovative solutions that improve the lives of South Africans.

- Ubuhle Care Centre

  The Ubuhle Care Centre provides support to families in need in local communities. The centre works with churches, schools, government bodies and other support organisations to assist households in need, particularly those with orphans and vulnerable children. PSG Konsult provides the care centre with food parcels on a monthly basis.

- ASISA Enterprise Development Fund

  PSG Konsult is proud to announce that it has partnered with ASISA by contributing an initial R10 million to the ASISA Enterprise Development Fund. This fund is aimed at investing in the sustainability of small and medium-sized enterprises in South Africa. This initiative also supports government's drive for job creation and economic growth.

Government, regulatory bodies and industry associates

We will adapt to the constantly changing business environment.

Overview

Effective and active engagement with regulators is a high priority for PSG Konsult. The recent and forthcoming regulatory changes are expected to have a significant impact on the way in which financial services companies operate. The group strives to be an early adopter of new regulations and plays an active role in these developments. It supports the need for greater transparency, controls and accountability in the industry.

Operating licences

PSG Konsult currently has 13 operating regulatory licences across its range of financial services, which necessitates a close and mutually beneficial working relationship with all regulators.

Division	Holder	Issuer	Licence number
PSG Wealth	PSG Multi Management PSG Invest PSG Life PSG Employee Benefits PSG Securities (previously Online Securities)	FSB FSB FSB FSB JSE	44306 563 22557 33657 42996
PSG Asset Management	PSG Asset Management PSG Collective Investments PSG Fund Management (CI)* PSG Fund Management (Malta)*	FSB FSB Guernsey Financial Services Commission (GFSC) Malta Financial Services Authority (MFSA)	29524 N/A 99871 15/58898
PSG Insure	Western Administration Services Western National Insurance (Namibia) Western National Insurance (South Africa)	FSB Namibian Financial Institutions Supervisory Authority (Namfisa) South African Short-Term Insurance licence	9465 04/PI/STI/16 00118/001
All divisions	PSG Wealth Financial Planning	Financial Advisory and Intermediary Services Act, 37 of 2002	728

* *PSG Konsult holds licences in Guernsey and Malta, which allows the group to market offshore funds that are compliant with the Undertakings for the Collective Investment of Transferable Securities (UCITS) to potential offshore investors.*

Membership of industry bodies

PSG Konsult is represented in various capacities on a range of industry bodies and, with the legal and compliance department, reviews and provides comments on all forthcoming legislation that affects the business. The group is committed to playing an integral role in the financial services industry by participating in discussions and lobbying for positive reform where possible.

- JSE Limited
  - Clearing and settlement advisory committee
  - Corporate actions advisory committee
  - Equity adviser committee
  - Equity market business model marketing working group
  - Retail adviser committee
  - T+3 marketing steering committee
- Association for Saving and Investment South Africa (ASISA)
  - CIS standing committee
  - CIS unclaimed assets working group
  - Tax standing committee
- FSB SAM Pillar 1 subcommittee
- South African Futures Exchange (SAFEX)
- Namibian Stock Exchange (NSX)
- Ombudsman for Short-term Insurance
- Ombudsman for Long-term Insurance
- National Credit Regulator (NCR)
- Financial Intermediaries Association of Southern Africa (FIA)
- Fiduciary Institute of South Africa (FISA)
- South African Insurance Association (SAIA)
- Namibian Financial Institutions Supervisory Authority (Namfisa)
- Guernsey Financial Services Commission (GFSC)
- Malta Financial Services Authority (MFSA)

VALUE-ADDED STATEMENT

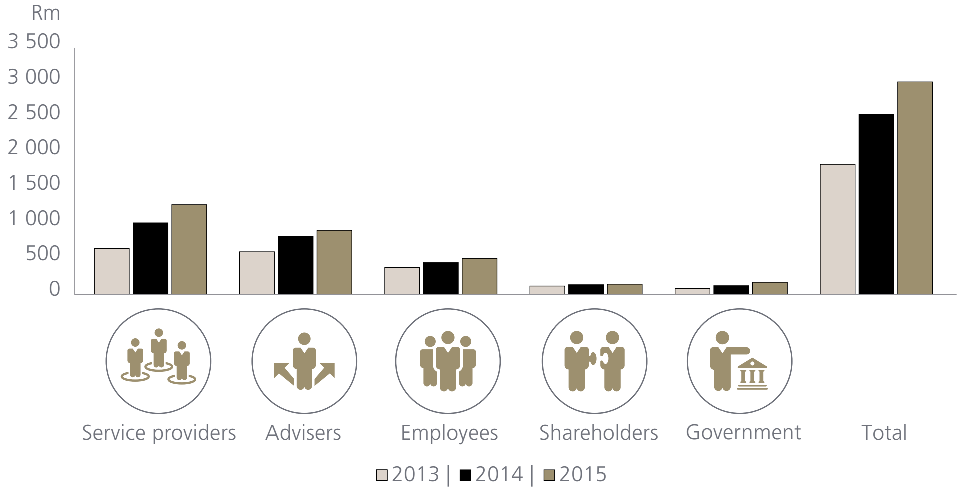
PSG Konsult's mission is to make a difference in the lives of all stakeholders by creating and preserving wealth through excellence. The group assesses the value added to five major stakeholder groups by measuring their share of revenue created by the business.

Revenue created distribution per stakeholder group (Rm)

Stakeholder group	2013 Rm	Change %	2014 Rm	Change %	2015 Rm
Service providers and other*	653	56	1 016	25	**1 274**
Advisers	606	36	825	10	**910**
Employees	382	18	452	13	**512**
Shareholders	120	16	139	5	**146**
Government	85	47	125	38	**173**
Total	1 846	39	2 557	18	**3 015**

* *Share of revenue to service providers also includes amounts retained or utilised by the group for operations, expansion and growth.*

Revenue created per stakeholder group (Rm)



STRATEGY

PSG Konsult has entered the third year of its current strategy lifecycle, which was approved by the board in December 2012. The listing on the JSE and secondary listing on the NSX represent a significant strategic milestone as the group establishes itself as a leading financial services provider in Southern Africa.

Strategic principles

Progress against the group strategy is monitored and measured to ensure performance is sustainable in the long term. All decisions are made with a measured approach, underpinned by three fundamental business principles:

- Recurring revenues
- Margin enhancing
- Risk versus return

The execution and implementation of these principles continue to form the basis of the group's strategic focus:

	Recurring revenues	Margin enhancing	Risk versus return
Strategic principles	Focus on generating recurring income, which leads to enhanced sustainable earnings	Optimise profit margins to ensure that an acceptable return on capital is earned	Maximise every rand earned relative to an acceptable unit of risk
Execution and implementation	• Daily analysis and monitoring of new client money inflows • Structured operating costs as variable where possible • Strengthened sales and marketing focus • Data analytics and our management information systems enable us to pinpoint growth opportunities and areas needing attention; plus hold people accountable as we track and monitor performance against targets. • Integration and cross-selling of products and services to existing clients	• Streamlined systems and processes to reduce operational risk and increase efficiency • Focus on product and service innovation to ensure sustainability of profit margins rather than financial leverage to generate an acceptable return on capital • Focus on net new money fee margin to monitor and evaluate quality of business	• Reduced financial leverage by repaying debt and improved credit rating • Exited business areas and products that carried undue risk relative to their earnings contribution • Three layers of defence risk management

Strategic focus

Strategy development for the coming year will be based on the current momentum, sustain the focus on bedding down the business structure and grow top line. Attracting and retaining the right people, selling high-quality products and hosting products on superb platforms are the critical capabilities required to sustain growth. PSG Konsult, which has a strong stable management team and infrastructure, is in an enviable position to consider new business opportunities and frontiers as they arise.

Overview of strategy lifecycle

	2014	2015	2016
Phase	Restructuring (Re-engineered and refocused business)	Sustainable top-line revenue growth (organic 'brick-by-brick' growth strategy)	Sustainable top-line revenue growth (incremental marketing and advertising spend)
Delivery	Communication and execution	Invested in enhancing, streamlining and automating business processes to create scalable capacity	Increase PSG brand awareness
Milestones	• Growth strategy approved • Three divisions structure established • Acquisition of Western and strategic partnership with Santam • Commenced process of closing, integrating or selling of unprofitable or non-core activities	• Recurring HEPS +31% • Reduced reliance on performance fees 7.2% (2015) vs 10.7% (2014) of headline earnings • Operating margin increased from 13.2% to 14.9% • Cost-to-income ratio improved from 63.8% to 60.5% • ROE improved from 23.6% to 26.4% • Financial leverage decreased from 9.4% to 0.9% • Assets under management +27% • Net client inflows: PSG Wealth R14.5 billion and PSG Asset Management R5.9 billion	• Drive accelerates growth in net new client inflows

Strategy lifecycle

Each division develops and implements strategic plans to achieve the overarching group objectives according to the challenges and opportunities of its relative environment.

More information on the divisional strategies is provided in the divisional reports from page 65.

Strategic ambitions

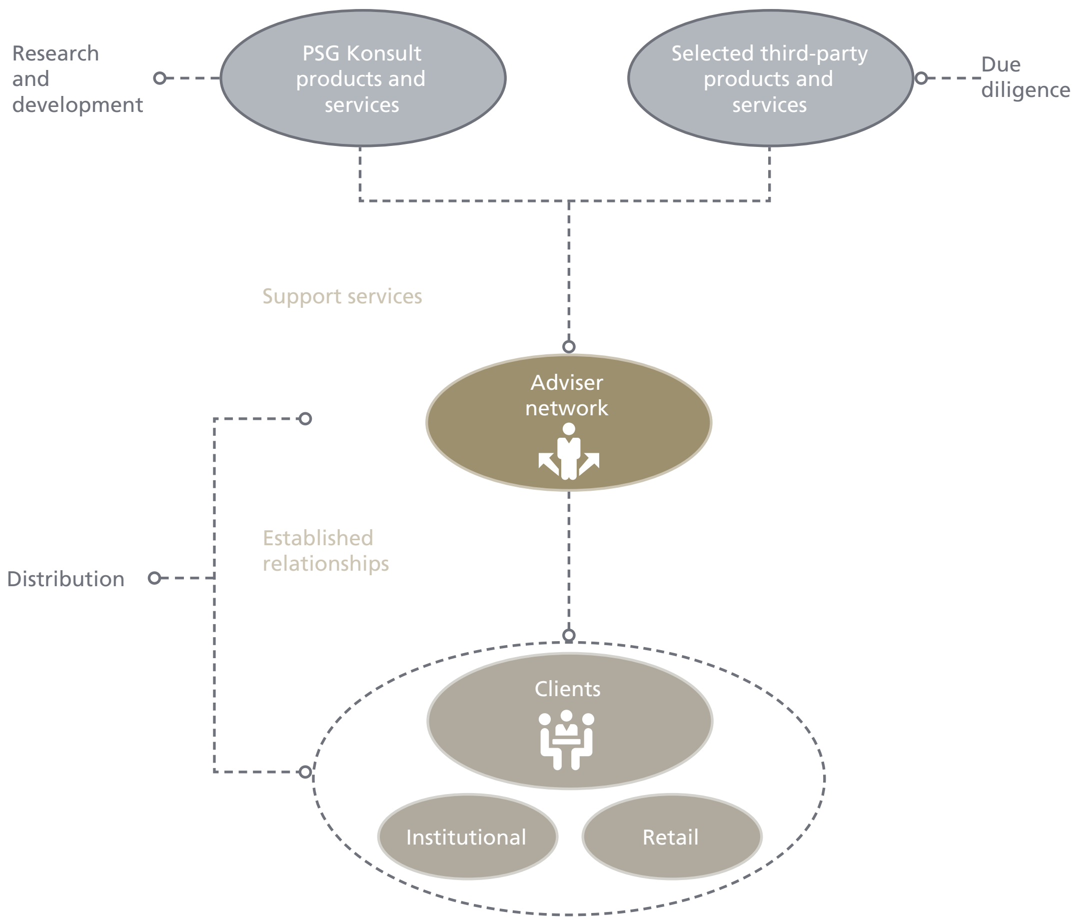
PSG Konsult's ambitions for the future are to:

- Grow the PSG brand awareness and relative market share in our chosen markets of focus
- Maintain the group's strong position in its chosen, predominately retail client base
- Gain market share in the institutional space
- Grow number of advisers and upscaling existing adviser offices so that we can increase our penetration in selected areas
- Improve product development to enable us to create innovative investment and insurance products that meet client needs
- Build our institutional shareholder base
- Improve our BBBEE scorecard

BUSINESS MODEL

Adviser network

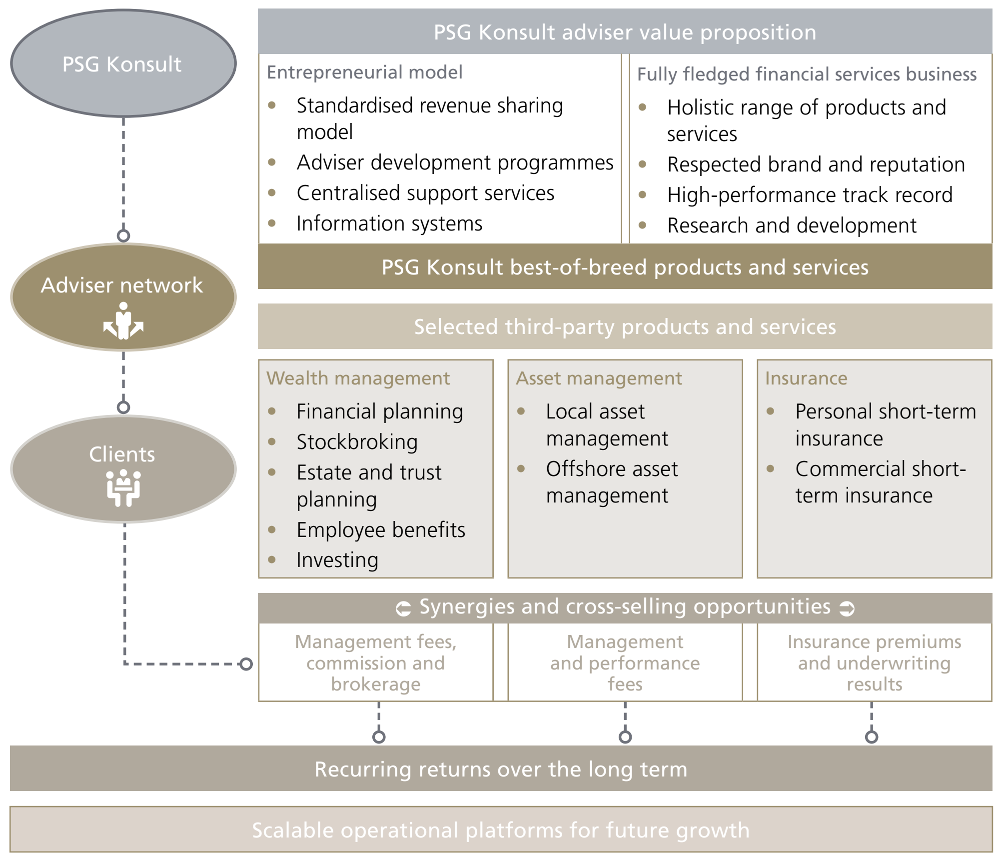
PSG Konsult's business model is built on the understanding that it is not sufficient to develop excellent products and services without focusing on how to connect these with a receptive market. The group's core strength is the national network of entrepreneurial advisers, distributing a wide range of products and services through their trusted, long-established relationships with clients.



Products and services

Advisers are supported and incentivised to provide their clients with the best quality advice, and it is critical that PSG Konsult's value proposition offers best-of-breed financial management solutions. Research and development into new products is ongoing to ensure that the group takes advantage of opportunities as consumer and investment activity responds to economic shifts. This ensures that we can continue meeting clients' needs.

The synergistic nature of the businesses and products provides significant scope for organic growth through cross-selling and expanding the range of products and services provided to existing clients.



SIX CAPITALS ANALYSIS

The six capitals described by the International Integrated Reporting Council can be used to illustrate the importance of a range of input to PSG Konsult's business model. The following summary uses the capitals as a tool to provide a holistic overview of the business.

	Measurement at 28 February 2015	More information
Financial capital is the total equity and debt funding available to the group. PSG Konsult's central treasury function actively oversees and manages the group's financial capital in order to optimise allocation of capital to meet business regulatory capital and growth initiative requirements.	• Market capitalisation R9.1 billion • Return on equity (ROE) 26.4% • Debt:equity 0.9% • Sufficient capital, as required by the regulators, held by each of the regulated entities in the group at 28 February 2015	Chairman's report Chief executive officer's report Chief financial officer's report
Manufactured capital is the group's physical footprint across the region.	• 191 offices in South Africa and two offices in Namibia form the group's operating platform in Southern Africa	Group overview
Intellectual capital is the intangibles that give the group its reputation and competitive edge. The group operates under a number of licences across the range of its financial services. PSG Konsult is a quality and trusted brand.	• PSG Konsult's client relationships and brand appeal in the market • Performance reputation of our investment products based on consistent long-term track record of delivering superior risk-adjusted returns for our clients • Performance recognition awards received • Numerous independent industry awards received by the various business units and funds • Ten regulatory operating licences in South Africa and one in Namibia • Two international regulatory licences to operate in Malta and Guernsey, allowing the group to market offshore UCITS-compliant funds to potential offshore investors	Group overview Chief executive officer's report Corporate governance

	Measurement at 28 February 2015	More information
Human capital is the total complement of people who work for PSG Konsult (employees and professional associates) and the network of people distributing PSG Konsult products and services in the market (advisers). PSG Konsult is a complex financial services group, which is reliant on the skills of its human capital in financial and legal disciplines. Therefore, the group must ensure that its performance management and development frameworks encourage long-term retention and loyalty.	• Total employees 1 985 • Professional associates 404 • Network of 659 advisers • R511.6 million invested in salaries • R2.4 million invested in training and development	Stakeholders Investment case Remuneration report
Social and relationship capital is the network of internal and external relationships that collectively constitute PSG Konsult's stakeholder universe. A major component is PSG Konsult's advisory network with strong relationships of trust with clients.	• Steady growth of adviser network • Membership of industry bodies • Sound relationships with regulators • Supportive base of 5 742 shareholders • CSI support for a range of community development programmes	Stakeholders
Natural capital is the natural resources used in PSG Konsult offices. While these are not formally measured, the nature of the business has limited any negative impact on the environment.	• PSG Konsult limits its use of electricity, paper and water in the office environment • Travel activities are managed to limit unnecessary emissions • Implementation of video conference facilities at each of the major offices across the country to limit travelling by senior management for meetings	

LEADERSHIP REPORTS

Willem Theron
Chairman
18 May 2015

CHAIRMAN'S REPORT

The group is in a strong position to build on its positive momentum going forward.

PSG Konsult produced a solid set of results for the year, with growth achieved across all key operating businesses. Top-line revenue growth remains a core strategic focus and I am pleased with the 18% increase the group achieved.

In the financial services industry, longevity and demonstrable growth are critical to establishing a reputation that clients can trust. PSG Konsult's share price has consistently outperformed the JSE ALSI total return index since first trading through an OTC platform in 2005, achieving a compound annual growth rate of 42.1% compared to 18.4% of the JSE over the same period to 28 February 2015. The group is in a strong position to build on this positive momentum going forward.

Milestones

The past financial year was a milestone in PSG Konsult's history as the group made its debut on the JSE on 18 June 2014, thereby entrenching its vision of becoming a leading financial services company. The increased access to capital and exposure in the market will benefit the business, allowing PSG Konsult to take advantage of growth opportunities.

The group made a strategic decision to build an investment track record with Namibian investors by obtaining a secondary listing on the NSX on 16 July 2014. By listing on the NSX, Namibian investors are provided with an opportunity to invest in PSG Konsult by using a portion of the prescribed investment portfolio assets.

The past financial year was a milestone in PSG Konsult's history as the group made its debut on the JSE on 18 June 2014, thereby entrenching its vision of becoming a leading financial services company.

Operating context

The 2015 financial year saw a number of concerning trends continuing or emerging in South Africa, not least of which was the downgrading of the country's credit rating and economic growth prospects. Unemployment, low-quality education and increasing industrial action continue to challenge economic growth. Consumer confidence is low and companies are required to develop increasingly innovative strategies to attract recurring business.

Against this backdrop, PSG Konsult remains confident about South Africa's potential and is committed to playing its part in securing the country's positive future. The group delivered strong results, largely due to favourable equity market conditions and a solid client base in higher LSM groups who have proved resilient despite the challenges.

Performance

The year ended 28 February 2015 was an exceptional year, with PSG Konsult reporting a 39% increase in recurring headline earnings (2014: 44%) to R341.2 million. Assets under administration increased to R308.1 billion (2014: R234.5 billion), a rise of 31%, while assets under management grew by 27% to R141.9 billion (2014: R112.1 billion).

The group's recurring headline earnings has almost doubled during the past two years, with the group's market capitalisation increasing from R1.1 billion five years ago to R9.1 billion at year-end.

Dividend

For the 2015 financial year, a final gross dividend of 8.0 cents per share was declared (2014: 7.3 cents per share), bringing the total distribution for the year to 12.0 cents per share (2014: 11.3 cents per share).

Key internal developments

Aligning with the JSE Listings Requirements ushered in a new phase for PSG Konsult in terms of corporate governance – these developments are described in detail in the governance section from page 79. Notable among these was the establishment of a social and ethics committee, and audit and risk committee, the appointment of a dedicated internal auditor and the appointment of two independent non-executive directors to the board.

The three-division operating structure (PSG Wealth, PSG Asset Management and PSG Insure) has now been in place for over two years and our focus remains on extracting the most value from potential synergy and efficiency. We have increased our investment in marketing

The group delivered strong results, largely due to favourable equity market conditions and a solid client base in higher LSM groups who have proved resilient despite the challenges.

The group's recurring headline earnings has almost doubled during the past two years, with the group's market capitalisation increasing from R1.1 billion five years ago to R9.1 billion at year-end.

initiatives and our technological infrastructure with the objective of raising the group's profile and penetration across the financial services landscape.

We undertook our first ever BBBEE verification process and were rated a level 8 contributor and approved as a value-adding supplier. The social and ethics committee views this as a benchmark from which to improve and has developed a formal employment equity and transformation plan. While significant progress has been made in the group's employment equity profile, transformation remains a key focus area. PSG Konsult employed a new learning and development manager whose role is to drive recently launched bursary and learnership programmes.

Strategic imperatives

PSG Konsult has positioned itself as a fully fledged financial services company with a holistic offering that caters for a range of client needs. We are constantly working to innovate and diversify our products and services to ensure that PSG Konsult's value proposition competes at the highest levels in the industry. By providing centralised support infrastructure, we enable advisers to do what they do best – to focus on strengthening and growing their relationships with clients by demonstrating consistent investment returns and asset protection. We will continue to pursue top-line growth as the business gains scale and focus on extending our share in the value chain.

Changes to the board

Patrick Burton and KK Combi were appointed as independent non-executive directors on 2 March 2014 and 16 April 2014, respectively. The board welcomes them and appreciates the wealth of experience they bring to the business.

Outlook

The executive leadership established a robust and agile business model underpinned by a clear and compelling strategy, thereby enhancing the group's ability to respond to challenges and opportunities in the market. This will enable us to expand our market share in all areas of our business.

While conditions in the local economic environment are not expected to change substantially in the near future, we remain optimistic about the initiatives and objectives underpinning our growth strategy. We will continue focusing on developing top-quality people and products, distributing these to our growing client base through world-class platforms.

We are constantly working to innovate and diversify our products and services to ensure that PSG Konsult's value proposition competes at the highest levels in the industry.

Appreciation

The successes of 2015 are the result of the collective contribution of all our people. My sincere thanks go to the board, the management team, our employees and financial advisers for their hard work and dedication to PSG Konsult. I would also like to thank our shareholders for being part of our journey. I fully support the strategy formulated by the executive committee to create further value for all our stakeholders.

Challenge

I would like to urge all our advisers, employees and shareholders throughout South Africa to contribute in every way within your communities to enhance the living standards of all South Africans.

We all have to build a better future for South Africa!

Francois Gouws
Chief executive officer
18 May 2015

Performance

Recurring headline earnings
↑ 36%

Headline earnings
↑ 39%

Recurring headline earnings per share
↑ 31%

Headline earnings per share
↑ 35%

Assets under management
↑ 27%

Assets under administration
↑ 31%

Revenue
↑ 18%

Dividend
12.0 cents per share

CHIEF EXECUTIVE OFFICER'S REPORT

The 2015 financial year will be remembered as our listing year.

The 2015 financial year will be remembered as our listing year and a major strategic step towards positioning the group as a leader in its industry. The process leading up to the 18 June 2014 listing provided PSG Konsult with the opportunity to demonstrate our track record of delivering on promises to domestic and international investors and to present our compelling prospects for future value creation. The secondary listing on the NSX, which took place on 16 July 2014, provides clients in that country with access to PSG Konsult shares, without increasing the administrative or reporting burden for the group.

During the year, a number of key developments took place that represent important steps in our growth journey.

Adviser buyback transaction

The group successfully completed an adviser buyback transaction that bolstered our entrepreneurial remuneration model and strengthened relations with our advisers. From a strategic perspective, this was a key initiative to further streamline the business and align the interests of this critical stakeholder group by providing advisers with the opportunity to share in PSG Konsult's future success.

African Bank exposure

In August 2014, African Bank Investments Limited (Abil) was placed under curatorship by the South African Reserve Bank (SARB), resulting in a directive by the SARB to adjust investments in Abil down to 90% of their value. The incident was an unfortunate event for the South African market and navigating the subsequent turbulent times tested the risk management practices of the industry.

One of our key initiatives in the past few years was to enhance our credit committee, and our credit process is continually being refined. The efficiency of this process was demonstrated by the committee not approving Abil for investment as far back as 2013. It is a highly rigorous process with a diverse committee made up of executives, investment professionals and risk managers.

The 2015 financial year will be remembered as our listing year and a major strategic step towards positioning the group as a leader in its industry. Subsequently a secondary listing on the NSX, which took place on 16 July 2014.

We are proud of the effectiveness of our risk and compliance departments.

Exiting certain business areas

A key aspect of ensuring the sustainability of the group is to regularly assess the operational risk versus return of each part of the business. During the year, we made the decision to exit two further non-core businesses as well as a business area that carried undue risk relative to its earnings contribution:

- Nhluvuko Risk Administration (PSG Wealth)

  Health insurance administration is not a core focus for PSG Konsult and the business will continue operating as before with existing products, services and issued insurance cover in place. The transaction will not affect clients or employees of Nhluvuko Risk Administration and is effective 1 March 2015.

- PSG Academy

  The Academy remains an accredited private higher education institution and the sale has no impact on the currently enrolled students or courses offered. The sale is effective 1 March 2015.

- White-label administration (PSG Asset Management)

  In line with our risk management plan and as reported during our interim results, PSG Asset Management has made the decision to terminate all of its current white-label client administration and related activities to reduce its overall operational and reputational risk exposure. This process is on track and we expect this measure to have only a negligible impact on PSG Konsult's profitability.

We believe that these developments are in the best interests of all stakeholders and will allow the group to further simplify the business structure and direct greater focus to our core operations.

PSG Wealth

PSG Wealth continues to be a growth driver for the group by providing high-quality advice, products and services to a vast network of clients. Our strong client referrals is testament to our service excellence. Coupled with our strategic drive of advising clients to move their investment portfolios to discretionary mandated portfolios in order to improve their risk-adjusted returns, this has proven fruitful and positively contributed to the pleasing performance of the division.

The division made significant progress in improving its technological capabilities to streamline the business and in unlocking operational scale. The online trading platform was consistently ranked as one of the best in South Africa and is the most supported platform within PSG Konsult. PSG Wealth is focused on growing its adviser base, honing its product and services range and delivering to clients through an integrated end-to-end platform.

PSG Asset Management

The division has a robust investment process in place and can now demonstrate excellent 10-year growth from our core funds. PSG Asset Management's focused sales and marketing strategy attracted a pleasing R5.9 billion (2014: R3.5 billion) of net new inflows during the year. We have a dedicated sales team in place expanding the group's reach through multiple platforms and portfolio lists. Gains in the independent financial adviser market indicate that the PSG brand and reputation for sound asset management are building momentum.

PSG Asset Management still grows assets faster than the industry and passed the R20 billion mark for assets under management, and R60 billion for assets under administration. During the year, the first institutional mandate in excess of R1 billion was successfully implemented.

PSG Insure

The PSG Insure business is driven by the core objectives of growing premiums and the top line, while increasing profitability through improved operating efficiencies. Vertical integration remains a priority for PSG Insure, as we continue selling selected products through our distribution network, underwritten by our short-term entity and administered on our platform. We believe that optimising our vertical integration strategy will result in synergy within the division. This, in turn, will lead to lower costs and more competitively priced products, benefiting both clients and shareholders.

Our adviser network performed exceptionally well, growing by 7%. This demonstrates the effectiveness of strong relationships despite difficult market conditions.

Regulatory landscape

The financial services industry is faced with growing regulatory requirements and we are committed to maintaining the highest standards of compliance throughout the business. This requires PSG Konsult to invest significantly in our legal and compliance, risk and controls processes and to equip our employees to effectively implement the required procedures.

Currently there are a number of regulatory items at various stages of implementation. The most recent discussion paper regarding the Retail Distribution Review (RDR) will undoubtedly cause disruption in the status quo, and we intend to use this as an opportunity to consolidate our position while carefully mitigating execution risk.

More information on the group's risk management is provided in the risk report on page 94.

We are aligned to build a bigger and better firm and that is why, despite a regulated and competitive environment, PSG Konsult is prevailing, growing and winning.

Outlook

We are cautious about investment markets and, in particular, world bond markets. Rates across these markets are at historic lows and therefore have the potential to rapidly revert to more normalised levels. The magnitude of such moves could have a significant impact on the market. It is for this reason that we have repaid all own debt (excluding finance leases) and own assets are mostly invested in short-duration assets. On behalf of clients, we have adopted a conservative stance and focused on strengthening the aspects of the business we control.

Over the past three years, we have re-engineered our business. Unprofitable or non-core activities were closed, integrated or sold. At the same time we invested, and continue investing, in streamlining and automating processes, all with the aim of creating scalable capacity throughout the business. Now that these efforts are at an advanced stage, we feel confident to make enhanced brand promises. To that end, we inform investors that, during the 2016 financial year, we may spend an additional and incremental amount of up to 5% of current after-tax earnings on marketing and advertising.

We are focused on building on our strong performance by providing excellent products and services to clients through superb platforms. Each of the operating divisions established clear and measurable objectives to sustain the growth momentum and continue generating returns for stakeholders at acceptable levels of risk.

More information on the group's stakeholders is provided in the stakeholders section from page 26.

We are aligned to build a bigger and better firm and that is why, despite a regulated and competitive environment, PSG Konsult is prevailing, growing and winning.

Mike Smith
Chief financial officer
18 May 2015

CHIEF FINANCIAL OFFICER'S REPORT

The management focus on growing the group's top-line revenue delivered R3.0 billion – up 18% from the previous year.

PSG Konsult delivered solid financial results for the year ended 28 February 2015. PSG Wealth and PSG Asset Management delivered particularly pleasing results with notable headline earnings growth. The results within PSG Insure were lower than expected, due to higher claims ratios than forecasted. Overall, each division has shown positive revenue growth, which was a key focus for this financial year. We saw a positive improvement in all key financial ratios, as demonstrated by our growth in recurring headline earnings of 36% to R339.3 million and a 31% increase in recurring headline earnings per share to 27.0 cents per share. This is evidence of the group's ability to create long-term value for shareholders and clients, and a range of other stakeholders that benefit from our business activities.

More information on the group's historic performance is provided in the track record section on page 13.

At the end of the previous financial year, we expected noticeable revenue growth to result from vertical integration synergy within our underlying business units and between the divisions. Management's focus on growing the group's top-line revenue delivered R3.0 billion – up 18% from the previous year. In addition, the focus on generating recurring earnings placed less reliance on performance fees, with these fees contributing only 7.2% of group headline earnings in the current financial year, compared to 10.7% last year.

This achievement resulted from improvements in the quality of our management information system, including detailed financial and operational metrics, enabling us to manage and analyse the business on a more granular level. This allows us to better identify both business opportunities and areas requiring specific management attention and focus to streamline and optimise.

In line with the revised dividend policy, communicated at the time of listing, of between 40% and 50% of recurring headline earnings, the board approved and declared a final gross dividend of 8.0 cents per share.

Operating context

PSG Konsult operates predominantly in a South African context characterised by steady, well-regulated financial markets and steady economic indicators. The business continued to grow its relative market share consistently and steadily outperformed its industry peers.

The exchange rate remained weak, which benefited our international portfolios and contributed to overall growth in client investment returns. However, this proved to be a double-edged sword as our short-term insurance claims ratios were negatively impacted.

The short-term insurance industry has come through a challenging period, with high claims ratios due to weaker exchange rates and fierce competition. During the year, we saw a decrease in our underwriting margin from 7.8% in 2014 to 5.4%; however, our insurance free-float rose by 18% to R472 million (2014: R402 million).

Having refocused the business and having repaid our debt during the global bull market, we believe that our approach to risk and the judicious use of cash will continue standing us in good stead in future market volatility.

Financial performance summary

The following table summarises the group's key operational and financial performance indicators:

Performance indicators	2015	Change %	2014
Recurring headline earnings (R000)	**341 175**	36	251 145
Headline earnings (R000)	**339 261**	39	244 485
Recurring headline earnings per share (cents)*	**27.0**	31	20.6
Headline earnings per share (cents)*	**26.9**	35	20.0
Assets under management (Rbn)	**141.9**	27	112.1
Assets under administration (Rbn)	**308.1**	31	234.5
Underwriting premium income (R000)	**538 158**	35	398 248
Cost/net income ratio (%)	**60.5**	(5)	63.8
Year-end debt/equity ratio (%)	**0.9**	(90)	9.4
Return on average equity (%)	**26.4**	12	23.6

* *Dilution is a function of the 35.8 million shares issued on 1 March 2014 for the adviser buyback transaction.*

Recurring headline earnings increased by 36%, reflecting the value of developing a diversified income stream, consisting of financial planning, portfolio and asset management and short-term insurance, as well as the group's focus on creating sustainable recurring income.

One of the group's key internal measures of success is the ability to attract net new money. A total of R14.5 billion of net new money was received by our Wealth business during 2015, compared to R13.5 billion in the previous year. In addition, our Asset Management business attracted R5.9 billion of inflows during 2015, compared to R3.5 billion in the previous year. Assets under administration increased by 31% to R308.1 billion (2014: R234.5 billion), while assets under management grew by 27% to R141.9 billion (2014: R112.1 billion).

In addition, we are particularly pleased that we have increased our return on equity to 26.4%, while at the same time reducing financial leverage. We also increased our operating margin to 14.9% from 13.2%, while growing our assets under management.

Adviser buyback transaction

As previously mentioned, the group concluded, with effect from 1 March 2014, an asset-for-share transaction utilising section 42 of the Income Tax Act, 58 of 1962, with a large number of its advisers. This has allowed the group to standardise the revenue sharing model with advisers and also given them the opportunity to invest in the future of PSG Konsult. The transaction was settled through the issue of 35.8 million PSG Konsult shares and a R12.5 million cash payment on 1 March 2014. This transaction contributed R10.1 million to headline earnings (net of intangible asset amortisation cost) during the year.

Improved credit rating

The rating agency Global Credit Rating (GCR) Company upgraded PSG Konsult's long-term rating to BBB+ (previously BBB) and affirmed its short-term rating of A2, with a stable outlook. This is a result of PSG Konsult's strong operational performance over the past two years, as well as the enhanced access to capital and other funding offered by the JSE listing.

The rating upgrade reflects the increased financial strength and stability built into the PSG Konsult business model following the successful restructure in 2013. We are confident of further upgrades as management demonstrates its ability to unlock sustained long-term growth in income and operating profit regardless of market cycles.

The PSG Konsult upgrade is in sharp contrast to the sovereign downgrade in 2014, where Standard & Poor's and Fitch awarded South Africa a BBB- credit rating, down from BBB.

Debt and cash flow management

The establishment of PSG Konsult Treasury centralises the management of our liquidity and solvency positions, enabling the group to optimise our cash flow management and debt funding position. After successfully negotiating the accelerated repayment of our funding facilities, we are pleased that PSG Konsult has no third-party debt outstanding, with the exception of a R11.1 million finance lease as at year-end (2014: R110.6 million).

An 18-month rolling cash flow forecast is prepared monthly per division to centrally plan and optimise cash flow management throughout the business. This, together with the regulatory divisional capital adequacy schedules, is then consolidated on a monthly basis to obtain a holistic picture of the group's net cash and debt position. This ensures that the group's net cash and borrowing position is robust and optimised.

PSG Konsult has significant regulatory capital adequacy requirements owing to the nature of our business. As part of our treasury function, careful attention is paid to maintaining sufficient liquid capital in each of our regulatory licences, while ensuring that our capital is used appropriately to maximise shareholder returns.

Financial risk management

Financial risk management entails the entire range of exposure and potential liabilities that the group faces, especially given the nature and demands of the financial services industry. The financial risk focus areas for the past year included the repayment of debt, counterparty exposure, assessment and strict investment criteria rules.

Underwriting risk is limited to the insurance activities within Western Group Holdings. This is monitored by the Western group risk committee and includes comprehensive reinsurance arrangements.

Capital expenditure

The major investment in upgrading and replacing PSG Konsult's datacentre IT infrastructure in the previous period was followed by further upgrades and the establishment of an integrated wealth management platform. It was to improve automation and create capacity for growth. Optimising the quality of management information remains a focus area for the group.

More information on the group's IT is provided in the IT governance report on page 92.

Accounting policies

There were no accounting policy changes during the financial year.

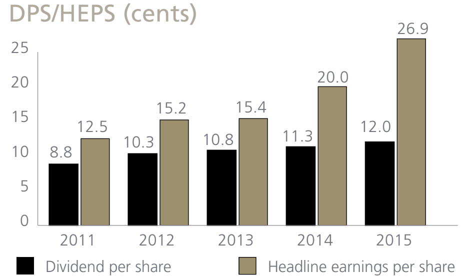
More information on PSG Konsult's accounting policies is provided in the annual financial statements on page 120.

Dividends declared

In line with the revised dividend policy, communicated at the time of listing, of between 40% and 50% of recurring headline earnings, the board approved and declared a final gross dividend of 8.0 cents per share (2014: 7.3 cents per share). This follows an interim dividend of 4.0 cents per share (2014: 4.0 cents per share) that was declared in October 2014, which brings the total dividend for the year to 12.0 cents per share (2014: 11.3 cents per share).

The dividend is subject to a local dividends withholding tax rate of 15%, resulting in a net dividend of 6.8 cents per share, unless the shareholder is exempt from paying dividends withholding tax or is entitled to a reduced rate in terms of the applicable double-tax agreement.

DPS/HEPS (cents)



More information on PSG Konsult's share profile and dividend policy is provided in the stakeholders section from page 26.

Outlook

The scalability of our key underlying operating divisions, which largely have a fixed cost base, will enable us to unlock positive operational leverage benefits in the year ahead.

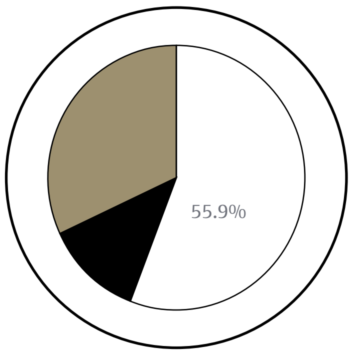
DIVISIONAL REPORTS

PSG WEALTH

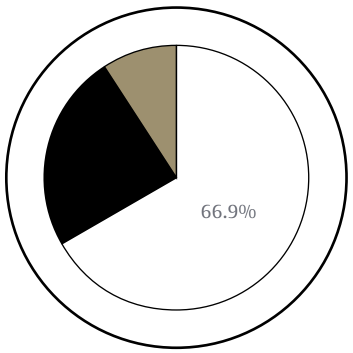
PSG Wealth offers a comprehensive wealth management service to individuals, families and businesses, including investment opportunities, estate planning and fiduciary services.

2015

Contribution to group income



Contribution to group recurring headline earnings



Employees
↑1 239
(2014: 1 137)

Wealth adviser network increased by 7% to
↑450
(2014: 422)

↑R14.5 billion
net inflows of managed assets in 2015
(2014: R13.5 billion)

↑30%
Management fees

↑23%
Brokerage income

Managed assets increased by 30% to
R110.2 billion
(2014: R84.7 billion)

PSG Wealth investment platform is now the most supported LISP at PSG Konsult

Runner-up
in 2014 *Business Day Investor Monthly* 'Top Private Bank and Wealth Manager' award and voted the top 'Wealth Manager for Successful Entrepreneurs'

↑41%
Recurring headline earnings to
R228 million
(2014: R162 million; 2013: R124 million)

↑40%
Headline earnings
R227 million
(2014: R162 million; 2013: R127 million)

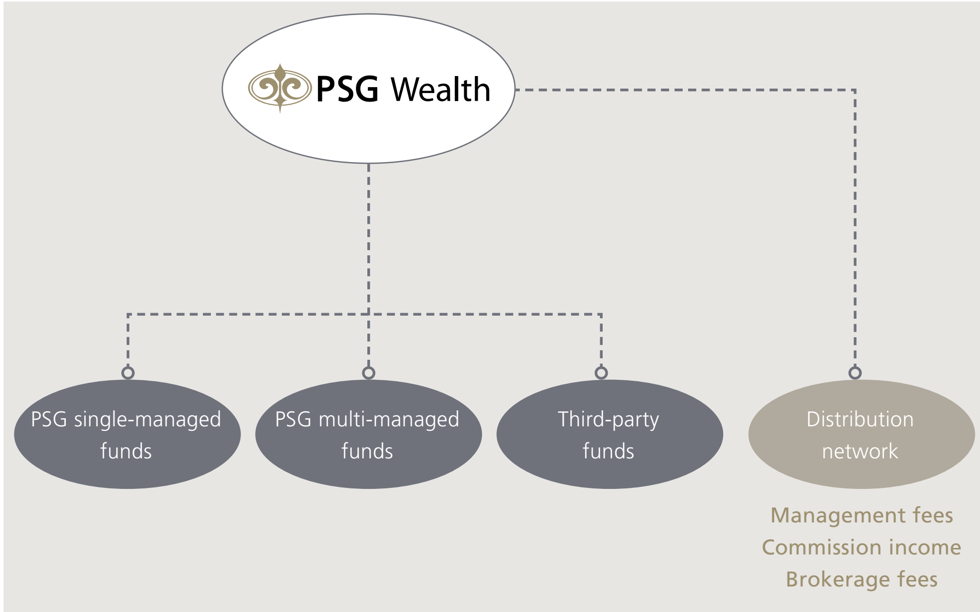
↑30%
Total managed assets
R110.2 billion
(2014: R84.7 billion; 2013: R61.7 billion)

↑33%
Total wealth assets
R281.6 billion
(2014: R211.9 billion; 2013: R165.7 billion)

↑13%
Revenue
R1.7 billion
(2014: R1.5 billion; 2013: R1.2 billion)

20.6%
Operating margin
(2014: 18.3%; 2013: 18.5%)

39.1%
Gross margin
(2014: 36.1%; 2013: 37.9%)



PSG Wealth assets overview

Assets split (Rm)	2013	Market movement	Net flows	2014	Market movement	Net flows	2015
Third-party funds*	27 178	1 942	3 579	32 699	3 297	3 440	39 436
PSG multi-managed	16 548	3 627	7 192	27 367	3 449	6 652	37 468
Discretionary**	17 943	3 920	2 764	24 627	4 329	4 368	33 324
Total managed assets	**61 669**	**9 489**	**13 535**	**84 693**	**11 075**	**14 460**	**110 228**
Non-discretionary	94 437	23 116	(522)	117 031	47 066	(1 392)	162 705
Third-party administration	9 584	945	(379)	10 150	958	(2 438)	8 670
Total PSG Wealth assets	**165 690**	**33 550**	**12 634**	**211 874**	**59 099**	**10 630**	**281 603**

* *Includes PSG single-managed funds of R1.8 billion for FY2013, R3.1 billion for FY2014 and R4.8 billion for FY2015.*

** *Includes R1.7 billion of non-fee-generating assets.*

Performance

In line with previous years, PSG Wealth was a major revenue driver for PSG Konsult, contributing more than 50% towards group revenue. Its upward revenue trajectory continues, benefiting from organic and selected adviser acquisition growth and sustained positive client inflows. The favourable market conditions saw PSG Wealth benefiting from the 13% increase in the ALSI against the previous year.

The division saw strong growth in brokerage income of 23% and a 30% increase in management fee income compared to the previous year. Managed assets increased by 30% to R110.2 billion (2014: R84.7 billion) and assets under administration by 39% to R162.7 billion (2014: R117.0 billion).

Divisional strategy

We exist to create and preserve wealth for clients and stakeholders.

PSG Wealth is focused on growth, achieving a stable cost base and increasing net new inflows at acceptable margins across the value chain. To achieve this aim, the division's strategic objectives are geared to optimise its resources and capabilities in the following key areas:

Capability	Initiatives	Measurement
People (advisers and clients)	• Client segmentation is applied to determine the potential opportunity to increase share of wallet per segment • Co-ordinated sales initiatives across distribution channels and client segments	• Net new inflows • New clients • Growth in assets under management and administration • Growth in net new monthly average fee margin
Products	• Innovative and profitable financial solutions and services for our clients within acceptable risk parameters • Increase range of services and client product offering within existing offices	• Inflows from new products • Uptake of products within existing offices and adviser base
Platforms	• Deliver integrated end-to-end platform, optimising service, relationships and client outcomes • Focus on online platforms to increase direct market penetration • Investment in technological capabilities and platform administration systems	• Management fees • Brokerage income • Growth in LISP market share

Next moves

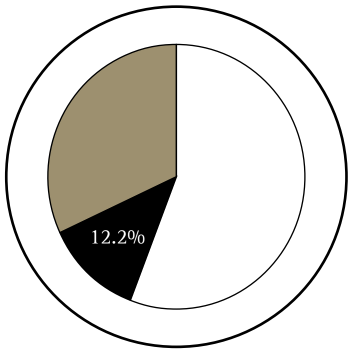
PSG Wealth is well positioned to continue benefiting from the prevailing market conditions. The focus remains on expanding its adviser footprint, with a primary focus on quality people over a number of offices. Product development and marketing will focus on responding to client needs, with an emphasis on retail, and on offering an integrated financial solution on our end-to-end platforms.

PSG ASSET MANAGEMENT

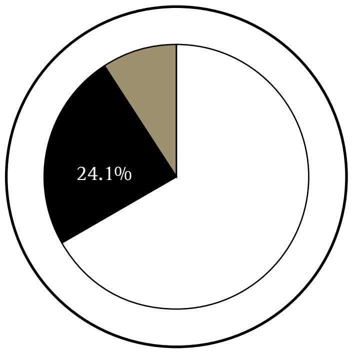
PSG Asset Management offers investment management to long-term retail and institutional investors based on a bottom-up approach with a strong emphasis on risk management.

2015

Contribution to group income



Contribution to group recurring headline earnings



Employees
↑95
(2014: 81)

↑R5.9 billion
net inflows of managed assets in 2015
(2014: R3.5 billion)

R1.0 billion
segregated institutional mandate secured, bringing the total number of institutional clients to six

Reduced reliance on performance fees, contributing
↓7.2%
to group headline earnings in 2015 (2014: 10.7%)

Runner-up
South African Collective Investment Scheme Management Company of the Year in the 2014 Raging Bull Awards

Ranked 2nd
in January 2015 PlexCrown rating survey

↑52%
Recurring headline earnings to
R82 million
(2014: R54 million; 2013: R31 million)

↑52%
Headline earnings
R82 million
(2014: R54 million; 2013: R31 million)

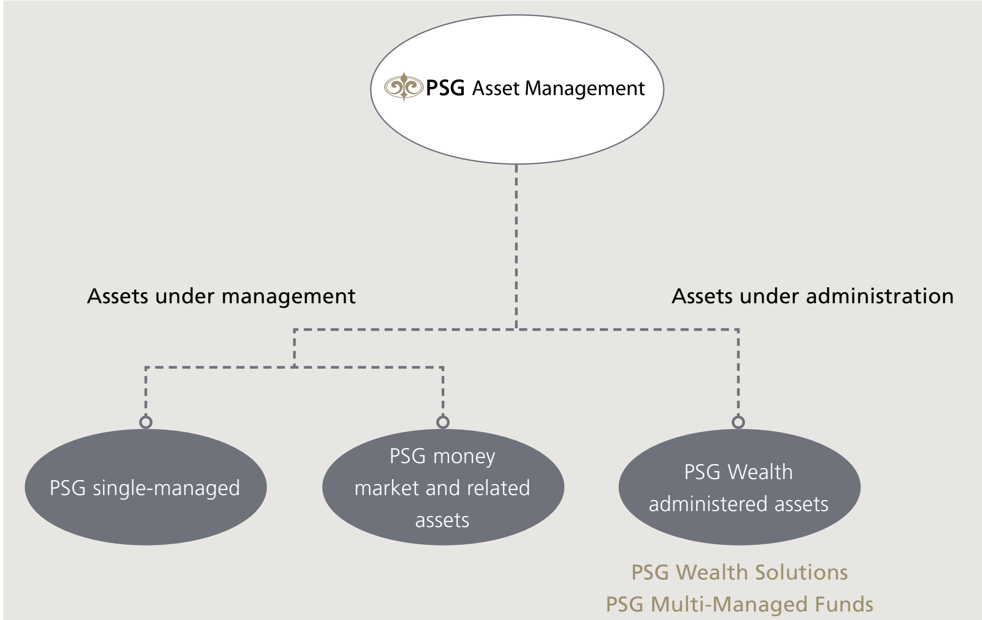
↑51%
Assets under management
R23.8 billion
(2014: R15.8 billion; 2013: R10.5 billion)

↑32%
Assets under administration
R64.7 billion
(2014: R49.0 billion; 2013: R32.4 billion)

↑25%
Revenue
R368 billion
(2014: R294 billion; 2013: R213 billion)

18.1%
Operating margin
(2014: 15.0%; 2013: 12.0%)

40.5%
Gross margin
(2014: 38.0%; 2013: 34.9%)



PSG Asset Management assets overview

Assets split (Rm)	2013	Market movement	Net flows	2014	Market movement	Net flows	2015
PSG single managed	5 755	1 815	3 945	11 515	1 932	4 985	18 432
PSG money market and related assets	2 770	(208)	(328)	2 260	15	(43)	2 232
PSG segregated portfolios	1 968	139	(69)	2 012	181	955	3 148
Total assets under management	**10 493**	**1 746**	**3 548**	**15 787**	**2 128**	**5 897**	**23 812**
PSG Wealth administered assets*, **	16 723	3 643	7 134	27 500	3 316	6 652	37 468
PSG white-label	5 156	714	(139)	5 731	754	(3 040)	3 445
Total PSG Asset Management assets	**32 372**	**6 103**	**10 543**	**49 018**	**6 198**	**9 509**	**64 725**

Excluded from total PSG assets under administration to eliminate duplication.

** *Includes the PSG Wealth Solutions and PSG Multi-Managed Funds.*

Continuing to build on strong foundations

For PSG Asset Management the year ending February 2015 was one with an emphasis on fast-tracking the initiatives started in 2014. These included expanding our national footprint in retail sales, even better management information and a significant shift in the representation of our funds on Linked Investment Service Providers' platforms. Added to this were the concerted steps taken to improve diversity and skills development in our division by growing our own timber.

Maintaining superior performance

The investment team continued to build on the long-term track record while being highly cognisant of risk. The bulk of the funds achieved above average or upper-quartile performance over the appropriate measurement periods. In addition, the division was recognised in the PlexCrown survey at the end of December 2014 as the second best manager of unit trusts in South Africa, with the PSG Balanced Fund being recognised as the best fund in its sector for its risk-adjusted returns.

Double the flows

Net flows for the year into single-managed funds amounted to R5.9 billion (almost double the prior year's number) and net flows into PSG multi-managed solutions totaled to R6.7 billion. There was a significant increase in the support for single-managed funds from the broader Independent Financial Adviser (IFA) market. In addition, the first large segregated institutional client was successfully implemented to add to the other institutional investors in our funds. Assets under administration grew by 32% to R64.7 billion (2014: R49.0 billion).

Expanding an experienced team

The emphasis in our appointments during the year was to ensure operational robustness and diversity, to build out the retail sales capability, and to start building the next layers of investment talent. The investment we made in these areas in the prior year, started to pay off during this year, particularly in our credit processes. The positive impact of our operational appointments was also eminent in the seamless way in which the increased volumes and industry-wide operational and regulatory events were handled by the team.

Divisional strategy

We exist to generate the best long-term returns for investors in our funds.

PSG Asset Management has significant growth potential in the asset management space. The division is driven to continue generating top-quartile investment performance in core funds and to increase its profitability through improved systems and enhanced market penetration. Key capabilities required to achieve this are:

Capability	Initiatives	Measurement
People (clients)	• Capitalise on platform inclusion and survey positioning, particularly in the institutional space • Continual focus on marketing and improvement in technical knowledge of sales team	• Net new money inflows • Fund platform availability
Products	• Top-line growth with reduced reliance on performance fees • Fund investment performance sustained at high levels within acceptable risk levels	• Growth in assets under management and administration • Fund investment performance ranking
Platforms	• Establish robust and scalable processes and systems • Margin improvement through improved operational efficiency (including reporting and data analysis) and optimising synergy	• Market share • Operating margin

Next moves

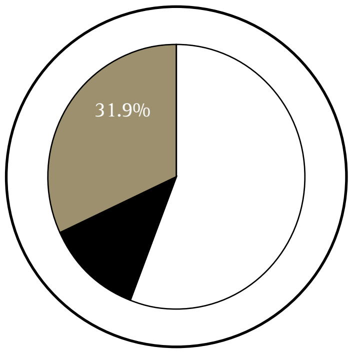
The coming year should see a higher degree of focus in the business, as we are in the final stages of implementing our exit from external third-party administration activities. Sound and strengthened operational capabilities, increased sales and marketing efforts together with an experienced investment team who have worked together for many years should stand the business in good stead. We are confident that we will be able to deliver on the pipeline of growth opportunities that have been built up, and to continue delivering excellence in investment and operational performance.

PSG INSURE

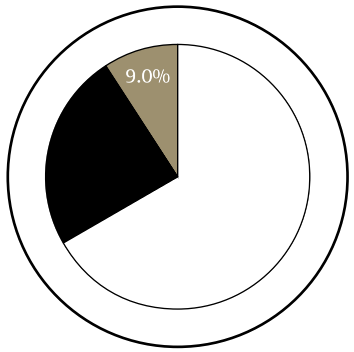
PSG Insure has three business units – distribution, an administration platform and an insurance company (Western Group Holdings). It offers insurance advice and underwriting of short-term policies and administration of personal and commercial lines.

2015

Contribution to group income



Contribution to group recurring headline earnings



Employees
↑651
(2014: 623)

Insure adviser network increased to
↑209
(2014: 196)

Investment
in centralised short-term claims and administration platforms to improve operational efficiency

Broker of the Year
for Commercial Lines 2014 in Santam's National Broker Awards

↓ 11%
Recurring headline earnings to
R31 million
(2014: R35 million; 2013: R19 million)

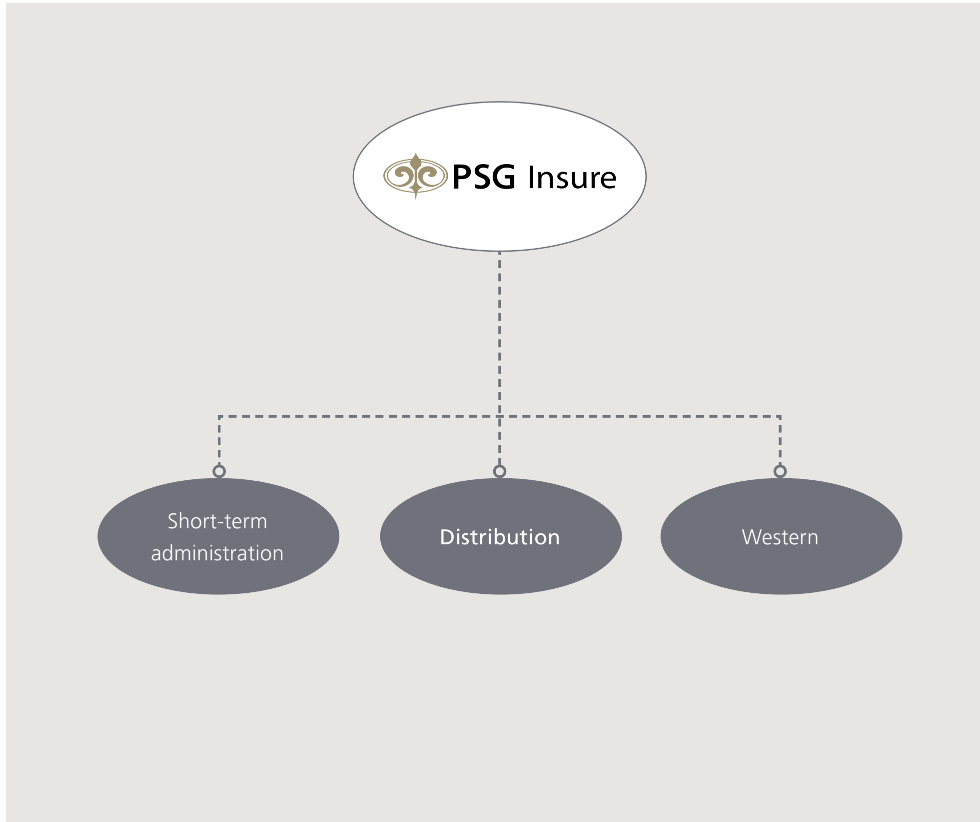
↑ 7%
Headline earnings
R30 million
(2014: R28 million; 2013: R16 million)

↑ 12%
Gross written premiums
R2.8 billion
(2014: R2.5 billion; 2013: R2.0 billion)

↑ 22%
Revenue
R962 million
(2014: R787 million; 2013: R399 million)

5.4%
Underwriting margin
(2014: 7.8%; 2013: 8.8%)

4.2%
Operating margin
(2014: 4.1%; 2013: 7.3%)



PSG Insure premium overview

Premium split (Rm)	2015	2014	2013
Short-term distribution	1 336	1 229	1 203
Short-term administration	704	634	626
Western*	795	618	127
	2 835	2 481	1 956

* *A controlling stake in Western Group Holdings Limited was acquired in November 2012, therefore the 2013 financial year comparative information only includes Western Group Holdings Limited's premiums for four months.*

Performance

PSG Insure continues to make inroads in the highly competitive short-term insurance market, having achieved revenue growth of 22% compared to the prior financial year, with a particularly strong performance in the second half of the year. While operating costs remained in line with expectations, the underwriting margin at Western declined to 5.4% from 7.8% last year. The corporate transaction concluded with Santam in September 2013 resulted in PSG Konsult's shareholding in Western being diluted from 90% to 60%. This had a R5.6 million adverse impact on the overall headline earnings contribution of PSG Insure.

Claims ratios in Western came under pressure as a result of increased weather-related and commercial motor claims, although no significant catastrophe or other related events occurred during the financial year. PSG Insure advisers increased the revenue of the division, in spite of significant challenges in the industry, which is a pleasing achievement.

Divisional strategy

We exist to provide short-term insurance to selected clients, advising and protecting clients from the negative impact of unforeseen events.

The division's strategic focus is to ensure growth in premiums, while increasing profitability through improved operational efficiency. PSG Insure aims to cultivate an integrated model providing for a range of client services and product needs, and has developed the following initiatives to support its core capabilities:

Capability	Initiatives	Measurement
People (advisers and clients)	• Focus on growing client base, particularly in the high-return commercial environment (Western) • Direct sales initiative and growth of dedicated and trained sales force	• Client growth • Commercial client contribution • Market share
Products	• Expand and diversify product range • Reduce number of product providers, focusing on those that support an integrated model	• Premium growth • Underwriting profitability • Product loss ratio
Platforms	• Establish robust and scalable processes and systems with a sustained focus on service delivery and client satisfaction • Improve short-term distribution platforms to streamline lead generation and lead conversion	• Operating margin • Retention, renewal and upselling

Next moves

PSG Insure will continue investing in its integrated model to sustain the business in the face of the characteristic vagaries of the insurance industry. The centralisation of the administration function is already unlocking operational efficiencies and allowing advisers to concentrate on their core business: providing clients with excellent insurance advice and service.

CORPORATE GOVERNANCE

OVERVIEW

The principles of integrity, trust and transparency form the foundation of the group's approach to ethical governance.

The principles of integrity, trust and transparency form the foundation of the group's approach to ethical governance. It is the responsibility of the board to ensure that the business continues to create value for its stakeholders in a sustainable and ethical manner. The appropriate systems and controls are in place to enable the board to play a meaningful oversight role in matters of strategy, sustainability and legal compliance.

Key developments

The following summary provides an overview of the key developments that the group undertook to strengthen its corporate governance structures and procedures in line with the King Report on Governance for South Africa 2009 (King III), as prescribed by the JSE Listings Requirements.

King III principle	Prior to listing	Progress
Boards and directors		
2.18 The board should comprise a balance of power, with a majority of non-executive directors. The majority of non-executive directors should be independent.	The majority of the board members were non-executive. The majority of the non-executive directors were not independent.	Two independent directors were appointed during the year. The majority of the board members are non-executive directors and three of the six non-executive directors are independent.
Audit committees		
3.1 The board should ensure that the company has an effective and independent audit committee.	PSG Konsult did not have a standalone audit committee and this function fell within the scope of the PSG Group audit committee. The finance and risk committee acted as an audit committee and was responsible for the internal and external audit.	The audit and risk committee was established and held its first meeting on 7 April 2014. Three independent non-executive directors were appointed as members with the lead independent director as chairman.

King III principle	Prior to listing	Progress
Internal audit		
7.1 The board should ensure that there is an effective risk-based internal audit. 7.2 Internal audit should follow a risk-based approach to its plan. 7.3 Internal audit should provide a written assessment of the effectiveness of the company's system of internal controls and risk management. 7.4 The audit committees should be responsible for overseeing internal audit. 7.5 Internal audit should be strategically positioned to achieve its objectives.	PSG Konsult made use of the services of an external audit firm to perform certain operational control reviews. This function was part of the responsibilities of the finance and risk committee.	A dedicated internal auditor was appointed in June 2014 and is overseen by the audit and risk committee. The internal auditor is independent from management and has direct access to the audit and risk committee. An internal audit charter was developed and is in the process of being approved.
Integrated reporting and disclosure		
9.3 Sustainability reporting and disclosures should be independently assured.	Sustainability indicators are addressed in the integrated annual report. The group has not sought independent assurance on sustainability reporting and disclosure beyond BBBEE certification.	A social and ethics committee was established and held its first meeting on 10 October 2014. The social and ethics committee comprises two non-executive directors and the chief executive officer. The chairman is an independent non-executive director. The social and ethics committee is responsible for driving sustainability imperatives in the business, including disclosure and reporting on these matters.

PSG Konsult's full King III checklist is available on the group's website at www.psg.co.za.

BOARD OF DIRECTORS

The board is the custodian of the group's corporate governance and provides effective leadership based on an ethical foundation.

Willem Theron (62)
Non-executive director and chairman
BCompt (Hons), CA(SA)

Willem founded the chartered accountancy firm, Theron du Plessis in 1976 in Middelburg, which eventually had 10 branch offices in the Western and Eastern Cape. In 1998, he founded PSG Konsult and acted as its chief executive officer until 30 June 2013, whereafter he was appointed as its non-executive chairman. He also serves on the board of PSG Group Limited.

Appointed to the PSG Konsult board on 1 March 1998.

Jacob de Vos du Toit (Jaap) (60)
Lead independent non-executive director
BAcc, CA(SA), CTA, CFA

Jaap was appointed as senior general manager at the Trust Building Society in 1984, financial director at Senekal, Mouton & Kitshoff Securities Proprietary Limited in 1988 and portfolio director at the same firm in 1990. In 1996 and 1998, he co-founded PSG Group and PSG Konsult, respectively and has been a director of both since inception. He also acted as chairman of PSG Konsult from inception in 1998 until 2013. In August 2012, Jaap was appointed as the lead independent non-executive director for PSG Group Limited and PSG Financial Services Limited. He was appointed as chairman of KAP Industrial Holdings Limited in 2012 and is chairman of its nomination committee.

Appointed to the PSG Konsult board on 17 August 1998.

Patrick Ernest Burton (Patrick) (62)
Independent non-executive director
BComm (Hons) Financial Management, PG Dip Tax

Patrick served at Moores Rowland Chartered Accountants for eight years, during which he completed his training contract. He emigrated to Canada in 1981 and worked for Lanvethol and Horwath (Chartered Accountants), from 1981 to 1984. Patrick was one of the founding members of Siphumelele Investments Limited, established in 1995. His experience includes executive and non-executive positions in fishing, financial services, telecommunications, media and entertainment, technology and insurance. He currently serves as the financial director of Snoek Wholesalers Proprietary Limited.

Appointed to the PSG Konsult board on 2 March 2014.

Zitulele Luke Combi (KK) (63)
Independent non-executive director
Diploma in Public Relations

KK holds a diploma in public relations and was awarded the Ernst & Young South African Best Entrepreneur of the Year award in 2000 and the World Entrepreneur of the Year in Managing Change award in 2001. KK is a member of the Institute of Directors and serves on various listed and unlisted companies' boards, including PSG Group Limited, Curro Holdings Limited and as chairman of Pioneer Food Group Limited. KK was previously the executive chairman of Thembeka Capital (RF) Limited.

Appointed to the PSG Konsult board on 16 April 2014.

Johannes Fredericus Mouton (Jannie) (68)
Non-executive director
BComm (Hons), CA(SA), AEP

Jannie was co-founder and managing director of Senekal, Mouton & Kitshoff Proprietary Limited, whereafter he founded PSG Group Limited and later Capitec Bank Limited. He is chairman and director of various companies within the PSG Group and also serves on the boards of Zeder Investments Limited and Steinhoff International Holdings Limited. He has more than 35 years' experience in financial management and investment banking and serves as a trustee of various trusts administered on behalf of the University of Stellenbosch.

Appointed to the PSG Konsult board on 1 March 2002.

Petrus Johannes Mouton (Piet) (38)
Non-executive director
BComm (Mathematics)

Piet is the chief executive officer of PSG Group Limited. He serves as a director on the boards of various PSG Group companies, including Curro Holdings Limited, Capitec Bank Limited, and Zeder Investments Limited. He has been active in the investment and financial services industry since 1999.

Appointed to the PSG Konsult board on 6 December 2012.

Francois Johannes Gouws (Francois) (50)
Chief executive officer
BAcc, CA(SA)

Francois was a group managing director jointly responsible for the UBS Securities division before joining PSG Konsult as deputy chief executive officer in July 2012. He assumed the role of chief executive officer with effect from 1 July 2013. He started his career at UBS Investment Bank in 1995 as head of research in South Africa. Before that, he worked for Senekal, Mouton & Kitshoff Proprietary Limited.

Appointed to the PSG Konsult board on 1 March 2013.

Michael Ian Frain Smith (Mike) (47)
Chief financial officer
BComm (Hons), CA(SA), H Dip Tax, H Dip Company Law

Mike has more than 20 years' experience in the financial services industry. He was appointed chief financial officer of PSG Konsult in June 2013, having joined PSG in 2001 as group financial director of Appleton Limited, later becoming chief operating officer (COO) for PSG Asset Management and most recently serving as the COO for the PSG Wealth division. Prior to that, he worked for both RAD Investment Bank and Deloitte & Touche in their corporate finance divisions.

Appointed to the PSG Konsult board on 18 July 2013.

Changes to the board

Patrick Burton and KK Combi were appointed as independent non-executive directors on 2 March 2014 and 16 April 2014, respectively.

Board responsibility and composition

The board governs according to a formal charter as outlined in the group's memorandum of incorporation. Its roles and responsibilities are consistent with those communicated in the previous corporate governance report.

The board is ultimately accountable for the effective governance and direction of the PSG Konsult group. This requires that the board consists of an appropriate number and mix of individuals to ensure that there is an adequate level of knowledge, skills and expertise commensurate with the scale and complexity of the business and a clear division of responsibilities at board level.

The board is supported by appropriate internal governance practices and procedures that promote an efficient, objective and independent decision-making culture considering the interests of all stakeholders.

The PSG Konsult board consists of eight members, three of whom are independent non-executive directors. Directors are appointed through a formal and transparent process which is a matter for the board as a whole. Directors disclose their personal financial interests at the start of every board or committee meeting. Board meetings take place quarterly.

Governance framework

The group recently formalised a governance framework that provides the structure and guiding principles by which the board executes its duties. The overall purpose of the framework is to formalise established governance processes, thereby ensuring accountability and fairness. The objectives of this framework can be summarised as follows:

- The relevant accountability and delegation responsibilities of the board and senior management are documented in written policies
- The board and senior management collectively possess sufficient professional qualifications, knowledge and experience to provide prudent management of the group and to discharge their responsibilities
- The performance of multiple tasks by any individual does not create a legal or ethical conflict of interest
- An adequately transparent organisational structure is in place with clear allocation and appropriate segregation of responsibilities
- Adequate written policies in relation to risk management, compliance and internal control functions are established, maintained and reviewed at least annually to ensure continuity of the business
- The three layers of defence governance model is embedded and complied with
- Clear reporting lines for the prompt transfer of information are maintained to ensure the integrity and transparency of information flow throughout the governance structures and to external stakeholders
- The board is satisfied that the overall remuneration policy and practices are consistent with the identified risk appetite and the long-term interests of stakeholders
- Oversight and clear accountability is provided for any material function or activity that is outsourced

Board meeting attendance

	9 April 2014	22 July 2014	8 October 2014	4 February 2015
W Theron (chairman)	✓	✓	✓	✓
FJ Gouws	✓	✓	✓	✓
MIF Smith	✓	✓	✓	✓
JF Mouton	✓	✓	✓	✓
PJ Mouton	✓	✓	✓	✓
J de V du Toit	✓	✓	✓	✓
PE Burton	✓	✓	✓	✓
ZL Combi*	–	✓	✓	✓

* *Appointed subsequent to the 9 April 2014 meeting.*

Chairman

The board is led by a chairman who is elected by the board members and whose objectives include:

- Ensuring proper governance of the board and all associated committees
- Ensuring that the interests of all stakeholders are protected
- Ensuring that a good relationship exists between the board and shareholders, as well as between board and management (specifically the chief executive officer)
- Ensuring that the brand and company profile are in accordance with the values of the company
- Enhancing PSG Konsult's reputation in the industry through relevant stakeholder forums

The roles of chairman and chief executive officer are separate. The executive committee is mandated according to a clear set of authorities relating to contracting and signing powers for financial, project and personnel requirements. The board considers it a good business imperative that all actions undertaken in the company's name are executed ethically and professionally.

Chief executive officer

The chief executive officer was appointed by the board and his objectives include:

- Identifying and setting executive and divisional priorities
- Allocating resources
- Building strategic relationships
- Monitoring performance through daily, weekly and monthly reports
- Managing risk
- Determining incentives
- Ensuring the best people are hired
- Addressing challenges

Chief financial officer

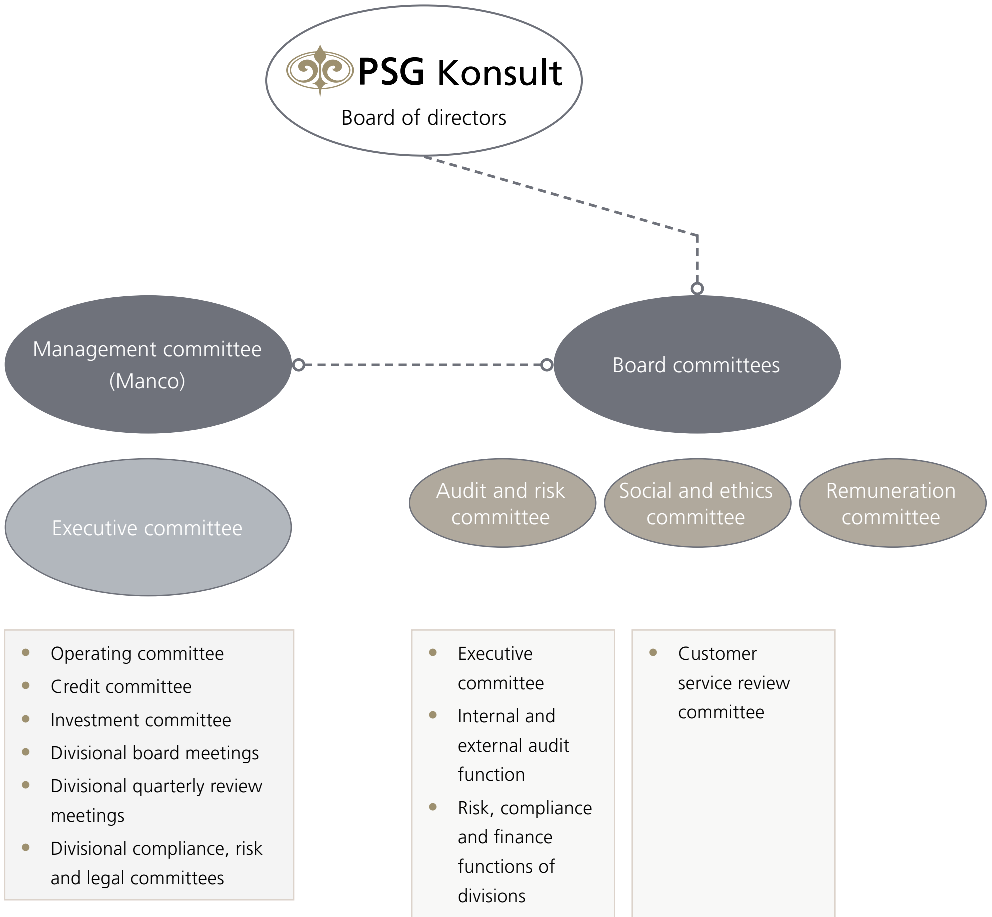
The audit and risk committee has satisfied itself that the chief financial officer has appropriate expertise and experience to perform the duties required by the position.

Company secretary

All board members have access to the advice and services of the company secretary who is responsible for the proper administration of the board and the implementation of sound corporate governance procedures. This includes board induction and training programmes and the supply of all information to assist board members in the proper discharge of their duties.

The audit and risk committee has reviewed, through discussion and assessment, the qualifications, experience and competence of the individuals employed by the company secretary and has noted that the company secretary performed all formalities and substantive duties timeously and in an appropriate manner. The board is satisfied that an arm's length relationship exists.

GOVERNANCE STRUCTURE



Notes to the governance structure

- The Manco meets weekly to discuss various group and divisional-related topics
- The PSG Konsult executive committee acts as a consolidating overseeing committee for the various management committees and divisions
- Each of the divisions has a board of directors that meets quarterly and comprises executive and non-executive directors of PSG Konsult
- Governance structure effective as of 1 March 2014

BOARD COMMITTEES

Each committee operates according to a formal charter that was approved by the board in terms of the company's memorandum of incorporation.

Audit and risk committee

- **Meets:** Bi-annually
- **Chairman:** Lead independent non-executive director
- **Composition:** Three non-executive directors
- Senior management by invitation
- Internal and external auditors by invitation

The audit and risk committee ensures the effectiveness of financial reporting, including the system of internal control, the management of risks and the assurance thereof. The committee is also responsible for monitoring the group's compliance with external laws and regulations and its internal code of conduct. Core functions of the audit and risk committee include:

- Appointing and determining the remuneration of the external auditor
- Monitoring and engaging with the external auditor
- Overseeing the internal audit and risk management functions
- Ensuring the integrity of the integrated annual report
- Evaluating the effectiveness of the governance processes
- Recommending the annual financial statements to the board for approval

Membership and attendance	7 April 2014**	7 October 2014
J de V du Toit (chairman)	✓	✓
PE Burton	✓	✓
ZL Combi*	–	✓

** Appointed subsequent to the 7 April 2014 meeting.*
*** FJ Gouws, WL Greeff, MIF Smith and G Burger resigned 7 April 2014.*

Social and ethics committee

- **Meets:** Quarterly
- **Chairman:** Independent non-executive director
- **Composition:** Two non-executive directors, one executive director
- Senior management by invitation

The social and ethics committee is responsible for monitoring the group's activities relating to sustainability and transformation, as well as the ethical conduct of employees.

Membership and attendance	8 October 2014	4 February 2015
PE Burton (chairman)	✓	✓
ZL Combi	✓	✓
NM Gudka*	✓	✓
FJ Gouws	✓	✓

* *NM Gudka is the chief operating officer of PSG Konsult and is a member of the Manco.*

Remuneration committee	
• **Meets:** Annually • **Chairman:** Lead independent non-executive director • **Composition:** Four non-executive directors, three being independent non-executive directors • Senior management by invitation	The remuneration committee is responsible for developing and implementing fair remuneration practices that are aligned with the group's strategy and long-term interests. It is also responsible for ensuring that the remuneration policy is applied consistently throughout the group. The committee serves as the remuneration committee for the PSG Konsult group and for the insurance licensed legal entities.

More detail is available in the remuneration report on page 99.

Membership and attendance	6 February 2014
J de V du Toit (chairman)	✓
PJ Mouton	✓
PE Burton*	–
ZL Combi*	–
W Theron**	✓
FJ Gouws**	✓

* *Appointed subsequent to the 6 February 2014 meeting.*

** *Resigned as members subsequent to the 6 February 2014 meeting.*

MANAGEMENT COMMITTEES

The PSG Konsult Manco is responsible for the day-to-day running of the business and performs a consolidating overseeing function of the various management committees. It comprises members of group and divisional senior management and meets on a weekly basis to assess operational performance and strategy.

Other management committees responsible for various aspects of the business are described in the table below:

Executive committee	
• **Meets:** Quarterly • **Chairman:** Group chief executive officer • **Composition:** Group chief executive officer, group chief financial officer, group chief operating officer, chief executive officers of the divisions, executive: group legal and compliance, executive: group risk; head of human resources; group internal auditor, group chief information officer	The executive committee assists the group chief executive officer in the development and implementation of the strategy, operational plans, policies, procedures and budgets. This involves monitoring operating and financial performance, the assessment and control of risk, the assessment of the appropriateness of policies, processes and controls in respect of key areas of legal, regulatory and ethical obligations, the prioritisation and allocation of resources and monitoring factors in the operating environment.
Operating committee	
• **Meets:** Monthly • **Chairman:** Group chief operating officer • **Composition:** Group and divisional executive management	The operating committee assists the group chief operating officer in developing and implementing operational plans, policies, procedures and budgets and in monitoring the operational performance of each division.
Credit committee	
• **Meets:** Monthly • **Chairman:** Executive: group risk • **Composition:** Group and divisional executive management	The credit committee is responsible for assisting management in managing credit exposure and monitoring credit limits throughout the group.
Investment committee	
• **Meets:** Monthly • **Chairman:** Group chief executive officer • **Composition:** Group and divisional executive management	The investment committee is responsible for determining the investment income objectives and investment strategies of each entity in the group and for monitoring the performance of each entity's investment portfolio against formalised mandates.

Customer service review committee (CSRC)	
• **Meets:** Quarterly • **Chairman:** Group internal auditor • **Composition:** Group executive management	The CSRC was established to ensure PSG Konsult has the necessary processes and systems in place to be compliant with the FSB's Treating Customers Fairly (TCF) framework. The CSRC reports to the social and ethics committee and is responsible for: • Ensuring all PSG Konsult clients are treated fairly in accordance with TCF • Identifying opportunities and making recommendations to improve customer service levels

Senior management within the group are invited to the management committee meetings when the need arise.

Internal audit

The internal audit function is an independent and objective assurance and consulting function with the objective of improving the group's system of internal control. The internal auditor's role is to assist the audit and risk committee by providing an independent appraisal of the adequacy and effectiveness of the controls implemented by management. The objectives, scope and functions of the internal audit are summarised below:

Objectives

- Review and evaluate the adequacy and effectiveness of the group's policies and processes and the documentation of controls in respect of these
- Review levels of compliance with established policies, processes and controls
- Evaluate the adequacy and effectiveness of the risk management and compliance functions

Scope

- The information technology systems environment
- The reliability and integrity of financial and operational information
- The effectiveness of operations
- Safeguarding of assets
- Compliance with laws, regulations, board directives and controls

Functions

- Evaluating the governance processes including ethics
- Performing an objective assessment of the effectiveness of risk management and the internal control framework
- Systematically analysing and evaluating business processes and associated controls
- Providing a source of information, as appropriate, regarding instances of fraud, corruption, unethical behaviour and irregularities

In line with King III, the audit and risk committee ensures that a combined assurance model is applied to provide a coordinated approach to all assurance activities. Internal audit is part of this combined assurance model and plays a pivotal role in the assurance framework. A combined assurance model is about proper planning and implementing the plan, while reducing risk to an acceptable level through an assurance dispensation. It also ensures that the contribution of the various potential role players is optimised. This will result in reduced risk and cost, as well as increased effectiveness.

Internal control (IC) framework

A key development during the year has been the implementation of the IC framework. This framework was developed to introduce an internal control system to assist the board and senior management in the fulfilment of their respective oversight and management responsibilities regarding:

- The strategy and risk appetite determined by the board
- Effectiveness and efficiency of operations
- Reliability of financial and non-financial information
- Adequate control of risks
- The business aspirations of the organisation
- Key business, information technology and financial policies and procedures
- Compliance with laws and regulations, and internal policies and procedures
- Confirming that control procedures and processes have been implemented correctly and are operating as intended

Compliance and legal

The board acknowledges its responsibility to ensure that the group complies with all applicable laws and regulations to maintain its operating licences. Board members are familiar with financial services and the suite of regulatory requirements that characterise the industry. They are also aware of the importance of assessing the impact of legislative changes.

Monitoring shifts in the regulatory landscape is ongoing to ensure that the group implements the requisite changes when new legislation becomes effective. The group maintains good relationships with regulators and participates in discussions around changes in the regulatory environment.

More information on the group's operating licences and membership of industry bodies is provided in the stakeholders section from page 26.

The internal audit function supports the executive committee in ensuring that this process is effective to enable PSG Konsult to maintain compliance with all relevant legislation.

During the past financial year, no instances of material non-compliance were noted. Accordingly, no judgements, damages, penalties or fines were recorded or levied against the company, its directors or employees.

INFORMATION TECHNOLOGY (IT) GOVERNANCE

Overview

IT is an important part of PSG Konsult's business model, as the group relies on mobilising a vast network of advisers towards achieving its strategic objectives. Lines of communication must be clear and access to information must be seamless for this model to work effectively.

IT governance takes place according to a formal charter and governance framework based on King III principles and the Control Objectives for Information and Related Technology (COBIT) 5 IT Governance Framework. The challenges associated with the restructuring process have largely been overcome and the group is benefiting from the improved IT architecture implemented at the primary datacentre and disaster recovery sites.

Responsibilities

During the year, the group appointed a chief information officer to lead the continuing transformation of the IT function. It also invested significantly in IT infrastructure, ensuring that the requisite processes and systems are in place to support the business as it gains scale and reach over time.

The chief information officer is responsible for the IT function, which includes:

- Building a shared IT vision as a catalyst for innovation and excellence in support of the group's strategic objectives
- Overseeing the ongoing automation efforts of the group, aimed at easing internal and external processes and optimising efficiencies and responsiveness
- Ensuring the integrity and strategic development of the information and communications hardware, software and network infrastructure
- Providing the necessary applications and systems infrastructure for mission-critical functions and administration
- Promoting innovative, effective and shared uses of IT solutions across the group
- Building and motivating a high-performing team
- Leading and guiding information security efforts, including policy definition, design, implementation and ongoing assessment

Key developments for the year

- Data centre upgrade

  The hardware in both data centres was upgraded to continue providing stability and scalability to business systems. Consolidating the databases and decommissioning redundant systems was critical to ensure an optimised environment.

- Management information system

  A major aspect of the IT investment during the year was the roll-out of a management information system that will enhance operational efficiency and generate capacity for the group's growth agenda.

- myPractice

  PSG Konsult invested in consolidating its myPractice platform, which is available to all advisers. This allows advisers to access a database of client and product information through a single sign-on channel from a secure access point.

- Vendor management

  The group worked closely with vendors that provide support to key systems and infrastructure to ensure alignment between the group's requirements, best practices in implementation and a healthy relationship focused on delivery.

- Governance

  The following committees were established to improve IT alignment between the business units and quality of decision-making on new technologies, policies and processes:
  - Information technology management committee
  - Enterprise architecture committee
  - Information security committee

New initiatives

- Information security

  This is a primary focus area, especially given the increase in cybercrimes and the introduction of the Protection of Personal Information (POPI) Act, 4 of 2013. Existing policies were overhauled to reflect the changing IT landscape and increased adoption of mobile devices for work. Initiatives should be implemented in the new financial year that will strengthen current processes.

- Business process optimisation

  The group increased its investment in system enhancements and new systems for document management, customer relationship management, call centre management and workflow.

RISK REPORT

PSG Konsult operates in a highly regulated environment and the board acknowledges that it is accountable for the process of risk management and the system of internal control.

Overview

PSG Konsult's risk management plan is structured so that appropriate and independent oversight is in place to ensure the sustainability of the business. Appropriate reporting structures keep management and the board informed of changes in the risk landscape to ensure that material risks are managed at acceptable levels. The following processes are an essential part of this function:

- Three layers of defence governance structure
- Various committees with risk management responsibilities assisting the board
- Risk management embedded in the strategic principles and underpinning all business activities

The group is in a strong position due to its low-risk appetite. The following key developments in the past financial year are evidence of this:

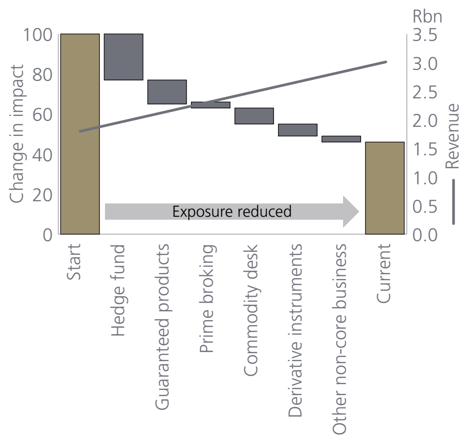
- Repayment of interest-bearing debt (excluding finance leases) – revenue
- Credit rating upgrade by GCR to BBB+ with a stable outlook
- Conservative dividend policy ensuring regulatory capital requirements are met and to fund future growth

Management and execution

PSG Konsult continually focuses on the most significant risks impacting the business, and on mitigating undue risks and volatile risk contributors. The group's core strategic principles are founded on ethical risk management with the aim of growing the business sustainably:

- Recurring revenues – Focus on generating recurring income, which leads to enhanced sustainable earnings
- Margin enhancing – Optimise profit margins to ensure that an acceptable return on capital is earned
- Risk vs return – Maximise every rand earned relative to an acceptable unit of risk

More detail on the execution and implementation of the strategic principles is provided in the strategy section on page 43.



Three layers of defence approach

The group defines the responsibility and accountability for risk management by applying the three layers of defence approach:

LEVEL	STRUCTURE	LAYER
External ③	PSG KONSULT Board of directors Audit and risk committee	Strategic, external and internal audit
Management ②	Manco Executive committee Operating committee, Investment committee, Credit committee	Strategic, finance, risk, legal and compliance, operational
Operational ①	PSG Wealth, PSG Asset Management, PSG Insure	Finance, risk, legal and compliance, operational

Major risks

During the year, the group continued the effective, regular management of the major risks the group faces, which fall into the following broad categories:

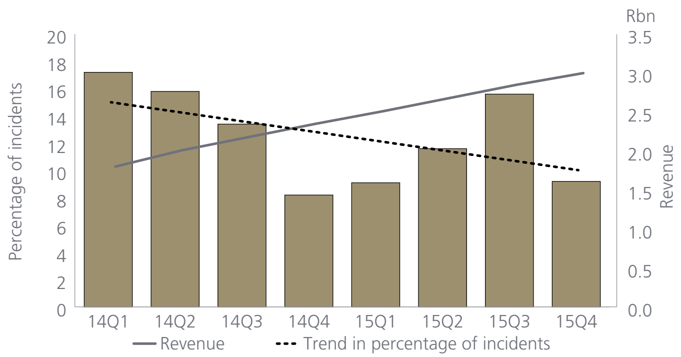
- Regulatory risk
- Operational risk
- Underwriting risk
- Counterparty risk (including credit)
- Market/investment risk
- Liquidity risk

Regulatory risk
↓
Dedicated independent compliance function

- Overseen by compliance, risk and legal committees
- Legislative changes centrally overseen by the PSG Konsult legislation committee
- Active engagement with regulators and represented at most of the major regulatory bodies
- Monthly capital adequacy review and sign-off
- Sophisticated IT systems for procedural record keeping
- Sufficient insurance and professional indemnity cover in place
- Despite business growth, complaints remained stable and under control
- 2016 focus: to align with SAM requirements

Operational risk
↓
Operational incident management system in place

- Overseen by the PSG Konsult operating committee
- Exception and escalation procedures in place
- Operational processes audited by internal audit and improvements actioned
- Insurance cover in terms of loss of income and business continuity procedures in place
- Despite increased activity and transaction volumes, incident levels are stable
- 2016 focus: to optimise IT functionality



Underwriting risk
↓
Performance of Western books evaluated

- Underwriting risk limited to insurance activities at Western
- Overseen by the Western group risk committee
- Healthy insurance float
- Limited insurance and investment risk retention levels
- Regular review of underwriting performance across relevant distribution channels
- Mitigating action taken for areas where improvements are identified
- Capital modelling and testing ensure appropriate capital levels maintained
- 2016 focus: to further enhance underwriting reporting and monitoring

Counterparty and credit risk
↓
Quality counterparty exposure

- Combined oversight by the PSG Konsult credit committee, investment committee and relevant management committees
- Exposures from daily activities (i.e. derivative instruments) monitored daily to ensure sufficient margin levels are maintained
- Sufficient collateral is held for most loans and security provided
- Products and providers overseen by the product governance committee
- Improved monitoring – product providers reduced
- Limited exposure to African Bank – mostly limited to the linked life business
- Exposure limited to top-rated local and international banks and corporates

Market risk
↓
Putting risk first

- Overseen by the investment committee
- Shareholder assets invested mainly in low-risk unit trusts
  - Predominantly cash
  - Equity limited
  - Short-term duration (average < 1 year)
- PSG Asset Management applies risk-based investment processes
  - Qualified and experienced team
  - Appropriate diversification
  - Sufficient liquidity maintained
  - Limits aligned with fund sizes
- Transparent and measurable products with relatively low level of complexity
  - Product mix
  - Asset mix
  - Duration of instruments

Liquidity risk ↓ Centralised treasury function established	• Overseen by the Manco • Group funding requirements managed centrally • Reporting, including – Weekly consolidated cash flow analysis – 18-month cash flow forecasting – Asset-liability matching • Forecast capital needs • Regulatory capital requirements managed and monitored separately • Banking facilities available

Outlook

PSG Konsult continues to evaluate and improve its risk management techniques and processes to build the group's reputation as a trusted and reliable financial services business. The group aims to build on the recent achievements through a number of initiatives in progress or scheduled for implementation.

The focus for 2016 is to further enhance the group's risk management system and standardise the risk universe and quantification methods.

REMUNERATION REPORT

PSG Konsult believes key individuals should share in the success of the group. This ensures alignment between the company, advisers and employees. PSG Konsult wants to provide excellent service to clients, using best-of-breed products through superb platforms. The group is prevailing, growing and winning, despite a very regulated and competitive environment. Delivering is a hallmark of the group and this positive approach will mean that good things are ahead for PSG Konsult and all of its stakeholders.

Employees made a valuable contribution over the past financial year. It is through their personal performance and commitment that the group achieved its commendable financial performance. Employees are part of a team that continually strives to ensure that the group not only meets but exceeds its goals. Collective action will always be greater than the sum of individual ambitions.

The remuneration approach at PSG Konsult is aimed at remunerating directors, executives and employees fairly and responsibly. This approach takes cognisance of local and international remuneration best practices to ensure that the group attracts and retains appropriate skills and talent.

Sound remuneration practices are an essential component of an effective governance framework. The remuneration policies and practices aim to align remuneration with the long-term interests of the group and other stakeholders and not to induce excessive or inappropriate risk taking.

PSG Konsult's core philosophy is based on reward for performance, and is aligned with its overall business strategy, objectives and values – maintaining compliance with regulations and market practices.

Where remuneration of an employee includes both fixed and variable components, the variable component is based on performance and the collective performance of the group. An individual's performance will also be defined in terms of both financial and non-financial components.

The payment of a large part of bonuses contains a flexible, deferred component that considers the nature and time horizon of the group's business.

An individual's performance does not incentivise inappropriate risk taking. As a result, the risk an individual takes on behalf of the group is considered when setting his/her remuneration. This includes both current risks and prospective risks that are introduced to the group. Further considerations to ensure remuneration and risk is aligned includes:

- All types of risk are considered and adjusted for determining remuneration
- Remuneration is aligned with the risk outcomes
- The schedule of remuneration payments takes the time horizon of risk into account
- The mix of cash, equity and other forms of remuneration are aligned with the risks

GLOSSARY

ALSI – FTSE/JSE All Share Index

BBBEE – Broad-based black economic empowerment

CIS – Collective Investment Scheme

CSI – Corporate Social Investment

FIA – Financial Intermediaries Association of South Africa

FISA – The Fiduciary Institute of South Africa

FSB – Financial Services Board

FSC – Financial Sector Charter

GFSC – Guernsey Financial Services Commission

IFRS – International Financial Reporting Standards

IIRC – International Integrated Reporting Council

JSE – Johannesburg Stock Exchange

King III – King Report on Governance and the King Code of Governance Principles for South Africa 2009

LISP – Linked Investment Service Provider

LSM – Living Standards Measure

MFSA – Malta Financial Services Authority

Namfisa – Namibia Financial Institutions Supervisory Authority

NCR – National Credit Regulator

NSX – Namibian Stock Exchange

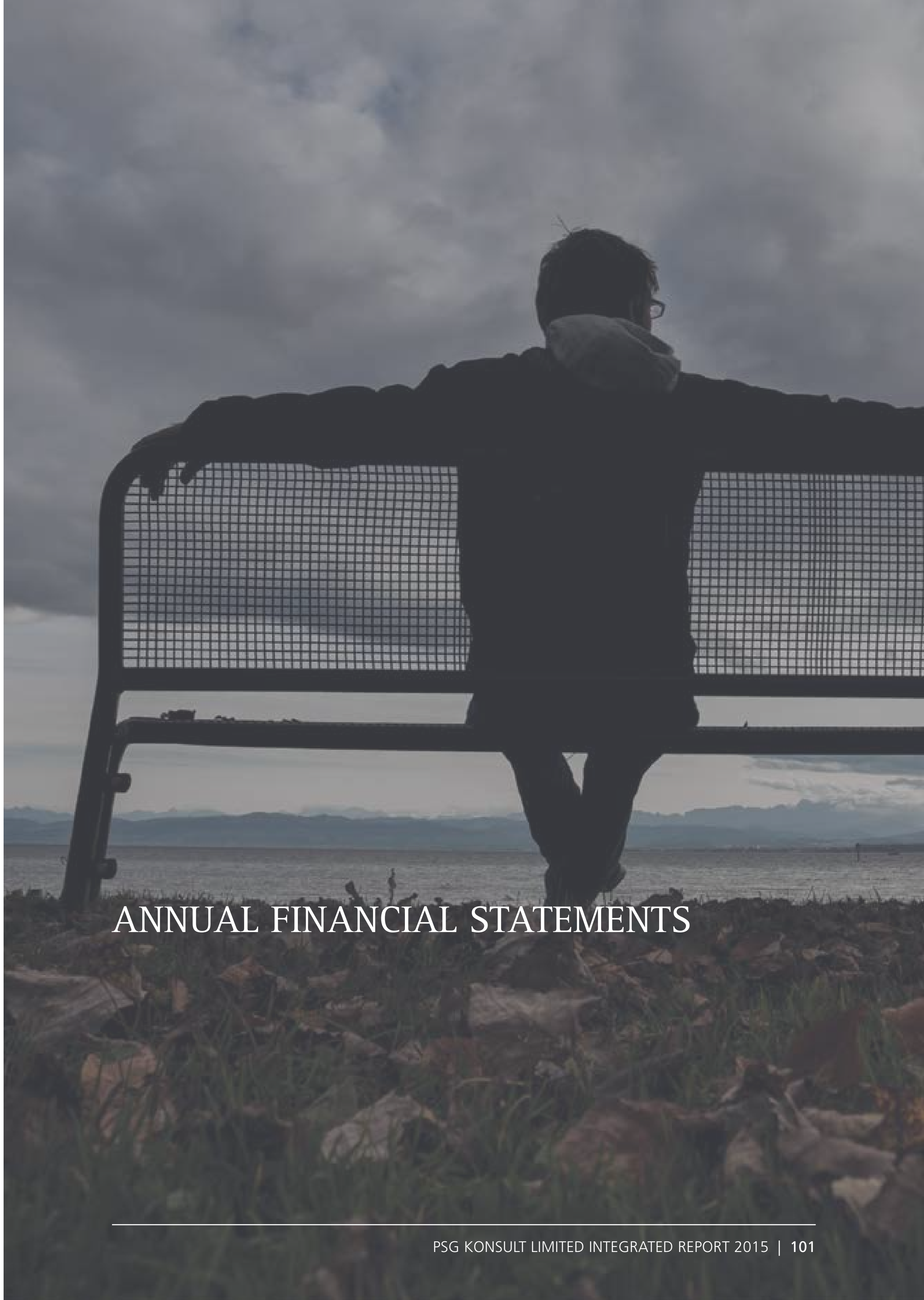
OTC – Over-The-Counter

POPI – Protection of Personal Information Act, 4 of 2013

SAM – Solvency Assessment and Management

TCF – Treating Customers Fairly

UCITS – Undertakings for the Collective Investment of Transferable Securities



ANNUAL FINANCIAL STATEMENTS

PSG KONSULT LIMITED

Consolidated financial statements and notes

for the year ended 28 February 2015

CONTENTS

Report of the audit and risk committee

for the year ended 28 February 2015

We are pleased to present our report for the financial year ended 28 February 2015.

The audit and risk committee is an independent statutory committee appointed by the shareholders. Further duties are delegated to the audit and risk committee by the board of directors of the company. This report includes both sets of duties and responsibilities.

The committee is responsible for ensuring the integrity of integrated reporting and reviewing the effectiveness of the financial reporting process, the system of internal control and management of financial risks, the assurance process, and the company's process for monitoring compliance with laws and regulations and its own code of business conduct. The committee recommends the annual financial statements for approval to the board and is responsible for monitoring, engaging with, and determining the remuneration of the external auditor.

TERMS OF REFERENCE

The audit and risk committee has adopted a formal audit and risk committee charter that has been approved by the board of directors, and has executed its duties during the past financial year in compliance with the terms of reference.

COMPOSITION AND MEETING PROCEEDINGS

At 28 February 2015, the audit and risk committee consisted of three non-executive directors who act independently as described in section 94 of the Companies Act.

For the financial year ended 28 February 2015, the members of the audit and risk committee were:

Number of meetings held	2
Members	
J de V du Toit (Chairman)*	2
PE Burton*	2
ZL Combi**	1
FJ Gouws***	1
WL Greeff***	1
MIF Smith***	1
G Burger***	1

* *Appointed 7 April 2014*
** *Appointed on 16 April 2014*
*** *Resigned 7 April 2014*

The committee met twice (once as the finance and risk committee, and once as the audit and risk committee) in the financial year under review and had a 100% attendance. Ad hoc meetings are held as required. At the meetings, the members fulfilled all their functions as prescribed by the Companies Act as well as those additional functions as determined by the board.

The group risk management and internal audit function was also represented.

The external auditors, in their capacity as auditors to the company, attended and reported to all meetings of the audit and risk committee.

During the audit and risk committee meeting held on 7 April 2014, the following independent non-executive directors were appointed to the audit and risk committee:

J de V du Toit
PE Burton

J de V du Toit was appointed as chairman of the committee. Subsequent to the appointment as independent non-executive director to the board of PSG Konsult Limited on 16 April 2014, ZL Combi was also elected as member of the audit and risk committee. This was done in preparation for the listing of PSG Konsult Limited on the JSE in June 2014 to ensure that the committee consist of three independent non-executive directors (J de V du Toit, PE Burton and ZL Combi). The committee was also renamed to the audit and risk committee (previously the finance and risk committee).

DUTIES

In execution of its statutory duties during the past financial year, the audit and risk committee has reviewed the interim and year-end financial statements, culminating in a recommendation to the board.

In the course of its review the committee:

- takes appropriate steps to ensure that the financial statements are prepared in accordance with International Financial Reporting Standards (IFRS);
- considers and, when appropriate, makes recommendations on internal financial controls;
- deals with concerns or complaints relating to:
  - accounting policies;
  - the auditing or content of annual financial statements; and
  - internal financial controls.
- reviews the external audit reports on the annual financial statements;
- reviews the risk management reports and, where relevant, makes recommendations to the board;
- evaluates the effectiveness of risk management, controls and the governance processes;
- verifies the independence of the external auditors and of any nominee for appointment as the designated auditor;
- approves the audit fees and engagement terms of the external auditors; and
- determines the nature and extent of allowable non-audit services and approves the contract terms for the provision of non-audit services by the external auditors.

LEGAL REQUIREMENTS

The audit and risk committee has complied with all applicable legal, regulatory and other responsibilities for the financial year.

EXTERNAL AUDITOR

The board sets a policy that governs the level and nature of non-audit services, which requires pre-approval by the audit and risk committee for all non-audit services. As required by the Companies Act, the committee has, after consideration of the level and types of non-audit services provided and other enquiries and representations, satisfied itself that PSG Konsult Limited's external auditor, PricewaterhouseCoopers Inc., was independent of the company, as set out in sections 90(2)(c) and 94(8) of the Companies Act and are thereby able to conduct their audit functions without any undue influence from the company.

The committee has nominated, for re-appointment at the annual general meeting, PricewaterhouseCoopers Inc. as the external auditor of PSG Konsult Limited for the financial year ending 29 February 2016 and Ms C van den Heever as the designated registered auditor who will undertake the audit of PSG Konsult on behalf of PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc. being the audit firm, as well as Ms C van den Heever, being PSG Konsult's individual auditor for 2015, have been accredited on the JSE list of auditors in terms of the criteria in the JSE Listings Requirements.

FINANCIAL FUNCTION

In terms of the JSE Listings Requirements, the audit and risk committee performs an annual evaluation of the financial function in PSG Konsult. The committee was satisfied that the financial function had appropriate resources, skills, expertise and experience. The committee also confirmed that it is and was satisfied that Mr MIF Smith, the group chief financial officer of PSG Konsult, possesses the appropriate skills, expertise and experience to meet the responsibilities required for that position during his service as such.

INTERNAL FINANCIAL CONTROLS

The audit and risk committee evaluated the company's internal financial controls and based on the information and explanations given by management and the group internal audit function, as well as discussions with the independent external auditor regarding the results of their audit, the committee is satisfied that there was no material breakdown in the internal financial controls during the financial year under review.

The committee also reviews and approves the Internal Audit Charter, reviews the effectiveness of the internal audit structures and considers the findings of internal audit. The committee is also responsible for the assessment of the performance of the group internal auditor.

Report of the audit and risk committee

for the year ended 28 February 2015

GOING CONCERN

The audit and risk committee reviewed a documented assessment prepared by management, including key assumptions, of the going concern status of the company and made a recommendation to the board in accordance with this assessment. The board's statement on the going concern status appears on page 107 of the integrated report.

ANNUAL REPORT

The committee has evaluated the annual report (incorporating the integrated report) of the company and group for the year ended 28 February 2015 and, based on the information provided to the committee, considers that the group complies, in all material respects, with the requirements of the Companies Act, 71 of 2008, as amended, and International Financial Reporting Standards (IFRS).

J de V du Toit
Chairman of the audit and risk committee
18 May 2015

Statement of responsibility by the board of directors

PSG KONSULT LIMITED AND ITS SUBSIDIARIES (THE GROUP)

The directors of PSG Konsult Limited are responsible for the preparation, integrity and fair presentation of the group and company financial statements of PSG Konsult Limited. The group and company annual financial statements, comprising the statements of financial position at 28 February 2015, and the income statements and statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, have been prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act of South Africa, and include amounts based on judgements and estimates made by management. In addition, the directors are responsible for preparing the directors' report.

The directors consider that in preparing the annual financial statements they have used the most appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates have been used in the preparation of the annual financial statements and that all statements of IFRS that are considered applicable have been followed. The directors are satisfied that the information contained in the annual financial statements fairly presents the results of operations for the year and the financial position of the group and company at year-end. The directors also prepared the directors' report and other information included in the annual report and are responsible for both its accuracy and consistency with the annual financial statements.

The directors have the responsibility of ensuring that adequate accounting records are kept. The accounting records should disclose, with reasonable accuracy, the financial position of the companies to enable the directors to ensure that the annual financial statements comply with relevant legislation.

PSG Konsult Limited operated in a well-established control environment, which is documented and regularly reviewed. The control environment incorporates risk management and internal control procedures, which are designed to provide reasonable, but not absolute, assurance that assets are safeguarded and that the risks facing the business are being controlled and managed. To the best of their knowledge and belief the directors are satisfied that no material breakdown in the operation of the systems of internal financial controls and procedures occurred during the year under review.

The going concern basis has been adopted in preparing the annual financial statements. Based on their assessment the directors have no reason to believe that the group or any company in the group will not be a going concern in the foreseeable future, based on forecasts and available cash resources. These annual financial statements support the viability of the group.

It is the responsibility of the independent auditors to report on the financial statements. In order to do so, they were given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, the board of directors and committees of the board. The group's external auditors, PricewaterhouseCoopers Incorporated, audited the financial statements and their report is presented on page 113.

The annual financial statements, presented on pages 114 to 263, were approved by the board of directors on 18 May 2015 and are signed on its behalf by:

W Theron	FJ Gouws	MIF Smith
Chairman	*Chief executive officer*	*Chief financial officer*

Preparation and presentation of the annual financial statements

The annual financial statements for the year ended 28 February 2015 have been prepared by JSE van der Merwe, CA(SA) and supervised by the chief financial officer, MIF Smith, CA(SA).

These financial statements have been audited by PricewaterhouseCoopers Inc. in accordance with the requirements of the Companies Act No 71 of 2008.

Certificate by the company secretary

I hereby certify, in terms of section 88(2)(e) of the South African Companies Act, 71 of 2008 (the 'Act'), that to the best of my knowledge, for the year ended 28 February 2015, the company has lodged with the Registrar of Companies all such returns and notices as required of a public company in terms of the Act and that all such returns and notices are true, correct and up to date.

L Kretschmer (on behalf of PSG Management Services Proprietary Limited)
Company secretary
18 May 2015

Report of the board of directors

for the year ended 28 February 2015

The directors take pleasure in presenting their integrated report, which includes the audited financial statements of PSG Konsult Limited (the company) and its subsidiaries (the group) for the year ended 28 February 2015.

NATURE OF BUSINESS

PSG Konsult Limited is a South African-based financial services group engaged in the offering of a comprehensive range of products and administration services, including investment management, stockbroking, insurance and investment broking, financial planning and advice, healthcare brokerage and administration, employment wealth benefits, management of local and foreign unit trusts, managed multi-manager solutions, retirement and structured products and the issue of short-term and long-term insurance contracts.

PSG Konsult Limited is incorporated in the Republic of South Africa and is a public company listed on the Johannesburg Stock Exchange (JSE) and Namibian Stock Exchange (NSX).

HOLDING COMPANY

The company's holding company is PSG Financial Services Limited (a company incorporated in the Republic of South Africa). Its ultimate holding company is PSG Group Limited (a company incorporated in the Republic of South Africa and listed on the Johannesburg Stock Exchange).

CORPORATE GOVERNANCE

The board has satisfied itself that appropriate principles of corporate governance were applied throughout the year under review.

FINANCIAL RESULTS

The operating results and the state of affairs of the group and company are fully set out in the statements of financial position, income statements, statements of comprehensive income, statements of changes in equity, statements of cash flows and notes thereto.

The earnings attributable to equity holders of the group for the year under review were R340.4 million (2014: R249.3 million). The group's headline earnings attributable to shareholders amounted to R339.3 million (2014: R244.5 million).

CORPORATE TRANSACTIONS

The group concluded with effect from 1 March 2014, an asset-for-share transaction utilising section 42 of the Income Tax Act with a large number of its advisers. This has allowed the group to standardise the revenue sharing model with advisers and has also given them the opportunity to invest in the future of PSG Konsult. The transaction was settled with the issue of 35.8 million PSG Konsult shares and a R12.5 million cash payment.

DIVIDENDS

In line with the revised dividend policy at time of listing of between 40% and 50% of recurring headline earnings, the board approved and declared on 9 April 2015 a final gross dividend of 8.0 cents per share (2014: 7.3 cents per share) from income. No provision has been included in the financial statements. This follows the interim dividend of 4.0 cents per share (2014: 4.0 cents per share) declared in October 2014, which brings the total gross dividend declared relating to the 2015 financial year to 12.0 cents per share (2014: 11.3 cents per share).

SHARE CAPITAL

Details of the authorised and issued share capital appear in note 17 to the financial statements. In total, 40.6 million shares were issued during the year ended 28 February 2015 (2014: 12.3 million). The shares issued during the current financial year was to fulfil the company's obligation towards the share options which vested on 10 April 2014 and 1 July 2014 respectively, as well as the asset-for-share transaction with advisers concluded on 1 March 2014 (2014: 12.3 million shares issued was to fulfil the group's obligation towards share options which vested on 1 March 2013).

A subsidiary in the group holds 0.4 million PSG Konsult shares at 28 February 2015 (28 February 2014: 0.4 million). The shares are held as treasury shares. The company has the right to reissue these shares at a later date to meet the obligations under the share incentive schemes.

SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES

Details of the company's interest in subsidiary companies are set out in Annexure A. The interests in associated companies and the interests in joint ventures were considered significant in the light of the group's financial results and are set out in Annexure B and C respectively.

SEGMENT INFORMATION

Refer to the segment reporting on pages 143 to 149.

RELATED PARTIES

Related-party relationships exist between the company, subsidiaries, associated companies, joint ventures, the PSG Group, company directors and key management. Intergroup transactions have been eliminated from the group's financial statements.

For related-party transactions and key management personnel, refer to note 38 to the annual financial statements.

Details of directors' remuneration and their interest in the company's shares appear below.

COMPANIES ACT

The company has approved a memorandum of incorporation in light of the promulgation of the Companies Act, 71 of 2008 and the Companies Regulations.

SHAREHOLDERS

Details of the group's shareholders are provided in the shareholder profile section of this report in note 43.

DIRECTORS

The directors of the company at the date of this report appear on pages 82 to 83.

- Mr PE Burton was appointed as an independent non-executive director with effect from 2 March 2014
- Mr ZL Combi was appointed as an independent non-executive director with effect from 16 April 2014

No directors resigned during the year under review.

DIRECTORS AND PRESCRIBED OFFICERS' REMUNERATION AND INTERESTS IN SHARE CAPITAL

Directors' and prescribed officer's remuneration

The remuneration committee considers the remuneration of all executive directors and prescribed officers as well as the fees paid to all non-executive directors. Fees payable to directors are recommended by the board to the annual general meeting for approval.

The following directors' remuneration were accrued by subsidiaries in the PSG Group for the year ended 28 February 2015:

Cash-based remuneration

Executive directors

Audited	Directors' fees R	Basic salary R	Bonuses and performance-related payments R	Expense allowances R	Company contributions R	Total 2015 R	Total 2014 R
FJ Gouws[1, 9]	123 650	4 000 000	8 400 000	–	–	12 523 650	12 115 560
MIF Smith[10]	–	1 904 000	4 500 000	96 000	31 400	6 531 400	4 398 820
TW Biesenbach	–	–	–	–	–	–	3 280 480
HB Lindes	–	–	–	–	–	–	510 048
	123 650	5 904 000	12 900 000	96 000	31 400	19 055 050	20 304 908
Non-executive directors							
W Theron[2, 3]	893 650	–	–	–	–	893 650	2 390 788
J de V du Toit[4]	565 184	–	–	–	–	565 184	540 892
JF Mouton[5, 6]	622 300	2 788 172	2 636 845	–	55 758	6 103 075	5 278 000
PJ Mouton[5]	–	3 287 000	4 950 000	–	13 000	8 250 000	5 200 000
PE Burton[7]	406 690	–	–	–	–	406 690	–
ZL Combi[8]	434 375	–	–	–	–	434 375	–
	2 922 199	6 075 172	7 586 845	–	68 758	16 652 974	13 409 680
	3 045 849	11 979 172	20 486 845	96 000	100 158	35 708 024	33 714 588

Report of the board of directors
for the year ended 28 February 2015

[1] *Director's fee paid to PSG Management Services Proprietary Limited (2014: R0.1 million) as non-executive director of PSG Group Limited.*
[2] *Director's fee paid in 2014 financial year to PSG Management Services Proprietary Limited (2014: R0.1 million) as non-executive director of PSG Group Limited. Director's fee of R0.2 million paid as non-executive director of PSG Group Limited in the 2015 financial year.*
[3] *Executive director of PSG Konsult Limited up to 30 June 2013.*
[4] *Director's fee of R0.2 million (2014: R0.2 million) paid as non-executive director of PSG Group Limited. R0.2 million was paid in 2015 as non-executive director of Capespan Group Limited (2014: R0.1 million).*
[5] *Remuneration paid by a subsidiary of PSG Group Limited.*
[6] *Director's fee of R0.2 million (2014: R0.2 million) paid as non-executive director of PSG Group Limited. R0.4 million was paid to a subsidiary of PSG Group Limited (2014: R0.3 million).*
[7] *Director's fee of R0.2 million paid as non-executive director of PSG Group Limited.*
[8] *Director's fee of R0.1 million paid as non-executive director of PSG Group Limited. R0.1 million was paid as non-executive director of Curro Holdings Limited.*
[9] *Total performance incentive bonus awarded was R12.0 million. 70% of bonus awarded, being R8.4 million was paid in cash in April 2015. The remaining 30% has been deferred and is conditional on director remaining in employment. The conditional portion of the bonus is payable as follows: R1.8 million on April 2016, being 12 months after the award date and the remaining R1.8 million is deferred for 24 months until April 2017.*
[10] *Total performance incentive bonus awarded was R4.5 million, which was paid in cash in April 2015, as the director has more than 10 years service in the group (no service conditions attached to release of 30% deferred portion of the bonus award).*

Prescribed officers remuneration

The prescribed officers of the group are FJ Gouws and MIF Smith, both executive directors of the company. Their remuneration is detailed above.

Equity-based remuneration

PSG Konsult Limited share options in terms of the PSG Konsult Group Share Incentive Trust

Audited	Number of share options as at 28 Feb 2014	Number of scheme shares during year: Granted	Number of scheme shares during year: Vested	Average market price per share on vesting date	Vesting price per share	Date granted	Number of share options as at 28 Feb 2015
Executive							
FJ Gouws	10 000 000	–	–	–	R1.83	1/07/2012	10 000 000
	12 500 000	–	–	–	R2.83	1/03/2013	12 500 000
	–	6 350 000	–	–	R5.06	1/03/2014	6 350 000
	22 500 000	6 350 000	–				28 850 000
MIF Smith	474 838	–	(158 279)	R6.00	R1.54	1/03/2011	316 559
	1 000 000	–	–	–	R2.83	1/03/2013	1 000 000
	–	1 800 000	–	–	R5.06	1/03/2014	1 800 000
	1 474 838	1 800 000	(158 279)				3 116 559
Non-executive							
W Theron	4 350 923	–	(1 450 308)	R6.00	R1.54	1/03/2011	2 900 615
	3 000 000	–	–	–	R2.83	1/03/2013	3 000 000
	7 350 923	–	(1 450 308)				5 900 615

PSG Group Limited shares in terms of the PSG Group Limited Share Incentive Trust

Audited	Number of share options as at 28 Feb 2014	Number of scheme shares during year: Granted	Number of scheme shares during year: Vested	Average market price per share on vesting date	Vesting price per share	Date granted	Number of share options as at 28 Feb 2015
Non-executive							
JF Mouton	100 000	–	(100 000)	R98.40	R17.81	21/04/2008	–
	100 000	–	(100 000)				–

PSG Group Limited share options in terms of the PSG Group Limited Supplementary Share Incentive Trust

Audited	Number of share options as at 28 Feb 2014	Number of scheme shares during year: Granted	Number of scheme shares during year: Vested	Average market price per share on vesting date	Vesting price per share	Date granted	Number of scheme shares during year 28 Feb 2015
Non-executive							
PJ Mouton	35 233	–	(35 233)	R107.98	R15.52	20/04/2009	–
	40 828	–	(40 828)	R94.35	R18.77	28/08/2009	–
	75 542	–	(75 542)	R122.40	R22.09	28/02/2010	–
	226 394	–	(150 929)	R122.40	R39.61	28/02/2011	75 465
	112 842	–	(56 422)	R122.40	R47.39	28/02/2012	56 420
	129 052	–	(32 263)	R136.81	R61.50	28/02/2013	96 789
	661 884	–	–	–	R83.23	28/02/2014	661 884
	–	74 693	–	–	R136.84	28/02/2015	74 693
	1 281 775	74 693	(391 217)				965 251
Non-executive							
JF Mouton	255 761	–	(127 880)	R107.98	R26.16	22/04/2010	127 881
	151 464	–	(100 976)	R122.40	R39.61	28/02/2011	50 488
	204 056	–	(102 028)	R122.40	R47.39	28/02/2012	102 028
	171 164	–	(42 791)	R136.81	R61.50	28/02/2013	128 373
	643 824	–	–	–	R83.23	28/02/2014	643 824
	–	94 936	–	–	R136.84	28/02/2015	94 936
	1 426 269	94 936	(373 675)				1 147 530

SHAREHOLDING OF DIRECTORS

The shareholding of directors in the company as at 28 February was as follows:

Audited	Beneficial Direct	Beneficial Indirect	Non-beneficial Direct	Non-beneficial Indirect	Total shareholding 2015 Number	%
J de V du Toit	–	–	–	16 000 000	16 000 000	1.3%
FJ Gouws	16 215 519	35 000 000	–	–	51 215 519	4.1%
MIF Smith	–	–	–	1 708 279	1 708 279	0.1%
W Theron	–	–	–	22 450 616	22 450 616	1.8%
	16 215 519	35 000 000	–	40 158 895	91 374 414	7.2%

Audited	Beneficial Direct	Beneficial Indirect	Non-beneficial Direct	Non-beneficial Indirect	Total shareholding 2014 Number	%
J de V du Toit	–	–	–	25 112 435	25 112 435	2.1%
FJ Gouws	16 215 519	35 000 000	–	–	51 215 519	4.2%
MIF Smith	–	–	–	1 550 000	1 550 000	0.1%
W Theron	–	–	–	29 500 308	29 500 308	2.4%
	16 215 519	35 000 000	–	56 162 743	107 378 262	8.8%

Report of the board of directors

for the year ended 28 February 2015

SECRETARY
The secretary of the company is L Kretschmer (on behalf of PSG Management Services Proprietary Limited), whose business and postal addresses are:

Building A, Pro Sano Park South Gate	PO Box 3335
Carl Cronjé Drive	Tyger Valley
Tyger Waterfront	Bellville
Tyger Valley	7530
Bellville	
7530	

INDEPENDENT AUDITORS
PricewaterhouseCoopers Inc. will continue in office in accordance with section 90(1) of the Companies Act, 71 of 2008, as amended.

SPECIAL RESOLUTION
The following special resolutions were passed by PSG Konsult Limited during the year under review:

- The company be authorised to remunerate its directors for their services as directors.
- The board of the company be authorised, in terms of section 45(3)(a)(ii) and 44(3)(a)(ii) of the Companies Act, 71 of 2008, to approve any direct or indirect financial assistance that the board may deem fit to any director, prescribed officer or company that is related or interrelated to the company on the terms and conditions and for amounts that the board of the company may determine.
- The company and/or its subsidiaries be authorised to repurchase its own shares upon such terms as the directors may determine, but subject to the provisions of sections 46 and 48 of the Companies Act, 71 of 2008, and the memorandum of incorporation of the company.

On 17 March 2014 the company approved and adopted a new memorandum of incorporation aligned with the JSE Listings Requirements.

No special resolutions were passed by subsidiaries during the year under review which are material to the group.

BORROWING POWERS
In terms of the company's memorandum of incorporation directors have unlimited borrowing powers (subject to section 45 of the Companies Act); however, Financial Services Board approval is required for any borrowings within a life insurance company in the group.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES
The group had no material capital commitments at 28 February 2015 other than what is disclosed in note 36. The group is party to legal proceedings in the normal course of business, and appropriate provisions are made when losses are expected to materialise.

EVENTS AFTER THE REPORTING DATE
Other than the disposal of two of its non-core businesses, PSG Academy Proprietary Limited and Nhluvuko Risk Administration Proprietary Limited, effective 1 March 2015, as disclosed in note 40, no matter which is material to the financial affairs of the group and company has occurred between 28 February 2015 and the date of approval of the financial statements.

Independent auditor's report

to the shareholders of PSG Konsult Limited

We have audited the consolidated and separate financial statements of PSG Konsult Limited set out on pages 114 to 263, which comprise the consolidated and separate statements of financial position as at 28 February 2015, and the consolidated and separate income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS
The company's directors are responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY
Our responsibility is to express an opinion on these consolidated and separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION
In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of PSG Konsult Limited as at 28 February 2015, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

OTHER REPORTS REQUIRED BY THE COMPANIES ACT
As part of our audit of the consolidated and separate financial statements for the year ended 28 February 2015, we have read the report of the audit and risk committee, the report of the board of directors and the company secretary's certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: C van den Heever
Registered Auditor

Cape Town
18 May 2015

Consolidated statement of financial position
as at 28 February 2015

	Notes	2015 R000	2014 R000
ASSETS			
Intangible assets	1	859 536	721 936
Property and equipment	2	42 273	47 590
Investment property	3	2 245	2 245
Investment in associated companies	4	39 562	39 548
Investment in joint ventures	5	12 971	12 057
Deferred income tax	6	87 674	52 101
Equity securities	7	1 025 518	604 880
Debt securities	8	1 605 418	2 121 432
Unit-linked investments	9	12 345 648	10 218 629
Investment in investment contracts	10	338 208	505 444
Loans and advances	11	116 393	109 995
Derivative financial instruments	12	23 324	21 190
Reinsurance assets	13, 20	77 413	66 248
Deferred acquisition costs	25	1 714	1 025
Receivables including insurance receivables	14	2 133 136	2 129 358
Current income tax assets		18 954	12 878
Cash and cash equivalents (including money market investments)	15	972 243	709 184
Non-current assets held for sale	16	17 751	–
Total assets		19 719 981	17 375 740
EQUITY			
Equity attributable to owners of the parent			
Stated capital	17	1 325 111	1 134 746
Treasury shares	17	(546)	(546)
Other reserves	18	(404 471)	(445 146)
Retained earnings		573 065	399 487
		1 493 159	1 088 541
Non-controlling interest	19	132 491	86 222
Total equity		1 625 650	1 174 763
LIABILITIES			
Insurance contracts	20	574 331	493 163
Deferred income tax	6	53 610	53 423
Borrowings	21	427 843	412 188
Derivative financial instruments	12	30 749	28 406
Investment contracts	22	14 222 603	12 692 768
Third-party liabilities arising on consolidation of mutual funds	23	699 202	372 169
Deferred reinsurance acquisition revenue	25	3 563	2 842
Trade and other payables	24	2 068 400	2 129 914
Current income tax liabilities		10 618	16 104
Non-current liabilities held for sale	16	3 412	–
Total liabilities		18 094 331	16 200 977
Total equity and liabilities		19 719 981	17 375 740

Consolidated income statement
for the year ended 28 February 2015

	Notes	2015 R000	2014 R000
Gross written premium		795 237	618 217
Less: Reinsurance written premium		(225 293)	(185 881)
Net premium		569 944	432 336
Change in unearned premium			
– Gross		(34 905)	(36 204)
– Reinsurers' share		3 119	2 116
Net insurance premium revenue		538 158	398 248
Commission and other fee income	26	2 138 855	1 805 142
Investment income	27	499 554	380 034
Net fair value gains and losses on financial instruments	28	1 209 661	1 171 564
Fair value adjustment to investment contract liabilities	22	(1 406 791)	(1 239 669)
Other operating income	29	35 163	42 117
Total income		3 014 600	2 557 436
Insurance claims and loss adjustment expenses	30	(561 548)	(440 401)
Insurance claims and loss adjustment expenses recovered from reinsurers	30	137 173	121 404
Net insurance benefits and claims		(424 375)	(318 997)
Commission paid	31.1	(910 226)	(824 757)
Depreciation and amortisation	31.2	(55 422)	(40 596)
Employee benefit expenses	31.3	(511 612)	(451 887)
Fair value adjustment to third-party liabilities	31.4	(41 525)	(79 387)
Marketing, administration and other expenses	31.5	(427 457)	(325 555)
Total expenses		(2 370 617)	(2 041 179)
Share of profits of associated companies	4	40	3 118
Loss on impairment of associated companies	4	–	(342)
Share of profits of joint ventures	5	914	3 375
Total profit from associated companies and joint ventures		954	6 151
Profit before finance costs and taxation		644 937	522 408
Finance costs	32	(119 905)	(138 771)
Profit before taxation		525 032	383 637
Taxation	33	(163 234)	(117 677)
Profit for the year		361 798	265 960
Attributable to:			
Owners of the parent		340 401	249 258
Non-controlling interest		21 397	16 702
		361 798	265 960
Earnings per share (cents)			
Basic earnings per share (cents)	34	27.0	20.4
Diluted earnings per share (cents) – Restated*	34	26.1	20.0

* *The comparative figure was restated, refer to note 42 for detail of the restatement.*

Consolidated statement of comprehensive income

for the year ended 28 February 2015

	Note	2015 R000	2014 R000
Profit for the year		361 798	265 960
Other comprehensive income for the year, net of taxation*	33	224	985
Currency translation adjustments		224	985
Total comprehensive income for the year		362 022	266 945
Attributable to:			
Owners of the parent		340 625	250 243
Non-controlling interest		21 397	16 702
		362 022	266 945

* *Items included in other comprehensive income for the year may be subsequently reclassified to profit or loss.*

Consolidated statement of changes in equity

for the year ended 28 February 2015

	Attributable to equity holders of the group					
	Stated/ shared capital R000	Treasury shares R000	Other reserves* R000	Retained earnings R000	Non-controlling interest R000	Total R000
Balance at 1 March 2013	1 105 927	(620)	(463 262)	276 968	34 190	953 203
Comprehensive income						
Profit for the year	–	–	–	249 258	16 702	265 960
Other comprehensive income	–	–	985	–	–	985
Currency translation adjustments	–	–	985	–	–	985
Total comprehensive income	–	–	985	249 258	16 702	266 945
Transactions with owners	28 819	74	17 131	(126 739)	35 330	(45 385)
Issue of ordinary shares	28 819	–	–	–	–	28 819
Share-based payments costs – employees	–	–	5 941	–	–	5 941
Treasury shares sold	–	74	–	–	–	74
Non-controlling interest arising on business combinations	–	–	–	–	(42)	(42)
Capital contribution by non-controlling interest	–	–	–	–	16 735	16 735
Transactions with non-controlling interest (Refer to note 39.6)	–	–	–	11 197	20 099	31 296
Disposal of subsidiary	–	–	–	–	(424)	(424)
Deferred tax on equity-settled share-based payments	–	–	11 190	–	–	11 190
Dividend paid	–	–	–	(137 936)	(1 038)	(138 974)
Balance at 28 February 2014	1 134 746	(546)	(445 146)	399 487	86 222	1 174 763

* *Refer to note 18 for detail of the other reserves.*

Consolidated statement of changes in equity (continued)

for the year ended 28 February 2015

	Attributable to equity holders of the group					
	Stated capital R000	Treasury shares R000	Other reserves* R000	Retained earnings R000	Non-controlling interest R000	Total R000
Balance at 28 February 2014	1 134 746	(546)	(445 146)	399 487	86 222	1 174 763
Comprehensive income						
Profit for the year	–	–	–	340 401	21 397	361 798
Other comprehensive income	–	–	224	–	–	224
Currency translation adjustments	–	–	224	–	–	224
Total comprehensive income	–	–	224	340 401	21 397	362 022
Transactions with owners	190 365	–	40 451	(166 823)	24 872	88 865
Issue of ordinary shares	190 365	–	–	–	–	190 365
Share-based payments costs – employees	–	–	11 562	–	–	11 562
Transactions with non-controlling interest (Refer to note 39.6)	–	–	–	(1 320)	(206)	(1 526)
Capital contribution by non-controlling interest	–	–	–	–	28 000	28 000
Current tax on equity-settled share-based payments	–	–	5 084	–	–	5 084
Deferred tax on equity-settled share-based payments	–	–	32 516	–	–	32 516
Loss on issue of shares in terms of share scheme	–	–	(31 636)	–	–	(31 636)
Release of share-based payment reserve to retained earnings on vested share options	–	–	22 925	(22 925)	–	–
Dividend paid	–	–	–	(142 578)	(2 922)	(145 500)
Balance at 28 February 2015	1 325 111	(546)	(404 471)	573 065	132 491	1 625 650

* *Refer to note 18 for detail of the other reserves.*

Consolidated statement of cash flows

for the year ended 28 February 2015

	Notes	2015 R000	2014 R000
Cash flows from operating activities			
Cash generated by operating activities*	39.1	232 202	153 725
Interest income		372 278	299 998
Dividend income		126 900	79 651
Finance costs		(44 118)	(35 728)
Taxation paid	39.2	(172 853)	(124 953)
Operating cash flows before policyholder cash movement		514 409	372 693
Policyholder cash movement		(24 380)	(13 762)
Net cash flow from operating activities		490 029	358 931
Cash flows from investing activities			
Acquisition of subsidiaries	39.3	–	137
Loans advanced to associated companies		(87)	–
Proceeds from disposal of associated companies	39.5	–	10 519
Repayment of loans by associated companies		835	1 885
Acquisition of intangible assets		(30 473)	(24 756)
Proceeds from disposal of book of business		–	5 714
Proceeds from disposal of intangible assets		3 089	6
Proceeds from disposal of subsidiaries	39.4	–	(1 730)
Proceeds from disposal of property and equipment		427	1 847
Proceeds from disposal of investment property		–	4 500
Purchases of property and equipment		(13 241)	(20 144)
Loans advanced to joint ventures		(144)	(125)
Net cash flow from investing activities		(39 594)	(22 147)
Cash flows from financing activities			
Dividends paid		(142 578)	(137 936)
Dividends paid to non-controlling interest		(2 922)	(1 038)
Capital contributions by non-controlling interest (ordinary shares)		28 000	16 735
Acquired from non-controlling interest	39.6	(1 526)	(56 489)
Disposal to non-controlling interest	39.6	–	87 784
Advance of borrowings		209	–
Repayments of borrowings		(73 344)	(35 297)
Holding company's treasury shares sold by subsidiary		–	74
Advanced payment for acquisition from non-controlling interest		–	(1 526)
Shares issued		7 476	28 819
Net cash flow from financing activities		(184 685)	(98 874)
Net increase in cash and cash equivalents		265 750	237 910
Cash and cash equivalents at beginning of year		709 173	470 621
Exchange gains on cash and cash equivalents		95	642
Cash and cash equivalents at end of year	39.8	975 018	709 173

* *The movement in cash generated by operating activities can vary significantly as a result of daily fluctuations in cash linked to investment contracts and cash held by the stockbroking business. PSG Life Limited, the group's linked insurance company, issues linked policies to policyholders (where the value of policy benefits is directly linked to the fair value of the supporting assets). When these policies mature, the company raises a debtor for the money receivable from the third-party investment provider, and raises a creditor for the amount owing to the client. Timing difference occurs at month-end where the money was received from the third-party investment provider, but only paid out by the company after month-end, resulting in significant fluctuations in the working capital of the company. Similar working capital fluctuations occur at PSG Securities Limited (previously Online Securities Limited), the group's stockbroking business, mainly due to the timing of the close of the JSE on year-end in terms of client settlements.*

Accounting policies

for the year ended 28 February 2015

The principal accounting policies applied in the preparation of these consolidated and standalone financial statements are set out below. The accounting policies applied are in terms of International Financial Reporting Standards (IFRS) and are consistent with those applied in the previous group annual financial statements, except for the mandatory adoption of minor amendments to IFRS, which are effective for years commencing 1 March 2014. These changes have not resulted in any material impacts to the 2015 group's reported results, comparative periods or disclosures. These policies have been consistently applied to all the years presented, unless otherwise stated.

1. BASIS OF PREPARATION

The consolidated and standalone financial statements of PSG Konsult Limited have been prepared in accordance with the JSE Limited (JSE) Listings Requirements and the requirements of the Companies Act, as amended. The JSE Listings Requirements require annual financial statements to be prepared in accordance with the framework concepts and the recognition and measurement requirements of IFRS, as defined by IAS 1; the IFRS Interpretations Committee interpretations; the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee; the Financial Reporting Pronouncements, as issued by the Financial Reporting Standards Council, and the manner required by the Companies Act of South Africa.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of 'available-for-sale' financial assets, financial assets and financial liabilities (including derivative financial instruments) classified as 'at fair value through profit or loss', long-term insurance contract liabilities that are measured in terms of the financial soundness valuation (FSV) basis as set out in SAP 104 – Calculation of the value of assets, liabilities and capital adequacy requirements of Long-Term Insurers, short-term insurance contract liabilities that are measured in terms of the basis set out in APN 401, investments in associated companies and an investment in a joint venture using the equity method of accounting.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated and separate financial statements are disclosed further on in the accounting policies.

The group did not early adopt any of the IFRS standards.

The group's 2014 financial results have been restated for changes in the allocation of centralised support cost for the purpose of presenting the headline earnings of the reportable segments in the segmental report, as well as the disclosure of the diluted earning per share and headline earnings per share. Refer to note 42 for further detail of the restatements, as well as the segment report. These restatements had no impact on the 2014 financial year reported earnings or the net asset value of the group.

2. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS THAT ARE EFFECTIVE FOR THE FIRST TIME IN 2015

2.1 New and amended standards, interpretations and amendments adopted by the group

The following new standards, interpretations or amendments, which are relevant to the group's operations, became effective during the year:

- Amendments to IFRS 10, IFRS 12 and IAS 27 Investment entities (effective 1 January 2014)

  The amendment to IFRS 10 defines an investment entity and introduces an exception from consolidation. The amendments to IFRS 12 also introduce disclosures that an investment entity needs to make. The group has adopted aforementioned suite of new standards which deal with the accounting treatment for the group's interests in its investees. These amendments have no impact on the group, since none of the entities in the group qualify as investment entities under IFRS 10.
- Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities (effective 1 January 2014)

  The International Accounting Standards Board (IASB) has issued amendments to the application guidance in IAS 32, 'Financial instruments: Presentation', that clarify some of the requirements for offsetting financial assets and financial liabilities on the statement of financial position. The amendments had no impact on the group.
- Amendments to IAS 36 Recoverable amount disclosures for non-financial assets (effective 1 January 2014)

  These amendments address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less cost of disposal. The amendments had no impact on the group.
- Amendment to IAS 39 Novation of derivatives and continuation of hedge accounting (effective 1 January 2014)

  This amendment provides relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. This amendment had no impact on the group as the group did not have novated derivative contracts during the current or prior reporting periods.
- Annual Improvements 2010-12 cycle (effective 1 July 2014)

  IFRS 2 Share-based payments

  This amendment clarifies the definition of a 'vesting condition' and separately defines 'performance conditions' and 'service conditions'. This amendment is effective for share-based payment transactions for which the grant date is on or after 1 July 2014. This amendment had no material impact on the group.

  IFRS 3 Business Combinations

  This amendment clarifies contingent consideration payable in a business combination, and is effective for business combinations where the acquisition date is on or after 1 July 2014. This amendment had no material impact on the group.

These standards, interpretations and amendments have no impact on measurements of assets and liabilities or disclosures in the current or prior financial year.

2.2 New and amended standards, interpretations and amendments not currently relevant to the group's operations

The following new standards, interpretations and amendments, which are not currently relevant to the group's operations, had no impact on the measurement of amounts or disclosures in the current or prior financial year:

- IFRIC 21 Levies (effective 1 January 2014)

  The interpretation clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, no liability is recognised before the specified minimum threshold is reached.

3. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS THAT ARE NOT YET EFFECTIVE

The following new standards, interpretations and amendments have been published and are mandatory for the group's accounting periods beginning on or after 1 March 2015 or later periods and have not been early adopted by the group:

- IFRS 9 Financial Instruments (effective 1 January 2018)+

  New standard represents a package of reform to financial instrument accounting to replace IAS 39 Financial Instruments: Recognition and Measurement and encompasses requirements in the following areas:

  Classification and measurement (replaces the multiple classification and measurement models with a single model that has only two categories: amortised cost and fair value); Impairment (introduces an 'expected credit loss' model for the measurement of the impairment of financial assets); Hedge accounting (introduces a new hedge accounting model); Derecognition (carried forward from IAS 39).
- Amendments to IFRS 10 and IAS 28 – Sale or contribution of assets between an investor and its associate or joint venture (effective 1 January 2016)*
- Amendment to IFRS 10, IFRS 12 and IAS 28 Investment entities – Applying the consolidation exception (effective 1 January 2016)*
- Amendment to IFRS 11 Joint arrangements (effective 1 January 2016)*
- IFRS 14 Regulatory Deferred Accounts (effective 1 January 2016)*
- IFRS 15 Revenue from contract with customers (effective 1 January 2017)^

  New standard provides a single, principles-based five-step model to be applied to all contracts with customers. Guidance is provided on topics such as the point at which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced.
- Amendments to IAS 1 – Disclosure initiative (effective 1 January 2016)+

  Amendments encourage companies to apply professional judgement in determining what information to disclose in their financial statements.
- Amendment to IAS 16 and IAS 38 Clarification of acceptable methods of depreciation and amortisation (effective 1 January 2016)*
- Amendment to IAS 19 Employee Benefits (effective 1 July 2014)*
- Amendment to IAS 27 Equity method in separate financial statements (effective 1 January 2016)*
- Amendment to IAS 16 and IAS 41 Agriculture: Bearer plants (effective 1 January 2016)*
- Annual Improvements 2011-13 cycle (effective 1 July 2014)*
- Annual Improvements 2012-14 cycle (effective 1 January 2016)^

^ *Management is in the process of assessing the impact of these standards, interpretations and amendments on the reported results of the group and company.*

* *Management has assessed the impact of these standards, interpretations and amendments on the reported results of the group and company and do not foresee any impact.*

\+ *Management has assessed the impact of these amendments on the reported results of the group and company and foresee only minor disclosure changes.*

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4. GROUP FINANCIAL STATEMENTS

The group annual financial statements comprise those of the company, its subsidiaries, associated companies, joint ventures and the share incentive trust (share trust). Accounting policies of the subsidiaries, associated companies and joint ventures have been changed, where necessary, to ensure consistency with policies adopted by the group.

4.1 Subsidiaries (including mutual funds) and business combinations

Subsidiaries are all entities (including structured entities, special-purpose entities, collective investment schemes and hedge funds) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group and are deconsolidated from the date that control ceases. Special-purpose entities (SPEs) are also consolidated where the substance of the relationship indicates that the SPE is controlled by the group.

The group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognises a non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

If a business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date; any gains or losses arising from such remeasurements are recognised in profit and loss.

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss, or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

On consolidation exchange differences arising from the translation of the net investment in foreign entities are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Profits and losses resulting from intercompany transactions that are recognised in assets are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the group's accounting policies.

Shares in the company held by the share trust have been consolidated into the financial results of the group, as the group effectively controls these shares, and are accounted for as treasury shares.

Investments in subsidiaries are accounted for at cost less impairment in the separate financial statements. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

4.2 Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with owners in their capacity as owners. The difference between fair value of any consideration paid or received and the relevant share acquired or disposed of the carrying value of net assets of the subsidiary, is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

4.3 Disposal of subsidiaries

When the group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associated company, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

4.4 Accounting for the group's acquisition of the controlling interest in subsidiaries under common control

The IFRS on business combinations (IFRS 3) does not apply to business combinations effected between parties that are ultimately controlled by the same entity, both before and after the business combination (and where that control is not transitory), otherwise known as common control transactions. The group has elected to apply the principle of 'predecessor accounting', as determined by the generally accepted accounting principles in the United States of America, to such transactions.

The accounting policy for the acquiring entity would be to account for the transaction at book values in its consolidated financial statements. The book values of the acquired entity are the consolidated book values as reflected in the consolidated financial statements of the selling entity (highest level of consolidation). The excess of the cost of the transaction over the acquirer's proportionate share of the net asset value acquired in common control transactions, will be allocated to the existing common control reserve in equity. As a result, no goodwill is recognised on acquisition. Where comparative periods are presented, the financial statements and financial information presented are not restated as the group elected to account for common control transactions from the date of the acquisition, therefore prospectively.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

4.5 Associated companies

Associated companies are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associated companies are accounted for using the equity method of accounting. Under the equity method, the investments are initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The group's investment in associated companies includes goodwill identified on acquisition (refer to note 4), net of any accumulated impairment loss.

If the ownership interest in an associated company is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss, where appropriate.

Where equity securities are transferred to investment in associated companies upon gaining significant influence (step acquisition), the investment is transferred at its fair value. Goodwill is calculated at each stage of step acquisitions. The step acquisition investment in associated companies is initially carried at fair value of the group's share of net assets plus goodwill arising from each stage of the step acquisition.

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. The equity method of accounting involves recognising the group's share of its associated companies' post-acquisition profits or losses in the income statement, and its share of post-acquisition movements in other comprehensive income and movements in other reserves, in the statement of comprehensive income and statement of changes in equity respectively. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the group's share of losses in an associated company equals or exceeds its interest in the associated company, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred legal and constructive obligations or made payments on behalf of the associated company.

The group determines at each reporting date whether there is any objective evidence that the investment in the associated company is impaired. If this is the case, the group calculates the amount of impairment as the difference between the recoverable amount of the associated company and its carrying value and recognises the amount as a loss on impairment of associated companies in the income statement. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use.

Profits and losses resulting from upstream and downstream transactions between the group and its associated companies are recognised in the group's financial statements only to the extent of unrelated investor's interests in the associated companies. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the group.

Dilution gains and losses arising in investment in associated companies are recognised in the income statement.

Equity accounting is discontinued when the group no longer has significant influence over the investment.

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Loans to associated companies are disclosed under receivables including insurance receivables, and do not form part of the carrying amount of the investment.

The company accounts for investment in associated companies at cost less provision for impairment.

4.6 Joint arrangements

The group has applied IFRS 11 to all joint arrangements as of 1 March 2013. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method of accounting.

Under the equity method, the investment in joint ventures are initially recognised at cost and subsequently measured in the consolidated statement of financial position at an amount that reflects the group's share of the net assets of the joint venture (including goodwill). The equity method of accounting involves recognising the group's share of its joint ventures' post-acquisition profits or losses in the income statement, and its share of post-acquisition movements in other comprehensive income and movements in other reserves, in the statement of comprehensive income and the statement of changes in equity respectively. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the group's share of losses in a joint venture equals or exceeds its interest in the joint venture, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the joint venture.

Unrealised gains on transactions between the group and its joint ventures are eliminated to the extent of the group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the group.

Equity accounting is discontinued when the group no longer has joint control over the investment.

5. SEGMENT REPORTING

The chief executive officer, supported by the group management committee (Manco) is the group's chief operating decision-maker (CODM) as it is responsible for the overall strategic decision-making. Management has determined the operating segments based on the information reviewed by the Manco for the purposes of allocating resources and assessing performance of the operating segments. The composition of the reportable segments represents the internal reporting structure and the monthly reporting to the CODM. The current reporting structure was implemented with effect from 1 March 2013.

6. FOREIGN CURRENCY TRANSLATION

6.1 Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which those entities operate (the functional currency).

The consolidated and separate financial statements are presented in South African rand, being PSG Konsult's functional and presentation currency.

6.2 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement as part of net fair value gains and losses on financial instruments.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gains and losses. Translation differences on non-monetary financial assets and liabilities, such as equity securities classified as at fair value through profit or loss, are recognised in the income statement as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equity securities classified as available-for-sale, are included in other comprehensive income.

6.3 Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Income and expenses for each income statement presented are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions).
- Assets and liabilities for each statement of financial position presented are translated at closing exchange rate at the date of that statement of financial position.
- All resulting exchange differences are recognised in other comprehensive income and as a separate component of equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as the foreign entity's assets and liabilities and are translated at the closing rate. Exchange differences are recognised in the statement of comprehensive income.

Group entities with functional currencies other than the presentation currency, mainly have the following functional currencies:

	2015		2014	
	Average	Closing	Average	Closing
British pound	17.81	17.86	15.81	17.88
United States dollar	10.96	11.58	10.00	10.72

Exchanges rates used are based on interbank bid rates.

7. PROPERTY AND EQUIPMENT

Property and equipment are stated at historical cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the items. Land is not depreciated.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation 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:

Owner occupied buildings	25 years
Leasehold improvements	over the remaining lease period
Motor vehicles	4 to 5 years
Office equipment	5 to 10 years
Computer equipment	3 to 7 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

If the estimates of the remaining useful lives or residual values change, the remaining carrying values are depreciated prospectively, taking into account the revised estimates.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

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8. INVESTMENT PROPERTY

Property held for long-term rental yields and capital appreciation that is not occupied by the companies in the group is classified as investment property.

Investment property comprises freehold land and buildings. Investment property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value with fair value changes recognised in the income statement as investment income.

Fair value is based on active market prices at the reporting date, adjusted, if necessary for any differences in the nature, location or condition of the specific asset. If this information is not available, the group uses alternative valuation methods such as discounted cash flow projections or recent prices on less active markets. These valuations are reviewed annually by the directors and/or an independent valuation expert. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

Subsequent expenditure is charged to the asset's carrying value only when it is probable that the future economic benefits associated with the items will flow to the group and the cost can be measured reliably. All other repairs and maintenance costs are charged to the income statement during the financial period in which they were incurred.

If an investment property becomes owner-occupied, it is reclassified as property and equipment and its fair value at the date of reclassification becomes its cost for subsequent accounting purposes, and vice versa.

9. INTANGIBLE ASSETS

9.1 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary/associated company or joint venture undertaking at the date of acquisition. Goodwill is reported in the statement of financial position as an intangible asset. Goodwill on acquisition of associated companies is included in investments in associated companies. Goodwill is tested annually for impairment and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The groups of cash-generating units are not larger than operating segments.

An excess of the acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities arises where the net assets of a subsidiary or associated company at the date of acquisition, fairly valued, exceed the cost of the acquisition. This excess arising on acquisitions is recognised as a gain on bargain purchase in profit or loss.

9.2 Trademarks and licences

Acquired trademarks and licences are shown at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method over their estimated useful lives, which varies from 5 to 20 years and is reassessed annually. The carrying amount of each cash-generating unit is reviewed for impairment when an impairment indicator is identified.

9.3 Customer relationships

Customer relationships consist of acquired adviser books of business as well as acquired income stream rights on existing adviser books of business. These customer relationships are shown at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method over their estimated useful lives ranging between 5 and 20 years, which reflect the expected life of the customer relationships acquired. The carrying amount of each cash-generating unit is reviewed for impairment when an impairment indicator is identified.

9.4 Deferred acquisition costs (DAC)

Commissions, fees and other incremental costs that vary with and are related to securing new investment contracts and renewing existing investment contracts are capitalised as a deferred acquisition cost intangible asset, since these costs relate to future economic benefits being generated beyond one year. Subsequent changes to the deferred acquisition costs payable are reversed/capitalised against the relevant intangible asset. The DAC intangible asset is subsequently amortised over the expected life of the investment contracts. All other costs are recognised as expenses when incurred.

An impairment test is conducted annually at reporting date on the DAC intangible asset balance to ensure that the amount will be recovered from future revenue generated by the applicable remaining investment management contracts.

9.5 Other intangible assets

Other intangible assets consist mainly of intellectual property rights and computer software. Intellectual property rights are carried at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method to allocate the cost of these rights over their estimated useful lives of 20 years.

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised using the straight-line method over their estimated useful lives ranging between 2 and 12 years. The carrying amount is reviewed for impairment when an impairment indicator is identified.

10. IMPAIRMENT OF NON-FINANCIAL ASSETS

At each reporting date, the group assesses whether there is any indication that an asset (excluding deferred tax assets) may be impaired. The recoverable amount, being the higher of fair value less costs to sell and value in use, is determined for any asset for which an indication of impairment is identified. Goodwill and intangible assets that have indefinite lives and are not subject to amortisation, or that are not yet available for use, are tested annually for impairment. If the recoverable amount of an asset is less than its carrying value, the carrying value of the asset is reduced to its recoverable amount.

For the purpose of assessing impairment, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely dependent of cash inflows of other assets or groups of assets (the 'cash-generating unit'). An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised as an expense in profit or loss in the period in which they are identified. An impairment loss in respect of goodwill is not reversed. In respect of other assets, reversal of impairment losses is recognised in profit or loss in the period in which the reversal is identified, to the extent that the asset is not increased to a carrying value higher than it would have been had no impairment loss been recognised for the asset in prior years.

11. FINANCIAL INSTRUMENTS

Financial instruments recognised on the statement of financial position include financial assets, consisting of equity securities, debt securities, unit-linked investments, investment in investment contracts, loans and advances, derivative financial assets, receivables including insurance receivables, cash and cash equivalents, as well as financial liabilities, consisting of borrowings, derivative financial liabilities, investment contracts, third-party liabilities arising on consolidation of mutual funds and trade and other payables. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

12. OFFSETTING FINANCIAL INSTRUMENTS

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously, where the maturity date for the financial asset and liability is the same, and where the financial asset and liability are denominated in the same currency. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the group or the counterparty.

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13. FINANCIAL ASSETS

The group classifies its financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

13.1 Classification

(a) Financial assets at fair value through profit or loss

This category has two subcategories: financial assets held for trading, and those designated at fair value through profit or loss at inception.

A financial asset is classified into the 'financial asset at fair value through profit and loss' at inception if acquired principally for the purpose of selling in the short term or if it forms part of a portfolio of financial assets in which there is evidence of short-term profittaking, or if so designated by management. Derivatives are categorised as held for trading.

Financial assets designated as at fair value through profit or loss at inception are the following:

- Those relating to the group's linked insurance company, PSG Life Limited, are those that are held in internal funds to match insurance and investment contract liabilities that are linked to the changes in fair value of these assets. The designation of these assets to be at fair value through profit or loss eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different basis.
- Those that are managed and whose performance is evaluated on a fair value basis.

Information about these financial assets is provided internally on a fair value basis to the group's key management personnel. The investment strategy applied to the group's short-term insurance group, Western Group Holdings Limited, is to invest in equity and debt securities, and to evaluate them with reference to their fair values. Assets that are part of these portfolios are designated upon initial recognition at fair value through income.

Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current.

(b) Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities – other than those that meet the definition of loans and receivables – that the group's management has the positive intention and ability to hold to maturity.

(c) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the group intends to sell in the short term. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The group's loans and receivables comprise loans and advances, receivables including insurance receivables and cash and cash equivalents in the statement of financial position.

(d) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

13.2 Recognition and measurement of financial assets

Purchases and sales of financial assets are recognised on trade date – the date on which the group commits to purchase or sell the asset. Financial assets not carried at fair value through profit or loss, are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of monetary- and non-monetary securities classified as available-for-sale are recognised in other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as net fair value gains and losses on financial instruments.

Interest and dividend income arising on financial assets at fair value through profit or loss are recognised and disclosed separately under investment income in the income statement.

Interest on available-for-sale securities calculated using the effective-interest method is recognised in the income statement as part of investment income. Dividends on available-for-sale equity instruments are recognised in the income statement as part of investment income when the group's right to receive payment is established.

When applicable, the group measures the fair value of an instrument using the quoted price in an active market for that instrument. The fair values of quoted investments are based on current stock exchange prices at the close of business on the statement of financial position date. If the market for a financial asset is not active, or if it is unquoted, the group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis refined to reflect the issuer's specific circumstances, premium/discount to net asset value and price-earnings techniques. The group's main valuation techniques incorporate all factors that market participants would consider and make maximum use of observable market data.

The existence of published price quotations in an active market is the best evidence of fair value. The phrase 'quoted in an active market' means that quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Readily available means that the pricing information is currently accessible and regularly available means that transactions occur with sufficient frequency to provide pricing information on an ongoing basis.

It is not necessary for quoted prices to be obtained from regulated markets. Prices can be obtained from other sources although the available information may vary. For example, some industry groups or pricing services publish price information about certain instruments, while little or no information may be available about prices of other instruments.

An entity is not generally required to perform an exhaustive search for price information, but should consider any information that is publicly available, or that can be obtained reasonably from brokers, industry groups, publications of regulatory agencies or similar sources, such as journals and websites. It should be noted that these prices may be indicative prices only. It should not be assumed that these prices reflect the price in an active market.

Sources from which prices can be obtained (to qualify as 'quoted') include:

- Regulated exchange (e.g. JSE, BESA, SAFEX and offshore stock exchanges like the LSE and Nasdaq)
- Company secretary, transfer secretary or website (e.g. Kaap Agri's share price is published daily on their website)
- Brokers
- Daily newspapers and related sources (e.g. Business Day, Bloomberg)

Held-to-maturity investments are measured at amortised cost using the effective-interest method less any impairment, with income recognised on effective yield base.

Loans and receivables are carried at amortised cost using the effective-interest method. Specific provisions are made against identified doubtful receivables.

Loans advanced to associated companies, joint ventures and subsidiaries, which are interest-free with no repayment terms, are carried at amortised cost using the effective-interest method. Discounting these loans does not have a material effect on the carrying amount.

The group does not apply hedge accounting.

13.3 Impairment of financial assets

The group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from other comprehensive income and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

For debt securities, the group uses the criteria referred to under loans and receivables on page 130. If, in any subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit and loss, the impairment is reversed through the income statement.

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Loans and receivables are considered impaired if, and only if, there is objective evidence of impairment as a result of events that occurred after initial asset recognition (known as loss events) and these loss events have an adverse impact on the assets' estimated future cash flows that can be reliably measured. Objective evidence that loans and receivables may be impaired, includes breach of contract, such as a default or delinquency in interest or principal payments. In this regard instalments past due date are considered in breach of contract. The amount of the impairment loss is the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the original effective-interest rate. Impairment losses are recognised in the income statement, and reversed through the income statement.

Held-to-maturity investments are considered impaired when there is objective evidence that the group will not be able to collect all amounts due according to the original contract terms. Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the investment is impaired. The amount of the impairment provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective-interest rate. The movement in the amount of the provision is recognised in the income statement.

13.4 Derecognition of financial assets

Financial assets are derecognised when the right to receive cash flows from the financial asset has expired or has been transferred, and the group has transferred substantially all risk and rewards of ownership. The group also derecognises a financial asset when the group retains the contractual right of the assets but assumes a corresponding liability to transfer these contractual rights to another party and thereby substantially transfers all the risk and benefits associated with the asset.

13.5 Investment in investment contracts

These are valued at fair value or amortised cost, if issued by an independent credible party, or at the value of the underlying investments supporting the investment contract policy adjusted for applicable liquidity or credit risk. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period.

14. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are recognised initially at fair value on the date on which a derivative contract is entered into. Subsequent to initial recognition, derivative financial instruments are measured at fair value through profit and loss. Fair values of over-the-counter derivatives are obtained using valuation techniques, including discounted cash flow models and option pricing models.

The best evidence of fair value of a derivative at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique whose variables include only observable market data.

15. RECEIVABLES

Receivables are amounts due for services performed in the ordinary course of business. Receivables are initially measured at fair value and subsequently recognised at amortised cost using the effective-interest rate method, less provision for impairment. A provision for impairment is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective-interest rate. The movement in the amount of the provision is recognised in the income statement. If collection is expected within one year or less, they are classified as current assets.

15.1 Insurance receivables

Insurance receivables are amounts due from clients for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Insurance receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective-interest method less provision for impairment.

16. CONTRACTS FOR DIFFERENCE (CFD)

The group enters into contracts for difference with clients whereby the group provides leveraged exposure to equities specified by the client. CFD exposure is limited to the JSE Top 100 shares and Satrix ETFs. The client pays an initial margin of between 15% (for JSE Top 100 shares) and 17.5% (for all other shares including Satrix ETFs) of the value of the equities. Margin calls are made for the full value of any decrease in value of the equities on a daily basis.

CFD positions with clients are funded with equal and opposite CFD positions with other financial institutions. External funding is only used on an intra-day basis to purchase the underlying equity positions which are then delivered to the financial institution, at the end of each business day, for settlement of the intra-day funding provided. The CFD positions are classified as financial assets or liabilities at fair value through profit or loss.

The group is contractually bound to pay out or recover any fair value adjustments from the parties entering into the contracts for difference, based on the fair value movement of the specified listed equities invested in for the client.

17. CASH AND CASH EQUIVALENTS (INCLUDING MONEY MARKET INVESTMENTS)

Cash and cash equivalents consist of cash held at call with banks and other short-term highly liquid investments with maturities of three months or less. Investments in money market funds are classified as cash equivalents, since these funds are held to meet short-term cash requirements, are highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are included within borrowings in the statement of financial position.

18. INSURANCE AND INVESTMENT CONTRACTS – CLASSIFICATION

The group issues contracts that transfer insurance risk, financial risk or both.

A distinction is made between investment contracts (which fall within the scope of IAS 39 Financial Instruments: Recognition and Measurement) and insurance contracts (where the financial soundness valuation (FSV) method continues to apply, subject to certain requirements specified in IFRS 4 Insurance Contracts). A contract is classified as insurance where the group accepts significant insurance risk by agreeing with the policyholder to pay benefits if a specified uncertain future event (the insured event) adversely affects the policyholder or other beneficiary. Significant insurance risk exists where it is expected that for the duration of the policy or part thereof, policy benefits payable on the occurrence of the insured event will exceed the amount payable on early termination before allowance for expense deductions at early termination. Once a contract has been classified as an insurance contract, the classification remains unchanged for the remainder of its lifetime, even if the insurance risk reduces significantly during this period. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, credit rating, credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Insurance contracts may also transfer some financial risk.

Investment contracts are those contracts that transfer financial risk with no significant insurance risk. These contracts are measured at the fair value of the corresponding financial assets.

A subsidiary of the group, PSG Life Limited, is a linked insurance company and issues linked policies to policyholders (where the value of policy benefits is directly linked to the fair value of the supporting assets).

19. INSURANCE CONTRACTS

Policyholder contracts that transfer significant insurance risk are classified as insurance contracts.

Insurance contracts are classified into two categories, depending on the duration of or type of insurance risks; namely: short-term and long-term insurance contracts.

(a) Short-term insurance

Short-term insurance provides benefits under short-term policies, which include property, business interruption, transportation, motor, personal all risk, accident and health, professional indemnity, public liability, marine, employers' liability, group personal accident, natural disasters and miscellaneous. Short-term insurance contracts are further classified into the following categories:

- Personal insurance, consisting of insurance provided to individuals and their personal property.
- Commercial insurance, providing cover on the assets and liabilities of business enterprises.

Recognition and measurement

i) Gross written premium

Gross premiums exclude VAT and other foreign indirect taxes. Premiums are accounted for as income when the risk related to the insurance policy incepts and are spread over the risk period of the contract by using an unearned premium provision. This also includes premiums received in terms of reinsurance agreements. All premiums are shown before deduction of commission payable to intermediaries.

ii) Claims incurred

Claims incurred consist of claims and claims handling expenses paid during the financial year and are charged to the income statement as incurred.

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iii) Provision for unearned premium
Premiums are earned from the date the risk attaches, over the indemnity period, based on the pattern of the risk underwritten. Unearned premiums, which represent the proportion of premiums written in the current year, which relate to risks that have not expired by the end of the financial year, are calculated on a time proportionate basis for even risk contracts and other bases that best represent the unearned risk profile for uneven risk contracts. The group has even risks contracts.

iv) Provision for unexpired risk
Provision is made for underwriting losses that may arise from unexpired risks when it is anticipated that unearned premiums will be insufficient to cover future claims, as well as claims-handling fees and related administrative costs. This liability adequacy test is performed annually to ensure the adequacy of short-term insurance liabilities.

v) Provision for claims
Provision is made on a prudent basis for the estimated final cost of all claims that have not been settled by the reporting date, less amounts already paid. Claims and loss adjustment expenses are charged to income as incurred, based on the estimated liability for compensation owed to the beneficiaries (contract holders or third parties damaged by the contract holders) of the insurance contracts. They include direct and indirect claims settlement costs and assessment charges and arise from events that have occurred up to the end of the reporting period even if they have not yet been reported to the group. The group does not discount its claim provision for unpaid claims other than for disability claims. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the group and statistical analyses for the claims incurred but not reported, and to estimate the expected ultimate cost of more complex claims that may be affected by external factors (such as court decisions). The group's own assessors or external assessors individually assess claims.

vi) Provision for claims incurred but not reported (IBNR)
Provision is also made for claims arising from insured events that occurred before the close of the reporting period, but which had not been reported to the group by that date (IBNR).

The group uses the prescribed minimum required provisions and methodologies for the calculation of IBNR within each of the jurisdictions in which it operates.

vii) Deferred acquisition costs (DAC)
Commissions that vary with and are related to securing new contracts and renewing existing contracts are deferred over the period in which the related premiums are earned, and recognised as a current asset. All other costs are recognised as expenses when incurred.

viii) Reinsurance contracts held
Contracts entered into by the group with reinsurers under which the group is compensated for losses on one or more contracts issued by the group and that meet the classification requirements for insurance contracts, are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets. Income received from insurance contracts entered into by the group under which the contract holder is another insurer (inwards reinsurance) is included in premium income.

The benefits to which the group is entitled under its reinsurance contracts held are classified as reinsurance assets. These assets consist of short-term balances due from reinsurers (classified within receivables including insurance receivables) on settled claims as well as estimates (classified as reinsurance assets) that are calculated based on the gross outstanding claims and IBNR provisions. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period.

Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when incurred.

The reinsurer's share of unearned premiums represents the portion of the current year's outward reinsurance premiums that relate to risk periods covered by the related reinsurance contracts extending into the following year. The reinsurer's share of unearned premium is calculated using the 365th method.

Income from reinsurance contracts ceded, that varies with and is related to obtaining new reinsurance contracts and renewing existing reinsurance contracts, is deferred over the period of the related reinsurance contract and is recognised as a current liability.

The group assesses its reinsurance assets for impairment on a quarterly basis. If there is objective evidence that the reinsurance asset is impaired, the group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the income statement. The group gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortised cost. The impairment loss is also calculated following the same method used for these financial assets.

ix) Receivables and payables related to insurance contracts
Receivables and payables are recognised when due. These include amounts due to and from agents, intermediaries and insurance contract holders and are included under receivables including insurance receivables and trade and other payables.

If there is objective evidence that the insurance receivable is impaired, the group reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the income statement. The group gathers objective evidence that an insurance receivable is impaired using the same process adopted for loans and receivables. The impairment loss is also calculated according to the same method used for these financial assets.

x) Salvage reimbursements
Some insurance contracts permit the group to sell (usually damaged) property acquired in settling a claim (i.e. salvage). The group may also have the right to pursue third parties for payment of some or all costs (i.e. subrogation). Estimates of salvage recoveries are included as an allowance in the measurement of the insurance liability for claims. The allowance is the amount that can reasonably be recovered from the disposal of the property.

Subrogation reimbursements are also considered as an allowance in determining the insurance liability for claims and are recognised in other assets when the liability is settled. The allowance is the assessment of the amount that can be recovered from the action against the liable third party.

(b) Long-term insurance
These contracts are valued in terms of the Financial Soundness Valuation (FSV) basis contained in SAP 104 issued by the Actuarial Society of South Africa and are reflected as 'Insurance contracts' liabilities.

Liabilities are valued as the present value of future cash flows due to benefit payments and administration expenses that are directly related to the contract discounted at the rate of return at year-end on the assets backing the policyholder funds. Future cash flows are projected on a best estimate basis with an allowance for compulsory margins for adverse deviations as prescribed by SAP 104. Best estimate assumptions are required for future investment returns, expenses, persistency, mortality and other factors that may impact on the financial position of the group. As per SAP 104, contractual premium increases are allowed for, but future voluntary premium increases are ignored.

In addition certain discretionary margins are created to allow profits to emerge over the lifetime of the policy to reflect the small number of policies and associated volatility. Where the number of policies is small, the prescribed margins alone do not result in an acceptable probability of the total reserve being sufficient to meet all liabilities.

The financial soundness methodology includes allowance for liability adequacy testing to ensure that the carrying amount of technical provisions is sufficient in view of estimated future cash flows. Where a shortfall is identified an additional provision is made.

The group reflects premium income relating to insurance business on a gross basis together with the gross amount of any reinsurance premiums. All premiums are accounted for when they become due and payable.

The group shows the gross amount of policyholder benefit payments in respect of insurance contracts together with the gross reinsurance recoveries and accounts for such transactions when claims are intimated.

20. FINANCIAL LIABILITIES
A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another entity.

Financial liabilities include borrowings, derivative financial liabilities, investment contracts, third-party liabilities arising on consolidation of mutual funds and trade and other payables. The group issues investments contracts without fixed terms (unit-linked) and with fixed and guaranteed terms (fixed-interest rate).

Financial liabilities are initially recognised at fair value less transaction costs that are directly attributable to the raising of the funds, for all financial liabilities carried at amortised cost. All financial liabilities measured at fair value through profit or loss are initially recognised at fair value. The best evidence of the fair value at initial recognition is the transaction price (i.e. the fair value of the consideration received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets.

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Financial liabilities at fair value through profit or loss are subsequently measured at fair value, with any resultant gains and losses recognised in the income statement. The net gain or loss recognised in the income statement incorporates any measurement gains or losses and interest expense on the financial liability. These financial liabilities are classified as current liabilities if they are either held for trading or expected to be settled within 12 months of the reporting date.

Third-party financial liabilities on consolidation of mutual funds are effectively demand deposits and are consequently measured at fair value, which is the quoted unit values as derived by the fund administrator with reference to the rules of each particular fund. Fair value gains or losses are recognised in profit or loss.

Financial liabilities, or a portion thereof, are derecognised when the obligation specified in the contract is discharged, cancelled or expired. On derecognition, the difference between the carrying amount of the financial liability, including related unamortised costs, and settlement amounts paid are included in the income statement.

Financial liabilities are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

The group uses its own credit risk spreads in determining the current value for its derivative liabilities and all other liabilities for which it has elected the fair value option. When the group's credit spreads widen, the group recognises a gain on these liabilities because the value of the liabilities has decreased. When the group's credit spreads narrow, the group recognises a loss on these liabilities because the value of the liabilities has increased.

20.1 Investment contracts

The fair value of a unit-linked financial liability is determined using the current unit price reflecting the fair values of the financial assets contained within the group's unitised investment funds linked to the financial liability, multiplied by the number of units attributed to the policyholder at a reporting date. No initial profit is recognised immediately as any profit on initial recognition is amortised in line with cash flow projections over the life of the contract.

For investment contracts with fixed and guaranteed terms, the amortised cost basis is used. In this case, the liability is initially measured at its fair value less transaction costs that are incremental and directly attributable to the acquisition or issue of the contract.

Subsequent measurement of investment contracts at amortised cost uses the effective-interest method. This method requires the determination of an interest rate (the effective-interest rate) that exactly discounts to the net carrying amount of the financial liability, the estimated future cash payments or receipts through the expected life of the financial instrument.

The liability under investment contracts is derecognised when the contract expires, is discharged or is cancelled by the policyholder. For a contract that can be cancelled by the policyholder, the fair value cannot be less than the surrender value.

20.2 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective-interest method.

20.3 Trade and other payables

Trade and other payables are recognised when the group has a present obligation arising from past events, the settlement of which is expected to result in an outflow of economic benefits from the group. Trade and other payables are recognised initially at fair value, net of transaction costs incurred. Trade and other payables are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period using the effective-interest method. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Insurance payables are obligations to pay for services that have been acquired in the ordinary course of business and include amounts due from agents, intermediaries and insurance contract holders. Insurance payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Insurance payables are recognised initially at fair value and subsequently measured at amortised cost using the effective-interest method.

20.4 Financial guarantee contracts

Financial guarantee contracts issued by the group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when it becomes due in accordance with the terms of a debt instrument.

Financial guarantee contracts are recognised initially at fair value. Subsequently, the contract is measured at the higher of the amount determined in accordance with IAS 37 and the amount initially recognised less cumulative amortisation recognised in accordance with IAS 18, unless it was designated as at fair value through profit or loss at inception and measured as such.

Financial guarantees are derecognised when the obligation is extinguished, expires or transferred.

The group and company does not recognise any financial guarantee contracts as, in the opinion of the directors, the possibility of losses from these guarantees are remote.

21. DEFERRED REVENUE LIABILITY (DRL)

Service fee income on investment management contracts is recognised on an accrual basis as and when the services are rendered. A DRL is recognised in respect of upfront fees, which are directly attributable to a contract that is charged for securing the investment management service contract. The DRL is then amortised to revenue when the services are provided, over the expected duration of the contract on a straight-line basis. The amount of the DRL that gets amortised in the next financial year will be classified as current assets and the rest of the DRL will be classified as non-current assets. Refer to accounting policy note 30 for the group's revenue recognition policy.

22. STATED AND SHARE CAPITAL AND TREASURY SHARES

Stated capital represented the par value of ordinary shares issued, being classified as equity. During the prior financial year, the ordinary shares were converted to no par value shares, resulting in share capital and share premium being transferred to stated capital.

Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax.

Treasury shares

The cost of treasury shares acquired are debited to the treasury share reserve, and upon disposal of such shares, the reserve is credited with the weighted average calculated cost attributable to the shares disposed of.

Where any group company purchases the company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold, reissued or otherwise disposed of, any consideration received is included in equity attributable to the company's equity holders, net of any directly attributable incremental transaction costs and the related income tax effects. Any net income in relation to treasury shares (both fair value movements and dividends) is eliminated from group profits for the year. The number of shares in the earnings per share calculation is reduced for treasury shares held during the period on a weighted average basis.

Share trust

Certain of the group's remuneration schemes are operated through the PSG Konsult Group Share Incentive Trust. The share trust is considered to be a special-purpose entity controlled by the group and is therefore consolidated.

The shares purchased by the share trust are considered to be treasury shares and are treated in accordance with the group's policy for treasury shares.

23. CURRENT AND DEFERRED INCOME TAX

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the group's subsidiaries, associated companies and joint ventures operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred income tax

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arises from initial recognition of an asset or liability in a transaction other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associated companies and joint ventures, except where the group controls the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income tax levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

23.1 Secondary tax on companies (STC) and dividends withholding tax (DWT)

On 1 April 2012, DWT became effective and replaced STC. DWT is levied on the shareholders (or beneficial owners) receiving the dividend; where STC was levied on the company declaring the dividend.

Prior to 1 April 2012

South African resident companies were subject to a dual corporate tax system, one part of the tax being levied on taxable income and the other, a secondary tax, on distributed income. A company incurred STC charges on the declaration or deemed declaration of dividends (as defined under tax law) to its shareholders. STC was not a withholding tax on shareholders, but a tax on companies.

The STC tax consequence of dividends was recognised as a taxation charge in the income statement in the same period that the related dividend was accrued as a liability. The dividend declared was reduced by dividends received during the dividend cycle. Where dividends declared exceeded the dividends received during a cycle, STC was payable at the then current STC rate (10%) on the net amount. Where dividends received exceeded dividends declared within a cycle, there was no liability to pay STC. The potential tax benefit related to excess dividends received was carried forward to the next dividend cycle as an STC credit. Deferred tax assets were recognised on unutilised STC credits to the extent that it was probable that the group would declare future dividends to utilise such STC credits.

After 1 April 2012

Shareholders are now subject to DWT on dividends received, unless they are exempt in terms of the amended tax law. DWT is levied at 15% of the dividend received. The DWT is categorised as a withholding tax, as the tax is withheld and paid to tax authorities by the company paying the dividend or by a regulated intermediary and not the beneficial owner of the dividend. Where a non-exempt group company is a beneficial owner of the dividend the DWT is recorded as an expense in the income statement when the dividend income is earned. The deferred tax asset is not raised on unutilised STC credits as the STC credits are now available for the benefit of the group's shareholders and not the group.

24. 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 statement of financial position.

25. EMPLOYEE BENEFITS

25.1 Pension obligations

The group only has defined-contribution plans. A defined-contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. For defined-contribution plans, the group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

25.2 Other post-retirement benefits

The group offers no other post-retirement benefits.

25.3 Share-based compensation

The group grants share options to certain employees under various equity-settled share-based compensation schemes.

The fair value of the employee services received in exchange for the grant of the share options is recognised as an expense in the income statement, with the corresponding increase in a share-based payment reserve in the statement of change in equity and represents the fair value at grant date of the share options that will be delivered on vesting. The total amount to be expensed over the vesting period, which is five years, is determined by reference to the fair value of the share options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of share options that are expected to become exercisable. At each reporting date, the entity revises its estimates of the number of share options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity. When the share options have vested, the relevant amount is transferred from the share-based payment reserve to retained earnings. The fair value is determined by using the Black-Scholes valuation model and the assumptions used to determine the fair value are detailed in note 17 to the group financial statements.

If the group cancels or settles a grant of equity instruments during the vesting period, the group accounts for the cancellation or settlement of the grant and recognises immediately the amount that otherwise would have been recognised for services received over the remainder of the vesting period.

25.4 Annual leave

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the estimated annual leave as a result of services rendered by employees up to reporting date.

25.5 Profit sharing and bonus plans

The group recognises a liability and an expense for bonuses and profit sharing, based on formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments. The group recognises a provision where contractually obliged, or where there is a past practice that has created a constructive obligation.

25.6 Termination benefits

Termination benefits are employee benefits payable as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept voluntary redundancy in exchange for those benefits. The group recognises these termination benefits when the group is demonstrably committed either to terminating the employment of an employee or group of employees before the normal retirement date, or providing termination benefits as a result of an offer made in order to encourage voluntary redundancy. The group is demonstrably committed to a termination when the group has a detailed formal plan (with specified minimum contents) for the termination and it is without realistic possibility of withdrawal. The group recognises termination benefits at the earlier of the following dates: (a) when the group can no longer withdraw the offer of those benefits; and (b) when the group recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. Where termination benefits fall due more than 12 months after the reporting period, they are discounted. In the case of an offer made to encourage voluntary redundancy, 12 months after the reporting period, they are discounted. In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits is based on the number of employees expected to accept the offer. In the case of an offer made to encourage voluntary redundancy, benefits are immediately recognised as an expense.

26. PROVISIONS, CONTINGENT LIABILITIES AND ASSETS

26.1 Provisions

Provisions are recognised when:

- the group has a present legal or constructive obligation, which has uncertain timing or amount, as a result of past events;
- it is more likely than not that an outflow of resources will be required to settle the obligation; and
- the amount has been reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as an interest expense.

26.2 Onerous contracts

The group recognises a provision for an onerous contract, except on insurance contracts, when the expected benefits to be derived from a contract are lower than the unavoidable costs of meeting the obligations under the contract.

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26.3 Contingent liabilities and assets

A contingent liability is either a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the group or a present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability. These contingent liabilities are not recognised in the statement of financial position but disclosed in the notes to the financial statements.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. These contingent assets are not recognised in the statement of financial position but are disclosed in the notes to the financial statements if the inflow of financial benefits is probable.

27. LEASES

27.1 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease. When an operating lease is terminated, any payment required by the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

27.2 Finance leases

Leases of property and equipment, where the group substantially has all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at inception of the lease at the lower of the fair value of the leased asset or the current value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges based on the interest rate charged on the outstanding balance. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance cost is charged to the income statement over the lease period. The property and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

28. NON-CURRENT ASSETS (OR DISPOSAL GROUPS) HELD FOR SALE

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

29. DIVIDEND DISTRIBUTIONS

Dividend distributions to the company's shareholders are recognised as a liability in the period in which the dividends are approved by the company's board of directors.

30. REVENUE RECOGNITION

Revenue comprises the fair value of the consideration received or receivable for services rendered in the ordinary course of the group's activities, as well as interest and dividend income. The group's activities include financial advice, stockbroking, fund management, financing and the issue of short-term and long-term insurance contracts.

Revenue is shown net of value-added tax, returns, rebates, discounts and after eliminating sales within the group.

The group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the group's activities as described below. The group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

If circumstances arise that may change the original estimates of revenues, costs or extent of progress toward completion of services, estimates are revised. These revisions may result in increases or decreases in estimated revenues or costs and are reflected in income in the period in which the circumstances that give rise to the revision became known by management.

30.1 Rendering of services

Fee income is recognised when the relevant company in the group is unconditionally entitled thereto. No profit is recognised when the outcome of a transaction cannot be estimated reliably. Fee income from the rendering of services can be summarised as follows:

Commissions, dealings and structuring

Revenue arising from advisory, stockbroking, portfolio management and brokerage activities is recognised in the accounting period in which the services are rendered with reference to completion of the specific transaction.

Investment management fees and initial fees

Charges for asset management services are paid by its customers using the following different approaches:

- Front-end fees are charged to the client on inception. This approach is used particularly for single-premium contracts. The consideration received is deferred as a liability and recognised over the life of the contract on a straight-line basis.
- Regular fees are charged to the customer by making a deduction from invested funds. Regular charges billed in advance are recognised on a straight-line basis over the billing period; fees charged at the end of the period are accrued as a receivable that is offset against the financial liability when charged to the customer.

30.2 Investment income

Interest income

Interest income is recognised using the effective-interest method. When a receivable is impaired, the group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective-interest rate of the instrument and continues unwinding discount as interest income. Interest income is included as part of investment income in the income statement.

Dividend income

Dividend income is recognised when the right to receive payment is established. Dividend income is included as part of investment income in the income statement.

31. SOLVENCY MARGIN

The solvency margin is calculated using the statutory method prescribed by the Financial Services Board (FSB) and Namibia Financial Institutions Supervisory Authority (Namfisa).

32. CLAIMS

Claims on long-term insurance contracts, which include death, disability, maturity, surrender and annuity payments, are charged to income when notified of a claim based on the estimated liability for compensation owed to policyholders. Outstanding claims are recognised in insurance and other payables. Reinsurance recoveries are accounted for in the same period as the related claim.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under circumstances.

Refer to accounting policy note 19(a) for the policy with regard to the short-term insurance contracts.

33. MANAGED FUNDS ACTIVITIES

Certain companies within the group operate unit trusts and hold and invest funds on behalf of clients. Assets and liabilities representing such activities are not reflected on the statement of financial position, as these relate directly to clients. The values of these items are disclosed in the notes. Income from these activities is brought to account over the period to which the service relates.

34. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Accounting policies

for the year ended 28 February 2015

34.1 Estimated impairment of goodwill

The group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy on goodwill. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (see note 1).

34.2 Fair value of derivatives and other unlisted financial instruments

The fair value of financial instruments that are trading on recognised over-the-counter (OTC) platforms is based on the closing bid price and classified as quoted instruments. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques as disclosed in the policy relating to financial assets. Please refer to accounting policy regarding derivative financial instruments for further detail regarding fair value valuation techniques. The assumptions used in these valuation techniques are described as part of the fair value hierarchy analysis included in note 41.

34.3 Investment contracts

The group issues a significant number of investment contracts that are designated as at fair value through profit or loss. These financial instruments are not quoted in active markets, and their fair values are determined by using valuation techniques. Such techniques (for example, valuation models) are validated and periodically reviewed by qualified personnel independent of the area that created them. All models are validated before they are used and calibrated to ensure that outputs reflect actual experience and comparable market prices. The investment contract liabilities held at fair value are fully matched with the underlying assets. As such the fair value of the investment contract liabilities is determined with reference to the fair value of the underlying asset. The carrying amount of the investment contract liabilities is R14.2 billion (2014: R12.7 billion).

34.4 Recognition of intangible assets

With a business combination all identifiable assets are recognised at their respective fair values in the consolidated financial statements. The fair values of intangible assets acquired through business combinations are determined by using a discounted cash flow valuation method. The discount rate is based on the long-term risk-free rate with risk premiums added for market and other company and asset-specific risks. No business combination occurred during the 2015 or 2014 financial year which resulted in the recognition of an intangible asset.

Trademarks and customer relationships acquired through business combinations or acquisitions are valued on acquisition using discounted cash flow methodology based on assumptions and estimates regarding future revenue growth, weighted cost of capital, marketing costs and other economic factors affecting the value in use of these intangible assets. These assumptions reflect management's best estimates but are subject to inherent uncertainties, which may not be controlled by management. The cost of the trademarks and customer relationships are amortised over their estimated useful lives. The remaining useful lives of intangible assets are reassessed annually. If the estimate of the remaining useful lives changes, the remaining carrying values are amortised prospectively over that revised remaining useful life.

The main assumptions used in the valuation of key customer relationships are the useful lives of these assets and the future profitability and cancellation rate of the underlying revenue streams. The useful life of key customer relationships is estimated based on the cancellation experience of the existing business and the useful life of customer relationships of other players in the market.

Refer to the intangible asset accounting policy and note 1 for further detail.

34.5 Short-term insurance liabilities

One of the purposes of insurance is to enable policyholders to protect themselves against uncertain future events. Insurance companies accept the transfer of uncertainty from policyholders and seek to add value through the aggregation and management of these risks. The uncertainty inherent in insurance is inevitably reflected in the financial statements of the insurance company, principally in respect of the insurance liabilities of the company.

Insurance liabilities include the provisions for unearned premiums, outstanding claims and incurred but not reported (IBNR) claims.

Process to determine significant assumptions:

Insurance risks are unpredictable and the group recognises that it is not always possible to forecast, with absolute precision, future claims payable under existing insurance contracts. Over time, the group has developed a methodology that is aimed at establishing insurance provisions that have an above-average likelihood of being adequate to settle all its insurance obligations.

i) Unearned premiums

Unearned premiums represent the amount of income set aside by the group to cover the cost of claims that may arise during the unexpired period of risk of insurance policies in force at the reporting date.

The group raises provisions for unearned premiums on a basis that reflects the underlying risk profile of its insurance contracts. An unearned premium provision is created at the commencement of each insurance contract and is released as the risk covered by the contract expires. The group's insurance contracts have an even risk profile. Therefore, the unearned premium provision is released evenly over the period of insurance using a time proportion basis. At each reporting date an assessment is made of whether the provisions for unearned premiums are adequate.

A separate provision can be made, based on information available at the reporting date, for any estimated future underwriting losses relating to unexpired risks (unexpired risk provision).

The provisions for unearned premiums are first determined on a gross level and thereafter the reinsurance impact is recognised. Deferred acquisition costs and reinsurance commission revenue is recognised on a basis that is consistent with the related provisions for unearned premiums.

ii) Unexpired risk provision

If the expected value of claims and expenses attributable to the unexpired periods of policies in force at the statement of financial position date exceeds the unearned premiums provision in relation to those policies, after deduction of any deferred commission expenses, management assesses the need for an unexpired risk provision.

The need for an unexpired risk provision is assessed on the basis of information available at the reporting date. Claims events occurring after the statement of financial position date in relation to the unexpired period of policies in force at that time are not taken into account in assessing the need for an unexpired risk provision.

Management will base the assessment on the expected outcome of those contracts, including the available evidence of claims experience on similar contracts in the past year, as adjusted for known differences, events not expected to recur, and the normal level of seasonal claims.

iii) Outstanding claims

Outstanding claims represent the company's estimate of the cost of settlement of claims that have occurred and were reported by the reporting date, but that have not yet been finally settled.

Claims provisions are determined based on previous claims experience, knowledge of events, the terms and conditions of the relevant policies and on the interpretation of circumstances. Each notified claim is assessed on a separate case-by-case basis with due regard for the specific circumstances, information available from the insured and/or loss adjuster and past experience with similar cases and historical claims payment trends. The approach also includes the consideration of the development of loss payment trends, the levels of unpaid claims, legislative changes, judicial decisions and economic conditions. The group employs employees experienced in claims handling and rigorously applies standardised policies and procedures to claims assessment.

The ultimate cost of reported claims may vary as a result of future developments or better information becoming available about the current circumstances. Therefore, case estimates are reviewed regularly and updated when new information becomes available.

The provision for outstanding claims is initially estimated at a gross level. A separate calculation is carried out to estimate reinsurance recoveries. The calculation of reinsurance recoveries considers the type of risk underwritten, the year in which the loss claim occurred and under which reinsurance programme the recovery will be made, the size of the claim and whether the claim was an isolated incident or formed part of a catastrophe reinsurance claim.

Accounting policies

for the year ended 28 February 2015

iv) Claims incurred but not reported (IBNR)
There is also considerable uncertainty concerning the eventual outcome of claims that have occurred but had not yet been reported to the insurer by the reporting date. The IBNR provision relates to these events.

The group uses the prescribed minimum required provisions and methodologies for the calculation of the provision for IBNR within each of the jurisdictions in which it operates.

34.6 Interests in subsidiaries and associates – mutual funds
The group has assessed its interests in the various mutual fund investments in which the group has the irrevocable asset management agreement over the mutual funds and in which the group has invested significantly. For other mutual funds, other factors such as the existence of control through voting rights held by the group in the fund, or significant economic power in the fund, are considered in the assessment of control. Judgement is required in the assessment of whether the group has control or significant influence in terms of the variability of returns from the group's involvement in the funds, the ability to use power to affect those returns and the significance of the group's investment in the funds. Based on the assessment of control or significant influence over these mutual funds, certain funds have been either been consolidated and others not. In terms of IFRS 10 – Consolidated Financial Statements, the group considers itself to have control of a fund when it both owns the asset manager of the fund and holds greater than 30% thereof.

34.7 Unconsolidated structured entities – mutual funds
The group invests in various mutual funds which are widely recognised as investment trusts that are regulated by government agencies, marketed and open to public investment. These funds provide investors with access to returns on underlying assets in terms of predefined mandates. Pricing information is publicly available.

Management do not consider these vehicles to be unconsolidated structured entities as defined under IFRS 12.

34.8 Money market funds
Cash and cash equivalents disclosed on the statement of financial position includes investments in money market funds, being short-term highly liquid investments with maturities of three months or less. Money market funds are classified as cash equivalents, since these funds are held to meet short-term cash requirements, are highly liquid investments, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. The underlying instruments in the money market funds are mainly (>80%) issued credit papers of South Africa's top six banks, all of which have a Moody's short-term national rating of P1(za) on 28 February 2015. The classification of money market funds as cash equivalents is only judgemental for purposes of disclosure and judgement applied could not have any impact on disclosed amounts of assets or liabilities.

Segment reporting

for the year ended 28 February 2015

The composition of the reportable segments represents the internal reporting structure and the monthly reporting to the chief operating decision-maker (CODM). The CODM for the purpose of IFRS 8, Operating segments, has been identified as the chief executive officer, supported by the group management committee (Manco). The group's internal reporting structure is reviewed in order to assess performance and allocate resources. The group is organised into three reportable segments, namely:

- PSG Wealth
- PSG Asset Management
- PSG Insure

The reporting structure described above was implemented with effect from 1 March 2013. The comparative figures have been adjusted to reflect a new refined basis of apportioning central support costs that the group implemented this financial year. Corporate support costs refer to a variety of services and functions that are performed centrally for the individual business units within each business segment, as well as housing the group's executive office. Besides the traditional accounting and secretarial services provided to group divisions and subsidiaries, the corporate office also provides legal, risk, information technology (IT), marketing, human resources (HR), payroll, internal audit and corporate finance services. The strategic elements of IT, in terms of both services and infrastructure, are also centralised in the corporate office. The corporate costs were previously apportioned to the three reportable segments on a fixed percentage method. From 1 March 2014, in order to enhance its accuracy, the corporate costs were apportioned taking into account-specific facts and circumstances applicable to each of the reportable segments, and comparative segment figures have been restated applying this new methodology.

DESCRIPTION OF BUSINESS SEGMENTS
PSG Wealth, which consists of five business units – Distribution, PSG Securities, LISP and Life Platform, Multi Management and Employee Benefits – is designed to meet the needs of individuals, families and businesses. Through our highly skilled wealth managers, PSG Wealth offers a wide range of personalised services (including portfolio management, stockbroking, local and offshore investments, estate planning, financial planning, local and offshore fiduciary services, multi-managed solutions and retirement products). Our Wealth offices are fully equipped to deliver a high-quality personal service to our customers.

PSG Asset Management is an established investment management company with a proven investment track record. We offer investors a simple, but comprehensive range of local and global investment products. Our products include both local and international unit trust funds.

PSG Insure, through our registered insurance brokers and PSG's short-term insurance company Western National Insurance Company Limited, offers a full range of tailor-made short-term insurance products and services from personal (home, car and household insurance) to commercial (business and Agri-insurance) requirements. To harness the insurance solutions available to our customers effectively, our expert insurance specialists, through our strict due diligence process, will simplify the selection process for the most appropriate solution for our clients. In addition to the intermediary services we offer, PSG Short-Term Administration supports clients through the claim process, administrative issues and general policy maintenance, including an annual reappraisal of their portfolio.

Segment reporting

for the year ended 28 February 2015

The Manco considers the performance of reportable segments based on total income as a measure of growth and headline earnings as a measure of profitability. The segment information provided to Manco for the reportable segments for the year ended 28 February is set out below:

Headline earnings per reportable segments	Wealth R000	Asset Management R000	Insure R000	Total R000
For the year ended 28 February 2015				
Headline earnings	227 478	81 915	29 868	339 261
– recurring	228 320	82 336	30 519	341 175
– non-recurring	(842)	(421)	(651)	(1 914)
For the year ended 28 February 2014 – Restated*				
Headline earnings	162 279	54 334	27 872	244 485
– recurring	162 279	54 334	34 532	251 145
– non-recurring	–	–	(6 660)	(6 660)

* *Refer to note 42 for detail of the restatement.*

Income per reportable segment Total income	Wealth R000	Asset Management R000	Insure R000	Total R000
For the year ended 28 February 2015				
Total segment income	2 146 463	587 111	979 622	3 713 196
Inter-segment income	(461 848)	(219 347)	(17 401)	(698 596)
Income from external customers	1 684 615	367 764	962 221	3 014 600
For the year ended 28 February 2014				
Total segment income	1 793 011	475 099	789 891	3 058 001
Inter-segment income	(316 846)	(181 300)	(2 419)	(500 565)
Income from external customers	1 476 165	293 799	787 472	2 557 436

Inter-segment income and expenses consist of fees charged at market-related rates. The group accounts for inter-segment income and expenses by eliminating these transactions to only reflect transactions with third parties. Inter-segment income is eliminated by deducting it from total segment income to reflect income generated by segment from external customers.

The group mainly operates in the Republic of South Africa, with 95.3% (2014: 91.2%) of the total income from external customers generated in the Republic of South Africa.

Given the nature of the operations, there is no single external customer that provides 10% or more of the group's income (2014: none).

The profit or loss information follows a similar format to the consolidated income statement.

Divisional income statements For the year ended 28 February 2015	Wealth R000	Asset Management R000	Insure R000	Total R000
Total income	1 684 614	367 764	962 222	3 014 600
Total expenses	(1 219 987)	(257 541)	(893 089)	(2 370 617)
	464 627	110 223	69 133	643 983
Total profit from associated companies and joint ventures	–	–	954	954
Profit before finance costs and taxation	464 627	110 223	70 087	644 937
Finance costs**	(115 606)	(396)	(3 903)	(119 905)
Profit before taxation	349 021	109 827	66 184	525 032
Taxation	(115 019)	(27 905)	(20 310)	(163 234)
Profit for the year	234 002	81 922	45 874	361 798
Attributable to:				
Owners of the parent	228 177	81 922	30 302	340 401
Non-controlling interest	5 825	–	15 572	21 397
	234 002	81 922	45 874	361 798
Headline earnings	227 478	81 915	29 868	339 261

Divisional income statements For the year ended 28 February 2014	Wealth R000	Asset Management R000	Insure R000	Total R000
Total income	1 476 165	293 799	787 472	2 557 436
Total expenses	(1 096 211)	(221 012)	(723 956)	(2 041 179)
	379 954	72 787	63 516	516 257
Total profit from associated companies and joint ventures	–	–	6 151	6 151
Profit before finance costs and taxation	379 954	72 787	69 667	522 408
Finance costs**	(129 549)	(119)	(9 103)	(138 771)
Profit before taxation	250 405	72 668	60 564	383 637
Taxation	(84 233)	(18 329)	(15 115)	(117 677)
Profit for the year	166 172	54 339	45 449	265 960
Attributable to:				
Owners of the parent	160 545	54 339	34 374	249 258
Non-controlling interest	5 627	–	11 075	16 702
	166 172	54 339	45 449	265 960
Headline earnings	162 279	54 334	27 872	244 485

Other information provided to the Manco is measured in a manner consistent with that of the financial statements.

** *Finance cost in the PSG Wealth division consist mainly of the finance charge on the held-to-maturity policyholder financial assets (linked investment business). The finance cost of R115.6 million (2014: R129.5 million) consist of R75.8 million (2014: R103.0 million) on the client-related linked investment business, R25.8 million (2014: R14.0 million) on the loan facilities provided to clients on their share portfolio at PSG Securities (secured by the underlying JSE Top 100 equity securities held in excess of four times the value of the loan facilities) on which PSG Wealth receive a margin, with the remaining portion of the finance charge on the CFD margins and the bank overdrafts.*

Segment reporting

for the year ended 28 February 2015

In order to evaluate the consolidated financial position of the group, the Manco segregates the statement of financial position of the group between own balances and client-related balances.

Client-related balances represent the investment contract liabilities and related linked client assets of PSG Life Limited, the broker and clearing accounts, and the settlement control accounts of the stockbroking business, the collective investment schemes consolidated under IFRS 10 – Consolidated Financial Statements and corresponding third-party liabilities, the short-term claim control accounts and related bank accounts as well as the contracts for difference assets and related liabilities.

	As at 28 February 2015		
	Total R000	Own balances R000	Client-related balances R000
ASSETS			
Equity securities	1 025 518	2 259	1 023 259
Debt securities	1 605 418	99 614	1 505 804
Unit-linked investments	12 345 648	378 015	11 967 633
Investment in investment contracts	338 208	–	338 208
Receivables including insurance receivables	2 133 136	228 588	1 904 548
Derivative financial instruments	23 324	–	23 324
Cash and cash equivalents (including money market investments)	972 243	805 908	166 335
Other assets*	1 276 486	1 276 486	–
Total assets	19 719 981	2 790 870	16 929 111
EQUITY			
Equity attributable to owners of the parent	1 493 159	1 493 159	–
Non-controlling interest	132 491	132 491	–
Total equity	1 625 650	1 625 650	–
LIABILITIES			
Borrowings	427 843	14 273	413 570
Investment contracts	14 222 603	–	14 222 603
Third-party liabilities arising on consolidation of mutual funds	699 202	–	699 202
Derivative financial instruments	30 749	–	30 749
Trade and other payables	2 068 400	505 413	1 562 987
Other liabilities**	645 534	645 534	–
Total liabilities	18 094 331	1 165 220	16 929 111
Total equity and liabilities	19 719 981	2 790 870	16 929 111

	As at 28 February 2014		
	Total R000	Own balances R000	Client-related balances R000
ASSETS			
Equity securities	604 880	4 630	600 250
Debt securities	2 121 432	107 297	2 014 135
Unit-linked investments	10 218 629	346 833	9 871 796
Investment in investment contracts	505 444	–	505 444
Receivables including insurance receivables	2 129 358	162 451	1 966 907
Derivative financial instruments	21 190	–	21 190
Cash and cash equivalents (including money market investments)	709 184	663 500	45 684
Other assets*	1 065 623	1 065 623	–
Total assets	17 375 740	2 350 334	15 025 406
EQUITY			
Equity attributable to owners of the parent	1 088 541	1 088 541	–
Non-controlling interest	86 222	86 222	–
Total equity	1 174 763	1 174 763	–
LIABILITIES			
Borrowings	412 188	110 618	301 570
Investment contracts	12 692 768	–	12 692 768
Third-party liabilities arising on consolidation of mutual funds	372 169	–	372 169
Derivative financial instruments	28 406	–	28 406
Trade and other payables	2 129 914	499 421	1 630 493
Other liabilities**	565 532	565 532	–
Total liabilities	16 200 977	1 175 571	15 025 406
Total equity and liabilities	17 375 740	2 350 334	15 025 406

* *Other assets consist of property and equipment, investment property, intangible assets, investment in associated companies, investment in joint ventures, current and deferred income tax assets, loans and advances, reinsurance assets, deferred acquisition costs and non-current assets held for sale.*

** *Other liabilities consist of deferred reinsurance acquisition revenue, current and deferred income tax liabilities, insurance contracts and non-current liabilities held for sale.*

In order to evaluate the consolidated income statement of the group, the Manco segregates the income statement by eliminating the impact of the linked investment policies issued and the consolidation of the collective investment schemes from the core operations in the group.

A subsidiary of the group, PSG Life Limited, is a linked insurance company and issues linked policies to policyholders (where the value of policy benefits is directly linked to the fair value of the supporting assets), and as such does not expose the group to the market risk of fair value adjustments on the financial asset as this risk is assumed by the policyholder.

The group consolidates collective investment schemes in terms of IFRS 10 – Consolidated Financial Statements, over which the group has control. The consolidation of these funds does not impact total earnings, comprehensive income, shareholders' funds or the net asset value of the group; however, it requires the group to recognise the income statement impact as part of that of the group.

Segment reporting
for the year ended 28 February 2015

	Year ended 28 February 2015			Year ended 28 February 2014		
	Total R000	Core business R000	Linked investment business and other R000	Total R000	Core business R000	Linked investment business and other R000
Commission and other fee income	2 138 855	2 114 106	24 749	1 805 142	1 787 617	17 525
Investment income	499 554	158 201	341 353	380 034	116 484	263 550
Net fair value gains and losses on financial instruments	1 209 661	12 817	1 196 844	1 171 564	4 498	1 167 066
Fair value adjustment to investment contract liabilities	(1 406 791)	–	(1 406 791)	(1 239 669)	–	(1 239 669)
Other*	573 321	572 946	375	440 365	440 365	–
Total income	3 014 600	2 858 070	156 530	2 557 436	2 348 964	208 472
Insurance claims and loss adjustment expenses	(561 548)	(561 293)	(255)	(440 401)	(437 053)	(3 348)
Fair value adjustment to third-party liabilities	(41 525)	–	(41 525)	(79 387)	–	(79 387)
Other**	(1 767 544)	(1 755 855)	(11 689)	(1 521 391)	(1 521 391)	–
Total expenses	(2 370 617)	(2 317 148)	(53 469)	(2 041 179)	(1 958 444)	(82 735)
Total profit from associated companies and joint ventures	954	954	–	6 151	6 151	–
Profit before finance costs and taxation	644 937	541 876	103 061	522 408	396 671	125 737
Finance costs***	(119 905)	(44 118)	(75 787)	(138 771)	(35 728)	(103 043)
Profit before taxation	525 032	497 758	27 274	383 637	360 943	22 694
Taxation	(163 234)	(135 960)	(27 274)	(117 677)	(94 983)	(22 694)
Profit for the year	361 798	361 798	–	265 960	265 960	–
Attributable to:						
Owners of the parent	340 401	340 401	–	249 258	249 258	–
Non-controlling interest	21 397	21 397	–	16 702	16 702	–
	361 798	361 798	–	265 960	265 960	–

* *Other consists of net insurance premium revenue and other operating income.*

** *Other consists of insurance claims and loss adjustment expenses recovered from reinsurers, commission paid, depreciation and amortisation, employee benefit expenses, marketing, administration and other expenses.*

*** *Finance cost on core business increased from 2014 largely due to the increase in the loan facilities provided to clients on their share portfolios at PSG Securities (secured by the underlying JSE Top 100 equity securities held in excess of four times the value of the loan facilities). This increase was countered by the decrease in finance cost paid on external debt (excluding the finance lease) as these were repaid in full during the 2015 financial year.*

* *Other consists of net insurance premium revenue and other operating income.*

** *Other consists of insurance claims and loss adjustment expenses recovered from reinsurers, commission paid, depreciation and amortisation, employee benefit expenses, marketing, administration and other expenses.*

*** *Finance cost on core business increased from 2014 largely due to the increase in the loan facilities provided to clients on their share portfolios at PSG Securities (secured by the underlying JSE Top 100 equity securities held in excess of four times the value of the loan facilities). This increase was countered by the decrease in finance cost paid on external debt (excluding the finance lease) as these were repaid in full during the 2015 financial year.*

Notes to the annual financial statements
for the year ended 28 February 2015

	Trademarks R000	Goodwill R000	Deferred acquisition costs R000	Customer relationships R000	Other intangibles R000	Total R000
1. INTANGIBLE ASSETS						
As at 28 February 2015						
Cost	9 989	477 966	12 910	599 866	50 931	1 151 662
Accumulated amortisation and impairment	(9 989)	(89 586)	(4 077)	(152 957)	(35 517)	(292 126)
Balance at end of year	–	388 380	8 833	446 909	15 414	859 536
Reconciliation						
Balance at beginning of year	–	399 652	6 450	295 670	20 164	721 936
Additions	–	–	3 350	185 095	2 432	190 877
Disposals	–	–	–	(2 027)	(53)	(2 080)
Reclassification to non-current assets held for sale	–	(11 272)	–	(2 450)	(25)	(13 747)
Amortisation	–	–	(967)	(29 379)	(7 104)	(37 450)
Balance at end of year	–	388 380	8 833	446 909	15 414	859 536
As at 28 February 2014						
Cost	9 989	498 426	9 560	418 622	48 602	985 199
Accumulated amortisation and impairment	(9 989)	(98 774)	(3 110)	(122 952)	(28 438)	(263 263)
Balance at end of year	–	399 652	6 450	295 670	20 164	721 936
Reconciliation						
Balance at beginning of year	–	402 971	3 941	302 846	22 766	732 524
Additions	–	–	3 227	15 589	3 473	22 289
Disposals	–	–	–	–	(19)	(19)
Disposal of books of business	–	(3 319)	–	(2 461)	–	(5 780)
Amortisation	–	–	(718)	(20 304)	(6 056)	(27 078)
Balance at end of year	–	399 652	6 450	295 670	20 164	721 936

Included in other intangibles is computer software to the value of R15.0 million (2014: R19.7 million).

Internally developed software

Included in the computer software carrying amount (as disclosed under other intangibles), is an amount of R9.4 million (2014: R9.9 million) representing internally developed software.

1. INTANGIBLE ASSETS (continued)

Included in customer relationships are the following material individual intangible assets and their respective remaining amortisation period:

	REMAINING AMORTISATION PERIOD 2015 R000	2014 R000	CARRYING VALUE 2015 R000	2014 R000
Wealth adviser office (no. 1)	19 years	–	51 779	–
Multinet Makelaars	11 years and 1 month	12 years and 1 month	43 784	47 720
Wealth adviser office (no. 2)	19 years	–	38 299	–
Diagonal Street Financial Services	15 years and 6 months	16 years and 6 months	18 267	19 447
Tlotlisa Securities (T-Sec)	14 years and 2 months	15 years and 2 months	17 000	18 200
PSG Short-Term Administration	11 years and 2 months	12 years and 2 months	14 978	16 317
Multifund	15 years	16 years	14 319	16 210
PSG Konsult Insurance Solutions	15 years	16 years	13 200	14 080
			211 626	131 974

The above customer relationships relate to the original acquisitions of the respective books of business and/or entities, and as a result of the restructuring, now form part of larger cash-generating units (CGUs) for impairment testing purposes. The largest three customer relationships of the group, namely our short-term distribution branches, our short-term administration business and short-term licence business, forms part of the PSG Insure segment and have carrying values of R89.4 million (2014: R95.9 million), R28.9 million (2014: R31.2 million) and R22.2 million (2014: R23.7 million) on 28 February respectively.

Detail of impairment test performed

For impairment testing purposes, goodwill is allocated to cash-generating units (CGU) at the lowest level of operating activity to which it relates, and is therefore not combined at a group level.

The subsidiaries to which the goodwill balance as at 28 February relate to:	2015 R000	2014 R000
PSG Wealth Financial Planning Proprietary Limited	249 630	249 630
PSG Trust Proprietary Limited	164	164
PSG Namibia Proprietary Limited	2 238	2 238
PSG Securities Limited (previously Online Securities Limited)	24 503	24 503
PSG Employee Benefits Limited	10 203	21 475
PSG Invest Proprietary Limited	10 896	10 896
PSG Asset Management Proprietary Limited	8 719	8 719
PSG Life Limited	7 832	7 832
Western Group Holdings Limited (including PSG Konsult Insurance Solutions Proprietary Limited)*	74 195	74 195
	388 380	399 652

* *For impairment testing purposes, the goodwill recognised with the acquisition of the majority stake in PSG Konsult Insurance Solutions Proprietary Limited, the group's short-term underwriting business, is directly linked to the reinsurance agreement in place between Western Group Holdings Limited and a third-party insurance company, and therefore assessed together.*

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1. INTANGIBLE ASSETS (continued)

The largest three goodwill allocations to cash-generating units (CGUs) of the group and their respective carrying values at 28 February were the goodwill allocated to our short-term distribution branches (2015: R115.3 million; 2014: R115.3 million) and the short-term insurance business (2015: R74.2 million; 2014: R74.2 million), which forms part of the PSG Insure segment, and to the Advance Wealth Management adviser business (2015: R50.3 million; 2014: R50.3 million) which forms part of the PSG Wealth segment.

Impairment indicator evaluation performed

When goodwill is evaluated for impairment on an annual basis, the carrying value is assessed using a price-earnings ratio basis whereby the price-earnings ratio is multiplied by the current year earnings of the CGU to which the goodwill can be allocated on a reasonable basis. Price-earnings ratios used by management are determined with reference to similar listed companies as well as recent transactions that occurred within the PSG Konsult Group. The range of price-earnings ratios used varied from 5.0 to 7.5 (2014: 5.0 to 7.5).

Trademarks were evaluated for impairment using the most recent price-earnings ratios for similar transactions in the market. The trademarks were impaired in full during the 2013 financial year.

Customer relationships were evaluated for impairment using the most recent price-earnings ratios for similar transactions in the market. The range of price-earnings ratios used vary from 5.0 to 10.0 with an average of 7.5 (2014: 5.0 to 10.0 with an average of 7.5).

Critical accounting estimates and judgements

Based on the impairment indicator tests described above, where impairment indicators were identified, management assessed the recoverable amount of the CGUs based on value-in-use calculations of the various CGUs. These calculations use cash flow projections based on financial budgets approved by management covering no longer than a five-year planning period. Where appropriate, cash flows were extrapolated into perpetuity by using a terminal growth rate model.

A key input used in the models to determine the value-in-use of the CGUs is the pre-tax discount rate applied to management's forecast cash flows, which reflects the current market assessments of time value of money and the risk specific to the CGU. The assumptions have been disclosed below:

	2015 %	2014 %
Risk-free rate (2015: R209; 2014: R207)	8.2	8.2
Tax rate	28.0	28.0
Growth rate	3.0	3.0
Terminal growth rate	3.0	3.0
Discount rate	18.7	19.5

The carrying value of the intangible assets were carefully assessed at 28 February 2015 and 28 February 2014, and management does not deem any of the intangible assets to be impaired.

1. INTANGIBLE ASSETS (continued)

Customer relationships are amortised over a period of 20 years which represents management's best estimate of the period over which economic benefits are expected to be derived. The amortisation charge on the customer relationships for the year ending 28 February 2015 was R29.4 million (2014: R20.3 million). The amortisation charge of intangible assets is sensitive to the useful life, which is illustrated in the table below:

Assumptions	Years	Scenario 1 Years	Scenario 2 Years	Scenario 1 Amortisation charge on customer relationships would have increased to R000	Scenario 2 Amortisation charge on customer relationships would have increased to R000
28 February 2015					
Amortisation period	20	15	10	39 035	58 535
28 February 2014					
Amortisation period	20	15	10	26 803	40 204

	Owner-occupied buildings R000	Motor vehicles R000	Office equipment R000	Computer equipment R000	Total R000
2. PROPERTY AND EQUIPMENT					
As at 28 February 2015					
Cost	4 313	721	51 268	65 296	121 598
Accumulated depreciation and impairment	(422)	(677)	(35 944)	(42 282)	(79 325)
Balance at end of year	3 891	44	15 324	23 014	42 273
Reconciliation					
Balance at beginning of year	4 022	81	17 774	25 713	47 590
Additions	–	–	5 041	8 200	13 241
Disposals	–	–	(27)	(261)	(288)
Depreciation	(131)	(37)	(7 352)	(10 452)	(17 972)
Reclassified to non-current assets held for sale	–	–	(112)	(187)	(299)
Exchange differences	–	–	–	1	1
Balance at end of year	3 891	44	15 324	23 014	42 273

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	Owner-occupied buildings R000	Motor vehicles R000	Office equipment R000	Computer equipment R000	Total R000
2. PROPERTY AND EQUIPMENT (continued)					
As at 28 February 2014					
Cost	4 313	721	48 492	60 210	113 736
Accumulated depreciation and impairment	(291)	(640)	(30 718)	(34 497)	(66 146)
Balance at end of year	4 022	81	17 774	25 713	47 590
Reconciliation					
Balance at beginning of year	4 155	225	12 876	10 099	27 355
Additions	–	46	11 259	24 144	35 449
Disposals	–	(63)	(170)	(1 462)	(1 695)
Depreciation	(133)	(127)	(6 203)	(7 055)	(13 518)
Disposal of subsidiaries	–	–	(5)	(28)	(33)
Exchange differences	–	–	17	15	32
Balance at end of year	4 022	81	17 774	25 713	47 590

Depreciation expense of R18.0 million (2014: R13.5 million) has been charged as part of depreciation and amortisation as disclosed in note 31.2.

Owner-occupied buildings comprise Unit 209 and Unit 211 of a sectional title development, known as The Cliffs. The building is situated on Erf 39279, Bellville, Cape Town.

Included in office equipment and computer equipment are assets held under finance leases (refer to note 21):

	Computer equipment		Office equipment	
	2015 R000	2014 R000	2015 R000	2014 R000
Cost	15 305	15 305	–	1 688
Accumulated depreciation and impairment	(4 145)	(319)	–	(1 688)
Net carrying value at end of year	11 160	14 986	–	–

	2015 R000	2014 R000
3. INVESTMENT PROPERTY		
As at 28 February		
Cost	2 036	2 036
Fair value adjustments	209	209
Balance at end of year	2 245	2 245
Reconciliation		
Balance at beginning of year	2 245	2 036
Acquisition of subsidiaries	–	4 975
Disposals	–	(4 500)
Cost	–	(4 975)
Fair value adjustments	–	475
Fair value adjustments	–	(266)
Balance at end of year	2 245	2 245

Investment property comprises the following:

The group invested in an office building, which includes Unit 210 of a sectional title development, known as The Cliffs. The building is situated on Erf 39279, Bellville, Cape Town. The property was valued by Mr PJ Erasmus from Capitol Commercial Properties on 18 February 2014 and the value was adjusted accordingly in the 2014 financial year. The directors assessed the value of the property at 28 February 2015 and concluded that no fair value adjustment was required.

The most significant input in the valuation of the office building is the price per square metre (2015: average of R13 000 per square metre; 2014: average of R13 000 per square metre).

Rental income and direct operating expenditure relating to the building are included in profit and loss and were:

	2015 R000	2014 R000
Rental income	327	306
Direct operating expenditure	(37)	(32)
	290	274

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	2015 R000	2014 R000
4. INVESTMENT IN ASSOCIATED COMPANIES		
Carrying value of ordinary share investments		
Unlisted	39 562	39 548
	39 562	39 548
Reconciliation		
Balance at beginning of year	39 548	43 031
Share of profits after taxation	40	3 118
Impairment charges	–	(342)
Movement in investment value	(26)	(6 259)
Disposal of associated companies	–	(6 601)
Impairments against loans granted to associated companies	–	342
Reversal of impairments against loans granted to associated companies	(26)	–
Carrying value at end of year	39 562	39 548
At cost	39 562	39 548
Goodwill included in carrying value	–	–

Acquisitions

No acquisitions of an investment in associated companies occurred during the 2015 and 2014 financial years.

Disposals

2015

No disposal of an investment in associated companies occurred during the 2015 financial year.

2014

Effective 1 March 2013, the group, through its subsidiary PSG Fixed Income and Commodities Proprietary Limited, sold its 38% interest held in Axon Xchange Proprietary Limited for R4.5 million, resulting in non-headline profit of R0.03 million.

Effective 1 April 2013 and 1 May 2013, the group, through its subsidiary Western Group Holdings Limited, sold its 25% interest held in Purple Line Plastics Proprietary Limited and its 26% interest held in JWR Holdings Proprietary Limited for R2.1 million and R0.5 million, resulting in non-headline profits of R0.04 million and R0.3 million respectively.

Effective 1 August 2013, the group, through its subsidiary Western Group Holdings Limited sold its 34% interest held in Excluwin Traders Proprietary Limited for R4.0 million, resulting in non-headline profit of R3.5 million.

Effective 1 November 2013, the group, through its subsidiary Abrafield Proprietary Limited, acquired an additional 35% interest in Cinetaur Proprietary Limited (Cinetaur) for R350. The investment in this associated company was derecognised on 31 October 2013 as the group obtained control over this company. Cinetaur was treated as a subsidiary from 1 November 2013 and fully consolidated from that date. This step acquisition resulted in a non-headline loss of R0.1 million.

4. INVESTMENT IN ASSOCIATED COMPANIES (continued)

Impairments

Any impairment charges recognised on the investment in associated companies will be calculated on the basis set out in the accounting policy, and making use of the assumptions set out in the note below.

Impairment assessments are performed relating to investments in associated companies using the following valuation techniques when calculating the estimated fair value less cost to sell:

- Discounted cash flows were applied for companies with established cash flow history
- Price-earnings ratios were applied to projected profits after tax for newly established or acquired companies.

The following key assumptions were used in the performance of the fair value calculations:

	2015	2014
Price-earnings (PE) ratios	5.0 – 7.5	5.0 – 7.5

No investment in associated companies was considered to be impaired during the financial year (2014: R0.3 million). A reversal of a portion of the prior year impairment was done during the current financial year (2014: Rnil).

Refer to Annexure B for further information regarding associated companies.

The table below analyses the loans to associated companies and the terms of these loans:

Loans granted to associated companies	Secured (Yes/No)	Interest rate	Repayment terms	2015 R000	2014 R000
Woodwind Proprietary Limited	No	Interest-free	None*	1 172	1 086
Prexision Asset Finance Proprietary Limited	No	Prime plus 4%	None*	–	835
Make-a-Million Online Proprietary Limited	No	Interest-free	None*	66	39
				1 238	1 960
Current portion				1 238	1 960
Non-current portion				–	–
				1 238	1 960

* *No fixed repayment terms. These loans are included under note 14 (Receivables including insurance receivables).*

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	2015 R000	2014 R000
5. INVESTMENT IN JOINT VENTURES		
Carrying amount of ordinary share investments		
Unlisted	12 971	12 057
	12 971	12 057
Reconciliation		
Carrying amount at beginning of year	12 057	8 682
Share of profit after taxation	914	3 375
Carrying amount at end of year	12 971	12 057
As at 28 February		
Shares at cost	8 524	8 524
Share of profits and reserves since acquisition	4 447	3 533
Balance at end of year	12 971	12 057
*Loan granted to joint venture**	3 429	3 285
Jan Jonker Property Investment Trust		
Unsecured loan bearing interest at Namibian prime rate plus 2% (2014: Namibian prime rate plus 2%) and has no repayment terms	3 429	3 285

* *The loan granted to the joint venture is recoverable on demand and is included under note 14 (Receivables including insurance receivables).*

PSG Konsult Limited obtained the investment in Jan Jonker Property Investment Trust through the acquisition of the subsidiary, Western Group Holdings Limited, on 1 November 2012.

Impairments

Impairment assessments are performed relating to investment in joint venture using the following valuation techniques when calculating the estimated fair value less cost to sell:

- Discounted cash flows were applied for companies with established cash flow history.
- Price-earnings ratios were applied to projected profits after tax for newly established or acquired companies.

The following key assumptions were used in the performance of the fair value calculations:

	2015	2014
Price-earnings ratios	5.0	5.0

The investment in joint venture is not considered to be impaired (2014: Rnil).

Refer to Annexure C for further information regarding joint ventures.

	2015 R000	2014 R000
6. DEFERRED INCOME TAX		
Deferred income tax assets	87 674	52 101
Deferred income tax liabilities	(53 610)	(53 423)
Net deferred income tax assets/(liabilities)	34 064	(1 322)
Deferred income tax assets		
To be recovered within 12 months	53 809	26 415
To be recovered after 12 months	33 865	25 686
	87 674	52 101
Deferred income tax liabilities		
To be recovered within 12 months	(17 121)	(13 102)
To be recovered after 12 months	(36 489)	(40 321)
	(53 610)	(53 423)
The gross movement on the deferred income tax is as follows:		
As at 1 March	(1 322)	(29 210)
Other movements	38	657
Disposal of books of business	180	511
Disposal of subsidiaries	–	(319)
Acquisition of subsidiaries	–	81
Reclassification to non-current assets and liabilities held for sale	(236)	–
Tax credit to equity	32 516	11 190
Charges to profit and loss	2 888	15 768
As at 28 February	34 064	(1 322)

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6. DEFERRED INCOME TAX (continued)

The movement in the deferred tax assets and liabilities during the year was as follows:

Deferred tax assets	Deferred revenue R000	Provisions R000	Tax losses carried forward R000	Accruals not currently deductible and other differences R000	Total R000
As at 1 March 2013	10 875	4 497	19 876	32 346	67 594
(Charges)/credit to profit and loss	(4 288)	19 070	624	10 881	26 287
Credit to equity	–	11 190	–	–	11 190
Other movements	–	631	22	220	873
Disposal of subsidiaries	–	–	(315)	(4)	(319)
Acquisition of subsidiaries	–	–	81	–	81
As at 28 February 2014	6 587	35 388	20 288	43 443	105 706
(Charges)/credit to profit and loss	(2 279)	10 400	(4 867)	17 744	20 998
Credit to equity	–	32 516	–	–	32 516
Other movements	–	39	(1)	(1)	37
Reclassified to non-current assets held for sale	–	–	(205)	–	(205)
As at 28 February 2015	4 308	78 343	15 215	61 186	159 052

Deferred tax liabilities	Deferred acquisition cost R000	Prepaid expenses R000	Unrealised appreciation of investments R000	Other intangible assets R000	Foreign exchange and other R000	Total R000
As at 1 March 2013	–	(1 053)	(14 859)	(65 170)	(15 722)	(96 804)
(Charges)/credit to profit and loss	(1 773)	128	(10 457)	3 727	(2 144)	(10 519)
Disposal of books of business*	–	–	–	511	–	511
Other movements	–	(162)	–	–	(54)	(216)
As at 28 February 2014	(1 773)	(1 087)	(25 316)	(60 932)	(17 920)	(107 028)
(Charges)/credit to profit and loss	(701)	(381)	(14 708)	4 281	(6 601)	(18 110)
Disposal of books of business*	–	–	–	180	–	180
Reclassified to non-current assets held for sale	–	–	–	(31)	–	(31)
As at 28 February 2015	(2 474)	(1 468)	(40 024)	(56 502)	(24 521)	(124 989)

* *Represent movements through income statement.*

	2015 R000	2014 R000
6. DEFERRED INCOME TAX (continued)		
Total accumulated losses available for which no deferred tax asset has been raised:	1 573	1 273
	1 573	1 273

Creation of deferred tax assets and recognition of deferred tax liabilities

The deferred income tax assets and liabilities were calculated in full on all temporary differences under the liability method using an effective tax rate of 28% (2014: 28%) in South Africa and the official tax rates in the foreign subsidiaries where applicable. No deferred tax asset was raised for STC credits during the current financial year as STC was replaced by Dividends Withholding Tax during the 2013 financial year. No STC credits available at year-end to utilise against dividends payable by the company before 31 March 2015 (2014: Rnil).

The recoverability of the deferred income tax assets were assessed as set out in the accounting policies. Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through the future taxable profits is possible.

Deferred tax asset of R15.2 million (2014: R20.3 million) raised due to tax losses relates to subsidiaries that have suffered a loss in either the current or preceding year. Based on approved budgets prepared by management of these subsidiaries, the group considers it probable that the deferred tax asset will be used against future taxable profits.

	2015 R000	2014 R000
7. EQUITY SECURITIES		
Direct equity investments	70 371	4 631
Quoted – Listed	69 526	3 786
Unquoted	845	845
Investments linked to investment contracts (refer to note 22)	955 147	600 249
Quoted – Listed	955 147	600 249
	1 025 518	604 880

Included in quoted equity securities are listed investments to the value of R1 024.7 million (2014: R604.0 million). Quoted securities were valued based on the quoted bid prices as listed on the Johannesburg Stock Exchange (JSE) as well as offshore stock exchanges.

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	Fair value through profit or loss R000	Total R000
7. EQUITY SECURITIES (continued)		
Quoted – Listed		
Reconciliation		
Carrying amount at 1 March 2013	616 088	616 088
Additions	347 662	347 662
Disposals	(475 056)	(475 056)
Deconsolidation of mutual funds	(16 876)	(16 876)
Unrealised fair value net gains and reinvestments	132 217	132 217
Carrying amount at 28 February 2014	604 035	604 035
Additions	599 458	599 458
Disposals	(307 369)	(307 369)
Unrealised fair value net gains and reinvestments	126 552	126 552
Exchange differences	975	975
Realised gains	1 022	1 022
Carrying amount at 28 February 2015	1 024 673	1 024 673
Quoted – Unlisted		
Reconciliation		
Carrying amount at 1 March 2013	395 840	395 840
Disposals	(395 840)	(395 840)
Carrying amount at 28 February 2014	–	–
Carrying amount at 28 February 2015	–	–

	Available-for-sale R000	Total R000
Unquoted		
Reconciliation		
Carrying amount at 1 March 2013	845	845
Carrying amount at 28 February 2014	845	845
Carrying amount at 28 February 2015	845	845

The fair value of the unquoted securities classified as available-for-sale is valued at the ruling prices for acquiring similar rights less any transaction costs.

The group determines that available-for-sale equity instruments are impaired and recognised as such in the income statement when there has been significant and prolonged decline in the fair value below their cost. As at 28 February 2014 and 28 February 2015, the group had no financial instruments with fair values below cost where the decline was considered significant or prolonged.

	2015 R000	2014 R000
Current portion	206 453	69 430
Non-current portion	819 065	535 450
	1 025 518	604 880

	2015 R000	2014 R000
8. DEBT SECURITIES		
Direct investments	805 220	444 706
Quoted – Listed	447 483	21 441
Quoted – Unlisted	357 737	423 265
Investments linked to investment contracts (refer to note 22)	800 198	1 676 726
Quoted – Listed	29 056	32 036
Quoted – Unlisted	736 675	1 407 343
Unquoted	34 467	237 347
	1 605 418	2 121 432

Included in quoted debt securities are listed investments to the value of R476.5 million (2014: R53.5 million).

	Fair value through profit or loss R000	Total R000
Quoted – Listed		
Reconciliation		
Carrying amount at 1 March 2013	97 314	97 314
Additions	41 505	41 505
Disposals	(61 695)	(61 695)
Maturities	(23 956)	(23 956)
Unrealised fair value net gains and reinvestments	125	125
Realised losses	(322)	(322)
Finance income	506	506
Carrying amount at 28 February 2014	53 477	53 477
Additions	487 903	487 903
Disposals	(253 515)	(253 515)
Maturities	(17 435)	(17 435)
Unrealised fair value net gains and reinvestments	176 935	176 935
Realised losses	(358)	(358)
Finance income	29 532	29 532
Carrying amount at 28 February 2015	476 539	476 539

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	Held-to-maturity R000	Fair value through profit or loss R000	Total R000
8. DEBT SECURITIES (continued)			
Quoted – Unlisted			
Reconciliation			
Carrying amount at 1 March 2013	1 284 159	379 874	1 664 033
Additions	18 785	981 036	999 821
Disposals	–	(639 896)	(639 896)
Consolidation of mutual funds	–	243 563	243 563
Deconsolidation of mutual funds	–	(23 422)	(23 422)
Maturities	(528 856)	(34 987)	(563 843)
Unrealised fair value net gains and reinvestments	–	34 117	34 117
Finance income	114 085	2 804	116 889
Realised losses	–	(438)	(438)
Interest and dividends accrued	–	(216)	(216)
Carrying amount at 28 February 2014	888 173	942 435	1 830 608
Additions	–	677 770	677 770
Disposals	(228 417)	(1 009 791)	(1 238 208)
Maturities	–	(46 523)	(46 523)
Unrealised fair value net losses and reinvestments	–	(208 012)	(208 012)
Finance income	75 787	–	75 787
Impairment charges	(14 201)	–	(14 201)
Realised gains	–	518	518
Interest and dividends accrued	–	16 673	16 673
Carrying amount at 28 February 2015	721 342	373 070	1 094 412
Unquoted			
Reconciliation			
Carrying amount at 1 March 2013	–	250 137	250 137
Additions	–	45 052	45 052
Disposals	–	(43 855)	(43 855)
Unrealised fair value net losses and reinvestments	–	(13 987)	(13 987)
Carrying amount at 28 February 2014	–	237 347	237 347
Additions	50 871	18 561	69 432
Disposals	(18 227)	(280 191)	(298 418)
Unrealised fair value net gains and reinvestments	1 823	23 361	25 184
Realised gains	–	922	922
Carrying amount at 28 February 2015	34 467	–	34 467

8. DEBT SECURITIES (continued)

The fair value of the unquoted debt securities is based on discounted cash flow valuation methodologies using market interest rates and the risk premium specific to the unquoted securities, or is determined by comparing it to the value of the underlying investments.

	2015 R000	2014 R000
Current portion	259 000	592 525
Non-current portion	1 346 418	1 528 907
	1 605 418	2 121 432

	2015 R000	2014 R000
9. UNIT-LINKED INVESTMENTS		
Direct investments	243 552	359 617
Quoted – Unlisted	233 552	359 617
Unquoted	10 000	–
Investments linked to investment contracts (refer to note 22)	12 102 096	9 859 012
Quoted – Unlisted	10 995 440	7 608 536
Unquoted	1 106 656	2 250 476
	12 345 648	10 218 629

None (2014: Rnil) of the quoted unit-linked investments are listed.

	Fair value through profit or loss R000	Total R000
Quoted – Unlisted		
Reconciliation		
Carrying amount at 1 March 2013	4 782 200	4 782 200
Additions	5 908 642	5 908 642
Disposals	(3 596 719)	(3 596 719)
Consolidation of mutual funds	(70 386)	(70 386)
Deconsolidation of mutual funds	19 485	19 485
Unrealised fair value net gains and reinvestments	915 297	915 297
Realised profits	761	761
Interest and dividends accrued	8 873	8 873
Carrying amount at 28 February 2014	7 968 153	7 968 153
Additions	5 318 944	5 318 944
Disposals	(3 230 259)	(3 230 259)
Unrealised fair value net gains and reinvestments	1 137 505	1 137 505
Realised profits	27 584	27 584
Interest and dividends accrued	7 065	7 065
Carrying amount at 28 February 2015	11 228 992	11 228 992

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	Fair value through profit or loss R000	Total R000
9. UNIT-LINKED INVESTMENTS (continued)		
Unquoted		
Reconciliation		
Carrying amount at 1 March 2013	2 019 813	2 019 813
Additions	1 511 226	1 511 226
Disposals	(1 459 808)	(1 459 808)
Unrealised fair value net gains and reinvestments	179 245	179 245
Carrying amount at 28 February 2014	2 250 476	2 250 476
Additions	3 275 868	3 275 868
Disposals	(4 482 361)	(4 482 361)
Unrealised fair value net gains and reinvestments	72 673	72 673
Carrying amount at 28 February 2015	1 116 656	1 116 656

Fair value of the unit-linked investments is determined by reference to the underlying assets taking into account any relevant credit risk associated with the underlying assets.

	2015 R000	2014 R000
Current portion	2 777 004	1 464 222
Non-current portion	9 568 644	8 754 407
	12 345 648	10 218 629

	2015 R000	2014 R000
10. INVESTMENT IN INVESTMENT CONTRACTS		
Reconciliation		
Balance at beginning of year	505 444	848 645
Investment contract premiums paid	1 514	10 386
Investment contracts benefits received	(220 910)	(427 742)
Interest charge	11 489	47 162
Fair value adjustment and reinvestments to investment contracts	40 671	26 993
Balance at end of year	338 208	505 444
Current portion	45 812	216 143
Non-current portion	292 396	289 301
	338 208	505 444
Fair value through profit or loss	226 305	260 397
Held-to-maturity	111 903	245 047
	338 208	505 444

Fair value of the investment in investment contracts is determined by reference to the underlying assets and all these investments are linked to investment contract liabilities (refer to note 22).

	2015 R000	2014 R000
11. LOANS AND ADVANCES		
Secured loans	30 382	32 976
Unsecured loans	85 543	76 551
Loans with non-controlling interests	468	468
	116 393	109 995
Current portion	77 893	66 109
Non-current portion	38 500	43 886
	116 393	109 995

The secured loans and a portion of the unsecured loans (2015: R0.2 million; 2014: R0.3 million) consist of loans to short-term insurance clients mainly through Hi-Five Corporate Finance Proprietary Limited, a subsidiary of Western Group Holdings Limited. These loans to clients accrue interest at rates ranging between 6.10% and 11.25% (2014: 5.90% and 12.10%). The repayment terms and conditions of the loans are negotiated on a case-by-case basis. Early settlement of loans is permitted, in which case the amount will be calculated as the outstanding capital plus any interest accrued until that date. The loan account can also be used as a drawdown facility whereby clients are allowed, subsequent to early settlement of the outstanding balance or a portion thereof, to require an additional advance, limited to a maximum of the original capital of the loan or the guarantee in place.

In order to manage credit risk arising on these loans and advances, loans are only made against fair-valued securities. The terms and conditions of the securities allow Hi-Five Corporate Finance Proprietary Limited to execute its security in case of default on the repayment terms and is entitled to the majority of the increase in the market value of the underlying investments and the dividends and interest received on these investments. The advances are impaired to the value of the underlying instruments should the market value of the instruments fall below the current value of the advances. The fair value of the collateral held in the form of warranties and guarantees was R29.7 million on 28 February 2015 (2014: R33.0 million). With respect to these loans where no collateral is held (2015: R0.2 million; 2014: R0.3 million), there are no indications as at the reporting date that these debtors will not meet their payment obligations.

Included under unsecured loans are balances of R0.5 million (2014: R5.0 million) that accrue interest and are repayable on demand. The effective-interest rates applied in the 2014 financial year to R1.1 million of these balances ranged between 7.52% and 10.52%. The remaining amount of R0.5 million (2014: R3.9 million) carries interest at the UK prime rate. These loans originated from the sale of the following associated companies: Karana Property Investments Proprietary Limited, Jamwa Beleggings Proprietary Limited and PSG Consult Limited in the prior financial years.

The remaining balance of the unsecured loans is due from financial advisers and is made up as follows: R44.7 million (2014: R54.0 million) is repayable by monthly instalments and the effective-interest rates applied range between 8.13% and 12.13% (2014: 7.52% and 10.52%); Rnil (2014: R0.002 million) is repayable by monthly instalments with a fixed interest (2014: fixed-interest rate of 10.50%) and R21.1 million (2014: R17.3 million) is interest-free and repayable on demand.

The remaining loans and advances are unsecured, interest-free and repayable on demand.

The individual loans and advances balances were assessed by management to determine whether there is any indication in the financial or other circumstances of the third party that would prevent them from repaying the specific loan or advance. No indication of impairment existed at year-end other than what is mentioned in this note.

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11. LOANS AND ADVANCES (continued)

As of 28 February 2015, loans and advances of R0.6 million (2014: R19.0 million) were past due but not impaired. This balance relates to a number of independent clients for whom there is no recent history of default. The ageing analysis of these loans and advances is as follows:

	2015 R000	2014 R000
Up to 2 months	–	3 021
2 to 6 months	–	1 337
6 to 12 months	598	14 651
	598	19 009

The maximum exposure to credit risk at the reporting date is the fair value of each class of the loans and advances mentioned above.

	2015 R000	2014 R000
12. DERIVATIVE FINANCIAL INSTRUMENTS		
Derivative financial assets	23 324	21 190
Derivative financial liabilities	(30 749)	(28 406)
Net derivative financial instruments	(7 425)	(7 216)
Derivative financial assets		
Current portion	23 324	21 190
Non-current portion	–	–
Derivative financial liabilities		
Current portion	(30 749)	(28 406)
Non-current portion	–	–
	(7 425)	(7 216)
Analysis of net derivative balance		
Equity contracts		
Contracts for difference (CFD)	(7 425)	(7 216)
	(7 425)	(7 216)
Reconciliation of net derivative balance		
Balance at beginning of year	(7 216)	(1 184)
Disposals	(209)	(6 032)
Balance at end of year	(7 425)	(7 216)

The fair value of the financial instruments that are trading on recognised over-the-counter (OTC) platforms is based on the closing price and classified as quoted instruments. The value of the CFD assets as reflected on the statement of financial position is derived from and corresponds directly to the closing JSE equity market price of the CFD's underlying listed instruments that clients hold.

The notional principal amounts of the outstanding contracts for difference at 28 February 2015 were R250.0 million (2014: R252.4 million).

Trading derivatives are classified as current financial assets and liabilities valued at fair value through profit or loss.

The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets in the statement of financial position.

	2015 R000	2014 R000
13. REINSURANCE ASSETS		
Reinsurers' share of insurance liabilities	77 413	66 248
Balance at beginning of year	66 248	50 883
Movement for the year	11 165	15 365
Total assets arising from reinsurance contracts	77 413	66 248
Current portion	77 413	66 248
Non-current portion	–	–
	77 413	66 248

Amounts due from reinsurers in respect of claims already paid by the group on the contracts that are reinsured, are included in receivables including insurance receivables (refer to note 14).

No reinsurance assets (2014: Rnil) were considered to be impaired.

	2015 R000	2014 R000
14. RECEIVABLES INCLUDING INSURANCE RECEIVABLES		
Trade receivables	108 244	72 180
Receivables due from related parties (refer to note 38)	71 346	48 586
Prepayments	10 784	6 318
Brokers and clearing houses and client accounts	1 871 853	1 925 858
Rental and other deposits	5 070	4 410
VAT receivable	5 206	5 698
Contracts for difference	19 887	24 228
Sundry debtors	2 320	5 273
	2 094 710	2 092 551
Insurance receivables		
Due from contract holders and reinsurers	38 426	36 807
Total receivables including insurance receivables*	2 133 136	2 129 358
Current portion	2 133 037	2 129 126
Non-current portion	99	232
	2 133 136	2 129 358

* *Includes non-financial assets of R16.0 million (2014: R12.0 million).*

All non-current receivables are due within five years from the end of the reporting period.

Receivables are assessed individually for any indications that the counterparty might not be able to honour its commitments. The provision for bad debt balance at 28 February 2015 was R1.4 million (2014: R0.7 million). The provision for bad debt relates to trade receivables. There were no other provisions relating to any of the other receivables.

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14. RECEIVABLES INCLUDING INSURANCE RECEIVABLES (continued)

Nominal value less impairment provision of trade receivables approximate its fair value.

Broker and clearing accounts represent amounts owing by the JSE for trades conducted during the last few days before the end of the financial year. These balances fluctuate on a daily basis depending on the activity in the market. Included in client accounts are balances of R439.2 million (2014: R301.6 million) which accrue interest at prime.

Included in receivables due from related parties are balances of R3.4 million (2014: R4.1 million) that accrue interest. The effective-interest rate applied to these balances is 12.00% (2014: range between 11.00% and 13.00%) and has no fixed repayment terms.

Contracts for difference consist of collateral assets and margin accounts held by the underlying banking institutions on behalf of clients and are valued at the carrying value after processing the daily market and interest adjustments. The balance on 28 February 2014 and 28 February 2015 only represents the margin receivable at year-end from the financial institutions and accrues interest at SAFEX plus 2%.

As of 28 February 2015, no receivables (2014: R0.2 million) were past due but not impaired. These receivables in the 2014 financial year related to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2015 R000	2014 R000
Up to 2 months	–	–
2 to 6 months	–	173
6 to 12 months	–	–
	–	173

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The group does not hold any collateral as security.

	2015 R000	2014 R000
15. CASH AND CASH EQUIVALENTS (INCLUDING MONEY MARKET INVESTMENTS)		
Cash at bank and in hand	538 815	399 031
Money market investments	333 127	195 291
Short-term deposits	100 301	114 862
	972 243	709 184

The effective-interest rate on cash and cash equivalents was 5.00% (2014: 4.32%). The money market investments and the short-term deposits have an average maturity of 30 days or less.

Cash and cash equivalents included above relating to investment contract liabilities amounted to R27.0 million (2014: R51.3 million). Refer to note 22.

16. NON-CURRENT ASSETS (OR DISPOSAL GROUPS) HELD FOR SALE

The assets and liabilities classified as held for sale relates to PSG Academy Proprietary Limited and Nhluvuko Risk Administration Proprietary Limited, which have been presented as held for sale following the approval by the group's management and shareholders to sell these non-core businesses.

	PSG Academy Proprietary Limited R000	Health insurance administration business R000	Total R000
Assets classified as held for sale			
Intangible assets – Goodwill	–	11 272	11 272
Intangible assets – Customer relationships and other	–	2 475	2 475
Property and equipment	128	171	299
Deferred income tax asset	236	–	236
Receivables including insurance receivables	621	–	621
Current income tax asset	73	–	73
Cash and cash equivalents (including money market investments)	8	2 767	2 775
Total	1 066	16 685	17 751
Liabilities classified as held for sale			
Trade and other payables	645	2 767	3 412
Total	645	2 767	3 412

PSG Konsult Limited sold 100% of its shareholding in PSG Academy Proprietary Limited, the group's private higher education institute, to Moonstone Information Refinery Proprietary Limited. PSG Academy Proprietary Limited made a loss after taxation of R0.7 million for the year ended 28 February 2015.

PSG Konsult Limited (through its subsidiary Nhluvuko Risk Administration Proprietary Limited) sold its health insurance administration business to African Unity Health Proprietary Limited. The health insurance administration business made a profit after taxation of R2.2 million for the year ended 28 February 2015, of which R1.6 million was attributable to equity holders.

The effective date of these transaction, subject to suspensive conditions, is 1 March 2015. The group expects to complete the sale of these businesses within 12 months of the year-end.

The net carrying amount of assets and associated liabilities classified as held for sale during the year was not written down.

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17. STATED/SHARE CAPITAL

Authorised

3 billion shares with no par value
(2014: 3 billion shares with no par value)

There were no changes to the authorised stated capital during the current reporting period (2014: no changes).

Issued	Number of shares (thousands)	Stated/ share capital R000	Share premium R000
As at 1 March 2013	1 209 582	12 096	1 093 831
Issue of ordinary shares	12 335	123	28 696
Share premium transferred upon conversion of shares to no par value shares	–	1 122 527	(1 122 527)
As at 28 February 2014	1 221 917	1 134 746	–
Issue of ordinary shares	40 567	190 365	–
As at 28 February 2015	1 262 484	1 325 111	–

The shares issued during the current financial year was to fulfil the group's obligation towards the share options which vested on 10 April 2014 and 1 July 2014 respectively, as well as the asset-for-share transaction detailed below.

An asset-for-share transaction was concluded on 1 March 2014 in terms of section 42 of the Income Tax Act, 58 of 1962 with various advisers within the PSG Konsult Limited Group, through a wholly owned subsidiary in the group, PSG Wealth Financial Planning Proprietary Limited. The transaction was settled through the issue of 35.8 million PSG Konsult shares, issued by the company at R4.50 and a R12.5 million cash payment by PSG Wealth Financial Planning Proprietary Limited to the advisers.

The shares issued during the previous financial year was to fulfil the group's obligation towards the share options which vested on 1 March 2013.

All shares issued by the company were fully paid. 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 under general approval, subject to certain limitations and the JSE Listings Requirements.

The shares bought back as treasury shares during the prior financial years by PSG Management Services Proprietary Limited are reflected as a deduction against equity. Refer to note 43 for the share analysis.

	Treasury shares	
Analysis of treasury shares:	Number of shares (thousands)	R000
As at 1 March 2013	400	620
Reissue of treasury shares	(42)	(74)
As at 28 February 2014	358	546
As at 28 February 2015	358	546

17. STATED/SHARE CAPITAL (continued)

Share incentive scheme

During the current and prior financial years, the group operated an equity-settled share incentive scheme in terms of the PSG Konsult Group Share Incentive Scheme (number of grants under current scheme – 2015: seven; 2014: five). In terms of the scheme, share options are granted to executive directors, senior and middle management.

In terms of the share incentive scheme, share options are allocated to participants at grant date at market price. The settlement of the purchase consideration payable by the employee in terms of the share options granted occurs on delivery. The only vesting requirement is that the employee must remain in the employment of the group at the relevant tranche vesting date in order to exercise options.

The assumptions made regarding share options issued are set out in this note.

The total equity-settled share-based payment costs recognised in the income statement for the scheme amounted to R11.6 million (2014: R5.9 million). The share-based payment cost expensed during the year was credited to other reserves (as part of equity – refer to note 18).

The weighted average strike price of share options exercised in terms of the equity-settled share scheme during the year under review was R1.57 per share (2014: R1.54 per share).

The total fair value of the 112.3 million share options granted is R46.0 million (2014: 87.1 million share options granted with fair value of R 22.8 million) and was determined using the Black-Scholes valuation model.

Vesting of shares occurs as follows:	%
2 years after grant date	25
3 years after grant date	25
4 years after grant date	25
5 years after grant date	25
	100

Granting of share options occurred as follows:	Number of share options	Strike price R	Volatility used* %	Dividend yield %	Risk-free rate %	Fair value of share price R
1 March 2011**	27 761 084	1.54	4.74	5.65	7.89	1.75
1 July 2012***	11 753 248	1.83	2.93	5.85	7.38	1.85
1 March 2013****	46 250 000	2.83	30.00	6.00	6.20	2.40
1 June 2013	1 000 000	2.80	24.00	4.20	7.26	2.55
1 August 2013	300 000	3.40	24.00	3.46	7.26	3.50
1 March 2014*****	25 000 000	5.06	29.25	2.23	8.07	4.30
1 April 2014	240 000	0.00	29.25	2.23	8.07	4.30
	112 304 332					

* *Volatility set at historic trend levels of PSG Konsult shares.*

** *During the 2015 financial year. 4.4 million shares vested with a weighted average strike price of R1.54 per share, and 0.8 million shares were cancelled (2014: 12.3 million shares vested with a weighted average strike price of R1.54 per share, and 2.4 million shares were cancelled).*

*** *During the 2015 financial year, 0.4 million shares vested with a weighted average strike price of R1.83 per share.*

**** *During the 2015 financial year, 5.0 million shares were cancelled.*

***** *During the 2015 financial year, 2.1 million shares were cancelled.*

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17. STATED/SHARE CAPITAL (continued)

Share incentive scheme (continued)

Analysis of outstanding scheme shares by financial year of maturity:	2015 Weighted average strike price (R)	2015 Number	2014 Weighted average strike price (R)	2014 Number
28 February 2015	–	–	1.66	7 271 992
29 February 2016	2.31	21 639 299	2.39	19 159 492
28 February 2017	3.05	23 347 250	2.39	19 159 492
28 February 2018	3.35	18 568 312	2.63	14 825 813
28 February 2019	3.65	15 550 000	2.83	11 887 500
29 February 2020	5.06	5 725 000	–	–
		84 829 861		72 304 289

	PSG Konsult Limited ordinary shares 2015 Number	PSG Konsult Limited ordinary shares 2014 Number
Number of share options allocated at beginning of the year	72 304 289	39 514 332
Number of share options cancelled during the year	(7 942 435)	(2 424 886)
Number of share options vested during the year	(4 771 993)	(12 335 157)
Number of share options allocated during the year	25 240 000	47 550 000
Number of share options allocated at end of the year	84 829 861	72 304 289
Analysis of outstanding scheme shares per award:		
1 March 2011	7 824 926	13 001 042
1 July 2012	11 314 935	11 753 247
1 March 2013	41 250 000	46 250 000
1 June 2013	1 000 000	1 000 000
1 August 2013	300 000	300 000
1 March 2014	22 900 000	–
1 April 2014	240 000	–
	84 829 861	73 304 289

The weighted average PSG Konsult share price for the year was R6.95 (2014: R4.10).

	Foreign currency translation R000	Share-based payment R000	Common control R000	Total R000
18. OTHER RESERVES				
Balance as at 1 March 2013	(496)	8 019	(470 785)	(463 262)
Share-based payment costs – employees	–	5 941	–	5 941
Currency translation adjustments	985	–	–	985
Deferred tax on equity-settled share-based payments	–	11 190	–	11 190
Balance as at 28 February 2014	489	25 150	(470 785)	(445 146)
Share-based payment costs – employees	–	11 562	–	11 562
Currency translation adjustments	224	–	–	224
Deferred tax on equity-settled share-based payments	–	32 516	–	32 516
Current tax on equity-settled share-based payments	–	5 084	–	5 084
Loss on issue of shares in terms of share scheme	–	(31 636)	–	(31 636)
Release of share-based payment reserve to retained earnings	–	22 925	–	22 925
Balance as at 28 February 2015	713	65 601	(470 785)	(404 471)

The common control reserve originated from various business combinations concluded with companies within the PSG Group. The IFRS for business combinations (IFRS 3) did not apply to these business combinations, as it was effected between parties that are ultimately controlled by PSG Group Limited, otherwise known as common control transactions. The group elected to apply 'predecessor accounting'. Refer to note 4.4 of the accounting policies for further explanation of the common control accounting policy.

The material transactions concluded in prior financial years were the acquisition of PSG Securities Limited (previously Online Securities Limited) on 1 November 2006, the acquisition of PSG Fixed Income and Commodities Proprietary Limited on 1 March 2010 and the acquisition of PSG Asset Management Holdings Proprietary Limited on 1 March 2011. These companies were all bought from subsidiaries within the PSG Group, with the ultimate holding company being PSG Group Limited.

	2015 R000	2014 R000
19. NON-CONTROLLING INTEREST		
Balance as at 1 March	86 222	34 190
Profit for the year	21 397	16 702
Dividends paid	(2 922)	(1 038)
Acquisition of subsidiaries	–	(42)
Disposal of subsidiaries	–	(424)
Transactions with non-controlling interest	–	45 856
Additional interest acquired from non-controlling interest	(206)	(25 757)
Capital contribution by non-controlling interest	28 000	16 735
Balance as at 28 February	132 491	86 222

Transactions with non-controlling interest, as disclosed in the statement of changes in equity, relates mainly to the acquisition of an addition 3% interest in PSG Namibia Proprietary Limited by PSG Distribution Holdings Proprietary Limited during the 2015 financial year, and various transactions in the shareholding of Western Group Holdings Limited in the 2014 financial year. Refer to note 39.6.

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	2015 R000	2014 R000
20. INSURANCE CONTRACTS AND REINSURANCE ASSETS		
Gross		
Long-term insurance contracts (refer to a)	26 339	26 859
Short-term insurance contracts		
– claims reported and loss adjustment expenses (refer to b)	127 844	85 097
– claims incurred but not reported (IBNR) (refer to c)	44 552	39 379
– unearned premiums and unexpired risk provision (refer to d)	375 596	341 828
Total insurance liabilities – gross	574 331	493 163
Current portion	547 992	466 304
Non-current portion	26 339	26 859
Recoverable from reinsurers		
Long-term insurance contracts (refer to a)	–	–
Short-term insurance contracts		
– claims reported and loss adjustment expenses (refer to b)	46 106	36 880
– claims incurred but not reported (IBNR) (refer to c)	13 952	15 132
– unearned premiums and unexpired risk provision (refer to d)	17 355	14 236
Total reinsurers' share of insurance liabilities	77 413	66 248
Current portion	77 413	66 248
Non-current portion	–	–
Net		
Long-term insurance contracts (refer to a)	26 339	26 859
Short-term insurance contracts		
– claims reported and loss adjustment expenses (refer to b)	81 738	48 217
– claims incurred but not reported (IBNR) (refer to c)	30 600	24 247
– unearned premiums and unexpired risk provision (refer to d)	358 241	327 592
Total insurance liabilities – net	496 918	426 915

The gross claims reported, the loss adjustment expenses liabilities and the liability for claims incurred but not reported are net of expected recoveries from salvages. The amounts for salvage at 28 February 2015 and 28 February 2014 are not material.

	2015 R000	2014 R000
Movements in insurance contracts and reinsurance assets:		
a) Long-term insurance contracts		
Balance at beginning of year	26 859	30 419
Liabilities released for payments on death, surrender and other terminations for the year	(2 993)	(3 221)
Fees deducted from account balances	(265)	(211)
Changes in unit prices	2 738	(128)
Balance at end of year	26 339	26 859

Refer to pages 224 and 225 for the significant assumptions used in the long-term insurance contract liabilities.

	2015 Gross R000	2015 Reinsurance R000	2015 Net R000	2014 Gross R000	2014 Reinsurance R000	2014 Net R000
20. INSURANCE CONTRACTS AND REINSURANCE ASSETS (continued)						
b) Claims reported and loss adjustment expenses						
Total at the beginning of the year	85 097	(36 880)	48 217	35 242	(26 001)	9 241
Cash paid for claims settled in the year	(516 146)	129 127	(387 019)	(397 274)	108 156	(289 118)
Increase in liabilities						
– arising from current year claims	641 218	(175 233)	465 985	458 557	(145 036)	313 521
– arising from prior year claims	(85 097)	36 880	(48 217)	(35 242)	26 001	(9 241)
Portfolio transfer	2 772	–	2 772	–	–	–
Reinsurance inception balance*	–	–	–	23 814	–	23 814
Total at the end of the year	127 844	(46 106)	81 738	85 097	(36 880)	48 217
c) Provision for IBNR						
Total at the beginning of the year	39 379	(15 132)	24 247	25 641	(12 762)	12 879
Charged to the income statement	5 173	1 180	6 353	13 738	(2 370)	11 368
Total at the end of the year	44 552	(13 952)	30 600	39 379	(15 132)	24 247
d) Provision for unearned premiums and unexpired risk provision						
Total at the beginning of the year	341 828	(14 236)	327 592	286 782	(12 120)	274 662
Charged to the income statement	34 906	(3 119)	31 787	36 204	(2 116)	34 088
Portfolio transfer	(1 138)	–	(1 138)	17 208	–	17 208
Reinsurance inception balance*	–	–	–	1 634	–	1 634
Total at the end of the year	375 596	(17 355)	358 241	341 828	(14 236)	327 592

* *Balances recognised on inception date of two reinsurance agreements concluded with third-party insurers in South Africa in the 2014 financial year.*

Claims development tables
Due to the nature of the short-term insurance contracts, the uncertainty about the amount and timing of claims payments is typically resolved within one year. The corresponding reinsurance contracts are therefore estimated to realise within the next 12 months.

Liability adequacy test
An unexpired risk reserve (URR) is required if the group believes that its unearned premium reserve (UPR) will prove insufficient to cover the unexpired risk on its books at the valuation date.

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	2015 R000	2014 R000
21. BORROWINGS		
Non-current		
Secured loans	43	49 162
Finance leases	7 407	11 140
Total non-current borrowings	7 450	60 302
Current		
Secured loans	413 527	344 611
Finance leases	3 734	3 534
Bank overdrafts	–	11
Related-party loans (refer to note 38)	732	914
Other short-term loans	2 400	2 816
Total current borrowings	420 393	351 886
Total borrowings	427 843	412 188

The secured loans consist of loans with Rand Merchant Bank, Investec Bank Limited and Société Générale. The loan with Rand Merchant Bank of Rnil (2014: R69.8 million) was secured by the investment in PSG Securities Limited (previously Online Securities Limited). The loan consisted of three separate loans, of which R14.1 million in the 2014 financial year accrued interest at JIBAR plus 4.30% and was repayable in quarterly instalments of R2.5 million, with the final instalment per the agreement on 12 August 2015, a second loan of which R40.9 million in the 2014 financial year accrued interest at JIBAR plus 4.20% and was repayable in quarterly instalments of R3.9 million, with the final instalment per the agreement on 16 December 2016, and a third loan of which R14.8 million in the 2014 financial year accrued interest at a fixed rate of 11.64% and was repayable in quarterly instalments of R2.7 million, with the final instalment per the agreement on 20 July 2015. The group accelerated the repayment of the Rand Merchant Bank facility during the 2015 financial year, with the first loan repaid in full on 12 August 2014, the second loan on 15 December 2014 and the third loan on 20 October 2014. The group utilised excess cash to accelerate the repayment of the Rand Merchant Bank facilities.

The loan with Investec Bank Limited is secured by the irrevocable, unconditional guarantee from PSG Konsult Limited for all the obligations of Delerus Proprietary Limited under the facility together with cession and pledge of all present and future right, title, benefit and interest to the loan book by Delerus Proprietary Limited. The loan, to the amount of R0.1 million (2014: R22.4 million), is secured by adviser loans of R15.5 million (2014: R22.9 million). The loan consists of two separate loans, one of R0.05 million (2014: R13.1 million) which accrues interest at prime and is repayable in monthly instalments of R0.005 million (2014: R0.8 million), with the final instalment on 1 December 2015 and another of R0.08 million (2014: R9.3 million) which accrues interest at prime and is repayable in monthly instalments of R0.004 million (2014: R0.3 million), with the final instalment on 1 February 2017.

A further loan was obtained from Investec Bank Limited during the 2015 financial year, which is secured by the underlying JSE equity securities and cash held by the clients in their BDA accounts in terms of the loan facility entered into with PSG Scriptfin Proprietary Limited. The loan facility is a revolving collateralised facility between Investec Bank Limited, PSG Scriptfin Proprietary Limited and the underlying client, and is repayable by the client to Investec Bank Limited upon written notice to the client. The collateralised revolving facility with a balance of R257.6 million, secured by assets with a market value of R694.3 million at 28 February 2015, accrues interest at the prime less 1.5% and is settled on a daily basis depending on the value of the security.

21. BORROWINGS (continued)

The loan with Société Générale, which is secured by the underlying JSE ALSI 100 equity securities, South African Government Bonds Securities and cash held by the clients in their BDA accounts in terms of the loan facility entered into with PSG Securities Limited (previously Online Securities Limited), is available for a 12-month period and will be renegotiated annually. The collateralised revolving facility with a balance of R155.9 million (2014: R301.6 million), secured by assets with a market value of R2.6 billion (2014: R2.4 billion) at 28 February 2015, accrues interest at the repo rate plus 1.30% and is settled on a daily basis depending on the value of the security.

A finance lease was concluded with Innovent Rent and Asset Management Solutions Proprietary Limited to obtain new computer equipment for PSG's datacentre in Bryanston. The term of the lease is four years, and it is payable in 16 fixed quarterly instalments (in advance) of R1.1 million, commencing on 1 February 2014 with the final instalment on 1 January 2018. The effective-interest rate is a fixed rate of 5.50%, with no annual escalation applicable.

The finance lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

	2015 R000	2014 R000
Gross finance lease liabilities – minimum lease payments:		
Less than 1 year	4 253	4 253
Between 1 and 5 years	7 804	12 059
	12 057	16 312
Future finance charges on finance lease liabilities	(916)	(1 638)
Balance at end of year	11 141	14 674
The present value of finance lease liabilities is as follows:		
Less than 1 year	3 734	3 534
Between 1 and 5 years	7 407	11 140
Balance at end of year	11 141	14 674

Bank overdrafts are payable on demand and accrue daily interest at the prime rate less 1% (2014: prime rate less 1%).

All other balances are interest-free and repayable on demand.

The carrying value of short-term borrowings approximates their fair value.

The group has an undrawn overdraft facility of R30.0 million (2014: R30.0 million) with Absa Bank Limited on 28 February 2015. The continual focus on optimising cash flow management and debt funding positions led to the establishment of PSG Konsult Treasury, which centralises the management of the group's liquidity and solvency positions to ensure that capital is utilised appropriately to maximise shareholder returns.

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for the year ended 28 February 2015

	2015 R000	2014 R000
22. INVESTMENT CONTRACTS		
Balance at beginning of year	12 692 768	10 272 444
Investment contract receipts	3 975 889	3 777 908
Investment contract benefits paid	(3 831 120)	(2 605 576)
Interest charge	75 787	103 043
Commission and administration expenses	(97 512)	(94 720)
Fair value adjustment to investment contract liabilities	1 406 791	1 239 669
Balance at end of year	14 222 603	12 692 768
Current portion	2 882 552	1 931 398
Non-current portion	11 340 051	10 761 370
	14 222 603	12 692 768
Fair value through profit or loss	13 389 361	11 544 683
At amortised cost	833 242	1 148 085
	14 222 603	12 692 768
Investment contracts are represented by the following investments:		
Equity securities	955 147	600 249
Debt securities	800 198	1 676 726
Unit-linked investments	12 102 096	9 859 012
Investment in investment contracts	338 208	505 444
Cash and cash equivalents	26 954	51 337
	14 222 603	12 692 768

	2015 R000	2014 R000
23. THIRD-PARTY LIABILITIES ARISING ON CONSOLIDATION OF MUTUAL FUNDS		
Balance at beginning of year	372 169	109 032
Capital contributions received	285 508	19 765
Fair value adjustment to third-party liabilities	41 525	79 387
Consolidation of mutual fund	–	187 652
Deconsolidation of mutual fund	–	(23 667)
Balance at end of year	699 202	372 169
Current portion	699 202	372 169
Non-current portion	–	–
	699 202	372 169

These mutual fund liabilities relate to certain collective investment schemes which have been classified as investments in subsidiaries; refer to Annexure A. Consequently, fund interests not held by the group are classified as third-party liabilities as they represent demand deposit liabilities measured at fair value. Maturity analysis is not possible as it is dependent on external unitholders' behaviour outside of the group's control.

The group's own credit risk is not applicable on the measurement of these liabilities as these liabilities are specifically referenced to assets and liabilities contained in separate legal structure that could not be attached in the event of a group entity holding the controlling units defaulting.

	2015 R000	2014 R000
24. TRADE AND OTHER PAYABLES		
Trade payables	333 387	268 488
Contracts for difference	24 641	38 061
Deferred revenue	9 097	7 001
Purchase consideration payable	4 783	3 981
VAT payable	19 855	17 599
Unallocated premiums	104 599	145 485
Short-term claim creditors	12 317	13 487
Settlement control account	1 512 970	1 577 178
Amounts due to intermediaries	13 230	7 638
Amounts due to reinsurers	32 249	34 019
Foreign reinsurers' reserve deposits	1 272	16 977
Total trade and other payables*	2 068 400	2 129 914
** Includes non-financial liabilities of R151.7 million (2014: R115.1 million).*		
Current portion	2 062 489	2 129 558
Non-current portion	5 911	356
	2 068 400	2 129 914

The carrying amount of trade and other payables approximate their fair value. Due to the short-term nature, the impact of discounting is not considered material.

The contracts for difference balance at 28 February 2015 and 28 February 2014 represents the margin payable at year-end by the group to clients and accrues interest at SAFEX plus 0.75%.

Included in purchase consideration payable are balances of R1.2 million (2014: R2.7 million) that accrue interest. The effective-interest rate applied to these balances is 8.13% (2014: range between 6.50% and 8.50%).

The settlement control account represents the settlement of trades done by clients in the last few days before year-end. The settlement to the clients takes place within three days after the transaction date.

The group raised a provision amounting to R8.7 million (2014: R6.7 million) in terms of a subscription agreement (dated 6 February 2008, as amended) entered into between PSG Konsult Insurance Solutions Proprietary Limited and an insurer in South Africa. This provision was made in terms of a profit warranty arrangement which formed part of this subscription agreement.

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for the year ended 28 February 2015

	2015 R000	2014 R000
25. DEFERRED ACQUISITION COSTS AND DEFERRED REINSURANCE ACQUISITION REVENUE		
a) Deferred acquisition costs		
At the beginning of the year	1 025	1 110
Movement for the year	689	(85)
Total at the end of the year	1 714	1 025
b) Deferred reinsurance acquisition revenue		
At the beginning of the year	2 842	2 889
Movement for the year	721	(47)
Total at the end of the year	3 563	2 842

	2015 R000	2014 R000
26. COMMISSION AND OTHER FEE INCOME		
Commission and policy administration fees*	1 845 995	1 559 218
Dealing and structuring	292 860	245 924
	2 138 855	1 805 142

* *Includes management fees and commission received from related-party offshore unit trusts and local unit trusts of R567.9 million (2014: R437.8 million). Refer to note 38.*

	2015 R000	2014 R000
27. INVESTMENT INCOME		
Interest income*		
Loans and advances	41 449	27 360
Contracts for difference – interest received on margin	46 661	39 690
Debt securities – at fair value through profit or loss	46 572	4 585
Unit-linked investments – at fair value through profit or loss	180 208	204 303
Interest received from related parties (refer to note 38)	210	1 044
Cash and short-term funds	57 178	23 016
	372 278	299 998
Dividend income*		
Equity securities – at fair value through profit or loss	9 647	19 489
Debt securities	17 029	15 325
Unit-linked investments – at fair value through profit or loss	96 936	44 597
Dividend income received from related parties (refer to note 38)	120	240
Dividend income received from underwriting business	3 168	–
	126 900	79 651
Rental income	376	385
	499 554	380 034

* *Includes interest received of R9.1 million (2014: R9.6 million) and dividends received of R21.2 million (2014: R11.9 million) from related-party local investment schemes. Refer to note 38.*

No interest income (2014: Rnil) was earned on impaired financial assets during the year.

	2015 R000	2014 R000
28. NET FAIR VALUE GAINS AND LOSSES ON FINANCIAL INSTRUMENTS		
Foreign exchange gains	1 350	1 995
Foreign exchange losses	(437)	(1 112)
Amortised cost movement on held-to-maturity financial assets	78 364	145 921
Net fair value gains on financial assets and financial liabilities designated at fair value through profit or loss:		
Unrealised fair value gains – designated items	833 049	583 104
Realised fair value gains – designated items	297 335	441 656
	1 209 661	1 171 564

	2015 R000	2014 R000
29. OTHER OPERATING INCOME		
Profit on disposal of subsidiaries	–	643
Profit on disposal of property and equipment	245	152
Profit on disposal of intangible assets	1 106	–
Profit on disposal of associated companies	–	3 919
Income from related parties (refer to note 38)	767	402
Training income*	6 913	9 024
JSE settlement cost recoveries	5 298	4 684
Sundry income	20 834	23 293
	35 163	42 117

* *Training income relates to the income generated by PSG Academy Proprietary Limited, the non-core accredited private higher education institution sold subsequent to year-end. Refer to note 40 for more detail.*

Notes to the annual financial statements
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	Gross R000	Reinsurance R000	Net R000
30. NET INSURANCE BENEFITS AND CLAIMS			
2015			
Short-term insurance contracts			
Claims paid	527 077	(132 348)	394 729
Movement in the expected cost of outstanding claims	45 147	(8 439)	36 708
Salvages	(10 931)	3 614	(7 317)
Individual life long-term insurance contracts – death, maturity, surrender, sick leave benefits and transfers to policyholder liabilities			
Insurance policy benefits paid	2 993	–	2 993
Movement to insurance policy liabilities (refer to note 20)	(2 738)	–	(2 738)
Total claims and loss adjustment expense	561 548	(137 173)	424 375
2014			
Short-term insurance contracts			
Claims paid	411 185	(111 496)	299 689
Movement in the expected cost of outstanding claims	39 779	(13 248)	26 531
Salvages	(13 911)	3 340	(10 571)
Individual life long-term insurance contracts – death, maturity, surrender, sick leave benefits and transfers to policyholder liabilities			
Insurance policy benefits paid	3 220	–	3 220
Movement to insurance policy liabilities (refer to note 20)	128	–	128
Total claims and loss adjustment expense	440 401	(121 404)	318 997

	2015 R000	2014 R000
31. EXPENSES (EXCLUDING NET INSURANCE BENEFITS AND CLAIMS)		
31.1 Commission paid		
Commission paid to brokers and financial planners	910 226	824 757
31.2 Depreciation and amortisation		
Depreciation	17 972	13 518
Owner-occupied buildings	131	133
Motor vehicles	37	127
Office equipment	7 352	6 203
Computer equipment	10 452	7 055
Amortisation of intangible assets	37 450	27 078
	55 422	40 596

	2015 R000	2014 R000
31. EXPENSES (EXCLUDING NET INSURANCE BENEFITS AND CLAIMS) (continued)		
31.3 Employee benefit expenses		
Salaries, wages, allowances and terminations	456 247	400 999
Social security costs (e.g. UIF, medical benefits)	19 600	22 259
Equity-settled share-based payment costs	11 562	5 941
Pension costs – defined-contribution plans	24 203	22 688
	511 612	451 887
31.4 Fair value adjustment to third-party liabilities	41 525	79 387
31.5 Marketing, administration and other expenses		
Operating lease rentals	50 990	45 013
Properties	47 979	42 108
Equipment and other	3 011	2 905
Auditor's remuneration	10 319	9 782
Audit services – current year	9 476	8 788
Audit services – prior year	162	522
Tax services	221	124
Other services	460	348
Management fees paid	131 538	74 622
Marketing expenses	27 043	23 881
Professional fees	20 422	10 631
Other administration expenses	186 942	160 943
JSE and STRATE expenses	31 667	29 125
Research and administration systems	24 323	19 624
Information technology expenses	30 453	23 971
Office expenses	15 689	13 424
Telephone expenses	10 736	10 214
Travel expenses	17 227	15 553
Other expenses	56 847	49 032
Loss on disposal of associated companies	–	1
Loss on disposal of book of business	–	66
Loss on disposal of property and equipment	106	–
Loss on remeasurement of previous equity interest	–	128
Loss on disposal of intangible assets	97	13
Fair value adjustment to investment property	–	475
	427 457	325 555

Refer to directors' report for detail of directors' remuneration on pages 109 to 111.

Notes to the annual financial statements

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	2015 R000	2014 R000
32. FINANCE COSTS		
Contracts for difference – interest paid on margin	10 193	8 470
Debt securities – held-to-maturity	75 787	103 043
Other borrowings	33 925	27 258
	119 905	138 771

	2015 R000	2014 R000
33. TAXATION		
Current taxation		
Current year	167 757	128 332
Prior year	(1 810)	(1 187)
	165 947	127 145
Deferred taxation		
Current year	(6 812)	(13 836)
Prior year	10	(436)
	(6 802)	(14 272)
Foreign current taxation		
Current year	507	6 775
Prior year	(152)	36
	355	6 811
Foreign deferred taxation		
Current year	3 734	(2 059)
Prior year	–	52
	3 734	(2 007)
Total income statement charge	163 234	117 677

	2015 %	2014 %
33. TAXATION (continued)		
Reconciliation of effective rate of taxation		
South African normal taxation rate	28.0	28.0
Adjusted for:		
Non-taxable income	(1.1)	(2.3)
Capital gains tax differential in rates	(0.3)	–
Non-deductible charges	1.4	0.5
Prior year underprovision	(0.4)	(0.3)
Income from associated companies and joint ventures	(0.1)	(0.4)
Prior year deferred tax adjustments	–	(0.1)
Foreign tax rate differential	(0.1)	(0.3)
Tax in policyholder funds	3.7	5.9
Tax deductible expenses not accounted for in income statement	–	(0.1)
Realisation of deferred tax on disposal of intangible asset	–	(0.1)
Deferred tax asset not recognised for tax losses and other	–	(0.1)
Effective rate of taxation	31.1	30.7

The group has no unutilised STC credits available at 28 February 2015 (2014: Rnil) for utilisation against dividend payable before 31 March 2015.

	2015 R000	2014 R000
Unutilised tax losses		
Gross calculated tax losses at the end of the year available for utilisation against future taxable income	46 777	70 623
Deferred tax asset provided on	(45 204)	(69 350)
Available for future utilisation	1 573	1 273
The tax impact relating to components of other comprehensive income is as follows:		
Before tax		
Currency translation adjustments	224	985
After tax		
Currency translation adjustments	224	985
Other comprehensive income for the year, net of tax	224	985

The total deferred tax, recognised in equity, relating to share-based payment transactions, was R46.7 million on 28 February 2015 (28 February 2014: R14.5 million).

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	2015 R000	2014 R000
34. EARNINGS PER SHARE		
The calculations of earnings per share is based on the following:		
Profit attributable to ordinary shareholders	340 401	249 258
Non-headline earnings (net of non-controlling interest and related tax effect):		
Profit on disposal of associated companies	–	(3 499)
Gross amount	–	(3 919)
Non-controlling interest	–	420
Tax effect	–	–
Loss on remeasurement of previous equity interest	–	128
Gross amount	–	128
Non-controlling interest	–	–
Tax effect	–	–
Profit on disposal of book of business	–	(382)
Gross amount	–	66
Non-controlling interest	–	–
Tax effect	–	(448)
(Profit)/loss on disposal of intangible assets (including goodwill)	(757)	1 622
Gross amount	(1 009)	13
Non-controlling interest	173	1 642
Tax effect	79	(33)
Impairment of associated companies	–	342
Gross amount	–	342
Non-controlling interest	–	–
Tax effect	–	–
Profit on disposal of property and equipment	(132)	(116)
Gross amount	(139)	(152)
Non-controlling interest	(11)	6
Tax effect	18	30
Non-headline items of associated companies	(251)	(2 457)
Gross amount	(401)	(4 452)
Non-controlling interest	150	1 539
Tax effect	–	456
Profit on disposal of investment in subsidiaries	–	(643)
Gross amount	–	(643)
Non-controlling interest	–	–
Tax effect	–	–
Fair value adjustment to investment property	–	232
Gross amount	–	266
Non-controlling interest	–	(34)
Tax effect	–	–
Headline earnings	339 261	244 485

34. EARNINGS PER SHARE (continued)

The weighted average number of shares and diluted weighted average number of shares were calculated as follows:

	2015 Number of shares 000	2014 Number of shares 000
Number of shares at the beginning of year	1 221 560	1 209 582
Weighted number of shares issued during the year	39 834	11 316
Net movement in treasury shares	–	(375)
Weighted number of shares at end of year	1 261 394	1 220 523
Number of bonus element shares to be issued in terms of share option scheme	42 800	27 948
Diluted weighted number of shares at the end of the year – Restated*	1 304 194	1 248 471

	2015 R000	2014 R000
Basic		
Earnings attributable to ordinary shareholders	340 401	249 258
Headline earnings	339 261	244 485
Weighted average number of ordinary shares in issue (000)	1 261 394	1 220 523
Attributable earnings per share (cents)	27.0	20.4
Headline earnings per share (cents)	26.9	20.0
Net asset value per share (cents)	118.3	89.1
Tangible net asset value per share (cents)	50.2	30.0
Diluted		
Diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares in issue to assume conversion of all dilutive potential ordinary shares (arising from the share incentive schemes set out in note 17). A calculation is performed to determine the number of shares that could have been acquired at fair value (determined as the volume weighted average annual JSE-listed share price of the company's shares) based on the monetary value of the equity-settled share options granted to participants.		
Earnings attributable to ordinary shareholders	340 401	249 258
Headline earnings	339 261	244 485
Diluted weighted average number of ordinary shares in issue (000) – Restated*	1 304 194	1 248 471
Diluted attributable earnings per share (cents) – Restated*	26.1	20.0
Diluted headline earnings per share (cents) – Restated*	26.0	19.6

* *Refer to note 42 for detail of the restatement.*

	2015 R000	2014 R000
35. DIVIDEND PER SHARE		
Normal dividend	142 578	137 936

Interim
4.0 cents per share (2014: 4.0 cents per share)

Final
8.0 cents per share (2014: 7.3 cents per share)

Dividends are not accounted for until they have been approved by the company's board of directors.

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36. CAPITAL COMMITMENTS AND CONTINGENCIES

Other than operating lease commitments (disclosed below), the group had the following capital commitment and contingencies as at 28 February 2015:

- Capital expenditure in terms of computer hardware and software and development costs for administration systems that was authorised at 28 February 2015, but not yet contracted of R2.0 million (2014: R9.4 million).
- At 28 February 2015, the group had R17.0 million (2014: R1.0 million) capital expenditure contracted or authorised, but not yet incurred.
- As per note 21, PSG Konsult Limited ceded its rights and title to its shareholding in PSG Securities Limited (previously Online Securities Limited), through PSG Wealth Holdings Proprietary Limited, as security against PSG Konsult Limited's due performance and discharge of its obligations or indebtedness under the loan facilities from Rand Merchant Bank. The value of the cession was capped at the initial loan amount of the two facilities that was in place, being R150.0 million. The company repaid these facilities in full during the 2015 financial year and the cession was cancelled accordingly.
- As per note 21, PSG Konsult Limited (and some of its subsidiaries) sold loans due from various financial advisers to Investec Bank Limited, via its subsidiary Delerus Proprietary Limited (Delerus). In order to ensure the proper and punctual payment by Delerus to Investec Bank Limited, PSG Konsult Limited issued an irrevocable, unconditional guarantee for all the obligations of Delerus together with cession and pledge of all present and future rights, title, benefit and interest to the loan book of Delerus. The loan amount due by Delerus to Investec Bank Limited at 28 February 2015 was R0.1 million (2014: R22.4 million).
- The group also provided suretyships to the value of R9.2 million (2014: R16.5 million) in favour of various financial institutions for the purchase of books of business by advisers.
- PSG Konsult Limited has also issued letters of support in the ordinary course of business, for the activities of certain subsidiaries in the group.
- The group, like all other financial services groups in South Africa, is subject to litigation in the normal course of its business. Appropriate provisions are made when losses are expected to materialise. There are no legal or arbitration proceedings (including any such proceedings that are pending or threatened) of which the group is aware, which may have, or have during the previous 12 months, had a material effect on the financial position of the group.

	2015 R000	2014 R000
Operating lease commitments		
Future minimum lease commitments in terms of:		
Operating leases – premises		
Due within 1 year	27 918	27 181
Due within 1 to 5 years	54 516	48 529
	82 434	75 710
Operating leases – equipment		
Due within 1 year	362	1 890
Due within 1 to 5 years	47	326
	409	2 216

The group leases a number of premises under non-cancellable operating lease agreements. The ordinary lease terms are between two and three years, with the majority of the lease agreements being renewable at the end of the lease term at market-related rentals. The annual lease escalations range from 4.00% to 11.00% (2014: 6.00% to 10.00%).

A summary of the lease agreements containing the escalation clauses, renewal options and restrictions imposed by the lease agreements is available for inspection at the company's registered office.

37. BORROWING POWERS

In terms of the company's memorandum of incorporation (MOI), borrowing powers are unlimited. Details of actual borrowings of the group are disclosed in note 21 to the financial statements.

38. RELATED-PARTY TRANSACTIONS

PSG Konsult Limited, its subsidiaries, associated companies and joint ventures enter into various financial services transactions with members of the PSG Group and PSG Konsult Limited Group. These transactions include a range of investment, administrative, advisory and corporate services in the normal course of business. All intergroup transactions have been eliminated on consolidation.

The related-party transactions are similar to those disclosed in the prior financial year.

	2015 R000	2014 R000
Amounts receivable from associated companies, joint ventures and other companies in the PSG Group		
Included in receivables from companies in the PSG Group		
PSG Corporate Services Proprietary Limited	48	359
Included in receivables from companies in the PSG Konsult Limited Group		
Woodwind Trading Proprietary Limited	1 172	1 086
Make-a-Million Online Proprietary Limited	66	39
Prexision Asset Finance Proprietary Limited	–	835
Jan Jonker Property Investment Trust	3 429	3 285
Balances due from local unit trusts and offshore unit trusts		
Related-party receivables		
Local unit trusts	59 954	35 198
Offshore unit trusts	6 677	7 784
	71 346	48 586
Refer to note 14 for the detail of the amount receivable from related parties.		
Amounts payable to associated companies, joint ventures and other companies in the PSG Group		
Included in borrowings from companies in the PSG Group		
PSG Corporate Services Proprietary Limited	–	802
Zeder Financial Services Limited	13	18
Included in borrowings from companies in the PSG Konsult Limited Group		
Make-a-Million Online Proprietary Limited	94	94
Prexision Asset Finance Proprietary Limited	625	–
	732	914
Refer to note 21 for the detail of the borrowings from related parties.		
Balances due to local unit trusts and offshore unit trusts:		
Related-party payable		
Local unit trusts	3 304	2 472
Offshore unit trusts	1 332	2 314
	4 636	4 786

Notes to the annual financial statements
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	2015 R000	2014 R000
38. RELATED-PARTY TRANSACTIONS (continued)		
Investments held in related-party funds		
The following investments are held in related parties:		
Preference share investment in PSG Financial Services Limited	–	2 705
Investments in unit trusts	7 415 437	4 569 439
	7 415 437	4 572 144

The following significant related-party transactions occurred during the year:	2015 R000	2014 R000
Commission and other fees received from companies in the PSG Group		
PSG Group Limited, its subsidiaries and associated companies		
PSG Corporate Services Proprietary Limited	697	355
Capitec Bank Holdings Limited Group	70	45
PSG Konsult Limited and associated companies and joint ventures		
Prexision Asset Finance Proprietary Limited	–	2
	767	402
Transaction with local unit trusts and offshore unit trusts		
Management fees from related-party funds		
Local unit trusts	465 273	364 039
Offshore unit trusts	102 580	73 738
	567 853	437 777
Commission and fees paid to companies in the PSG Group		
PSG Group Limited and its subsidiaries		
PSG Corporate Services Proprietary Limited	405	350
Zeder Financial Services Limited	129	112
	534	462
Marketing, administration and other fees paid to companies in the PSG Group		
PSG Group Limited and its subsidiaries		
PSG Corporate Services Proprietary Limited	6	1 661
PSG Capital Proprietary Limited	1 209	25
Grayston Elliot Proprietary Limited	79	54
PSG Konsult Limited and its associated companies and joint ventures		
Tradesure Marine Proprietary Limited	3 325	1 907
	4 619	3 647

	2015 R000	2014 R000
38. RELATED-PARTY TRANSACTIONS (continued)		
Interest received from companies in the PSG Group		
PSG Group Limited and its subsidiaries		
PSG Corporate Services Proprietary Limited	14	–
PSG Konsult Limited and its associated companies and joint ventures		
Xinergistix Limited	52	901
Excluwin Traders Proprietary Limited	–	17
Jan Jonker Property Investment Trust	144	126
	210	1 044
Transaction with local unit trusts and offshore unit trusts		
Related-party interest received		
Local unit trusts	9 059	9 599
Dividends received from companies in the PSG Group		
PSG Group Limited and its subsidiaries		
PSG Financial Services Limited	120	240
Transactions with local unit trusts and offshore unit trusts		
Related-party dividends received		
Local unit trusts	21 184	11 949

The shareholding of directors and the directors' remuneration is set out in the report of the board of directors.

Key management compensation

Key management are those persons having authority and responsibility for planning, directing and controlling the activities of the group. Key management is considered to be the board of directors and the prescribed officers. For the detail of the audited directors' and prescribed officers' remuneration, refer to pages 109 to 111 of the directors' report.

During the 2013 financial year, preference share funding of R61.3 million was advanced to a related party of FJ Gouws, chief executive officer of PSG Konsult Limited, by a subsidiary of PSG Group Limited. The proceeds from the preference share funding were utilised to acquire 35 million shares in PSG Konsult Limited (the PSG Konsult shares). The preference share funding is repayable after seven years, carrying a fixed dividend rate of 8.5%, and the PSG Konsult shares serve as security. At the redemption date, should the market value of the PSG Konsult shares be less than the preference share funding redemption amount, the counterparty has an option to put the PSG Konsult shares to PSG Group Limited at an amount equal to the preference share funding redemption amount.

Notes to the annual financial statements

for the year ended 28 February 2015

	2015 R000	2014 R000
39. NOTES TO THE STATEMENTS OF CASH FLOWS		
39.1 Cash generated by operating activities		
Profit before finance costs and taxation	644 937	522 408
Adjustment for non-cash items and other:		
Depreciation of property and equipment	17 972	13 518
Impairment charges	1 047	–
Amortisation of intangible assets	37 450	27 078
Interest received	(372 278)	(299 998)
Dividends received	(126 900)	(79 651)
Share of profits of associated companies, net of dividend received and impairment	(40)	(2 776)
Share of profits of joint ventures, net of dividend received	(914)	(3 375)
Profit on disposal of property and equipment	(245)	(152)
Profit on disposal of intangible assets	(1 106)	–
Profit on disposal of subsidiaries	–	(643)
Profit on disposal of associated companies	–	(3 919)
Loss on disposal of books of business	–	66
Loss on disposal of associated companies	–	1
Loss on disposal of intangible assets	97	13
Loss on disposal of property and equipment	106	–
Net fair value gains on financial instruments	(1 208 748)	(1 170 681)
Fair value adjustment to investment contract liabilities	1 406 791	1 239 669
Fair value adjustment to third-party liabilities	41 525	79 387
Equity-settled share-based payment costs	11 562	5 941
Fair value adjustment to investment properties	–	266
Loss on remeasurement of previous equity interest	–	128
	451 256	327 280
Changes in working capital		
Receivables including insurance receivables	(5 935)	(408 156)
Reinsurance assets	(11 165)	(15 365)
Deferred acquisition costs	(689)	85
Deferred reinsurance acquisition revenue	721	(47)
Intergroup loans obtained	311	663
Intergroup loans repaid	(807)	(323)
Loans and advances	(6 714)	9 438
Trade and other payables	(67 247)	256 596
Other financial instruments	(583 813)	(355 022)
Third-party liabilities arising on consolidation of mutual funds	285 508	19 765
Borrowings	89 608	203 732
Insurance contracts	81 168	115 079
	232 202	153 725

	2015 R000	2014 R000
39. NOTES TO THE STATEMENTS OF CASH FLOWS (continued)		
39.2 Taxation paid		
Charge to profit and loss	(163 234)	(117 677)
Movement in deferred taxation	(3 068)	(16 279)
Disposal of subsidiaries	–	59
Charge to share-based payment reserve	5 084	–
Reclassified to held for sale	(73)	–
Movement in net taxation (asset)/liability	(11 562)	8 944
	(172 853)	(124 953)

39.3 Subsidiaries acquired

No subsidiaries were acquired during the financial year ended 28 February 2015.

Acquisition of subsidiaries concluded during the financial year ended 28 February 2014

i) Cinetaur Proprietary Limited

Effective 1 November 2013, the group, through its subsidiary Abrafield Proprietary Limited, acquired an additional 35% interest in Cinetaur Proprietary Limited (Cinetaur) for R350. The investment in this associated company was derecognised on 31 October 2013 as the group obtained control over this company. Cinetaur was treated as a subsidiary from 1 November 2013 and fully consolidated from that date. This step acquisition resulted in a non-headline loss of R0.1 million.

Details of the net assets and goodwill acquired are as follows:	2014 R000
Cash paid on effective date	–
Non-controlling interest	42
Less: Net liabilities acquired at carry value	(170)
Loss on remeasurement of previous equity interest	128
Derecognition of investment in associated companies	–
Goodwill recognised on acquisition	–
Cash consideration paid	–
Cash and cash equivalents acquired	(137)
Net cash flow for the 2014 financial year	(137)

No goodwill recognised at acquisition date. The group recognised the non-controlling interest in the acquiree at the non-controlling interest's proportionate share of the acquiree's net assets. As a result of the transaction, a loss of R0.1 million was recognised in 'marketing, administration and other expenses'. Refer to note 31.5.

Notes to the annual financial statements

for the year ended 28 February 2015

39. NOTES TO THE STATEMENTS OF CASH FLOWS (continued)

39.3 Subsidiaries acquired (continued)

i) Cinetaur Proprietary Limited (continued)

The assets and liabilities arising from the acquisition are as follows:	Fair value R000	Acquiree's carrying amount R000
Investment property	4 975	4 975
Deferred income tax	81	81
Receivables including insurance receivables	41	41
Cash and cash equivalents (including money market investments)	137	137
Borrowings	(5 265)	(5 265)
Trade and other payables	(139)	(139)
Total identifiable net liabilities	(170)	(170)

The income included in the consolidated income statement since 1 November 2013 was R0.8 million for the 2014 financial year. Cinetaur contributed to profit after taxation of R0.2 million over the same period.

Had Cinetaur been consolidated from 1 March 2013, the consolidated income statement for the 2014 financial year would have shown income of R1.0 million and profit after taxation of R0.04 million.

ii) Acquisition of collective investment scheme (PSG Diversified Income Fund)

The group obtained control of the PSG Diversified Income Fund (previously PSG Optimal Income Fund) towards the end of the 2014 financial year. As at 28 February 2014, the group held an interest of 34.1% in this fund and the fund was consolidated in accordance with IFRS 10 Consolidated Financial Statements. The PSG Diversified Income Fund (previously PSG Optimal Income Fund) is a collective investment scheme managed by PSG Asset Management.

Details of the net assets acquired are as follows:	2014 R000
Debt securities	243 563
Unit-linked investments	26 590
Receivables including insurance receivables	15 771
Third-party liabilities arising on consolidation of mutual funds	(187 652)
Trade and other payables	(1 296)
Net asset value	96 976
Fair value of equity interest held before the business combination	(96 976)
Net cash flow for the 2014 financial year	–

Had PSG Diversified Income Fund (previously PSG Optimal Income Fund) been consolidated from 1 March 2013, the consolidated income statement for the 2014 financial year would have shown income of R15.3 million and profit after taxation of Rnil. The details of the net assets acquired, as disclosed above, represent fair value. All the gross contractual receivables are expected to be collected.

39. NOTES TO THE STATEMENTS OF CASH FLOWS (continued)

39.3 Subsidiaries acquired (continued)

Summary of cash flows for the year ending 28 February	2015 R000	2014 R000
Acquisitions in 2014		
i) Cinetaur Proprietary Limited	–	137

39.4 Disposal of subsidiaries

No subsidiaries were disposed of during the financial year ended 28 February 2015.

Disposal of subsidiaries concluded during the financial year ended 28 February 2014

i) Disposal of collective investment scheme (PSG Stable Fund)

The group deconsolidated the PSG Stable Fund during the year ended 28 February 2014 as the group lost control of this fund due to a decrease in the direct interest in this fund.

Net assets of subsidiary sold:	2014 R000
Equity securities	16 876
Debt securities	23 422
Unit-linked investments	5 439
Receivables including insurance receivables	558
Cash and cash equivalents (including money market investments)	2 401
Third-party liabilities arising on consolidation of mutual funds	(23 667)
Trade and other payables	(106)
Net asset value	24 923
Transfer to unit-linked investments	(24 923)
Total cash consideration received	–
Cash and cash equivalents of subsidiary	(2 401)
Net cash flow on disposal of subsidiary in the 2014 financial year	(2 401)

Notes to the annual financial statements

for the year ended 28 February 2015

39. NOTES TO THE STATEMENTS OF CASH FLOWS (continued)

39.4 Disposal of subsidiaries (continued)

ii) iHound Proprietary Limited

Effective 1 March 2013, the group, through its subsidiary PSG Wealth Group Services Proprietary Limited, sold its 51% interest in iHound Proprietary Limited to JAG Web Marketing CC for R0.7 million. The consideration was received in full during March 2013.

Net assets of subsidiary sold:	2014 R000
Property and equipment	33
Deferred income tax asset	319
Receivables including insurance receivables	224
Cash and cash equivalents (including money market investments)	37
Borrowings	(47)
Trade and other payables	(18)
Current income tax liabilities	(59)
Net asset value of subsidiary sold	489
Non-controlling interest	(424)
Profit on disposal of subsidiary	643
Total cash consideration received	708
Cash and cash equivalents of subsidiary	(37)
Net cash flow on disposal of subsidiary in the 2014 financial year	671

Summary of cash flows for the year ending 28 February	2015 R000	2014 R000
Disposals in 2014		
i) Collective investment scheme: PSG Stable Fund	–	(2 401)
ii) iHound Proprietary Limited	–	671
	–	(1 730)

39.5 Disposal of associated companies

No associated companies were disposed of during the financial year ended 28 February 2015.

Disposal of associated companies concluded during the financial year ended 28 February 2014

i) Axon Xchange Proprietary Limited

Effective 1 March 2013, the group, through its subsidiary PSG Fixed Income and Commodities Proprietary Limited, sold its 38% interest held in Axon Xchange Proprietary Limited for R4.5 million, resulting in non-headline profit of R0.03 million.

ii) Purple Line Plastics Proprietary Limited and JWR Holdings Proprietary Limited

Effective 1 April 2013 and 1 May 2013, the group, through its subsidiary Western Group Holdings Limited, sold its 25% interest held in Purple Line Plastics Proprietary Limited and its 26% interest held in JWR Holdings Proprietary Limited for R2.1 million and R0.5 million, resulting in non-headline profits of R0.04 million and R0.3 million respectively.

iii) Excluwin Traders Proprietary Limited

Effective 1 August 2013, the group, through its subsidiary Western Group Holdings Limited sold its 34% interest held in Excluwin Traders Proprietary Limited for R4 million, resulting in non-headline profit of R3.5 million.

39. NOTES TO THE STATEMENTS OF CASH FLOWS (continued)

39.6 Transactions with non-controlling interests

Transactions with non-controlling interests for the year ended 28 February 2015

i) Acquisition of an additional interest in PSG Namibia Proprietary Limited

With effect from 1 March 2014, PSG Konsult Limited (through its subsidiary PSG Distribution Holdings Proprietary Limited) acquired an additional 3% interest in PSG Namibia Proprietary Limited, a company incorporated in Namibia, for a consideration of R1.5 million. The 3% stake was bought from a minority shareholder and the consideration was paid in full on 28 February 2014. The group now holds 54% of the issued share capital of PSG Namibia Proprietary Limited.

Transactions with non-controlling interests for the year ended 28 February 2014

i) Acquisition of an additional interest in Western Group Holdings Limited

With effect from 1 March 2013, PSG Konsult Limited acquired an additional 15% interest in Western Group Holdings Limited for a consideration of R33.0 million. This Namibian-based holding company has two short-term insurance licences, one in Namibia and the other in South Africa. The 15% stake was bought from SAAD Financial Holdings Proprietary Limited, an investment holding company. This transaction was subject to regulatory approval, which was obtained at the end of May 2013, therefore the acquisition date of 1 June 2013 was adopted. The transaction increased the group's shareholding to 90% of the share capital of Western Group Holdings Limited. The 90% shareholding in Western Group Holdings Limited was subsequently transferred from PSG Konsult Limited to its intermediary holding company, PSG Insure Holdings Proprietary Limited.

	2014 R000
Carrying amount of non-controlling interests acquired	14 428
Consideration paid to non-controlling interests	(33 000)
Excess of consideration paid recognised in equity	(18 572)

ii) Acquisition of the remaining interest in PSG Nylstroom Proprietary Limited

Effective 1 August 2013, PSG Konsult Limited (through its subsidiary PSG Optimum Proprietary Limited) acquired the remaining 49% interest in PSG Nylstroom Proprietary Limited, a company incorporated in South Africa, for a consideration of R1.3 million. On 1 August 2013, 80% of the purchase consideration was paid and the remaining 20% (subject to a profit guarantee) was paid on 1 August 2014.

	2014 R000
Carrying amount of non-controlling interests acquired	36
Consideration paid to non-controlling interests	(1 250)
Excess of consideration paid recognised in equity	1 214

iii) Acquisition of a further interest in Western Group Holdings Limited

Effective 1 September 2013, PSG Insure Holdings Proprietary Limited acquired the remaining 10% interest in Western Group Holdings Limited for a consideration of R22.0 million. The 10% stake was bought from the management group of Western Group Holdings Limited.

The parties entered into an agreement on 3 June 2013 (following the approval by the Financial Services Board (FSB) and Namfisa of the 15% interest acquired at the end of May 2013) in which it was agreed that PSG Konsult Limited, through its subsidiary PSG Insure Holdings Proprietary Limited, would increase its stake in the group from 90% to 100%, subject to approval by the FSB in South Africa, Namfisa in Namibia and the Competition Commission in both countries. The transaction was approved by the regulatory authorities at the beginning of September 2013, resulting in Western Group Holdings Limited being a wholly owned subsidiary of PSG Konsult Limited.

	2014 R000
Carrying amount of non-controlling interests acquired	11 292
Consideration paid to non-controlling interests	(22 000)
Excess of consideration paid recognised in equity	(10 708)

Notes to the annual financial statements

for the year ended 28 February 2015

39. NOTES TO THE STATEMENTS OF CASH FLOWS (continued)

39.6 Transactions with non-controlling interests (continued)

Transactions with non-controlling interests for the year ended 28 February 2014 (continued)

iv) Disposal of interest held in Western Group Holdings Limited

PSG Konsult Limited entered into an agreement on 2 July 2013 to dispose of 40% of its shareholding in Western Group Holdings Limited (following the approval by the regulatory authorities of the remaining 10% interest acquired) to Swanvest 120 Proprietary Limited, a wholly owned subsidiary of Santam Limited. The transaction was approved by the regulatory authorities on 16 September 2013. Subsequent to this transaction, the shareholding in Western Group Holdings Limited was as follows: PSG Konsult Limited (through its subsidiary PSG Insure Holdings Proprietary Limited) – 60%; Swanvest 120 Proprietary Limited – 40%.

	2014 R000
Cash consideration received	88 000
Less: carrying value of non-controlling interest disposed of	(45 855)
Excess of consideration received recognised in equity	42 145

39.7 Other acquisitions and disposals

For the year ended 28 February 2015

i) Standardising of revenue sharing model

Effective 1 March 2014, the group (through its subsidiary PSG Wealth Financial Planning Proprietary Limited) concluded an asset-for-share transaction (utilising section 42 of the Income Tax Act) with a large number of its advisers. The purpose of this transaction was to standardise the revenue sharing arrangements between the advisers and PSG Konsult. This provided the opportunity for the advisers to become shareholders in the business and be part of the group's loyal shareholder base of individuals.

The consideration was paid with the issue of PSG Konsult shares (35.8 million shares at R4.50 per share) and the remaining R12.5 million paid in cash on the effective date. The transaction did not qualify for accounting in terms of IFRS 3R – Business Combinations as the assets acquired (the right to an increased share in the income stream of the adviser) did not constitute a business acquired.

This transaction contributed R10.1 million to the group's headline earnings during the year under review.

As at 28 February 2015, there are no indication that any of the advisers, with whom this deal was concluded, will not achieve the profit guarantee attached to this asset-for-share transaction. The fair value of the contingent consideration receivable is therefore Rnil on 28 February 2015.

	2015 R000	2014 R000
39.8 Cash and equivalents at end of year		
Cash and cash equivalents (including money market investments)	972 243	709 184
Cash and cash equivalents classified as non-current assets held for sale	2 775	–
Bank overdrafts	–	(11)
	975 018	709 173

40. EVENTS AFTER THE REPORTING DATE

No event material to the understanding of these results has occurred between the end of the reporting period and the date of approval of the financial statements, other than the disposal of two of its non-core businesses, PSG Academy Proprietary Limited and Nhluvuko Risk Administration Proprietary Limited, effective 1 March 2015.

PSG Academy Proprietary Limited, a private higher education institute that offers training to financial advisers was disposed by PSG Konsult Limited to Moonstone Information Refinery Proprietary Limited. The academy will continue its operations under new ownership, with current students remaining enrolled and existing courses being offered as before. All academy personnel have also retained their posts.

PSG Konsult Limited (through its subsidiary Nhluvuko Risk Administration Proprietary Limited) sold its health insurance administration business to African Unity Health Proprietary Limited. The sale has no direct impact on the employees or clients of Nhluvuko Risk Administration and the business will continue to operate as before with existing products, services and issued insurance cover remaining in place.

The transactions allow the group to further simplify its business structure and direct greater focus to core operations. PSG Konsult also believes this to be in the best interests of clients of both PSG Academy Proprietary Limited and the health insurance administration business, as the businesses have been sold to reputable companies that can apply a dedicated focus to their operations.

41. RISK MANAGEMENT

GENERAL

Risk management is a priority issue because it affects every part of the business. It is a pre-emptive process that allows the group to assess and analyse risk in an integrated fashion, identifying potential areas in advance and then proactively create processes and measures for compliance. We believe that risk management is key in ensuring the sustainability of the business model.

Fundamentally, the board of directors' responsibility in managing risk is to protect the interests of all of the group's stakeholders, being the shareholders, policyholders, employees, regulatory bodies and related parties, while increasing shareholder value. It fully accepts responsibility for risk management and internal controls, and in so doing the board of directors has deployed a number of control mechanisms to prevent and mitigate the potential impact of risk.

The primary responsibility for risk management at an operational level rests with the executive committee (EXCO). Management and various specialist board committees are tasked with integrating the management of risk into the day-to-day activities of the group. The group defines the roles, responsibility and accountability for managing, reporting and escalating risks and issues throughout the group by applying the three layers of defence approach, as set out on page 95 of the risk report. This approach incorporates the oversight, management and assurance of risk management, essentially giving three independent views of risk in the organisation.

Refer to the risk report on pages 94 to 98 for detail of the group's formal risk management plan and the various governing bodies (committees) established to ensure effective risk management and oversight.

The group is continuously enhancing its risk management capabilities, particularly in line with SAM developments in anticipation of its pending implementation in 2016. Our framework, policies and support processes are regularly updated to reflect these enhancements.

FINANCIAL RISK MANAGEMENT

The group's activities expose it to a variety of financial risks: market risk (including price risk, currency risk, cash flow and fair value interest rate risk), credit risk and liquidity risk. Insurance activities expose the group to insurance risk (including pricing risk, reserving risk, underwriting risk and reinsurance risk). The group is also exposed to operational, regulatory and legal risk. The risk to reputation is not distinguished as a unique risk type in the taxonomy as it is considered to be a consequence of one or more of the other risk types. The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance.

Risk management is carried out by each of the divisions within the group under policies approved by the respective boards of directors. Each division identifies, evaluates and utilises economic hedges to hedge financial risks as appropriate. Each major division's executive committee provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments and investment of excess liquidity.

The monitoring of risk exposures and key controls is inherently part of this process, as is the reporting of emerging and significant risk for each division and the group as a whole.

The sensitivity analyses presented in this section are based on reasonable possible changes in market variables for equity prices, foreign exchange rates and interest rates for the group. Financial instruments are grouped into the following classes in order to facilitate effective financial risk management and disclosure in terms of IFRS 7 Financial Instruments: Disclosures and IFRS 13 Fair Value Measurements.

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for the year ended 28 February 2015

	2015 R000	2014 R000
41. RISK MANAGEMENT (continued)		
FINANCIAL RISK MANAGEMENT (continued)		
CLASSES OF FINANCIAL AND INSURANCE ASSETS		
Direct equity securities – quoted	69 526	3 786
Investments linked to investment contracts – quoted	955 147	600 249
Total quoted equity securities	1 024 673	604 035
Direct equity securities – unquoted	845	845
Total unquoted equity securities	845	845
Total equity securities	1 025 518	604 880
Direct debt securities – quoted	805 220	444 706
Investments linked to investment contracts – quoted	765 731	1 439 379
Total quoted debt securities	1 570 951	1 884 085
Investments linked to investment contracts – unquoted	34 467	237 347
Total unquoted debt securities	34 467	237 347
Total debt securities	1 605 418	2 121 432
Direct unit-linked investments – quoted	233 552	359 617
Investments linked to investment contracts – quoted	10 995 440	7 608 536
Total quoted unit-linked investments	11 228 992	7 968 153
Direct unit-linked investments – unquoted	10 000	–
Investments linked to investment contracts – unquoted	1 106 656	2 250 476
Total unquoted unit-linked investments	1 116 656	2 250 476
Total unit-linked investments	12 345 648	10 218 629
Investment in investment contracts	338 208	505 444
Secured loans	30 382	32 976
Unsecured loans	86 011	77 019
Total loans and advances	116 393	109 995
Equity traded derivatives	23 324	21 190
Total derivative financial instruments	23 324	21 190
Reinsurance assets	77 413	66 248
Deferred acquisition costs	1 714	1 025
Trade receivables (other than insurance receivables)	108 244	72 180
Receivables due from contract holders and reinsurers	38 426	36 807
Brokers and clearing houses and client accounts	1 871 853	1 925 858
Contracts for difference	19 887	24 228
Receivables due from related parties	66 679	43 341
Rental and other deposits and sundry debtors	7 390	9 682
Total receivables including insurance receivables	2 112 479	2 112 096
Loans to associated companies	1 238	1 960
Loans to joint ventures	3 429	3 285

	2015 R000	2014 R000
41. RISK MANAGEMENT (continued)		
FINANCIAL RISK MANAGEMENT (continued)		
CLASSES OF FINANCIAL AND INSURANCE ASSETS (continued)		
Cash and cash equivalents (including money market investments)	972 243	709 184
Non-current assets held for sale	3 366	–
Total financial and insurance assets	18 626 391	16 475 368
CLASSES OF FINANCIAL AND INSURANCE LIABILITIES		
Bank overdrafts	–	11
Secured loans	413 570	393 773
Finance leases	11 141	14 674
Related-party loans	732	914
Other short-term loans	2 400	2 816
Total borrowings	427 843	412 188
Equity traded derivatives	30 749	28 406
Total derivative financial instruments	30 749	28 406
Investment contracts	14 222 603	12 692 768
Insurance contracts	574 331	493 163
Deferred reinsurance acquisition revenue	3 563	2 842
Third-party liabilities arising on consolidation of mutual funds	699 202	372 169
Accounts payable, accruals and settlement control accounts	1 840 502	1 914 122
Amounts due to intermediaries	13 230	7 638
Amounts due to reinsurers	33 521	50 996
Contracts for difference	24 641	38 061
Purchase consideration payable	4 783	3 981
Total trade and other payables	1 916 677	2 014 798
Non-current liabilities held for sale	3 350	–
Total financial and insurance liabilities	17 878 318	16 016 334

Notes to the annual financial statements

for the year ended 28 February 2015

41. RISK MANAGEMENT (continued)

FINANCIAL RISK MANAGEMENT (continued)

FINANCIAL INSTRUMENTS BY CATEGORY

	Held-to-maturity R000	Loans and receivables R000	Assets at fair value through profit or loss: Designated R000	Assets at fair value through profit or loss: Held for trading R000	Available-for-sale R000	Total R000
Assets as per statement of financial position 28 February 2015						
Equity securities	–	–	1 024 673	–	845	1 025 518
Debt securities	755 809	–	849 609	–	–	1 605 418
Unit-linked investments	–	–	12 345 648	–	–	12 345 648
Investment in investment contracts	111 903	–	226 305	–	–	338 208
Loans and advances*	–	116 393	–	–	–	116 393
Loans to associated companies*	–	1 238	–	–	–	1 238
Loans to joint ventures*	–	3 429	–	–	–	3 429
Derivative financial instruments	–	–	–	23 324	–	23 324
Reinsurance assets*	–	77 413	–	–	–	77 413
Deferred acquisition costs*	–	1 714	–	–	–	1 714
Receivables including insurance receivables*	–	2 112 479	–	–	–	2 112 479
Cash and cash equivalents*	–	972 243	–	–	–	972 243
Non-current assets held for sale	–	3 366	–	–	–	3 366
	867 711	3 288 275	14 446 236	23 324	845	18 626 391
Assets as per statement of financial position 28 February 2014						
Equity securities	–	–	604 035	–	845	604 880
Debt securities	888 173	–	1 233 259	–	–	2 121 432
Unit-linked investments	–	–	10 218 629	–	–	10 218 629
Investment in investment contracts	245 047	–	260 397	–	–	505 444
Loans and advances*	–	109 995	–	–	–	109 995
Loans to associated companies*	–	1 960	–	–	–	1 960
Loans to joint ventures*	–	3 285	–	–	–	3 285
Derivative financial instruments	–	–	–	21 190	–	21 190
Reinsurance assets*	–	66 248	–	–	–	66 248
Deferred acquisition costs*	–	1 025	–	–	–	1 025
Receivables including insurance receivables*	–	2 112 096	–	–	–	2 112 096
Cash and cash equivalents*	–	709 184	–	–	–	709 184
	1 133 220	3 003 793	12 316 320	21 190	845	16 475 368

Carrying value approximates fair value.

41. RISK MANAGEMENT (continued)

FINANCIAL RISK MANAGEMENT (continued)

The value of the contracts for difference assets as reflected on the statement of financial position is derived from and corresponds directly to the closing JSE equity market price of the contracts for difference's underlying listed instruments that clients hold.

FINANCIAL INSTRUMENTS BY CATEGORY

	Liabilities at fair value through profit or loss: Designated R000	Liabilities at fair value through profit or loss: Held for trading R000	Liabilities measured at amortised cost R000	Total R000
Liabilities as per statement of financial position 28 February 2015				
Borrowings*	–	–	427 843	427 843
Derivative financial instruments	–	30 749	–	30 749
Investment contracts	13 389 361	–	833 242	14 222 603
Insurance contracts	–	–	574 331	574 331
Deferred reinsurance acquisition revenue*	–	–	3 563	3 563
Third-party liabilities arising on consolidation of mutual funds	699 202	–	–	699 202
Trade and other payables*	13 453	–	1 903 224	1 916 677
Non-current liabilities held for sale	–	–	3 350	3 350
	14 102 016	30 749	3 745 553	17 878 318
Liabilities as per statement of financial position 28 February 2014				
Borrowings*	–	–	412 188	412 188
Derivative financial instruments	–	28 406	–	28 406
Investment contracts	11 544 683	–	1 148 085	12 692 768
Insurance contracts	–	–	493 163	493 163
Deferred reinsurance acquisition revenue*	–	–	2 842	2 842
Third-party liabilities arising on consolidation of mutual funds	372 169	–	–	372 169
Trade and other payables*	10 640	–	2 004 158	2 014 798
	11 927 492	28 406	4 060 436	16 016 334

Carrying value approximates fair value

Investment contracts

A subsidiary of the group, PSG Life Limited, is a linked insurance company and issues linked policies to policyholders (where the value of policy benefits is directly linked to the fair value of the supporting assets), and as such does not expose the business to the market risk of fair value adjustments on the financial assets as this risk is assumed by the policyholder. Investment contracts included within financial liabilities on the statement of financial position are therefore fully matched by investments as analysed in note 22.

Notes to the annual financial statements

for the year ended 28 February 2015

41. RISK MANAGEMENT (continued)

FINANCIAL RISK MANAGEMENT (continued)

MARKET RISK

Market risk is the risk of adverse financial impact due to changes in fair values or future cash flows of financial instruments from fluctuations in equity prices, foreign currency exchange rates and interest rates.

Refer to page 97 for the mitigating controls put in place as part of the risk management framework to address market risk.

A portion of the policyholders' and shareholders' investments are valued at fair value and is therefore susceptible to market fluctuations.

With regard to the subsidiary, PSG Life Limited, this company only invests assets into portfolios that are exposed to market price risk that matches linked policies to policyholders (where the value of policy benefits is directly linked to the fair value of the supporting assets), and as such does not expose the business to the market risk of fair value adjustments on the financial assets as this risk is assumed by the policyholder. Fees charged on this business are determined as a percentage of the fair value of the underlying assets held in the linked funds, which are subject to equity and interest rate risk. As a result, the management fees fluctuate, but cannot be less than nil.

Price risk

The group is exposed to price risk due to changes in the market values of its quoted and unquoted equity securities held by the group and classified on the consolidated statement of financial position either as available-for-sale or at fair value through profit or loss. Although the group follows a policy of diversification, some concentration of price risk towards certain sectors exists and is analysed in the following table:

	Equity securities relating to investment contract policyholders		Direct equity investments	
Sector composition of quoted equity securities	2015 R000	2014 R000	2015 R000	2014 R000
Agriculture	18 989	9 323	–	–
Banks	68 733	29 206	12 025	422
Basic resources	114 546	112 162	3 062	164
Chemicals	1 085	2 591	–	–
Construction and materials	4 424	43 699	945	20
Financial services	140 103	49 762	17 890	2 705
Food and beverages	46 738	13 737	5 557	27
Foreign listed shares	90 692	–	–	–
Healthcare	12 798	6 043	2 337	38
Industrial goods and services	27 791	16 693	16 909	128
Insurance	27 149	32 907	56	36
Media	20 582	17 780	77	70
Oil and gas	38 747	45 916	5 751	–
Personal and household goods	68 321	50 292	149	77
Property	67 352	46 722	–	–
Retail	81 943	45 228	59	36
Technology	21 892	12 143	3 898	–
Telecommunications	68 420	45 830	62	63
Travel and leisure	34 842	20 215	749	–
	955 147	600 249	69 526	3 786

41. RISK MANAGEMENT (continued)

FINANCIAL RISK MANAGEMENT (continued)

Included in the group's quoted equity securities are those equity securities relating to:

- investments in linked investment contracts amounting to R955.1 million (2014: R600.2 million);
- equity securities relating to third-party liabilities arising on consolidation of mutual funds amounting to R68.1 million (2014: Rnil).

The price risk of these instruments is carried by the policyholders of the linked investment contracts and the third-party mutual fund investors, respectively.

Included in unit-linked investments are investments linked to investment contracts amounting to approximately R12.1 billion (2014: R9.9 billion) of which the price risk is also carried by the policyholders of the linked investment contracts. Therefore a movement in the individual unit prices of the aforementioned investments would not have a material impact on the group's profit after taxation but would decrease or increase the corresponding liabilities with the same amount. Included in the unit-linked investments are liabilities relating to third-party liabilities arising on consolidation of mutual funds of R134.2 million (2014: R83.2 million).

Short-term insurance liabilities are not directly sensitive to equity price risk. Long-term investment contract liabilities are sensitive to price risk of underlying linked assets.

The table below summarises the sensitivity of the group's post-tax net profit for the year as a result of market price fluctuations. The analysis is based on the assumption that marked-to-market prices increase/decrease by 20% (2014: 20%) taking into account the opposite move of the corresponding linked-liability in the case of the linked investment contracts, with all other variables held constant.

	2015 20% increase R000	2014 20% increase R000	2015 20% decrease R000	2014 20% decrease R000
Impact on:				
Post-tax profit	33 815	17 591	(33 815)	(17 591)
Post-tax other comprehensive income	–	–	–	–

The group enters into contracts for difference with clients whereby the group provides leveraged exposure to equities specified by the clients. The holders of the contracts for difference carry the price risk of these instruments and therefore a movement in the individual share prices would not have an impact on the group's profit after taxation but would result in a corresponding movement in the value of the contracts for difference liabilities.

Foreign exchange risk

The group has limited investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Transactions incurred by the group did not lead to a significant foreign exchange risk. Management monitors this exposure and cover is used where appropriate. The group did not take cover on foreign currency transactions and balances during the financial years under review.

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for the year ended 28 February 2015

41. RISK MANAGEMENT (continued)

FINANCIAL RISK MANAGEMENT (continued)

Almost all of the group's subsidiaries have the South African rand as functional currency. The group's financial assets and liabilities denominated in foreign currency other than the functional currency are analysed according to geographical area in the following table:

	African currencies R000	British Pound Sterling R000	United States Dollar R000	Euro R000	Asian currencies R000	Total R000
At 28 February 2015						
Financial assets						
Equity securities*	–	16 092	79 711	20 141	347	116 291
Debt securities*	–	–	892	–	–	892
Unit-linked investments*	–	–	1 446 703	413	–	1 447 116
Investment in investment contracts*	–	5 149	56 248	2 179	–	63 576
Loans and advances	–	829	42	–	–	871
Reinsurance assets	–	–	7 158	–	–	7 158
Receivables including insurance receivables	–	1 944	5 629	184	–	7 757
Cash and cash equivalents	3	1 914	10 773	2 244	4	14 938
Financial liabilities						
Trade and other payables	(294)	–	(2 176)	(325)	–	(2 795)
Borrowings	(4 072)	(27 333)	(220)	–	–	(31 625)
	(4 363)	(1 405)	1 604 760	24 836	351	1 624 179
At 28 February 2014						
Financial assets						
Debt securities*	–	2 865	8 875	2 459	–	14 199
Unit-linked investments*	1 327	3 603	753 273	5 451	–	763 654
Investment in investment contracts*	–	3 406	62 674	2 044	–	68 124
Loans and advances	–	3 179	36	–	–	3 215
Receivables including insurance receivables	–	2 234	6 303	582	–	9 119
Cash and cash equivalents	–	650	1 386	1 481	2	3 519
Financial liabilities						
Trade and other payables	(65)	–	(3 899)	(409)	–	(4 373)
Borrowings	(3 262)	(29 269)	(34)	–	–	(32 565)
	(2 000)	(13 332)	828 614	11 608	2	824 892

* *Linked to policyholder investments and as such does not directly expose the group to foreign currency risk.*

41. RISK MANAGEMENT (continued)

FINANCIAL RISK MANAGEMENT (continued)

The table below shows the sensitivity of post-tax profits of the group to a 20% (2014: 20%) move in the rand exchange rates.

	2015 20% appreciation R000	2014 20% appreciation R000	2015 20% depreciation R000	2014 20% depreciation R000
Impact on post-tax profit	1 641	1 133	(1 641)	(1 133)

Cash flow and fair value interest rate risk

The group's interest rate risk arises from interest-bearing investments, loans and advances, receivables including insurance receivables, cash and cash equivalents, non-current assets held for sale, long-term borrowings, trade and other payables and non-current liabilities held for sale. Borrowings and investments issued at variable rates expose the group to cash flow interest rate risk. Borrowings and investments issued at fixed rates expose the group to fair value interest rate risk. However, where the investments are held to back linked investment contract liabilities, the risk is transferred to the policyholders through the contract terms of the policy.

Short-term insurance liabilities are not directly sensitive to the level of market interest rates, as they are undiscounted and contractually non-interest-bearing.

	2015 R000	2014 R000
Loans to associated companies		
Floating rate	–	835
Fixed rate and non-interest-bearing	1 238	1 125
	1 238	1 960
Loans to joint ventures		
Floating rate	3 429	3 285
	3 429	3 285
Debt securities*		
Floating rate	457 789	302 278
Fixed rate and non-interest-bearing	1 147 629	1 819 154
	1 605 418	2 121 432
Unit linked investments**		
Floating rate	238 670	264 149
Fixed rate and non-interest-bearing	12 106 978	9 954 480
	12 345 648	10 218 629
Loans and advances		
Floating rate	75 488	92 850
Fixed rate and non-interest-bearing	40 905	17 145
	116 393	109 995

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	2015 R000	2014 R000
41. RISK MANAGEMENT (continued)		
FINANCIAL RISK MANAGEMENT (continued)		
Receivables including insurance receivables		
Floating rate	459 043	325 799
Fixed rate and non-interest-bearing	1 653 436	1 786 297
	2 112 479	2 112 096
Cash and cash equivalents***		
Floating rate	972 098	699 020
Fixed rate and non-interest-bearing	145	10 164
	972 243	709 184
Non-current assets held for sale		
Floating rate	2 775	–
Fixed rate and non-interest-bearing	591	–
	3 366	–
Borrowings		
Floating rate	(413 570)	(378 909)
Fixed rate and non-interest-bearing	(14 273)	(33 279)
	(427 843)	(412 188)
Trade and other payables		
Floating rate	(25 882)	(40 832)
Fixed rate and non-interest-bearing	(1 890 795)	(1 973 966)
	(1 916 677)	(2 014 798)
Non-current liabilities held for sale		
Floating rate	–	–
Fixed rate and non-interest-bearing	(3 350)	–
	(3 350)	–
Total		
Floating rate	1 769 840	1 268 475
Fixed rate and non-interest-bearing	13 042 504	11 581 120
	14 812 344	12 849 595

* *Debt securities of R800.2 billion (2014: R1.7 billion) are linked to policyholder investments and as such do not directly expose the group to interest rate risk.*

** *Unit-linked investments of R12.1 billion (2014: R9.9 billion) are linked to policyholder investments and as such do not directly expose the group to interest rate risk.*

*** *Cash and cash equivalents of R27.0 million (2014: R51.3 million) are linked to policyholder investments and as such do not directly expose the group to interest rate risk.*

41. RISK MANAGEMENT (continued)

FINANCIAL RISK MANAGEMENT (continued)

The group manages its cash flow interest rate risk by monitoring interest rates on a regular basis.

Based on simulations performed, the impact on post-tax profit of a 1% (2014: 1%) shift in interest rates is analysed in the following table and includes the effect of the economic interest rate hedge:

	2015 1% increase R000	2014 1% increase R000	2015 1% decrease R000	2014 1% decrease R000
Impact on post-tax profit	12 393	8 046	(12 393)	(8 046)

CREDIT RISK

Credit risk arises from the inability or unwillingness of a counterparty to a financial instrument to discharge its contractual obligations. Credit risk comprises default, settlement and migration risk (if credit ratings change).

Refer to page 97 for the mitigating controls put in place as part of the risk management framework to address credit risk.

Credit risk arises from cash and cash equivalents, derivative financial instruments, loans and advances, debt securities, investment in investment contracts, unit-linked investments, receivables including insurance receivables, reinsurance assets, deferred acquisition costs and non-current assets held for sale. Derivative counterparties and cash transactions are limited to high-credit-quality financial institutions. In the case of loans and advances, management would take or insist on collateral or other form of securitisation as they deem fit.

The value of policy benefits on linked business is directly linked to the fair value of the supporting asset, and as such the group does not assume any credit risk on the linked policyholder assets, although it has a responsibility to manage these assets properly within set mandates.

Investments linked to guaranteed investment contracts

The group, through its subsidiary, PSG Life Limited, sold five-year single premium policies where the company guarantees a maturity amount that will be paid out in five years' time. Assets were purchased by this company to fully match the liability that will be payable at maturity. However, the company takes credit risk in that, should the counterparty not make good the amount owed at maturity of the policy, PSG Life Limited will have to stand in for the liability guaranteed.

To manage this risk, assets purchased need to be authorised by the board of PSG Life Limited, as well as the credit committee, the investment committee and the executive committee of the holding company, PSG Konsult Limited. In order to make the decision, a report is received from an independent party setting out pertinent financial information relating to the institution to which the company will be exposed. Should the risk be too high in the judgement of these various committees, collateral will be requested from the counterparty to reduce this risk. At year-end the assets backing the guaranteed liabilities were purchased, and the underlying assets purchased were ceded to the company in order to mitigate its credit risk. The ultimate credit risk is therefore reviewed by looking through to the ceded assets. Collateral purchased in shares, cash and guarantees provided to the value of R989.2 million (2014: R1.1 billion). The collateral held consists mainly (>90%) of shares listed on the JSE, with the fair value of these quoted investments based on the current stock exchange prices at the close of business on the statement of financial position date. The remaining collateral consists of guarantees provided by counterparty which represent exclusive rights on debtor book of counterparty.

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41. RISK MANAGEMENT (continued)

FINANCIAL RISK MANAGEMENT (continued)

Loans and advances

The collateral held for the loans to short-term insurance clients by Hi-Five Corporate Finance Proprietary Limited, a subsidiary of Western Group Holdings Limited, is held in the form of warranties and guarantees. Refer to note 11 for more detail.

The table below shows the group's maximum exposure to credit risk by class of asset at the end of each reporting period:

	2015		2014	
	Balance R000	Collateral fair value R000	Balance R000	Collateral fair value R000
Debt securities	1 605 418	989 156	2 121 432	1 149 084
Direct – quoted	805 220	–	444 706	–
Investments linked to investment contracts – quoted	765 731	989 156	1 439 376	1 149 084
Investments linked to investment contracts – unquoted	34 467	–	237 347	–
Investment in investment contracts	338 208	–	505 444	–
Loans and advances	116 393	29 738	109 995	32 976
Secured	30 382	29 738	32 976	32 976
Unsecured	86 011	–	77 019	–
Unit-linked investments	12 345 648	–	10 218 629	–
Derivative financial instruments	23 324	–	21 190	–
Reinsurance assets	77 413	1 272	66 248	16 977
Deferred acquisition costs	1 714	–	1 025	–
Receivables including insurance receivables	2 112 479	–	2 112 096	–
Loans to associated companies	1 238	–	1 960	–
Loans to joint ventures	3 429	–	3 285	–
Cash and cash equivalents	972 243	–	709 184	–
Non-current assets held for sale	3 366	–	–	–
	17 600 873	1 020 166	15 870 488	1 199 037

Receivables are tested for impairment using a variety of techniques including assessing credit risk and monthly monitoring of individual debtors. At the reporting date, R1.4 million (2014: R0.7 million) were found to be impaired.

Investments in investment contracts are linked to investment contracts and thus credit risk is carried by the policyholders of the linked investment contracts. Debt securities of R800.2 million (2014: R1.7 billion), cash and cash equivalents of R27.0 million (2014: R51.3 million) and unit-linked investments of R12.1 billion (2014: R9.9 billion) are linked to investment contracts and thus credit risk is carried by the policyholders of the linked investment contracts.

The shareholders' capital in PSG Life Limited and Western Group Holdings Limited are primarily invested in cash or other highly liquid unit trust investments. All items that expose PSG Life Limited and Western Group Holdings Limited to credit risk are monitored by the credit committee. The credit committee reviews on a monthly basis the exposure of the group to external parties. As part of this meeting, a credit specialists reports to the committee whether any new information has become available in the market which indicates that the group should reconsider its exposure to that counterparty. As at February for each of the respective financial years, this committee did not note any concerns as to the exposure that this group has to any counterparties.

Financial assets are assessed based on their credit ratings as published by Moody's. Financial assets which fall outside the published rates of Moody's are classified as not rated. Credit limits, for each counterparty, are set based on default probabilities that are in turn based on the ratings of the counterparty concerned.

41. RISK MANAGEMENT (continued)

FINANCIAL RISK MANAGEMENT (continued)

The credit quality of financial assets can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

	2015 R000	2014 R000
Government stock	19 889	40 606
Aaa	15 000	2 628
Aa2	32 636	64 353
Aa3	–	50 432
A1	443 445	8 160
A2	17 627	36 672
A3	–	121
P1	898 147	750 301
P2	287 785	512 511
P3	–	2 421
Other non-rated assets	3 161 239	3 926 199
Unit linked investments (including collective investment schemes) (CIS)	12 724 507	10 456 903
Past due or impaired assets	598	19 181
	17 600 873	15 870 488

The credit risk associated with 80.5% (2014: 79.2%) of non-rated financial assets and unit-linked investments (including collective investment schemes) (CIS) is assessed by reference to the investment mandates of linked policyholder investments which specify what type of underlying investments can be purchased.

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41. RISK MANAGEMENT (continued)
FINANCIAL RISK MANAGEMENT (continued)
The table below analyses the group's external credit rating by class of asset:

	External credit rating													
	Government stock	Aaa	Aa2	Aa3	A1	A2	A3	P1	P2	P3	Unit-linked (incl CIS)	Other non-rated assets	Past due or impaired assets	Total
2015	R000	R000	R000	R000	R000	R000	R000	R000	R000	R000	R000	R000	R000	R000
Debt securities	19 889	15 000	32 636	–	430 806	17 627	–	237 297	285 339	–	–	566 824	–	1 605 418
Investment in investment contracts	–	–	–	–	–	–	–	–	–	–	–	338 208	–	338 208
Loans and advances	–	–	–	–	–	–	–	–	–	–	–	115 795	598	116 393
Derivative financial instruments	–	–	–	–	–	–	–	–	–	–	–	23 324	–	23 324
Reinsurance assets	–	–	–	–	–	–	–	–	–	–	–	77 413	–	77 413
Deferred acquisition cost	–	–	–	–	–	–	–	–	–	–	–	1 714	–	1 714
Receivables due from contract holders and reinsurers	–	–	–	–	–	–	–	–	–	–	–	38 426	–	38 426
Brokers and clearing houses and client accounts	–	–	–	–	–	–	–	–	–	–	–	1 871 853	–	1 871 853
Other receivables (including loans to joint ventures)	–	–	–	–	12 639	–	–	3 457	–	–	66 631	122 902	–	205 629
Unit-linked investments	–	–	–	–	–	–	–	–	–	–	12 345 648	–	–	12 345 648
Loans to associated companies	–	–	–	–	–	–	–	–	–	–	–	1 238	–	1 238
Cash and cash equivalents	–	–	–	–	–	–	–	657 393	2 446	–	312 228	176	–	972 243
Non-current assets held for sale	–	–	–	–	–	–	–	–	–	–	–	3 366	–	3 366
	19 889	15 000	32 636	–	443 445	17 627	–	898 147	287 785	–	12 724 507	3 161 239	598	17 600 873
2014														
Debt securities	40 606	2 628	64 353	50 432	8 160	36 672	121	238 507	510 245	2 421	–	1 167 287	–	2 121 432
Investment in investment contracts	–	–	–	–	–	–	–	–	–	–	–	505 444	–	505 444
Loans and advances	–	–	–	–	–	–	–	–	–	–	–	90 987	19 008	109 995
Derivative financial instruments	–	–	–	–	–	–	–	–	–	–	–	21 190	–	21 190
Reinsurance assets	–	–	–	–	–	–	–	–	–	–	–	66 248	–	66 248
Deferred acquisition cost	–	–	–	–	–	–	–	–	–	–	–	1 025	–	1 025
Receivables due from contract holders and reinsurers	–	–	–	–	–	–	–	–	–	–	–	36 807	–	36 807
Brokers and clearing houses and client accounts	–	–	–	–	–	–	–	–	–	–	–	1 925 858	–	1 925 858
Other receivables (including loans to joint ventures)	–	–	–	–	–	–	–	400	–	–	42 982	109 161	173	152 716
Unit-linked investments	–	–	–	–	–	–	–	–	–	–	10 218 629	–	–	10 218 629
Loans to associated companies	–	–	–	–	–	–	–	–	–	–	–	1 960	–	1 960
Cash and cash equivalents	–	–	–	–	–	–	–	511 394	2 266	–	195 292	232	–	709 184
	40 606	2 628	64 353	50 432	8 160	36 672	121	750 301	512 511	2 421	10 456 903	3 926 199	19 181	15 870 488

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41. RISK MANAGEMENT (continued)

FINANCIAL RISK MANAGEMENT (continued)

For the financial assets where no published Moody's rating exists (other non-rated assets), the ratings published by other rating agencies were obtained.

Class of financial assets	Rating agency	External credit rating	2015 R000	2014 R000
Receivables including insurance receivables	Fitch	AA+(zaf) to AA-(zaf)	1 416	1 675
Receivables including insurance receivables	Global Credit Rating	AA(zaf) to A3(zaf)	–	813
Receivables including insurance receivables	S&P	A2-(za)	–	12 352
Debt securities	Fitch	AA(zaf) to F2(zaf)	89 248	67 179
Debt securities	Global Credit Rating	A1(za) to AA(zaf)	21 403	18 819
Debt securities	S&P	A2(za)	–	17 578
Unit linked investments	Global Credit Rating	A1+(zaf)	49 184	–
Reinsurance assets	S&P	A-(za) to AA-(za)	37 622	31 242
Reinsurance assets	Fitch	AA(zaf)	37 622	31 242
Reinsurance assets	Global Credit Rating	AA-(za)	2 169	3 764
			238 664	184 664
Debt securities	Moody's*	Ba1(za) to Caa2(za)	143 019	89 409
Loans and advances	Moody's*	Caa2(za)	18 542	–
Receivables including insurance receivables	Moody's*	Ba1(za) to BBB(za)	–	138
			400 225	274 211

* *Moody's ratings of financial assets which fell out of the range disclosed in the Moody's credit rating table on the previous pages.*

Cash and cash equivalents

The non-rated cash and cash equivalents relate mainly to cash on hand and the PSG Securities trading account. The cash held in the trading account is highly liquid, earns a competitive interest yield and has a weighted average maturity of less than 90 days.

Broker and clearing houses and client accounts

Non-rated financial assets relating to the group consist mainly of balances due from brokers and clearing houses and loans and advances. Balances due from brokers and clearing houses are settled within five days after the transaction occurred in terms of the clearing house rules of the JSE.

Loans and advances

Loans and advances consist mainly of amounts due from short-term insurance clients, financial advisers and other group companies. Balances due from short-term insurance clients are monitored against the collateral provided in the form of the underlying investments held. Balances due from financial advisers are monitored against the income generated by these advisers to ensure sufficient collateral for the amounts owed are available. Amounts due from other group companies are monitored by the holding company to ensure that adequate income is generated by the related company to repay the loan when required.

Other receivables (including loans to joint ventures)

Other receivables consist mainly of commission and other fee income due from third-party asset management and insurance companies, fees due from the JSE, as well as policyholder receivables due from investment houses (in the case where policy matured or redeemed by policyholder). These receivables are assessed individually for any indications that the counterparties might not be able to honour their commitments. The risk of default is low as it relates to reputable financial services institutions. Loans to joint ventures are assessed for impairment by assessing the financial position of the underlying joint ventures.

41. RISK MANAGEMENT (continued)

FINANCIAL RISK MANAGEMENT (continued)

Reinsurance credit exposures

Reinsurance is used to manage insurance risk. However, this does not discharge the group's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the group remains liable for the payment to the policyholder. The group has some exposure to concentration risk with individual reinsurers due to the nature of the reinsurance market and the restricted range of reinsurers that have acceptable credit ratings. The creditworthiness of reinsurers is considered annually by reviewing their financial strength prior to finalisation of any contract. The group's largest reinsurance counterparty is African RE and Santam RE (2014: African RE and Santam RE). This exposure is monitored on a regular basis with the forecast to completion monitored for any shortfall in the claims history to verify that the contract is progressing as expected and that no further exposure for the group will arise. The reinsurance receivable balances, disclosed as 'non-rated' on a group level, relate to reinsurance intermediaries.

The following table presents the concentration risk with the individual insurers at 28 February:

	2015 R000	%	2014 R000	%
African RE	37 622	48	31 242	47
Santam RE	37 622	48	31 242	47
Namib RE	2 169	4	3 764	6
Reinsurance assets	77 413	100	66 248	100
African RE	939	20	9 169	58
Santam RE	939	20	2 534	16
Namib RE	2 834	60	93	–
Other	–	–	4 093	26
Amounts due from reinsurers	4 712	100	15 889	100
	82 125		82 137	

Receivables that are due from contract holders, intermediaries and reinsurers emanating from the Southern African business amounted to R38.4 million (2014: R36.8 million). The group is protected by guarantees provided by the Intermediary Guarantee Facility for the nonpayment of premiums collected by intermediaries and through direct control over certain bank accounts used by intermediaries. The protected portion of receivables due from contract holders, intermediaries and reinsurers amounts to 40.73% (2014: 37.28%). Debtors falling into the 'non-rated' category are managed on a daily basis to ensure recoverability of amounts.

Impairment history

The table below gives an age analysis of receivables that are past due but not impaired. The other classes of financial assets do not contain assets that are past due but not impaired.

	Total R000	0 – 2 months R000	2 – 6 months R000	Over 6 months R000
At 28 February 2015	598	–	–	598
Loans and advances – Secured loans	598	–	–	598
At 28 February 2014	19 182	3 021	1 510	14 651
Loans and advances – Secured loans	19 009	3 021	1 337	14 651
Trade receivables	173	–	173	–

With respect to receivables past due but not impaired, based on the credit history and current credit ratings, there are no indications that the debtors will not be able to meet their obligations.

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41. RISK MANAGEMENT (continued)

FINANCIAL RISK MANAGEMENT (continued)

LIQUIDITY RISK

Liquidity risk is the risk that the group will not be able to raise sufficient funds to meet the commitments associated with its liabilities. This risk arises when investments are not marketable and therefore cannot be realised in the short term.

Refer to page 98 for the mitigating controls put in place as part of the risk management framework to address liquidity risk.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, each entity aims to maintain flexibility in funding by keeping committed credit lines available.

With regards to the linked investment policy business it is the group's policy to pay a policyholder once the amount disinvested has been collected. Accordingly, the underlying assets' maturity profile should approximate that of the investment contracts. The investment contracts do not expose the group to significant liquidity risk. The investment policy and mandates take the expected liquidity cash flow into account. By limiting the cash flow mismatch the risk of premature realisation of assets or reinvestment of excess cash is mitigated. In addition, investment guidelines and limits are used to limit exposure to illiquid assets. With regards to the investments linked to guaranteed investment contracts, these products have very specific guaranteed repayment profiles. The expected liability outflow is matched by assets that provide the required cash flows as and when they become payable.

The group is exposed to daily calls on its available cash resources mainly from claims arising from short-term insurance contracts, through its subsidiary, Western Group Holdings Limited. Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. Management actively manage the maturity profile of investments made in order to meet obligations. Investments are only made at reputable institutions and in short-duration instruments.

Included in trade and other payables is the settlement control account of R1.5 billion (2014: R1.6 billion) which represents the settlement of trades done by clients in the last few days before year-end, with the settlement to the clients taking place within three days after the transaction date. The settlement control account is matched with current assets in the form of the broker and clearing accounts and cash and cash equivalents (if portion was received from the JSE before year-end) which reduces the liquidity risk.

The table analyses the group's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carry balances as the impact of discounting is not significant.

	Carrying value R000	Less than 1 year R000	Between 1 and 5 years R000	Over 5 years R000
At 28 February 2015				
Borrowings	427 843	420 922	7 849	–
Derivative financial instruments	30 749	30 749	–	–
Investment contracts	14 222 603	2 882 552	11 340 051	–
Insurance contracts	574 331	547 992	26 339	–
Deferred reinsurance acquisition revenue	3 563	3 563	–	–
Third-party liabilities arising on consolidation of mutual funds	699 202	699 202	–	–
Trade and other payables	1 916 677	1 916 523	154	–
Non-current liabilities held for sale	3 350	3 350	–	–
	17 878 318	6 504 853	11 374 393	–

41. RISK MANAGEMENT (continued)

FINANCIAL RISK MANAGEMENT (continued)

	Carrying value R000	Less than 1 year R000	Between 1 and 5 years R000	Over 5 years R000
At 28 February 2014				
Borrowings	412 188	359 712	64 802	–
Derivative financial instruments	28 406	28 406	–	–
Investment contracts	12 692 768	1 931 398	10 761 370	–
Insurance contracts	493 163	466 304	26 859	–
Deferred reinsurance acquisition revenue	2 842	2 842	–	–
Third-party liabilities arising on consolidation of mutual funds	372 169	372 169	–	–
Trade and other payables	2 014 798	2 014 798	–	–
	16 016 334	5 175 629	10 853 031	–

The group has provided suretyship to the value of R9.2 million (2014: R16.5 million) in favour of various financial institutions for the purchase of books of business by advisers. At year-end, the fair value of the financial guarantee was Rnil (2014: Rnil). Management monitors this exposure on a monthly basis against the income generated by these advisers.

FAIR VALUE ESTIMATION

Financial instruments that are measured in the statement of financial position at fair value are disclosed by level based on the following fair value measurement hierarchy, as required by IFRS 7 Financial Instruments and IFRS 13 Fair Value Measurement:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities

  The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily JSE equity investments classified as at fair value through profit and loss or available-for-sale.

- Level 2 – Input other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)

  Financial instruments that trade in markets that are not considered to be active but are valued (using valuation techniques) based on quoted market prices, dealer quotations or alternative pricing sources supported by observable input are classified within level 2. These include over-the-counter derivatives. As level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information. If all significant input required to fair value an instrument is observable, the instrument is included in level 2.

Unit-linked investments related to units held are collective investment schemes and are priced monthly. The prices are obtained from the collective investment scheme management companies for the particular scheme and are based on quoted prices that are publicly available.

Investments in investment contracts relate to units held in investment contracts issued by a registered long-term insurer. The prices are obtained from the insurer of the particular investment contract.

Debt securities relate to instruments that are listed on the JSE interest rate market and are benchmarked against RSA bonds. The value is determined using a valuation model that uses the market input (yield of benchmark bond).

Unit-linked investments, investments in investment contracts and debt securities are mostly held to match investment contract liabilities, and as such any change in measurement would result in a similar adjustment to investment contract liabilities. The group's overall profit or loss is therefore not materially sensitive to the input of the models applied to derive fair value.

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41. RISK MANAGEMENT (continued)
FINANCIAL RISK MANAGEMENT (continued)
Valuation techniques and main assumptions used in determining the fair value of financial assets and liabilities classified within level 2 can be summarised as follows:

Instrument	Valuation basis/techniques	Main assumptions
Derivative financial instruments	Exit price on recognised over-the-counter (OTC) platforms	Not applicable
Debt securities	Valuation model that uses the market inputs (yield of benchmark bonds)	Bond interest rate curves Issuer credit ratings Liquidity spreads
Unit-linked investments	Quoted put (exit) price provided by the fund manager	Not applicable – prices are publicly available
Investment in investment contracts	Prices are obtained from the insurer of the particular investment contract	Not applicable – prices provided by registered long-term insurers
Policyholder investment contracts liabilities – unit linked	Current unit price of underlying unitised financial asset that is linked to the liability, multiplied by the number of units held	Not applicable
Third-party financial liabilities arising on the consolidation of mutual funds	Quoted put (exit) price provided by the fund manager	Not applicable – prices are publicly available

- Level 3 – Input for the asset or liability that is not based on observable market data (that is, unobservable input)
  If one or more of the significant input are not based on observable market data, the instrument is included in level 3. Investments classified within level 3 have significant unobservable input, as they trade infrequently.

Significant fair value model assumptions and sensitivities – level 3
Equity instruments relate to stock exchange rights and other rights owned. As these rights are unquoted, the valuation technique is based on the fact that the variability in the range of reasonable fair value estimates is not significant for this instrument and that the fair value of these rights is estimated to be equal to the guaranteed amount receivable for these rights, thus equalling the cost.

Unit-linked investments and debt securities relate to units and debentures held in hedge funds and are priced monthly. The group has determined that the reported net asset value represents fair value at the end of the reporting period. The prices are obtained from the asset managers of the particular hedge funds. These are held to match investment contract liabilities, and as such any change in measurement would result in a similar adjustment to investment contract liabilities. The group's overall profit or loss is therefore not materially sensitive to the input of the models applied to derive fair value.

Trade and other payables and purchase consideration payable classified within level 3 has significant unobservable input, as the valuation technique used to determine the fair values takes into account the probability (at year-end) that the contracted party will achieve the profit guarantee as stipulated in the business agreement.

41. RISK MANAGEMENT (continued)
FINANCIAL RISK MANAGEMENT (continued)
The following financial instruments are measured at fair value:

	Level 1 R000	Level 2 R000	Level 3 R000	Total R000
At 28 February 2015				
Assets				
Financial assets at fair value through profit or loss				
Derivative financial assets	–	23 324	–	23 324
Equity securities	1 024 673	–	–	1 024 673
Direct – quoted	69 526	–	–	69 526
Linked to investment contracts – quoted	955 147	–	–	955 147
Debt securities	476 539	373 071	–	849 610
Direct – quoted	476 539	328 681	–	805 220
Linked to investment contracts – quoted	–	44 390	–	44 390
Unit-linked investments	–	11 228 992	1 116 656	12 345 648
Direct – quoted	–	233 552	–	233 552
Linked to investment contracts – quoted	–	10 995 440	–	10 995 440
Direct – unquoted	–	–	10 000	10 000
Linked to investment contracts – unquoted	–	–	1 106 656	1 106 656
Investment in investment contracts	–	226 305	–	226 305
Available-for-sale				
Equity securities (Direct – unquoted)	–	–	845	845
	1 501 212	11 851 692	1 117 501	14 470 405
Liabilities				
Financial liabilities at fair value through profit or loss				
Derivatives financial liabilities	–	30 749	–	30 749
Investment contracts	–	12 282 705	1 106 656	13 389 361
Purchase consideration payable	–	–	4 783	4 783
Trade and other payables	–	–	8 670	8 670
Third-party liabilities arising on consolidation of mutual funds	–	699 202	–	699 202
	–	13 012 656	1 120 109	14 132 765

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41. RISK MANAGEMENT (continued)

FINANCIAL RISK MANAGEMENT (continued)

The following financial instruments are measured at fair value:

	Level 1 R000	Level 2 R000	Level 3 R000	Total R000
At 28 February 2014				
Assets				
Financial assets at fair value through profit or loss				
Derivatives financial assets	–	21 190	–	21 190
Equity securities	604 035	–	–	604 035
Direct – quoted	3 786	–	–	3 786
Linked to investment contracts – quoted	600 249	–	–	600 249
Debt securities	35 897	960 015	237 347	1 233 259
Direct – quoted	–	444 706	–	444 706
Linked to investment contracts – quoted	35 897	515 309	–	551 206
Linked to investment contracts – unquoted	–	–	237 347	237 347
Unit-linked investments	–	7 968 164	2 250 465	10 218 629
Direct – quoted	–	359 617	–	359 617
Linked to investment contracts – quoted	–	7 608 547	–	7 608 547
Linked to investment contracts – unquoted	–	–	2 250 465	2 250 465
Investment in investment contracts	–	260 397	–	260 397
Available-for-sale				
Equity securities (Direct – unquoted)	–	–	845	845
	639 932	9 209 766	2 488 657	12 338 355
Liabilities				
Financial liabilities at fair value through profit or loss				
Derivatives financial liabilities	–	28 406	–	28 406
Investment contracts	–	9 056 872	2 487 811	11 544 683
Purchase consideration payable	–	–	3 981	3 981
Trade and other payables	–	–	6 659	6 659
Third-party liabilities arising on consolidation of mutual funds	–	372 169	–	372 169
	–	9 457 447	2 498 451	11 955 898

Investment contracts

A subsidiary of the group, PSG Life Limited, is a linked insurance company and issues linked policies to policyholders (where the value of policy benefits is directly linked to the fair value of the supporting assets), and as such does not expose the business to the market risk of fair value adjustments on the financial asset as this risk is assumed by the policyholder. Investment contracts included within financial liabilities on the statement of financial position are therefore fully matched by investments as analysed in note 22.

41. RISK MANAGEMENT (continued)

FINANCIAL RISK MANAGEMENT (continued)

The following tables presents the changes in level 3 financial instruments during the reporting periods under review:

	Debt securities* R000	Unit-linked investments* R000	Equity securities R000	Total R000
Assets				
Carrying amount at 1 March 2013	250 137	2 019 813	845	2 270 795
Additions	45 052	1 511 227	–	1 556 279
Disposals	(43 855)	(1 459 809)	–	(1 503 664)
(Losses)/gains recognised in profit and loss	(13 987)	179 245	–	165 258
Other movement not through profit and loss	–	(11)	–	(11)
Carrying amount at 28 February 2014	237 347	2 250 465	845	2 488 657
Additions	18 561	3 275 879	–	3 294 440
Disposals	(280 191)	(4 482 361)	–	(4 762 552)
Gains recognised in profit and loss	24 283	72 673	–	96 956
Carrying amount at 28 February 2015	–	1 116 656	845	1 117 501

* *Gains/(losses) on these items were recognised in profit and loss under the line item 'net fair value gains and losses on financial instruments'.*

	Other payables R000	Purchase consideration payable in credit R000	Investment contracts** R000	Total R000
Liabilities				
Carrying amount at 1 March 2013	–	6 288	2 266 522	2 272 810
Additions	6 660	–	1 556 278	1 562 938
Disposals	–	(2 469)	(1 501 602)	(1 504 071)
Losses recognised in profit and loss	–	162	166 612	166 774
Carrying amount at 28 February 2014	6 660	3 981	2 487 810	2 498 451
Additions	2 010	7 527	3 284 442	3 293 979
Disposals	–	(6 890)	(4 762 552)	(4 769 442)
Losses recognised in profit and loss	–	165	96 956	97 121
Carrying amount at 28 February 2015	8 670	4 783	1 106 656	1 120 109

*** Losses recognised in profit and loss were recognised in the line item 'fair value adjustment to investment contract liabilities'.*

Gains of R96.0 million (2014: R179.2 million) were recognised in profit and loss under fair value gains on financial instruments on level 3 financial instruments held at any time during the financial year. Losses of R96.0 million (2014: R180.8 million) were recognised in profit and loss under fair value losses on financial instruments on level 3 financial instruments held at any time during the financial year.

Gains of R95.1 million (2014: R173.7 million) were recognised in profit and loss under fair value gains on financial instruments on level 3 financial instruments held at the reporting date. Losses of R95.1 million (2014: R173.7 million) were recognised in profit and loss under fair value losses on financial instruments on level 3 financial instruments held at the reporting date.

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41. RISK MANAGEMENT (continued)

FINANCIAL RISK MANAGEMENT (continued)

The table below summarises the carrying amounts and fair values of financial instruments not presented on the statement of financial position at fair value, for which their carrying value do not approximate their fair value:

	Carrying value		Fair value	
	2015 R000	2014 R000	2015 R000	2014 R000
Debt securities – held-to-maturity	721 341	888 173	736 883	889 020
Investment in investment contracts	111 904	245 047	112 736	255 382
	833 245	1 133 220	849 619	1 144 402

The fair value of financial assets and liabilities as above which are measured at amortised cost is categorised into the following fair value hierarchies:

	Level 1 R000	Level 2 R000	Level 3 R000	Total R000
At 28 February 2015				
Assets				
Debt securities – held-to-maturity	–	736 883	–	736 883
Investment in investment contracts	–	112 736	–	112 736
	–	849 619	–	849 619
At 28 February 2014				
Assets				
Debt securities – held-to-maturity	–	889 020	–	889 020
Investment in investment contracts	–	255 382	–	255 382
	–	1 144 402	–	1 144 402

OFFSETTING

The group does not have any financial assets or financial liabilities that are currently subject to offsetting in accordance with IAS 32 Financial Instruments: Presentation.

However, the derivative assets of R23.3 million (2014: R21.2 million) and derivative liabilities of R30.7 million (2014: R28.4 million) are subject to a master netting arrangement, with a net exposure of R7.4 million (2014: R7.2 million).

INSURANCE RISK

Insurance risk is the risk that future claims and expenses will exceed the allowance for expected claims and expenses in the measurement of policyholder liabilities and in product pricing.

Long-term insurance contracts

The insurance risk that PSG Life Limited is exposed to arises from an annuitant book with 68 (2014: 74) policies which are in the process of being run off, with a total liability value of R26.3 million (2014: R26.9 million). The insurance risk associated with this line of business is longevity risk, as there is a risk of loss that could arise should annuitants live longer than expected.

The loss arises as a result of the company having undertaken to make regular payments to the policyholders for their remaining lives. The most significant risk on these liabilities is continued medical advances and improvement in social conditions that lead to longevity improvements being better than expected.

The group manages the longevity risk by making use of standard mortality tables in calculating the expected life expectancy of its annuitants. However, the risk is not seen as material due to the size of this annuitant book.

41. RISK MANAGEMENT (continued)

INSURANCE RISK (continued)

The profile of annuity amounts payable per life in respect of annuities is as follows:

	2015		2014	
Annuity amount per annum – R	Number of annuities	Annual annuity exposure R000	Number of annuities	Annual annuity exposure R000
0 – 50 000	51	1 209	57	1 326
50 000 – 100 000	11	747	8	581
100 000 – 150 000	4	546	6	780
150 000 – 200 000	1	160	2	310
200 000 – 999 999 999	1	247	1	235

The table above shows that the concentration risk is likely to be small given the number of lives and the annuity profile being heavily weighted to lower annuity amounts per annum.

In the measurement of annuitant liabilities, a margin as described in the accounting policies is subtracted from the best estimate mortality. The best estimate mortality includes an allowance for future mortality improvements.

Significant assumptions used in determining the policyholder liability on this annuitant book were as follows:

- Mortality table: 95.00% of a 55, less a three-year age adjustment
- Annuity bonus: based on 80% and 70% of the long-term FSB inflation curve for mCubed and Glenrand policies respectively, with 13th cheques allowed for mCubed policies; average of 4.27% (2014: 4.00%) per annum on Glenrand policies and 4.88% (2014: 5.50%) on mCubed policies
- Investment returns: based on the long-term FSB nominal yield curve effective 28 February 2015 (previously a spot rate of 8.77% per annum was used for the 2014 financial year, however, the methodology has changed since)

The investment strategy followed for assets held to cover these liabilities is to match the liability cash flows as closely as possible, given the availability of appropriate inflation-linked bonds. The targeted return of these portfolios is to earn returns which at least match inflation and this is reviewed by the investment committee as well as the statutory actuary of PSG Life Limited on at least an annual basis.

The group issues contracts that transfer insurance risk or financial risk or both. This section summarises these risks and the way the group manages them.

Short-term insurance contracts

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, the materialisation of risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the group faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur when the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the estimate established using statistical techniques. Changing risk parameters and unforeseen factors, such as patterns of crime, economic and geographical circumstances, may result in unexpectedly large claims.

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41. RISK MANAGEMENT (continued)

INSURANCE RISK (continued)

a) Pricing and reserving

The group bases its pricing policy on the theory of probability. Underwriting limits are set for underwriting managers and brokers to ensure that this policy is consistently applied. The group also has the right to re-price and change the conditions for accepting risks on renewal. It also has the ability to impose deductibles and reject fraudulent claims.

The group is exposed to accumulation risk in the form of geographical (large metropolitan areas) as well as class of business concentrations of risk. The risk appetite policy dictates how much capital the group is willing to put at risk in the pursuit of value. It is within this risk appetite framework that the reinsurance programme has been selected to mitigate accumulation risk within its portfolio.

The reinsurance arrangements include excess, stop-loss and catastrophe coverage.

Claim provisions for all classes of business are regularly reviewed to make sure they are sufficient. These analyses draw on the expertise and experience of a wide range of specialists, such as underwriting and accounting experts.

Capital adequacy management aims to manage the risk that the net technical reserves held on the statement of financial position to fund reported and future claims as well as their associated expenses may prove insufficient.

The group holds its technical reserves at the minimum levels of sufficiency in accordance with prudential guidelines and legal requirements. The group aims to be conservative in the holding of technical reserves to protect its capital.

b) Underwriting risk

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

The concentration of insurance risk in relation to the type of insurance risk accepted as well as the relative geographical concentration of the risk is summarised in the table below:

	2015		2014	
	Type of insurance risk		Type of insurance risk	
Geographical location:	Motor	Non-motor	Motor	Non-motor
South Africa	58%	42%	57%	43%
Namibia	20%	80%	14%	86%
	51%	49%	53%	47%

Refer to page 97 for mitigating controls put in place as part of the risk management framework to address underwriting risk.

c) Frequency and severity of claims

The frequency and severity of claims can be affected by several factors. The group manages these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling.

The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk, industry and geography.

d) Sources of uncertainty in the estimation of future claim payments

Claims are payable on a claims-occurrence basis. The group is liable for all insured events that occurred during the term of the contract, even if the loss is discovered after the end of the contract term. As a result, liability claims are settled over a long period of time, and a larger element of the claims provision relates to incurred but not reported claims (IBNR). There are several variables that affect the amount and timing of cash flows from these contracts. These mainly relate to the inherent risks of the business activities carried out by the individual contract holders and the risk management procedures they adopted.

In calculating the estimated cost of unpaid claims (both reported and not), the group's estimation techniques are a combination of loss-ratio-based estimates (where the loss ratio is defined as the ratio between the ultimate cost of insurance claims and insurance premiums earned in a particular financial year in relation to such claims) and an estimate based upon actual claims experience using predetermined formulae where greater weight is given to actual claims experience as time passes.

41. RISK MANAGEMENT (continued)

INSURANCE RISK (continued)

e) Development of claims

Due to the nature of the insurance contracts, the uncertainty about the amount and timing of claims payments is typically resolved within one year.

CAPITAL RISK MANAGEMENT

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders, benefits for other stakeholders and to maintain an optimal capital structure. The group considers the optimal capital structure to be a structure in which the optimal level of capital is maintained in the most effective way by balancing the needs of shareholders, policyholders and regulators, with the main focus being one of maximising shareholder value. This requires the group to manage the levels of capital within each regulated entity in the group to keep these in line with the capital requirements for that entity, as well as to ensure that this reflects and is consistent with the group's risk profile and risk appetite. In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The executive committee and the management committee (Manco) provide oversight for the capital management of the group. The group monitors capital on the basis of the gearing ratio. This is also consistent with similar companies within the industry. The gearing ratio is calculated as the net debt divided by total capital. Net debt is calculated as total borrowings (excluding the Société Générale and Investec loans) including purchase consideration payable less cash and cash equivalents, reduced by client-related cash and cash equivalents, as shown in the consolidated statement of financial position. Total capital is calculated as the total equity as shown in the consolidated statement of financial position plus the net debt.

When funding is required, management will consider the various forms of paper available for issue, taking into account current market conditions, anticipated trends in market indicators and the financial position of the group at the time. Management will consider issuing ordinary shares, short, long or medium-term borrowings with variable or fixed rates accordingly.

The gearing ratios at year-end can be summarised as follows:	2015 R000	2014 R000
Borrowings (net borrowings and purchase consideration payable)	19 056	114 599
Less: Cash and cash equivalents	(805 908)	(663 500)
Net debt position	(786 852)	(548 901)
Total equity	1 625 650	1 174 763
Total capital	838 798	625 862
Gearing ratio	(93.81%)	(87.70%)

GROUP RESTRICTIONS ON ASSETS AND LIABILITIES

The group does not have any significant restrictions on its ability to access or use its assets and settle its liabilities, other than those required by supervisory regulatory frameworks.

Certain subsidiaries have regulatory capital adequacy requirements as a result of the respective industries in which they operate. PSG Life Limited is required to hold a minimum amount of capital in order to reduce the policyholders' exposure to the company's liquidity risk. The Financial Services Board regularly reviews compliance with these minimum capital requirements as the regulatory authority. The company must maintain shareholders' funds that will be sufficient to meet obligations in the event of substantial deviations from the main assumptions affecting the company's business. Capital adequacy requirements were covered 1.57 times at 28 February 2015 (2014: 2.44 times). This ratio is determined in accordance with regulations and the guidelines issued by the Actuarial Society of South Africa.

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41. RISK MANAGEMENT (continued)

GROUP RESTRICTIONS ON ASSETS AND LIABILITIES (continued)

The subsidiary of the group, Western Group Holdings Limited, operates in the short-term insurance industry. The objectives when managing capital are to safeguard its ability to continue as a going concern and to ensure optimal capital adequacy management in order to manage the risk that the net technical reserves held on the statement of financial position be sufficient to fund reported and future claims as well as their associated expenses. Capital management is done through reinsurance and reserving. The group is exposed to accumulation risk in the form of geographical (large metropolitan areas) as well as class of business concentrations of risk. The risk appetite policy dictates how much capital the group is willing to put at risk in the pursuit of value. It is within this risk appetite framework that the reinsurance programme has been selected to mitigate accumulation risk within its portfolio. The reinsurance arrangements include excess, stop-loss and catastrophe coverage. The group manages its capital requirements in accordance with the guidelines and statutory regulations of each Regulator in the various jurisdictions. The group holds its technical reserves at the minimum levels of sufficiency in accordance with prudential guidelines and legal requirements. The group aims to be conservative in the holding of technical reserves to protect its capital.

The capital levels of the non-insurance companies and subsidiaries are based on operational requirements (subject to any regulatory capital requirements), taking into account new business targets.

REGULATORY CAPITAL DEVELOPMENTS

The FSB is in the process of introducing a new solvency regime for the South African long-term and short-term insurance industries to be in line with European standards. To achieve this, the FSB launched its solvency assessment and management (SAM) project during 2010. The basis of the SAM regime will be the principles of the Solvency II directive, as adopted by the European parliament, but adapted to specific South African circumstances where necessary. The intention with the FSB's SAM project is to achieve third country equivalence status with the Solvency II regime.

It is expected that SAM will ultimately result in substantial changes to the South African insurance capital management landscape, but the impact of SAM on required capital levels is still uncertain at this stage. It is therefore appropriate to adopt a prudent approach towards capital management until clarity of the eventual impact of SAM is obtained. The group is actively participating in the development and formulation of the new South African solvency standards and is also reviewing its internal economic capital models in light of local and international developments.

The FSB has indicated that it aims to implement SAM with effect from 1 January 2016. Insurance companies were required to perform a 'light' parallel run during 2014 and a 'comprehensive' parallel run during 2015. The group's insurance companies participated in the 'light' parallel run and will submit the returns issued for the 'comprehensive' parallel run. PSG Konsult's internal SAM project is on track to meet these requirements.

The group is in the process of preparing for the adoption of the SAM regulatory capital regime which will be applicable from 1 January 2016.

The SAM project officially move from the development phase to the implementation phase during 2014 with the introduction of the light parallel run in the second half of 2014. During 2015, implementation efforts will be increased in the move to the comprehensive parallel run. There will also be a mock Own Risk and Solvency Assessment (ORSA) exercise where the group will be required to submit some ORSA information to the FSB.

The group participated in the FSB's third Quantitative Impact Study (QIS3), the results of which were submitted to the FSB during the first half of 2014. The findings of the QIS exercises provide the group with a more informed view and improved understanding of the potential impact of SAM on its future capital position and management. Technical details of the SAM specifications are still being deliberated, and the outcome of these deliberations will be incorporated into the capital modelling process.

The FSB will also in the interim introduce certain minimum standards of risk management and governance through a Board Notice (BN 158) as well as a formal framework for insurance group supervision that will be provided for through the Twin Peaks process. The group participated in the FSB's second Pillar II readiness assessment and early indications are that the group will be well positioned to deal with the requirements once effective.

Ultimately SAM will achieve better alignment of stakeholder interests, including enhanced protection of policyholder benefits.

GROUP CREDIT RISK

During August 2014, the rating agency Global Credit Rating (GCR) Company upgraded PSG Konsult's national long-term rating to BBB+(za) (previously BBB(za)). It also affirmed the short-term rating of A2(za), with the outlook accorded as stable. This is as a result of PSG Konsult's strong operational performance over the last two years, the increased financial strength, and stability built into its business model.

41. RISK MANAGEMENT (continued)

FINANCIAL RISK INHERENT IN CONSOLIDATED MUTUAL FUNDS

The group consolidates a number of collective investment schemes as a result of exercising control over these funds, and the risk management framework is therefore applicable to the risk management of the fund. Refer to Annexure A for information on the mutual funds consolidated.

Because of the specific nature of the business of the schemes, the risk management principles may be applied differently to managing the risks relevant to the schemes from how the overall financial risks are managed. This section describes how the financial risk management of the schemes differs from the overall financial risk management.

The management company of the scheme has a dedicated independent risk unit that continuously monitors the overall risk of the portfolios against stated mandate limits and the portfolio risk appetites over time. To avoid conflicts of interest, the unit is separate from the investment team and reports directly to the chief operating officer of the management company.

When considering any new investment for a scheme, the risks and expected returns are critical elements in the investment decision. Before an instrument is included in a portfolio, risks are carefully considered at instrument and portfolio level. The scheme mandate is also assessed.

A portfolio market risk appetite is measured as a function of current market conditions and a benchmark, which translates into a targeted tracking error that is monitored by the independent risk unit. Credit and liquidity risk are mitigated through diversification of issuers in line with the policy.

42. RESTATEMENTS

Restatement of segmental report

Refer to the segment reporting on pages 143 to 149 for detail regarding this restatement. The restatement had no impact on the 2014 and 2015 financial year reported earnings, diluted earnings or headline earnings, nor the statement of financial position, income statement, statement of changes in equity and the net cash flow for these periods.

Restatement of diluted earnings per share and diluted headline earnings per share

The comparative figures disclosed for for diluted attributable earnings per share and diluted headline earnings per share were restated as the impact of dilution became material during the current financial year. The restatement had no impact on the 2014 year reported earnings, nor the statement of financial position, statement of changes in equity and the net cash flow for this period.

	Shareholders		Shares held	
	Shareholders Number	%	Shares held Number	%
43. SHARE ANALYSIS				
Range of shareholding				
1 – 50 000	5 222	91.0%	46 860 560	3.7%
50 001 – 100 000	218	3.8%	15 909 744	1.3%
100 001 – 500 000	198	3.4%	42 722 309	3.4%
500 001 – 1 000 000	35	0.6%	24 181 012	1.9%
Over 1 000 000	68	1.2%	1 132 452 923	89.7%
	5 741	100.0%	1 262 126 548	100.0%
Treasury shares	1		357 875	
	5 742		1 262 484 423	
Public and non-public shareholding				
Non-public				
Holding company	1	0.0%	790 813 029	62.7%
Directors and management	22	0.4%	137 782 487	10.9%
Public	5 718	99.6%	333 531 032	26.4%
	5 741	100.0%	1 262 126 548	100.0%

No individual shareholders (excluding the holding company PSG Financial Services Limited) held more than 5% of the issued shares as at 28 February 2015 (2014: Nil).

PSG KONSULT LIMITED

Company financial statements and notes

for the year ended 28 February 2015

CONTENTS

Company statement of financial position
as at 28 February 2015

	Notes	2015 R000	2014 R000
ASSETS			
Investment in subsidiaries	1	1 413 172	1 103 171
Deferred income tax	2	12	–
Loans and advances	3	55 089	21 573
Receivables	4	49 260	187 033
Cash and cash equivalents (including money market investments)	5	29 696	22 855
Total assets		1 547 229	1 334 632
EQUITY			
Equity attributable to owners of the company			
Stated capital	6	1 325 111	1 134 746
Retained earnings		90 307	2 989
Total equity		1 415 418	1 137 735
LIABILITIES			
Borrowings	7	110 456	177 626
Deferred income tax	2	–	147
Trade and other payables	8	21 286	18 292
Current income tax liabilities		69	832
Total liabilities		131 811	196 897
Total equity and liabilities		1 547 229	1 334 632

Company statement of comprehensive income
for the year ended 28 February 2015

	Notes	2015 R000	2014 R000
Investment income	9	234 274	112 644
Net fair value gains and losses on financial instruments	10	(4)	387
Other operating income	11	4 575	21 705
Total income		238 845	134 736
Marketing, administration and other expenses	12	(3 614)	(877)
Total expenses		(3 614)	(877)
Profit before finance costs and taxation		235 231	133 859
Finance costs	13	(4 455)	(9 468)
Profit before taxation		230 776	124 391
Taxation	14	(832)	(4 338)
Profit for the year		229 944	120 053
Total comprehensive income for the year		229 944	120 053

Company statement of changes in equity

for the year ended 28 February 2015

	Notes	Stated/Share capital and share premium R000	Retained earnings R000	Total R000
Balance at 1 March 2013		1 105 927	20 910	1 126 837
Comprehensive income				
Profit for the year		–	120 053	120 053
Transactions with owners		28 819	(137 974)	(109 155)
Issue of ordinary shares		28 819	–	28 819
Dividend paid		–	(137 974)	(137 974)
Balance at 1 March 2014		1 134 746	2 989	1 137 735
Comprehensive income				
Profit for the year		–	229 944	229 944
Transactions with owners		190 365	(142 626)	47 739
Issue of ordinary shares		190 365	–	190 365
Dividend paid		–	(142 626)	(142 626)
Balance at 28 February 2015		1 325 111	90 307	1 415 418

Company statement of cash flows

for the year ended 28 February 2015

	Notes	2015 R000	2014 R000
Cash flows from operating activities			
Cash (utilised in)/generated by operating activities	18.1	(16 263)	55 547
Interest income		2 929	3 223
Dividend income		231 345	109 421
Finance costs		(4 455)	(9 468)
Taxation paid	18.2	(1 754)	(3 564)
Net cash flow from operating activities		211 802	155 159
Cash flows from investing activities			
Acquisition of subsidiaries (refer to note 39.6 of the consolidated financial statements)		–	(33 000)
Net cash flow from investing activities		–	(33 000)
Cash flows from financing activities			
Dividends paid		(142 626)	(137 974)
Repayment of borrowings		(69 811)	(28 189)
Issue of ordinary shares		7 476	28 819
Net cash flow from financing activities		(204 961)	(137 344)
Net increase/(decrease) in cash and cash equivalents		6 841	(15 185)
Cash and cash equivalents at beginning of year		22 855	38 040
Cash and cash equivalents at end of year	18.3	29 696	22 855

Notes to the company financial statements

for the year ended 28 February 2015

BASIS OF PREPARATION AND ACCOUNTING POLICIES

The basis of preparation and accounting policies of the company are the same as that of the group, as set out in the group financial statements. These financial statements should be read in conjunction with the group financial statements.

	2015 R000	2014 R000
1. INVESTMENT IN SUBSIDIARIES		
Unlisted shares at cost less impairment	1 413 172	1 103 171

PSG Konsult Limited subscribed to an additional R310.0 million share issue of PSG Distribution Holdings Proprietary Limited during the 2015 financial year. The share issue by PSG Distribution Holdings Proprietary Limited took place in March 2014 (R161.1 million) along with the asset-for-share transaction which was concluded on 1 March 2014 in terms of section 42 of the Income Tax Act, 58 of 1962, with various advisers within the PSG Konsult Limited Group, through a wholly owned subsidiary in the group, PSG Wealth Financial Planning Proprietary Limited, with a further share issue concluded in February 2015 of R148.9 million. The effective interest in PSG Distribution Holdings Proprietary Limited remained unchanged at 100%.

The PSG Konsult Limited Group of Companies underwent a restructuring process effective 1 March 2013. The restructuring process entail the incorporation of new intermediary holding companies. As part of the restructuring of the group, PSG Konsult Limited entered into various agreements with these new intermediary holding companies where investments in subsidiaries held by the company were transferred to these new holding companies in an asset-for-share transaction. The restructuring process was done in line with the requirements of section 42 and 45 of the Income Tax Act, 58 of 1962.

As at 1 March 2013, PSG Konsult Limited acquired an additional 15% interest in Western Group Holdings Limited for a consideration of R33.0 million. The 15% stake was bought from SAAD Financial Holdings Proprietary Limited, an investment holding company. This transaction was subject to regulatory approval, which was obtained at the end of May 2013, therefore the acquisition date of 1 June 2013 was adopted. The transaction increased the shareholding to 90% of the share capital of Western Group Holdings Limited. The 90% shareholding in Western Group Holdings Limited was subsequently transferred from PSG Konsult Limited to its intermediary holding company, PSG Insure Holdings Proprietary Limited.

An assessment for impairment was performed by comparing the carrying value of the individual subsidiaries with the calculated fair value less cost to sell. The fair value is determined by applying a price/earnings ratio to the profit after tax for each subsidiary for the respective financial years. The price/earnings ratios are determined with reference to similar listed companies as well as recent transactions concluded in the market and were determined as between 5.0 and 7.5 (2014: 5.0 and 7.5).

Refer to Annexure A for a schedule of interests in subsidiaries.

	2015 R000	2014 R000
2. DEFERRED INCOME TAX		
Deferred income tax asset	13	76
Deferred income tax liability	(1)	(223)
Net deferred income tax asset/(liability)	12	(147)
Deferred income tax asset		
To be recovered within 12 months	13	76
To be recovered after 12 months	–	–
	13	76
Deferred income tax liability		
To be recovered within 12 months	(1)	(223)
To be recovered after 12 months	–	–
	(1)	(223)

The movement in the deferred tax asset and liability during the year was as follows:

Deferred tax asset	Provisions R000	Total R000
At 1 March 2013	75	75
Credit to profit and loss	1	1
At 28 February 2014	76	76
Charge to profit and loss	(63)	(63)
At 28 February 20150	13	13
To be recovered within 12 months	13	13
To be recovered after more than 12 months	–	–
	13	13

Notes to the company financial statements
for the year ended 28 February 2015

2. DEFERRED INCOME TAX (continued)

Deferred tax liability	Prepaid expenses R000	Unrealised foreign exchange differences R000	Total R000
At 1 March 2013	(79)	(131)	(210)
Credit/(charges) to profit and loss	29	(42)	(13)
At 28 February 2014	(50)	(173)	(223)
Credit to profit and loss	50	172	222
At 28 February 2015	–	(1)	(1)
To be recovered within 12 months	–	(1)	(1)
To be recovered after more than 12 months	–	–	–
	–	(1)	(1)

The deferred income tax assets and liabilities were calculated on all temporary differences under the liability method using the effective tax rate of 28% (2014: 28%).

The recoverability of the deferred income tax asset was assessed as set out in the accounting policies of the group.

	2015 R000	2014 R000
3. LOANS AND ADVANCES		
Unsecured loans	229	1 886
Amounts owing by related parties (refer to note 17)	54 860	19 687
	55 089	21 573
Current portion	55 089	21 573
Non-current portion	–	–
	55 089	21 573

Included under unsecured loans is a balance of R0.2 million (2014: R1.9 million) that accrues interest at the UK prime rate and is repayable on demand. Amounts owing by related parties are unsecured and include balances of R16.4 million and R18.9 million (2014: R1.8 million) which accrue interest at prime rate and prime less 1% respectively (2014: prime rate) and are repayable on demand. The remaining amounts owing by related parties are unsecured, interest-free and repayable on demand.

The fair values of the loans and advances approximate their carrying values. Loans and advances are shown net of amounts which are not expected to be recoverable, and hence no significant credit risk exists.

The maximum exposure to credit risk at the reporting date is the fair value of each class of the loans and advances mentioned above.

	2015 R000	2014 R000
4. RECEIVABLES		
Trade receivables	48	42
Receivables due from related parties (refer to note 17)	49 185	186 810
VAT receivable	27	–
Prepayments	–	181
Total receivables*	49 260	187 033
Current portion	49 260	187 033
Non-current portion	–	–
	49 260	187 033

* *Includes non-financial assets of R0.0 million (2014: R0.2 million).*

Receivables due from related parties include balances of R8.6 million (2014: R17.5 million) which accrue interest and are repayable on demand. The effective-interest rate applied to these balances is 9.63% (2014: 9.00%). The remaining amounts receivable are interest-free and repayable on demand.

Receivables are assessed individually for any indications that the counterparty might not be able to honour its commitments. Nominal value less impairment provision of trade receivables is assumed to approximate its fair value.

No receivables are considered to be impaired (2014: Rnil). As at 28 February 2015, no receivables were past due but not impaired (2014: Rnil).

	2015 R000	2014 R000
5. CASH AND CASH EQUIVALENTS (INCLUDING MONEY MARKET INVESTMENTS)		
Cash at bank	1 684	1 930
Money market investments	19 512	25
Short-term deposits	8 500	20 900
	29 696	22 855

The effective-interest rate on cash and cash equivalents (including money market investments) was 5.70% (2014: 4.56%). The money market investments and the short-term deposits have an average maturity of 30 days or less.

Notes to the company financial statements

for the year ended 28 February 2015

6. STATED/SHARED CAPITAL

Authorised

3 billion shares with no par value
(2014: 3 billion shares with no par value)

There were no changes to the authorised stated capital during the current reporting period (2014: no changes).

Issued	Number of shares (thousands)	Stated/Share capital R000	Share premium R000
At 1 March 2013	1 209 582	12 096	1 093 831
Issue of ordinary shares	12 335	123	28 696
Share premium transferred upon conversion of shares to no par value shares	–	1 122 527	(1 122 527)
At 28 February 2014	1 221 917	1 134 746	–
Issue of ordinary shares	40 567	190 365	–
At 28 February 2015	1 262 484	1 325 111	–

The shares issued during the current financial year were to fulfil the company's obligation towards the share options which vested on 10 April 2014 and 1 July 2014 respectively, as well as the asset-for-share transaction detailed below.

An asset-for-share transaction was concluded on 1 March 2014 in terms of section 42 of the Income Tax Act, 58 of 1962 with various advisers within the PSG Konsult Limited Group, through a wholly owned subsidiary in the group, PSG Wealth Financial Planning Proprietary Limited. The transaction was settled through the issue of 35.8 million PSG Konsult shares, issued by the company at R4.50 and a R12.5 million cash payment by PSG Wealth Financial Planning Proprietary Limited to the advisers.

The shares issued during the previous financial year were to fulfil the company's obligation towards the share options which vested on 1 March 2013.

All shares issued by the company were fully paid. 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 under general approval, subject to certain limitations and the JSE Listings Requirements.

	2015 R000	2014 R000
7. BORROWINGS		
Non-current		
Secured loan	–	38 746
Total non-current borrowings	–	38 746
Current		
Secured loan	–	31 065
Related-party loans (refer to note 17)	110 456	107 815
Total current borrowings	110 456	138 880
Total borrowings	110 456	177 626

7. BORROWINGS (continued)

The secured loan with Rand Merchant Bank was settled during the financial year. The loan with Rand Merchant Bank of Rnil (2014: R69.8 million) was secured by the investment in PSG Securities Limited (previously Online Securities Limited). The loan consisted of three separate loans, of which R14.1 million in the 2014 financial year accrued interest at JIBAR plus 4.30% and was repayable in quarterly instalments of R2.5 million, with the final instalment per the agreement on 12 August 2015, a second loan of which R40.9 million in the 2014 financial year accrued interest at JIBAR plus 4.20% and was repayable in quarterly instalments of R3.9 million, with the final instalment per the agreement on 16 December 2016, and a third loan of which R14.8 million in the 2014 financial year accrued interest at a fixed rate of 11.64% and was repayable in quarterly instalments of R2.7 million, with the final instalment per the agreement on 20 July 2015. The company accelerated the repayment of the Rand Merchant Bank facility during the 2015 financial year, with the first loan repaid in full on 12 August 2014, the second loan on 15 December 2014 and the third loan on 20 October 2014.

The amounts payable to related parties are unsecured, interest-free and repayable on demand.

The carrying value of short-term borrowings approximates their fair value.

	2015 R000	2014 R000
8. TRADE AND OTHER PAYABLES		
Trade payables	21 286	18 148
VAT payable	–	144
Total trade and other payables*	21 286	18 292
Current portion	21 286	18 292
Non-current portion	–	–
	21 286	18 292

* *Includes non-financial liabilities of Rnil (2014: R0.1 million).*

The carrying amount of trade and other payables approximates their fair value.

	2015 R000	2014 R000
9. INVESTMENT INCOME		
Interest income		
Interest received from related parties (refer to note 17)	2 351	2 208
Cash and short-term funds	578	1 015
	2 929	3 223
Dividend income		
Dividend income from subsidiaries (refer to note 17)	231 345	109 421
	231 345	109 421
Investment income	234 274	112 644

Notes to the company financial statements
for the year ended 28 February 2015

	2015 R000	2014 R000
10. NET FAIR VALUE GAINS AND LOSSES ON FINANCIAL INSTRUMENTS		
Foreign exchange (losses)/gains	(4)	387
11. OTHER OPERATING INCOME		
Management and other fees received from related parties (refer to note 17)	4 575	21 705
12. MARKETING, ADMINISTRATION AND OTHER EXPENSES		
Auditor's remuneration		
– current year	32	42
Professional fees	2 421	3
Administration costs	1 040	702
Other administration costs paid to related parties (refer to note 17)	121	130
	3 614	877
13. FINANCE COSTS		
Loans from related parties (refer to note 17)	209	407
Other borrowings	4 246	9 061
	4 455	9 468
14. TAXATION		
Current taxation		
Current year	991	4 272
Deferred taxation		
Current year	(159)	12
Foreign taxation		
Current year	–	54
Total income statement charge	832	4 338

The company has no unutilised tax losses available at 28 February 2015 (2014: Rnil) for utilisation against future taxable income.

	2015 %	2014 %
Reconciliation of effective rate of taxation		
South African normal taxation rate	28.0	28.0
Adjusted for:		
Non-taxable income	(28.1)	(26.5)
Non-deductible charges	0.5	0.1
Effective rate of taxation	0.4	1.6

	2015 R000	2014 R000
15. DIVIDEND PER SHARE		
Normal dividend	142 626	137 974

Interim

4.0 cents per share (2014: 4.0 cents per share)

Final

8.0 cents per share (2014: 7.3 cents per share)

Dividends are not accounted for until they have been approved by the company's board of directors.

16. BORROWING POWERS

In terms of the company's memorandum of incorporation (MOI), borrowing powers are unlimited. Details of actual borrowings of the company are disclosed in note 7 to the financial statements.

The company also has an undrawn overdraft facility of R30.0 million (2014: R30.0 million) with Absa Bank Limited.

As per note 7, PSG Konsult Limited ceded its rights and title to its shareholding in PSG Securities Limited (previously Online Securities Limited) (through PSG Wealth Holdings Proprietary Limited) as security against the company's due performance and discharge of its obligations or indebtedness under the loan facilities from Rand Merchant Bank. The value of the cession was capped at the initial loan amount of the two facilities in place, being R150.0 million, of which R10.0 million was unutilised at 28 February 2014. The company repaid these facilities in full during the 2015 financial year and the cession was cancelled accordingly.

17. RELATED-PARTY TRANSACTIONS

PSG Konsult Limited and its subsidiaries enter into various transactions with members of the PSG Group and PSG Konsult Group. These transactions include a range of investment, administrative and corporate services in the normal course ofbusiness.

	2015 R000	2014 R000
Included in loans and advances to companies in the PSG Konsult Limited Group		
Delerus Proprietary Limited	16 423	1 776
PSG Konsult Treasury Proprietary Limited	18 854	–
PSG Distribution Holdings Proprietary Limited	586	–
PSG Insure Holdings Proprietary Limited	2 250	–
PSG Wealth Holdings Proprietary Limited	14 377	14 378
Abrafield Proprietary Limited	2 370	3 533
	54 860	19 687

Notes to the company financial statements

for the year ended 28 February 2015

	2015 R000	2014 R000
17. RELATED-PARTY TRANSACTIONS (continued)		
Included in receivables from companies in the PSG Konsult Limited Group		
PSG Wealth Financial Planning Proprietary Limited	38 538	167 088
PSG Employee Benefits Limited	8 558	6 252
PSG Corporate Financial Planning Proprietary Limited	–	10 780
PSG Konsult Insurance Solutions Proprietary Limited	24	15
PSG Optimum Proprietary Limited	2 065	1 995
Nhluvuko Risk Administration Proprietary Limited	–	443
PSG Konsult Group Share Incentive Trust	–	237
	49 185	186 810
Refer to note 3 and 4 for the detail of the terms of the related-party loans and advances and receivables.		
Included in borrowings from companies in the PSG Konsult Limited Group		
PSG Insure Holdings Proprietary Limited	–	39 750
PSG Management Services Proprietary Limited	101 137	52 050
PSG Konsult Group Share Incentive Trust	136	–
PSG Academy Proprietary Limited	–	1 480
PSG Scriptfin Proprietary Limited	6 851	6 851
PSG Trust Proprietary Limited	2 332	2 434
PSG Wealth Group Services Proprietary Limited	–	5 250
	110 456	107 815

Refer to note 7 for the detail of the terms of the related-party borrowings.

	2015 R000	2014 R000
The following significant related-party transactions occurred during the year:		
Management and other fees received from companies in the PSG Konsult Limited Group		
PSG Wealth Financial Planning Proprietary Limited	4 452	21 461
PSG Management Services Proprietary Limited	37	37
PSG Trust Proprietary Limited	86	86
PSG Optimum Proprietary Limited	–	121
Management and other fees received	4 575	21 705
Fees paid to companies in the PSG Konsult Limited Group		
PSG Fixed Income and Commodities Proprietary Limited	–	9
PSG Management Services Proprietary Limited	121	121
	121	130

	2015 R000	2014 R000
17. RELATED-PARTY TRANSACTIONS (continued)		
Interest received from PSG Konsult Limited Group companies		
PSG Konsult Treasury Proprietary Limited	373	–
PSG Corporate Financial Planning Proprietary Limited	209	286
PSG Employee Benefits Limited	485	1 310
Delerus Proprietary Limited	1 148	332
Transaction with local unit trusts and offshore unit trusts		
Related-party interest received		
Local unit trusts	136	280
	2 351	2 208
Interest paid to PSG Konsult Limited Group companies and its subsidiaries		
PSG Securities Limited (previously Online Securities Limited)	145	137
PSG Namibia Proprietary Limited	–	4
PSG Corporate Financial Planning Proprietary Limited	6	–
PSG Wealth Financial Planning Proprietary Limited	–	210
Nhluvuko Risk Administration Proprietary Limited	58	28
PSG Asset Management Group Services Proprietary Limited	–	17
Delerus Proprietary Limited	–	11
	209	407
Dividends received from companies in the PSG Konsult Limited Group		
PSG Academy Proprietary Limited	1 978	–
PSG Wealth Holdings Proprietary Limited	51 322	45 840
PSG Distribution Holdings Proprietary Limited	105 886	1 081
PSG Insure Holdings Proprietary Limited	2 059	–
PSG Asset Management Holdings Proprietary Limited	70 100	62 500
	231 345	109 421

The shareholding of directors and the directors' remuneration are set out in the report of the board of directors.

Key management compensation

Key management are those persons having authority and responsibility for planning, directing and controlling the activities of the group. Key management is considered to be the board of directors and the prescribed officers. For the detail of the audited directors' and prescribed officers' remuneration, refer to pages 109 to 111 of the report of the board of directors.

Notes to the company financial statements

for the year ended 28 February 2015

	2015 R000	2014 R000
18. NOTES TO THE STATEMENTS OF CASH FLOWS		
18.1 Cash generated by operating activities		
Profit before finance costs and taxation	235 231	133 859
Adjustment for non-cash items and other:		
Interest received	(2 929)	(3 223)
Dividends received	(231 345)	(109 421)
	957	21 215
Changes in working capital		
Receivables	148	1 448
Intergroup loans obtained	80 735	74 907
Intergroup loans repaid	(102 754)	(46 688)
Loans and advances	1 657	207
Trade and other payables	2 994	4 458
	(16 263)	55 547
18.2 Taxation paid		
Charge to profit and loss	(832)	(4 338)
Movement in deferred taxation	(159)	12
Movement in net taxation liability	(763)	762
	(1 754)	(3 564)
18.3 Cash and equivalents at end of year		
Cash and cash equivalents (including money market investments)	29 696	22 855

19. EVENTS AFTER THE REPORTING DATE

PSG Konsult Limited sold its 100% shareholding in PSG Academy Proprietary Limited to Moonstone Information Refinery Proprietary Limited for a consideration of R1.3 million. The effective date of this transaction, subject to suspensive conditions, is 1 March 2015. PSG Academy Proprietary Limited is an accredited private higher education institution that provides training to advisers within the financial services industry. The sale has no impact on current enrolled students or courses offered.

Other than the event mentioned above, no event material to the understanding of these results has occurred between the end of the reporting period and the date of approval of the results.

20. FINANCIAL RISK MANAGEMENT

General

Financial risk factors

The company's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow and fair value interest rate risk and price risk), credit risk and liquidity risk. The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance.

Risk management is carried out under policies approved by the board of directors. Each entity within the PSG Konsult Group identifies, evaluates and mitigates financial risks. The board of directors provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments and investment of excess liquidity.

The sensitivity analyses presented below are based on reasonable possible changes in market variables for equity prices, interest rates and foreign exchange rates for the company. Financial instruments are grouped into the following classes in order to facilitate effective financial risk management and disclosure in terms of IFRS 7 Financial Instruments: Disclosures and IFRS 13 Fair Value Measurements.

	2015 R000	2014 R000
20. FINANCIAL RISK MANAGEMENT (continued)		
CLASSES OF FINANCIAL ASSETS		
Unsecured loans	229	1 886
Unsecured loans to related parties	54 860	19 687
Total loans and advances	55 089	21 573
Trade receivables	48	42
Receivables due from related parties (refer to note 17)	49 185	186 810
Total receivables	49 233	186 852
Cash and cash equivalents	29 696	22 855
Total financial assets	134 018	231 280
CLASSES OF FINANCIAL LIABILITIES		
Secured loans	–	69 811
Related-party loans (refer to note 17)	110 456	107 815
Total borrowings	110 456	177 626
Trade and other payables	21 286	18 148
Total trade and other payables	21 286	18 148
Total financial liabilities	131 742	195 774

	Loans and receivables 2015 R000	Loans and receivables 2014 R000
FINANCIAL INSTRUMENTS BY CATEGORY		
Assets as per statement of financial position		
Loans and advances*	55 089	21 573
Receivables*	49 233	186 852
Cash and cash equivalents*	29 696	22 855
	134 018	231 280

	Liabilities measured at amortised cost 2015 R000	Liabilities measured at amortised cost 2014 R000
Liabilities as per statement of financial position		
Borrowings*	110 456	177 626
Trade and other payables*	21 286	18 148
	131 742	195 774

* *Carrying value approximates fair value.*

Notes to the company financial statements

for the year ended 28 February 2015

20. FINANCIAL RISK MANAGEMENT (continued)

Market risk

Market risk is the risk of adverse financial impact due to changes in fair values or future cash flows of financial instruments from fluctuations in interest rates, equity prices and foreign currency exchange rates.

Price risk

The company was not exposed to price risk in the respective financial years.

Foreign exchange risk

The company has limited investments in foreign operations, with net assets that are exposed to foreign currency translation risk. Transactions incurred by the company did not lead to a significant foreign exchange risk. Management monitors this exposure and cover is used where appropriate. The company did not take cover on foreign currency transactions and balances during the financial years under review.

	British pound sterling R000	Total R000
At 28 February 2015		
Financial assets		
Loans and advances	229	229
At 28 February 2014		
Financial assets		
Loans and advances	1 886	1 886

The table below shows the sensitivity of post-tax profits of the company to a 20% (2014: 20%) move in the rand exchange rates.

	2015 20% appreciation R000	2014 20% appreciation R000	2015 20% depreciation R000	2014 20% depreciation R000
Impact on post-tax profit	(33)	(272)	33	272

Cash flow and fair value interest rate risk

The company's interest rate risk arises from loans and advances, receivables, cash and cash equivalents, long-term borrowings and trade and other payables. Borrowings issued at variable rates expose the company to cash flow interest rate risk. Borrowings issued at fixed rates expose the company to fair value interest rate risk.

	2015 R000	2014 R000
20. FINANCIAL RISK MANAGEMENT (continued)		
Loans and advances		
Floating rate	35 505	3 662
Interest-free	19 584	17 911
	55 089	21 573
Receivables		
Floating rate	8 559	17 474
Interest-free	40 674	169 378
	49 233	186 852
Cash and cash equivalents		
Floating rate	29 696	22 855
	29 696	22 855
Borrowings		
Floating rate	–	(54 993)
Fixed rate	–	(14 818)
Interest-free	(110 456)	(107 815)
	(110 456)	(177 626)
Trade and other payables		
Interest-free	(21 286)	(18 148)
	(21 286)	(18 148)
Total		
Floating rate	73 760	(11 002)
Fixed rate	–	(14 818)
Interest-free	(71 484)	61 326
	2 276	35 506

The company manages its cash flow interest rate risk by monitoring interest rates on a regular basis.

Based on simulations performed, the impact on post-tax profit of a 1% (2014: 1%) movement in interest rates is analysed in the following table:

	2015 1% increase R000	2014 1% increase R000	2015 1% decrease R000	2014 1% decrease R000
Impact on post-tax profit	531	(79)	(531)	79

Notes to the company financial statements

for the year ended 28 February 2015

20. FINANCIAL RISK MANAGEMENT (continued)

Credit risk

Credit risk arises from the inability or unwillingness of a counterparty to a financial instrument to discharge its contractual obligations. Credit risk comprises default, settlement and migration risk (if credit ratings change).

Credit risk arises from cash and cash equivalents, loans and advances and receivables. Counterparties and cash transactions are limited to high-credit-quality financial institutions.

The table below shows the company's maximum exposure to credit risk by class of asset.

	2015		2014	
	Balance R000	Collateral fair value R000	Balance R000	Collateral fair value R000
Loans and advances	55 089	–	21 573	–
Receivables	49 233	–	186 852	–
Cash and cash equivalents	29 696	–	22 855	–
	134 018	–	231 280	–

Receivables are tested for impairment using a variety of techniques including assessing credit risk and monthly monitoring of individual debtors. At 28 February 2015 no receivables (2014: Rnil) were found to be impaired and accordingly no impairment was raised.

Financial assets are assessed based on their credit ratings as published by Moody's. Financial assets which fall outside this range are classified as not rated. Credit limits, for each counterparty, are set based on default probabilities that are in turn based on the ratings of the counterparty concerned.

The credit quality of financial assets can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

	2015 R000	2014 R000
P1	10 184	22 830
Other non-rated assets	104 322	208 425
Unit-linked investments (including collective investment schemes) (CIS)	19 512	25
	134 018	231 280

20. FINANCIAL RISK MANAGEMENT (continued)

The table below analyses the group's external credit rating by class of asset:

2015	P1 R000	Unit-linked (incl CIS) R000	Other non-rated assets R000	Total R000
Loans and advances	–	–	55 089	55 089
Receivables	–	–	49 233	49 233
Cash and cash equivalents	10 184	19 512	–	29 696
	10 184	19 512	104 322	134 018

2014	P1 R000	Unit-linked (incl CIS) R000	Other non-rated assets R000	Total R000
Loans and advances	–	–	21 573	21 573
Receivables	–	–	186 852	186 852
Cash and cash equivalents	22 830	25	–	22 855
	22 830	25	208 425	231 280

The unit-linked investments relate to the company's investment in PSG Money Market Fund of which the underlying instruments are rated in terms of the Collective Investment Schemes Control Act. The mandate of the fund is to invest in cash deposits and highly liquid, fixed-interest securities with a weighted average maturity of less than 90 days. A spread of investments in top-quality financial instruments and institutions moderates the risk through diversification.

Loans and advances

Related-party loans and advances consist mainly of amounts due from related companies. These amounts are payable on demand. Amounts due from related companies are monitored by the company to ensure that adequate income is generated by the related company to repay the loan when required. Balances due from third parties are also monitored monthly to ensure that the balances owed are repaid within a reasonable period.

The company did not have any receivables that were past due but not impaired for any of the financial years.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the business, it aims to maintain flexibility in funding by keeping committed credit lines available.

The table on page 252 analyses the company's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying values as the impact of discounting is not significant.

Notes to the company financial statements
for the year ended 28 February 2015

	Carrying value R000	Less than 1 year R000	Between 1 and 5 years R000	Over 5 years R000
20. FINANCIAL RISK MANAGEMENT (continued)				
At 28 February 2015				
Borrowings	110 456	110 456	–	–
Trade and other payables	21 286	21 286	–	–
Financial guarantee contract*	133	133	–	–
	131 875	131 875	–	–
At 28 February 2014				
Borrowings	177 626	144 458	41 780	–
Trade and other payables	18 148	18 148	–	–
Financial guarantee contract*	22 392	22 392	–	–
	218 166	184 998	41 780	–

* *Significant off-balance sheet exposure. Refer to note 21 on page 253. Financial guarantee contract valued at Rnil (2014: Rnil) at the end of each reporting period. Management evaluated the relevant historical data and consider the possibility of losses arising from the financial guarantee to be remote.*

Fair value estimation

Financial instruments that are measured in the statement of financial position at fair value are disclosed by level based on the following fair value measurement hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities

  The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry company, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the company is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily JSE equity investments classified as at fair value through profit and loss or available-for-sale.

- Level 2 – Input other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)

  Financial instruments that trade in markets that are not considered to be active but are valued (using valuation techniques) based on quoted market prices, dealer quotations or alternative pricing sources supported by observable input are classified within level 2. These include over-the-counter derivatives. As level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information. If all significant input required to fair value an instrument are observable, the instrument is included in level 2.

- Level 3 – Input for the asset or liability that are not based on observable market data (that is, unobservable input)

  If one or more of the significant input are not based on observable market data, the instrument is included in level 3. Investments classified within level 3 have significant unobservable input, as they trade infrequently.

The company did not have any financial instruments measured at fair value at the reporting date (2014: Rnil).

20. FINANCIAL RISK MANAGEMENT (continued)

CAPITAL RISK MANAGEMENT

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The company monitors capital on the basis of the gearing ratio. This is also consistent with similar companies within the industry. The gearing ratio is calculated as the net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents as shown in the statement of financial position. Total capital is calculated as the total equity as shown in the statement of financial position plus the net debt.

When funding is required, management will consider the various forms of paper available for issue, taking into account current market conditions, anticipated trends in market indicators and the financial position of the company at the time. Management will accordingly consider issuing ordinary shares, short, long or medium-term borrowings with variable or fixed rates.

The gearing ratios at year-end can be summarised as follow:

	2015 R000	2014 R000
Total borrowings	110 456	177 626
Less: Cash and cash equivalents	(29 696)	(22 855)
Net debt position	80 760	154 771
Total equity	1 415 418	1 137 735
Total capital	1 496 178	1 292 506
Gearing ratio	5.40%	11.97%

CREDIT RISK

During August 2014, Global Credit Rating (GCR) Company upgraded PSG Konsult's national long-term rating to BBB+(za) (previously BBB(za)). It also affirmed the short-term rating of A2(za), with the outlook accorded as stable. This is as a result of PSG Konsult's strong operational performance over the past two years, the increased financial strength, and stability built into its business model.

21. CAPITAL COMMITMENTS AND CONTINGENCIES

PSG Konsult Limited issued an irrevocable, unconditional guarantee to Investec Bank Limited for all the obligations of their subsidiary, Delerus Proprietary Limited, together with cession and pledge of all present and future right, title, benefit and interest to the loan book by Delerus Proprietary Limited. The loan amount due by Delerus Proprietary Limited to Investec Bank Limited at 28 February 2015 was R0.1 million (2014: R22.4 million).

PSG Konsult Limited has also issued letters of support in the ordinary course of business, for the activities of certain of its subsidiaries.

Annexure A – Interests in subsidiaries

for the year ended 28 February 2015

Subsidiary	Country of incorporation	Nature of business	Effective interest held directly or indirectly[1] 2015 %	2014 %	Issued share capital 2015	2014	Cost of investment 2015 R000	2014 R000
PSG Wealth Financial Planning Proprietary Limited	South Africa	Financial, investment planning, advice and stockbroking	100	100	107	105	–	–
PSG Securities Limited (previously Online Securities Limited)	South Africa	Stockbroking	100	100	4 738	4 738	–	–
PSG Fixed Income and Commodities Proprietary Limited	South Africa	Investing and share trading	100	100	95 827	95 827	–	–
PSG Trust Proprietary Limited	South Africa	Trust and fiduciary services	100	100	111	111	–	–
PSG Academy Proprietary Limited	South Africa	Learning academy and related activities	100	100	120	120	–	–
PSG Konsult Treasury Proprietary Limited	South Africa	Centralised treasury activities for group	100	–	100	–	–	–
PSG Management Services Proprietary Limited	South Africa	Provision of corporate, financial administrative and advisory services	100	100	100	100	–	–
PSG Namibia Proprietary Limited	Namibia	Investment management, insurance and investment brokers, financial planning and advice	54	51	300 000	300 000	–	–
PSG Wealth Group Services Proprietary Limited	South Africa	Provision for corporate financial administrative and advisory services	100	100	100	100	–	–
PSG Scriptfin Proprietary Limited	South Africa	Investment holding company	100	100	200	200	–	–
PSG Multi Management Proprietary Limited	South Africa	Multi-manager	100	100	120	120	–	–
PSG Optimum Proprietary Limited	South Africa	Investment management, insurance and investment brokers, financial planning and advice	51	51	200	200	–	–
PSG Konsult Brokers (UK) Limited	United Kingdom	Investment management, insurance and investment brokers, financial planning and advice	100	100	2 882	2 882	9 599	9 599
Abrafield Proprietary Limited	South Africa	Property management	100	100	100	100	–	–
PSG Konsult MS (UK) Limited	United Kingdom	Provision of corporate financial administrative and advisory services	100	100	1	1	–	–
PSG Nylstroom Proprietary Limited	South Africa	Investment management, insurance and investment brokers, financial planning and advice	51	51	200	200	–	–
PSG Warmbad Proprietary Limited**	South Africa	Investment management, insurance and investment brokers, financial planning and advice	26	26	200	200	–	–
PSG Potgietersrus Proprietary Limited**	South Africa	Investment management, insurance and investment brokers, financial planning and advice	36	36	116 500	116 500	–	–
PSG Ellisras Proprietary Limited**	South Africa	Investment management, insurance and investment brokers, financial planning and advice	26	26	500	500	–	–
PSG Employee Benefits Limited	South Africa	Healthcare, brokerage and administration	74	74	1 962	1 962	–	–
PSG Corporate Financial Planning Proprietary Limited	South Africa	Healthcare, brokerage and employee benefits	100	100	100	100	–	–
Nhluvuko Risk Administration Proprietary Limited	South Africa	Administration	100	100	100	100	–	–

Annexure A – Interests in subsidiaries
for the year ended 28 February 2015

Subsidiary	Country of incorporation	Nature of business	Effective interest held directly or indirectly[1] 2015 %	2014 %	Issued share capital 2015	2014	Cost of investment 2015 R000	2014 R000
PSG Konsult Insurance Solutions Proprietary Limited	South Africa	Short-term underwriting business	65	65	300	300	–	–
Delerus Proprietary Limited	South Africa	Debtor financing	100	100	100	100	–	–
PSG Asset Management Holdings Proprietary Limited	South Africa	Investment holding company	100	100	121	121	344 616	344 616
PSG Asset Management Proprietary Limited	South Africa	Local management company	100	100	2 797 121	2 797 121	–	–
PSG Asset Management Group Services Proprietary Limited	South Africa	Provision of corporate, financial administrative and advisory services	100	100	1 351	1 351	–	–
PSG Collective Investments Limited	South Africa	Local unit trusts	100	100	50 099	50 099	–	–
PSG Fund Management (CI) Limited (Guernsey)	Guernsey	Offshore unit trusts	100	100	102 824	102 824	–	–
PSG Life Limited	South Africa	Linked insurance company	100	100	300 000	300 000	–	–
PSG Invest Proprietary Limited	South Africa	LISP functionality	100	100	100	100	–	–
PSG Konsult Group Share Incentive Trust	South Africa	Share Trust*	–	–	–	–	1	1
Western Group Holdings Limited	Namibia	Investment holding company with investment in two short-term insurance companies	60	60	134 233 976	64 233 976	–	–
Western National Insurance Company Limited (Namibia)	Namibia	Short-term insurance company focusing on commercial and agricultural markets	60	60	134 234	65 260	–	–
Hi-Five Corporation Finance Proprietary Limited	Namibia	Debtor financing	60	60	100	100	–	–
Born Free Investments 487 Proprietary Limited	South Africa	Property investment company	60	60	100	100	–	–
Western Administration Services Proprietary Limited	South Africa	Group administration services	60	60	200	100	–	–
Western National Insurance Company Limited (South Africa)	South Africa	Short-term insurance company focusing on commercial and agricultural markets	60	60	165 000	57 000	–	–
Cinetaur Proprietary Limited[2]	South Africa	Property Investments	–	75	–	1 000	–	–
PSG Wealth Holdings Proprietary Limited	South Africa	Investment holding company	100	100	363 027 114	363 027 114	349 253	349 253
PSG Insure Holdings Proprietary Limited	South Africa	Investment holding company	100	100	102	102	176 714	176 714
PSG Distribution Proprietary Limited	South Africa	Investment holding company	100	100	749 698 607	439 698 607	532 989	222 988
							1 413 172	1 103 171

[1] *Ownership interest equal voting rights.*
[2] *Disposed of investment in subsidiary.*
* *PSG Konsult Group Share Incentive Trust consolidated in terms of requirement of IFRS 10.*
** *Although effective interest held below 50%, the group controls these entities as the group is involved in the day-to-day running of these businesses, its strategies and has the ability to effect the returns generated by these entities.*

All the subsidiaries of the group are included in the consolidation. The proportion of the voting rights in the subsidiaries held directly do not differ from the proportion of ordinary shares held.

The following dormant or immaterial subsidiaries form part of the group: PSG Nominees Proprietary Limited, PSG Wealth Nominees Proprietary Limited, PSG Asset Management Nominees Proprietary Limited, PSG Invest Nominees Proprietary Limited, PSG Malta Holdings Proprietary Limited, PSG Fund Management (Malta) Limited, Erf 1070 Ballot Street Proprietary Limited, Topexec Management Bureau Proprietary Limited, Allfinanz Board of Executors & Trust Company Proprietary Limited, PSG Wealth Management Namibia Proprietary Limited and PSG Financial Planning Namibia Proprietary Limited.

Annexure A – Interests in subsidiaries
for the year ended 28 February 2015

Profit or loss attributable to non-controlling interest for the year ended 28 February 2015 as well as the carrying value of non-controlling interest at 28 February 2015:	Profit or loss attributable to non-controlling interest 2015 R000	Profit or loss attributable to non-controlling interest 2014 R000	Carrying value of non-controlling interest 2015 R000	Carrying value of non-controlling interest 2014 R000
PSG Employee Benefits Limited	3 113	3 725	11 608	8 495
Western Group Holdings Limited	14 686	11 297	113 158	70 472
PSG Namibia Proprietary Limited	2 713	1 859	3 829	3 136
PSG Optimum Proprietary Limited	–	–	1 241	1 241
PSG Konsult Insurance Solutions Proprietary Limited	885	(223)	2 655	2 878
Cinetaur Proprietary Limited	–	44		–
	21 397	16 702	132 491	86 222

Dividends received by material subsidiaries and subsidiaries with material non-controlling interest Subsidiary	Dividends paid To non-controlling interest 2015 R000	To owners of the parent 2015 R000	Total 2015 R000	To non-controlling interest 2014 R000	To owners of the parent 2014 R000	Total 2014 R000
PSG Wealth Financial Planning Proprietary Limited	–	104 000	104 000	–	–	–
PSG Securities Limited (previously Online Securities Limited)	–	34 621	34 621	–	34 285	34 285
PSG Multi Management Proprietary Limited	–	16 700	16 700	–	–	–
PSG Employee Benefits Limited	–	–	–	–	–	–
PSG Asset Management Holdings Proprietary Limited	–	70 100	70 100	–	62 500	62 500
PSG Life Limited	–	–	–	–	–	–
Western Group Holdings Limited	–	–	–	–	–	–

Summarised financial information on material subsidiaries and subsidiaries with material non-controlling interests

Set out below are the summarised financial information for subsidiaries, which, in the opinion of the directors, is material to the group, as well as subsidiaries with material non-controlling interests.

Summarised statement of financial position As at 28 February Subsidiary	Assets Non-current 2015 R000	Current 2015 R000	Total 2015 R000	Non-current 2014 R000	Current 2014 R000	Total 2014 R000
PSG Wealth Financial Planning Proprietary Limited	620 374	306 431	926 805	474 475	236 177	710 652
PSG Securities Limited (previously Online Securities Limited)	60 306	1 846 778	1 907 084	59 326	2 054 965	2 114 291
PSG Multi Management Proprietary Limited	6 800	52 934	59 734	198	37 383	37 581
PSG Employee Benefits Limited	31 573	38 933	70 506	49 218	15 471	64 689
PSG Asset Management Holdings Proprietary Limited	15 893	131 169	147 062	10 116	108 439	118 555
PSG Life Limited	11 486 554	3 108 016	14 594 569	10 964 876	2 316 437	13 281 312
Western Group Holdings Limited	70 885	819 582	890 467	77 591	636 479	714 070

Annexure A – Interests in subsidiaries

for the year ended 28 February 2015

Subsidiary	Liabilities Non-current 2015 R000	Current 2015 R000	Total 2015 R000	Non-current 2014 R000	Current 2014 R000	Total 2014 R000
PSG Wealth Financial Planning Proprietary Limited	29 529	265 175	294 704	32 085	332 382	364 467
PSG Securities Limited (previously Online Securities Limited)	–	1 799 269	1 799 269	301 570	1 701 072	2 002 643
PSG Multi Management Proprietary Limited	–	39 683	39 683	–	25 866	25 866
PSG Employee Benefits Limited	4 175	21 601	25 776	4 259	27 674	31 933
PSG Asset Management Holdings Proprietary Limited	727	92 460	93 187	356	66 977	67 333
PSG Life Limited	11 411 713	3 012 386	14 424 098	10 784 227	2 331 854	13 116 081
Western Group Holdings Limited	894	613 522	614 416	–	545 215	545 215

Summarised statement of comprehensive income for the period ended 28 February Subsidiary	Profitability Revenue 2015 R000	Profit from continuing operations 2015 R000	Total comprehensive income for the year 2015 R000	Revenue 2014 R000	Profit from continuing operations 2014 R000	Total comprehensive income for the year 2014 R000
PSG Wealth Financial Planning Proprietary Limited	1 332 491	109 415	109 415	1 103 199	56 155	56 155
PSG Securities Limited (previously Online Securities Limited)	403 190	30 789	30 789	353 257	40 457	40 457
PSG Multi Management Proprietary Limited	186 842	25 036	25 036	155 610	17 469	17 469
PSG Employee Benefits Limited	108 987	11 973	11 973	102 736	14 404	14 404
PSG Asset Management Holdings Proprietary Limited	584 838	72 701	72 753	493 453	71 831	71 831
PSG Life Limited	239 812	5 240	5 240	259 232	15 547	15 547
Western Group Holdings Limited	631 454	37 195	37 195	507 605	39 062	39 062

The information above reflects amounts before intergroup eliminations.

The company's interest in attributable income and losses of subsidiaries amounts to R470.8 million (2014: R278.5 million) and R63.1 million (2014: R19.8 million) respectively.

There are also no significant restrictions on the subsidiaries' ability to transfer funds in the form of cash for the repayment of loans made to subsidiaries or to pay dividends other than the 13 regulated subsidiaries as disclosed on page 40. These regulated subsidiaries are licensed asset management, long-term and short-term insurance entities that are regulated entities and therefore subject to statutory capital requirements set by each jurisdiction's regulators. These require that the entities hold a prescribed minimum capital and dividend distributions from these entities are only available from excess net assets over the required minimum capital.

At 28 February the following significant collective investment schemes (CIS) were subsidiaries of the group:

Collective investment scheme	ASISA classification	Management company	Interest held 2015 %	Interest held 2014 %	Carrying value 2015 R000	Carrying value 2014 R000
PSG Diversified Income Fund	South African – Multi-Asset – Income	PSG Collective Investments	32	34	232 555	96 976
PSG Multi Management Foreign Flexible Fund of Funds	Global – Multi-Asset – Flexible	PSG Collective Investments	42	40	127 397	105 219
PSG Income Fund	South African – Interest-bearing – Short-term	PSG Collective Investments	65	69	36 094	65 652

Further details of investments are available at the registered offices of the relevant group companies.

Annexure B – Interests in associated companies

for the year ended 28 February 2015

Company	Nature of business	Effective interest held directly or indirectly[1] 2015 %	2014 %	Group carrying value 2015 R000	2014 R000
Unlisted					
Make-a-Million Proprietary Limited	Financial Intermediation	33%	33%	129	129
Woodwind Proprietary Limited	Property Investments	30%	30%	–	–
Xinergistix Proprietary Limited	Transport Business	23%	23%	39 368	39 341
Prexision Asset Finance Proprietary Limited	Asset Finance	38%	38%	–	–
Tradesure Marine Proprietary Limited	Underwriting Manager	20%	20%	65	77
Total				39 562	39 548

[1] *Ownership interest equal voting rights; associated companies have share capital consisting solely of ordinary shares.*

The associated companies are all private companies and there is no quoted market price available for its shares. All the associated companies are incorporated in South Africa.

Summarised financial information for associated companies

Set out below are the summarised financial information for Xinergistix Proprietary Limited, which, in the opinion of the directors, is material to the group. It is accounted for using the equity method.

Summarised statement of financial position As at 28 February	2015 R000	2014 R000
Xinergistix Proprietary Limited		
Total current assets	166 395	158 150
Total non-current assets	314 799	331 556
Total assets	481 194	489 706
Total current liabilities	131 166	134 473
Total non-current liabilities	171 609	178 454
Total liabilities	302 775	312 927

Summarised statement of comprehensive income for the period ended 28 February	2015 R000	2014 R000
Xinergistix Proprietary Limited		
Revenue	775 017	423 413
Post-tax profit	115	15 518
Other comprehensive income	–	–
Total comprehensive income	115	15 518
Dividends received from associated companies	–	–

The information disclosed above reflects the amounts presented in the financial statements of Xinergistix Proprietary Limited, adjusted for differences in accounting policies, and not the group's share of those amounts.

There are no contingent liabilities or commitments relating to the group's interests in associated companies. There are also no significant restrictions on the associated companies' ability to transfer funds in the form of cash for the repayment of loans made to the associated companies or to pay dividends.

Further detail of the investments in the associated companies are available at the registered offices of the relevant group companies.

Annexure C – Interests in joint ventures

for the year ended 28 February 2015

Name of joint venture	Nature of business	Proportion held directly or indirectly by holding companies 2015 %	2014 %	Group carrying value 2015 R000	2014 R000
Unlisted					
Jan Jonker Property Investment Trust*	Property investment	50	50	12 971	12 057

* *Jan Jonker Property Investment Trust is incorporated in Namibia.*

Jan Jonker Property Investment Trust is a privately held trust and there is no quoted market price available for its ownership held.

Summarised financial information for joint ventures

Set out below are the summarised financial information for Jan Jonker Property Trust which is accounted for using the equity method.

Summarised statement of financial position As at 28 February	2015 R000	2014 R000
Total current assets	1 092	799
Total current liabilities	(1 288)	(1 115)
Total non-current assets	58 809	58 813
Total non-current liabilities	(32 669)	(34 382)
Net assets	25 944	24 115

Summarised statement of comprehensive income for the period ended 28 February	2015 R000	2014 R000
Revenue	5 900	5 337
Post-tax profit	1 829	6 750
Other comprehensive income	–	–
Total comprehensive income	1 829	6 750
Dividends received from joint ventures	–	–

The information disclosed above reflects the amounts presented in the financial statements of Jan Jonker Property Investment Trust, adjusted for differences in accounting policies, and not the group's share of those amounts.

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of its interest in the joint venture.

Summarised financial information Reconciliation	2015 R000	2014 R000
Opening net assets: 1 March	12 057	8 682
Share of profit after taxation	915	3 375
Closing net assets: 28 February	12 971	12 057

There are no contingent liabilities or commitments relating to the group's interest in the joint venture. There are also no significant restrictions on the joint venture's ability to transfer funds in the form of cash for the repayment of loans made to the joint venture or to pay dividends.

Further details of the investment is available at the registered office of the relevant group company.

CORPORATE INFORMATION

Registered name
PSG Konsult Limited
(Registration number 1993/003941/06)
(Tax reference number: 9550/644/07/5)
JSE share code (primary listing): KST
NSX share code: KFS
Abbreviated name: PSG KST
ISIN: ZAE0000191417

Country of incorporation
Republic of South Africa

Date of incorporation
14 July 1993

PSG Konsult head office and registered address
Building A
Pro Sano Park South Gate
Carl Cronje Drive
Tyger Waterfront
Tyger Valley
Bellville
7530
Tel: 021 915 4160
Fax: 021 915 4171

Postal address
PO Box 3335
Tyger Valley
Bellville
7536

Company secretary
PSG Management Services Proprietary Limited
(Registration number 2000/009351/07)

Bankers
Absa Bank Limited
Standard Bank of South Africa Limited
First National Bank Limited
Rand Merchant Bank Limited
BNP Paribas

Auditors
PricewaterhouseCoopers Inc.
Cape Town

Attorneys
DLA Cliffe Dekker Hofmeyr
Blake Bester
AO Hall (Guernsey)

Transaction adviser and Sponsor – JSE
PSG Capital Proprietary Limited

Transaction adviser and Sponsor – NSX
PSG Wealth Management (Namibia) Proprietary Limited, member of the Namibian Stock Exchange

Transfer secretaries
Computershare Investor Services Proprietary Limited
(Registration number 2004/003647/07)
Ground Floor
70 Marshall Street
Johannesburg, 2001
(PO Box 61051, Marshalltown, 2107)
Tel: 011 373 0000
Fax: 011 688 5200

Website address
www.psg.co.za

SHAREHOLDER DIARY

Financial year-end	28 February
Financial half year	31 August
Financial reporting	
Annual General Meeting (AGM)	Friday, 19 June 2015
Announcement of interim results	Wednesday, 7 October 2015
Ordinary dividends	
Final dividend	
• Declared	9 April 2015
• Paid	11 May 2015
Interim dividend	
• Declared	October 2015
• Paid	November 2015

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