



## Abridged report

Reviewed results for the year ended 29 February 2012

### Financial highlights

#### Salient features:

- Revenue increases by 42%
- Headline earnings per share increases 21.6%
- Recurring headline earnings increases by 14.2%
- Dividend per share of 10.3 cents increases by 17.0%

#### ADMINISTRATIVE INFORMATION

Registration number: 1993/003941/06

**Directors:** J de V du Toit (Voorsitter/Chairman), W Theron (HUB/CEO)\*, TW Biesenbach (HOB/COO)\*, HB Lindes\* (FD), JF Mouton, L de Wit \* *Executive directors*

**Secretary:** PSG Konsult Bestuursdienste (Edms) Bpk / PSG Konsult Management Services (Pty) Ltd

**Registered office:** Suite 2/1, Hemel and Aarde Craft Village, Corner of Hemel and Aarde and Main Road, Hermanus, 7200 | PO Box 1743, Hermanus, 7200

**Auditor:** PricewaterhouseCoopers Inc.

## REVIEW OF RESULTS AND OPERATIONS

### COMMENTARY

The PSG Konsult Group returned pleasing results for the financial year ended 29 February 2012. These results were driven by meaningful contributions from all of PSG Konsult's well diversified business segments.

The 2012 financial year was characterised by uncertainty and risk aversion amidst the European sovereign debt crisis. In general, market conditions remained challenging within the financial services industry, with moderate economic growth, stable interest rates and risk aversion. Towards the latter part of the financial year the actions taken in Europe regarding sovereign debt restructuring and rescue lending eased uncertainty.

This is the first year-end reporting period since the amalgamation with PSG Asset Management on 1 March 2011. As the transaction was structured in the form of a share swap on an equal price/earnings ratio, the most relevant indicator to assess the growth in earnings of the PSG Konsult Group (inclusive of PSG Asset Management) is headline earnings per share ("HEPS").

The Group's key financial indicators are listed below:

- Turnover, consisting of commission and other operating income, increased by 42% to R1 379 million (largely influenced by the PSG Asset Management amalgamation).
- The Group's headline earnings increased by 77.4% to R162.3 million (2011: R91.5 million).
- Recurring headline earnings increased by 14.2% (drafted on the basis of including PSG Asset Management in the prior year).
- Headline earnings per share increased by 21.6% to 15.2 cents per share.
- Adjusted headline earnings per share increased by 17.8% (adjusted for the impact of amortisation) to 17.2 cents per share.
- Funds under administration increased to R139 billion (2011: R 97 billion).
- Short-term insurance premiums was unchanged at R1 600 million (2011: R1 600 million) on an annualized basis.
- The total dividend declared in respect of the 2012 financial year increased by 17% as compared to 2011.

The Group focusses on creating sustainable income. The below figures highlight the growth in recurring earnings of the Group drafted on the basis as if PSG Asset Management formed part of the Group for 2011 as well:

	2012		2011
	R'000	% Change	R'000
<b>Headline earnings</b>	162 282	15.0%	141 136
- Recurring	151 305	14.2%	132 521
- Non-recurring	10 977	27.4%	8 615

### Acquisitions

**PSG Asset Management** - Effective 1 March 2011, PSG Asset Management, which previously consisted of PSG Fund Management, PSG Alphen, PSG Tanzanite, PSG Absolute Investments and PSG FutureWealth was amalgamated with PSG Konsult. The transaction was structured in the form of a share swap on an equal price/earnings ratio.

**Equinox** - Effective 1 May 2011 PSG Asset Management acquired Equinox, an online unit trust trading platform. Equinox provides an electronic trading platform for individual investors, as well as enabling investment advisers to manage portfolios on behalf of clients. The transaction added 9 000 clients with assets under management of R1,9 billion to the Group's client base.

**Pleroma** - Effective 1 May 2011 PSG Konsult Corporate acquired Pleroma, a short-term insurance broker and administrator. The transaction added approximately R100 million in premiums, 5 000 clients and contributes 10% of PSG Konsult Corporate's headline earnings.

### Highlights of the 2012 financial year

The Group is proud to have been awarded the following awards during 2012:

- PSG Equity Fund – Raging Bull award
- PSG Flexible Fund – Raging Bull award
- PSG Konsult Moderate FoF – Morningstar award for Moderate Allocations
- PSG Online – Business Day Investors Monthly Stockbroker of the Year award
- Santam – National Broker of the Year: Commercial lines and Agriculture

### People

At the year end the Group had 224 (28 February 2011: 216) offices with 694 (28 February 2011: 642) financial planners, portfolio managers, stockbrokers and asset managers. Our professional associates (accountants and attorneys) totaled 362 (28 February 2011: 378).

### Looking forward

The amalgamation with PSG Asset Management is complimentary to the Group's vision of becoming a comprehensive financial services group and sharing further in the financial services value chain.

The Group will continue with its strategy of growing through a combination of acquisitions, organic growth and unlocking existing synergies within the various business divisions.

The business will be taken forward under its four main business lines, being TRADE, INVEST, INSURE and PLAN.

### Review opinion

PricewaterhouseCoopers Incorporated's unmodified review report on the abridged consolidated financial statements contained in this report is available for inspection at the company's registered office.

### Annual General Meeting

The annual general meeting of the Shareholders of PSG Konsult Limited will be held at Webersburg Wine Estate, Stellenbosch on Friday 22 June 2012.

### Distribution to shareholders

A dividend of 3.0 cents per share (2011: dividend of 2.8c) was paid to shareholders at the interim stage. The directors have declared a final dividend of 7.3 cents (2011: 6.0 cents) per share (giving a total dividend of 10.3 cents per share – 2011: 8.8 cents) subsequent to year-end. The following are the salient dates for payment of the dividend:

Last day of registration (trade cum-dividend) Friday, 30 March 2012

Day of payment Friday, 4 May 2012

On behalf of the board

**Jaap du Toit**  
Chairman

Hermanus  
12 April 2012

**Willem Theron**  
Chief Executive Officer



**CONDENSED GROUP INCOME STATEMENT**  
for the year ended 29 February 2012

	Reviewed	Audited
	29 Feb '12 R'000	28 Feb '11 R'000
<b>INCOME</b>		
Commission and other fee income	1 336 712	954 008
Net fair value gains and losses on financial instruments	427 846	10 112
Fair value adjustments to investment contract liabilities	(484 557)	-
Investment income	272 631	36 573
Other operating income	42 229	17 418
<b>Total income</b>	<b>1 594 861</b>	<b>1 018 111</b>
<b>EXPENSES</b>		
Insurance claims and loss adjustments	279	-
Marketing, administration and other operating expenses	(1 190 276)	(855 524)
<b>Total expenses</b>	<b>(1 189 997)</b>	<b>(855 524)</b>
Share of (losses)/profits of associated companies	(38)	2 013
<b>RESULTS OF OPERATING ACTIVITIES</b>	<b>404 826</b>	<b>164 600</b>
Finance costs	(169 631)	(29 461)
<b>Profit before taxation</b>	<b>235 195</b>	<b>135 139</b>
Taxation	(73 516)	(36 173)
<b>NET PROFIT FOR THE YEAR</b>	<b>161 679</b>	<b>98 966</b>
Attributable to non-controlling interest	7 357	5 162
Attributable to owners of the parent	154 322	93 804
	<b>161 679</b>	<b>98 966</b>

**CONDENSED GROUP STATEMENT OF COMPREHENSIVE INCOME**  
for the year ended 29 February 2012

	Reviewed	Audited
	29 Feb '12 R'000	28 Feb '11 R'000
<b>NET PROFIT FOR THE YEAR</b>	<b>161 679</b>	<b>98 966</b>
Other comprehensive income/(loss) for the year, net of taxation	824	(1 465)
Currency translation adjustments	340	(240)
Fair value losses on available-for-sale investments	(942)	-
Recycling adjustment on available-for-sale investments	1 426	(1 225)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR, net of taxation</b>	<b>162 503</b>	<b>97 501</b>
Attributable to non-controlling interest	7 357	5 162
Attributable to owners of the parent	155 146	92 339
	<b>162 503</b>	<b>97 501</b>

**CONDENSED GROUP STATEMENT OF FINANCIAL POSITION**  
as at 29 February 2012

	Reviewed	Audited
	29 Feb '12 R'000	28 Feb '11 R'000
<b>ASSETS</b>		
Property and equipment	26 749	25 925
Intangible assets	815 357	727 884
Investments in associated companies	11 350	13 492
Deferred income taxation	33 116	4 483
<b>Financial assets</b>		
Equity securities	874 968	345
Debt securities	2 048 742	-
Unit-linked investments	5 219 174	-
Investment in investment contracts	994 380	-
Loans and advances	76 461	41 583
Derivative financial instruments	9 532	6 023
Receivables	2 368 275	147 976
Cash and cash equivalents	358 637	279 825
Current income tax assets	4 125	2 312
<b>Total assets</b>	<b>12 840 866</b>	<b>1 249 848</b>
<b>EQUITY</b>		
<b>Equity attributable to owners of the parent</b>		
Ordinary shareholders' equity	726 843	490 721
Non-controlling interests	17 725	10 787
<b>Total equity</b>	<b>744 568</b>	<b>501 508</b>
<b>LIABILITIES</b>		
Insurance contracts	29 949	-
Deferred income taxation	68 005	67 507
<b>Financial liabilities</b>		
Borrowings	178 493	209 687
Derivative financial instruments	7 831	5 988
Investment contracts	9 144 681	-
Third-party liabilities arising on consolidation of mutual funds	16 008	-
Trade and other payables	2 646 331	454 778
Accruals for other liabilities and charges	-	5 945
Current income tax liabilities	5 000	4 435
<b>Total liabilities</b>	<b>12 096 298</b>	<b>748 340</b>
<b>Total equity and liabilities</b>	<b>12 840 866</b>	<b>1 249 848</b>
Net asset value per share (cents)	67.9	66.9

**Notes to the Statement of Financial Position**

1. Included under financial assets are those assets relating to policyholders within PSG Asset Management Life. The policyholder assets make up the largest portion of the balances disclosed for equity securities (R865.4 million), debt securities (R2 001.0 million), unit-linked investments (R5 186.7 million) and investment contracts (R994.4 million), with a portion included in cash and cash equivalents (R97.2 million).

Included under liabilities are the policyholder liabilities within PSG Asset Management Life which are disclosed under investment contracts (R9 144.7 million).

Also refer note 7(i) for details on take-on balances from the amalgamation with PSG Asset Management.

**Notes to the Statement of Cash Flow**

1. Net working capital changes are impacted by balances relating to broking and clearance houses of R64.1 million (2011: R158.2 million), which fluctuates on a daily basis as well as the net changes of R278.9 million (2011: Rnil) relating to the policyholder assets and policyholder liabilities within PSG Asset Management Life.

2. Cash balances may vary significantly depending on cash held at the Stockbroking business, mainly due to the timing of the close of the JSE in terms of client settlements. Above balance includes R108.9 million in respect of Stockbroking business cash (2011: R207.9 million).

**CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY**  
for the year ended 29 February 2012

	Reviewed	Audited
	29 Feb '12 R'000	28 Feb '11 R'000
<b>Ordinary shareholders' equity at the beginning of the year</b>	<b>490 721</b>	<b>466 873</b>
Total comprehensive income for the year	155 146	92 339
Net shares issued	506 867	3 950
Treasury shares	(2 571)	-
Dividend paid	(76 127)	(60 846)
Shares cancelled	-	(146)
Acquisition of subsidiaries	(344 122)	(11 449)
Share-based payment costs - employees	2 284	-
Transactions with non-controlling interest	(5 355)	-
<b>Ordinary shareholders' equity at the end of the year</b>	<b>726 843</b>	<b>490 721</b>
<b>Non-controlling interests</b>	<b>17 725</b>	<b>10 787</b>
Balance at the beginning of the year	10 787	2 853
Total comprehensive income for the year	7 357	5 162
Dividend paid	(4 202)	(3 740)
Transactions with non-controlling interest	1 935	6 512
Acquisition of subsidiary	7 176	-
Disposal of subsidiaries	(5 328)	-
<b>Total equity</b>	<b>744 568</b>	<b>501 508</b>

**CONDENSED GROUP STATEMENT OF CASH FLOWS**  
for the year ended 29 February 2012

	Reviewed	Audited
	29 Feb '12 R'000	28 Feb '11 R'000
Cash flow from operating activities	(24 496)	229 569
Results of operating activities	404 826	164 600
Adjustment for non-cash items	82 742	25 413
Change in working capital (Note 1)	(399 509)	115 663
Interest paid	(30 085)	(29 461)
Income tax paid	(82 470)	(46 646)
Cash flow from investing activities	203 382	(121 087)
Cash flow from financing activities	(100 054)	21 118
<b>Net increase in cash and cash equivalents</b>	<b>78 832</b>	<b>129 600</b>
Cash and cash equivalents at the beginning of the year	279 676	150 076
Exchange gains on cash and cash equivalents	84	-
Cash and cash equivalents at the end of the year (Note 2)	<b>358 592</b>	<b>279 676</b>
<b>Cash and cash equivalents consist of:</b>		
Current and cheque accounts	358 637	279 825
Bank overdrafts	(45)	(149)
	<b>358 592</b>	<b>279 676</b>

## NOTES TO THE FINANCIAL INFORMATION

### 1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

The abridged consolidated financial information of PSG Konsult Limited ("the Group") have been prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards (IFRS), including IAS 34 – Interim Financial Reporting and the requirements of the South African Companies Act (Act No 71 of 2008). The abridged consolidated financial information does not include all of the information required by IFRS for full annual financial statements and should be read in conjunction with the annual financial statements for the year ended 29 February 2012, which have been prepared in accordance with IFRS.

The accounting policies applied in the preparation of these abridged consolidated financial information are consistent with those used in the previous financial year, except for a change in accounting policy as referred to in note 9. Standards, interpretations and amendments to published standards applied for the first time during the current financial year did not have any significant impact on the abridged financial results.

The Group has elected to apply "predecessor accounting" for the acquisition of PSG Asset Management Holdings Limited on 1 March 2011 (see note 7), as determined by the principles generally accepted in the United States of America. Refer to note 9 for the explanation of the accounting policy.

### 2. SEGMENT INFORMATION

#### 2.1 Composition

The composition of the reportable segment was changed during the current financial year due to the change in the internal reporting structure and the monthly reporting to the Chief Operating Decision Maker ("CODM"). The Executive Committee ("EXCO") of the Group still remain the CODM for the purpose of IFRS 8, Segment Reporting.

The comparative figures have been restated accordingly:

	Reviewed 29 Feb '12 R'000	Audited 28 Feb '11 R'000
<b>Turnover</b>		
PSG Konsult Financial Planning	563 826	599 842
- Total segment income	786 109	711 073
- Internal	(222 283)	(111 231)
PSG Konsult Corporate	110 898	65 997
- Total segment income	114 867	72 852
- Internal	(3 969)	(6 855)
PSG Online	241 755	224 651
- Total segment income	279 508	250 973
- Internal	(37 753)	(26 322)
PSG Asset Management	539 615	-
- Total segment income	549 541	-
- Internal	(9 926)	-
PSG Insure	112 954	113 195
- Total segment income	115 642	127 371
- Internal	(2 688)	(14 176)
Total income for reportable segments	1 569 048	1 003 685
Unallocated segments	25 813	14 426
<b>Total income</b>	<b>1 594 861</b>	<b>1 018 111</b>
<i>Headline earnings</i>		
PSG Konsult Financial Planning	82 856	66 571
PSG Konsult Corporate	11 716	10 916
PSG Online	29 648	25 054
PSG Asset Management	54 371	-
PSG Insure	5 404	3 907
Unallocated segments *	(21 713)	(14 938)
	<b>162 282</b>	<b>91 510</b>

### 2.2 Description of business segments

PSG Konsult Financial Planning offers independent advice regarding all aspects of financial planning, (including retirement planning, death and disability cover, as well as healthcare insurance), investment advice and portfolio management services, stockbroking and specialised short-term insurance advice.

PSG Konsult Corporate - The business focuses on serving the SME, institutional and public sectors markets providing employer groups with a total solution with regard to their financial planning and advisory needs, risk & retirement management, employee health and wealth benefits.

PSG Online - PSG Online is a web portal that provides clients with the ability to trade, invest, insure and plan for their financial well-being. The segment includes the following businesses:

- Online Securities Limited, a member of the JSE, provides all stock broking and related investment services.
- PSG Online Solutions (Proprietary) Limited provides all online short-term insurance solutions.

PSG Asset Management - Offers investors a comprehensive range of local and international unit trust funds, managed multi-manager solutions and retirement products.

PSG Insure - The segment includes the operations of Topexec, PSG Konsult's short-term insurance administrator and related short-term insurance activities with leading insurers.

\* The headline earnings figure disclosed for unallocated segments mainly comprise costs incurred in respect of the PSG Konsult Group's treasury function, executive management, training and corporate expenses.

### 3. EARNINGS PER SHARE

	Reviewed 29 Feb '12 R'000	Audited 28 Feb '11 R'000
<b>Total earnings attributable to ordinary shareholders</b>	<b>154 322</b>	<b>93 804</b>
<b>Non-headline items (net of tax and non-controlling interests)</b>		
- Profit on disposal of intangible assets	(3 690)	(948)
- Loss/(Profit) on step up of associated companies	895	(2 942)
- Profit on sale of fixed assets	(213)	(21)
- Profit on sale of subsidiary companies	(297)	-
- Non-headline items of associated companies	84	(30)
- Loss/(Profit) on sale of available-for-sale investment	1 426	(1 217)
- Impairment of intangible assets (including goodwill)	9 755	2 864
<b>Headline earnings</b>	<b>162 282</b>	<b>91 510</b>
- Recurring	151 305	89 290
- Non-recurring	10 977	2 220
<b>Earnings per share (cents)</b>		
- Attributable (basic and diluted)	14.4	12.8
- Headline (basic and diluted)	15.2	12.5
- Recurring Headline (basic and diluted)	14.1	12.2
<b>Number of shares (million)</b>		
- in issue (net of treasury shares)	1 070.6	733.1
- weighted average	1 070.7	733.1

### 4. CAPITAL COMMITMENTS AND CONTINGENCIES

	Reviewed 29 Feb '12 R'000	Audited 28 Feb '11 R'000
Operating lease commitments	66 872	57 286

### 5. LINKED INVESTMENT CONTRACT

The Group is not exposed to market movements in clients' assets held by PSG Asset Management Life under investment contracts, as any movement in the market price of the investment is linked to a corresponding adjustment to the liability. The income statement impact of the returns on investment contract policy holders' assets and liabilities was as follows:

	Investment contract policy holders R'000	Equity holders R'000	Total R'000
<b>2012</b>			
Investment income	223 973	9 062	233 035
Net fair value gains and losses on financial instructions	422 934	2 405	425 339
Fair value adjustment to investment contract liabilities	(484 557)	-	(484 557)
<b>Net Investment return before taxation</b>	<b>162 350</b>	<b>11 467</b>	<b>173 817</b>

No impact during the 2011 financial year.

### 6. RELATED PARTY TRANSACTIONS

Related party transactions similar to those disclosed in the Group's annual financial statements for the period ended 28 February 2011 took place during the year, except for transactions, receivables and payables with PSG Asset Management companies, which were eliminated on consolidation from 1 March 2011.

### 7. BUSINESS COMBINATIONS

#### i) PSG Asset Management Holdings Limited

On 1 March 2011, the operations of PSG Fund Management, PSG Alphen, PSG Tanzanite, PSG Absolute Investments and PSG FutureWealth were amalgamated with that of PSG Konsult. The merge follows the restructuring of the financial services businesses within the PSG Group and will promote the sharing of resources and skills in line with the goal of improved service delivery. The transaction, structured in the form of a share swap (resulting in the issuance of 339 213 062 PSG Konsult shares for a total consideration of R506.8 million - giving a per share swap price of R1,494 per PSG Konsult share), has been positioned under a newly incorporated company, PSG Asset Management Holdings.

The IFRS on business combinations (IFRS 3) does not apply to this business combination, as it is effected between parties that are ultimately controlled by PSG Group Limited, otherwise known as a common control transaction. The company has elected to apply "predecessor accounting". Refer to note 9 for further explanation of the accounting policy.

Details of the net assets acquired are as follows:

	Group R'000
Cash paid	-
PSG Konsult Limited ordinary shares issued	506 867
Total purchase consideration	506 867
Non-controlling interest	7 176
Less: Net assets acquired at carrying value	(169 921)
Increase in common control reserve on 1 March 2011	<b>344 122</b>

The difference between the consideration given and the predecessor values is recognised directly in equity in a common control reserve. As a result, no goodwill is recognised on acquisition.

	Group R'000
Property and equipment	2 070
Intangible assets	34 289
Investments in associated companies	500
Equity securities	921 321
Unit-linked investments	4 858 659
Debt securities	2 214 032
Financial assets - linked to investment contracts	1 108 686
Receivables	48 709
Cash and cash equivalents	256 249
Third-party liabilities arising on consolidation of mutual funds	(37 016)
Deferred income taxation	29 698
Insurance contracts	(29 898)
Investment contracts	(9 112 355)
Intergroup accounts	(2 184)
Current income tax liabilities	(5 669)
Trade and other payables	(117 169)
<b>Total identifiable net assets</b>	<b>169 921</b>

ii) *iHound (Proprietary) Limited*

Effective 1 March 2011, the Group acquired an additional 31% interest in this online lead-generating company, raising its effective interest to 51%. The consideration of R1 484 232 was paid in full on 31 May 2011.

iHound was previously accounted for as an investment in associated company up to 28 February 2011. From 1 March 2011 this company was accounted for as a subsidiary of the Group. This step-acquisition resulted in a non-headline loss of R895 113.

iii) *Pleroma Insurance Brokers Group*

The Group (through its subsidiary PSG Konsult Corporate Limited) acquired the business in this financial services group for a consideration of R30 725 583. The effective date of the transaction was 1 May 2011. 50% of the purchase consideration was paid on 1 June 2011, 25% is payable on 1 May 2012 and the remaining 25% on 1 October 2012 and carries interest at prime interest rate less 2.5%.

	Group R'000
<i>Details of the net assets acquired and goodwill are as follows:</i>	
Cash paid	15 500
Cash due	15 226
Total purchase consideration	30 726
Less: Fair value of net assets acquired	(10 036)
<b>Goodwill recognised on acquisition</b>	<b>20 690</b>

The goodwill is attributable to the synergies unlocked after acquisition and the expected cost savings of the acquisition.

*The assets and liabilities arising from the acquisition are as follows:*

	Fair value R'000	Acquiree's carry amount R'000
Intangible assets	13 938	-
Deferred tax	(3 902)	-
	<b>10 036</b>	<b>-</b>

iv) *EFS Investment Solutions (Proprietary) Limited (Equinox)*

The Group (through its subsidiaries PSG Asset Management Holdings and PSG Online Solutions) acquired the business in this financial services group for a consideration of R26 919 000. The effective date of this transaction was 1 May 2011.

	Group R'000
<i>Details of the net assets acquired and goodwill are as follows:</i>	
Cash paid on effective date	24 195
Cash due on effective date (paid in full before year end)	2 724
Total purchase consideration	26 919
Less: Fair value of net assets acquired	(16 025)
<b>Goodwill recognised on acquisition</b>	<b>10 894</b>

The goodwill is attributable to the synergies unlocked after acquisition and the expected cost savings of the acquisition.

*The assets and liabilities arising from the acquisition are as follows:*

	Fair value R'000	Acquiree's carry amount R'000
Property, plant and equipment	350	350
Intangible assets	6 965	-
Unit-linked investments	1 674	1 674
Receivables	714	714
Cash and cash equivalents	3 757	3 757
Deferred income tax	3 870	4 611
Current tax payable	(301)	(301)
Trade and other payables	(1 004)	(1 004)
	<b>16 025</b>	<b>9 801</b>

v) *Triumvir Financial Advisors and Agri Wilson Makelaars BK*

The Group, through its subsidiary PSG Konsult Short-Term Insurance Brokers, acquired the businesses in these financial services groups for a consideration of R 2 033 642 and R3 149 133 respectively. The effective date of these transactions was 1 June 2011.

vi) *Acquisition of hedge funds and collective investment schemes*

The Group held an interest of 97.9% in the PSG Stable Fund, an interest of 100% in the PSG Income Fund and an interest of 50.6% in the Orange Prime Fund at 29 February 2012.

*Details of the net assets acquired*

	Group R'000
Equity securities	39 238
Debt securities	11 626
Receivables	1 111
Cash and cash equivalents	43 437
Third-party liabilities arising on consolidation of mutual funds	(16 008)
Trade and other payables	(216)
Net asset value	79 188
Fair value of equity interest held before the business combination	(79 188)
Total consideration paid	-
Less cash balances acquired	(43 437)
<b>Net cashflow</b>	<b>(43 437)</b>

8. **DISPOSAL OF SUBSIDIARIES**

i) *PSG Active Fund Services Limited (Guernsey)*

The Group, through its subsidiary PSG Asset Management Holdings, sold its interest in PSG Active Fund Services Limited (Guernsey) on 1 May 2011 to the minority shareholder for a consideration of R440 000.

	Group R'000
<i>Net assets of subsidiary sold:</i>	
Property, plant and equipment	13
Receivables	2 483
Cash and cash equivalents	1 393
Non-controlling interest	(1 294)
Provisions for other liabilities and charges	(704)
Trade and other payables	(591)
Net assets of subsidiary sold	1 300
Loss on sale of subsidiary	(860)
Cash proceeds on sale	440
Cash and cash equivalents of subsidiary	(1 393)
<b>Net cash flow on disposal of subsidiary</b>	<b>(953)</b>

ii) *PSG Absolute Investments*

The Group, through its subsidiary PSG Asset Management Holdings, sold its interest in PSG Absolute Investments on 1 November 2011 to the minority shareholders for a consideration of R7 358 000.

As part of the transaction, PSG Asset Management Holdings bought out the minorities of South Easter Fund Management. The Group now has a 100% interest in South Easter Fund Management.

*Net assets of subsidiary sold:*

	Group R'000
Property, plant and equipment	262
Intangible assets	1 313
Unit-linked investments	9 313
Receivables	1 963
Cash and cash equivalents	821
Non-controlling interest	(4 033)
Deferred income tax	1 666
Trade and other payables	(5 077)
Net assets of subsidiary sold	6 228
Profit on sale of subsidiary	1 130
Cash proceeds on sale	7 358
Cash and cash equivalents of subsidiary	(821)
<b>Net cash flow on disposal of subsidiary</b>	<b>6 537</b>

iii) Disposal of hedge funds and collective investment schemes

The Group deconsolidated the Alphen Equity Builder Fund and the PSG Multi-Strategy Fund during the current financial year as the percentage interest held in these funds fell below the 50% and 25% thresholds respectively.

	Group R'000
Equity securities	64 799
Unit-linked investments	10 670
Receivables	4 083
Cash and cash equivalents	127
Third-party liabilities arising on consolidation of mutual funds	(37 016)
Trade and other payables	(4 529)
Net asset value	38 134
Transfer to investments in unit linked investments	(38 134)
Total cash consideration received	-
Less cash balances sold	(127)
Net cash outflow	(127)

## 9. CHANGE IN ACCOUNTING POLICY

The IFRS on business combinations (IFRS 3) does not apply to business combinations effected between parties that are ultimately controlled by the same entity, otherwise known as common control transactions. The company has elected to apply "predecessor accounting" as determined by the principles generally accepted in the United States of America, which is consistent with the basis of reporting applied for the acquisition of Online Securities during 2006 and PSG Prime during 2010.

The Group applied the predecessor accounting policy retrospectively for the acquisition of Online Securities and PSG Prime which had the following implications

- These transactions were recorded as if it had taken place at the beginning of the earliest period presented (similar to the recognition of a merger transaction).
- The comparative information included in the PSG Konsult results have thus been restated to include these acquisitions for the full period.
- The assets and liabilities of the acquired businesses are recognised at the current book values, therefore no restatement of PSG Prime's and Online Securities' assets and liabilities to fair value was required.
- The difference between the consideration given and the share capital (including share premium) of the acquired entities was recorded as a separate reserve in the statement of changes in equity ("the common control reserve"). As a result, no goodwill was recognised on these acquisitions.

The Group changed its accounting policy for predecessor accounting on 1 March 2011 to account for common control transactions from the date of the acquisition, therefore prospectively.

In accordance with IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors) the change has been made retrospectively and the comparatives have been restated accordingly.

The tables below show the impact of the change in accounting policy:

	2011 Group	2011 Group
	Other reserves - Common control	Retained earnings
	R'000	R'000
Balance at 1 March 2010 (as previously stated)	(144 518)	250 646
Restatement - predecessor accounting *	31 187	(19 738)
Balance at 1 March 2010 (restated)	<b>(113 331)</b>	<b>230 908</b>

\* Restatement of common control reserve include the common control reserve balance of R11.5m, relating to the PSG Prime (Proprietary) Limited acquisition, which was moved from the opening balance and accounted for on 1 March 2010, the date of the acquisition.

## RECLASSIFICATION

A reclassification of a portion of the policyholder assets of PSG Asset Management Life Limited has occurred subsequent to the release of the abridged report on 12 April 2012 to ensure consistency between the classification in terms of IAS 39 and IFRS 7. The reclassification is limited to the statement of financial position as at 29 February 2012. The following line items on the face of the statement of financial position were impacted: debt securities, unit-linked investments and investment in investment contracts. The reclassification had no impact on profit and loss. The note for the change in the accounting policy for predecessor accounting was also updated to provide more clarity on the effect of the change on the common control reserve balance on 1 March 2010.

This report includes above changes and replaces the report published on the PSG Konsult website on 12 April 2012.

## 10. FINANCIAL RISK MANAGEMENT

The group's activities expose it to a variety of financial risks: market risk (including price risk, interest rate risk and foreign currency risk), credit risk and liquidity risk.

The capital risk management philosophy is to maximise the return on shareholders' capital within an appropriate risk framework.

The abridged consolidated financial statements do not include all risk management information and disclosure required in the annual financial statements and should be read in conjunction with the group's annual financial statements as at 29 February 2012.

There have been no changes in the risk management policies since the previous year-end.

## MARKET RISK (PRICE RISK, FOREIGN CURRENCY RISK AND INTEREST RATE RISKS)

Included in the equity securities of R874.9m (2011: Rnil) are quoted equity securities of R874.1m (2011: Rnil), of which R858.9m (2011: Rnil) relates to investments in linked investment contracts.

If the market prices move +/- 20% either way, the impact on after tax profits would be R 2.8m (2011: Rnil); a movement of +/- 20% in exchange rates will have an impact on after tax profits of R2,9m (2011: Rnil).

Debt securities linked to policyholder investments amounted to R1 734.7m (2011: Rnil), and do not expose the group to interest rate risk; Cash and cash equivalents linked to policy holder investments amounted to R97.2m (2011: Rnil), and do not expose the group to interest rate risk. On the remaining financial instruments, if the interest rates moved +/- 1% either way, the impact on after tax profits would be R 2.6m (2011: R1.1m).

## FAIR VALUE ESTIMATION

Financial instruments that are measured in the statement of financial position at fair value are disclosed by level of the following fair value measurement hierarchy:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, prices) or indirectly (that is, derived from prices)
- Level 3: Inputs for the asset or liability that are not based on observable data (that is, unobservable inputs)

The following financial assets are measured at fair value at 29 February - Level 3

### ASSETS:

Financial assets at fair value through profit or loss

	LEVEL 3 2012 R'000	LEVEL 3 2011 R'000
Equity securities	845	-
Unit-linked investments	1 716 766	-
Debt securities	266 333	-
Loans and advances	3 594	-
Available-for-sale		
Equity securities	-	345
	<b>1 987 538</b>	<b>345</b>

The following financial liabilities are measured at fair value at 29 February - Level 3

### LIABILITIES:

Financial liabilities at fair value through profit or loss

	LEVEL 3 2012 R'000	LEVEL 3 2011 R'000
Investment contracts	1 981 494	-
Purchase consideration payable	66 809	71 848
	<b>2 048 303</b>	<b>71 848</b>

## 11. EVENTS AFTER THE REPORTING PERIOD

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 other than as disclosed below:

The company has concluded a transaction whereby it will acquire an interest in Western Group Limited, a short-term insurance company, subject to the fulfillment of certain conditions precedent.