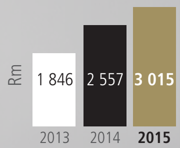
PSG Konsult

RESULTS FOR THE YEAR ENDED 28 FEBRUARY 2015

SALIENT FEATURES

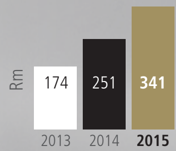
Revenue

▲ 18%



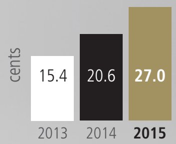
Recurring headline earnings

▲ 36%



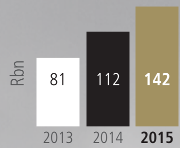
Recurring headline earnings per share

▲ 31%



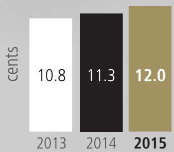
Assets under management

▲ 27%



Dividend

12.0 cents



Long-term credit rating upgrade by Global Credit Rating Company to

BBB+

with Stable outlook

CONTENTS

COMMENTARY

PSG Konsult is proud to present the first set of full-year financial results following its successful listing on the Johannesburg Stock Exchange (JSE) and the Namibian Stock Exchange (NSX) in June and July 2014, respectively. The group's positive growth momentum has continued and enabled it to once again produce commendable results. PSG Wealth and PSG Asset Management have shown particularly pleasing results with notable headline earnings growth. 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. PSG Konsult has shown a combined revenue increase of 18% compared to last year.

The board of directors is especially pleased with this set of results, taking into account the current sluggish economic growth and softer markets. The economic outlook notwithstanding, management has once again proven themselves to be capable trustees of shareholder and client finances. The focus on client service excellence through the quality of the group's advice, products and platforms is proving resilient in these trying times.

PSG Wealth continues to be a key revenue driver for the group, contributing approximately 56% towards combined revenue. It maintains an upward revenue trajectory, benefiting from both organic and selected adviser acquisition growth. The 13% increase in the FTSE/JSE All Share Index relative to this time last year, positive client inflows and favourable market conditions benefited the division. Brokerage income showed strong growth of 23% and management fees income increased by a pleasing 30% compared to the 2014 financial 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).

PSG Asset Management remains a high-growth area and a key focus for the group. Its marketing campaign is proving effective in raising awareness of the PSG Asset Management brand, leading to strong client inflows from both retail and institutional investors. PSG Asset Management attracted net inflows of R5.9 billion for the financial year, including a new R1.1 billion institutional asset management mandate. Over this period, total assets under management increased by 51% to R23.8 billion (2014: R15.8 billion) and assets under administration by 32% to R64.7 billion (2014: R49.0 billion). The focus on generating recurring earnings placed less reliance on performance fees, with these fees contributing only 7.2% of group headline earnings, compared to 10.7% last year.

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. While operating costs remained in line with expectations, the underwriting margin at Western Group Holdings Limited (Western) declined to 5.4% from 7.8% last year. This was due to increased weather-related and commercial motor claims, although no significant catastrophe or other related events occurred during the financial year. The corporate transaction concluded with Santam Limited effective 19 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. The insure advisers increased revenue of the division, which against the backdrop of a particularly difficult industry environment is an achievement that the group is especially pleased with.

PSG Konsult's key financial performance indicators for the financial year ended 28 February 2015 are shown below:

	28 Feb 15 R000	Change %	28 Feb 14 R000
Earnings attributable to ordinary shareholders	**340 401**	37	249 258
Non-headline items	**(1 140)**	(76)	(4 773)
Headline earnings	**339 261**	39	244 485
Non-recurring headline earnings	**1 914**	(71)	6 660
Recurring headline earnings	**341 175**	36	251 145
Weighted average number of shares in issue (net of treasury shares) (million)	**1 261.4**	3	1 220.5
Earnings per share (cents)			
– Recurring headline*	**27.0**	31	20.6
– Headline*	**26.9**	35	20.0
– Attributable*	**27.0**	32	20.4
Dividend per share (cents)	**12.0**	6	11.3
Assets under management (Rbn)	**141.9**	27	112.1
Assets under administration (Rbn)	**308.1**	31	234.5
Divisional headline earnings			
PSG Wealth	**227 478**	40	162 279
PSG Asset Management	**81 915**	51	54 334
PSG Insure	**29 868**	7	27 872
	339 261	39	244 485

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

Debt funding and cash flow management

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. After successfully negotiating the accelerated repayment of funding facilities, the group is pleased to announce that, with the exception of a R11.1 million finance lease, it has no third-party debt outstanding as at year-end (2014: R110.6 million).

By virtue of the range of its business operations, PSG Konsult has material regulatory capital adequacy requirements. As part of the PSG Konsult Treasury function, careful attention is paid to maintaining sufficient liquid capital in each of the regulatory licences, while ensuring that capital is utilised appropriately to maximise shareholder returns. The financial soundness of each business is closely monitored, so that the group can take advantage of opportunities when they arise.

Credit rating

PSG Konsult's strong performance over the last three years, together with its enhanced financial position, has resulted in Global Credit Rating Company (GCR) upgrading the group's long-term rating to BBB+ from BBB. It also affirmed the short-term rating of A2, with a Stable outlook. This is particularly pleasing when contrasted with the Standard & Poor's downgrade of the South African government during 2014.

PSG Konsult's successful JSE and NSX listings had a positive impact on the group's funding profile, improving access to and reducing the cost of acquiring additional capital. Combined with negligible third-party debt, this provides significant flexibility to raise additional funding should the need arise.

The group is confident of further rating upgrades as management continues to demonstrate its ability to unlock sustained long-term growth in income and operating profit, regardless of market cycles.

Achievements

The group is proud of the following notable milestones, achievements and industry awards:

- **PSG Wealth**
  - 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".
  - Consistently ranked as one of South Africa's Top 3 stockbrokers in the *Business Day Investors Monthly* "Stockbroker of the Year" award for the past four years, winning joint third place in 2014.
- **PSG Asset Management**
  - Top quartile investment returns were recorded across the entire domestic flagship range over one year, three years and five years up to 28 February 2015, in the respective Morningstar categories.
  - The December 2014 Towers Watson watchlist ranked the PSG Balanced Fund as having the lowest absolute risk.
  - Runner-up for the South African Collective Investment Schemes Management Company of the Year Award at the 2014 Raging Bull awards held in January 2015 (2013: fourth). The PSG Balanced Fund was also named the best South African Multi-Asset High Equity Fund.
- **PSG Insure**
  - Broker of the Year for Commercial Lines 2014 in Santam's National Broker Awards.

People

As at 28 February 2015, PSG Konsult had 193 offices and 1 985 employees, of which 659 were financial planners, portfolio managers, stockbrokers and asset managers. A further 404 were professional associates (accountants and attorneys). During the financial year, 34 new advisers were appointed through a combination of organic growth and selective adviser book acquisitions. In addition, a number of strategic hires were concluded, which have provided the group with a strong operational platform to take the business into the future. Key appointments include a chief technology officer, group internal auditor and chief executive officer for distribution at PSG Insure.

The effectiveness of the group's succession planning strategy was demonstrated when Wayne Waldeck retired at the end of 2014 from his position as chief executive officer of PSG Wealth. Corrie de Bruyn, who was previously chief executive officer of PSG Life and PSG Securities, was identified as the suitable replacement for this position, and worked closely with Wayne until the end of 2014. Corrie is supported by a strong and stable management team and has been a member of the PSG Konsult management committee and executive committee for a number of years. This has assisted in ensuring a smooth leadership transition. The board would like to thank Wayne for the valuable contribution he has made in helping to build PSG Konsult over the years, and wish Corrie all the best in his new role.

Transformation

PSG Konsult has undergone its first broad-based black economic empowerment (BBBEE) rating. The group has been rated as a level 8 BBBEE contributor and approved as a value-adding supplier. This initial rating is viewed by management as a benchmark and PSG Konsult is committed to improving its BBBEE score.

Having established this benchmark, the group has implemented a number of initiatives to drive its transformation strategy. While significant progress has been made regarding 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 its recently launched bursary and internship programmes.

Strategy

PSG Wealth's overall strategy remains to offer an innovative and holistic end-to-end client proposition. Despite an unpredictable economic outlook, the division will continue to invest in people and technology, believing these to be key factors with which to grow its share of the market. The strategy to further expand and equip the adviser network will continue to receive attention, relying on advisers for client feedback in the development and creation of new products and services for clients. In the new financial year, the division is aiming to improve its offshore offering and also to launch a direct marketing strategy.

PSG Asset Management's strategy consists of three parts, namely investment excellence, operational efficiency, effective sales and marketing initiatives. Generating the best long-term, risk-adjusted returns for investors is the division's primary focus. To this end, it will continue to prioritise the investment team's performance, while managing operational risks and processes. Increasing brand awareness is a key focus area for the marketing team, allowing the division to benefit from a growing investor base.

PSG Insure provide simple and cost-effective short-term insurance solutions to chosen clients, protecting them from unforeseen events. Vertical integration across underwriting, administration and adviser teams, underpins the focus to provide value-added products that both meet and exceed clients' expectations. In the coming financial year, the division will invest further in its claims and administration departments. This is to build scale and unlock operational efficiencies, while freeing up valuable time for top calibre advisers to focus on sales.

As each division grows, careful attention is paid to the group's cost structure and in particular to the cost-to-income ratio. Building a cost-efficient and scalable business is a key priority for the board. The management team is committed to continuously investigate new ways in which to manage and reduce costs.

Marketing

Marketing initiatives are critical to the group's goal of becoming a leader in the financial services industry. In the 2015 financial year, renewed focus and attention was given to build the PSG brand within the South African market. A dedicated team of specialists is in place to take the group's marketing efforts to new heights as it seeks to support the network of financial advisers and cement PSG Konsult's product offering in the minds of target clients.

Information technology (IT)

The integral role that technology plays in the daily operations of PSG Konsult cannot be understated. The scalability and efficiency of the business functions are dependent on the state of its IT systems. It is for this reason that the group continues to invest in new and innovative technologies as it seeks to incorporate further business process automation to reduce operational risk and provide real-time reporting for enhanced management decision-making. The group is confident that its IT strategy will create a solid foundation for future growth.

Risk and legal

The effective management of risks assumed by the business is what allows it to benefit from opportunities. The risk management team is moving from strength to strength as it identifies and assists in mitigating the risks the group faces relative to revenue contributions. The group's risk appetite is constantly reviewed as the level of risk that is taken on, particularly in the insurance environment, can pose a threat to its capital position. Here, the cost of reinsurance and other mechanisms are reviewed to ensure that risks remain within acceptable levels.

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

Effective engagement with regulators is a priority for PSG Konsult. The recent and forthcoming regulatory changes are expected to lead to a significant change in the way financial services companies in South Africa operate in general. The group endeavours to always be on the forefront of the implementation of these changes. It fully supports the regulators' stance on improving the transparency, cost-effectiveness and conduct of the industry.

Business combinations

As previously announced, 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 through the issue of 35 794 660 PSG Konsult shares and a R12.5 million cash payment. This contributed R10.1 million to headline earnings during the financial year.

Changes to the board of directors

The following changes were made to the board of directors during the year under review: Patrick Burton and KK Combi were appointed to the board as independent non-executive directors with effect from 2 March 2014 and 16 April 2014, respectively.

Both Patrick and KK have also been appointed to the audit and risk, remuneration and social and ethics committees. Patrick is the chairman of the social and ethics committee, which oversees employment equity and BBBEE initiatives.

Looking forward

Focusing on client service excellence through the quality of its advice, products and platforms is proving a resilient strategy for PSG Konsult.

The group is cautious about investment markets and, in particular, world bond markets. Rates across these markets – and around the world – are at historic lows, and have the potential to quickly revert to more normalised levels. Given how low rates are, the size of these moves are likely to be profound, and ultimately disruptive. It is for this reason that PSG Konsult has repaid all its debt (excluding finance leases) and invested most of its assets in short-duration assets. The group has also adopted a more conservative stance on behalf of clients.

Over the past three years, PSG Konsult has re-engineered and refocused its business. Unprofitable or non-core activities were closed, integrated or sold. At the same time, the group invested – and continues to invest – in streamlining and automating processes. This is all with the aim of creating scalable capacity throughout the business. Now that these efforts are at an advanced stage, the group feels sufficiently confident to make enhanced brand promises. To that end, it informs investors that it may spend an additional and incremental amount of up to 5% of current after tax earnings on marketing and advertising in the 2016 financial year.

Events after the reporting date

A key part of PSG Konsult's strategy is to continuously assess the operational risk versus return of each part of the business. As a result, the following businesses were disposed of:

- Nhluvuko Risk Administration: Despite the expected finalisation of the National Treasury's healthcare demarcation regulations, health insurance administration is not a core focus for the group. The business will continue operating as before with existing products, services and issued insurance cover remaining in place.
- PSG Academy: The Academy 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.

These transactions allow the group to further simplify its business structure and direct greater focus to its core operations. The group also believes that the transactions are in the best interest of all stakeholders and that neither transaction will have an impact on the clients or employees of PSG Academy or Nhluvuko Risk Administration. The sale of both businesses is effective 1 March 2015.

Dividend

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 a final gross dividend of 8.0 cents per share (2014: 7.3 cents per share) from income. 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 for the 2015 financial year to 12.0 cents per share (2014: 11.3 cents per share).

The dividend is subject to a local dividends tax rate of 15%, resulting in a net dividend of 6.8 cents per share, unless the shareholder is exempt from paying dividends tax or is entitled to a reduced rate in terms of the applicable double-tax agreement. The number of issued ordinary shares is 1 262 484 423 at the date of this declaration. PSG Konsult's income tax reference number is 9550/644/07/05.

The following are the salient dates for payment of the dividend:

Last day to trade (cum dividend)	Thursday, 30 April 2015
Trading ex dividend commences	Monday, 4 May 2015
Record date	Friday, 8 May 2015
Date of payment	Monday, 11 May 2015

Share certificates may not be dematerialised or rematerialised between Monday, 4 May 2015 and Friday, 8 May 2015, both days included.

The board would like to extend its gratitude to all our stakeholders, including clients, business partners, management and employees for their efforts and contributions during the past year.

On behalf of the board

Willem Theron
Chairman

Francois Gouws
Chief executive officer

Tyger Valley
9 April 2015

psg.co.za

Condensed consolidated statement of financial position

at 28 February 2015

	Reviewed as at 28 Feb 15 R000	Audited as at 28 Feb 14 R000
ASSETS		
Intangible assets	**859 536**	721 936
Property and equipment	**42 273**	47 590
Investment property	**2 245**	2 245
Investment in associated companies	**39 562**	39 548
Investment in joint ventures	**12 971**	12 057
Deferred income tax	**87 674**	52 101
Equity securities (note 6)	**1 025 518**	604 880
Debt securities (note 6)	**1 605 418**	2 121 432
Unit-linked investments (note 6)	**12 345 648**	10 218 629
Investment in investment contracts (note 6)	**338 208**	505 444
Loans and advances	**116 393**	109 995
Derivative financial instruments	**23 324**	21 190
Reinsurance assets	**77 413**	66 248
Deferred acquisition costs	**1 714**	1 025
Receivables including insurance receivables	**2 133 136**	2 129 358
Current income tax assets	**18 954**	12 878
Cash and cash equivalents (including money market investments) (note 6)	**972 243**	709 184
Assets held for sale	**17 751**	–
Total assets	**19 719 981**	17 375 740
EQUITY		
Equity attributable to owners of the parent		
Stated capital	**1 325 111**	1 134 746
Treasury shares	**(546)**	(546)
Other reserves	**(404 471)**	(445 146)
Retained earnings	**573 065**	399 487
	1 493 159	1 088 541
Non-controlling interest	**132 491**	86 222
Total equity	**1 625 650**	1 174 763
LIABILITIES		
Insurance contracts	**574 331**	493 163
Deferred income tax	**53 610**	53 423
Borrowings	**427 843**	412 188
Derivative financial instruments	**30 749**	28 406
Investment contracts (note 6)	**14 222 603**	12 692 768
Third-party liabilities arising on consolidation of mutual funds	**699 202**	372 169
Deferred reinsurance acquisition revenue	**3 563**	2 842
Trade and other payables	**2 068 400**	2 129 914
Current income tax liabilities	**10 618**	16 104
Liabilities held for sale	**3 412**	–
Total liabilities	**18 094 331**	16 200 977
Total equity and liabilities	**19 719 981**	17 375 740
Net asset value per share (cents)	**118.3**	89.1

Condensed consolidated income statement

for the year ended 28 February 2015

	Reviewed Year ended 28 Feb 15 R000	Audited Year ended 28 Feb 14 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	**2 138 855**	1 805 142
Investment income	**499 554**	380 034
Net fair value gains and losses on financial instruments	**1 209 661**	1 171 564
Fair value adjustment to investment contract liabilities	**(1 406 791)**	(1 239 669)
Other operating income	**35 163**	42 117
Total income	**3 014 600**	2 557 436
Insurance claims and loss adjustment expenses	**(561 548)**	(440 401)
Insurance claims and loss adjustment expenses recovered from reinsurers	**137 173**	121 404
Net insurance benefits and claims	**(424 375)**	(318 997)
Commission paid	**(910 226)**	(824 757)
Depreciation and amortisation*	**(55 422)**	(40 596)
Employee benefit expenses	**(511 612)**	(451 887)
Fair value adjustment to third-party liabilities	**(41 525)**	(79 387)
Marketing, administration and other expenses	**(427 457)**	(325 555)
Total expenses	**(2 370 617)**	(2 041 179)
Share of profits of associated companies	**40**	3 118
Loss on impairment of associated companies	**–**	(342)
Share of profits of joint ventures	**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	**(119 905)**	(138 771)
Profit before taxation	**525 032**	383 637
Taxation	**(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)		
Attributable (basic)	**27.0**	20.4
Attributable (diluted)	**26.1**	20.0
Headline (basic)	**26.9**	20.0
Headline (diluted)	**26.0**	19.6
Recurring headline (basic)	**27.0**	20.6
Recurring headline (diluted)	**26.1**	20.2

* *Includes amortisation cost of R37.5 million (2014: R27.1 million).*

Condensed consolidated statement of comprehensive income

for the year ended 28 February 2015

	Reviewed Year ended 28 Feb 15 R000	Audited Year ended 28 Feb 14 R000
Profit for the year	**361 798**	265 960
Other comprehensive income for the year, net of taxation	**224**	985
To be reclassified to profit and loss:		
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

Earnings and headline earnings per share

	Reviewed Year ended 28 Feb 15 R000	Audited Year ended 28 Feb 14 R000
Profit attributable to ordinary shareholders	**340 401**	249 258
Non-headline items (net of tax and non-controlling interest)		
– Profit on disposal of associated companies	**–**	(3 499)
– Loss on remeasurement of previous equity interest	**–**	128
– (Profit)/loss on disposal of intangible assets (including goodwill)	**(757)**	1 622
– Profit on disposal of books of business	**–**	(382)
– Profit on disposal of investment in subsidiaries	**–**	(643)
– Non-headline items of associated companies	**(251)**	(2 457)
– Other	**(132)**	458
Headline earnings	**339 261**	244 485
– Recurring	**341 175**	251 145
– Non-recurring	**(1 914)**	(6 660)
Earnings per share (cents)		
– Attributable (basic)	**27.0**	20.4
– Attributable (diluted)	**26.1**	20.0
– Headline (basic)	**26.9**	20.0
– Headline (diluted)	**26.0**	19.6
– Recurring headline (basic)	**27.0**	20.6
– Recurring headline (diluted)	**26.1**	20.2
Number of shares (million)		
– in issue (net of treasury shares)	**1 262.1**	1 221.6
– weighted average	**1 261.4**	1 220.5

Condensed consolidated statement of changes in equity

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 1 March 2013 – Audited	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
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 combination	–	–	–	–	(42)	(42)
Capital contribution by non-controlling interest	–	–	–	–	16 735	16 735
Transactions with non-controlling interest	–	–	–	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 – Audited	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**
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 payment costs – employees	**–**	**–**	**11 562**	**–**	**–**	**11 562**
Transactions with non-controlling interest	**–**	**–**	**–**	**(1 320)**	**(206)**	**(1 526)**
Capital contribution by non-controlling interest	**–**	**–**	**–**	**–**	**28 000**	**28 000**
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 on vested share options	**–**	**–**	**22 925**	**(22 925)**	**–**	**–**
Dividend paid	**–**	**–**	**–**	**(142 578)**	**(2 922)**	**(145 500)**
Balance at 28 February 2015 – Reviewed	**1 325 111**	**(546)**	**(404 471)**	**573 065**	**132 491**	**1 625 650**

Condensed consolidated statement of cash flows

for the year ended 28 February 2015

	Reviewed Year ended 28 Feb 15 R000	Audited Year ended 28 Feb 14 R000
Cash flows from operating activities		
Cash generated by operating activities	**232 202**	153 725
Interest income	**372 278**	299 998
Dividend income	**126 900**	79 651
Finance costs	**(44 118)**	(35 728)
Taxation paid	**(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 intangible assets	**(30 473)**	(24 756)
Purchases of property and equipment	**(13 241)**	(20 144)
Other	**4 120**	22 753
Net cash flow from investing activities	**(39 594)**	(22 147)
Cash flows from financing activities		
Dividends paid	**(145 500)**	(138 974)
Capital contributions by non-controlling interest (ordinary shares)	**28 000**	16 735
Transactions with non-controlling interest	**(1 526)**	31 295
Repayment of borrowings	**(73 344)**	(35 297)
Shares issued	**7 476**	28 819
Other	**209**	(1 452)
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*	**975 018**	709 173
Current, cheque and money market investments accounts	**972 243**	709 184
Cash and cash equivalents classified as assets held for sale	**2 775**	–
Bank overdrafts	**–**	(11)
* *Includes the following:* *Clients' cash linked to investment contracts*	**26 954**	51 337

Notes to the statement of cash flow:

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 in terms of client settlements.

Notes to the condensed consolidated financial statements

for the year ended 28 February 2015

1. Reporting entity

PSG Konsult is a company domiciled in the Republic of South Africa. The condensed consolidated financial statements of the company as at and for the year ended 28 February 2015 comprise the company and its subsidiaries (together referred to as the "group") and the group's interests in associated companies and joint ventures.

2. Basis of presentation

The condensed consolidated financial statements are prepared in accordance with the requirements of the JSE Limited (JSE) and the requirements of the Companies Act, as amended applicable to condensed financial statements. The JSE requires condensed financial statements to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 – Interim Financial Reporting. The accounting policies applied in the preparation of the consolidated financial statements, from which the condensed consolidated financial statements were derived, are in terms of IFRS and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements.

3. Preparation

These condensed preliminary consolidated financial statements were prepared by JSE van der Merwe, CA(SA), under the supervision of the chief financial officer, MIF Smith, CA(SA), and were reviewed by PSG Konsult's external auditor, PricewaterhouseCoopers Inc. A copy of their unmodified review opinion is available from PSG Konsult's registered office. Any reference to future financial performance included in this announcement, has not been reviewed or reported on by the company's auditor.

4. Accounting policies

The accounting policies applied in the preparation of these condensed consolidated financial statements conform to IFRS and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements.

The following new accounting standards and amendments to IFRSs, which were relevant to the group's operations, were effective for the first time from 1 March 2014:

- Amendments to IFRS 10, IFRS 12 and IAS 27 – Investment entities
- Amendment to IAS 32 – Offsetting Financial Assets and Financial Liabilities
- Amendment to IAS 36 – Recoverable amount disclosures for non-financial assets
- Amendment to IAS 39 – Novation of derivatives and continuation of hedge accounting
- IFRIC 21 Levies
- Annual Improvements 2010-12 cycle

These revisions have not resulted in material changes to the group's reported results and disclosures in these condensed consolidated financial statements.

5. Use of estimates and judgements

In preparing these condensed consolidated financial statements, the significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated annual financial statements for the year ended 28 February 2014.

6. Segment information

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 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.

6.1. 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.

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 2015 is set out in notes 6.2 and 6.3.

6.2 Headline earnings per reportable segments

Headline earnings	**Wealth R000**	**Asset Management R000**	**Insure R000**	**Total R000**
For the year ended 28 February 2015 – Reviewed				
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)

6.3 Income per reportable segment

Total income	**Wealth R000**	**Asset Management R000**	**Insure R000**	**Total R000**
For the year ended 28 February 2015 – Reviewed				
Total segment income	**2 146 463**	**587 111**	**979 622**	**3 713 196**
Intersegment 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 – Audited				
Total segment income	1 793 011	475 099	789 891	3 058 001
Intersegment income	(316 846)	(181 300)	(2 419)	(500 565)
Income from external customers	1 476 165	293 799	787 472	2 557 436

Other information provided to the Manco is measured in a manner consistent with that of the financial statements.

6.4 Statement of financial position (client vs own)

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 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.

	Reviewed – 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

	Audited – 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 assets held for sale.*

** *Other liabilities consist of deferred reinsurance acquisition revenue, current and deferred income tax liabilities, insurance contracts and liabilities held for sale.*

6.5 Income statement (client vs own)

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 consolidate 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.

	Reviewed – Year ended 28 February 2015		
	Total R000	Core business R000	Linked investment business and other R000
Commission and other fee income	2 138 855	2 114 106	24 749
Investment income	499 554	158 201	341 353
Net fair value gains and losses on financial instruments	1 209 661	12 817	1 196 844
Fair value adjustment to investment contract liabilities	(1 406 791)	–	(1 406 791)
Other*	573 321	572 946	375
Total income	3 014 600	2 858 070	156 530
Insurance claims and loss adjustment expenses	(561 548)	(561 293)	(255)
Fair value adjustment to third-party liabilities	(41 525)	–	(41 525)
Other**	(1 767 544)	(1 755 855)	(11 689)
Total expenses	(2 370 617)	(2 317 148)	(53 469)
Total profit from associated companies and joint ventures	954	954	–
Profit before finance costs and taxation	644 937	541 876	103 061
Finance costs***	(119 905)	(44 118)	(75 787)
Profit before taxation	525 032	497 758	27 274
Taxation	(163 234)	(135 960)	(27 274)
Profit for the year	361 798	361 798	–
Attributable to:			
Owners of the parent	340 401	340 401	–
Non-controlling interest	21 397	21 397	–
	361 798	361 798	–

	Audited – Year ended 28 February 2014		
	Total R000	Core business R000	Linked investment business and other R000
Commission and other fee income	1 805 142	1 787 617	17 525
Investment income	380 034	116 484	263 550
Net fair value gains and losses on financial instruments	1 171 564	4 498	1 167 066
Fair value adjustment to investment contract liabilities	(1 239 669)	–	(1 239 669)
Other*	440 365	440 365	–
Total income	2 557 436	2 348 964	208 472
Insurance claims and loss adjustment expenses	(440 401)	(437 053)	(3 348)
Fair value adjustment to third-party liabilities	(79 387)	–	(79 387)
Other**	(1 521 391)	(1 521 391)	–
Total expenses	(2 041 179)	(1 958 444)	(82 735)
Total profit from associated companies and joint ventures	6 151	6 151	–
Profit before finance costs and taxation	522 408	396 671	125 737
Finance costs***	(138 771)	(35 728)	(103 043)
Profit before taxation	383 637	360 943	22 694
Taxation	(117 677)	(94 983)	(22 694)
Profit for the year	265 960	265 960	–
Attributable to:			
Owners of the parent	249 258	249 258	–
Non-controlling interest	16 702	16 702	–
	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.*

Investment contracts are represented by the following financial assets:

	Reviewed 28 Feb 15 R000	Audited 28 Feb 14 R000
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

7. Receivables including insurance receivables and trade and other payables

Included under receivables are broker and clearing accounts of our stockbroking business of which R1 871.9 million (2014: R1 925.9 million) represents 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.

The control account for the settlement of these transactions is included under trade and other payables, with the settlement to the clients taking place within three days after the transaction date.

8. Transactions with non-controlling interest

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 (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.

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 acquired an additional 15% interest in Western Group Holdings Limited for a consideration of R33.0 million. This Namibia-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 in May 2013. The group now held 90% of the issued share capital of Western Group Holdings Limited.

	Group R000
Carrying amount of non-controlling interest acquired	14 428
Consideration paid to non-controlling interest	(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 (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.

iii) *Acquisition of a further interest in Western Group Holdings Limited*
Effective 1 September 2013, PSG Konsult 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 FSB and Namfisa of the 15% interest acquired at the end of May 2013) in which it was agreed that PSG Konsult would like to increase its stake in Western Group Holdings Limited from 90% to 100%, subject to approval by the FSB in South Africa and Namfisa in Namibia. The transaction was approved by the regulatory authorities in the beginning of September 2013, resulting in Western Group Holdings Limited being a wholly-owned subsidiary of PSG Konsult.

	Group R000
Carrying amount of non-controlling interest acquired	11 292
Consideration paid to non-controlling interest	(22 000)
Excess of consideration paid recognised in equity	(10 708)

iv) *Disposal of interest held in Western Group Holding Limited*
PSG Konsult entered into an agreement on 2 July 2013 to dispose of 40% held by it in Western Group Holdings Limited (following the approval by the regulatory authorities of PSG Konsult's acquisition of management's remaining 10% interest) to Swanvest 120 Proprietary Limited (Swanvest), a wholly-owned subsidiary of Santam Limited, for R88.0 million. The transaction was approved by the regulatory authorities on 16 September 2013. Following the implementation of this transaction, PSG Konsult holds 60% of the issued share capital of Western Group Holdings Limited, with the remaining 40% being held by Swanvest.

	Group R000
Cash consideration received	88 000
Carrying amount of non-controlling interest disposed of	(45 855)
Excess of consideration received recognised in equity	42 145

9. Acquisition of subsidiaries

For the year ended 28 February 2014

i) *Acquisition of collective investment scheme*
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% in this fund and the fund was consolidated in accordance with IFRS 10 Consolidated Financial Statements. The PSG Diversified Income Fund is a collective investment scheme managed by PSG Asset Management.

Details of the net assets acquired are as follows:	Group 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)
Total consideration paid	–

10. Disposal of subsidiaries

For the year ended 28 February 2014

i) *Disposal of collective investment scheme*
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 the fund.

Net assets of subsidiary sold:	Group R000
Equity securities	16 876
Debt securities	23 422
Unit-linked investments	5 439
Receivables including insurance receivables	558
Cash and cash equivalents	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 given up	(2 401)
Net cash flow on disposal of subsidiary	(2 401)

11. 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 our 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 our headline earnings during the year under review.

For the year ended 28 February 2014

i) *Disposal of associated companies*
The group disposed of various non-core investments in associated companies during the 2014 financial year. The group disposed of its interest in Axon Xchange Proprietary Limited, Purple Line Plastics Proprietary Limited, JWR Holdings Proprietary Limited and Excluwin Traders Proprietary Limited for a total consideration of R11.1 million, resulting in total non-headline profits (net of tax and non-controlling interest) of R3.9 million.

12. Financial risk management

The group's activities expose it to a variety of financial risks: market risk (including price risk, foreign currency risk, cash flow risk and fair value interest rate risks), 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 risk and legal risk.

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

The condensed 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 28 February 2015.

There have been no changes in the group's financial risk management objectives and policies since the previous financial year.

Market risk (price risk, foreign currency risk and interest rate risks)
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.

A portion of the policyholders' and shareholders' investments is 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 asset 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.

Included in the equity securities of R1 025.5 million (2014: R604.9 million) are quoted equity securities of R1 024.7 million (2014: R604.0 million), of which R955.1 million (2014: R600.3 million) relates to investments in linked investment contracts. The price risk of these instruments is carried by the policyholders of the linked investment contracts.

Debt securities linked to policyholder investments amounted to R800.2 million (2014: R1 676.7 million) and do not expose the group to interest rate risk; cash and cash equivalents linked to policyholder investments amounted to R27.0 million (2014: R51.3 million) and do not expose the group to interest rate risk.

Fair value estimation
The information below analyses financial instruments, carried at fair value, by level of hierarchy as required by IFRS 13. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Input other than quoted prices included within level 1 that is observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Input for the asset or liability that is not based on observable market data (that is, unobservable input) (level 3).

There have been no significant transfers between levels 1, 2 or 3 during the financial year under review.

The table below analyses financial assets and liabilities, which are carried at fair value, by valuation method. There were no significant changes in the valuation techniques and assumptions applied since 28 February 2014.

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 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 input (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 contract 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

The fair value of financial assets and liabilities measured at fair value in the statement of financial position can be summarised as follows:

Reviewed **Financial assets**	**Level 1** **R000**	**Level 2** **R000**	**Level 3** **R000**	**Total** **R000**
At 28 February 2015				
Financial assets at fair value through profit or loss				
Derivative financial assets	–	23 324	–	23 324
Equity securities	1 024 673	–	–	1 024 673
Debt securities	476 539	373 071	–	849 610
Unit-linked investments	–	11 228 992	1 116 656	12 345 648
Investment in investment contracts	–	226 305	–	226 305
Available-for-sale				
Equity securities	–	–	845	845
	1 501 212	11 851 692	1 117 501	14 470 405
Financial liabilities				
At 28 February 2015				
Financial liabilities at fair value through profit or loss				
Derivative financial liabilities	–	30 749	–	30 749
Investment contracts	–	12 282 705	1 106 656	13 389 361
Trade and other payables	–	–	13 453	13 453
Third-party liabilities arising on consolidation of mutual funds	–	699 202	–	699 202
	–	13 012 656	1 120 109	14 132 765

Audited **Financial assets**	Level 1 R000	Level 2 R000	Level 3 R000	Total R000
At 28 February 2014				
Financial assets at fair value through profit or loss				
Derivative financial assets	–	21 190	–	21 190
Equity securities	604 035	–	–	604 035
Debt securities	35 897	960 015	237 347	1 233 259
Unit-linked investments	–	7 968 164	2 250 465	10 218 629
Investment in investment contracts	–	260 397	–	260 397
Available-for-sale				
Equity securities	–	–	845	845
	639 932	9 209 766	2 488 657	12 338 355

Financial liabilities				
At 28 February 2014				
Financial liabilities at fair value through profit or loss				
Derivative financial liabilities	–	28 406	–	28 406
Investment contracts	–	9 056 872	2 487 811	11 544 683
Trade and other payables	–	–	10 640	10 640
Third-party liabilities arising on consolidation of mutual funds	–	372 169	–	372 169
	–	9 457 447	2 498 451	11 955 898

The following table presents the changes in level 3 financial instruments during the reporting periods under review:

	Reviewed **28 Feb 15** **R000**	Audited 28 Feb 14 R000
Assets		
Opening carrying value	**2 488 657**	2 270 795
Additions	**3 294 440**	1 556 279
Disposals	**(4 762 552)**	(1 503 664)
Gains recognised in profit and loss	**96 956**	165 258
Other movements not through profit and loss	**–**	(11)
	1 117 501	2 488 657
Liabilities		
Opening carrying value	**2 498 451**	2 272 810
Additions	**3 293 979**	1 562 938
Disposals	**(4 769 442)**	(1 504 071)
Losses recognised in profit and loss	**97 121**	166 774
	1 120 109	2 498 451

Level 3 – significant fair value model assumptions and sensitivities

Financial assets and liabilities

Unit-linked investments and debt securities represent the largest portion of the level 3 financial assets and relate to units and debentures held in hedge funds and are priced monthly. 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 classified within level 3 have significant unobservable input, as the valuation technique used to determine the fair values takes into account the probability (at each reporting period) that the contracted party will achieve the profit guarantee as stipulated in the business agreement.

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 values do not approximate their fair values:

	Reviewed 28 Feb 15 R000	Audited 28 Feb 14 R000
Debt securities – held-to-maturity		
– Carrying value	**721 341**	888 173
– Fair value	**736 883**	889 020
Investment in investment contracts		
– Carrying value	**111 904**	245 047
– Fair value	**112 736**	255 382
Total		
– Carrying value	**833 245**	1 133 220
– Fair value	**849 619**	1 144 402

The fair value of the financial assets in the table above is categorised in terms of level 2.

13. Related-party transactions

Related-party transactions similar to those disclosed in the group's annual financial statements for the year ended 28 February 2014 took place during the financial year.

14. Capital commitments and contingencies

	Reviewed 28 Feb 15 R000	Audited 28 Feb 14 R000
Operating lease commitments	**82 843**	77 926
Capital commitments	**16 971**	950

15. 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 condensed consolidated financial statements, other than the disposal of two of its non-core businesses, PSG Academy and Nhluvuko Risk Administration, effective 1 March 2015. Refer to the commentary for more detail on these transactions.

DIRECTORATE

Non-executive directors

W Theron (Chairman), JF Mouton, PJ Mouton, J de V du Toit^, PE Burton*, ZL Combi*

*(^ Lead independent; * Independent)*

Executive directors

FJ Gouws (Chief executive officer), MIF Smith (Chief financial officer)

COMPANY INFORMATION

Company secretary

PSG Management Services Proprietary Limited

PSG Konsult head office and registered office

Building A, Pro Sano Park South Gate, Carl Cronje Drive, Tyger Waterfront, Tyger Valley, Bellville, 7530

PO Box 3335, Tyger Valley, Bellville, 7536

Listing

Johannesburg Stock Exchange (JSE)

Namibian Stock Exchange (NSX)

Transfer secretary

Computershare Investor Services Proprietary Limited, 70 Marshall Street, Johannesburg, 2001

PO Box 61051, Marshalltown, 2107

Sponsors

JSE sponsor: PSG Capital Proprietary Limited

NSX sponsor: PSG Wealth Management (Namibia) Proprietary Limited

Auditor

PricewaterhouseCoopers Inc.

Cape Town

ADMINISTRATIVE INFORMATION

PSG Konsult Limited (Incorporated in the Republic of South Africa)

('PSG Konsult' or 'the company' or 'the group')

Registration number: 1993/003941/06

JSE share code: KST

NSX share code: KFS

ISIN code: ZAE000191417

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