



## Interim report

Unaudited results for the six months ended 31 August 2011

### Financial highlights

**Salient features:**

- Revenue increases 16.5%
- Headline earnings per share up 14.1%
- Dividend per share of 3.0 cents

**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.

**CONDENSED GROUP INCOME STATEMENT**  
for the six months ended 31 August 2011

	Unaudited		Audited
	31 Aug '11 R'000	31 Aug '10 R'000	28 Feb '11* R'000
<b>INCOME</b>			
Commission and other fee income	657 849	561 362	1 194 913
Net fair value gains and losses on financial instruments	161 159	306 928	313 945
Fair value adjustment to investment contract liabilities	(265 022)	(384 556)	(650 158)
Investment income	129 913	136 223	417 623
Other operating income	17 475	18 535	24 805
<b>Total income</b>	<b>701 374</b>	<b>638 492</b>	<b>1 301 128</b>
<b>EXPENSES</b>			
Insurance claims and loss adjustments	(535)	(2 420)	(218)
Marketing, administration and other operating expenses	(586 846)	(502 626)	(1 060 134)
<b>Total expenses</b>	<b>(587 381)</b>	<b>(505 046)</b>	<b>(1 060 352)</b>
Share of profits of associated companies	155	1 068	2 013
<b>RESULTS OF OPERATING ACTIVITIES</b>	<b>114 148</b>	<b>134 514</b>	<b>242 789</b>
Finance costs	(16 666)	(16 107)	(29 212)
<b>Profit before taxation</b>	<b>97 482</b>	<b>118 407</b>	<b>213 577</b>
Taxation	(31 932)	(50 815)	(55 793)
<b>NET PROFIT FOR THE PERIOD</b>	<b>65 550</b>	<b>67 592</b>	<b>157 784</b>
Attributable to non-controlling interest	3 207	6 840	15 446
Attributable to owners of the parent	62 343	60 752	142 338
	<b>65 550</b>	<b>67 592</b>	<b>157 784</b>

**CONDENSED GROUP STATEMENT OF COMPREHENSIVE INCOME**  
for the six months ended 31 August 2011

	Unaudited		Audited
	31 Aug '11 R'000	31 Aug '10 R'000	28 Feb '11* R'000
<b>NET PROFIT FOR THE PERIOD</b>	<b>65 550</b>	<b>67 592</b>	<b>157 784</b>
Other comprehensive income for the period, net of taxation	(901)	(1 455)	(2 439)
Currency translation adjustments	132	(230)	(1 166)
Fair value losses on available-for-sale investments	(1 033)	-	(48)
Recycling adjustment on available-for-sale investments	-	(1 225)	(1 225)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, net of taxation</b>	<b>64 649</b>	<b>66 137</b>	<b>155 345</b>
Attributable to non-controlling interest	3 207	6 840	15 379
Attributable to owners of the parent	61 442	59 297	139 966
	<b>64 649</b>	<b>66 137</b>	<b>155 345</b>

**CONDENSED GROUP STATEMENT OF FINANCIAL POSITION**  
at 31 August 2011

	Unaudited		Audited
	31 Aug '11 R'000	31 Aug '10 R'000	28 Feb '11* R'000
<b>ASSETS</b>			
Property and equipment	28 582	31 647	27 994
Intangible assets	820 744	651 138	754 166
Investments in associated companies	12 028	14 312	13 992
Deferred income taxation	42 686	5 586	34 766
Financial assets - linked to investment contracts	8 928 568	8 536 695	1 108 686
Financial assets - other			
Equity securities	345	240	921 665
Debt securities	47 402	75 400	2 213 913
Unit-linked investments	62 092	113 954	4 858 661
Derivative financial instruments	12 997	136 737	6 023
Loans and advances	50 888	52 512	48 285
Receivables	171 063	199 620	182 453
Cash and cash equivalents	180 834	207 807	535 958
Current income tax assets	3 679	-	2 655
<b>Total assets</b>	<b>10 361 908</b>	<b>10 025 648</b>	<b>10 709 217</b>
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital	10 723	10 723	10 723
Share premium	849 507	849 507	849 507
Treasury shares	(96)	-	-
Other reserves	(497 270)	(485 330)	(486 247)
Retained earnings	300 151	258 513	282 443
	663 015	633 413	656 426
Non-controlling interests	22 242	11 670	24 287
<b>Total equity</b>	<b>685 257</b>	<b>645 083</b>	<b>680 713</b>
<b>LIABILITIES</b>			
Insurance contracts	30 342	30 953	29 896
Deferred income taxation	77 486	81 556	67 572
Financial liabilities			
Borrowings	188 149	198 246	204 349
Derivative financial instruments	11 372	134 820	5 988
Investment contracts	8 915 864	8 537 013	9 149 411
Trade and other payables	436 050	382 803	555 310
Accruals for other liabilities and charges	2 124	5 907	5 945
Current income tax liabilities	15 264	9 267	10 033
<b>Total liabilities</b>	<b>9 676 651</b>	<b>9 380 565</b>	<b>10 028 504</b>
<b>Total equity and liabilities</b>	<b>10 361 908</b>	<b>10 025 648</b>	<b>10 709 217</b>
Net asset value per share (cents)	61.8	59.1	61.2

\* Adjusted for predecessor accounting

**CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY**  
for the six months ended 31 August 2011

	Unaudited		Audited
	31 Aug '11 R'000	31 Aug '10 R'000	28 Feb '11* R'000
<b>Ordinary shareholders' equity at beginning of period</b>	<b>656 426</b>	<b>599 664</b>	<b>599 664</b>
Total comprehensive income for the period	61 442	59 297	139 966
Net shares issued	-	3 803	3 803
Treasury shares acquired	(96)	-	-
Dividend paid	(43 985)	(40 320)	(60 846)
Other movements	(10 772)	10 969	(26 161)
<b>Ordinary shareholders' equity at end of period</b>	<b>663 015</b>	<b>633 413</b>	<b>656 426</b>
<b>Non-controlling interests</b>	<b>22 242</b>	<b>11 670</b>	<b>24 287</b>
Beginning of period	24 287	10 027	10 027
Total comprehensive income for the period	3 207	6 840	15 379
Dividend paid	(399)	(1 214)	(3 740)
Dividend paid to previous owners	(272)	(3 035)	(7 595)
Interest acquired from non-controlling shareholders	2 928	6 512	6 512
Transactions with non-controlling interest	(7 509)	(7 460)	3 704
<b>Total equity at end of period</b>	<b>685 257</b>	<b>645 083</b>	<b>680 713</b>

**CONDENSED GROUP STATEMENT OF CASH FLOWS**  
for the six months ended 31 August 2011

	Unaudited		Audited
	31 Aug '11 R'000	31 Aug '10 R'000	28 Feb '11* R'000
Cash flow from operating activities	(191 540)	(78 481)	279 490
- Profit before taxation	97 482	118 407	213 577
- Adjustment for non-cash items	144 754	77 499	400 920
- Change in working capital	(386 770)	(231 144)	(239 267)
- Interest paid	(16 666)	(16 107)	(29 212)
- Income tax paid	(30 340)	(27 136)	(66 528)
Cash flow from investment activities	(103 544)	(128 356)	(126 430)
Cash flow from financing activities	(59 891)	4 498	(27 343)
<b>Net (decrease)/ increase in cash and cash equivalents</b>	<b>(354 975)</b>	<b>(202 339)</b>	<b>125 717</b>
Cash and cash equivalents at beginning of period	535 809	410 092	410 092
<b>Cash and cash equivalents at end of period</b>	<b>180 834</b>	<b>207 753</b>	<b>535 809</b>
Cash and cash equivalents consist of:			
Current and cheque accounts	180 834	207 807	535 958
Bank overdrafts	-	(54)	(149)
	<b>180 834</b>	<b>207 753</b>	<b>535 809</b>

## NOTES TO THE INTERIM RESULTS

### 1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

The interim financial statements 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 accounting policies applied in the preparation of these interim financial statements are consistent with those used in the previous financial year. 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 interim financial statements.

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, which is consistent with the basis of reporting applied with the acquisition of PSG Online during 2006 and PSG Prime during 2010.

### 2. SEGMENT INFORMATION

	Unaudited		Audited
	31 Aug '11 R'000	31 Aug '10 R'000	28 Feb '11* R'000
<b>Turnover</b>			
Stockbroking and portfolio management	150 938	133 298	288 350
- Total segment income	226 091	199 298	428 687
- Internal	(75 153)	(66 000)	(140 337)
Financial planning and investments	157 989	127 257	268 733
- Total segment income	201 318	157 765	337 862
- Internal	(43 329)	(30 508)	(69 129)
Short-term insurance and administration	183 096	156 584	332 210
- Total segment income	185 932	168 043	347 961
- Internal	(2 836)	(11 459)	(15 751)
Asset Management	175 076	148 147	322 630
- Total segment income	175 406	148 518	323 331
- Internal	(330)	(371)	(701)
Total income for reportable segments	667 099	565 286	1 211 923
Net fair value gains and losses on financial instruments	161 159	306 928	313 945
Fair value adjustment to investment contract liabilities	(265 022)	(384 556)	(650 158)
Unallocated segments	8 225	14 611	7 795
Investment income	129 913	136 223	417 623
<b>Total income</b>	<b>701 374</b>	<b>638 492</b>	<b>1 301 128</b>
<i>Headline earnings</i>			
Stockbroking and portfolio management	22 649	19 386	47 609
Financial planning and investments	28 836	22 113	53 527
Short-term insurance and administration	20 084	18 364	29 723
Asset Management	13 574	11 378	45 152
Unallocated segments	(21 994)	(15 917)	(44 033)
	<b>63 149</b>	<b>55 324</b>	<b>131 978</b>

\* Adjusted for predecessor accounting

### 3. EARNINGS PER SHARE

	Unaudited		Audited
	31 Aug '11 R'000	31 Aug '10 R'000	28 Feb '11* R'000
<b>Total earnings attributable to ordinary shareholders</b>	<b>62 343</b>	<b>60 752</b>	<b>142 338</b>
<b>Non-headline items (net of tax and non-controlling interests)</b>			
- Profit on disposal of intangible assets	(2 135)	(560)	(948)
- Loss/(Profit) on sale/dilution of associated companies	895	(2 942)	(7 318)
- Profit on sale of fixed assets	(187)	(156)	(153)
- Loss/(Profit) on sale of subsidiary	860	(65)	-
- Non-headline items of associated companies	68	-	(30)
- Loss/(Profit) on sale of available-for-sale investment	1 305	(1 217)	(4 775)
- Impairment of intangible assets (including goodwill)	-	-	2 864
- Other investment activities	-	(488)	-
<b>Headline earnings</b>	<b>63 149</b>	<b>55 324</b>	<b>131 978</b>
<b>Earnings per share (cents)</b>			
- Attributable (basic and diluted)	5.8	5.7	13.3
- Headline (basis and diluted)	5.9	5.2	12.2
<b>Number of shares (million)</b>			
- in issue (net of treasury shares)	1 072.3	1 072.3	1 072.3
- weighted average	1 072.3	1 072.3	1 072.3

\* Adjusted for predecessor accounting

### 4. CAPITAL COMMITMENTS AND CONTINGENCIES

	Unaudited		Audited
	31 Aug '11 R'000	31 Aug '10 R'000	28 Feb '11* R'000
Operating lease commitments	76 502	72 909	57 276

### 5. LINKED INVESTMENT CONTRACT

The Group is not exposed to market movements in PSG Asset Management Administration Services' clients' assets held under investment contracts, as any movement in the market price of the investment is linked to a corresponding adjustment to the liability.

### 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 period.

### 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 was 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 skill 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".

	Group R'000
<i>Details of the net assets acquired are as follows:</i>	
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	(168 639)
Increase in common control reserve on 1 March 2010	345 403

The difference between the consideration given and the predecessor values are 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	26 281
Investments in associated companies	500
Financial assets - linked to investment contracts	8 914 021
Debt securities	17 481
Unit-linked investments	170 343
Receivables	44 540
Cash and cash equivalents	219 370
Deferred income taxation	29 697
Insurance contracts	(29 898)
Investment contracts	(9 112 355)
Trade and other payables	(108 471)
Current income tax liabilities	(5 668)
Accumulated loss on 1 March 2010	728
	168 639

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 R31 000 000. 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	15 500
Cash due	15 500
Total purchase consideration	31 000
Less: Fair value of net assets acquired	(10 036)
Goodwill recognised on acquisition	20 964

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

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

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

The Group (through its subsidiary PSG Asset Management Administration Services) acquired the business in this financial services group for a consideration of R23 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	21 195
Cash due	2 724
Total purchase consideration	23 919
Less: Fair value of net assets acquired	(14 120)
Goodwill recognised on acquisition	9 799

	Fair value	Acquiree's carry amount
	R'000	R'000
The assets and liabilities arising from the acquisition are as follows:		
Property, plant and equipment	350	350
Intangible assets	4 319	-
Unit-linked investments	1 674	1 674
Receivables	714	714
Cash and cash equivalents	3 757	3 757
Deferred income tax	4 611	4 611
Current tax payable	(301)	(301)
Provisions for other liabilities and charges	(1 004)	(1 004)
	14 120	9 801

## 8. EVENTS AFTER THE REPORTING PERIOD

No event material to the understanding of these interim results has occurred between the end of the reporting period and the date of approval of the results.

## COMMENTARY

### REVIEW OF RESULTS AND OPERATIONS

The market conditions under which financial services companies and its clients operated during the first half of the 2012 financial year were characterised by a moderate improvement in economic growth, stable interest rates and general uncertainty and risk aversion mainly due to deteriorating European sovereign debt. PSG Konsult has returned growth in headline earnings of 14.1% for the 6 month period ended 31 August 2011 (applying predecessor accounting as per the Group's accounting policy).

The Group's financial indicators listed below, clearly proves the value of the Group's diversified income streams and its focus on creating sustainable annuity income:

- Turnover, consisting of commission and other operating income, increased by 16.5% to R675.3 million.
- The Group's headline earnings increased by 14.1% to R63.2 million (2010: R55.3 million).
- Headline earnings per share increased by 14.1% to 5.9 cents per share.
- Adjusted headline earnings per share increased by 16.0% (adjusted for impact of amortisation) to 6.9 cents per share.
- Funds under administration increased to R120.9 billion (2010: R101.8 billion).
- Short-term premiums increased to R1,550 million (2010: R1,450 million) on an annualized basis.

### Highlights

**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 Future Wealth, 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 Konsult 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 about 9 000 clients with assets under management of about R1,9 billion to the Group's client base. Equinox clients and investment

advisers will be supported and serviced by PSG Online and PSG Asset Management respectively.

**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.

### Other highlights:

**Television commercial campaign** - In keeping with the PSG Konsult Group's Brand building strategy, we have embarked on a television commercial initiative which positions the three Brands within the Group quite uniquely. We produced commercials for each of PSG Konsult, PSG Asset Management and PSG Online. The concept is to position each brand as an independent entity within its own target market, but also create a link through association by using the same "PSG" character in all three commercials. The commercials can be viewed on each company's website. The current campaign will run until the end of the financial year upon which we will implement a follow up strategy.

**Stockbroker of the year award** – During September 2011, PSG Online was rated Stockbroker of the Year 2011 by Business Day Investors Monthly.

PSG Online was rated:

- Top retail Stockbroker in South Africa;
- Top Broker for day traders and
- "Excellent" for their range of instruments, trading tools and transparency.

### People

At the period-end PSG Konsult had 222 (28 February 2011: 216) offices with 674 (28 February 2011: 642) financial planners, portfolio managers, stockbrokers and asset managers. Our professional associates (accountants and attorneys) totaled 386 (28 February 2011: 378).

### Looking forward

Following the amalgamation of PSG Asset Management Group into the PSG Konsult Group, the Group now offers an even wider range of financial services. The Group's focus will be on utilising the synergies between these businesses to create opportunities through a simplified organisational structure, establishing a single comprehensive asset management brand and centralisation of research to improve service delivery to clients.

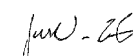
### Dividend

The Board resolved to make a dividend payment to shareholders of 3.0 cents per share (2010 : 2.8 cents per share) in respect of the six months ended 31 August 2011. The following are the salient dates for payment of the dividend:

Last day of registration: Friday, 14 October 2011

Day of payment: Friday, 28 October 2011

On behalf of the board



**Jaap du Toit**  
Chairman

Hermanus

6 October 2011



**Willem Theron**  
Chief Executive Officer