PSG Konsult

Condensed consolidated financial report

Audited results for the year ended 28 February 2014

Salient features

Planned JSE listing June 2014

Recurring headline earnings increased by 44%

Recurring headline earnings per share increased by 34%

Funds under management increased by 38%

Funds under administration increased by 31%

Administrative information

PSG Konsult Limited (Incorporated in the Republic of South Africa)
Registration number: 1993/003941/06
Directors: W Theron (Chairman), FJ Gouws (CEO)*, MIF Smith (CFO)*, J de V du Toit^, JF Mouton, PJ Mouton, PE Burton^, ZL Combi^ ** Executive directors ^ Independent*
Company secretary: AL Hensberg (on behalf of PSG Management Services Proprietary Limited)
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
Auditor: PricewaterhouseCoopers Inc

Commentary on results

PSG Konsult (or "the group") is proud to present the first full-year financial results under its refocused business model. Each of the three divisions, Wealth, Asset Management and Insure, has produced commendable results for the year ended 28 February 2014.

PSG Wealth has maintained its upward revenue trend, benefiting from positive client inflows, increased trading activity and favourable market conditions.

PSG Asset Management is a high-growth area for the group. The increased brand awareness has facilitated strong client inflows from both retail and institutional investors.

PSG Insure has shown subdued revenue growth amid a fiercely competitive market, particularly on the personal lines business, but inward reinsurance income has shown significant growth. The claims ratios have been negatively affected by adverse weather conditions experienced during November/December 2013 in Gauteng, and the weaker exchange rate has negatively affected the cost of motor claims.

The following are the group's key financial performance indicators for the financial year ended 28 February 2014:

Performance indicators	2014	Change %	2013
Recurring headline earnings (R000)	**251 145**	44	174 424
Headline earnings (R000)	**244 485**	41	173 808
Recurring headline earnings per share (cents)*	**20.6**	34	15.4
Headline earnings per share (cents)*	**20.0**	30	15.4
Funds under management (Rbn)	**112.1**	38	81.4
Funds under administration (Rbn)	**234.5**	31	179.5
Underwriting premium income (Rm)	**398.2**	654	52.8
Cost/net income ratio	**63.8%**	(5)	67.2%
Year-end debt/equity ratio	**9.4%**	(37)	15.0%
Return on average equity	**23.6%**	15	20.5%

** Dilution is a function of the rights issue that we concluded in September 2012 in which we issued 107.2 million shares to raise R187.7 million of additional capital.*

Divisional recurring headline earnings	2014 Rm	Change %	2013 Rm
Wealth	**166.6**	32	125.8
Asset Management	**54.3**	75	31.0
Insure	**30.2**	72	17.6
Total	**251.1**	44	174.4

Achievements

We are proud of the following notable milestones, achievements and industry awards:

- **PSG Wealth:** *Business Day Investors Monthly* 'Stockbroker of the Year' award for third consecutive year.
- **PSG Asset Management:** Top quartile investment returns were recorded across the entire domestic flagship range of our funds, which include the PSG Equity, PSG Flexible and PSG Balanced funds over six months, one year, three years and five years in the respective *Morningstar* categories.
- **PSG Insure:** Portfolio Administration Award for Performance Excellence at the 2013 National Santam Broker Awards and National Broker Award for Performance Excellence in Personal Lines.

People

At the year-end, the group had 193 offices and 1 841 employees, of whom 618 were financial planners, portfolio managers, stockbrokers and asset managers, plus 402 professional associates (accountants and attorneys). During the course of the year, we appointed 27 new advisers through a combination of organic growth and the selective acquisition of additional adviser books of business. The recently implemented performance management system will assist in attracting and retaining excellent people who will successfully take the business into the future.

Strategy

PSG Wealth: The critical role that our financial advisers play is highlighted in the increasingly complex environment, where providing high-quality advice is of paramount importance. The strength of our advisers can be noted in the growth of our clients' wealth, which then fosters a mutually beneficial relationship between PSG Konsult and our clients. It is our mission to improve the lives of our stakeholders through creating and preserving wealth, and we will continue growing and expanding our advisory practices and footprint throughout the country. In this process, we are encouraging our clients to take advantage of the opportunities that are available, both locally and abroad, while we endeavour to constantly innovate and improve the technology platforms and choice of financial products and services we offer.

PSG Asset Management: Our investment team has shown their excellence over a number of years, by producing top quartile returns through investing in a broad range of assets that are designed to meet the investment requirements of our clients. In the coming year, we will continue focusing on improving our brand awareness, which will assist in our goal to earn the trust of both retail and institutional clients. This will be underpinned by a ceaseless drive towards investment excellence turning our business into a key player in the local market.

PSG Insure: The highly competitive nature of this industry notwithstanding, the importance of providing simple and cost-effective insurance solutions and advice cannot be underestimated. Our advisers have been, and will continue, focusing on simplifying complex product conditions and technicalities, thereby allowing our clients to make clearly informed decisions. The preservation and protection of our clients' assets is our foremost concern as we work to increase the number of adviser offices around the country. At the same time, our underwriting business strives to create products that are cost-effective and meet the requirements and expectations of our clients.

Investment case

Our commendable financial results and the confidence in our long-term strategy afford us a cautiously optimistic outlook for the future of our company. Listed below are some of the key features underpinning our expectations for future success:

- Largest independent adviser network in South Africa, with a broad geographic footprint
- Highly cash generative business with a sound financial position
- History of superior shareholder returns
- Strong governance structures
- Strong brand supported by various industry recognition awards
- Clear growth opportunities for our businesses

Acquisitions and disposals

With effect from 1 June 2013, PSG Konsult increased its shareholding in Western Group Holdings Limited (Western) from 75% to 90%. Following Financial Services Board ("FSB") approval on 16 September 2013, PSG Konsult acquired the remaining 10% minority shareholding in Western and subsequently sold 40% of its shareholding to Santam. Western now has two strong partners within a highly competitive and capital-intensive industry.

Events after the reporting date

In order to standardise the revenue-sharing model and also provide our advisers with the opportunity to invest in the future of the group, we are pleased to advise that the group, through its subsidiary PSG Wealth Financial Planning Proprietary Limited, concluded with effect from 1 March 2014 an asset-for-share transaction in terms of section 42 of the Income Tax Act, 58 of 1962. We believe that this transaction, which was settled largely through the issue of 35 794 660 PSG Konsult shares, will lead to a win-win situation both for our financial advisers and shareholders. Had this transaction been concluded at the beginning of this financial year, on a pro forma basis, it would have increased our headline earnings per share by 4.2%.

JSE listing

With the 2013 results release we indicated a desire to list PSG Konsult on the JSE main board subject to two conditions. This was to ensure that all aspects of our restructuring were performing as expected and to produce at least one set of credible results which could serve as verification of that performance. With this in mind the board is satisfied that these conditions have been met and therefore wishes to formally advise shareholders of our intention to apply for a listing of PSG Konsult on the JSE main board by way of an introduction during June 2014. We do not have any intention to raise capital leading up to the listing.

Looking forward

All our decisions are underpinned by three basic principles. We seek to:

- Maximise every rand of revenue we earn relative to an acceptable unit of risk we take;
- Focus on generating recurring revenue, which leads to enhanced sustainable earnings; and
- Optimise profit margins to ensure that we earn an acceptable return on capital.

We have applied the above business principles by:

- Reducing notional risk by closing down those business areas and products that carried undue risk relative to their earnings contribution;
- Streamlining business processes in order to reduce operational risk and secure greater business efficiencies;
- Reducing financial leverage by repaying debt;
- Structuring operating costs as variable, where possible; and
- Focusing on product and service innovation to ensure the sustainability of our profit margins rather than financial leverage to generate an acceptable return on capital.

The group's strategic focus for the year ahead is top line revenue growth, which will enable us to unlock operational leverage scale benefits now that we have successfully bedded down the repositioning of the group. This will be achieved as follows:

- Implement and execute the three-year strategic plans which have been devised for each of our underlying businesses;
- Positioning the group as a fully-fledged financial services business through its comprehensive range of products and services;
- Optimise the synergy that exists between divisions to create further business development opportunities; and
- Extending the group's sharing in the value chain and in particular grow the asset management and short-term insurance activities.

Although difficult to predict the future, we remain cautiously optimistic about our strategy.

Changes to the board of directors

The following changes were made to the PSG Konsult Limited board of directors during the year under review:

- With effect from 12 April 2013, Leon de Wit and Theo Biesenbach resigned from the board.
- With effect from 1 July 2013:
  - Francois Gouws succeeded Willem Theron as chief executive officer; and
  - Willem Theron was appointed as non-executive chairman to replace Jaap du Toit, who remains on the board as the lead independent non-executive director;
- With effect from 18 July 2013, Mike Smith replaced Helgardt Lindes as chief financial officer;
- With effect from 2 March 2014 and 16 April 2014, Patrick Burton and KK Combi were appointed to the board as independent non-executive directors respectively.

The board would like to thank each of the departing directors for their valuable contribution over the years.

Dividend

Given the opportunities for growth of the group in future years and the capital required to fund such growth, the board has decided to keep the final dividend unchanged from the prior year. An interim dividend of 4 cents was declared during October 2013 in respect of the 2014 financial year.

The board resolved to make a final dividend payment to shareholders of 7.3 cents per share (2013: 7.3 cents per share) for the year ended 28 February 2014, bringing the total dividend for this year to 11.3 cents per share (2013: 10.8 cents per share). No credits for secondary tax on companies (STC) were used as part of this declaration. The dividend is subject to a local dividend withholding tax rate of 15%, resulting in a net final dividend of 6.21 cents per share, unless the shareholder is exempt from paying dividend withholding tax or is entitled to a reduced rate in terms of the applicable double-tax agreement. The number of issued ordinary shares is 1 257 712 430 at the date of this declaration. The company'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)	Friday, 2 May 2014
Trading ex dividend commences	Monday, 5 May 2014
Record date	Friday, 9 May 2014
Date of payment	Monday, 12 May 2014

The board would like to extend its gratitude to 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
27 May 2014

Independent auditor's report on condensed financial statements

To the shareholders of PSG Konsult Limited

The condensed consolidated financial statements of PSG Konsult Limited, contained in the accompanying condensed report, which comprise the condensed consolidated statement of financial position as at 28 February 2014, and the condensed consolidated income statement, comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of PSG Konsult Limited for the year ended 28 February 2014. We expressed an unmodified audit opinion on those consolidated financial statements in our report dated 27 May 2014. Our auditor's report on the audited consolidated financial statements contained an Other Matter paragraph: "Other Reports Required by the Companies Act" (refer below).

The condensed consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards and the requirements of the Companies Act of South Africa as applicable to annual financial statements. Reading the condensed consolidated financial statements, therefore, is not a substitute for reading the audited consolidated financial statements of PSG Konsult Limited.

DIRECTORS' RESPONSIBILITY FOR THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the condensed consolidated financial statements in accordance with International Accounting Standard 34 "Interim Financial Reporting" and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the condensed consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810, "Engagements to Report on Summary Financial Statements".

OPINION

In our opinion, the condensed consolidated financial statements derived from the audited consolidated financial statements of PSG Konsult Limited for the year ended 28 February 2014 are consistent, in all material respects, with those consolidated financial statements, in accordance with International Accounting Standard 34 "Interim Financial Reporting" and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

OTHER REPORTS REQUIRED BY THE COMPANIES ACT

The "Other Reports Required by the Companies Act" paragraph in our audit report dated 27 May 2014 states that as part of our audit of the consolidated financial statements for the year ended 28 February 2014, we have read the report of the finance and risk committee, the report of the board of directors and the company secretary's certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated financial statements. These reports are the responsibility of the respective preparers. The paragraph also states that, based on reading these reports, we have not identified material inconsistencies between these reports and the audited consolidated financial statements. The paragraph furthermore states that we have not audited these reports and accordingly do not express an opinion on these reports. The paragraph does not have an effect on the condensed consolidated financial statements or our opinion thereon.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: C van den Heever
Registered Auditor

Cape Town
27 May 2014

CONDENSED CONSOLIDATED INCOME STATEMENT

for the year ended 28 February 2014

	Audited 28 Feb 14 R000	Restated* 28 Feb 13 R000
Gross written premium	618 217	126 648
Less: Reinsurance written premium	(185 881)	(58 859)
Net premium	432 336	67 789
Change in unearned premium		
– Gross	(36 204)	(19 005)
– Reinsurers' share	2 116	4 053
Net insurance premium revenue	398 248	52 837
Commission and other fee income	1 805 142	1 460 872
Net fair value gains and losses on financial instruments	1 171 564	972 968
Fair value adjustment to investment contract liabilities	(1 239 669)	(1 028 090)
Investment income	380 034	345 185
Other operating income	42 117	42 247
Total income	2 557 436	1 846 019
Insurance claims and loss adjustment expenses	(440 401)	(80 191)
Insurance claims and loss adjustment expenses recovered from reinsurers	121 404	33 945
Net insurance benefits and claims	(318 997)	(46 246)
Commission paid	(824 757)	(605 771)
Depreciation, amortisation and impairment expenses	(40 596)	(166 179)
Employee benefit expense	(451 887)	(382 257)
Fair value adjustment to third-party liabilities	(79 387)	(29 888)
Marketing, administration and other expenses	(325 555)	(294 540)
Total expenses	(2 041 179)	(1 524 881)
Share of profits of associated companies	3 118	4 157
Loss on impairment of associated companies	(342)	(51)
Share of profits of joint ventures	3 375	158
Total profit from associated companies and joint ventures	6 151	4 264
PROFIT BEFORE FINANCE COSTS AND TAXATION	522 408	325 402
Finance costs	(138 771)	(189 398)
Profit before taxation	383 637	136 004
Taxation	(117 677)	(82 633)
PROFIT FOR THE YEAR	265 960	53 371
ATTRIBUTABLE TO:		
Owners of the parent	249 258	58 131
Non-controlling interest	16 702	(4 760)
	265 960	53 371
Earnings per share (cents)		
Attributable (basic and diluted)	20.4	5.1
Headline (basic and diluted)[#]	20.0	15.4
Recurring (basic and diluted)	20.6	15.4

[#] *Refer to note 8 for the analysis of the headline earnings.*

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 28 February 2014

	Audited 28 Feb 14 R000	Restated 28 Feb 13 R000
PROFIT FOR THE YEAR	265 960	53 371
Other comprehensive income for the year, net of taxation	985	408
To be reclassified to profit and loss:		
Currency translation adjustments	985	892
Fair value gains on available-for-sale financial assets	–	625
Recycling adjustment on available-for-sale financial assets	–	(1 109)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	266 945	53 779
ATTRIBUTABLE TO:		
Owners of the parent	250 243	58 539
Non-controlling interest	16 702	(4 760)
	266 945	53 779

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 28 February 2014

	Audited 28 Feb 14 R000	Audited 28 Feb 13 R000
Ordinary shareholders' equity at beginning of year	919 013	726 843
Total comprehensive income for the year	250 243	58 539
Net shares issued	28 819	245 697
Net movement in treasury shares	74	3 605
Dividend paid	(137 936)	(119 427)
Share-based payment costs – employees	5 941	2 441
Deferred tax on equity-settled share based payments	11 190	3 294
Transactions with non-controlling interest	11 650	(1 686)
Other	(453)	(293)
Ordinary shareholders' equity at end of year	1 088 541	919 013
Non-controlling interest	86 222	34 190
Beginning of year	34 190	17 725
Total comprehensive income/(loss) for the year	16 702	(4 760)
Dividend paid	(1 038)	(824)
Transactions with non-controlling interest	20 099	(64)
Capital contribution by non-controlling interest	16 735	–
Non-controlling interest arising on business combinations	(42)	22 113
Disposal of subsidiary	(424)	–
Total equity at end of year	1 174 763	953 203
Dividend per share (cents)	11.3	10.8

** The comparative figures were restated for the change in accounting policy relating to the adoption of IFRS 10 Consolidated Financial Statements and the reclassification of the unexpired risk provision (URP). Refer to note 17.*

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 28 February 2014

	Audited 28 Feb 14 R000	Restated* 28 Feb 13 R000
ASSETS		
Intangible assets	721 936	732 524
Property and equipment	47 590	27 355
Investment property	2 245	2 036
Investments in associated companies	39 548	43 031
Investment in joint ventures	12 057	8 682
Deferred income tax	52 101	29 271
Equity securities (note 7)	604 880	1 012 773
Debt securities (note 7)	2 121 432	2 011 484
Unit-linked investments (note 7)	10 218 629	6 802 013
Investment in investment contracts (note 7)	505 444	848 645
Loans and advances	109 995	119 433
Derivative financial instruments	21 190	15 955
Reinsurance assets	66 248	50 883
Deferred acquisition costs	1 025	1 110
Receivables including insurance receivables	2 129 358	1 704 156
Current income tax assets	12 878	9 440
Cash and cash equivalents (including money market) (note 7)	709 184	470 662
Total assets	17 375 740	13 889 453
EQUITY		
Equity attributable to owners of the parent		
Stated/share capital	1 134 746	12 096
Share premium	–	1 093 831
Treasury shares	(546)	(620)
Other reserves	(445 146)	(463 262)
Retained earnings	399 487	276 968
	1 088 541	919 013
Non-controlling interest	86 222	34 190
Total equity	1 174 763	953 203
LIABILITIES		
Insurance contracts	493 163	378 084
Deferred income tax	53 423	58 481
Borrowings	412 188	222 597
Derivative financial instruments	28 406	17 139
Investment contracts (note 7)	12 692 768	10 272 444
Third-party liabilities arising on consolidation of mutual funds	372 169	109 032
Deferred reinsurance acquisition revenue	2 842	2 889
Trade and other payables	2 129 914	1 871 862
Current income tax liabilities	16 104	3 722
Total liabilities	16 200 977	12 936 250
Total equity and liabilities	17 375 740	13 889 453
Net asset value per share (cents)	89.1	76.0

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 28 February 2014

	Audited 28 Feb 14 R000	Restated* 28 Feb 13 R000
Cash flow from operating activities	**358 931**	99 737
Cash generated by/(utilised in) operations	**153 725**	(97 343)
Interest income	**299 998**	246 976
Dividend income	**79 651**	98 077
Policyholder cash movement*	**(13 762)**	(32 122)
Finance costs	**(35 728)**	(30 870)
Taxation paid	**(124 953)**	(84 981)
Cash flow from investing activities	**(22 147)**	(18 665)
Cash flow from financing activities	**(98 874)**	28 743
Net increase in cash and cash equivalents	**237 910**	109 815
Cash and cash equivalents at beginning of year	**470 621**	360 705
Exchange gains	**642**	101
Cash and cash equivalents at end of year*	**709 173**	470 621
Cash and cash equivalents consist of:		
Current, cheque and money market accounts	**709 184**	470 662
Bank overdrafts	**(11)**	(41)
	709 173	470 621
** Includes the following:*		
Clients' cash linked to investment contracts	**51 337**	65 096

Notes to the statement of cash flows

1. 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 R43.8 million in respect of Stockbroking business cash (2013: R136.4 million).

2. The comparative figures were restated for the change in accounting policy relating to the adoption of IFRS 10 (refer to note 17) as well as for the reclassification of the scrip lending facility from financing activities to operating activities to reflect the nature of these activities of the Stockbroking business.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL RESULTS

1. Reporting entity

PSG Konsult Limited ("the company") 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 2014 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 and accounting policies

The condensed consolidated financial statements of 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, the Financial Reporting Guides issued by the Accounting Practices Board of SAICA as well as section 29(e) of the South African Companies Act, 71 of 2008, as amended.

3. Accounting policies

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 International Financial Reporting Standards and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements.

The group has adopted the following new accounting standards and amendments to IFRSs which were relevant to the group's operations with a date of initial application of 1 March 2013:

- Amendments to IAS 1 – Presentation of Financial Statements: Items of Other Comprehensive Income
- Amendments to IAS 16 – Property, Plant and Equipment
- Amendments to IAS 32 – Financial Statements Presentation
- Amendments to IAS 19 – Employee Benefits
- Amendments to IAS 27 – Consolidated and Separate Financial Statements and IAS 28 – Investments in Associates and Joint Ventures
- Amendment to IFRS 7 – Disclosure – Offsetting Financial Assets and Financial Liabilities
- IFRS 10 – Consolidated Financial Statements
- IFRS 11 – Joint Arrangements
- IFRS 12 – Disclosure of Interests in Other Entities
- IFRS 13 – Fair Value Measurement

The group also adopted the various other revisions to IFRS, which were effective for its financial year ended 28 February 2014. These revisions have not resulted in material changes to the group's reported results and disclosures in these condensed group financial statements, other than the impact of IFRS 10. Refer to note 17.

4. Estimates

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 materially the same as those that applied to the consolidated financial statements for the year ended 28 February 2013.

5. 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 a Chief Executive Officer, supported by the group management committee (Manco). The group's internal reporting structure is reviewed in order to assess performance and allocated resources. The group is organised into three reportable segments, namely:

- PSG Wealth
- PSG Asset Management
- PSG Insure

The reporting structure described above was implemented with effect from 1 March 2013 and comparative figures have been adjusted to reflect the new reportable segments applicable for the 2014 financial year.

5.1 Description of business segments

PSG Wealth, which consists of five business units – Distribution, PSG Online, LISP Platform, Multi Management and Employee Benefits – is designed to meet the requirements 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 selected 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 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 clients 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 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 period ended 28 February 2014 is set out in notes 5.2 and 5.3.

5.2 Headline earnings per reportable segments

	Audited			
	Wealth	Asset Management	Insure	Total
For the year ended 28 February 2014				
Headline earnings	**166 578**	**54 377**	**23 530**	**244 485**
– recurring	**166 578**	**54 377**	**30 190**	**251 145**
– non-recurring	**–**	**–**	**(6 660)**	**(6 660)**
For the year ended 28 February 2013				
Headline earnings	128 447	30 240	15 121	173 808
– recurring	125 791	30 982	17 651	174 424
– non-recurring	2 656	(742)	(2 530)	(616)

5.3 Income per reportable segment

	Restated			
Total income	Wealth	Asset Management	Insure	Total
For the year ended 28 February 2014				
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**
For the year ended 28 February 2013				
Total segment income	1 474 276	334 749	402 692	2 211 717
Intersegment income	(240 524)	(121 859)	(3 315)	(365 698)
Income from external customers	1 233 752	212 890	399 377	1 846 019

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

5.4 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 (previously PSG Asset Management 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.

	Audited 28 Feb 14		
	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

	Audited 28 Feb 13		
	Total R000	Own balances R000	Client-related balances R000
ASSETS			
Equity securities	1 012 773	14 753	998 020
Debt securities	2 011 484	66 557	1 944 927
Unit-linked investments	6 802 013	283 503	6 518 510
Investment in investment contracts	848 645	–	848 645
Receivables including insurance receivables	1 704 156	119 928	1 584 228
Derivative financial instruments	15 955	–	15 955
Cash and cash equivalents (including money market investments)	470 662	293 232	177 430
Other assets*	1 023 765	1 023 765	–
Total assets	13 889 453	1 801 738	12 087 715
EQUITY			
Equity attributable to owners of the parent	919 013	919 013	–
Non-controlling interest	34 190	34 190	–
Total equity	953 203	953 203	–
LIABILITIES			
Borrowings	222 597	139 700	82 897
Investment contracts	10 272 444	–	10 272 444
Third-party liabilities arising on consolidation of mutual funds	109 032	–	109 032
Derivative financial instruments	17 139	–	17 139
Trade and other payables	1 871 862	265 659	1 606 203
Other liabilities**	443 176	443 176	–
Total liabilities	12 936 250	848 535	12 087 715
Total equity and liabilities	13 889 453	1 801 738	12 087 715

* *Other assets consist of property and equipment, investment property, intangible assets, investments in associated companies, investments in joint ventures, current and deferred income tax assets, loans and advances, reinsurance assets and deferred acquisition costs.*

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

6. Receivables including insurance receivables and trade and other payables

Included under receivables are broker and clearing accounts at our Stockbroking business of which R1 926 million (2013: R1 558 million) represents amounts owing by the JSE for trades conducted during the last few days before the end of the period. 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 the trade and other payables, with the settlement to the clients taking place within three days after the transaction date.

7. Linked investment contracts

The group is not exposed to market movements in clients' assets held by PSG Life Limited (previously PSG Asset Management Life Limited) 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 policyholders' assets and liabilities was as follows:

	Investment contract policy holders R000	Equity holders R000	Total R000
28 February 2014 – Audited			
Investment income	263 550	7 942	271 492
Net fair value gains and losses on financial instruments	1 087 679	1 215	1 088 894
Fair value adjustment to investment contract liabilities	(1 239 669)	–	(1 239 669)
Net investment return before taxation	111 560	9 157	120 717
28 February 2013 – Audited			
Investment income	272 024	8 142	280 166
Net fair value gains and losses on financial instruments	937 148	1 311	938 459
Fair value adjustment to investment contract liabilities	(1 028 090)	–	(1 028 090)
Net investment return before taxation	181 082	9 453	190 535

Included under finance cost is an interest charge of R103 043 000 (2013: R158 528 000) linked to the investment contract policyholder liabilities.

Investment contracts are represented by the following financial assets:

	Audited 28 Feb 14 R000	Audited 28 Feb 13 R000
Equity securities	600 249	981 144
Debt securities	1 676 726	1 884 446
Unit-linked investments	9 859 012	6 493 113
Investments in investment contracts	505 444	848 645
Cash and cash equivalents	51 337	65 096
	12 692 768	10 272 444

8. Earnings and headline earnings per share

	Audited 28 Feb 14 R000	Audited 28 Feb 13 R000
Total earnings attributable to ordinary shareholders	**249 258**	58 131
Non-headline items (net of tax and non-controlling interests)		
– (Profit)/loss on sale of associated companies	**(3 499)**	7 196
– Loss on step-up of associated companies	**128**	959
– Loss/(profit) on sale of intangible assets	**1 622**	(1 049)
– (Profit)/loss on sale of books of business	**(382)**	3 212
– Profit on sale of subsidiary companies	**(643)**	(4 570)
– Impairment of intangible assets (including goodwill)	**–**	110 999
– Non-headline impact of investment in associates	**(2 457)**	(323)
– Other	**458**	(747)
Headline earnings	**244 485**	173 808
– Recurring	**251 145**	174 424
– Non-recurring	**(6 660)**	(616)
Earnings per share (cents)		
– Attributable (basic and diluted)	**20.4**	5.1
– Headline (basic and diluted)	**20.0**	15.4
– Recurring headline (basic and diluted)	**20.6**	15.4
Number of shares (million)		
– in issue (net of treasury shares)	**1 221.6**	1 209.2
– weighted average	**1 220.5**	1 131.9

9. Transactions with non-controlling interests

i) Acquisition of an additional interest in Western Group Holdings Limited

As at 1 March 2013, PSG Konsult Limited acquired an additional 15% interest in Western Group Holdings Limited for a consideration of R33 000 000. 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 at the end of May 2013. The transaction increased the group's shareholding to 90% of the share capital of Western Group Holdings Limited.

	Group R000
Carrying amount of non-controlling interests acquired	14 428
Consideration paid to non-controlling interests	(33 000)
Excess of consideration paid recognised in equity	(18 572)

ii) Acquisition of the remaining interest in PSG Nylstroom Proprietary Limited (previously PSG Konsult Nylstroom Proprietary Limited)

Effective 1 August 2013, PSG Konsult Limited (through its subsidiary PSG Konsult Optimum Proprietary Limited) acquired the remaining 49% interest in PSG Konsult Nylstroom, a company incorporated in South Africa, for a consideration of R1 250 000. On 1 August 2013, 80% of the purchase consideration was paid and the remaining 20% (subject to a profit guarantee) is payable on 1 August 2014.

iii) Acquisition of a further interest in Western Group Holdings Limited

Effective 1 September 2013, PSG Konsult Limited acquired the remaining 10% interest in Western Group Holdings Limited for a consideration of R22 000 000. 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 Limited would increase its stake in the group from 90% to 100%, subject to approval by the FSB in South Africa, Namfisa in Namibia and the Competition Commission in both countries. The transaction was approved by the regulatory authorities at the beginning of September 2013, resulting in Western Group Holdings Limited being a wholly owned subsidiary of PSG Konsult Limited.

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

iv) Disposal of interest held in Western Group Holding Limited

PSG Konsult Limited entered into an agreement on 3 June 2013 to dispose of 40% of its shareholding in Western (following the approval by the regulatory authorities of the remaining 10% interest acquired) to Swanvest 120 Proprietary Limited, a wholly owned subsidiary of Santam Limited. The transaction was approved by the regulatory authorities on 16 September 2013.

	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

10. Acquisition of subsidiaries

i) Cinetaur Proprietary Limited

Effective 1 November 2013, the group, through its subsidiary Abrafield Proprietary Limited, acquired an additional 35% interest in Cinetaur Proprietary Limited (Cinetaur) for R350. The investment in this associated company was derecognised on 31 October 2013 as the group obtained control over this company. Cinetaur was treated as a subsidiary from 1 November 2013 and fully consolidated from that date. This step acquisition resulted in a non-headline loss of R128 305.

ii) Acquisition of collective investment scheme

The group obtained control of the PSG Optimal Income Fund towards the end of the financial year. As at 28 February 2014 the group held an interest of 34.1% in this fund and the fund was consolidated in accordance with IFRS 10 Consolidated Financial Statements. The PSG Optimal 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	–

iii) Western Group Holdings Limited (2013 acquisition)

Effective 1 March 2012, the group acquired a 24% interest in Western Group Holdings Limited ("Western") for R19 340 000. Negotiations were concluded to increase the stake held in Western, which was subject to regulatory approvals. The regulatory approvals were obtained on 6 November 2012, on which date PSG Konsult obtained an additional 51% interest in this company, raising its effective interest to 75%. Western was accounted for as an investment in associated company up to 31 October 2012. From 1 November 2012, the company was accounted for as a subsidiary of the group. This step acquisition resulted in a non-headline loss of R959 000. The consideration was paid with the issue of PSG Konsult shares (30 051 282 shares at R1.95 per share) and the remaining R53 600 000 paid in cash on the effective date.

	Group 2013 R000
Details of the net assets acquired are as follows:	
Cash paid on effective date	53 600
PSG Konsult Limited ordinary shares issued (30 051 281 @ R1.95 per share)	58 600
Total purchase consideration	112 200
Non-controlling interest	22 113
Less: Net assets acquired at carrying value	(88 451)
Loss on remeasurement of previous equity interest	(959)
Derecognition of investment in associated companies	21 674
Goodwill recognised on acquisition	66 577
Cash consideration paid	53 600
Cash and cash equivalents acquired	(114 223)
Net cash flow	(60 623)

The net insurance premium income included in the consolidated income statement since 1 November 2012, contributed by Western Group Holdings Limited was R66 565 000. Western Group Holdings Limited also contributed profit after taxation of R4 161 000 (before amortisation, release of deferred tax on intangible assets and non-controlling interest) over the same period.

Had Western Group Holdings Limited been consolidated from 1 March 2012, the consolidated income statement would have shown net insurance premium income of R197 323 000 and profit after taxation of R13 884 000 (before amortisation, release of deferred tax on intangible assets and non-controlling interest) for the 2013 financial year.

11. Disposal of subsidiaries

i) iHound Proprietary Limited

Effective 1 March 2013, the group, through its subsidiary PSG Wealth Group Services Proprietary Limited (previously PSG Online Solutions Proprietary Limited), sold its 51% interest in iHound Proprietary Limited to JAG Web Marketing CC for R709 000. The consideration was received in full during March 2013.

ii) 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 this 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	(2 401)

12. Disposal of associated companies

i) Axon Xchange Proprietary Limited

Effective 1 March 2013, the group, through its subsidiary PSG Fixed Income and Commodities Proprietary Limited (previously PSG Prime Proprietary Limited), sold its 38% interest held in Axon Xchange Proprietary Limited for R4 500 000, resulting in non-headline profit of R27 000.

ii) Purple Line Plastics Proprietary Limited and JWR Holdings Proprietary Limited

Effective 1 April 2013 and 1 May 2013, the group, through its subsidiary Western Group Holdings Limited, sold its 25% interest held in Purple Line Plastics Proprietary Limited and its 26% interest held in JWR Holdings Proprietary Limited for R2 125 000 and R450 000, resulting in non-headline profits of R43 000 and R313 000 respectively.

iii) Excluwin Traders Proprietary Limited

Effective 1 August 2013, the group, through its subsidiary Western Group Holdings Limited sold its 34% interest held in Excluwin Traders Proprietary Limited for R4 000 000, resulting in non-headline profit of R3 525 000.

13. 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 2013.

The group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 28 February 2013.

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 are valued at fair value and are 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 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 group 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 R604.9 million (2013: R1 012.8 million) are quoted equity securities of R604.0 million (2013: R1 011.9 million), of which R600.2 million (2013: R981.1 million) relates to investments in linked investment contracts. The price risk of these instruments is carried by the policyholders of the linked investment contracts.

If market prices move ±20% either way, the impact on after-tax profits would be R17.6 million (2013: R11.8 million); a movement of ±20% in exchange rates will have an impact on after-tax profits of R1.1 million (2013: R0.9 million).

Debt securities linked to policyholder investments amounted to R1 676.7 million (2013: R1 884.4 million) and do not expose the group to interest rate risk; cash and cash equivalents linked to policyholder investments amounted to R51.3 million (2013: R65.1 million) 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 R8.0 million (2013: R4.2 million).

Fair value estimation

The table below analyses financial instruments, carried at fair value, by valuation method. There were no significant changes in the valuation methods applied since 28 February 2013. 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 were no transfers between the different levels defined above during the period.

Valuation techniques used in determining the fair value of financial assets and liabilities classified within level 2

Instrument	Valuation basis/techniques	Main assumptions
Derivative financial instruments	Exit price on recognised over-the-counter (OTC) platforms	Not applicable
Debt securities	Valuation model that uses the market inputs (yield of benchmark bonds)	Bond interest rate curves Issuer credit ratings Liquidity spreads
Unit-linked investments	Quoted put (exit) price provided by the fund manager	Not applicable – prices are publicly available
Investment in investment contracts	Prices are obtained from the insurer of the particular investment contract	Not applicable – prices provided by registered long-term insurers
Policyholder investment 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 following financial assets are measured at fair value:

	Audited			
Financial assets	**Level 1 R000**	**Level 2 R000**	**Level 3 R000**	**Total R000**
At 28 February 2014				
Derivative financial assets	**–**	**21 190**	**–**	**21 190**
Equity securities	**604 035**	**–**	**845**	**604 880**
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**
Financial assets	**639 932**	**9 209 766**	**2 488 657**	**12 338 355**
Financial liabilities				
At 28 February 2014				
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**

	Restated			
Financial assets	Level 1 R000	Level 2 R000	Level 3 R000	Total R000
At 28 February 2013				
Derivative financial assets	–	15 955	–	15 955
Equity securities	615 970	395 958	845	1 012 773
Debt securities	–	477 188	250 137	727 325
Unit-linked investments	–	4 782 200	2 019 813	6 802 013
Investment in investment contracts	–	326 508	–	326 508
	615 970	5 997 809	2 270 795	8 884 574
Financial liabilities				
At 28 February 2013				
Derivative financial liabilities	–	17 139	–	17 139
Investment contracts	–	6 152 545	2 266 522	8 419 067
Trade and other payables	–	–	6 288	6 288
Third-party liabilities arising on consolidation of mutual funds	–	109 032	–	109 032
	–	6 278 716	2 272 810	8 551 526

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

Assets	Audited 28 Feb 14 R000	Audited 28 Feb 13 R000
Opening carrying value	**2 270 795**	1 987 538
Additions	**1 556 279**	694 558
Disposals	**(1 503 664)**	(640 269)
Fair value adjustments	**165 258**	224 851
Other movements not through profit or loss	**(11)**	113
Interest and other	**–**	7 699
Disposal of subsidiaries	**–**	(3 695)
	2 488 657	2 270 795
Liabilities		
Opening carrying value	**2 272 810**	2 048 303
Additions	**1 562 938**	702 438
Disposals	**(1 504 071)**	(707 753)
Fair value adjustments	**166 612**	230 554
Interest and other	**162**	(732)
	2 498 451	2 272 810

Level 3 – significant fair value model assumptions and sensitivities
Financial instrument 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 inputs of the models applied to derive fair value.

Trade and other payables classified within level 3 have significant unobservable inputs, as the valuation technique used to determine the fair values takes into account the probability (at year-end) that the contracted party will achieve the profit guarantee as stipulated in the business agreement.

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:

	Audited 28 Feb 14 R000	Audited 28 Feb 13 R000
Financial assets linked to investment contracts		
– Carrying value	**1 133 220**	1 806 296
– Fair value	**1 144 402**	1 901 759

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

14. Related-party transactions

Related-party transactions similar to those disclosed in the group's annual financial statements for the year ended 28 February 2013 took place during the year.

15. Capital commitments and contingencies

	Audited 28 Feb 14 R000	Audited 28 Feb 13 R000
Operating lease commitments	**77 926**	64 753

16. 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 results, other than the standardising of the revenue-sharing models with the financial advisers effective 1 March 2014 (refer to the commentary for the details of the transactions).

17. Change in accounting policy and restatements

IFRS 10 Consolidated Financial Statements (IFRS 10)
IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. Under IFRS 10, subsidiaries are all entities (including structured entities) over which the group has control.

Previously the group consolidated collective investment schemes where the group's holding in a fund was greater than 50%. As a result of the adoption of IFRS 10 the group no longer uses the percentage holdings referred to above as the defining parameter of control.

The changes resulting from the above have been applied retrospectively as required by the transitional provisions of IFRS 10. These reclassifications of mutual funds have resulted in a number of changes to items presented in both the income statement and the statement of financial position for the year ended 28 February 2013. There were, however, no resultant changes to the group's total earnings, comprehensive income, shareholders' funds or net asset value.

The group held an interest of 44% in the PSG Multi-Management Foreign Flexible Fund of Funds on 1 March 2012. The comparative figures were restated to reflect the consolidation of this fund from 1 March 2012 for the 2013 financial year. This fund was also consolidated for the current financial year.

Reclassification on consolidated statement of cash flows: Societe Generale
The comparative figures in the consolidated statement of cash flows were restated to reflect the Societe Generale loan facility, obtained within the stockbroking business to fund the scrip lending business, under operating activities rather than under the financing activities to match the corresponding movement in the client accounts under receivables, including insurance receivables. The reclassification had no impact on the 2013 year reported earnings, diluted earnings or headline earnings, nor the statement of financial position, income statement, statement of changes in equity and the net cash flow for the 2013 year.

Reclassification: Unexpired risk provision
The group previously disclosed the unexpired risk provision (URP), which forms part of the short-term insurance contract liabilities, as part of the provision for claims reported and loss adjustment expenses. The group decided, to enhance the comparability with other short-term insurance companies in Southern Africa, to reflect the URP as part of the unearned premium provision (UPP). This reclassification, which was done retrospectively, was done within the underlying breakdown of the insurance contracts liability and therefore had no impact on the statement of financial position. The reclassification had no impact on the 2013 year reported earnings, diluted earnings or headline earnings, nor the statement of financial position, statement of changes in equity and the net cash flow for these periods.

The table below shows the impact of the change in accounting policy and restatements:

	As previously stated R000	Reclassification – IAS 10 R000	Reclassification – Societe Generale R000	Restated R000
Restatement – IAS 10 and reclassification – Societe Generale				
28 February 2013				
Consolidated statement of financial position				
Unit-linked investments	6 720 464	81 549	–	6 802 013
Cash and cash equivalents (including money market investments)	468 049	2 613	–	470 662
Third-party liabilities arising on consolidation of mutual funds	(25 103)	(83 929)	–	(109 032)
Trade and other payables	(1 871 629)	(233)	–	(1 871 862)
Consolidated income statement				
Net fair value gains and losses on financial instruments	944 726	28 242	–	972 968
Fair value adjustment to third-party liabilities	(1 646)	(28 242)	–	(29 888)
Consolidated statement of cash flows				
Cash flows from operating activities				
Cash utilised in operating activities	(180 740)	500	82 897	(97 343)
Cash flows from financing activities				
Net proceeds from/(repayments of) borrowings	43 232	–	(82 897)	(39 665)
Net increase in cash and cash equivalents	109 315	500	–	109 815
Cash and cash equivalents at beginning of year	358 592	2 113	–	360 705
Cash and cash equivalents at end of year	468 008	2 613	–	470 621

	As previously stated R000	Reclassification – Unexpired risk provision R000	Restated R000
Reclassification – Unexpired risk provision			
28 February 2013			
Consolidated income statement			
Change in unearned premium – Gross	(5 277)	(13 728)	(19 005)
Insurance claims and loss adjustment expenses	(93 919)	13 728	(80 191)

This report includes above changes and replaces the report published on the PSG Konsult website on 9 April 2014.