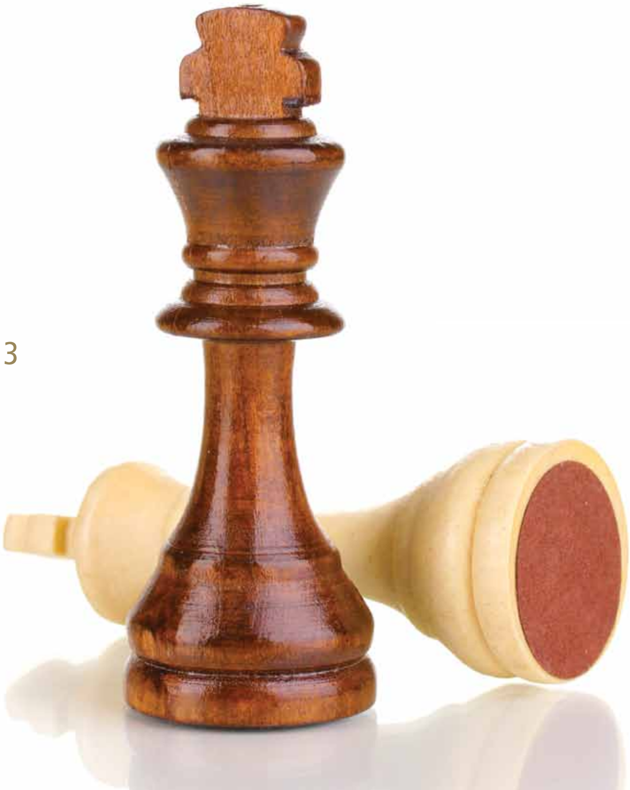
PSG Konsult



INTERIM REPORT

Unaudited results for the six months ended 31 August 2013

FINANCIAL HIGHLIGHTS

Salient features:

- Revenue increased by 45%
- Recurring headline earnings increased by 50%
- Recurring headline earnings per share increased by 31%
- Dividend per share of 4,0 cents increased by 14%
- Funds under management increased by 35%
- Funds under administration increased by 32%

ADMINISTRATIVE INFORMATION

Registration number: 1993/003941/06
Directors: W Theron (Chairman), FJ Gouws (CEO)*, MIF Smith (CFO)*, J de V du Toit, JF Mouton, PJ Mouton * Executive directors
Company secretary: MIF Smith (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, 7536
Auditor: PricewaterhouseCoopers Inc.

PREPARATION AND PRESENTATION OF THE INTERIM REPORT: The unaudited results were prepared by JSE van der Merwe, CA(SA) under the supervision of the chief financial officer, MIF Smith, CA(SA)

COMMENTARY

PSG Konsult (or "the group"), which has refocused itself under three distinct business segments – Wealth, Asset Management and Insure – delivered credible results for the six months to 31 August 2013.

PSG Asset Management delivered commendable investment returns for its clients. Overall assets increased substantially because of strong fund inflows and enhanced market values as a result of favourable investment market conditions. Despite prevailing difficult underwriting market conditions, our *Insurance* business benefited from our efforts to enhance vertical integration and exploit the synergy our short-term insurance licence and expertise provide us. This results in improved service delivery and product for our client base. The *Wealth* business, which remains a core strength of the group, also benefited from positive client inflows, increased client trading activity and generally favourable market conditions.

The following are the group's key financial performance indicators for the six months ended 31 August 2013:

- *Recurring headline earnings* increased by 50% to R108,7 million (headline earnings increased by 41% to R108,7 million).
- *Recurring headline earnings per share* increased by 31%* to 8,9 cents (headline earnings per share increased by 24% to 8,9 cents).
- Revenue, consisting of premiums, commission, fees and other operating income, increased by 45% to R1 065 million.
- Funds under management increased by 35% to R93 billion, while funds under administration increased by 32% to R107 billion. Total assets increased by 33% or R50 billion to R200 billion.

* Dilution is a function of the successful rights issue, that we concluded in September 2012 in which we issued 107,2 million shares and raised R187,7 million of additional capital.

Achievements

We are proud of the following achievements and industry awards:

- Top quartile investment returns were recorded across the entire domestic flagship range of funds over six months, one year, three years and five years up to 31 August 2013 in the respective *Morningstar* categories. Highlights:
  - **PSG Equity Fund**, which is currently ranked 1st out of 113 funds in the general equity sector over one year, and 4th out of 42 funds since inception in March 2002.
  - **PSG Flexible Fund**, which is currently ranked 8th out of 69 funds over one year and 3rd out of 17 funds since inception in November 2004.
  - **PSG Balanced Fund**, which is currently ranked 17th out of 105 funds over one year and 4th out of 13 funds since inception in June 1999.
  - **PSG Stable Fund** is currently ranked 19th out of 89 funds in its sector over one year and 27th out of 78 funds since inception in September 2011.
  - **PSG Optimal Income Fund**, a fund that was launched in April 2006, is currently ranked 2nd out of 56 funds in its sector over one year.
- **PSG Online** – *Business Day Investors Monthly* "Stockbroker of the Year" award for third consecutive year.
- **PSG Konsult Financial Planning** – *Business Day Investors Monthly* "Wealth Manager of the Year" award in the Up and Coming Professional category, and *Santam Personal Lines* "Broker of the Year" award for the third consecutive year.
- **PSG Konsult Moderate Fund of Fund** – Winner of the Morningstar Moderate fund allocation award.

People

At the period-end, PSG Konsult had 220 offices and 1 796 employees, of whom 610 were financial planners, portfolio managers, stockbrokers and asset managers, plus 408 professional associates (accountants and attorneys).

Strategy

PSG Wealth: A key strength of the firm is the depth and quality of our financial advisors. In a complex financial environment the high-quality advice we are able to provide to clients is a distinct competitive advantage which helps us protect, preserve and grow the financial wealth of our client base. To this end we want to continue growing our advisory practices. To assist our clients in optimising their risk-adjusted investment returns, we are encouraging them to convert their non-discretionary investment portfolios to discretionary investment portfolios and to use the correct vehicles to enhance their total returns. We have also encouraged clients to diversify their investment portfolios and take greater advantage of international investment opportunities. We continually strive to help our clients utilise the durable long-term investment solutions we have available.

PSG Asset Management: Our investment team has consistently produced top quartile investment returns by investing in both local and international securities. This capability to manage both domestic and international securities was initiated in 2006 and is germane to our investment process. Our aim is to raise our brand awareness and actively pursue both retail and institutional clients. Our asset management business has made substantial progress during the last six months to position itself as a credible alternative to some of the larger incumbents.

PSG Insure: In an environment where short-term insurance services with complex documentation are increasingly provided via the telephonic medium and out of call centres we feel that the high quality of our financial advisors will continuously differentiate themselves from other players in the market. Our large advisor network and broad footprint enables us to provide high-quality advice to both our commercial and personal line clients to safeguard and protect their assets. Our aim is to ensure that the underlying products meet the needs and expectations of our clients and that they understand the terms of the related insurance contracts.

Looking forward

The group's strategy going forward will be to grow the business and profits sustainably through the following:

- Implement and execute the three-year strategic plans which have been devised for each of our underlying businesses.
- Position the group as a fully fledged financial services business through its comprehensive range of services and products.
- Optimise the synergy that exist between business segments in order to create further business development opportunities.
- Extend 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 optimistic that our strategy to have a larger share in the value chain will enable us to deliver superior returns for our shareholders.

Acquisitions and disposals

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

Changes to the board of directors

The following changes were made to the PSG Konsult board of directors during the period 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.
  - Willem Theron was appointed as non-executive chairman to replace Jaap du Toit, who remains on the board as a non-executive director.
- With effect from 18 July 2013, Mike Smith replaced Helgardt Lindes as chief financial officer.

The board would like to thank each of the departing directors for their valuable contribution in helping to build PSG Konsult over the years.

Dividend

The board resolved to make a dividend payment to shareholders of 4,0 cents per share (2012: 3,5 cents per share) in respect of the six months ended 31 August 2013. No credits for secondary tax on companies ("STC") were utilised as part of this declaration. The dividend is subject to a local dividends tax rate of 15%, resulting in a net dividend of 3,4 cents per share, unless the shareholder is exempt from paying dividends withholding tax or is entitled to a reduced rate in terms of the applicable double-tax agreement. The number of issued ordinary shares is 1 221 004 621 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, 18 October 2013
Last day of registration (T+5)	Friday, 25 October 2013
Date of payment	Friday, 8 November 2013

The board would like to extend its gratitude to clients, business partners, management and staff for their efforts and contributions during the past six months.

On behalf of the board

Willem Theron
Chairman

Francois Gouws
Chief executive officer

Tyger Valley
10 October 2013

CONDENSED GROUP STATEMENT OF PROFIT OR LOSS

for the six months ended 31 August and 12 months ended 28 February 2013

	Unaudited 31 Aug 13 R'000	Unaudited 31 Aug 12 R'000	Audited 28 Feb 13 R'000
INCOME			
Gross written premium	271 166	–	126 648
Less: Reinsurance written premium	(90 637)	–	(58 859)
Net premium	180 529	–	67 789
Change in unearned premium			
– Gross	2 045	–	(5 277)
– Reinsurers' share	(1 344)	–	4 053
Net insurance premium revenue	181 230	–	66 565
Commission and other fee income	859 909	717 099	1 460 872
Net fair value gains and losses on financial instruments	700 862	342 021	944 726
Fair value adjustment to investment contract liabilities	(751 588)	(386 638)	(1 028 090)
Investment income	175 127	151 265	345 185
Other operating income	24 168	16 222	42 247
Total income (note 6.3)	1 189 708	839 969	1 831 505
EXPENSES			
Insurance claims and loss adjustment expenses	(192 967)	285	(93 919)
Insurance claims and loss adjustment expenses recovered from reinsurers	52 911	–	33 945
Net insurance benefits and claims	(140 056)	285	(59 974)
Marketing, administration and other operating expenses	(796 240)	(635 060)	(1 450 393)
Total expenses	(936 296)	(634 775)	(1 510 367)
Share of profits of associated companies	2 623	2 143	4 157
Loss on impairment of associated companies	–	–	(51)
Share of profits of joint ventures	318	–	158
PROFIT BEFORE FINANCE COSTS AND TAXATION	256 353	207 337	325 402
Finance costs	(95 519)	(94 196)	(189 398)
Profit before taxation	160 834	113 141	136 004
Taxation	(43 057)	(34 142)	(82 633)
NET PROFIT FOR THE PERIOD	117 777	78 999	53 371
Attributable to owners of the parent	111 441	78 019	58 131
Attributable to non-controlling interest	6 336	980	(4 760)
	117 777	78 999	53 371
Earnings per share (cents)			
Attributable (basic and diluted)	9,1	7,3	5,1
Headline (basic and diluted)	8,9	7,2	15,4
Recurring (basic and diluted)	8,9	6,8	15,4

CONDENSED GROUP STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 31 August and 12 months ended 28 February 2013

	Unaudited 31 Aug 13 R'000	Unaudited 31 Aug 12 R'000	Audited 28 Feb 13 R'000
NET PROFIT FOR THE PERIOD	117 777	78 999	53 371
Other comprehensive income for the period, net of taxation	619	905	408
To be reclassified to profit and loss:			
Currency translation adjustments	619	824	892
Fair value gains on available-for-sale financial assets	–	565	625
Recycling adjustment on available-for-sale investments	–	(484)	(1 109)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	118 396	79 904	53 779
Attributable to owners of the parent	112 060	78 924	58 539
Attributable to non-controlling interest	6 336	980	(4 760)
	118 396	79 904	53 779

CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY

for the six months ended 31 August and 12 months ended 28 February 2013

	Unaudited 31 Aug 13 R'000	Unaudited 31 Aug 12 R'000	Audited 28 Feb 13 R'000
Ordinary shareholders' equity at beginning of period	919 013	726 843	726 843
Total comprehensive income for the period	112 060	78 924	58 539
Net shares issued	27 413	–	245 697
Net movement in treasury shares	73	3 299	3 605
Dividend paid	(89 098)	(78 154)	(119 427)
Share-based payment costs – employees	2 524	2 376	2 441
Other	–	–	3 001
Transactions with non-controlling interest	(19 897)	(1 963)	(1 686)
Ordinary shareholders' equity at end of period	952 088	731 325	919 013
Non-controlling interest	24 867	18 008	34 190
Beginning of period	34 190	17 725	17 725
Total comprehensive income for the period	6 336	980	(4 760)
Dividend paid	(771)	(633)	(824)
Transactions with non-controlling interest	(14 464)	(64)	(64)
Acquisition of subsidiary	–	–	22 113
Disposal of subsidiary	(424)	–	–
Total equity at end of period	976 955	749 333	953 203
Dividend per share (cents)	4,0	3.5	10,8

CONDENSED GROUP STATEMENT OF FINANCIAL POSITION

at 31 August and 28 February 2013

	Unaudited 31 Aug 13 R'000	Unaudited 31 Aug 12 R'000	Audited 28 Feb 13 R'000
ASSETS			
Intangible assets	730 981	803 950	732 524
Property and equipment	29 856	25 310	27 355
Investment property	2 036	–	2 036
Investments in associated companies	39 064	32 863	43 031
Investment in joint ventures	9 000	–	8 682
Deferred income tax	25 986	41 160	29 271
Financial assets linked to investment contracts	11 310 094	9 661 410	10 272 444
Other financial assets	11 161 089	9 610 120	10 207 348
Cash and cash equivalents	149 005	51 290	65 096
Other financial assets	521 193	108 893	386 018
Loans and advances	123 721	83 538	119 433
Derivative financial instruments	19 880	13 036	15 955
Reinsurance assets	50 642	–	50 883
Deferred acquisition costs	1 211	–	1 110
Receivables including insurance receivables	1 424 263	213 195	1 704 156
Current income tax assets	16 073	3 946	9 440
Cash and cash equivalents	279 121	176 224	402 953
Total assets	14 583 121	11 163 525	13 805 291
EQUITY			
Equity attributable to owners of the parent			
Share capital	12 210	10 723	12 096
Share premium	1 121 130	849 507	1 093 831
Treasury shares	(547)	728	(620)
Other reserves	(460 119)	(466 459)	(463 262)
Retained earnings	279 414	336 826	276 968
	952 088	731 325	919 013
Non-controlling interests	24 867	18 008	34 190
Total equity	976 955	749 333	953 203
LIABILITIES			
Insurance contracts	415 604	29 990	378 084
Deferred income tax	58 559	71 438	58 481
Borrowings	157 242	238 649	222 597
Derivative financial instruments	20 440	12 703	17 139
Investment contracts	11 310 094	9 661 410	10 272 444
Third-party liabilities arising on consolidation of mutual funds	41 150	2 787	25 103
Deferred reinsurance acquisition revenue	2 328	–	2 889
Trade and other payables	1 588 793	387 380	1 871 629
Current income tax liabilities	11 956	9 835	3 722
Total liabilities	13 606 166	10 414 192	12 852 088
Total equity and liabilities	14 583 121	11 163 525	13 805 291
Net asset value per share (cents)	78,0	68,2	76,0

CONDENSED GROUP STATEMENT OF CASH FLOWS

for the six months ended 31 August and 12 months ended 28 February 2013

	Unaudited 31 Aug 13 R'000	Unaudited 31 Aug 12 R'000	Audited 31 Aug 13 R'000
Cash flow from operating activities	**147 816**	12 683	16 340
Cash generated by operations	**119 998**	109 306	164 313
Cash movement in policyholder funds	**83 909**	(45 928)	(32 122)
Interest paid	**(14 955)**	(16 956)	(30 870)
Income tax paid	**(41 136)**	(33 739)	(84 981)
Cash flow from investment activities	**(16 184)**	(126 717)	(18 665)
Cash flow from financing activities	**(171 514)**	(17 194)	111 640
Net (decrease)/increase in cash and cash equivalents	**(39 882)**	(131 228)	109 315
Cash and cash equivalents at the beginning of the period	**468 008**	358 592	358 592
Exchange gains on cash and cash equivalents	**–**	150	101
Cash and cash equivalents at end of period* (note 1)	**428 126**	227 514	468 008
Cash and cash equivalents consist of:			
Current and cheque accounts	**428 126**	227 514	468 049
Bank overdrafts	**–**	–	(41)
	428 126	227 514	468 008
* Includes the following:			
Clients' cash linked to investment contracts	**149 005**	51 290	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 R121,9 million (31 August 2012: R67,3 million; 28 February 2013: R136,4 million) in respect of Stockbroking business cash.*

NOTES TO THE SUMMARISED FINANCIAL RESULTS

1. REPORTING ENTITY

PSG Konsult Limited (the "company") is a company domiciled in the Republic of South Africa. The condensed consolidated interim financial statements of the company as at and for the six months ended 31 August 2013 comprise the company and its subsidiaries (together referred to as the "group") and the group's interests in associated companies and joint ventures.

The consolidated financial statements of the group as at and for the year ended 28 February 2013 are available on request from the company's registered office or at www.psg.co.za.

2. BASIS OF PRESENTATION

The condensed consolidated interim 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 (Act No 71 of 2008), as amended. These condensed consolidated interim financial statements do not include all the information required for full annual financial statements and should be read in conjunction with the annual financial statements for the year ended 28 February 2013, which were prepared in accordance with IFRS.

3. ACCOUNTING POLICIES

Except for the new standards adopted, all accounting policies applied by the group in the preparation of these condensed consolidated interim financial statements are consistent with those applied by the group in its consolidated financial statements as at and for the year ended 28 February 2013. The group has adopted the following new standards with a date of initial application of 1 March 2013:

- Amendment to IFRS 7 – Disclosures – 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
- Amendments to IAS 1 – Presentation of Items of Other Comprehensive Income
- Revised IAS 28 – Investments in Associates and Joint Ventures

There was no material impact on the interim financial statements identified based on management's assessment of these standards.

Taxes on income in the interim period are accrued using the tax rate that would be applicable to the expected total annual profit or loss.

4. ESTIMATES

In preparing these condensed consolidated interim financial statements, the significant judgements, estimates and assumptions 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. FINANCIAL RISK MANAGEMENT

The group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, cash flow and fair value interest rate risk and price risk), credit risk and liquidity risk. Insurance activities expose the group to insurance risk (including pricing risk, reserving risk, underwriting risk and reinsurance risk). The group is also exposed to operational 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 interim 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.

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 Management Committee ("Manco") of the group is the CODM for the purpose of IFRS 8 – Operating segments. 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.

6.1 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 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, offer 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 our clients require. 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 re-appraisal of your portfolio, when the need arises.

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 31 August 2013 is set out in notes 6.2 and 6.3.

6.2 Headline earnings per reportable segments

	Wealth	Asset Management	Insure	Total
For the six months ended 31 August 2013				
Headline earnings	**74 494**	**20 229**	**13 925**	**108 648**
– recurring	**74 494**	**20 229**	**13 925**	**108 648**
– non-recurring	**–**	**–**	**–**	**–**
For the six months ended 31 August 2012				
Headline earnings	61 295	11 368	4 322	76 985
– recurring	56 920	11 368	4 322	72 610
– non-recurring	4 375	–	–	4 375
For the year ended 28 February 2013				
Headline earnings	131 765	30 277	11 766	173 808
– recurring	129 109	31 019	14 296	174 424
– non-recurring	2 656	(742)	(2 530)	(616)

6.3 Income per reportable segment

Total income	Wealth	Asset Management	Insure	Total
For the six months ended 31 August 2013				
Total segment income	**986 534**	**273 174**	**467 316**	**1 727 024**
Intersegment income	**(301 021)**	**(145 180)**	**(91 115)**	**(537 316)**
Income from external customers	**685 513**	**127 994**	**376 201**	**1 189 708**
For the six months ended 31 August 2012				
Total segment income	751 925	121 176	198 725	1 071 826
Intersegment income	(179 768)	(22 649)	(29 440)	(231 857)
Income from external customers	572 157	98 527	169 285	839 969
For the year ended 28 February 2013				
Total segment income	1 678 850	304 239	548 314	2 531 403
Intersegment income	(469 334)	(94 759)	(135 805)	(699 898)
Income from external customers	1 209 516	209 480	412 509	1 831 505

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

7. SHARE-BASED PAYMENTS

Effective 1 March 2013 and 1 August 2013, the group granted share options to executive directors and executive management.

For the share incentive schemes the share options are allocated to participants at grant date at market price. The settlement of the purchase consideration payable by the employee in terms of the share options granted occurs on delivery.

The total share-based payment costs recognised in the income statement for the six months ended 31 August 2013 for these schemes was R2 078 000. The schemes vest over a five-year period commencing 1 March 2015 and 1 August 2015 respectively. The share-based payment cost expensed during the six months will be recognised as part of equity.

The total fair value of the 46 550 000 share options granted is R14 063 000 and was determined using the Black-Scholes valuation model.

Vesting of shares occurs as follows:	%
2 years after grant date	25
3 years after grant date	25
4 years after grant date	25
5 years after grant date	25
	100

Number of shares	Price R	Volatility used %	Dividend yield %	Risk-free rate %	Fair value R
46 250 000	2,83	30%	6,0%	6,2%	2,85
300 000	3,40	30%	6,0%	6,2%	3,50

8. RECEIVABLES INCLUDING INSURANCE RECEIVABLES AND TRADE AND OTHER PAYABLES

Included under receivables are broker and clearing accounts at our Stockbroking business of which R1 223 million (31 August 2012: R88 million; 28 February 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 trade and other payables, with the settlement to the clients taking place within three days after the transaction date.

The PSG Konsult Group returned credible results for the six months to 31 August 2013. These results were driven by meaningful contributions from all of PSG Konsult's well-diversified business segments.

PSG Konsult

9. LINKED INVESTMENT CONTRACTS

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

	Investment contract policy-holders R'000	Equity holders R'000	Total R'000
31 August 2013 (Unaudited)			
Investment income	**142 830**	**2 811**	**145 641**
Net fair value gains and losses on financial instruments	**695 375**	**576**	**695 951**
Fair value adjustment to investment contract liabilities	**(751 588)**	**–**	**(751 588)**
Net investment return before taxation	**86 617**	**3 387**	**90 004**
31 August 2012 (Unaudited)			
Investment income	133 241	3 514	136 755
Net fair value gains and losses on financial instruments	337 824	1 333	339 157
Fair value adjustment to investment contract liabilities	(386 638)	–	(386 638)
Net investment return before taxation	84 427	4 847	89 274
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 R80 564 000 (31 August 2012: R77 240 000; 28 February 2013: R158 528 000) linked to the investment contract policyholder liabilities.*

10. EARNINGS AND HEADLINE EARNINGS PER SHARE

	Unaudited 31 Aug 13 R'000	Unaudited 31 Aug 12 R'000	Audited 28 Feb 13 R'000
Total earnings attributable to ordinary shareholders	**111 441**	78 019	58 131
Non-headline items (net of tax and non-controlling interests)			
– (Profit)/loss on sale of associated companies	**(3 384)**	–	7 195
– Loss on step-up of associated companies	**–**	–	959
– Loss/(profit) on sale of intangible assets	**1 633**	(600)	(1 049)
– Loss on sale of books of business	**–**	–	3 212
– Profit on sale of subsidiary companies	**(643)**	–	(4 571)
– Impairment of intangible assets (including goodwill)	**–**	584	110 999
– Other	**(399)**	(1 018)	(1 068)
Headline earnings	**108 648**	76 985	173 808
– Recurring	**108 648**	72 610	174 424
– Non-recurring	**–**	4 375	(616)
Earnings per share (cents)			
– Attributable (basic and diluted)	**9,1**	7,3	5,1
– Headline (basis and diluted)	**8,9**	7,2	15,4
– Recurring headline (basis and diluted)	**8,9**	6,8	15,4
Number of shares (million)			
– in issue (net of treasury shares)	**1 221,0**	1 072,3	1 209,2
– weighted average	**1 221,0**	1 072,3	1 131,9

11. 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 group now holds 90% of the share capital of Western Group Holdings Limited.

	Group R'000
Carry amount of non-controlling interests acquired	14 428
Consideration paid to non-controlling interests – cash	(33 000)
Excess of consideration paid recognised in equity	(18 572)

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

As at 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.

12. 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 unit trust

The group deconsolidated the PSG Stable Fund during the six months ended 31 August 2013 as the group lost control of this fund due to a decrease in the direct interest in this fund.

Net assets sold:	Group R'000
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)

13. 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 loss of R56 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.

14. FINANCIAL INSTRUMENTS

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.

Financial assets	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
At 31 August 2013				
Derivative financial assets	–	19 880	–	19 880
Other financial assets	33 909	482 843	4 443	521 195
Financial assets linked to investment in investment contracts	668 610	6 115 003	2 688 053	9 471 666
	702 519	6 617 726	2 692 496	10 012 741
Financial liabilities				
At 31 August 2013				
Derivative financial liabilities	–	20 440	–	20 440
Investment contracts	–	6 784 465	2 688 053	9 472 518
Insurance contracts	–	27 330	–	27 330
Trade and other payables	–	–	4 929	4 929
Third-party liabilities arising on consolidation of mutual funds	–	41 150	–	41 150
	–	6 873 385	2 692 982	9 566 367

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

Assets	Unaudited 31 Aug 13 R'000	Unaudited 31 Aug 12 R'000	Audited 28 Feb 13 R'000
Opening carrying value	2 270 795	1 987 538	1 987 538
Additions	259 898	337 035	694 558
Disposals	(209 595)	(136 590)	(640 269)
Fair value adjustment	371 398	133 641	224 851
Other movements not through profit or loss	–	–	113
Interest and other	–	349	7 699
Disposal of subsidiaries	–	–	(3 695)
	2 692 496	2 321 973	2 270 795
Liabilities			
Opening carrying value	2 272 810	2 048 303	2 048 303
Additions	264 264	349 534	702 438
Disposals	(215 061)	(195 309)	(707 753)
Fair value adjustment	371 316	133 641	230 554
Other movements not through profit or loss	(451)	(1 285)	–
Interest and other	104	(599)	(732)
	2 692 982	2 334 285	2 272 810

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:

	Unaudited 31 Aug 13 R'000	Unaudited 31 Aug 12 R'000	Audited 28 Feb 13 R'000
Financial assets linked to investment contracts			
– Carrying value	1 689 423	1 735 297	1 806 293
– Fair value	1 716 934	1 885 417	1 901 759

15. CAPITAL COMMITMENTS AND CONTINGENCIES

	Unaudited 31 Aug 13 R'000	Unaudited 31 Aug 12 R'000	Audited 28 Feb 13 R'000
Operating lease commitments	81 335	60 044	64 753

16. EVENTS AFTER THE REPORTING PERIOD

No event material to the understanding of these results has occurred between the end of the reporting period and the date of approval of the results other than as disclosed below:

- A further shareholder agreement was concluded, which the Financial Services Board approved on 16 September 2013, for PSG to acquire the remaining 10% minority shareholding in Western Group Holdings Limited and then sell 40% of the total holding to Santam.