

## SUMMARISED FINANCIAL REPORT

Reviewed results for the year ended 28 February 2013

## FINANCIAL HIGHLIGHTS

### Salient features:

- Revenue increases by 13,9%
- Recurring headline earnings increases by 15,3%
- Recurring headline earnings per share increases by 9,2%
- Dividend per share of 10,8 cents increases by 4,9%
- Funds under administration increases by 24,2%

## ADMINISTRATIVE INFORMATION

**Registration number:** 1993/003941/06

**Directors:** J de V du Toit (Chairman), W Theron (CEO)\*, FJ Gouws (Deputy CEO)\*, TW Biesenbach (COO)\*, HB Lindes (CFO)\*, JF Mouton, L de Wit, PJ Mouton \* Executive directors

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

**Auditor:** PricewaterhouseCoopers Inc.

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

## PSG KONSULT GROUP – COMMENTARY ON RESULTS

The PSG Konsult Group returned credible results for the financial year ended 28 February 2013. These results were driven by meaningful contributions from all of PSG Konsult's well-diversified business segments, with PSG Asset Management making a significant contribution to growth in earnings over the past year (largely aided by performance fees). PSG Konsult Financial Planning and PSG Online (which in future will form part of the PSG Wealth Division) also returned good results. The insurance segment of the business did not perform as well as anticipated, largely due to the restructuring of the short-term administration business, a soft premium market and decreased underwriting profits (as seen across the industry) due to natural disasters.

The group's key financial indicators are listed below:

- Revenue, consisting of premiums, commission and other operating income increased by 13,9% to R1 570 million (2012: R1 379 million).
- The group's recurring headline earnings increased by 15,3% to R174,4 million (2012: R151,3 million), while headline earnings increased by 7,1% to R173,8 million (2012: R162,3 million).
- Recurring headline earnings per share (HEPS) increased by 9,2% to 15,4 cents (2012: 14,1 cents) while HEPS increased by 1,3% to 15,4 cents per share (2012: 15,2 cents).
- Funds under administration increased by 24,2% to R172,6 billion (2012: R139,0 billion).
- Short-term premiums administered increased to R1 650 million (2012: R1 600 million) on an annualised basis (including the premiums added from the Western Group Holdings Limited acquisition less the sale of the third-party short-term administration book of business).
- The total dividend declared in respect of the 2013 financial year is up 4,9% as compared to 2012 (10,8 cents versus 10,3 cents).

The group focuses on creating sustainable income. The figures below highlight the growth (15,3%) in recurring earnings of the group:

	2013 R'000	Change %	2012 R'000
Attributable earnings to owners of the parent	58 131	(62,3)	154 322
Exclude non-headline items (refer note 3)	115 677		7 960
– Impairments	110 999		9 755
– Other non-headline items	4 678		(1 795)
Headline earnings	173 808	7,1	162 282
Less: Non-recurring earnings	616		(10 977)
– PSG Asset Management Life release to income (historical positions, etc)	(8 155)		(12 621)
– Restructuring costs	8 910		–
– Other	(139)		1 644
Recurring headline earnings	174 424	15,3	151 305
HEPS	15,4c	1,3	15,2c
Recurring HEPS	15,4c	9,2	14,1c

### Restructuring

In positioning itself as a fully fledged financial services group, the group will be taken forward under three distinct business segments, being Wealth, Asset Management and Insure. As part of the positioning of the group, management has embarked on setting a comprehensive strategy for the next three financial years. This strategy encompassed certain restructuring actions and costs, to optimally align and focus the three main business divisions going forward. The restructuring costs amounted to R8,9 million and are non-recurring in nature. In aligning the divisions and focusing the business, impairments of intangible assets and goodwill of R111,0 million (net of tax and non-controlling interests) were recognised, which is included under marketing, administration and other operating expenses in the income statement.

The impairments largely took place in the insurance segment of the business. The carrying value of the remaining intangibles and goodwill were carefully assessed and management does not expect any further impairments.

### Corporate actions

The group also embarked on a successful rights offer during September 2012, issuing 107,2 million shares and raising capital of R187,7 million, the proceeds of which were applied to capital adequacy requirements and the acquisition of Western Group Holdings Limited as detailed below.

### Acquisitions

Following the acquisition of an initial 24% stake in Western Group Holdings Limited the group increased its stake to 75% effective from November 2012. Agreement has been reached to acquire the remaining 25% stake effective 1 March 2013 subject to regulatory approval.

### Highlights of the 2013 financial year

PSG Online has won the 2012 *Business Day Investors Monthly Stockbroker of the Year award* for the second consecutive year.

PSG Konsult Financial Planning won the 2012 *Business Day Investors Monthly Wealth Manager of the Year award* in the *Up and Coming Professionals* category.

We are proud of these achievements.

### Looking forward

The group's strategy going forward will be to unlock value for its shareholders through the following:

- Utilising the synergies between its business segments to create business development opportunities, including a simplified organisational structure
- Extending the group's sharing in the value chain, with a focus on the short-term insurance and asset management markets
- Positioning the group through its comprehensive range of services and products as a fully fledged financial services group

The group now has three main focus areas of business, namely Wealth, Asset Management and Insure. From a branding point of view, we will be positioning the group under the master brand PSG. This will enable us to leverage from the trust and equity in the brand, while also being consistent with colloquial language, where people simply refer to us as "PSG".

### 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 3,5 cents was declared during October 2012 in respect of the 2013 financial year. The directors of PSG Konsult Limited have resolved to declare a gross final dividend of 7,3 cents (2012: 7,3 cents) per share in respect of the year ended 28 February 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 6,2 cents per share, unless the shareholder is exempt from paying dividends tax or is entitled to a reduced rate in terms of the applicable double-tax agreement. The number of issued ordinary shares is 1 209 582 615 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, 19 April 2013

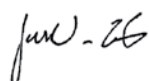
Last day of registration (T+5)

Friday, 26 April 2013

Date of payment

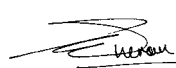
Monday, 6 May 2013

On behalf of the board



**Jaap du Toit**  
Chairman

Hermanus  
11 April 2013



**Willem Theron**  
Chief Executive Officer

The PSG Konsult Group returned credible results for the financial year. These results were driven by meaningful contributions from all of PSG Konsult's well-diversified business segments.



**CONDENSED GROUP INCOME STATEMENT**

for the year ended 28 February 2013

	Reviewed 28 Feb 13 R'000	Audited 29 Feb 12 R'000
<b>INCOME</b>		
Gross written premium	126 648	–
Less: Reinsurance written premium	(58 859)	–
<b>Net premium</b>	<b>67 789</b>	–
Change in unearned premium		
– Gross	(5 277)	–
– Reinsurers' share	4 053	–
<b>Net insurance premium revenue</b>	<b>66 565</b>	–
Commission and other fee income	1 460 872	1 336 712
Net fair value gains and losses on financial instruments	944 726	427 846
Fair value adjustment to investment contract liabilities	(1 028 090)	(484 557)
Investment income	345 185	272 631
Other operating income	42 247	42 229
<b>Total income</b>	<b>1 831 505</b>	<b>1 594 861</b>
<b>EXPENSES</b>		
Insurance claims and loss adjustment expenses	(93 919)	279
Insurance claims and loss adjustment expenses recovered from reinsurers	33 945	–
<b>Net insurance benefits and claims</b>	<b>(59 974)</b>	<b>279</b>
Marketing, administration and other operating expenses	(1 450 393)	(1 190 276)
<b>Total expenses</b>	<b>(1 510 367)</b>	<b>(1 189 997)</b>
Share of profits/(losses) of associated companies	4 157	(38)
Loss on impairment of associated companies	(51)	–
Share of profits of joint ventures	158	–
<b>RESULTS OF OPERATING ACTIVITIES</b>	<b>325 402</b>	<b>404 826</b>
Finance costs	(189 398)	(169 631)
<b>Profit before taxation</b>	<b>136 004</b>	<b>235 195</b>
Taxation	(82 633)	(73 516)
<b>NET PROFIT FOR THE PERIOD</b>	<b>53 371</b>	<b>161 679</b>
Attributable to non-controlling interest	(4 760)	7 357
Attributable to owners of the parent	<b>58 131</b>	<b>154 322</b>
	<b>53 371</b>	<b>161 679</b>

**CONDENSED GROUP STATEMENT OF COMPREHENSIVE INCOME**

for the year ended 28 February 2013

	Reviewed 28 Feb 13 R'000	Audited 29 Feb 12 R'000
<b>NET PROFIT FOR THE PERIOD</b>	<b>53 371</b>	<b>161 679</b>
Other comprehensive income for the year, net of taxation	408	824
Currency translation adjustments	892	340
Fair value gains/(losses) on available-for-sale financial assets	625	(942)
Recycling adjustment on available-for-sale investments	(1 109)	1 426
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, net of taxation</b>	<b>53 779</b>	<b>162 503</b>
Attributable to non-controlling interest	(4 760)	7 357
Attributable to owners of the parent	<b>58 539</b>	<b>155 146</b>
	<b>53 779</b>	<b>162 503</b>

**CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY**

for the year ended 28 February 2013

	Reviewed 28 Feb 13 R'000	Audited 29 Feb 12 R'000
<b>Ordinary shareholders' equity at beginning of period</b>	<b>726 843</b>	<b>490 721</b>
Total comprehensive income for the year	58 539	155 146
Net shares issued	245 697	506 867
Net movement in treasury shares	3 605	(2 571)
Dividend paid	(119 427)	(76 127)
Acquisition of subsidiary: PSG AM Holdings	–	(344 122)
Share-based payment costs – employees	2 441	2 284
Transactions with non-controlling interest	(1 686)	(5 355)
Other	3 001	–
<b>Ordinary shareholders' equity at end of period</b>	<b>919 013</b>	<b>726 843</b>
<b>Non-controlling interests</b>	<b>34 190</b>	<b>17 725</b>
Beginning of period	17 725	10 787
Total comprehensive income for the year	(4 760)	7 357
Dividend paid	(824)	(4 202)
Transactions with non-controlling interest	(64)	1 935
Acquisition of subsidiary	22 113	7 176
Disposal of subsidiaries	–	(5 328)
<b>Total equity at end of period</b>	<b>953 203</b>	<b>744 568</b>

**CONDENSED GROUP STATEMENT OF FINANCIAL POSITION**

at 28 February 2013

	Reviewed 28 Feb 13 R'000	Audited 29 Feb 12 R'000
<b>ASSETS</b>		
Property and equipment	27 355	26 749
Investment property	2 036	–
Intangible assets	732 524	815 357
Investments in associated companies	43 031	11 350
Investment in joint ventures	8 682	–
Deferred income taxation	29 271	33 116
Equity securities (note 5)	1 012 773	874 968
Debt securities (note 5)	2 011 484	2 048 742
Unit-linked investments (note 5)	6 720 464	5 219 174
Investment in investment contracts (note 5)	848 645	994 380
Loans and advances	119 433	67 529
Derivative financial instruments	15 955	9 532
Reinsurance assets	50 883	–
Deferred acquisition costs	1 110	–
Receivables including insurance receivables	1 704 156	2 377 207
Current income tax assets	9 440	4 125
Cash and cash equivalents (note 5)	468 049	358 637
<b>Total assets</b>	<b>13 805 291</b>	<b>12 840 866</b>
<b>EQUITY</b>		
<b>Equity attributable to owners of the parent</b>		
Share capital	12 096	10 723
Share premium	1 093 831	849 507
Treasury shares	(620)	(2 571)
Other reserves	(463 262)	(469 740)
Retained earnings	276 968	338 924
	919 013	726 843
Non-controlling interests	34 190	17 725
<b>Total equity</b>	<b>953 203</b>	<b>744 568</b>
<b>LIABILITIES</b>		
Insurance contracts	378 084	29 949
Deferred income taxation	58 481	68 005
Borrowings	222 597	178 678
Derivative financial instruments	17 139	7 831
Investment contracts (note 5)	10 272 444	9 144 681
Third-party liabilities arising on consolidation of mutual funds	25 103	16 008
Deferred reinsurance acquisition revenue	2 889	–
Trade and other payables	1 871 629	2 646 146
Current income tax liabilities	3 722	5 000
<b>Total liabilities</b>	<b>12 852 088</b>	<b>12 096 298</b>
<b>Total equity and liabilities</b>	<b>13 805 291</b>	<b>12 840 866</b>
Net asset value per share (cents)	76,0	67,9

## CONDENSED GROUP STATEMENT OF CASH FLOWS

for the year ended 28 February 2013

	Reviewed 28 Feb 13 R'000	Audited 29 Feb 12 R'000
<b>Cash flow from operating activities</b>	<b>16 340</b>	(24 498)
Cash generated by operations	164 313	214 867
Cash movement in policyholder funds	(32 122)	(126 810)
Interest paid	(30 870)	(30 085)
Income tax paid	(84 981)	(82 470)
<b>Cash flow from investment activities</b>	<b>(18 665)</b>	203 384
<b>Cash flow from financing activities</b>	<b>111 640</b>	(100 054)
Net increase in cash and cash equivalents	109 315	78 832
Cash and cash equivalents at the beginning of the year	358 592	279 676
Exchange gains on cash and cash equivalents	101	84
<b>Cash and cash equivalents at the end of the year (note 1)</b>	<b>468 008</b>	358 592
<b>Cash and cash equivalents consist of:</b>		
Current and cheque accounts	468 049	358 637
Bank overdrafts	(41)	(45)
	<b>468 008</b>	358 592

Notes to the statement of cash flows

- 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 R136,4 million in respect of Stockbroking business cash (2012: R108,9 million).

## NOTES TO THE SUMMARISED FINANCIAL RESULTS

### 1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

The summarised consolidated financial information of PSG Konsult Limited ("the group") has been prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards (IFRS), including IAS 34 – Interim Financial Reporting and the requirements of the South African Companies Act (Act No 71 of 2008).

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

### 2. SEGMENT INFORMATION

#### 2.1 Composition

The composition of the reportable segments represents the internal reporting structure and the monthly reporting to the Chief Operating Decision-maker ("CODM"). The Executive Committee ("Exco") of the group still remains the CODM for the purpose of IFRS 8, Segment Reporting, up to

28 February 2013. Effective 1 March 2013, the Group will be organised into three reportable segments, namely:

- PSG Wealth
- PSG Insure
- PSG Asset Management.

The segment information provided to the Exco:

	Reviewed 28 Feb 13 R'000	Audited 29 Feb 12 R'000
<b>Income</b>		
PSG Konsult Financial Planning*	930 118	797 206
– Total segment income	932 983	802 161
– Internal	(2 865)	(4 955)
PSG Konsult Corporate	110 855	114 518
– Total segment income	111 624	114 867
– Internal	(769)	(349)
PSG Online	111 835	103 541
– Total segment income	318 090	289 090
– Internal	(206 255)	(185 549)
PSG Asset Management	541 309	454 049
– Total segment income	650 613	549 541
– Internal	(109 304)	(95 492)
Total income for reportable segments	1 694 117	1 469 314
Unallocated segments	137 388	125 547
<b>Total income</b>	<b>1 831 505</b>	1 594 861
<b>Headline earnings**</b>		
PSG Konsult Financial Planning*	86 174	82 856
PSG Konsult Corporate	7 663	11 716
PSG Online	33 994	29 648
PSG Asset Management	74 401	54 371
Unallocated segments***	(28 424)	(16 309)
	<b>173 808</b>	162 282
<b>Recurring headline earnings</b>		
PSG Konsult Financial Planning*	89 852	84 953
PSG Konsult Corporate	9 132	8 608
PSG Online	34 249	29 648
PSG Asset Management	67 696	41 750
Unallocated segments***	(26 505)	(13 654)
	<b>174 424</b>	151 305

\* Included in the 2013 figures for PSG Konsult Financial Planning are the results of PSG Konsult Short-Term Admin, the remaining portion of Topexec Management Bureau after the sale of the third-party short-term administration book of business. Topexec Management Bureau was included in the unallocated segments for 2012.

\*\* The group uses headline earnings (not the standalone profit and loss figures) as a measure of the individual entity's performance and to compare this to other entities in the industry.

\*\*\* The headline earnings figure disclosed for unallocated segments mainly comprise costs incurred in respect of the PSG Konsult Group's treasury function, executive management, training and corporate expenses, income from associated companies and the results of the group's interest in smaller entities.

### 2.2 Description of business segments

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

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

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

- Online Securities Limited, a member of the JSE, provides all stockbroking and related investment services.

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

### 3. EARNINGS PER SHARE

	Reviewed 28 Feb 13 R'000	Audited 29 Feb 12 R'000
<b>Total earnings attributable to ordinary shareholders</b>	<b>58 131</b>	154 322
<b>Non-headline items (net of tax and non-controlling interests)</b>		
– Profit on sale of intangible assets	(1 049)	(3 690)
– Loss on sale of associated companies	7 195	–
– Loss on step-up of associated companies	959	895
– Loss/(profit) on sale of property and equipment	311	(213)
– Profit on sale of subsidiary companies	(4 571)	(297)
– Non-headline items of associated companies	(321)	84
– (Profit)/loss on sale of available-for-sale financial assets	(1 109)	1 426
– Impairment of intangible assets (including goodwill)	110 999	9 755
– Impairment of associated companies	51	–
– Loss on sale of book of business	3 212	–
<b>Headline earnings</b>	<b>173 808</b>	162 282
– Recurring	174 424	151 305
– Non-recurring	(616)	10 977
<b>Earnings per share (cents)</b>		
– Attributable (basic and diluted)	5,1	14,4
– Headline (basic and diluted)	15,4	15,2
– Recurring headline (basic and diluted)	15,4	14,1
<b>Number of shares (million)</b>		
– in issue (net of treasury shares)	1 209,2	1 070,6
– weighted average	1 131,9	1 070,7

#### 4. CAPITAL COMMITMENTS AND CONTINGENCIES

	Reviewed 28 Feb 13 R'000	Audited 29 Feb 12 R'000
Operating lease commitments	64 753	66 872

#### 5. 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 policy holders' assets and liabilities was as follows:

	Investment contract policy holders R'000	Equity holders R'000	Total R'000
<b>2013</b>			
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 adjustments to investment contract liabilities	(1 028 090)	–	(1 028 090)
<b>Net investment return before taxation</b>	<b>181 082</b>	<b>9 453</b>	<b>190 535</b>
<b>2012</b>			
Investment income	223 973	9 062	233 035
Net fair value gains and losses on financial instruments	422 934	2 405	425 339
Fair value adjustments to investment contract liabilities	(484 557)	–	(484 557)
<b>Net investment return before taxation</b>	<b>162 350</b>	<b>11 467</b>	<b>173 817</b>

Included under finance cost is an interest charge of R158 528 000 (2012: R139 546 000) linked to the investment contract policyholder liabilities.

Investment contracts are represented by the following financial assets:

	Reviewed 28 Feb 13 R'000	Audited 29 Feb 12 R'000
Equity securities	981 144	865 353
Debt securities	1 884 446	2 001 038
Unit-linked investments	6 493 113	5 186 692
Investment in investment contracts	848 645	994 380
Cash and cash equivalents	65 096	97 218
	<b>10 272 444</b>	<b>9 144 681</b>

#### 6. RELATED-PARTY TRANSACTIONS

Related-party transactions similar to those disclosed in the group's annual financial statements for the year ended 29 February 2012 took place during the year, except for transactions, receivables and payables with Western Group Holdings' companies, which were eliminated on consolidation from 1 November 2012 or shown as related-party transactions.

- i) *Western Group Holdings Limited*  
Effective 1 March 2012, the group acquired a 24% interest in Western Group Holdings Limited ("Western") for R19 340 000, a Namibian-based holding company with two short-term insurance licences, one in South Africa and the other in Namibia. 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.

*Details of the net assets acquired and goodwill are as follows:*

	Group R'000
Cash paid on effective date	53 600
PSG Konsult Limited ordinary shares issued (30 051 282 at R1,95 per share)	58 600
Total purchase consideration	112 200
Less: Fair value of net assets acquired	(88 451)
Non-controlling interest	22 113
Loss on remeasurement of previous equity interest	(959)
Derecognition of investment in associated company	21 674
Goodwill recognised on acquisition	66 577

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

The assets and liabilities arising from the acquisition are as follows:	Fair value R'000	Acquiree's carry amount R'000
Property and equipment	6 266	6 266
Intangible assets	10 744	–
Investment property	2 036	2 036
Investments in associated companies	37 187	37 187
Investments in joint ventures	8 524	8 524
Equity securities	12 988	12 988
Debt securities	16 750	16 750
Unit-linked investments	145 048	145 048
Loans and receivables	37 310	37 310
Reinsurance asset	42 272	42 272
Receivables	24 624	24 624
Cash and cash equivalents	114 223	114 223
Deferred income tax	8 702	8 702
Deferred income tax liability raised on intangible assets	(3 008)	–
Current income tax asset	263	263
Insurance contracts	(323 261)	(323 261)
Deferred acquisition revenue relating to reinsurance contracts	(1 914)	(1 914)
Deferred acquisition costs relating to insurance contracts	1 288	1 288
Borrowings	(618)	(618)
Trade and other payables	(50 973)	(50 973)
	<b>88 451</b>	<b>80 715</b>

The results included in the consolidated income statement contributed by Western included net insurance premium revenue of R66 565 000 and profit after tax (before minorities and amortisation) of R4 161 000.

#### 7. DISPOSAL OF SUBSIDIARIES

- i) *PSG South Easter Fund Management*

The group, through its subsidiary PSG Asset Management Holdings, sold its interest in PSG South Easter Fund Management on 1 December 2012 for a consideration of R8 054 000.

	Group R'000
<i>Net assets of subsidiary sold:</i>	
Property and equipment	38
Unit-linked investments	3 695
Receivables	479
Cash and cash equivalents	1 768
Deferred income tax	48
Current income tax liabilities	(610)
Trade and other payables	(2 525)
Net assets of subsidiary sold	2 893
Profit on sale of subsidiary	5 161
Cash proceeds on sale	8 054
Deferred consideration	(3 331)
Cash and cash equivalents of subsidiary	(1 768)
Net cash flow on disposal of subsidiary	2 955

- ii) *Disposal of books of business*

The group, through its subsidiary Topexec Management Bureau, sold its third-party short-term administration business on 1 September 2012 to a third-party for a consideration of R13 557 000.

	Group R'000
<i>Net assets of subsidiary sold:</i>	
Property and equipment	390
Intangible assets	18 231
Net assets of books of business sold	18 621
Loss on sale of books of business	(5 064)
Cash proceeds on sale	13 557
Cash and cash equivalents of books of business	–
Net cash flow on disposal of books of business	13 557

iii) *Disposal of hedge fund*

The group deconsolidated the Orange Prime Fund during the current financial year as the percentage interest held in this fund fell below the 25% threshold.

	Group R'000
<i>Net assets sold:</i>	
Equity securities	30 467
Receivables	1 111
Third-party liabilities arising on consolidation of mutual funds	(15 542)
Trade and other payables	(85)
Net asset value	15 951
Transfer to investments in unit-linked investments	(15 951)
Total cash consideration received	—

## 8. ACQUISITION AND DISPOSAL OF ASSOCIATED COMPANIES

The group, through its subsidiary PSG Konsult Brokers UK, sold the 50% interest held in PSG Consult Limited on 2 January 2013, resulting in a non-headline loss of R6 433 000.

Effective 1 September 2012 and 28 February 2013, the group, through its subsidiary Abrafield, sold its 30% interest held in Karana Property Investments and its 30% interest held in Jamwa Beleggings, resulting in a non-headline loss of R1 105 000 and a non-headline profit of R342 000 respectively.

Abrafield obtained an additional interest of 5% in Cinetaur on 1 March 2012 for a consideration of R21 900, increasing its interest in the company from 35% to 40%.

## 9. RECLASSIFICATION

A reclassification of a portion of the policyholder assets of PSG Asset Management Life Limited has occurred subsequent to the release of the abridged report on 11 April 2013 to ensure consistency between the classification in terms of IAS 39 and IFRS 7. The reclassification is limited to the statement of financial position as at 28 February 2013. The following line items on the face of the statement of financial position were impacted: debt securities, unit-linked investments and investment in investment contracts. The reclassification had no impact on profit and loss.

This report includes above changes and replaces the report published on the PSG Konsult website on 11 April 2013.

## 10. FINANCIAL RISK MANAGEMENT

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

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

The summarised 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.

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

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

Included in the equity securities of R1 012,8 million (2012: R874,9 million) are quoted equity securities of R1 011,9 million (2012: R874,1 million), of which R981,1 million (2012: R865,4 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 the market prices move  $\pm 20\%$  either way, the impact on after-tax profits would be R11,8 million\* (2012: R2,8 million); a movement of  $\pm 20\%$  in exchange rates will have an impact on after-tax profits of R0,7 million (2012: R2,9 million).

Debt securities linked to policyholder investments amounted to R1 637,7 million (2012: R2 001,0 million) and do not expose the group to interest rate risk; cash and cash equivalents linked to policyholder investments amounted to R65,1 million (2012: R97,2 million) and do not expose the Group to interest rate risk. On the remaining financial instruments, if the interest rates moved  $\pm 1\%$  either way, the impact on after-tax profits would be R4,2 million (2012: R2,6 million).

\* The increase in the market price sensitivity year-on-year is due to the change in the investment strategy applied to the shareholder portfolio in PSG Asset Management Life.

### Fair value estimation

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

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

<b>The following financial assets are measured at fair value at the end of February</b>	<b>Level 3 2013 R'000</b>	Level 3 2012 R'000
<b>ASSETS</b>		
<i>Financial assets at fair value through profit or loss</i>		
Unit-linked investments	2 266 533	1 716 766
Debt securities	3 416	266 333
Loans and advances	—	3 594
<i>Available-for-sale</i>		
Equity securities	845	845
	<b>2 270 794</b>	<b>1 987 538</b>
<b>LIABILITIES</b>		
<i>Financial liabilities at fair value through profit or loss</i>		
Investment contracts	2 266 522	1 981 494
Purchase consideration payable	6 288	66 809
	<b>2 272 810</b>	<b>2 048 303</b>

## 11. EVENTS AFTER THE REPORTING PERIOD

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

Agreement has been reached between PSG Konsult and the minority shareholders of Western, whereby PSG Konsult will acquire the remaining 25% in Western effective 1 March 2013 for a cash consideration of R55,0 million. The transaction is subject to regulatory approval.

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

