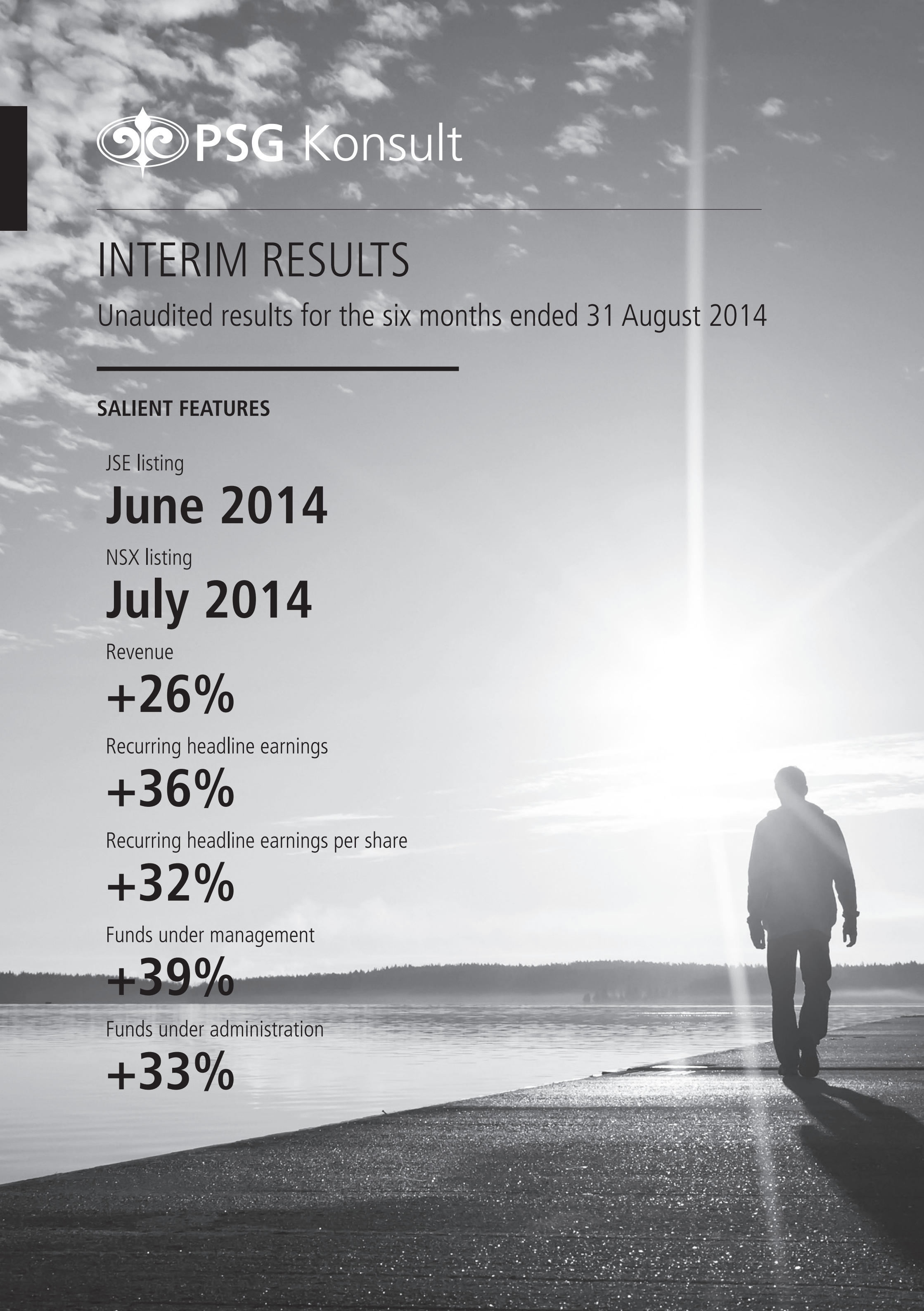

PSG Konsult

INTERIM RESULTS

Unaudited results for the six months ended 31 August 2014

SALIENT FEATURES

JSE listing

June 2014

NSX listing

July 2014

Revenue

+26%

Recurring headline earnings

+36%

Recurring headline earnings per share

+32%

Funds under management

+39%

Funds under administration

+33%

CONTENTS

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The condensed consolidated interim financial statements were prepared by Stephan van der Merwe, CA(SA), under the supervision of the chief financial officer, Mike Smith, CA(SA)

Commentary

PSG Konsult Limited ('PSG Konsult') has delivered a credible first set of interim results after its successful listing on the JSE Limited ('JSE') in June 2014 and on the Namibian Stock Exchange ('NSX') in July 2014. Our Asset Management and Wealth divisions produced particularly commendable results, while results from the Insure division were slightly lower than expected. In particular, we are pleased with the business's top line revenue growth achievement, which has been a specific area of management focus and is up 26% from the prior comparative period.

PSG Wealth remains a key revenue driver and has maintained its upward revenue trend. It benefited from strong organic growth and positive client inflows, as well as generally favourable market conditions, resulting in the FTSE/JSE All Share Index increasing by 8% since 28 February 2014 and by 21% since 31 August 2013. Management fees have increased by 39% and brokerage income by 19%. Managed assets increased by 16% to R98.6 billion (February 2014: R84.7 billion) and total wealth assets by 12% to R239.5 billion (February 2014: R214.4 billion). In particular, we are pleased with the R8 billion in net inflows of managed assets during the period.

PSG Asset Management remains a high-growth area. Increased brand awareness has facilitated strong client inflows from both retail and institutional investors. PSG Asset Management attracted net inflows of R5.6 billion, including a new R1.0 billion institutional asset management mandate. The total assets under management increased by 39% to R21.9 billion (February 2014: R15.8 billion), while assets under administration increased by 24% to R60.6 billion (February 2014: R49.0 billion). It is further notable that there is less reliance on performance fees, with these fees contributing only 6% of PSG Konsult's headline earnings, compared to 9% for the six months ended 31 August 2013.

To reduce our overall exposure to operational and reputational risk, PSG Asset Management has decided to exit all its current non-group related white label agreements. While reducing risk, we expect that this decision will have an immaterial impact on PSG Konsult's profitability.

PSG Insure achieved 29% revenue growth compared to the six-month period ended 31 August 2013 in a fiercely competitive market. Operating costs were well contained (increasing by only 4%) but the net claims loss ratio in Western Group Holdings Limited ('Western') increased due to higher weather-related and commercial motor claims. Net income after tax prior to minorities increased by 28%, but due to the corporate transaction concluded with Santam effective 19 September 2013, PSG Konsult's shareholding in Western diluted from 90% to 60%. This had a R5.6 million adverse impact on the overall headline earnings contribution of PSG Insure.

PSG Konsult's key financial performance indicators for the six months ended 31 August 2014 are as follows:

	31 Aug 14 R000	Change %	31 Aug 13 R000
Earnings attributable to ordinary shareholders	**145 494**	31	111 441
Non-headline items	**(97)**	(97)	(2 793)
Headline earnings	**145 397**	34	108 648
Non-recurring items – JSE listing fees	**1 914**	–	–
Recurring headline earnings	**147 311**	36	108 648
Weighted average number of shares in issue (million)	**1 259.5**	3	1 220.5
Earnings per share (cents)			
– Recurring headline (basic and diluted)*	**11.7**	32	8.9
– Headline (basic and diluted)*	**11.5**	30	8.9
– Attributable (basic and diluted)*	**11.6**	28	9.1
Dividend per share (cents)	**4.0**	–	4.0
Funds under management (R billion)	**129**	39	93
Funds under administration (R billion)	**266**	33	200
Divisional headline earnings			
PSG Wealth	**93 907**	33	70 882
PSG Asset Management	**33 758**	63	20 727
PSG Insure	**17 732**	4	17 039
	145 397	34	108 648

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

Debt funding and cash flow management

During the period under review, PSG Konsult focused on optimising its cash flow management and reducing its debt funding position to improve overall debt funding costs. We also successfully negotiated the accelerated repayment of certain long-term and short-term funding facility arrangements. Core business debt declined to R61.3 million (February 2014: R110.6 million), which has improved our debt to equity ratio to 5% from 10% at year-end.

Credit rating

The rating agency Global Credit Rating Company (GCR) upgraded PSG Konsult's long-term rating to BBB+ (previously BBB). It also affirmed the short-term rating of A2, with the outlook accorded as Stable. This is as a result of PSG Konsult's strong operational performance over the past two years, the increased financial strength, and stability built into its business model.

Furthermore, the successful JSE listing had a positive impact in terms of raising PSG Konsult's profile and improving its access to capital. This combined with our low debt profile, provides substantial funding flexibility allowing us to consider acquisitions or similar transactions should the opportunities arise.

We remain confident as management demonstrates its ability to unlock long-term growth in income and operating profit regardless of market cycles.

Achievements

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

PSG Wealth

- Runner up in the 2014 *Business Day Investors Monthly* 'Top Private Bank and Wealth Manager' award and also voted the top 'Wealth Manager for Successful Entrepreneurs'.
- Consistently ranked as one of South Africa's Top 3 stockbrokers in the *Business Day Investors Monthly* 'Stockbroker of the Year' award for the past four years, winning joint third place in 2014.

PSG Asset Management

- PSG Asset Management still grows assets faster than the industry and has passed the R20 billion mark for assets under management, and R60 billion for assets under administration. During the period, the first institutional mandate in excess of R1 billion was successfully implemented.

PSG Insure

- Awarded the 'Portfolio Administration Award for Performance Excellence' and 'National Broker Award for Performance Excellence in Personal Lines' at the 2013 National Santam Broker Awards.

People

At the period-end, PSG Konsult had 193 offices and 1 916 employees, of which 629 were financial planners, portfolio managers, stockbrokers and asset managers, plus 396 professional associates (accountants and attorneys). Our advisers increased by 11 (13 were appointed in the Wealth division while 2 left the Insure division) through a combination of organic growth and the selective acquisition of additional adviser books of business. In addition, we concluded a number of strategic hires that provides us with a strong operational platform from which to take the business into the future. Key appointments in the group include a chief technology officer, head of marketing and an internal auditor, as well as a chief executive officer for distribution at PSG Insure.

Wayne Waldeck, the current chief executive officer: PSG Wealth advised the board last year of his intention to retire at the end of 2014. As part of our succession planning Corrie de Bruyn, the current chief executive officer: PSG Life and PSG Online, was identified as his successor and has been working closely with Wayne. Corrie has been a member of the PSG Konsult management and executive committees for a number of years. This, in addition to the support of his strong management team, will ensure a smooth transition in leadership. The board would like to thank Wayne for his valuable contribution to PSG Konsult over the years and wish Corrie all the best in his new role.

Transformation and sustainability

PSG Konsult underwent its first broad-based black economic empowerment (BBBEE) verification process during the period. We were rated as a level 8 BBBEE contributor and approved as a value-adding supplier. This initial rating is viewed as a benchmark and PSG Konsult is committed to improving its BBBEE score. Transformation imperatives underscore the strategies of the three divisions and PSG Konsult as a whole.

Strategy

PSG Wealth's key strategy is to offer a holistic end-to-end client proposition. We achieve this by providing high-quality advice, service excellence and products to grow and preserve our clients' wealth. Our extensive and expanding adviser distribution network allows us to build strong client relationships. By continually innovating and investing in our technological capabilities and reporting platforms, we maintain proper control and custody of our clients' assets. We also provide them with high-quality financial reporting. Additional investment into our internal management information systems has enabled us to unlock operational scale and business efficiencies.

PSG Asset Management has three core areas of strategic focus. The first is delivering excellent long-term investment performance for our clients through our robust and consistent investment process. The second is responsibly growing long-term assets (with a retail emphasis) at an acceptable margin through six key channels: independent advisers, PSG Konsult advisers, platforms, multi-managers, institutional clients and direct clients. Our third core focus is ensuring that we have robust operational processes in place to deliver operational excellence and ensure sound control and custody of our clients' assets. In combination, and underpinned by a solid investment track record, these strategic objectives will allow us to build on our established and respected reputation in the local market.

PSG Insure's strategy is to offer simple, cost-effective insurance solutions and quality advice. This enables us to simplify complex product technicalities for our clients so that they can make clear, informed decisions. We focus on our top calibre advisers to target growth particularly in our commercial client base. In addition, we remain committed to excellence in our underwriting skills. This is both to optimise our insurance and investment risk retention levels and to create value-adding insurance solutions that meet our clients' needs and expectations. We have also invested in our short-term claims and administration platforms, which were centralised to unlock operational efficiencies. This means that our advisers have more face time with their clients. We also focus on building our insurance investment float, which we conservatively invested in short-duration financial instruments to provide additional financial stability.

Marketing

For 2014, emphasis is placed on the renewed drive to build the PSG brand and solidify its status as a key player in the financial services industry. We have clarified our brand architecture, refreshed our corporate identity and established a marketing team. Supported by sustained advertising efforts and strong media relations, this helps our advisers to sell the PSG proposition and our clients to understand the value of our offering, ultimately translating into business growth.

Information Technology

Over the past year, PSG Konsult has invested significantly in technological infrastructure to create the required scale that will meet its growth targets. It has also generated operational efficiencies through the automation of various processes throughout the business. We believe both of these endeavours will be value generative for shareholders over the short to medium term.

Business combinations

As announced previously, we concluded an asset-for-share transaction on 1 March 2014 in terms of section 42 of the Income Tax Act, 58 of 1962. This will standardise the revenue sharing model and give our advisers the opportunity to invest in PSG Konsult's future. The transaction was settled through the issue of 35.8 million PSG Konsult shares and a R12.5 million cash payment. This contributed (net of a R4.4 million intangible asset amortisation charge) R3.9 million to our headline earnings during the period under review.

Changes to the board of directors

During the period under review, Patrick Burton and KK Combi were appointed as independent non-executive directors on 2 March 2014 and 16 April 2014, respectively.

Looking forward

PSG Konsult's strategic focus for the year ahead is on enhancing top-line revenue growth at acceptable levels of risk. Having successfully bedded down the repositioning of our business, this will allow us to unlock operational benefits. We will achieve growth by:

- implementing and executing our three-year strategic plans for each of our underlying divisions;
- building the PSG brand and positioning PSG Konsult as a fully fledged financial services business through our comprehensive range of services and products;
- optimising the synergy between business divisions to create further business development opportunities; and
- extending PSG Konsult's share in the value chain, with a particular focus on growing our asset management and short-term insurance activities.

Although the future is always uncertain, we remain cautiously optimistic about our strategy.

Dividend

Given the opportunities for growth in future years, and the capital required to fund such growth, the board approved and declared a gross interim dividend payment of 4.0 cents per share (2013: 4.0 cents per share) from income reserves for the six months ended 31 August 2014, which is in line with our policy as communicated at the time of the JSE listing. No credits for secondary tax on companies (STC) were used 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 tax or is entitled to a reduced rate in terms of the applicable double-tax agreement. The number of issued ordinary shares is 1 262 484 423 at the date of this declaration. PSG Konsult's income tax reference number is 9550/644/07/5.

Salient dates for payment of the dividend:

Last day to trade (cum dividend)	Friday, 24 October 2014
Trading ex dividend commences	Monday, 27 October 2014
Record date	Friday, 31 October 2014
Date of payment	Monday, 3 November 2014

Share certificates may not be dematerialised or rematerialised between Monday, 27 October 2014, and Friday, 31 October 2014, both days inclusive.

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

On behalf of the board

Willem Theron
Chairman

Francois Gouws
Chief executive officer

Tyger Valley
8 October 2014

Consolidated interim statement of financial position

at 31 August and 28 February 2014

	Unaudited 31 Aug 14 R000	Restated Unaudited 31 Aug 13 R000	Audited 28 Feb 14 R000
ASSETS			
Intangible assets	**889 032**	730 981	721 936
Property and equipment	**46 202**	29 856	47 590
Investment property	**2 245**	2 036	2 245
Investment in associated companies	**39 169**	39 064	39 548
Investment in joint ventures	**12 511**	9 000	12 057
Deferred income tax	**72 993**	25 986	52 101
Equity securities (note 5)	**827 617**	520 215	604 880
Debt securities (note 5)	**1 642 197**	1 740 574	2 121 432
Unit-linked investments (note 5)	**11 045 876**	8 850 516	10 218 629
Investment in investment contracts (note 5)	**432 825**	701 888	505 444
Loans and advances	**97 800**	123 721	109 995
Derivative financial instruments	**19 075**	19 880	21 190
Reinsurance assets	**75 139**	50 642	66 248
Deferred acquisition costs	**1 658**	1 211	1 025
Receivables including insurance receivables	**1 856 752**	1 424 263	2 129 358
Current income tax assets	**22 509**	16 073	12 878
Cash and cash equivalents (including money market investments) (note 5)	**469 038**	430 959	709 184
Total assets	**17 552 638**	14 716 865	17 375 740
EQUITY			
Equity attributable to owners of the parent			
Stated capital/share capital and share premium	**1 325 111**	1 133 340	1 134 746
Treasury shares	**(546)**	(547)	(546)
Other reserves	**(439 799)**	(460 119)	(445 146)
Retained earnings	**451 560**	279 414	399 487
	1 336 326	952 088	1 088 541
Non-controlling interest	**95 085**	24 867	86 222
Total equity	**1 431 411**	976 955	1 174 763
LIABILITIES			
Insurance contracts	**502 668**	415 604	493 163
Deferred income tax	**85 015**	58 559	53 423
Borrowings	**363 050**	402 222	412 188
Derivative financial instruments	**33 846**	20 440	28 406
Investment contracts (note 5)	**12 761 154**	11 310 094	12 692 768
Third-party liabilities arising on consolidation of mutual funds	**625 462**	174 606	372 169
Deferred reinsurance acquisition revenue	**2 757**	2 328	2 842
Trade and other payables	**1 723 302**	1 344 101	2 129 914
Current income tax liabilities	**23 973**	11 956	16 104
Total liabilities	**16 121 227**	13 739 910	16 200 977
Total equity and liabilities	**17 552 638**	14 716 865	17 375 740
Net asset value per share (cents)	**105.9**	78.0	89.1

Consolidated interim income statement

for the six months ended 31 August and 12 months ended 28 February 2014

	Unaudited Six months ended 31 Aug 14 R000	Restated Unaudited Six months ended 31 Aug 13 R000	Audited Year ended 28 Feb 14 R000
Gross written premium	**362 974**	271 166	618 217
Less: Reinsurance written premium	**(98 417)**	(90 637)	(185 881)
Net premium	**264 557**	180 529	432 336
Change in unearned premium			
– Gross	**9 807**	(20 779)	(36 204)
– Reinsurers' share	**(614)**	(1 344)	2 116
Net insurance premium revenue	**273 750**	158 406	398 248
Commission and other fee income	**1 056 475**	859 909	1 805 142
Investment income	**198 911**	175 127	380 034
Net fair value gains and losses on financial instruments	**1 011 149**	744 457	1 171 564
Fair value adjustment to investment contract liabilities	**(1 024 359)**	(751 588)	(1 239 669)
Other operating income	**14 075**	24 168	42 117
Total income	**1 530 001**	1 210 479	2 557 436
Insurance claims and loss adjustment expenses	**(285 165)**	(170 143)	(440 401)
Insurance claims and loss adjustment expenses recovered from reinsurers	**67 849**	52 911	121 404
Net insurance benefits and claims	**(217 316)**	(117 232)	(318 997)
Commission paid	**(474 464)**	(387 006)	(824 757)
Depreciation and amortisation	**(26 339)**	(20 068)	(40 596)
Employee benefit expenses	**(252 481)**	(220 914)	(451 887)
Fair value adjustment to third-party liabilities	**(79 331)**	(44 523)	(79 387)
Marketing, administration and other expenses	**(185 251)**	(167 324)	(325 555)
Total expenses	**(1 235 182)**	(957 067)	(2 041 179)
Share of (losses)/profits of associated companies	**(379)**	2 623	3 118
Loss on impairment of associated companies	**–**	–	(342)
Share of profits of joint ventures	**454**	318	3 375
Total profit from associated companies and joint ventures	**75**	2 941	6 151
Profit before finance costs and taxation	**294 894**	256 353	522 408
Finance costs	**(62 459)**	(95 519)	(138 771)
Profit before taxation	**232 435**	160 834	383 637
Taxation	**(75 448)**	(43 057)	(117 677)
Profit for the period	**156 987**	117 777	265 960
Attributable to:			
Owners of the parent	**145 494**	111 441	249 258
Non-controlling interest	**11 493**	6 336	16 702
	156 987	117 777	265 960
Earnings per share (cents)			
Attributable (basic and diluted)	**11.6**	9.1	20.4
Headline (basic and diluted)	**11.5**	8.9	20.0
Recurring (basic and diluted)	**11.7**	8.9	20.6

Consolidated interim statement of comprehensive income

for the six months ended 31 August and 12 months ended 28 February 2014

	Unaudited Six months ended 31 Aug 14 R000	Unaudited Six months ended 31 Aug 13 R000	Audited Year ended 28 Feb 14 R000
Profit for the period	**156 987**	117 777	265 960
Other comprehensive income for the period, net of taxation	**(758)**	619	985
To be reclassified to profit and loss:			
Currency translation adjustments	**(758)**	619	985
Total comprehensive income for the period	**156 229**	118 396	266 945
Attributable to:			
Owners of the parent	**144 736**	112 060	250 243
Non-controlling interest	**11 493**	6 336	16 702
	156 229	118 396	266 945

Earnings and headline earnings per share

	Unaudited Six months ended 31 Aug 14 R000	Unaudited Six months ended 31 Aug 13 R000	Audited Year ended 28 Feb 14 R000
Profit attributable to ordinary shareholders	**145 494**	111 441	249 258
Non-headline items (net of tax and non-controlling interest)			
– Profit on sale of associated companies	**–**	(3 384)	(3 499)
– Loss on remeasurement of previous equity interest	**–**	–	128
– (Profit)/loss on sale of intangible assets (including goodwill)	**(48)**	1 633	1 622
– Profit on sale of books of business	**–**	–	(382)
– Profit on sale of investment in subsidiaries	**–**	(643)	(643)
– Non-headline items of associated companies	**(97)**	(314)	(2 457)
– Other	**48**	(85)	458
Headline earnings	**145 397**	108 648	244 485
– Recurring	**147 311**	108 648	251 145
– Non-recurring	**(1 914)**	–	(6 660)
Earnings per share (cents)			
– Attributable (basic and diluted)	**11.6**	9.1	20.4
– Headline (basic and diluted)	**11.5**	8.9	20.0
– Recurring headline (basic and diluted)	**11.7**	8.9	20.6
Number of shares (million)			
– in issue (net of treasury shares)	**1 262.1**	1 221.0	1 221.6
– weighted average	**1 259.5**	1 220.5	1 220.5

Consolidated interim statement of changes in equity

for the six months ended 31 August and 12 months ended 28 February 2014

	Attributable to equity holders of the group					
	Share capital and share premium/ stated capital R000	Treasury shares R000	Other reserves R000	Retained earnings R000	Non-controlling interest R000	Total R000
Balance at 1 March 2013	1 105 927	(620)	(463 262)	276 968	34 190	953 203
Comprehensive income						
Profit for the year	–	–	–	111 441	6 336	117 777
Other comprehensive income	–	–	619	–	–	619
Total comprehensive income	–	–	619	111 441	6 336	118 396
Transactions with owners	27 413	73	2 524	(108 995)	(15 659)	(94 644)
Issue of ordinary shares	27 413	–	–	–	–	27 413
Share-based payments costs – employees	–	–	2 524	–	–	2 524
Transactions with non-controlling interest	–	–	–	(19 897)	(14 464)	(34 361)
Dividend paid	–	–	–	(89 098)	(771)	(89 869)
Other	–	73	–	–	(424)	(351)
Balance at 31 August 2013	1 133 340	(547)	(460 119)	279 414	24 867	976 955
Comprehensive income						
Profit for the year	–	–	–	137 817	10 366	148 183
Other comprehensive income	–	–	366	–	–	366
Total comprehensive income	–	–	366	137 817	10 366	148 549
Transactions with owners	1 406	1	14 607	(17 744)	50 989	49 259
Share-based payment costs – employees	–	–	3 417	–	–	3 417
Capital contribution by non-controlling interest	–	–	–	–	16 735	16 735
Transactions with non-controlling interest	–	–	–	31 094	34 563	65 657
Deferred tax on equity-settled share-based payments	–	–	11 190	–	–	11 190
Dividend paid	–	–	–	(48 838)	(267)	(49 105)
Other	1 406	1	–	–	(42)	1 365
Balance at 28 February 2014	1 134 746	(546)	(445 146)	399 487	86 222	1 174 763
Comprehensive income						
Profit for the year	**–**	**–**	**–**	**145 494**	**11 493**	**156 987**
Other comprehensive income	**–**	**–**	**(758)**	**–**	**–**	**(758)**
Total comprehensive income	**–**	**–**	**(758)**	**145 494**	**11 493**	**156 229**
Transactions with owners	**190 365**	**–**	**6 105**	**(93 421)**	**(2 630)**	**100 419**
Issue of ordinary shares	**190 365**	**–**	**–**	**–**	**–**	**190 365**
Share-based payment costs – employees	**–**	**–**	**6 105**	**–**	**–**	**6 105**
Transactions with non-controlling interest	**–**	**–**	**–**	**(1 320)**	**(207)**	**(1 527)**
Dividend paid	**–**	**–**	**–**	**(92 101)**	**(2 423)**	**(94 524)**
Balance at 31 August 2014	**1 325 111**	**(546)**	**(439 799)**	**451 560**	**95 085**	**1 431 411**

Consolidated interim statement of cash flows

for the six months ended 31 August and 12 months ended 28 February 2014

	Unaudited Six months ended 31 Aug 14 R000	Restated Unaudited Six months ended 31 Aug 13 R000	Audited Year ended 28 Feb 14 R000
Cash flows from operating activities			
Cash (utilised in)/generated by operating activities	**(176 759)**	94 094	153 725
Interest income	**169 002**	125 895	299 998
Dividend income	**29 727**	49 234	79 651
Finance costs	**(20 498)**	(14 956)	(35 728)
Taxation paid	**(62 986)**	(41 134)	(124 953)
Operating cash flows before policyholder cash movement	**(61 514)**	213 133	372 693
Policyholder cash movement	**(36 652)**	(65 096)	(13 762)
Net cash flow from operating activities	**(98 166)**	148 037	358 931
Cash flows from investing activities			
Acquisition of intangible assets	**(22 593)**	(12 246)	(24 756)
Purchases of property and equipment	**(7 828)**	(8 963)	(20 144)
Other	**2 388**	5 025	22 753
Net cash flow from investing activities	**(28 033)**	(16 184)	(22 147)
Cash flows from financing activities			
Dividends paid	**(94 524)**	(89 869)	(138 974)
Capital contributions by non-controlling interest (ordinary shares)	**–**	–	16 735
Transactions with non-controlling interest	**–**	(34 000)	31 295
Other	**(19 131)**	(47 646)	(7 930)
Net cash flow from financing activities	**(113 655)**	(171 515)	(98 874)
Net (decrease)/increase in cash and cash equivalents	**(239 854)**	(39 662)	237 910
Cash and cash equivalents at beginning of year	**709 173**	470 621	470 621
Exchange (losses)/gains on cash and cash equivalents	**(281)**	–	642
Cash and cash equivalents at end of year*	**469 038**	430 959	709 173
Current, cheque and money market investments accounts	**469 038**	430 959	709 184
Bank overdrafts	**–**	–	(11)
* *Includes the following:*			
Clients' cash linked to investment contracts	**14 682**	149 005	51 337

Notes to the statement of cash flow:

The movement in cash utilised/generated in operating activities can vary significantly as a result of daily fluctuations in cash linked to investment contracts and cash held by the stockbroking business. PSG Life Limited, the group's linked insurance company, issues linked policies to policyholders (where the value of policy benefits is directly linked to the fair value of the supporting assets). When these policies mature, the company raises a debtor for the money receivable from the third party investment provider, and raises a creditor for the amount owing to the client. Timing difference occurs at month end where the money was received from the third party investment provider, but only paid out by the company after month end, resulting in significant fluctuations in the working capital of the company. Similar working capital fluctuations incur at PSG Securities Limited (previously Online Securities Limited), the group's stockbroking business, mainly due to the timing of the close of the JSE in terms of client settlements. The group's investment strategy applied at the two short-term insurance companies in the group also resulted in a significant outflow from money market investments held to low-risk income funds (management decided to invest capital held for regulatory purposes in portfolios generating higher yields - these funds are generally classified as debt securities or unit-linked investments).

Refer below to the cash flow from operating activities movement analysis for salient details of the movements during the six-month period ended 31 August 2014:

	R000
Profit before taxation as per income statement	232 435
Add back: Non-cashflow items (Depreciation, amortisation, etc.)	32 259
Less: Taxation paid for the period	(62 986)
Cash flow generated from core operating activities (excluding working capital movements)	**201 708**
Less: Policyholder cash movement	(36 652)
	165 056
Less: working capital movements during period **	(153 078)
Less: other investment activity movements ***	(110 144)
Net cash flow from operating activities	**(98 166)**

** *The working capital movement was negatively impacted in the six-month period by the fluctuations in the working capital at PSG Life Limited, with the net working capital movement for the six months being an outflow of R82.5 million (due to policyholder payables at 28 February 2014 paid out after year-end). The group also utilised R50 million cash during the period for the scrip lending facility at PSG Securities Limited (the scrip lending facility is secured by the underlying ALSI 100 equity securities held by the clients utilising these facility), earning an attractive prime interest rate on this instead of normal money market rates.*

*** *Other investment activity movements largely due to the transfer of cash from money market investments (classified as 'Cash and cash equivalents' on the face of the statement of financial position), held by the two short-term insurance companies in the group, to low-risk income funds which were classified as either debt securities or unit-linked investments, depending on the nature of the income fund invested in.*

1. Reporting entity

PSG Konsult Limited 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 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

The condensed consolidated interim financial statements 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 and the Listings Requirements of the JSE. They do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the group as at and for the year ended 28 February 2014. Neither these condensed consolidated interim financial statements, nor any reference to future financial performance included in this results announcement, have been reviewed or reported on by the company's external auditor, PricewaterhouseCoopers Inc.

3. Accounting policies

The accounting policies applied in the preparation of these condensed consolidated interim financial statements conform to IFRS and are consistent with those accounting policies applied in the preparation of the consolidated annual financial statements as at and for the year ended 28 February 2014.

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

- Amendments to IFRS 10 – Consolidated Financial Statements, IFRS 12 – Disclosure of Interests in Other Entities and IAS 27 – Consolidated and Separate Financial Statements – *Investment entities*
- Amendment to IAS 32 – Financial Statements Presentation – *Offsetting Financial Assets and Financial Liabilities*
- Amendment to IAS 36 – Impairment of Assets – *Recoverable amount disclosures for non-financial assets*
- Amendment to IAS 39 – Financial Instruments: Recognition and measurement – *Novation of derivatives and continuation of hedge accounting*
- IFRIC 21, Levies

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

4. Use of estimates and judgements

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

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

- PSG Wealth
- PSG Asset Management
- PSG Insure

The comparative figures have been adjusted to reflect a new refined basis of apportioning central support costs that we implemented this financial year. Corporate support costs refers to a variety of services and functions that are performed centrally for the individual business units within each business segment, as well as housing the group's executive office. Besides the traditional accounting and secretarial services provided to group divisions and subsidiaries, the corporate office also provides legal, risk, information technology (IT), marketing, human resources (HR), payroll, internal audit and corporate finance services. The strategic elements of IT, in terms of both services and infrastructure, are also centralised in the corporate office. The corporate costs were previously apportioned to the three reportable segments using a fixed percentage method. From 1 March 2014, in order to enhance its accuracy, the corporate costs were apportioned taking into account specific facts and circumstances applicable to each of the reportable segments and comparative segment figures have been restated applying this new methodology.

5.1. Description of business segments

PSG Wealth, which consists of five business units – Distribution, PSG Securities, LISP Platform, Multi Management and Employee Benefits – is designed to meet the needs of individuals, families and businesses. Through our highly skilled wealth managers, PSG Wealth offers a wide range of personalised services (including portfolio management, stockbroking, local and offshore investments, estate planning, financial planning, local and offshore fiduciary services, multi-managed solutions, and retirement products). Our Wealth offices are fully equipped to deliver a high-quality personal service to our customers.

PSG Asset Management is an established investment management company with a proven investment track record. We offer investors a simple, but comprehensive range of local and global investment products. Our products include both local and international unit trust funds.

PSG Insure, through our registered insurance brokers and PSG's short-term insurance company Western National Insurance Company Limited, 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 for our clients. In addition to the intermediary services we offer, PSG Short-Term Administration supports clients through the claim process, administrative issues and general policy maintenance, including an annual reappraisal of their portfolio.

The Manco considers the performance of reportable segments based on total income as a measure of growth and headline earnings as a measure of profitability. The segment information provided to Manco for the reportable segments for the period ended 31 August 2014 is set out in notes 5.2 and 5.3.

5.2 Headline earnings per reportable segments

	Unaudited			
Headline earnings	**Wealth R000**	**Asset Management R000**	**Insure R000**	**Total R000**
For the six months ended 31 August 2014				
Headline earnings	**93 907**	**33 758**	**17 732**	**145 397**
– recurring	**94 749**	**34 179**	**18 383**	**147 311**
– non-recurring	**(842)**	**(421)**	**(651)**	**(1 914)**
For the six months ended 31 August 2013				
Headline earnings	70 882	20 727	17 039	108 648
– recurring	70 882	20 727	17 039	108 648
– non-recurring	–	–	–	–
For the year ended 28 February 2014				
Headline earnings	162 279	54 334	27 872	244 485
– recurring	162 279	54 334	34 532	251 145
– non-recurring	–	–	(6 660)	(6 660)

5.3 Income per reportable segment

	Unaudited			
Total income	**Wealth R000**	**Asset Management R000**	**Insure R000**	**Total R000**
For the six months ended 31 August 2014				
Total segment income	**1 072 668**	**282 074**	**484 678**	**1 839 420**
Intersegment income	**(200 477)**	**(108 672)**	**(270)**	**(309 419)**
Income from external customers	**872 191**	**173 402**	**484 408**	**1 530 001**
For the six months ended 31 August 2013				
Total segment income	914 965	215 592	355 503	1 486 060
Intersegment income	(185 858)	(87 598)	(2 125)	(275 581)
Income from external customers	729 107	127 994	353 378	1 210 479
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

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, 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.

	Unaudited – as at 31 August 2014			Unaudited – as at 31 August 2013			Audited – as at 28 February 2014		
	Total R000	Own balances R000	Client-related balances R000	Total R000	Own balances R000	Client-related balances R000	Total R000	Own balances R000	Client-related balances R000
ASSETS									
Equity securities	827 617	3 505	824 112	520 215	3 601	516 614	604 880	4 630	600 250
Debt securities	1 642 197	106 302	1 535 895	1 740 574	258 099	1 482 475	2 121 432	107 297	2 014 135
Unit-linked investments	11 045 876	473 320	10 572 556	8 850 516	218 343	8 632 173	10 218 629	346 833	9 871 796
Investment in investment contracts	432 825	–	432 825	701 888	–	701 888	505 444	–	505 444
Receivables including insurance receivables	1 856 752	212 470	1 644 282	1 424 263	180 968	1 243 295	2 129 358	162 451	1 966 907
Derivative financial instruments	19 075	–	19 075	19 880	–	19 880	21 190	–	21 190
Cash and cash equivalents (including money market investments)	469 038	447 124	21 914	430 959	187 776	243 183	709 184	663 500	45 684
Other assets*	1 259 258	1 259 258	–	1 028 570	1 028 570	–	1 065 623	1 065 623	–
Total assets	**17 552 638**	**2 501 979**	**15 050 659**	14 716 865	1 877 357	12 839 508	17 375 740	2 350 334	15 025 406
EQUITY									
Equity attributable to owners of the parent	1 336 326	1 336 326	–	952 088	952 088	–	1 088 541	1 088 541	–
Non-controlling interest	95 085	95 085	–	24 867	24 867	–	86 222	86 222	–
Total equity	**1 431 411**	**1 431 411**	**–**	976 955	976 955	–	1 174 763	1 174 763	–
LIABILITIES									
Borrowings	363 050	61 252	301 798	402 222	157 242	244 980	412 188	110 618	301 570
Investment contracts	12 761 154	–	12 761 154	11 310 094	–	11 310 094	12 692 768	–	12 692 768
Third-party liabilities arising on consolidation of mutual funds	625 462	–	625 462	174 606	–	174 606	372 169	–	372 169
Derivative financial instruments	33 846	–	33 846	20 440	–	20 440	28 406	–	28 406
Trade and other payables	1 723 302	394 903	1 328 399	1 344 101	254 713	1 089 388	2 129 914	499 421	1 630 493
Other liabilities**	614 413	614 413	–	488 447	488 447	–	565 532	565 532	–
Total liabilities	**16 121 227**	**1 070 568**	**15 050 659**	13 739 910	900 402	12 839 508	16 200 977	1 175 571	15 025 406
Total equity and liabilities	**17 552 638**	**2 501 979**	**15 050 659**	14 716 865	1 877 357	12 839 508	17 375 740	2 350 334	15 025 406

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

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

5.5 Income statement (core vs other)

In order to evaluate the consolidated income statement of the group, the Manco segregates the income statement by eliminating the impact of the linked investment policies issued and the consolidation of the collective investment schemes from the core operations in the group.

A subsidiary of the group, PSG Life Limited, is a linked insurance company and issues linked policies to policyholders (where the value of policy benefits is directly linked to the fair value of the supporting assets), and as such does not expose the business to the market risk of fair value adjustments on the financial asset as this risk is assumed by the policyholder.

The group consolidate collective investment schemes in terms of IFRS 10 Consolidated Financial Statements over which the group has control. The consolidation of these funds do not impact total earnings, comprehensive income, shareholders' funds or the net asset value of the group; however, it requires the group to recognise the income statement impact as part of that of the group.

	Unaudited – Six months ended 31 August 2014			Unaudited – Six months ended 31 August 2013			Unaudited – Year ended 28 February 2014		
	Total R000	**Core business R000**	**Linked investment business and other R000**	Total R000	Core business R000	Linked investment business and other R000	Total R000	Core business R000	Linked investment business and other R000
Commission and other fee income	**1 056 475**	**1 042 390**	**14 085**	859 909	856 819	3 090	1 805 142	1 787 617	17 525
Investment income	**198 911**	**57 444**	**141 467**	175 127	32 297	142 830	380 034	116 484	263 550
Net fair value gains and losses on financial instruments	**1 011 149**	**6 051**	**1 005 098**	744 457	4 559	739 898	1 171 564	4 498	1 167 066
Fair value adjustment to investment contract liabilities	**(1 024 359)**	**–**	**(1 024 359)**	(751 588)	–	(751 588)	(1 239 669)	–	(1 239 669)
Other*	**287 825**	**287 825**	**–**	182 574	182 574	–	440 365	440 365	–
Total income	**1 530 001**	**1 393 710**	**136 291**	1 210 479	1 076 249	134 230	2 557 436	2 348 964	208 472
Insurance claims and loss adjustment expenses	**(285 165)**	**(285 639)**	**474**	(170 143)	(167 154)	(2 989)	(440 401)	(437 053)	(3 348)
Fair value adjustment to third-party liabilities	**(79 331)**	**–**	**(79 331)**	(44 523)	–	(44 523)	(79 387)	–	(79 387)
Other**	**(870 686)**	**(870 686)**	**–**	(742 401)	(742 401)	–	(1 521 391)	(1 521 391)	–
Total expenses	**(1 235 182)**	**(1 156 325)**	**(78 857)**	(957 067)	(909 555)	(47 512)	(2 041 179)	(1 958 444)	(82 735)
Total profit from associated companies and joint ventures	**75**	**75**	**–**	2 941	2 941	–	6 151	6 151	–
Profit before finance costs and taxation	**294 894**	**237 460**	**57 434**	256 353	169 635	86 718	522 408	396 671	125 737
Finance costs	**(62 459)**	**(20 498)**	**(41 961)**	(95 519)	(14 955)	(80 564)	(138 771)	(35 728)	(103 043)
Profit before taxation	**232 435**	**216 962**	**15 473**	160 834	154 680	6 154	383 637	360 943	22 694
Taxation	**(75 448)**	**(59 975)**	**(15 473)**	(43 057)	(36 903)	(6 154)	(117 677)	(94 983)	(22 694)
Profit for the period	**156 987**	**156 987**	**–**	117 777	117 777	–	265 960	265 960	–
Attributable to:									
Owners of the parent	**145 494**	**145 494**	**–**	111 441	111 441	–	249 258	249 258	–
Non-controlling interest	**11 493**	**11 493**	**–**	6 336	6 336	–	16 702	16 702	–
	156 987	**156 987**	**–**	117 777	117 777	–	265 960	265 960	–

* *Other consists of net insurance premium revenue and other operating income.*

** *Other consists of insurance claims and loss adjustment expenses recovered from reinsurers, commission paid, depreciation and amortisation, employee benefit expenses, marketing, administration and other expenses.*

Investment contracts are represented by the following financial assets:

	Unaudited 31 Aug 14 R000	Unaudited 31 Aug 13 R000	Audited 28 Feb 14 R000
Equity securities	**824 112**	516 614	600 249
Debt securities	**940 242**	1 441 325	1 676 726
Unit-linked investments	**10 549 293**	8 501 262	9 859 012
Investment in investment contracts	**432 825**	701 888	505 444
Cash and cash equivalents	**14 682**	149 005	51 337
	12 761 154	11 310 094	12 692 768

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 629.1 million (31 Aug 2013: R1 223.7 million; 28 Feb 2014: R1 925.9 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. Transactions with non-controlling interest

For the six months ended 31 August 2014

i) Acquisition of an additional interest in PSG Namibia Proprietary Limited

With effect from 1 March 2014, PSG Konsult Limited (through its subsidiary PSG Distribution Holdings Proprietary Limited) acquired an additional 3% interest in PSG Namibia Proprietary Limited, a company incorporated in Namibia, for a consideration of R1.5 million. The 3% stake was bought from a minority shareholder and the consideration was paid in full on 28 February 2014. The group now holds 54% of the issued share capital of PSG Namibia Proprietary Limited.

For the year ended 28 February 2014

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

With effect from 1 March 2013, PSG Konsult Limited acquired an additional 15% interest in Western Group Holdings Limited for a consideration of R33.0 million. This Namibia-based holding company has two short-term insurance licences, one in Namibia and the other in South Africa. The 15% stake was bought from SAAD Financial Holdings Proprietary Limited, an investment holding company. This transaction was subject to regulatory approval, which was obtained in May 2013. The group now held 90% of the issued share capital of Western Group Holdings Limited.

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

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

Effective 1 August 2013, PSG Konsult Limited (through its subsidiary PSG Optimum Proprietary Limited) acquired the remaining 49% interest in PSG Nylstroom Proprietary Limited, a company incorporated in South Africa, for a consideration of R1.3 million. On 1 August 2013, 80% of the purchase consideration was paid and the remaining 20% (subject to a profit guarantee) was paid on 1 August 2014.

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

Effective 1 September 2013, PSG Konsult Limited acquired the remaining 10% interest in Western Group Holdings Limited for a consideration of R22.0 million. The 10% stake was bought from the management group of Western Group Holdings Limited.

The parties entered into an agreement on 3 June 2013 (following the approval by the FSB and Namfisa of the 15% interest acquired at the end of May 2013) in which it was agreed that PSG Konsult Limited would like to increase its stake in Western Group Holdings Limited from 90% to 100%, subject to approval by the FSB in South Africa and Namfisa in Namibia. The transaction was approved by the regulatory authorities in the beginning of September 2013, resulting in Western Group Holdings Limited being a wholly-owned subsidiary of PSG Konsult Limited.

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

iv) Disposal of interest held in Western Group Holding Limited

PSG Konsult Limited entered into an agreement on 2 July 2013 to dispose of 40% held by it in Western Group Holdings Limited (following the approval by the regulatory authorities of PSG Konsult Limited's acquisition of management's remaining 10% interest) to Swanvest 120 Proprietary Limited ('Swanvest'), a wholly-owned subsidiary of Santam Limited, for R88.0 million. The transaction was approved by the regulatory authorities on 19 September 2013. Following the implementation of this transaction, PSG Konsult Limited holds 60% of the issued share capital of Western Group Holdings Limited, with the remaining 40% being held by Swanvest.

	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

8. Acquisition of subsidiaries

For the year ended 28 February 2014

i) Acquisition of collective investment scheme

The group obtained control of the PSG Diversified Income Fund (previously PSG Optimal Income Fund) towards the end of the 2014 financial year. As at 28 February 2014, the group held an interest of 34% in this fund and the fund was consolidated in accordance with IFRS 10 Consolidated Financial Statements. The PSG Diversified Income Fund is a collective investment scheme managed by PSG Asset Management.

Details of the net assets acquired are as follows:	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	–

9. Disposal of subsidiaries

For the year ended 28 February 2014

i) Disposal of collective investment scheme

The group deconsolidated the PSG Stable Fund during the year ended 28 February 2014 as the group lost control of this fund due to a decrease in the direct interest in the fund.

Net assets of subsidiary sold:	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)

10. Other acquisitions and disposals

For the six months ended 31 August 2014

i) *Standardising of revenue sharing model*
Effective 1 March 2014, the group (through its subsidiary PSG Wealth Financial Planning Proprietary Limited) concluded an asset-for-share transaction (utilising section 42 of the Income Tax Act) with a large number of its advisers. The purpose of this transaction was to standardise the revenue sharing arrangements between the advisers and PSG Konsult. This provided the opportunity for the advisers to become shareholders in the business and be part of our loyal shareholder base of individuals.

The consideration was paid with the issue of PSG Konsult shares (35.8 million shares at R4.50 per share) and the remaining R12.5 million paid in cash on the effective date. The transaction did not qualify for accounting in terms of IFRS 3R, Business Combinations as the assets acquired (the right to an increased share in the income stream of the adviser) did not constitute a business acquired.

This transaction contributed R3.9 million to our headline earnings during the period under review.

For the year ended 28 February 2014

i) *Disposal of associated companies*
The group disposed of various non-core investments in associated companies during the six months ended 31 August 2013. The group disposed of its interest in Axon Xchange Proprietary Limited, Purple Line Plastics Proprietary Limited, JWR Holdings Proprietary Limited and Excluwin Traders Proprietary Limited for a total consideration of R11.1 million, resulting in total to non-headline profits (net of tax and non-controlling interest) of R3.4 million.

11. 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 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 2014.

The group's financial risk management objectives and policies are consistent with those disclosed in the consolidated annual financial statements as at and for the year ended 28 February 2014.

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 price risk that matches linked policies to policyholders (where the value of policy benefits is directly linked to the fair value of the supporting assets), and as such does not expose the business to the market risk of fair value adjustments on the financial asset as this risk is assumed by the policyholder. Fees charged on this business are determined as a percentage of the fair value of the underlying assets held in the linked funds, which are subject to equity and interest rate risk. As a result, the management fees fluctuate, but cannot be less than nil.

Included in the equity securities of R827.6 million (31 Aug 2013: R520.2 million; 28 Feb 2014: R604.9 million) are quoted equity securities of R826.8 million (31 Aug 2013: R519.4 million; 28 Feb 2014: R604.0 million), of which R824.1 million (31 Aug 2013: R516.6 million; 28 Feb 2014: R600.3 million) relates to investments in linked investment contracts. The price risk of these instruments is carried by the policyholders of the linked investment contracts.

Debt securities linked to policyholder investments amounted to R940.2 million (31 Aug 2013: R1 441.3 million; 28 Feb 2014: R1 676.7 million) and do not expose the group to interest rate risk; cash and cash equivalents linked to policyholder investments amounted to R14.7 million (31 Aug 2013: R149.0 million; 28 Feb 2014: R51.3 million) and do not expose the group to interest rate risk.

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

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

There have been no significant transfers between level 1, 2 or 3 during the period under review.

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

Valuation techniques and main assumptions used in determining the fair value of financial assets and liabilities classified within level 2 can be summarised as follows:

Instrument	Valuation techniques	Main assumptions
Derivative financial instruments	Exit price on recognised over-the-counter (OTC) platforms	Not applicable
Debt securities	Valuation model that uses the market input (yield of benchmark bonds)	Bond interest rate curves Issuer credit ratings Liquidity spreads
Unit-linked investments	Quoted put (exit) price provided by the fund manager	Not applicable – prices are publicly available
Investment in investment contracts	Prices are obtained from the insurer of the particular investment contract	Not applicable – prices provided by registered long-term insurers
Policyholder investment contract liabilities – unit linked	Current unit price of underlying unitised financial asset that is linked to the liability, multiplied by the number of units held	Not applicable
Third-party financial liabilities arising on the consolidation of mutual funds	Quoted put (exit) price provided by the fund manager	Not applicable – prices are publicly available

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

Unaudited Financial assets	Level 1 R000	Level 2 R000	Level 3 R000	Total R000
At 31 August 2014				
Financial assets at fair value through profit or loss				
Derivative financial assets	**–**	**19 075**	**–**	**19 075**
Equity securities	**826 772**	**–**	**–**	**826 772**
Debt securities	**27 178**	**826 546**	**–**	**853 724**
Unit-linked investments	**–**	**9 701 389**	**1 344 487**	**11 045 876**
Investment in investment contracts	**–**	**227 278**	**–**	**227 278**
Available-for-sale				
Equity securities	**–**	**–**	**845**	**845**
	853 950	**10 774 288**	**1 345 332**	**12 973 570**
Financial liabilities				
At 31 August 2014				
Financial liabilities at fair value through profit or loss				
Derivative financial liabilities	**–**	**33 846**	**–**	**33 846**
Investment contracts	**–**	**10 413 034**	**1 344 487**	**11 757 521**
Trade and other payables	**–**	**–**	**13 659**	**13 659**
Third-party liabilities arising on consolidation of mutual funds	**–**	**625 462**	**–**	**625 462**
	–	**11 072 342**	**1 358 146**	**12 430 488**

Unaudited Financial assets	Level 1 R000	Level 2 R000	Level 3 R000	Total R000
At 31 August 2013				
Financial assets at fair value through profit or loss				
Derivative financial assets	–	19 880	–	19 880
Equity securities	519 370	–	–	519 370
Debt securities	31 153	718 532	226 472	976 157
Unit-linked investments	–	6 385 337	2 465 179	8 850 516
Investment in investment contracts	–	300 201	–	300 201
Available-for-sale				
Equity securities	–	–	845	845
	550 523	7 423 950	2 692 496	10 666 969

Financial liabilities				
At 31 August 2013				
Financial liabilities at fair value through profit or loss				
Derivative financial liabilities	–	20 440	–	20 440
Investment contracts	–	7 306 932	2 688 053	9 994 985
Trade and other payables	–	–	4 929	4 929
Third-party liabilities arising on consolidation of mutual funds	–	174 606	–	174 606
	–	7 501 978	2 692 982	10 194 960

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

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

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

Assets	**Unaudited 31 Aug 14 R000**	Unaudited 31 Aug 13 R000	Audited 28 Feb 14 R000
Opening carrying value	**2 488 657**	2 270 795	2 270 795
Additions	**3 106 266**	259 898	1 556 279
Disposals	**(4 386 990)**	(209 595)	(1 503 664)
Gains recognised in profit and loss	**137 399**	371 398	165 258
Other movements not through profit or loss	**–**	–	(11)
	1 345 332	2 692 496	2 488 657
Liabilities			
Opening carrying value	**2 498 451**	2 272 810	2 272 810
Additions	**3 113 635**	264 264	1 562 938
Disposals	**(4 391 450)**	(215 061)	(1 504 071)
Losses recognised in profit and loss	**137 399**	371 316	166 774
Interest and other	**111**	(347)	–
	1 358 146	2 692 982	2 498 451

Level 3 – significant fair value model assumptions and sensitivities
Financial assets and liabilities
Unit-linked investments and debt securities represent the largest portion of the level 3 financial assets and relate to units and debentures held in hedge funds and are priced monthly. The prices are obtained from the asset managers of the particular hedge funds. These are held to match investment contract liabilities, and as such any change in measurement would result in a similar adjustment to investment contract liabilities. The group's overall profit or loss is therefore not materially sensitive to the input of the models applied to derive fair value.

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

The table below summarises the carrying amounts and fair values of financial instruments not presented on the statement of financial position at fair value, for which their carrying values do not approximate their fair values:

	Unaudited 31 Aug 14 R000	Unaudited 31 Aug 13 R000	Audited 28 Feb 14 R000
Debt securities – held-to-maturity			
– Carrying value	**788 473**	764 417	888 173
– Fair value	**800 585**	764 688	889 020
Investment in investment contracts			
– Carrying value	**205 547**	401 687	245 047
– Fair value	**214 216**	434 282	255 382
Total			
– Carrying value	**994 020**	1 166 104	1 133 220
– Fair value	**1 014 801**	1 198 970	1 144 402

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

12. Related-party transactions

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

13. Capital commitments and contingencies

	Unaudited 31 Aug 14 R000	Unaudited 31 Aug 13 R000	Audited 28 Feb 14 R000
Operating lease commitments	**74 736**	81 335	77 926

14. Events after the reporting date

No event, which is material to the financial affairs of the group, has occurred between the end of the reporting period and the date of approval of the condensed consolidated interim financial statements.

15. Change in accounting policy and restatements

The following changes in accounting policies and restatements were applied to the 31 August 2013 results (to reflect the changes in accounting policies and restatements applied to the financial results for the year ended 28 February 2014):

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 six months ended 31 August 2013. However, there were no resultant changes to the group's total earnings, comprehensive income, shareholders' funds or net asset value.

The group held an interest of 48% in the PSG Multi-Management Foreign Flexible Fund of Funds on 1 March 2013. The comparative figures at 31 August 2013 were restated to reflect the consolidation of this fund. This fund was also consolidated for the six months ended 31 August 2014.

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 interim 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.

	As previously stated R000	Restatement – IFRS 10 R000	Reclassification – Unexpired risk provision R000	Restated R000
31 August 2013				
Consolidated statement of financial position				
Unit-linked investments	8 719 605	130 911	–	8 850 516
Cash and cash equivalents (including money market investments)	428 126	2 833	–	430 959
Third-party liabilities arising on consolidation of mutual fund	(41 150)	(133 456)	–	(174 606)
Trade and other payables	(1 343 813)	(288)	–	(1 344 101)
Consolidated income statement				
Net fair value gains and losses on financial instruments	700 862	43 595	–	744 457
Fair value adjustment to third-party liabilities	(928)	(43 595)	–	(44 523)
Change in unearned premium				
– Gross	2 045	–	(22 824)	(20 779)
Insurance claims and loss adjustment expenses	(192 967)	–	22 824	(170 143)
Consolidated statement of cash flows				
Cash flows from operating activities				
Cash generated by operating activities	93 874	220	–	94 094
Net decrease in cash and cash equivalents	(39 882)	220	–	(39 662)
Cash and cash equivalents at beginning of year	468 008	2 613	–	470 621
Cash and cash equivalents at end of year	428 126	2 833	–	430 959

DIRECTORATE

Non-executive directors

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

(Independent; ^ Lead independent)*

Executive directors

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

COMPANY INFORMATION

Company secretary

PSG Management Services Proprietary Limited

PSG Konsult head office and registered office

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

PO Box 3335, Tyger Valley, Bellville, 7536

Listing

Johannesburg Stock Exchange (JSE)

Namibian Stock Exchange (NSX)

Transfer secretary

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

PO Box 61051, Marshalltown, 2107

Sponsors

JSE sponsor: PSG Capital Proprietary Limited

NSX sponsor: PSG Wealth Management (Namibia) Proprietary Limited

Auditor

PricewaterhouseCoopers Inc.

Cape Town

ADMINISTRATIVE INFORMATION

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

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

Registration number: 1993/003941/06

JSE share code: KST

NSX share code: KFS

ISIN code: ZAE000191417

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