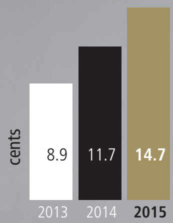
PSG Konsult

Unaudited results for the six months ended 31 August 2015

Salient features

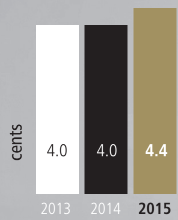
Recurring headline earnings per share

26%



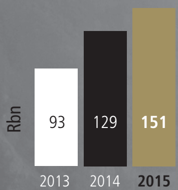
Dividend per share

10%



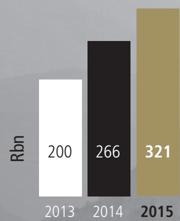
Assets under management

17%



Assets under administration

21%



Contents

Commentary

PSG Konsult delivered a commendable 26% growth in recurring headline earnings per share for the six months ended 31 August 2015. A key highlight includes the strong top-line revenue growth achieved by all divisions relative to industry peers. The business continues gaining market share as a result of our continuous focus on our key strategic goals and initiatives despite the challenging economic and market conditions during the period under review. In particular, PSG Wealth and PSG Asset Management achieved stellar outperformance. PSG Insure's results are also gaining positive momentum due to improved focus on optimising and balancing profitable new business growth.

The board of directors is especially pleased with this set of results, taking into account that the South African equity market delivered a relatively weaker performance. The FTSE/JSE All Share Index recorded a negative total return of 4.53% for the six months ended 31 August 2015, compared to a positive return of 8.68% in the comparable six-month period of 2014. The current overall sluggish economic growth and volatile equity market conditions, coupled with a sharp devaluation in the rand, are not conducive to growth. The group's focus on client service excellence through the quality of its advice, products and platforms is proving resilient in these trying times. Furthermore, the business increased its marketing and technology spend during the period, and is on track to launch its new television marketing campaign.

PSG Wealth remains a key revenue driver for the group through its formidable financial adviser base and expanding product and platform business offering. Strengthening our competitive position by expanding our adviser networks through both organic and selected adviser acquisition growth has delivered continued positive client inflows.

PSG Asset Management remains a high-growth area and a key focus for the group. Its retail sales effort and marketing campaigns are proving effective in raising awareness of the PSG Asset Management brand, leading to strong retail client inflows. PSG Asset Management attracted net inflows of R2.6 billion during the period under review. The focus on generating recurring earnings is to place less reliance on performance fees, with these fees contributing 7.5% of group headline earnings, compared to 7.0% during the prior period.

PSG Insure continues making inroads in the highly competitive short-term insurance market, having achieved revenue growth of 19% compared to the prior financial period, with a focus on the quality of new business to achieve profitable growth. No significant catastrophe or other related events occurred during this period. Our insurance advisers, with an ongoing focus on growing the commercial lines' side of the business, have managed to gain market share without compromising their overall client loss claim ratios. Against the backdrop of a particularly difficult industry environment, this is an achievement that the group is especially pleased with.

PSG Konsult's key financial performance indicators for the six months ended 31 August 2015 are shown below:

	31 Aug 15 R000	Change %	31 Aug 14 R000
Earnings attributable to ordinary shareholders	**189 752**	30	145 494
Non-headline items	**(2 952)**	–	(97)
Headline earnings	**186 800**	28	145 397
Non-recurring headline earnings	**–**	(100)	1 914
Recurring headline earnings	**186 800**	27	147 311
Weighted average number of shares in issue (net of treasury shares) (million)	**1 267.2**	1	1 259.5
Earnings per share (cents)			
– Recurring headline	**14.7**	26	11.7
– Headline	**14.7**	28	11.5
– Attributable	**15.0**	29	11.6
Dividend per share (cents)	**4.4**	10	4.0
Assets under management (R billion)	**151**	17	129
Assets under administration (R billion)	**321**	21	266
Divisional headline earnings			
PSG Wealth	**119 882**	28	93 907
PSG Asset Management	**46 322**	37	33 758
PSG Insure	**20 596**	16	17 732
	186 800	28	145 397

Risk management
In light of events in the financial services industry over recent years, risk and its mitigation have become a top priority. It has become increasingly important to understand and manage risks to create sustainable business practices and returns for shareholders.

With this in mind, we continue upholding and strengthening our commitment to risk management. Consequently, proactive risk management is a key pillar of our risk strategy. Linked to this are our board-approved risk management plans, which provide an integrated risk management framework designed to meet the challenges of the changing risk environment. These plans also seek to ensure that business goals and objectives are properly supported by effective risk management.

Responsibility for risk management is established at all levels within the business. PSG Konsult has adopted best practice monitoring and control of the group governance framework by implementing the three layers of defence governance model. This means that the responsibility for governance is allocated throughout the business. This includes the various boards, executive committees, divisional committees, legal entities, business units, managers and employees within each business area. The model contributes to embedding a strong risk culture in PSG Konsult, making risk part of everyone's day-to-day activities. We believe this is of vital importance within risk management.

Solvency assessment and management
The Financial Services Board (FSB) classified PSG Konsult as an insurance conglomerate group, under the new Solvency Assessment and Management (SAM) regulations. This meant that we were required to submit a mock Own Risk and Solvency Assessment (ORSA) report to the FSB on 31 August 2015 to enable them to understand and evaluate our progress in meeting the new SAM requirements.

The continual focus on centrally monitoring and optimising the group's capital and cash flow management activities ensures that careful attention is paid to maintaining sufficient liquid capital in each of the regulated entities. At the same time, it ensures that capital is used appropriately to maximise shareholder returns. The financial soundness of each business is closely monitored, so that the group can take advantage of opportunities when they arise.

Credit rating
Global Credit Rating Company (GCR), having upgraded PSG Konsult's long-term rating in August 2014, affirmed the national scale ratings assigned to PSG Konsult of BBB+(ZA) and A2(ZA), in the long term and short term respectively. The outlook for both ratings remained stable. GCR stated: "PSG Konsult's position is enhanced by its well-defined strategy, within the complementary business lines of wealth management, asset management and insurance. PSG Konsult has developed robust risk management procedures to monitor the various risks facing the business, including regulatory compliance and counterparty risk. In addition, cash flows are monitored daily to ensure PSG Konsult can meet all its statutory capital and liquidity requirements across the various businesses."

Achievements
The group is proud of the following notable milestones, achievements and industry awards:

- **PSG Wealth**
  - Ranked as one of South Africa's Top 3 stockbrokers in the Intellidex Stockbroker of the Year competition for the past four years, obtaining third place in 2015.
  - Ranked second in the Intellidex Wealth Manager of the Year competition. It was further awarded joint first place as the top wealth manager for up-and-coming professionals and successful entrepreneurs, and was ranked as a top-three wealth manager preferred by clients.
- **PSG Asset Management**
  - Top quartile investment returns were recorded across the entire domestic flagship range over one year, three years and five years up to 30 June 2015, in the respective Morningstar categories.
  - As at 30 June 2015, PlexCrown ranked PSG third in its management company rankings.
  - Other PlexCrown ranking highlights include:
    - PSG Equity Fund ranked first in its South African Equity General fund category
    - PSG Balanced Fund ranked third in its subcategory
- **PSG Insure**
  - Broker of the Year for Commercial Lines 2014 in Santam's National Broker Awards.
  - Various PSG offices received Santam awards, ranging from bronze to diamond.

People
As at 31 August 2015, PSG Konsult had 201 offices and 2 046 employees, of which 667 were financial planners, portfolio managers, stockbrokers and asset managers. A further 404 were professional associates (accountants and attorneys). During the six months under review, 8 new advisers were appointed through a combination of organic growth and selective adviser book acquisitions.

Transformation

PSG Konsult was rated as a level 6 BBBEE contributor. This is our second rating and is an improvement from our initial rating as a level 8 BBBEE contributor, reflecting management's commitment to transformation within the group.

Management implemented a number of initiatives to continue driving our transformation strategy. These initiatives include an investment in the ASISA Enterprise Development Fund and an expansion of our existing bursary and internship programmes. Over the six months, the group made continued progress in its employment equity profile and transformation remains a key focus area.

Strategy

PSG Wealth's overall strategy offers an innovative and holistic end-to-end client proposition. Despite an unpredictable economic outlook, the division will continue investing in people and technology, believing these to be key factors with which to grow its share of the market. The strategy to further expand and equip its adviser network will receive ongoing attention, relying on advisers for client feedback in the development and creation of new products and services. During the period, the division improved its offshore stockbroking offering to include additional foreign markets, and is on track to expand its offshore product offering further to include offshore unit trusts later this financial year. The division is also on track with the consolidation of its user interfaces. This will give clients the ability to view and transact both local and offshore shares, exchange traded funds and an extensive range of local and offshore unit trusts through a single log on. This improved user functionality, the group's television marketing campaign and enhanced investor tools (planned for launch by December 2015) should further aid the division's direct client growth strategy.

PSG Asset Management's strategy consists of three parts, namely investment excellence, operational efficiency, and effective sales and marketing initiatives. Generating the best long-term, risk-adjusted returns for investors is the division's primary focus. To this end, it will continue prioritising the investment team's performance, while managing operational risks and processes. Increasing brand awareness – particularly in the retail investor market – is a key focus area for the marketing team, allowing the division to benefit from a growing investor base.

PSG Insure provides simple and cost-effective short-term insurance solutions to chosen clients, protecting them from unforeseen events. Vertical integration across underwriting, administration and adviser teams underpins the focus on providing value-added products that meet and exceed clients' expectations. The division continues to invest in its claims and administration departments. This is to build scale and unlock operational efficiencies, while freeing up valuable time for top-calibre advisers to focus on sales.

As each division grows, careful attention is paid to the group's cost structure and in particular to the cost-to-income ratio. Building a cost-efficient and scalable business is a key priority for the board. The management team is committed to continuously investigating new ways in which to manage and reduce costs.

Marketing

Marketing initiatives are critical to the group's goal of becoming a leader in the financial services industry. During the period under review, our specialist marketing team focused its efforts on enhancing our website, digital platforms, client communication and client and adviser events, to build the PSG brand within the South African market. The production of our television advertisement will hopefully take the group's marketing efforts to new heights as we seek to support its network of financial advisers further and cement PSG Konsult's product offering in the minds of target clients.

Information technology (IT)

The integral role that technology plays in the daily operations of PSG Konsult cannot be understated. The scalability and efficiency of business functions are dependent on the state of its IT systems. For this reason, the group continually invests in new and innovative technologies. It also seeks to incorporate further business process automation, to reduce operational risk and provide real-time reporting for enhanced management decision-making. The group is confident that its IT strategy will create a solid foundation for future growth.

Risk and legal

Effectively managing the risks assumed by the business allows it to benefit from opportunities. The risk management team is moving from strength to strength as it identifies and assists in mitigating the risks the group faces relative to revenue contributions. The group's risk appetite is constantly reviewed, as the level of risk taken on – particularly in the insurance environment – can pose a threat to its capital position. Here, the cost of reinsurance and other mechanisms are reviewed to ensure that risks remain within acceptable levels.

In line with the risk management plan and as reported in the group's year-end results, PSG Asset Management made the decision to terminate all of its current white-label client administration and related activities. This was to reduce its overall operational and reputational risk exposures. This process, which has now largely been completed, will be finalised before year-end and will have a negligible impact on future profitability.

Effective engagement with regulators is a priority for PSG Konsult. The recent and forthcoming regulatory changes are expected to lead to significant changes in the way financial services companies in South Africa operate in general. The group endeavours to always be at the forefront in implementation of these changes. It fully supports the regulators' stance on improving the transparency, cost-effectiveness and conduct of the industry.

Tax matter

Although PSG Konsult is not obliged to disclose any discussions with the South African Revenue Service (SARS), in line with the transparent disclosure approach that we have adopted, we wish to advise that we have had recent interactions with SARS on the classification and tax treatment of certain investments held by PSG Life Limited. The classification and treatment at the time were supported by external expert tax advice obtained prior to making these investments and subsequently again confirmed by independent senior council. The final outcome of these discussions is uncertain at this stage and SARS has not issued any revised assessment to date. The line of business in question was discontinued in 2011. This potential tax matter, however, has no relevance to any clients of the firm and has no material bearing on the company's future projected recurring headline earnings or dividend payout policy to shareholders. Disputes of this nature unfortunately take time to resolve. We will however keep shareholders updated once we have greater clarity on the matter.

Looking forward

Our aim remains to service existing clients well and gain new clients for the firm. Current market circumstances are uncertain and volatility has returned to investment markets. We are however confident that we will continue to build our client franchise despite this market outlook. A number of initiatives are in place to ensure this happens. Focusing on products, platforms and client service excellence through the quality of our advice is proving to be a resilient strategy for PSG Konsult.

We advised investors, when we released our year-end results, that we planned to spend an additional incremental amount on marketing and advertising in the 2016 financial year. The majority of this additional expense is being incurred on our television advertisement campaign, which is currently in production phase.

Events after reporting date

We remain committed to enhance the value proposition to our existing client base. We are pleased to announce that we recently concluded negotiations to acquire a 70% shareholding in DMH Associates (DMH), the leading independent wealth advisory firm in Mauritius. DMH was established in 2003 as an investment advisory firm providing independent expert advice to entrepreneurs, high-net-worth individuals and their families. DMH is licensed and regulated by the Mauritius Financial Services Commission and also offers corporate finance, wealth management and family office services. We see the company – as well as the individuals involved in the company – as a good fit for PSG Konsult. Vincent Desvaux de Marigny and Philippe Hardy are the founding members. They will continue to operate and run the business going forward. We welcome them to the PSG Konsult Group.

Dividend

The board approved and declared a gross interim dividend of 4.4 cents per share (2014: 4.0 cents per share) from income reserves for the six months ended 31 August 2015. This is in line with our dividend payout policy (communicated at the time of listing) of distributing between 40% and 50% of recurring headline earnings as dividends (one third as an interim dividend and two thirds as a final dividend).

The dividend is subject to a local dividends tax rate of 15%, resulting in a net dividend of 3.74 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 1 278 947 422 at the date of this declaration. PSG Konsult'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, 23 October 2015
Trading ex dividend commences	Monday, 26 October 2015
Record date	Friday, 30 October 2015
Date of payment	Monday, 2 November 2015

Share certificates may not be dematerialised or rematerialised between Monday, 26 October 2015, and Friday, 30 October 2015, both days included.

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 past six months.

On behalf of the board

Willem Theron
Chairman

Francois Gouws
Chief executive officer

Tyger Valley
7 October 2015

psg.co.za

Condensed consolidated statement of financial position

as at 31 August and 28 February 2015

	Unaudited 31 Aug 15 R000	Unaudited 31 Aug 14 R000	Audited 28 Feb 15 R000
ASSETS			
Intangible assets	**876 420**	889 032	859 536
Property and equipment	**56 827**	46 202	42 273
Investment property	**2 245**	2 245	2 245
Investment in associated companies	**40 554**	39 169	39 562
Investment in joint ventures	**13 453**	12 511	12 971
Deferred income tax	**85 913**	72 993	87 674
Equity securities (note 6)	**887 759**	827 617	1 025 518
Debt securities (note 6)	**1 666 917**	1 642 197	1 605 418
Unit-linked investments (note 6)	**15 566 418**	11 045 876	12 345 648
Investment in investment contracts (note 6)	**443 883**	432 825	338 208
Loans and advances	**126 110**	97 800	116 393
Derivative financial instruments	**13 813**	19 075	23 324
Reinsurance assets	**71 183**	75 139	77 413
Deferred acquisition costs	**2 393**	1 658	1 714
Receivables including insurance receivables	**2 737 279**	1 856 752	2 133 136
Current income tax assets	**25 081**	22 509	18 954
Cash and cash equivalents (including money market investments) (note 6)	**1 015 073**	469 038	972 243
Non-current assets held for sale	**–**	–	17 751
Total assets	**23 631 321**	17 552 638	19 719 981
EQUITY			
Equity attributable to owners of the parent			
Stated capital	**1 445 359**	1 325 111	1 325 111
Treasury shares	**(16 228)**	(546)	(546)
Other reserves	**(400 655)**	(439 799)	(404 471)
Retained earnings	**660 614**	451 560	573 065
	1 689 090	1 336 326	1 493 159
Non-controlling interest	**143 406**	95 085	132 491
Total equity	**1 832 496**	1 431 411	1 625 650
LIABILITIES			
Insurance contracts	**577 638**	502 668	574 331
Deferred income tax	**55 640**	85 015	53 610
Borrowings	**407 517**	363 050	427 843
Derivative financial instruments	**16 410**	33 846	30 749
Investment contracts (note 6)	**17 229 353**	12 761 154	14 222 603
Third-party liabilities arising on consolidation of mutual funds	**877 844**	625 462	699 202
Deferred reinsurance acquisition revenue	**4 029**	2 757	3 563
Trade and other payables	**2 618 743**	1 723 302	2 068 400
Current income tax liabilities	**11 651**	23 973	10 618
Non-current liabilities held for sale	**–**	–	3 412
Total liabilities	**21 798 825**	16 121 227	18 094 331
Total equity and liabilities	**23 631 321**	17 552 638	19 719 981
Net asset value per share (cents)	**132.3**	105.9	118.3

Condensed consolidated income statement

for the six months ended 31 August and the 12 months ended 28 February 2015

	Unaudited Six months ended 31 Aug 15 R000	Unaudited Six months ended 31 Aug 14 R000	Audited Year ended 28 Feb 15 R000
Gross written premium	**462 590**	362 974	795 237
Less: Reinsurance written premium	**(128 875)**	(98 417)	(225 293)
Net premium	**333 715**	264 557	569 944
Change in unearned premium			
– Gross	**4 461**	9 807	(34 905)
– Reinsurers' share	**(92)**	(614)	3 119
Net insurance premium revenue	**338 084**	273 750	538 158
Commission and other fee income	**1 233 783**	1 056 475	2 138 855
Investment income	**301 815**	198 911	499 554
Net fair value gains and losses on financial instruments	**464 613**	1 011 149	1 209 661
Fair value adjustment to investment contract liabilities	**(613 236)**	(1 024 359)	(1 406 791)
Other operating income	**15 361**	14 075	35 163
Total income	**1 740 420**	1 530 001	3 014 600
Insurance claims and loss adjustment expenses	**(330 388)**	(285 165)	(561 548)
Insurance claims and loss adjustment expenses recovered from reinsurers	**69 012**	67 849	137 173
Net insurance benefits and claims	**(261 376)**	(217 316)	(424 375)
Commission paid	**(562 655)**	(474 464)	(910 226)
Depreciation and amortisation*	**(27 692)**	(26 339)	(55 422)
Employee benefit expenses	**(304 867)**	(252 481)	(511 612)
Fair value adjustment to third-party liabilities	**(39 988)**	(79 331)	(41 525)
Marketing, administration and other expenses	**(206 399)**	(185 251)	(427 457)
Total expenses	**(1 402 977)**	(1 235 182)	(2 370 617)
Share of profits/(losses) of associated companies	**992**	(379)	40
Share of profits of joint ventures	**482**	454	914
Total profit from associated companies and joint ventures	**1 474**	75	954
Profit before finance costs and taxation	**338 917**	294 894	644 937
Finance costs	**(48 800)**	(62 459)	(119 905)
Profit before taxation	**290 117**	232 435	525 032
Taxation	**(86 422)**	(75 448)	(163 234)
Profit for the period	**203 695**	156 987	361 798
Attributable to:			
Owners of the parent	**189 752**	145 494	340 401
Non-controlling interest	**13 943**	11 493	21 397
	203 695	156 987	361 798
Earnings per share (cents)			
Attributable (basic)	**15.0**	11.6	27.0
Attributable (diluted)	**14.5**	11.2	26.1
Headline (basic)	**14.7**	11.5	26.9
Headline (diluted)	**14.3**	11.1	26.0
Recurring headline (basic)	**14.7**	11.7	27.0
Recurring headline (diluted)	**14.3**	11.3	26.1

* *Includes amortisation cost of R18.8 million (31 Aug 2014: R17.8 million; 28 Feb 2015: R37.5 million).*

Condensed consolidated statement of comprehensive income

for the six months ended 31 August and the 12 months ended 28 February 2015

	Unaudited Six months ended 31 Aug 15 R000	Unaudited Six months ended 31 Aug 14 R000	Audited Year ended 28 Feb 15 R000
Profit for the period	**203 695**	156 987	361 798
Other comprehensive income for the period, net of taxation	**(4 103)**	(758)	224
To be reclassified to profit and loss:			
Currency translation adjustments	**(4 103)**	(758)	224
Total comprehensive income for the period	**199 592**	156 229	362 022
Attributable to:			
Owners of the parent	**185 649**	144 736	340 625
Non-controlling interest	**13 943**	11 493	21 397
	199 592	156 229	362 022

Earnings and headline earnings per share

	Unaudited Six months ended 31 Aug 15 R000	Unaudited Six months ended 31 Aug 14 R000	Audited Year ended 28 Feb 15 R000
Profit attributable to ordinary shareholders	**189 752**	145 494	340 401
Non-headline items (net of non-controlling interest and related tax effect)			
– Profit on disposal of intangible assets (including goodwill)	**(1 220)**	(48)	(757)
– Non-headline items of associated companies	**(503)**	(97)	(251)
– Other	**(1 229)**	48	(132)
Headline earnings	**186 800**	145 397	339 261
– Recurring	**186 800**	147 311	341 175
– Non-recurring	**–**	(1 914)	(1 914)
Earnings per share (cents)			
– Attributable (basic)	**15.0**	11.6	27.0
– Attributable (diluted)	**14.5**	11.2	26.1
– Headline (basic)	**14.7**	11.5	26.9
– Headline (diluted)	**14.3**	11.1	26.0
– Recurring headline (basic)	**14.7**	11.7	27.0
– Recurring headline (diluted)	**14.3**	11.3	26.1
Number of shares (million)			
– in issue (net of treasury shares)	**1 276.5**	1 262.1	1 262.1
– weighted average	**1 267.2**	1 259.5	1 261.4

Condensed consolidated statement of changes in equity

for the six months ended 31 August and the 12 months ended 28 February 2015

	Attributable to equity holders of the group					
	Stated capital R000	Treasury shares R000	Other reserves R000	Retained earnings R000	Non-controlling interest R000	Total R000
Balance at 1 March 2014 – Audited	1 134 746	(546)	(445 146)	399 487	86 222	1 174 763
Comprehensive income						
Profit for the period	–	–	–	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	–	–	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 – Unaudited	1 325 111	(546)	(439 799)	451 560	95 085	1 431 411
Comprehensive income						
Profit for the period	–	–	–	194 907	9 904	204 811
Other comprehensive income	–	–	982	–	–	982
Total comprehensive income	–	–	982	194 907	9 904	205 793
Transactions with owners	–	–	34 346	(73 402)	27 502	(11 554)
Share-based payment costs	–	–	5 457	–	–	5 457
Capital contribution by non-controlling interest	–	–	–	–	28 000	28 000
Equity-settled share-based payments	–	–	28 889	(22 925)	–	5 964
Dividend paid	–	–	–	(50 477)	(498)	(50 975)
Balance at 28 February 2015 – Audited	**1 325 111**	**(546)**	**(404 471)**	**573 065**	**132 491**	**1 625 650**
Comprehensive income						
Profit for the period	**–**	**–**	**–**	**189 752**	**13 943**	**203 695**
Other comprehensive income	**–**	**–**	**(4 103)**	**–**	**–**	**(4 103)**
Total comprehensive income	**–**	**–**	**(4 103)**	**189 752**	**13 943**	**199 592**
Transactions with owners	**120 248**	**(15 682)**	**7 919**	**(102 203)**	**(3 028)**	**7 254**
Issue of ordinary shares	**120 248**	**–**	**–**	**–**	**–**	**120 248**
Share-based payment cost	**–**	**–**	**7 919**	**–**	**–**	**7 919**
Treasury shares purchased	**–**	**(23 857)**	**–**	**–**	**–**	**(23 857)**
Treasury shares sold	**–**	**8 175**	**–**	**–**	**–**	**8 175**
Dividend paid	**–**	**–**	**–**	**(102 203)**	**(3 028)**	**(105 231)**
Balance at 31 August 2015 – Unaudited	**1 445 359**	**(16 228)**	**(400 655)**	**660 614**	**143 406**	**1 832 496**

Condensed consolidated statement of cash flows

for the six months ended 31 August and the 12 months ended 28 February 2015

	Unaudited Six months ended 31 Aug 15 R000	Unaudited Six months ended 31 Aug 14 R000	Audited Year ended 28 Feb 15 R000
Cash flows from operating activities			
Cash (utilised in)/generated by operating activities	**(30 628)**	(176 759)	232 202
Interest income	**209 636**	169 002	372 278
Dividend income	**91 977**	29 727	126 900
Finance costs	**(22 922)**	(20 498)	(44 118)
Taxation paid	**(84 027)**	(62 986)	(172 853)
Operating cash flows before policyholder cash movement	**164 036**	(61 514)	514 409
Policyholder cash movement	**(4 883)**	(36 652)	(24 380)
Net cash flow from operating activities	**159 153**	(98 166)	490 029
Cash flows from investing activities			
Acquisition of intangible assets	**(37 394)**	(22 593)	(30 473)
Purchases of property and equipment	**(24 372)**	(7 828)	(13 241)
Proceeds from disposal of non-current assets held for sale	**16 054**	–	–
Other	**6 798**	2 388	4 120
Net cash flow from investing activities	**(38 914)**	(28 033)	(39 594)
Cash flows from financing activities			
Dividends paid	**(105 231)**	(94 524)	(145 500)
Capital contributions by non-controlling interest (ordinary shares)	**–**	–	28 000
Transactions with non-controlling interest	**–**	–	(1 526)
Repayment of borrowings	**(1 964)**	(26 607)	(73 344)
Shares issued	**40 520**	7 476	7 476
Other	**(15 682)**	–	209
Net cash flow from financing activities	**(82 357)**	(113 655)	(184 685)
Net increase/(decrease) in cash and cash equivalents	**37 882**	(239 854)	265 750
Cash and cash equivalents at beginning of period	**975 018**	709 173	709 173
Exchange gains/(losses) on cash and cash equivalents	**2 173**	(281)	95
Cash and cash equivalents at end of period*	**1 015 073**	469 038	975 018
Current, cheque and money market investment accounts	**1 015 073**	469 038	972 243
Cash and cash equivalents classified as non-current assets held for sale	**–**	–	2 775
* *Includes the following:*			
Clients' cash linked to investment contracts	**22 071**	14 682	26 954
Other client related balances	**105 445**	7 232	139 381
	127 516	21 914	166 335

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. A 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, the group's stockbroking business, mainly due to the timing of the close of the JSE in terms of client settlements.

Cash flow from operating activities for the six months ended 31 August 2014 was negatively impacted by the fluctuations in the working capital at PSG Life Limited, as well as cash utilised during the period for the scrip lending facility at PSG Securities Limited. Cash held in 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, was also utilised in the period to invest in 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 2015 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 are prepared in accordance with the listings requirements of the JSE Limited (JSE) and the requirements of the Companies Act, No. 71 of 2008, as amended applicable to condensed financial statements. The JSE requires condensed financial statements to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 – Interim Financial Reporting. The condensed consolidated interim financial statements 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 2015.

3. Preparation

These 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). 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.

4. Accounting policies

The accounting policies applied in the preparation of these condensed consolidated interim financial statements are in terms of IFRS and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements as at and for the year ended 28 February 2015.

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 2015:

- Amendment to IAS 19 – Employee benefits
- Annual Improvements 2010 – 12 cycle
- Annual Improvements 2011 – 13 cycle

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

The following new or revised IFRSs and interpretations that are applicable to the group have effective dates applicable to future financial years and have not been early adopted:

- IFRS 9 – Financial Instruments (effective 1 January 2018)
- IFRS 15 – Revenue from Contracts with Customers (effective 1 January 2018)

The impact of the application of these revised standards and interpretations in future financial reporting periods on the group's reported results, financial position and cash flows is still being assessed.

5. 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 2015.

6. Segment information

The composition of the reportable segments represents the internal reporting structure and the monthly reporting to the chief operating decision-maker (CODM). The 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 allocate resources. The group is organised into three reportable segments, namely:

- PSG Wealth
- PSG Asset Management
- PSG Insure

Corporate support costs refer to a variety of services and functions that are performed centrally for the individual business units within each business segment, and also include 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 are allocated to the three reportable segments.

6.1. Description of business segments

PSG Wealth, which consists of five business units – Distribution, PSG Securities, LISP and Life 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 trusts.

PSG Insure, through our registered insurance brokers and PSG's short-term insurance company Western National Insurance Company Limited, offers a full range of tailor-made short-term insurance products and services for personal (home, car and household insurance) and 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 portfolios.

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 the Manco for the reportable segments for the period ended 31 August 2015 is set out below:

6.2 Headline earnings per reportable segments

Headline earnings	Wealth R000	Asset Manage-ment R000	Insure R000	Total R000
For the six months ended 31 August 2015 (Unaudited)				
Headline earnings	**119 882**	**46 322**	**20 596**	**186 800**
– recurring	**119 882**	**46 322**	**20 596**	**186 800**
– non-recurring	**–**	**–**	**–**	**–**
For the six months ended 31 August 2014 (Unaudited)				
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 year ended 28 February 2015 (Audited)				
Headline earnings	227 478	81 915	29 868	339 261
– recurring	228 320	82 336	30 519	341 175
– non-recurring	(842)	(421)	(651)	(1 914)

6.3 Income per reportable segment

Total income	Wealth R000	Asset Manage-ment R000	Insure R000	Total R000
For the six months ended 31 August 2015 (Unaudited)				
Total segment income	**1 200 924**	**333 170**	**578 569**	**2 112 663**
Intersegment income	**(238 724)**	**(133 519)**	**–**	**(372 243)**
Income from external customers	**962 200**	**199 651**	**578 569**	**1 740 420**
For the six months ended 31 August 2014 (Unaudited)				
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 year ended 28 February 2015 (Audited)				
Total segment income	2 146 463	587 111	979 622	3 713 196
Intersegment income	(461 848)	(219 347)	(17 401)	(698 596)
Income from external customers	1 684 615	367 764	962 221	3 014 600

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

6.4 Divisional income statements

The profit or loss information follows a similar format to the consolidated income statement.

	Wealth R000	Asset Manage-ment R000	Insure R000	Total R000
For the six months ended 31 August 2015 (Unaudited)				
Total income	**962 200**	**199 651**	**578 569**	**1 740 420**
Total expenses	**(727 436)**	**(136 829)**	**(538 712)**	**(1 402 977)**
	234 764	**62 822**	**39 857**	**337 443**
Total profit from associated companies and joint ventures	**–**	**–**	**1 474**	**1 474**
Profit before finance cost and taxation	**234 764**	**62 822**	**41 331**	**338 917**
Finance costs*	**(47 821)**	**(212)**	**(767)**	**(48 800)**
Profit before taxation	**186 943**	**62 610**	**40 564**	**290 117**
Taxation	**(62 048)**	**(16 013)**	**(8 361)**	**(86 422)**
Profit for the period	**124 895**	**46 597**	**32 203**	**203 695**
Attributable to:				
Owners of the parent	**122 069**	**46 597**	**21 086**	**189 752**
Non-controlling interest	**2 826**	**–**	**11 117**	**13 943**
	124 895	**46 597**	**32 203**	**203 695**
Headline earnings	**119 882**	**46 322**	**20 596**	**186 800**

	Wealth R000	Asset Management R000	Insure R000	Total R000
For the six months ended 31 August 2014 (Unaudited)				
Total income	872 191	173 402	484 408	1 530 001
Total expenses	(661 678)	(128 400)	(445 104)	(1 235 182)
	210 513	45 002	39 304	294 819
Total profit from associated companies and joint ventures	–	–	75	75
Profit before finance cost and taxation	210 513	45 002	39 379	294 894
Finance costs*	(59 278)	(199)	(2 982)	(62 459)
Profit before taxation	151 235	44 803	36 397	232 435
Taxation	(54 906)	(11 045)	(9 497)	(75 448)
Profit for the period	96 329	33 758	26 900	156 987
Attributable to:				
Owners of the parent	93 896	33 758	17 840	145 494
Non-controlling interest	2 433	–	9 060	11 493
	96 329	33 758	26 900	156 987
Headline earnings	93 907	33 758	17 732	145 397
For the year ended 28 February 2015 (Audited)				
Total income	1 684 615	367 764	962 221	3 014 600
Total expenses	(1 219 987)	(257 541)	(893 089)	(2 370 617)
	464 628	110 223	69 132	643 983
Total profit from associated companies and joint ventures	–	–	954	954
Profit before finance cost and taxation	464 628	110 223	70 086	644 937
Finance costs*	(115 607)	(396)	(3 902)	(119 905)
Profit before taxation	349 021	109 827	66 184	525 032
Taxation	(115 019)	(27 905)	(20 310)	(163 234)
Profit for the period	234 002	81 922	45 874	361 798
Attributable to:				
Owners of the parent	228 177	81 922	30 302	340 401
Non-controlling interest	5 825	–	15 572	21 397
	234 002	81 922	45 874	361 798
Headline earnings	227 478	81 915	29 868	339 261

* *Finance cost in the PSG Wealth division consists mainly of the finance charge on the held-to-maturity policyholder financial assets (linked investment business). The finance cost of R47.8 million (31 Aug 2014: R59.3 million; 28 Feb 2015: R115.6 million) consists of R25.9 million (31 Aug 2014: R42.0 million; 28 Feb 2015: R75.8 million) on the client-related linked investment business, R15.5 million (31 Aug 2014: R10.2 million; 28 Feb 2015: R25.8 million) on the loan facilities provided to clients on their share portfolios at PSG Securities (secured by the underlying JSE Top 100 equity securities held in excess of four times the value of the loan facilities) on which PSG Wealth receives a margin, with the remaining portion of the finance charge on the CFD margin and the bank overdrafts.*

6.5 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 – Consolidated Financial Statements 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 2015		
	Total R000	Own balances R000	Client-related balances R000
ASSETS			
Equity securities	887 759	6 271	881 488
Debt securities	1 666 917	96 839	1 570 078
Unit-linked investments	15 566 418	431 714	15 134 704
Investment in investment contracts	443 883	–	443 883
Receivables including insurance receivables	2 737 279	243 291	2 493 988
Derivative financial instruments	13 813	–	13 813
Cash and cash equivalents (including money market investments)	1 015 073	887 557	127 516
Other assets*	1 300 179	1 300 179	–
Total assets	23 631 321	2 965 851	20 665 470
EQUITY			
Equity attributable to owners of the parent	1 689 090	1 689 090	–
Non-controlling interest	143 406	143 406	–
Total equity	1 832 496	1 832 496	–
LIABILITIES			
Borrowings	407 517	12 382	395 135
Investment contracts	17 229 353	–	17 229 353
Third-party liabilities arising on consolidation of mutual funds	877 844	–	877 844
Derivative financial instruments	16 410	–	16 410
Trade and other payables	2 618 743	472 015	2 146 728
Other liabilities**	648 958	648 958	–
Total liabilities	21 798 825	1 133 355	20 665 470
Total equity and liabilities	23 631 321	2 965 851	20 665 470

	Unaudited – as at 31 August 2014		
	Total R000	Own balances R000	Client-related balances R000
ASSETS			
Equity securities	827 617	3 505	824 112
Debt securities	1 642 197	106 302	1 535 895
Unit-linked investments	11 045 876	473 320	10 572 556
Investment in investment contracts	432 825	–	432 825
Receivables including insurance receivables	1 856 752	212 470	1 644 282
Derivative financial instruments	19 075	–	19 075
Cash and cash equivalents (including money market investments)	469 038	447 124	21 914
Other assets*	1 259 258	1 259 258	–
Total assets	17 552 638	2 501 979	15 050 659
EQUITY			
Equity attributable to owners of the parent	1 336 326	1 336 326	–
Non-controlling interest	95 085	95 085	–
Total equity	1 431 411	1 431 411	–
LIABILITIES			
Borrowings	363 050	61 252	301 798
Investment contracts	12 761 154	–	12 761 154
Third-party liabilities arising on consolidation of mutual funds	625 462	–	625 462
Derivative financial instruments	33 846	–	33 846
Trade and other payables	1 723 302	394 903	1 328 399
Other liabilities**	614 413	614 413	–
Total liabilities	16 121 227	1 070 568	15 050 659
Total equity and liabilities	17 552 638	2 501 979	15 050 659

	Audited – as at 28 February 2015		
	Total R000	Own balances R000	Client-related balances R000
ASSETS			
Equity securities	1 025 518	2 259	1 023 259
Debt securities	1 605 418	99 614	1 505 804
Unit-linked investments	12 345 648	378 015	11 967 633
Investment in investment contracts	338 208	–	338 208
Receivables including insurance receivables	2 133 136	228 588	1 904 548
Derivative financial instruments	23 324	–	23 324
Cash and cash equivalents (including money market investments)	972 243	805 908	166 335
Other assets*	1 276 486	1 276 486	–
Total assets	19 719 981	2 790 870	16 929 111
EQUITY			
Equity attributable to owners of the parent	1 493 159	1 493 159	–
Non-controlling interest	132 491	132 491	–
Total equity	1 625 650	1 625 650	–
LIABILITIES			
Borrowings	427 843	14 273	413 570
Investment contracts	14 222 603	–	14 222 603
Third-party liabilities arising on consolidation of mutual funds	699 202	–	699 202
Derivative financial instruments	30 749	–	30 749
Trade and other payables	2 068 400	505 413	1 562 987
Other liabilities**	645 534	645 534	–
Total liabilities	18 094 331	1 165 220	16 929 111
Total equity and liabilities	19 719 981	2 790 870	16 929 111

* *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, deferred acquisition costs and non-current assets held for sale.*

** *Other liabilities consist of deferred reinsurance acquisition revenue, current and deferred income tax liabilities, insurance contracts and non-current liabilities held for sale.*

6.6 Income statement (client vs own)

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 group to the market risk of fair value adjustments on the financial asset as this risk is assumed by the policyholder.

The group consolidates collective investment schemes in terms of IFRS 10 – Consolidated Financial Statements over which the group has control. The consolidation of these funds does 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 2015		
	Total R000	Core business R000	Linked investment business and other R000
Commission and other fee income	1 233 783	1 222 542	11 241
Investment income	301 815	74 589	227 226
Net fair value gains and losses on financial instruments	464 613	4 515	460 098
Fair value adjustment to investment contract liabilities	(613 236)	–	(613 236)
Other*	353 445	352 668	777
Total income	1 740 420	1 654 314	86 106
Insurance claims and loss adjustment expenses	(330 388)	(329 828)	(560)
Fair value adjustment to third-party liabilities	(39 988)	–	(39 988)
Other**	(1 032 601)	(1 025 148)	(7 453)
Total expenses	(1 402 977)	(1 354 976)	(48 001)
Total profit from associated companies and joint ventures	1 474	1 474	–
Profit before finance cost and taxation	338 917	300 812	38 105
Finance costs***	(48 800)	(22 922)	(25 878)
Profit before taxation	290 117	277 890	12 227
Taxation	(86 422)	(74 195)	(12 227)
Profit for the period	203 695	203 695	–
Attributable to:			
Owners of the parent	189 752	189 752	–
Non-controlling interest	13 943	13 943	–
	203 695	203 695	–

	Unaudited – Six months ended 31 August 2014		
	Total R000	Core business R000	Linked investment business and other R000
Commission and other fee income	1 056 475	1 042 390	14 085
Investment income	198 911	57 444	141 467
Net fair value gains and losses on financial instruments	1 011 149	6 051	1 005 098
Fair value adjustment to investment contract liabilities	(1 024 359)	–	(1 024 359)
Other*	287 825	287 825	–
Total income	1 530 001	1 393 710	136 291
Insurance claims and loss adjustment expenses	(285 165)	(285 639)	474
Fair value adjustment to third-party liabilities	(79 331)	–	(79 331)
Other**	(870 686)	(870 686)	–
Total expenses	(1 235 182)	(1 156 325)	(78 857)
Total profit from associated companies and joint ventures	75	75	–
Profit before finance cost and taxation	294 894	237 460	57 434
Finance costs***	(62 459)	(20 498)	(41 961)
Profit before taxation	232 435	216 962	15 473
Taxation	(75 448)	(59 975)	(15 473)
Profit for the period	156 987	156 987	–
Attributable to:			
Owners of the parent	145 494	145 494	–
Non-controlling interest	11 493	11 493	–
	156 987	156 987	–

	Audited – Year ended 28 February 2015		
	Total R000	Core business R000	Linked investment business and other R000
Commission and other fee income	2 138 855	2 114 106	24 749
Investment income	499 554	158 201	341 353
Net fair value gains and losses on financial instruments	1 209 661	12 817	1 196 844
Fair value adjustment to investment contract liabilities	(1 406 791)	–	(1 406 791)
Other*	573 321	572 946	375
Total income	3 014 600	2 858 070	156 530
Insurance claims and loss adjustment expenses	(561 548)	(561 293)	(255)
Fair value adjustment to third-party liabilities	(41 525)	–	(41 525)
Other**	(1 767 544)	(1 755 855)	(11 689)
Total expenses	(2 370 617)	(2 317 148)	(53 469)
Total profit from associated companies and joint ventures	954	954	–
Profit before finance cost and taxation	644 937	541 876	103 061
Finance costs***	(119 905)	(44 118)	(75 787)
Profit before taxation	525 032	497 758	27 274
Taxation	(163 234)	(135 960)	(27 274)
Profit for the period	361 798	361 798	–
Attributable to:			
Owners of the parent	340 401	340 401	–
Non-controlling interest	21 397	21 397	–
	361 798	361 798	–

* *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.*

*** *Finance costs on core business increased from 2014 largely due to the increase in the loan facilities provided to clients in their share portfolios at PSG Securities (secured by the underlying JSE Top 100 equity securities held in excess of four times the value of the loan facilities). The increase was countered by the decrease in finance cost paid to external debt (excluding the finance lease) as these were repaid in full during the 2015 financial year.*

Investment contracts are represented by the following financial assets:

	Unaudited as at 31 Aug 15 R000	Unaudited as at 31 Aug 14 R000	Audited as at 28 Feb 15 R000
Equity securities	**816 727**	824 112	955 147
Debt securities	**730 721**	940 242	800 198
Unit-linked investments	**15 215 950**	10 549 293	12 102 096
Investment in investment contracts	**443 884**	432 825	338 208
Cash and cash equivalents	**22 071**	14 682	26 954
	17 229 353	12 761 154	14 222 603

7. Receivables including insurance receivables and trade and other payables

Included under receivables are broker and clearing accounts at our stockbroking business of which R2 455.5 million (31 Aug 2014: R1 629.1 million; 28 Feb 2015: R1 871.9 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.

8. Transactions with non-controlling interest

For the year ended 28 February 2015

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.

9. Non-current assets (or disposal groups) held for sale

For the six months ended 31 August 2015

PSG Konsult Limited sold 100% of its shareholding in PSG Academy Proprietary Limited, the group's private higher education institute, to Moonstone Information Refinery Proprietary Limited and its health insurance administration business (through its subsidiary Nhluvuko Risk Administration Proprietary Limited) to African Unity Health Proprietary Limited for R1.3 million and R15.0 million respectively.

The effective date for both of these transactions was 1 March 2015, subject to suspensive conditions, and was treated as non-current assets and liabilities held for sale on 28 February 2015.

10. Other acquisitions

For the year ended 28 February 2015

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 R10.1 million to our headline earnings during the 2015 financial year.

For the six months ended 31 August 2015

i) Standardising of revenue sharing model

During the period under review, the group, through its subsidiaries PSG Wealth Financial Planning Proprietary Limited and PSG Corporate Financial Planning Proprietary Limited, concluded further revenue-sharing arrangements (on the same basis as in the 2015 financial year) with a number of its advisers for a cash consideration of R17.6 million.

These transactions contributed R0.5 million to our headline earnings during the six months ended 31 August 2015.

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 risks), credit risk and liquidity risk. Insurance activities expose the group to insurance risk (including pricing risk, reserving risk, underwriting risk and reinsurance risk). The group is also exposed to operational risk and legal risk.

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

The condensed consolidated 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 2015.

There have been no changes in the group's financial risk management objectives and policies since the previous financial year-end.

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

Market risk is the risk of an 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 R887.8 million (31 Aug 2014: R827.6 million; 28 Feb 2015: R1 025.5 million) are quoted equity securities of R886.9 million (31 Aug 2014: R826.8 million; 28 Feb 2015: R1 024.7 million), of which R816.7 million (31 Aug 2014: R824.1 million; 28 Feb 2015: R955.1 million) relates to investments in linked investment contracts. The price risk of these instruments is carried by the policyholders of the linked investment contracts.

Debt securities linked to policyholder investments amounted to R730.7 million (31 Aug 2014: R940.2 million; 28 Feb 2015: R800.2 million) and do not expose the group to interest rate risk. Cash and cash equivalents linked to policyholder investments amounted to R22.1 million (31 Aug 2014: R14.7 million; 28 Feb 2015: R27.0 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 2015.

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 2015				
Financial assets at fair value through profit or loss				
Derivative financial assets	**–**	**13 813**	**–**	**13 813**
Equity securities	**886 914**	**–**	**–**	**886 914**
Debt securities	**466 140**	**530 178**	**90 447**	**1 086 765**
Unit-linked investments	**–**	**14 620 667**	**945 751**	**15 566 418**
Investment in investment contracts	**–**	**384 021**	**–**	**384 021**
Available-for-sale				
Equity securities	**–**	**–**	**845**	**845**
	1 353 054	**15 548 679**	**1 037 043**	**17 938 776**
Financial liabilities				
At 31 August 2015				
Financial liabilities at fair value through profit or loss				
Derivative financial liabilities	**–**	**16 410**	**–**	**16 410**
Investment contracts	**–**	**15 563 141**	**1 026 198**	**16 589 339**
Trade and other payables	**–**	**–**	**14 988**	**14 988**
Third-party liabilities arising on consolidation of mutual funds	**–**	**877 844**	**–**	**877 844**
	–	**16 457 395**	**1 041 186**	**17 498 581**

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

Audited Financial assets	Level 1 R000	Level 2 R000	Level 3 R000	Total R000
At 28 February 2015				
Financial assets at fair value through profit or loss				
Derivative financial assets	–	23 324	–	23 324
Equity securities	1 024 673	–	–	1 024 673
Debt securities	476 539	373 071	–	849 610
Unit-linked investments	–	11 228 992	1 116 656	12 345 648
Investment in investment contracts	–	226 305	–	226 305
Available-for-sale				
Equity securities	–	–	845	845
	1 501 212	11 851 692	1 117 501	14 470 405

Financial liabilities				
At 28 February 2015				
Financial liabilities at fair value through profit or loss				
Derivative financial liabilities	–	30 749	–	30 749
Investment contracts	–	12 282 705	1 106 656	13 389 361
Trade and other payables	–	–	13 453	13 453
Third-party liabilities arising on consolidation of mutual funds	–	699 202	–	699 202
	–	13 012 656	1 120 109	14 132 765

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

	Unaudited 31 Aug 15 R000	Unaudited 31 Aug 14 R000	Audited 28 Feb 15 R000
ASSETS			
Opening carrying value	**1 117 501**	2 488 657	2 488 657
Additions	**1 846 823**	3 106 266	3 294 440
Disposals	**(2 033 834)**	(4 386 990)	(4 762 552)
Gains recognised in profit and loss	**106 553**	137 399	96 956
	1 037 043	1 345 332	1 117 501
LIABILITIES			
Opening carrying value	**1 120 109**	2 498 451	2 498 451
Additions	**1 852 842**	3 113 635	3 293 979
Disposals	**(2 038 341)**	(4 391 450)	(4 769 442)
Losses recognised in profit and loss	**106 553**	137 399	97 121
Interest and other	**23**	111	–
	1 041 186	1 358 146	1 120 109

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 15 R000	Unaudited 31 Aug 14 R000	Audited 28 Feb 15 R000
Debt securities – held-to-maturity			
– Carrying value	**580 152**	788 473	721 341
– Fair value	**587 107**	800 585	736 883
Investment in investment contracts			
– Carrying value	**59 862**	205 547	111 904
– Fair value	**61 480**	214 216	112 736
Total			
– Carrying value	**640 014**	994 020	833 245
– Fair value	**648 587**	1 014 801	849 619

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 2015 took place during the period under review.

13. Capital commitments and contingencies

	Unaudited 31 Aug 15 R000	Unaudited 31 Aug 14 R000	Audited 28 Feb 15 R000
Operating lease commitments	**124 937**	74 736	82 843
Capital commitments	**–**	–	16 971

14. Events after the reporting date

No event material to the understanding of these results has occurred between the end of the reporting period and the date of approval of the condensed consolidated interim financial statements, other than the acquisition of a 70% shareholding in DMH Associates, which is a leading independent wealth advisory firm located in Mauritius. Refer to the commentary for more detail on this transaction.

DIRECTORATE

Non-executive directors

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

*(^ Lead independent; * 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

4th Floor, The Edge, 3 Howick Close, 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

psg.co.za