PSG Konsult

INTEGRATED REPORT
FOR THE YEAR ENDED 29 FEBRUARY 2016

VALUE CREATION

PSG Konsult creates value by generating sustainable, consistent and long-term inflation-beating returns. This enables a broad range of stakeholders to maintain and improve their livelihoods within a more stable society.

VISION

To be the leading independent financial services group in Southern Africa and selected regions abroad.

- By providing financial planning assistance, products and services, it enables clients to grow and preserve their wealth to meet their long-term needs and aspirations.
- By offering business support and enhancements, it enables advisers to grow their businesses and build long-term client relationships.
- By offering employment and training, it enables employees to improve their skills and develop their careers.
- By supporting educational initiatives and enterprise development, it enables suppliers, service providers and communities to access business and employment opportunities.
- By ensuring responsible business practices and governance structures, it assures government and regulatory bodies of its contribution towards a sustainable, growing, stable and well-functioning financial services industry.

MISSION STATEMENT

To make a difference in the lives of all stakeholders, by creating and preserving wealth through excellence.

CONTENTS

BY CONSIDERING IT ALL,
PSG SEES THE BIGGER PICTURE,
WHICH GIVES YOU THE ADVANTAGE.

KEY DEVELOPMENTS FOR 2016

PSG Konsult acquired a 70% shareholding in DMH Associates (now PSG Wealth (Mauritius)), a leading independent wealth advisory firm in Mauritius

Television advert launched to enhance brand recognition

Integrated secure online portal (single sign-on) launched across all business divisions, providing a single point of access for transacting and consolidated reporting

Growth in number and profitability of advisers (organic and acquisitive growth)

Credit rating remains unchanged at BBB+(ZA) and A2(ZA), with the next evaluation in June 2016

Invested in IT infrastructure and systems to improve operational scalability, with daily dashboards to monitor key financial and operational metrics

Operational and reputational risk exposures reduced with the termination of white-label client administration activities and disposal of non-core activities

Phase 2 of adviser buyback transactions concluded to harmonise the revenue sharing model

Legacy tax dispute, which dates back to 2009, settled for R115.2 million to obtain closure and certainty

HOW TO USE THIS REPORT

This report contains commentary in addition to the annual consolidated and separate financial statements of PSG Konsult. The statements are also available on the group's website (www.psg.co.za). References to notes in this report refer to the notes to the consolidated annual financial statements. Where industry-specific terms or abbreviations are not explained in the body of the report, please refer to the glossary on page 124.

The following icons were applied throughout the report to improve usability and show the integration between the relevant elements of the report.

Website (www.psg.co.za unless otherwise specified)

Page reference

FINANCIAL HIGHLIGHTS

↑ 20%
Recurring headline earnings

↑ 8%
Advisers

↑ 19%
Recurring headline earnings per share

↑ 17%
Gross written premium

↑ 16%
Assets under management

↑ 6%
Assets under administration

↑ 17%
Core revenue

↑ 10%
Dividend per share

KEY FACTS

Largest independent adviser network in South Africa and Namibia

Market capitalisation of R8.8 billion at 29 February 2016

Listed on the Johannesburg Stock Exchange (JSE) and Namibian Stock Exchange (NSX)

206 adviser offices throughout South Africa, Namibia and Mauritius

6 324 shareholders

414 professional associates

200 000+ clients

Chairman: Willem Theron

Chief executive officer: Francois Gouws

Chief financial officer: Mike Smith

PSG KONSULT'S APPROACH TO REPORTING

As a recently listed entity, PSG Konsult continues to improve its reporting to ensure that it meets readers' expectations.

This integrated annual report reflects the activities and performance of PSG Konsult Limited ('PSG Konsult' or 'the group') for the financial year from 1 March 2015 to 29 February 2016. PSG Konsult should be distinguished from PSG Group Limited, which is a separately listed entity and a 61.8% shareholder in PSG Konsult as at 29 February 2016. This report includes all entities within the three operating divisions, including the entities that are subject to group supervision, which include PSG Life Limited and Western National Insurance Company Proprietary Limited (RSA).

PSG Konsult has offices in South Africa, Namibia, Guernsey, Malta and Mauritius. However, the reporting emphasis is on South Africa as a 92.4% contributor to revenue.

As a recently listed entity, PSG Konsult continues to improve its reporting to ensure that it meets readers' expectations and adheres to all relevant regulations, standards and best practice. This report is aimed at providing shareholders and analysts with the insights to judge the financial and non-financial performance, strategy implemented and future prospects of the group. Supplementary information about PSG Konsult aimed at a wider stakeholder audience is available on its website www.psg.co.za or on request from Mike Smith at mike.smith@psg.co.za.

The group elected not to prepare a separate sustainability report, as all social and environmental initiatives and indicators were integrated into the financial and divisional reports.

REPORTING CONTENT

PSG Konsult aligns its reporting with the following reporting requirements and principles:

- International Financial Reporting Standards (IFRS)
- The South African Institute of Chartered Accountants (SAICA) Financial Reporting Guides as issued by the Accounting Practices Committee
- Financial Pronouncements as issued by the Financial Reporting Standards Council
- The Companies Act, No. 71 of 2008, as amended
- The JSE Listings Requirements
- The International Integrated Reporting Council's (IIRC) Integrated Reporting Framework
- Global Reporting Initiative (GRI)
- King Report on Governance and King Code of Governance Principles for South Africa 2009 (King III)
- Financial Sector Charter (FSC)

The group applied the principle of materiality in determining the content of this report, and aligns internal and external financial reporting in terms of performance indicators and format. Matters are considered material if they can affect the group's ability to create value for all stakeholders.

The group's 2015 Own Risk and Solvency Assessment (ORSA) preparation process, integrated capital planning, business planning, business strategy and risk management processes involved stress scenario testing with variables that included regulatory change, a global macroeconomic shock, the loss of a large office or a catastrophic event. During this process, the group identified the matters most material to stakeholders. It has addressed all these matters, which may affect or enable the business's ability to create value over time, in this report.

The structure of the 2016 report closely resembles the previous report in the interest of consistency and ease of comparison.

This report has been prepared for the benefit of all the stakeholders.

FORWARD-LOOKING STATEMENTS

This integrated annual report contains certain statements that are not historical facts and relate to analyses and other information based on forecasts of future results which are not yet determinable.

These are forward-looking statements as defined in the United States Private Securities Litigation Reform Act of 1995. Words such as *expect*, *believe*, *anticipate*, *plan*, *intend*, *seek*, *estimate*, *project*, *target*, *predict*, *outlook*, *endeavour* and similar expressions are intended to identify such statements. However, they are not an exclusive means of identifying such statements. The group cannot give any assurance that forward-looking statements will prove to be correct and readers should not place undue reliance on such statements.

Forward-looking statements involve inherent risk, uncertainties and – if one or more of these risks materialise, or the underlying assumptions prove incorrect – actual results may differ from those anticipated. Forward-looking statements apply only as of the date on which they are made. PSG Konsult does not undertake any obligation to update or revise any forward-looking statements contained in this report other than as required by the JSE Listings Requirements, whether due to new information, future events or otherwise.

ASSURANCE

The board of directors, assisted by the audit and risk committees, is ultimately responsible for the content of this report. The group makes use of a combined assurance model. The content development of both financial and non-financial information involved ongoing internal assurance, with the support of established divisional reporting lines and oversight by the chief financial officer. The group's risk and internal audit functions independently assess and review its internal controls and business risks that fall within the scope of the integrated annual report. External assurance was limited to the audit opinion on the consolidated and separate annual financial statements by the independent auditors, PricewaterhouseCoopers Inc. PSG Konsult appointed rating agency AQRate Proprietary Limited to verify, rate and confirm the BBBEE status of the group.

APPROVAL

The board confirms that its members have collectively applied their minds to the contents of the integrated report, as recommended by the audit committee. It is confident of the integrity, accuracy and fairness of the information included in the report, and has evaluated its preparation and presentation accordingly. The directors recognise that the reporting process continues to evolve. The content of the integrated report was approved on 20 May 2016 and it is signed on behalf of the board by

W Theron *Chairman*	**FJ Gouws** *Chief executive officer*	**MIF Smith** *Chief financial officer*

WITH THE RIGHT DIRECTION AND GUIDANCE, WE FOSTER SUCCESSFUL PARTNERSHIPS WITH OUR CLIENTS ALONG THEIR FINANCIAL JOURNEYS.

GROUP OVERVIEW

THE PSG KONSULT GROUP

"The best results can only come from seeing the bigger picture, and having the courage to act on it."

WHO ARE WE?

In 1997, Willem Theron, PSG Konsult's current chairman, and Wallie Krumm, former director and founding member of PSG Konsult, sat down in a coffee shop in Hermanus and discussed the business model on which PSG Konsult was built. The idea was simple but not simplistic – to grow a vast network of financial advisers providing excellent financial advice to clients where they reside.

Jannie Mouton and Jaap du Toit, directors of PSG Group Limited (PSG Group) at that stage, saw the value in the model, leading PSG Group to acquire a 50% interest in PSG Konsult for R2 million. The first directors' meeting was held in Cape Town on 7 August 1998 and PSG Konsult commenced business by September 1998, with seven offices across South Africa.

PSG Konsult is a leading independent financial services group with an extensive national footprint and a Namibian and Mauritian presence. In operation since 1998, the group offers a value-orientated approach to its clients' financial needs. PSG Konsult listed on the JSE on 18 June 2014, followed by the secondary listing on the NSX on 16 July 2014.

WHAT DO WE DO?

PSG Konsult has three divisions – PSG Wealth, PSG Asset Management and PSG Insure – supported by the largest network of independent financial advisers in South Africa and Namibia. The group focuses on the areas of wealth creation and preservation, asset management and insurance solutions for enterprises and individuals.

The group offers clients access to a full suite of financial products to meet all their financial planning needs; from investments to insurance and all wealth management services in-between. To provide the best possible support to clients and advisers, PSG Konsult continuously focuses on enhancing operations and technological capabilities. This ensures that the group remains ahead in a fast-paced, ever-changing and competitive environment.

PSG Konsult emphasises the importance of personal service and building lifelong relationships with its clients. The group's advice-focused business approach is founded on integrity, trust and transparency. These values are encapsulated in the group's core business principles.

Read more about these principles on page 12.

THE GROUP IN NUMBERS

Core revenue > R3.3 billion	Assets under administration R327.1 billion	Assets under management R154.1 billion
Short-term premiums under administration > R2.5 billion	Compound growth rate of 37.4% in recurring headline earnings since 2006	

Market capitalisation > R8.8 billion	Client complement > 200 000 across all offices	2 169 employees
Credit rating LT of BBB+(za) ST of A2(za)	Adviser offices 206	4 independent non-executive board members

VISION

To be the leading independent financial services group in Southern Africa and selected regions abroad

MISSION STATEMENT

To make a difference in the lives of all stakeholders, by creating and preserving wealth through excellence

CORE BUSINESS PRINCIPLES

PSG Konsult's business model is built on a foundation of strong values.

Our clients are our priority	We undertake to advise clients with the highest level of good faith, integrity, professional knowledge and diligence at all times.
Our people are our strength	We will always prefer internal promotion, and when we hire externally we will hire the very best people. They must have both the capacity and capability to integrate into our organisation. We accept that this process means wider internal review and consultation during the hiring process. We all take responsibility for this process. We will not compromise on the quality of our employees. We believe in a culture of performance and meritocracy where income, promotion and progression are always based on individual excellence and the overall betterment of our group.
We are a team	We fundamentally believe that providing excellent service to our clients and building a great business is a team effort. In our group, 'we' and 'our' take precedence over 'me' and 'my'. In running our group, we believe in clear lines of responsibility and the ownership of decisions, but we always seek to use all the available skills necessary to be informed on all business matters.

We will provide clients with the best products, backed by superb systems	Our entire approach is based on building multi-generational relationships with families and forging long-term ties with organisations we service. We believe that outstanding long-term service is dependent on skilled and reliable employees, and on superb platforms and systems. We strive for excellence in both areas.
Growth is part of our DNA	We prefer organic to acquisitive growth and will only acquire a business if there is a compelling strategic rationale, clearly definable synergies, the people are culturally aligned with our own, it can be integrated immediately, the price is acceptable and we have completed a thorough due diligence. Even then we understand that one unit of additional acquired revenue is almost always riskier than an equivalent unit of organic revenue. We believe in thorough analysis of business matters and detailed preparation, and at the heart of this thinking is the fact that any business issue can be quantified, measured and then managed. We accept that decisions sometimes have to be taken without perfect information. We are not afraid to take decisions in these circumstances. We aim to get most decisions correct but accept that, despite our very best intentions, things can and will go wrong. We will not be afraid to analyse and admit errors or mistakes. Indeed we believe it is the only way to learn.
We will adapt to the constantly changing business environment	Creativity and innovation is at the heart of our business model. We constantly aim to identify new trends and potential risks. Looking into and attempting to understand the future helps to ensure that we are not hostage to short-term budgets and current organisational structures. We embrace any change that new information requires.
We are first and foremost a South African group	We want to be a good corporate citizen that will actively seek ways to contribute to the betterment of our country. We undertake to comply with all legislation and regulations.

BRAND

"By considering it all, PSG sees the bigger picture which gives you the advantage."

The value of PSG Konsult's brand is clearly communicated in its unique selling proposition, which is entrenched on a consistent, ongoing basis across all three of its divisions. The development of this unique selling proposition involved a stakeholder testing and engagement process, including:

- one-on-one interviews with financial advisers
- one-on-one interviews with leading financial media journalists
- a series of focus groups with the group's target audience (current and potential clients)

The outcome of these engagements confirmed that PSG Konsult is seen to consider it all and in doing so they see the bigger picture, which in turn gives their clients the advantage.

Consequently, PSG Konsult developed an advertising campaign with television as the lead channel, and print and digital outlets as supporting channels.

The group launched its television advert at the beginning of 2016. It tells the story of the 1955 Mille Miglia motor race and the record win by Sir Stirling Moss and his navigator, Denis Jenkinson – a record that still stands today. The story is told backwards as the climax is not winning the race but rather the moment when they saw the bigger picture and knew what to do to win. Moss and Jenkinson secured their win by taking a broader view. They realised the importance of the driver/navigator partnership, used an innovative new navigational technique and spent hours mapping their route ahead of the race. Similarly, as bigger picture thinkers, PSG Konsult considers every detail to ensure the best possible results for its clients.

The advert enforces PSG Konsult's unique selling proposition by illustrating the following values and behaviour:

- PSG Konsult has the vision of a positive, ambitious and successful end result. It has the desire to achieve great results for clients, even if it means challenging the norm and doing things differently.
- PSG Konsult takes a rigorous and thorough approach in all that it does. It believes there is no substitute for proper preparation.
- PSG Konsult fosters successful partnerships with its clients along their financial journeys. There is also a close analogy between the driver/navigator relationship and the client/adviser relationship.
- PSG Konsult can compete on a global scale with its professional product and service offering.

Since the launch of the group's new website in March 2015, users have increased from just below 42 000 to over 86 000 at the end of February 2016. Growth in the digital audience is expected to maintain its momentum following the launch of the television advert.

RECOGNITION, AWARDS AND ACHIEVEMENTS

PSG Konsult is proud of the following notable milestones:

PSG Wealth

- PSG Wealth was overall runner-up in the Private Banks and Wealth Managers Survey, conducted by research house Intellidex for 2015:
  - top wealth manager for up-and-coming professionals 2015 (tied)
  - top wealth manager for successful entrepreneurs (tied)
  - a 'People's Choice' award as one of the top three wealth managers preferred by clients
- At the annual SA's Top Stockbrokers awards in September 2015, PSG Wealth was placed third overall. PSG Wealth was also recognised as one of the top three online brokers and received special recognition for the availability of its instruments and trading tools, its client support (including research and tools) and the overall quality of its online and offline services.
- PSG Konsult was a finalist for the 2015 Morningstar South Africa Fund Awards in the Best Short-term Bond Funds investment category (PSG Wealth Income Fund of Funds).

PSG Asset Management

- The PlexCrown survey results for 31 December 2015 confirmed that the PSG funds remain solid performers. The PSG Management Company maintained its Top 10 ranking.
- PSG Asset Management was placed third in the category Best Fund House: Larger Fund Range in the 2016 Morningstar South Africa Fund Awards.

PSG Insure

- PSG Insure was recognised by Santam as National Broker of the Year for both commercial lines, and asset and crop insurance.
- Various PSG Insure offices received Santam awards, ranging from bronze to diamond.

HISTORY

The PSG Konsult business model was born in 1997 from the idea of growing a vast network of financial advisers providing excellent financial advice to clients where they reside.

The timeline below is an overview of the major events in PSG Konsult's history. Dates provided refer to calendar years.

Phase	Year	Event
Development phase	1998	PSG Group acquired 50% shareholding in PSG Konsult
	2003	PSG Konsult acquired 51% interest in PSG Konsult Namibia
	2005	Shares made available to the public through an over-the-counter (OTC) trading platform
Acquisition phase	2006	PSG Konsult acquired 100% of Online Securities (today known as PSG Securities) from PSG Group
	2008	PSG Konsult acquired 49% of the shareholding in PSG Konsult Nhluvuko (today known as PSG Employee Benefits) in an empowerment deal, increasing its shareholding to 74% in 2010
	2011	PSG Konsult acquired 100% of PSG Asset Management, including PSG Life and PSG Invest, from PSG Group
	2012	PSG Konsult acquired 75% of Western Group Holdings (Western) over two transactions during the year
Growth phase	2013	Internal restructuring undertaken, streamlining multiple business units into three divisions PSG Konsult acquired the remainder of Western in two transactions and subsequently disposed of 40% of its shareholding to Santam
	2014	PSG Konsult listed on the JSE and NSX
	2015	PSG Konsult acquired a 70% shareholding in Mauritius-based DMH Associates (now PSG Wealth (Mauritius))

TRACK RECORD

The group has demonstrated growth in all major financial indicators since PSG Konsult's establishment in 1998.

Creating shareholder value since 2005

Shareholder returns

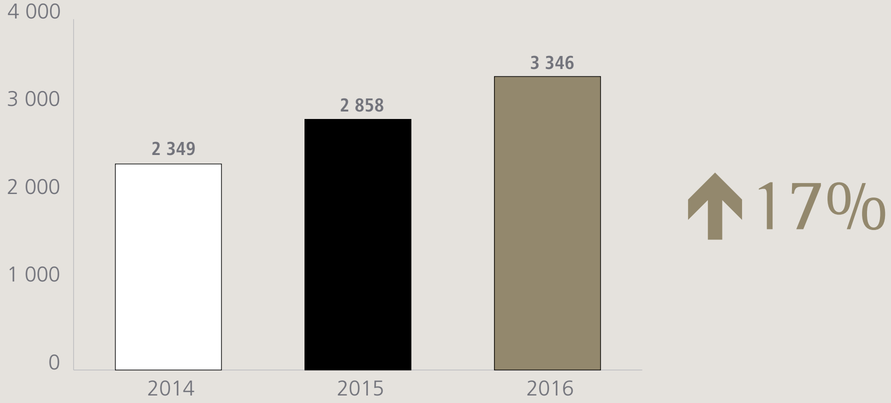
PSG Konsult's long-term goal remains to continuously create wealth for its shareholders through a combination of share price appreciation and the payment of dividends.

The group believes that performance should be measured by the return that an investor receives over time, with a focus on per share wealth creation. When evaluating PSG Konsult's performance over the long term, one should focus on the total return index (TRI) as a measurement tool. The TRI is the compound annual growth rate (CAGR) of an investment, and is calculated by taking cognisance of share price appreciation, dividend and other distributions. This is a sound measure of wealth creation and a reliable means of benchmarking different companies.

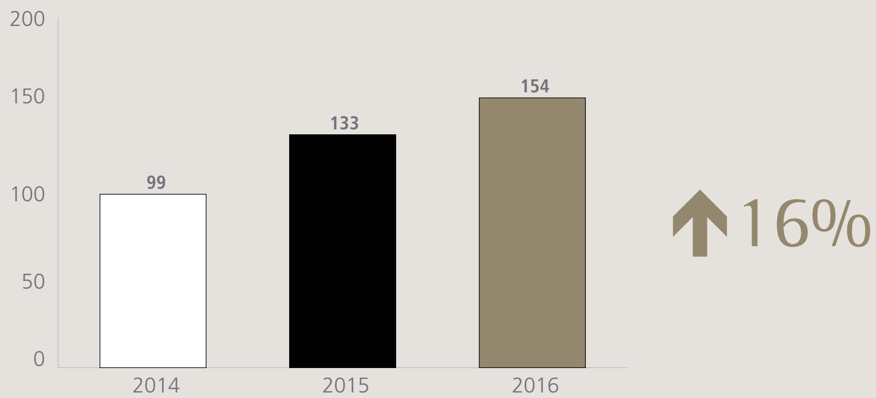
PSG Konsult has substantially outperformed the FTSE/JSE All Share Index (ALSI) total return index over 11 years to 29 February 2016. If R100 000 were invested in PSG Konsult on the day that OTC trading commenced in 2005, and if all dividends and other distributions received over the period were reinvested, this amount would be worth over R3.0 million on 29 February 2016 at a compound annual growth rate (CAGR) of 37.0% (25.3% in US dollar terms).

Date	Number of PSG Konsult shares	PSG Konsult investment R	Annual growth in investment %	JSE ALSI Total Return Index	JSE ALSI Investment R	Annual growth in investment %
2005-04-11	250 000	100 000		1 311	100 000	
2006-02-28	260 725	286 797	187	1 926	146 929	47
2007-02-28	297 398	490 706	71	2 670	203 678	39
2008-02-29	309 914	526 854	7	3 255	248 335	22
2009-02-28	327 703	426 014	(19)	2 032	154 988	(38)
2010-02-28	351 652	509 895	20	3 013	229 848	48
2011-02-28	373 653	597 845	17	3 723	284 027	24
2012-02-29	395 168	790 336	32	4 082	311 393	10
2013-02-28	422 411	1 203 871	52	4 870	371 546	19
2014-02-28	435 546	2 177 731	81	5 981	456 251	23
2015-02-28	441 856	3 190 197	46	6 946	529 912	16
2016-02-29	447 709	3 080 237	(3)	6 643	506 779	(4)
		3 080 237			**506 779**	
CAGR (%)			**37.0**			**16.1**

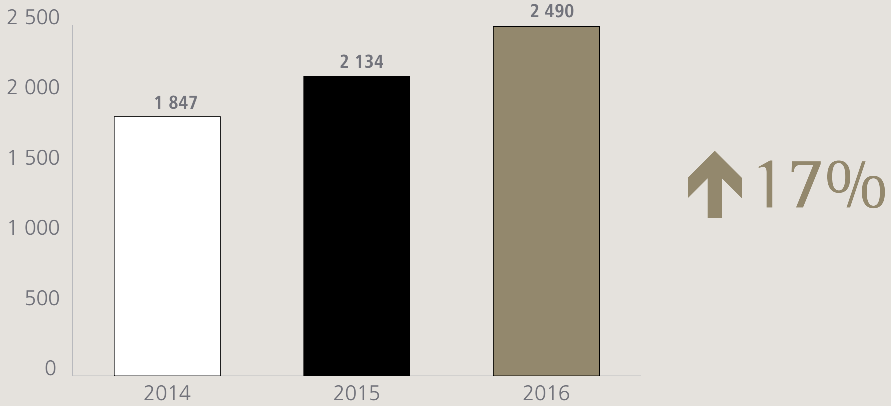
Core revenue (Rm)



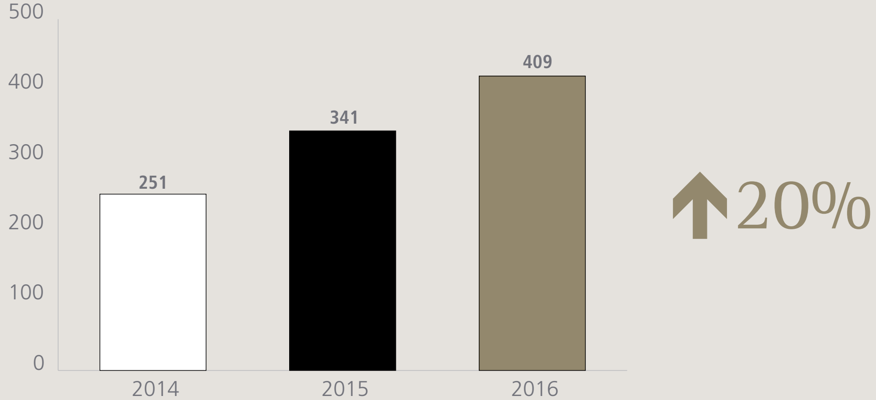
Assets under management (Rbn)



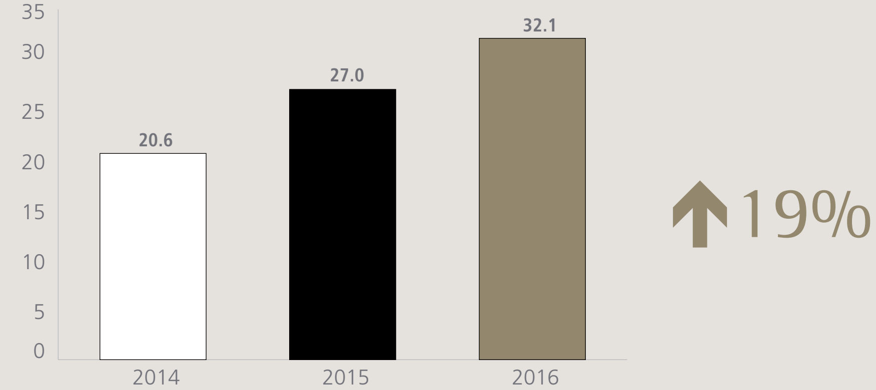
Gross written premium (Rm)



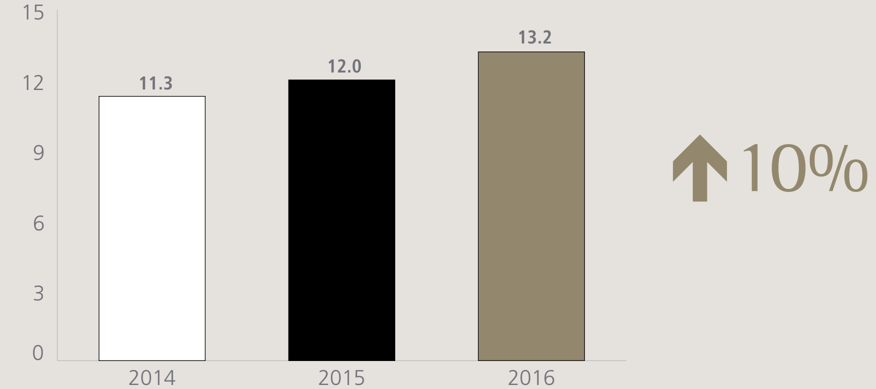
Recurring headline earnings (Rm)



Recurring headline earnings per share (cents)



Dividend per share (cents)



SEVEN-YEAR FINANCIAL REVIEW

	2016 R000	2015 R000	2014 R000	2013 R000	2012 R000	2011 R000	2010 R000
Income	**3 501 676**	3 014 600	2 557 436	1 846 019	1 603 826	1 018 111	901 016
Profit before tax	**631 662**	525 032	383 637	136 004	235 195	135 139	144 056
Taxation	**(309 838)**	(163 234)	(117 677)	(82 633)	(73 516)	(36 173)	(45 530)
Profit for the year	**321 824**	361 798	265 960	53 371	161 679	98 966	98 526
Headline earnings	**292 302**	339 261	244 485	173 808	162 282	91 510	89 875
Recurring	**408 748**	341 175	251 145	174 424	151 305	91 510	89 875
Non-recurring	**(116 446)**	(1 914)	(6 660)	(616)	10 977	–	–
Non-headline earnings	**622**	1 140	4 773	(115 677)	(7 960)	2 294	6 886
Attributable income	**292 924**	340 401	249 258	58 131	154 322	93 804	96 761
Headline earnings per share (cents)	**22.9**	26.9	20.0	15.4	15.2	12.5	12.3
Recurring headline earnings per share (cents)	**32.1**	27.0	20.6	15.4	14.1	12.5	12.3
Earnings per share (cents)	**23.0**	27.0	20.4	5.1	14.4	12.8	13.3
Dividends per share (cents)	**13.2**	12.0	11.3	10.8	10.3	8.8	8.3
Interim dividend (cents)	**4.4**	4.0	4.0	3.5	3.0	2.8	2.8
Final dividend (cents)	**8.8**	8.0	7.3	7.3	7.3	6.0	5.5
Weighted average shares (000)	**1 274 163**	1 261 394	1 220 523	1 131 880	1 070 689	733 081	730 492
Actual shares in issue (000)	**1 279 124**	1 262 484	1 221 917	1 209 582	1 072 301	733 081	730 492
Market capitalisation (Rm)	**8 800**	9 115	6 110	3 447	2 145	1 173	1 059
Price (cents per share)							
Last day of trade	**688**	722	500	285	200	160	145
Highest	**950**	790	534	295	200	180	145
Lowest	**635**	500	255	175	139	117	106
Trading volume (number of shares)	**114 093 941**	61 842 093	31 449 042	21 185 957	14 892 827	9 489 196	6 657 760
Trading value (R)	**903 744 597**	429 153 022	128 845 854	46 826 925	23 609 472	13 266 362	8 835 220
Number of trades	**15 032**	11 878	2 369	726	272	191	125
Net asset value per share (cents)	**132.2**	118.3	89.1	76.0	67.8	66.9	63.7
Assets under administration (Rbn)	**327.1**	308.7	233.2	179.5	139.0	97.3	72.4

GROUP STRUCTURE

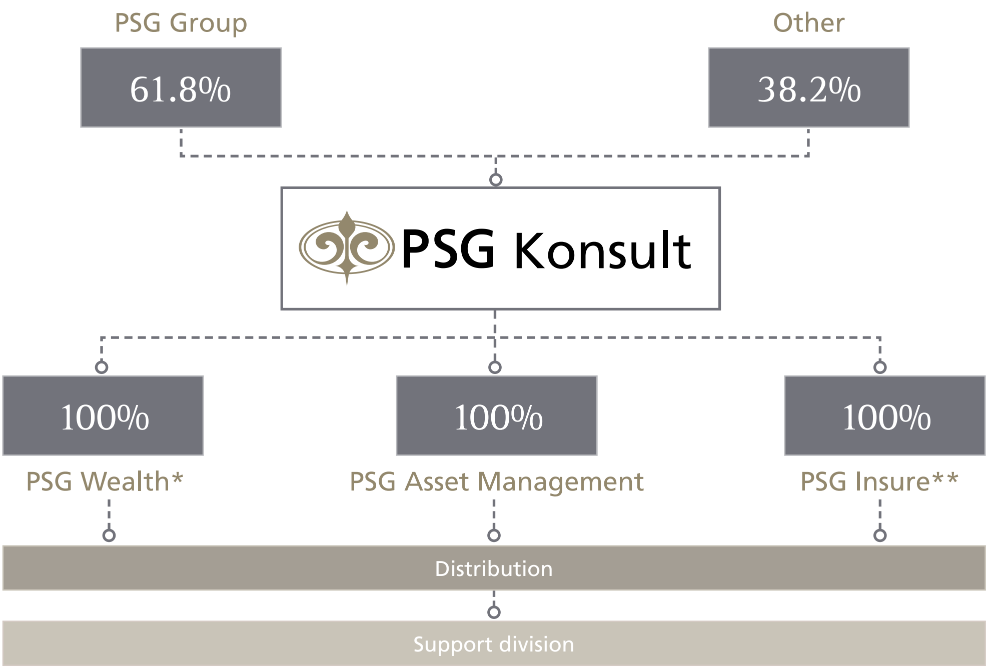
PSG Konsult has three operating divisions:

PSG Wealth | PSG Asset Management | PSG Insure

These divisions are supported by a network of independent financial advisers across South Africa, Namibia and Mauritius. The newly acquired Mauritian adviser network forms part of the PSG Wealth division. Reporting and assurance channels are integrated so that each of the three divisions are monitored and assessed on an ongoing basis. This ensures risk and regulatory compliance and drives the operational and financial performance of the business. Each division has its own board and executive committees, which are integrated into the group's governance structures.

Read more about the group's governance structures in the corporate governance report from page 96.

PSG Konsult provides a range of centralised support services across the group. These include human resources, marketing, information technology, legal and compliance, risk, internal audit and finance departments.



* Includes PSG Employee Benefits.

** Includes Western National Insurance.

As at 29 February 2016.

DIVISIONAL OVERVIEW

	Nature of business	Business units	Headcount
PSG Wealth	Wealth management services to individuals, families and businesses, including investment opportunities, stockbroking, estate planning and fiduciary services	• PSG Securities • Multi-management • Employee benefits • Linked investment business/LISP platform • Wealth distribution (including fiduciary services)	1 350 (2015: 1 239)
PSG Asset Management	Investment management services to both retail and institutional investors, with a range of local unit trusts and international funds across the investment risk spectrum	• Asset management • Collective investments (local and offshore)	91 (2015: 95)
PSG Insure	Insurance advice and the underwriting and administration of short-term insurance policies in both personal and commercial lines	• Western Group Holdings • Short-term administration • Insure distribution	728 (2015: 651)

More information on the divisions is provided in the divisional reports from page 77.

Contribution to group income*	Contribution to group recurring headline earnings*	Chief executive officer	Main office
56.4% (2015: 55.9%)	69.9% (2015: 66.9%)	Corrie de Bruyn**	Bryanston, Johannesburg
10.5% (2015: 12.2%)	20.2% (2015: 24.1%)	Anet Ahern	Constantia, Cape Town
33.1% (2015: 31.9%)	9.9% (2015: 9.0%)	Rikus Visser	Tyger Valley, Bellville

* *Based on the 2016 segment reporting on pages 167 to 173.*

** *Marilize Lansdell from 1 May 2016.*

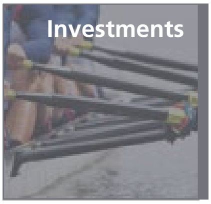
Read more about Western on its website www.westnat.com.

PRODUCT AND SERVICE OFFERING

PSG Konsult's collective range of products and services covers a broad spectrum of client needs to help them build and protect their wealth.

- Financial advice on investing, saving, stockbroking, retirement planning and insurance
- Distributed through a network of PSG Konsult advisers

- PSG Wealth

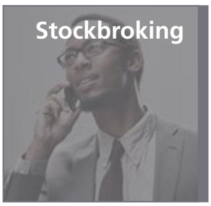


- Unit trust-based products for investing, including saving for personal goals and for retirement
- Options include PSG Wealth multi-managed solutions, PSG Asset Management unit trusts and unit trusts from a wide range of other management companies for diversification
- Online investment platform allows clients to access and manage their portfolios both locally and offshore

- PSG Wealth
- PSG Asset Management

- A comprehensive suite of local and international unit trusts
- Access to global markets is provided through both foreign-domiciled funds and rand-denominated feeder funds that invest internationally

- PSG Wealth
- PSG Asset Management



- Online trading platform provides clients with direct market access to local and international markets
- Involves building a customised portfolio of shares, exchange-traded products and derivative trading instruments

- PSG Wealth

Personal short-term insurance

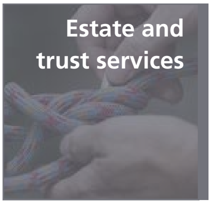
- Access to car, household, liability and accident cover through partnerships with leading insurance providers
- Advisers assist clients by evaluating available options to structure a tailored insurance solution

- PSG Insure

Commercial short-term insurance

- Western's insurance underwriting capabilities provide cover internally and via business partnerships with leading insurance providers
- Access to business cover for theft, damages and commercial interruptions
- Analysis and advice on clients' business insurance needs on a case-by-case basis

- PSG Insure



Estate and trust services

- A full estate planning service, including local and offshore trust services
- Assisting in drafting a last will and testament, and acting as executor in administering deceased estates

- PSG Wealth

Multi-managed funds

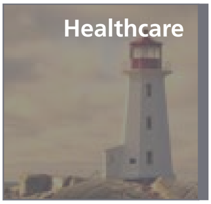
- Access to combined resources and specialised skills of a selected group of top asset managers to target specific investment objectives
- Access to a diverse range of local and global multi-managed funds

- PSG Wealth

Multi-management solutions

- Customisable asset consulting service to institutional investors, allowing clients to combine PSG Konsult's local multi-managed solutions and discretionary portfolios
- Access to a diverse range of local and global multi-managed solutions

- PSG Wealth



- Access to a range of hospital plans and medical aid options through partnerships with a selection of medical aid providers
- Gap cover is available as a supplement to medical aid by paying towards hospitalisation and medical costs not covered by a specific plan

- PSG Wealth

- Complete corporate package, including retirement, healthcare and risk benefits
- Analysis and customised solutions based on clients' needs for corporates, institutions, and small to medium enterprises

- PSG Wealth

- Access to life, disability and critical illness cover through partnerships with leading insurance providers
- Advisers assist clients by evaluating the available options to structure the most suitable life cover on a case-by-case basis

- PSG Wealth

- Investment expertise to assist institutional clients to protect and grow their business capital, or perform their fiduciary responsibilities towards their investors
- Management of segregated and institutional mandates, tailored to clients' business requirements
- Management of a range of multi-managed solutions and unit trusts that can be included as investment options in retirement funds

- PSG Wealth
- PSG Asset Management

INVESTMENT CASE

The business features below underpin PSG Konsult's expectations of future success.

Distribution network	• Largest independent adviser network in South Africa and Namibia, with a South African footprint spanning the entire country • Newly established presence in Mauritius • Trusted advisers with cradle-to-grave relationships with clients • Entrepreneurial adviser remuneration model encourages client retention and long-term growth • Alignment of shareholder and adviser interests • Learner adviser training programme
Track record	• History of superior shareholder returns and demonstrable asset and premium growth over time • Conservative investment approach based on three layers of defence risk management • Proven ability to maximise every rand of income earned relative to the acceptable unit of risk taken
Growth opportunities	• Relatively small market share with significant room for growth in the group's chosen wealth, asset management and insurance market • Vertical integration of the PSG Insure division (resulting in a greater share of fee within the value chain) • Building blocks and solid business foundation in place, allowing strategic acquisitions into new frontiers • Operating leverage leading to higher margins as business gains scale • PSG Asset Management (long-term investment performance track record and recipient of multiple investment awards) enhances ability to attract assets under management • Holistic financial services product range meets a broad spectrum of client needs, creating cross-selling opportunities and synergies

Business characteristics and relationships	• Experienced entrepreneurial management team, backed by a supportive anchor shareholder in PSG Group • Profitability of key divisions geared to equity market conditions • Scalable synergistic divisions with strong operational leverage • Producing high return on equity, without taking undue risks • New share issues limited to prevent dilution of shareholder returns • Good working relationship with regulators • Recipient of numerous industry awards • Primary client exposure relates to higher LSM groups
Respected and trusted brand	• PSG is an established and trusted brand • Commitment to brand awareness and enhancement as evidenced by increased brand exposure from the group's new television advert
Sound financial position	• Low gearing levels, as the business is predominately equity funded • Businesses are highly cash generative • Global Credit Rating: BBB+ long-term rating; A2 short-term rating, with a stable outlook • All regulated entities are adequately capitalised to achieve growth objectives • Majority of businesses are not capital intensive

Recurring headline earnings by division

Compound growth of 33% since 2013

Recurring headline earnings	2013 Rm	Change %	2014 Rm	Change %	2015 Rm	Change %	2016 Rm	% CAGR
PSG Wealth	124	31	162	41	228	25	**286**	**32**
PSG Asset Management	31	74	54	52	82	1	**83**	**39**
PSG Insure	19	84	35	(11)	31	29	**40**	**28**
Total	174	44	251	36	341	20	**409**	**33**

OPERATING CONTEXT

The financial services sector continues transforming to be more transparent, with an emphasis on corporate governance and responsible stewardship of client assets.

Online accessibility has become a necessity rather than a nice-to-have, and clients expect access to information and advice wherever they are in the world. This means that PSG Konsult competes for the business of a client base that demands increasing flexibility and security while pursuing investment solutions with the right balance of risk and return.

Competition in the industry is driven by track record (demonstrable asset and premium growth over time), quality of relationships (advisers, whom clients trust to offer excellent advice) and reputation (recognisable, established brands).

Financial service providers must be able to navigate shifts in the global, national and industry environments so that they can manage their clients' affairs in stable as well as turbulent or volatile environments. This means dealing with all eventualities and opportunities: being prepared to take advantage of wealth creation opportunities as they arise, and mitigating risks related to clients' assets through appropriate insurance products.

Key macro indicators

Weakening economic environment

Key indicators	2013	Change %	2014	Change %	2015	Change %	2016	% CAGR
Rand/US$	8.4	24	10.4	11	11.5	38	15.9	24
Cash Index – STeFI Call	268	4	280	5	295	6	312	5
All Bond Index	434	1	437	14	498	(4)	480	3
SA Property Index	493	2	501	31	656	(7)	610	7
FTSE/JSE Index	39 250	21	47 329	13	53 344	(7)	49 415	8
S&P 500 (Rand)	13 642	46	19 931	23	24 594	24	30 560	31

Material trends Relevance to PSG Konsult

Global context

Global financial markets remain precarious. On the one hand the US is strengthening and healthier – hence the upward interest rate cycle. On the other hand, the downside risks remain. These include lower growth in China, the impact of falling commodity prices and the fragile state of some emerging market economies.

After three decades of growth, the Chinese economy slowed down significantly in 2015. Chinese demand for South African commodities is falling to levels well below those of the previous three years. This is likely to worsen in 2016 as China introduces structural reforms aimed at moving its economy towards services and away from a reliance on manufacturing and infrastructure spend.

Europe is experiencing a moderate recovery as it exceeds gross domestic product (GDP) levels achieved before the financial crisis. Quantitative easing aided the process, weakening the Euro during 2015 and boosting exports. Prospects for 2016 look mildly positive and European equity valuations remain generally attractive.

Economic recovery in the UK since the financial crisis is still stable. The UK performed relatively well in 2015, with growth of around 2.5% and rock-bottom inflation. Economists predict that this will continue in 2016. Low levels of government investment and low labour productivity are material concerns, but these are largely priced into existing growth forecasts.

Globally, the group expects weak emerging market growth to continue alongside lower but stable growth in developed economies. In general, it expects emerging markets to continue to struggle in the interim as commodity prices remain low over the short term.

Investment risk remains material and, although the group is optimistic about return potential over the medium to longer term, it proceeds with caution when selecting investments.

National context

Weak investment returns in 2015 mainly resulted due to the Rand. In line with other emerging market currencies, it experienced one of its worst sell-offs against the US Dollar in recent history. The decline was precipitated by lower-than-expected data on economic activity in China, which translated into a steep decline in commodity prices. Locally, these negative economic fundamentals were exacerbated by the unexpected change in finance ministers in December 2015.

The ALSI started a downward trend in April 2015 until December, with a disappointing negative total return of 7.4% for the period until 29 February 2016.

Two rating agencies downgraded South Africa's sovereign credit rating in 2015 and the ratings outlook remains negative for 2016.

South African growth was further impacted by the energy crisis, drought, youth unemployment, lack of infrastructure, uncertain fiscal position and performance challenges at state-owned enterprises.

Although there are a few export-driven positives, South Africa faces a host of challenges in 2016 that could derail the economy. The weaker demand for commodities and falling commodity prices will reduce profits in the mining industry and cut government tax revenues. Imports will be more costly and remains at higher levels than exports. This will also put upward pressure on the inflation rate, with further hikes expected.

Market sentiment remains poor, although some market positives were seen in the last few weeks.

Although PSG Konsult's rating is not linked to the sovereign credit rating, the group will suffer with the rest of the market if there are further downgrades.

The group is exposed to currency, bond and equity markets, which react swiftly to national economic events. For PSG Konsult the immediate concern is always the impact on its business and its clients. This means determining levels of risk and taking mitigating actions.

The best performance for South African investors in 2015 came from their investments in offshore assets such as offshore equities, property and bonds.

Material trends Relevance to PSG Konsult

Industry context

Transformation of the financial services industry continues, with the major element being the introduction of a Twin Peaks approach to financial sector regulation. This is aimed at enhancing systemic stability, improving market conduct regulation, bolstering micro and macro prudential regulation and strengthening South African regulators.

The implementation of the Solvency Assessment and Management (SAM) framework and Twin Peaks regulation requires that the Financial Sector Regulation Act be enacted. This is in the process of being tabled in Parliament. As a result, the implementation date for SAM has been postponed to 1 January 2017.

The Protection of Personal Information Act (POPI) has been gazetted, but the commencement date has not been determined. Once this Act comes into effect, the Financial Service Board (FSB) will appoint an official Regulator of POPI to ensure that financial services firms use personal information for legitimate reasons and do not infringe on client privacy.

The Retail Distribution Review (RDR) aims to regulate financial advisers and intermediaries, to ensure that their distribution models support the delivery of the FSB's Treating Customers Fairly (TCF) outcomes. This includes ensuring that customers receive fair outcomes, prices and advice when purchasing financial products. The RDR also aims to address the issue of the affordability of advice for low-income customers via 'low-advice' distribution models. The RDR proposal paper remains under review.

National Treasury introduced tax free savings accounts in 2015 to support the creation of a savings culture in South Africa.

The increasing cost and resource requirements resulting from upcoming – and delayed – legislation is driving consolidation within the industry. This offers an opportunity as PSG Konsult has developed a key competency in assisting smaller advisers to transition onto its infrastructure and administrative support services and systems. The group is therefore able to expand its network while advisers are relieved of risk and compliance burdens.

PSG Konsult continues to implement measures proactively to ensure that it adheres to all upcoming legislation. For example, the group participated in the FSB's subcommittee working groups on the RDR.

Read more about the group's solvency requirements in the chief financial officer's report on page 73.

The introduction of tax free savings accounts enabled PSG Wealth to launch its own tax free investment product.

STAKEHOLDERS

PSG Konsult recognises the need to continually adapt, improve and deliver value for all stakeholders if it is to achieve its ambition of becoming the investment business partner and employer of choice in the countries in which it operates.

Since its establishment in 1998, the group has been a prominent part of the South African financial services industry. PSG Konsult takes a long-term view when determining methods for adapting to the demands of its operating environment. Stakeholder engagement is a critical aspect of this process.

Stakeholder relationships have formed over time as the business interacts with a variety of people who makes use of its products and services, sought advice and business opportunities or explored career options. These relationships have deepened over the years, and have evolved into natural stakeholder groups. The section addresses the nature and importance of PSG Konsult's relationships with these stakeholder groups. It also explains how PSG Konsult creates value for each group in the short, medium and long term, without dismissing the reality that there are different issues and concerns within the various groups that can sometimes be conflicting.

The board of directors oversees stakeholder management, while the management teams of the divisions are responsible for implementing and monitoring stakeholder engagement.

PSG Konsult strengthened its stakeholder engagement during the year through a number of activities. It understands its role as the 'relationship owner' and consolidated its learnings from these activities. Its primary focus is on the following groups:

- advisers
- employees
- clients
- shareholders/analysts
- suppliers, service providers and communities
- government, regulatory bodies and industry associates

The stakeholders, their interests and level of influence in the group's operations will vary according to geographical location, business area and their nature of interest.

PSG Konsult's approach to stakeholder engagement is based on the following principles:

- mutual respect
- openness and transparency
- supportive and responsive interaction
- regular and structured engagements
- treating all stakeholders as existing or potential clients

ADVISERS

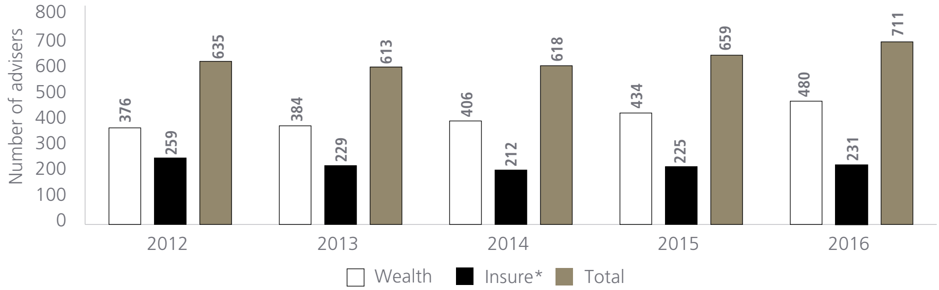
Core principles:

We are a team and growth is part of our DNA.

Who are they?

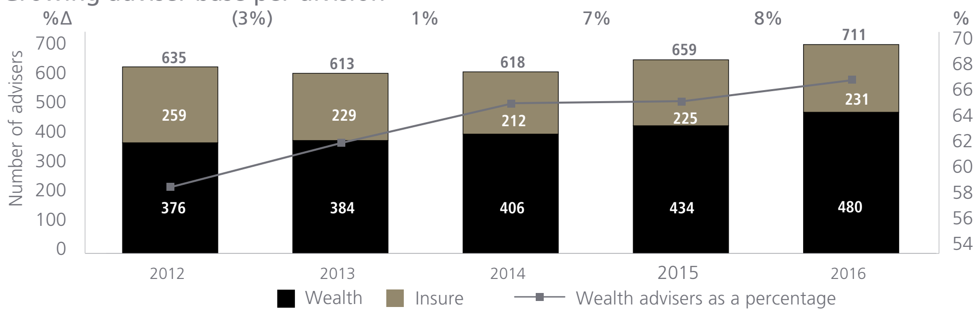
Number of advisers	2016	2015
PSG Wealth	480	434
PSG Insure	231	225
Total	711	659

Adviser growth per division over five years



* Historical decrease in insure advisers due to amalgamation and consolidation of PSG Insure adviser offices

Growing adviser base per division



PSG Konsult's national network of advisers is what differentiates the group and provides its competitive edge in the financial services industry. The adviser model relates specifically to the PSG Wealth and PSG Insure divisions.

Find out more about the geographical spread of advisers on the map on page 11.

PSG Konsult advisers are independent, which means that they sell PSG Konsult products in addition to a wide variety of other local and offshore products. This model ensures that clients receive the most suitable and competitive offering to meet their unique requirements. Advisers are not limited to offering only PSG Konsult products, which is a constraint for tied agents affiliated to many other South African product providers.

Advisers are governed by strict operational procedures and PSG Konsult regulates the advice process rigorously. This ensures that clients receive high-quality advice.

A major focus for PSG Konsult is to attract and retain advisers who possess excellent business acumen and the ability to provide meaningful and effective advice. They have to be able to offer clients investment solutions that will meet their needs by growing and preserving their wealth. The group is continuously expanding its adviser network to ensure that it delivers continued positive client inflows. It undertakes this expansion through both organic growth and selected adviser acquisitions. The number of net new joiners in 2016 was 52, compared to 41 in 2015.

While growth is the overarching objective of the group's strategic focus, expansion takes place with an emphasis on quality over quantity.

Adviser buyback transactions

In the previous financial year PSG Konsult completed the first phase of its adviser buyback transactions. The asset-for-share transaction allows advisers to become shareholders in the business and be part of the group's loyal shareholder base. The purpose of the adviser buyback transactions is to streamline and standardise the revenue sharing model and contract terms of advisers.

A second buyback transaction was concluded in July 2015, with 18 branches accepting PSG Konsult's offer. This delivered a headline earnings contribution of R1.5 million to the group during the 2016 financial year. A third phase of transactions was initiated in March 2016. These transactions were settled largely through the issue of shares to a number of the group's advisers.

Why are they important?

PSG Konsult is an advice-led business, and prides itself on the business acumen and quality of its independent client services and advice.

PSG Konsult's advisers can participate in an entrepreneurial remuneration model and become fully integrated into the group's administrative processes and systems, while remaining independent. It also offers them greater opportunity for specialisation.

PSG Konsult's business model is built on the understanding that it is not sufficient to develop excellent products and services without focusing on how to connect these with a receptive market. Advisers provide the connection, as they represent PSG Konsult in the client relationship. Their ability to attract new clients, advise existing clients and ensure long-term relationships is critical for the PSG Konsult business model to be able to deliver value.

How does PSG Konsult create value for advisers?

PSG Konsult offers advisers a compelling value proposition in the form of its comprehensive financial services offering, established brand and performance track record.

In addition, increasing regulatory requirements are resulting in a significant administrative, cost and capacity burden for advisers. PSG Konsult is able to offer advisers a range of support services that allows them to focus on delivering high-quality advice and building their businesses through client relationships. These include:

- administrative support: human resources, financial and operational
- training and development: induction and ongoing development initiatives
- information technology and customer relationship management (CRM): a

comprehensive practice management tool, online planning aids and disaster recovery sites
- technical advisory services: specialist in-house advice on investment planning, tax, legal and more
- compliance and risk management: paying levies, acting as key individual and professional indemnity cover on behalf of advisers
- marketing support: branding, design and client communication
- succession planning: contingency planning

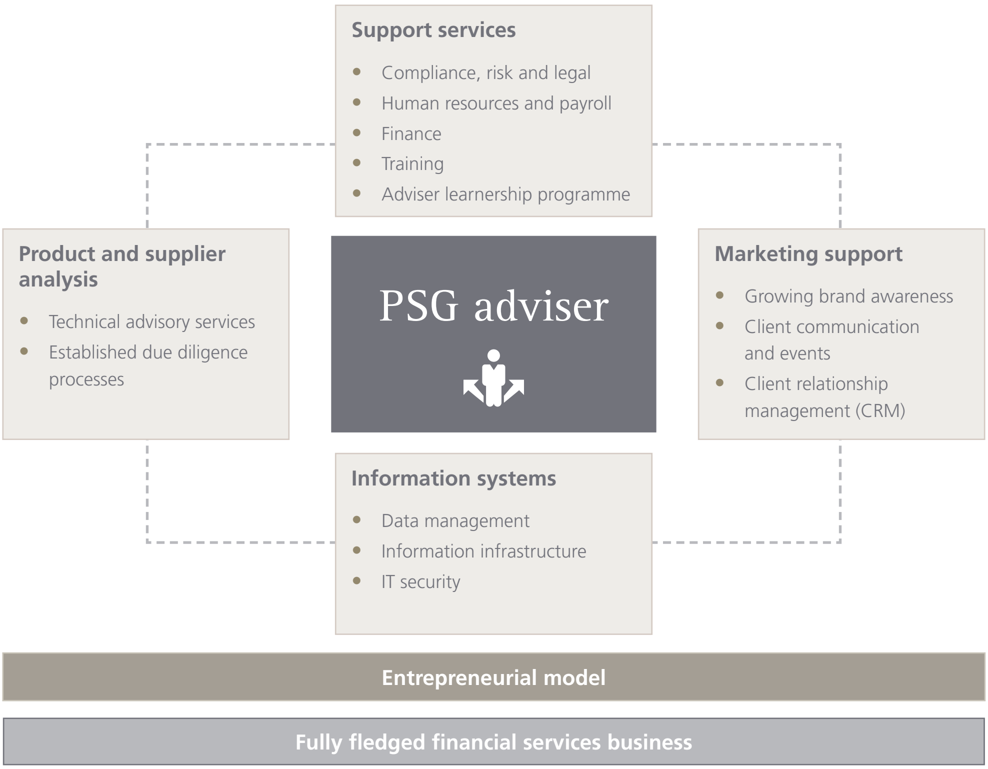
The PSG Konsult approach creates value in that advisers own a significant majority of their income stream, have access to a wide range of best-of-breed product providers and products, and have full discretion over where they place their business. They can also form associations with other PSG Konsult advisers and offices, to offer a wider range of services.

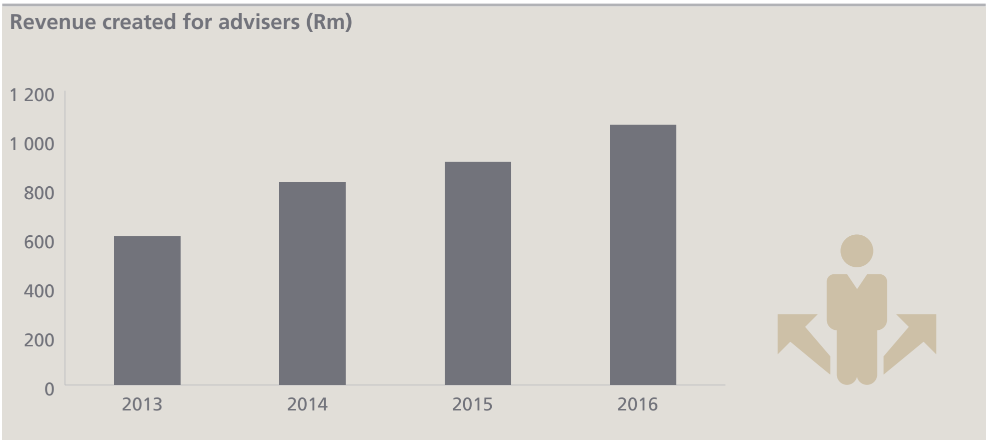
Through its adviser network, PSG Konsult offers succession options for advisers who want to sell their businesses or retire. This also adds value for clients as it supports PSG Konsult's cradle-to-grave approach. This ensures that clients have the comfort of continuity, a consistent approach and historic records throughout their financial lifecycle.

Through its adviser model PSG Konsult aims to:

- stimulate growth for advisers
- maximise advisers' time with clients
- save advisers money
- give advisers and their clients peace of mind
- increase advisers' professionalism

PSG Konsult's adviser value proposition, including interaction with and support from the group, can be summarised as follows:





Adviser engagement and development

To ensure that PSG Konsult creates sustainable value, senior management makes sure that their communication channels with advisers are open, honest and effective. The group shares a clearly articulated strategy and achievable growth targets with its advisers and offers them compelling products and services with a demonstrable growth record.

PSG Konsult engages with advisers on an ongoing basis, and arranges formal and ad hoc meetings throughout the year. The following engagement and development initiatives support value creation for advisers and PSG Konsult:

- Annual conference
  PSG Konsult holds an annual conference to which it invites advisers and professional associates. The purpose is to engage with the group's leadership over strategic objectives, identify potential client product and service opportunities, discuss the impact of changes in the regulatory environment, and unpack related industry trends.
- Adviser strategy sessions
  Bi-annual adviser strategy sessions are held with selected advisers to allow management the opportunity to conduct focused strategic discussions on industry-related issues and challenges in the intermediary space. It is also an opportunity to share adviser success stories.
- Adviser work sessions
  Bi-annual work sessions are held across the country to keep advisers and their support staff up to date with changing legislative requirements and internal enhancements.
- Adviser learnership programme
  The adviser learnership programme, which has been running since 2008, trains new advisers in an office context. It involves a formal training syllabus over 12 months, with an additional 12-month lock-in period.
- Regular communication
  PSG Konsult distributes a range of communications via an internally developed client relationship management system (*myPractice*).
- *myPSG* platform
  This provides clients with an intelligent dashboard view of all of their PSG Konsult products, as well as information on other products invested in via a PSG Konsult adviser. It also allows clients to access important documentation, such as FICA documents. Advisers can access all their clients' details by using a single login to see share and fund information, statements and transactional instructions.
- Santam/FIA/Inseta industry development programme
  PSG Konsult participates in this programme, focused on building a pipeline of qualified young black insurance graduates for the short-term insurance industry. Eleven future short-term specialists were placed in the PSG Insure division in March 2016.

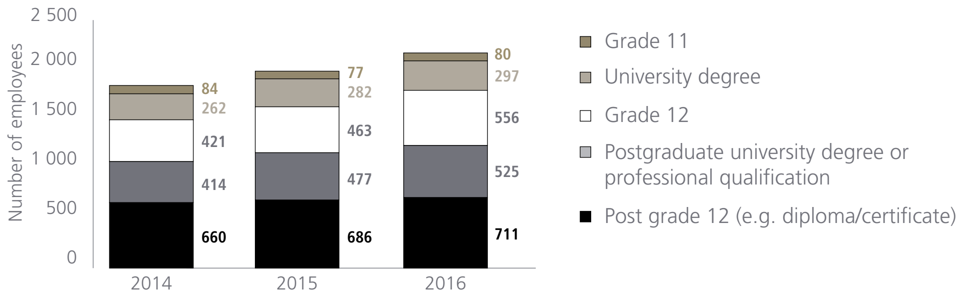
EMPLOYEES

Core principle:

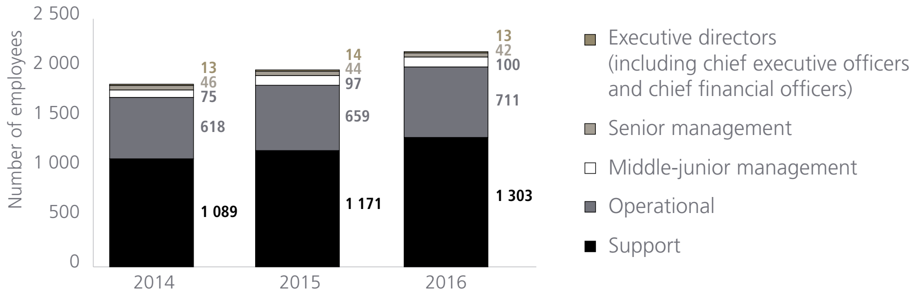
Our people are our strength.

EMPLOYEE DEMOGRAPHICS
as at 28/29 February

Education



Hierarchy



GROWTH IN EMPLOYEE NUMBERS:

Number of employees	2016	2015	2014
PSG Wealth	**1 350**	1 239	1 137
PSG Asset Management	**91**	95	81
PSG Insure	**728**	651	623
Total	**2 169**	1 985	1 841

Who are they?

PSG Konsult employs 2 169 people across South Africa, Namibia, Guernsey, Malta and Mauritius. To create and sustain a diverse, high-performance culture, the group invests in performance management and employee development initiatives for which the centralised human resources function is responsible.

PSG Konsult had an increase in its staff complement during the financial year in areas like legal and compliance, risk management, technical support and IT, mainly due to the increased regulatory burden on the financial services industry.

As is the case with other financial industry players, PSG Konsult requires a range of specialist skills in the following areas:

- short-term insurance underwriting
- product specialists
- data analytics
- system architects
- asset management
- legal and compliance, risk management and finance

Why are they important?

Employees are the most significant source of human capital and therefore provide a critical input into PSG Konsult's business model. The ability and willingness of employees to perform at consistently high levels are integral to successfully delivering the group's strategic objectives.

How does PSG Konsult create value for employees?

PSG Konsult starts its relationships with employees through a recruitment and induction programme. This programme is upfront about the group's core principles (which defines its values and behaviours), and which highlights the importance and value of employees.

Read more about the group's core principles on page 12.

PSG Konsult offers employment opportunities to:

- graduates
- mid-career professionals
- bursary and internship applicants

PSG Konsult's governance and management structures ensure that it creates value for employees:

- The social and ethics committee monitors group activities relating to sustainability and transformation, as well as the ethical conduct of employees. This ensures that employees receive equal advancement opportunities and that they work in a safe and comfortable environment.
- The remuneration committee is responsible for developing and implementing fair remuneration practices that are applied consistently through-out the group. This ensures that employees' performance is recognised and rewarded.

The group further offers development through career enhancement opportunities that afford employees long-term well-being and job security. These opportunities include bursaries and study loans for work-related disciplines or future business requirements in specialist fields, which allow employees to enrol for part or full-time studies.

Employee engagement and development

In addition to the daily engagement with different divisions and functions within PSG Konsult while carrying out their duties, employees benefit from the following formal engagement events:

- Bi-annual performance management process
  This consists of a formal assessment according to a list of key performance indicators (KPIs) and responsibilities agreed upon between the employee and their line manager. This is to ensure that the time and effort contributed by every individual is aligned with the overall strategic objectives and goals of the group. Discretionary bonuses and increases are linked to the outcomes of these meetings, in addition to divisional and group performance.
- Induction programme for new appointments
  A new induction programme was launched this year to assist new employees to adjust as quickly and comfortably as possible to the new working environment. It also aims to achieve maximum working efficiency in the shortest possible time.
- Training, information sessions and seminars on specific topics (e.g. new regulations and systems)
  This includes training on preparing and delivering presentations, as well as engagements on tax updates, regulatory requirements and new systems.
- Bursary and internship programme
  During the 2015 financial year, PSG Konsult launched a bursary and internship programme in the form of financial assistance (a bursary, monthly stipend and funds for textbooks). The programme is open to students from previously disadvantaged backgrounds who are currently in their honours year at selected universities. After graduating, participants undergo a one-year internship at one of PSG Konsult's divisions.

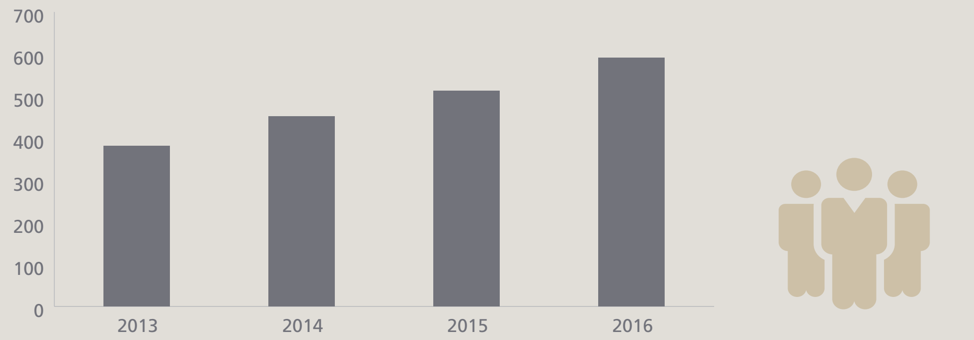
  During January 2016, the first group of students (four) started their internship following their graduation. PSG Konsult also appointed 13 interns during January and February 2016 in various departments across the group where they will be exposed to on-the-job training.

Transformation

As stated in the core business principles, PSG Konsult is, first and foremost, a South African company. The group considers transformation to be a sustainable business imperative. PSG Konsult completed its second BBBEE verification process and received a level 6 contributor score, an improvement from its initial rating as a level 8 BBBEE contributor.

As at 29 February 2016, of the 2 169 (2015: 1 985) people employed , 21% represented African, Coloured and Indian employees, up from 19% in 2015. PSG Konsult will continue monitoring and developing strategies to improve the recruitment and retention of African, Coloured and Indian employees. Of the 2 169 (2015: 1 985) employees, 1 397 (2015: 1 263) are female and 772 (2015: 722) are male.

Revenue created for employees (Rm)



CLIENTS

Core principle:

Our clients are our priority and we will provide clients with the best products, backed by superb systems.

Who are they?

PSG Konsult's more than 200 000 clients are predominantly South African and consist mainly of retail clients (in higher LSM groups) and selected institutional clients. PSG Konsult believes in servicing clients, where they reside, through the broad geographic footprint of the largest independent adviser network in South Africa.

Why are they important?

Clients pay PSG Konsult for its advice, products and services, thereby creating financial capital through a sustainable income stream for the group. PSG Konsult also invests funds on their behalf and according to their instructions. The group has R327.1 million of assets under administration and R154.1 million of assets under management.

Client retention is a key component of managing the group's recurring profitability over the long term. Client retention initiatives are built into the value chain, including post-sale client service and claims management. This ensures that the group writes and retains high-quality business.

PSG Konsult is focused on client-centricity to ensure that clients' experience of its products and services, as well as their relationships with their advisers, continues to improve while, at the same time, their financial wellness increases.

How does PSG Konsult create value for clients?

PSG Konsult creates value for clients by offering long-term financial solutions, enabling them to protect their assets and grow their wealth. The group offers high-quality products and personal services that are tailored to individual needs, backed by an established brand and track record of performance.

The PSG Wealth investment and trading platform, for example, offers an extensive range of local unit trusts from other investment management companies in addition to PSG funds. PSG Wealth makes the broadest possible range of local and offshore investment products and instruments available to investors, complemented by the tools to help navigate them.

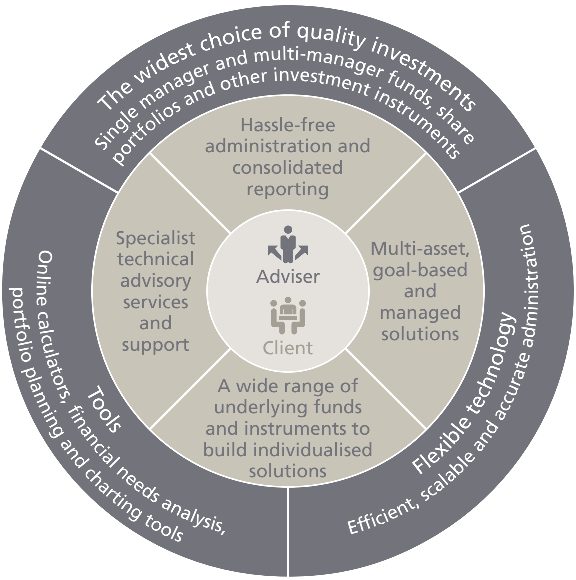
PSG Konsult's governance structures ensures that the group created value for clients through the following committees:

- The customer service review committee ensures that the necessary processes and systems are in place for PSG Konsult to comply with the FSB's TCF framework. It also identifies opportunities and makes recommendations to improve customer service levels and manage risks on their behalf.
- PSG Wealth's product governance committee ensures that all approved products adhere to the group's risk appetite and meet clients' risk versus return requirements.

PSG Konsult takes its fiduciary duty to protect clients' assets seriously. In the service of this duty, and to ensure that the group lives up to its promise of trustworthiness and quality, it has a number of processes and controls in place. PSG Konsult:

- follows a robust due diligence process prior to accepting any new products and services, which includes the respective product providers
- maintains mutually beneficial relationships with all business partners
- constantly monitors the financial soundness of all product providers through risk and compliance measures
- has dedicated compliance officers to oversee all compliance processes, businesses, platforms and transactions
- has an independent risk management department to assess all potential risks and the implementation of any mitigating actions

Access to best-of-breed PSG products and a wide choice of underlying investments			
Unit trusts	Multi-manager solutions	Voluntary investment plan	
Tax free investment plan	Endowments	Retirement annuities	
Preservation funds	Living annuities	Offshore investments	
Personal share portfolios	Local and offshore equities	Single stock futures	
Contracts for difference	Currency futures	Call and notice deposits	
Hedge fund life portfolios	Life portfolios	Structured products	Corporate cash solutions



- maintains strict compliance with all laws, regulations and international best practice
- actively encourages and manages good working relationship with regulators and a culture of compliance
- has an internal audit function that performs numerous reviews during the year, which ensures that the controls and processes surrounding clients' assets are sufficiently secure and effective

PSG Konsult has not received an adverse ruling against the group from the ombudsman for financial service providers for eight years, confirming the integrity of its products and its excellent service to clients.

Client value proposition: PSG Wealth

PSG Wealth is focused on offering an end-to-end client proposition through its extensive distribution network, with strong relationships between advisers and clients. The growth in new clients can largely be attributed to client referrals, which is testament to the client service excellence of the division's advisers. PSG Wealth is focused on the following core capabilities:

- innovative and profitable products and services within acceptable risk parameters
- client services and CRM
- integrated end-to-end platforms
- accessibility through a range of communication channels
- quarterly, monthly and daily communications

Client value proposition: PSG Asset Management

PSG Asset Management offers long-term retail and institutional investment management based on a bottom-up approach with a strong emphasis on capital preservation and risk management. The division is focused on positioning its funds on a number of key platforms to enhance accessibility for clients and advisers. It also prioritises the following core capabilities:

- easy, accessible investment platforms
  - a simple, yet comprehensive range of funds over the entire investment risk spectrum
  - local unit trusts and access to global markets through both rand-denominated unit trusts that invest internationally, and foreign currency-denominated global funds
- long-term performance track record
  - highly qualified, stable and experienced investment team
  - house view adopted by investment team to optimise research ideas and ensure a greater degree of consistency across the fund range
- quarterly and monthly communications

Client value proposition: PSG Insure

PSG Insure aims to protect clients from the negative impact of unforeseen events through customised short-term insurance solutions. The strategic emphasis of the division is to focus on profitable growth in an environment characterised by low growth rates, and to increase market awareness of the Western brand. PSG Insure is focused on the following core capabilities:

- short-term distribution
  - direct sales and access to products through a large adviser network
  - established systems and processes
- short-term administration
  - dedicated claims team
  - skilled and experienced under-writing team
  - client self-service system and access to product range
- established insurance business (Western)
  - various distribution channels extending reach and accessibility
  - quality and diversity of product range
  - emphasis on personalised service

PSG Insure offers a full range of short-term insurance products:

Personal insurance			Commercial insurance		
Car and home insurance	Liability and accident cover	Top-up cover	Business insurance	Specialised business insurance	Top-up cover

Client engagement

Client engagement happens daily through a variety of channels, ranging from personal to direct online interaction. The major elements of client engagement are:

- *myPSG*

  This new integrated online platform provides clients with a dashboard view of their entire portfolio, across the PSG Konsult group. Secure online access is improved, as credentials are required for only one site and the risk of data being compromised is significantly reduced.

- Client newsletters

  These newsletters keep clients informed about macroeconomic factors and trends, investment opportunities, new products and services.

SHAREHOLDERS AND ANALYSTS

PSG Konsult consistently provides sustainable returns and value to shareholders over the short, medium and long term.

Who are they?

Distribution of shareholders*	2016 Number of shares	2016 Percentage of total	2015 Number of shares	2015 Percentage of total
Non-public				
PSG Group (through PSG Financial Services)	790 813 029	62	790 813 029	63
PSG Konsult directors	89 339 578	7	91 374 414	7
Management	33 327 079	3	46 408 073	4
Treasury shares	2 335 723	–	357 875	–
Public	363 308 312	28	333 531 032	26
Coronation Asset Management	35 466 430	3	55 067	–
Public Investment Corporation (including Government Employees Pension Fund)	20 963 968	2	2 023 980	–
Other public shareholders	306 877 914	23	331 451 985	26
Total	1 279 123 721	100	1 262 484 423	100

Spread of listed holdings – number of shareholders*	2016 Number of shareholders	2016 Percentage of total	2015 Number of shareholders	2015 Percentage of total
Category				
Over 1 000 000	67	1	68	1
500 001 – 1 000 000	38	1	35	1
100 001 – 500 000	225	3	199	3
50 001 – 100 000	240	4	218	4
1 – 50 000	5 754	91	5 222	91
Total	6 324	100	5 742	100

* *Includes treasury shares held.*

Spread of listed holdings – number of shares*	2016 Number of shares	2016 Percentage of total	2015 Number of shares	2015 Percentage of total
Category				
Over 1 000 000	1 145 662 005	90	1 132 452 923	90
500 001 – 1 000 000	26 805 412	2	24 181 012	2
100 001 – 500 000	43 264 754	3	43 080 184	3
50 001 – 100 000	16 047 337	1	15 909 744	1
1 – 50 000	47 344 213	4	46 860 560	4
Total	1 279 123 721	100	**1 262 484 423**	**100**

* *Includes treasury shares held.*

Trading statistics	2016	Change %	2015
Number of shares in issue	1 279 123 721	1	1 262 484 423
Number of shares traded	114 093 941	84	61 842 093
Value of shares traded (R)	903 744 597	110	429 153 022
Market price (cents per share)			
– Closing	688	(5)	722
– High	950	20	790
– Low	635	27	500
Recurring headline earnings per share (recurring HEPS) (cents)	32.1	19	27.0
Earnings yield percentage (recurring HEPS)	4.7	27	3.7
PE ratio (recurring HEPS)	21.4	(20)	26.7

PSG Konsult's shares are traded on the JSE, with the secondary listing on the NSX. PSG Group Limited has been a long-term, stable and core shareholder with a 61.8% shareholding in PSG Konsult. The group also strengthened its institutional investor shareholder base, which now constitutes 6% of the total shareholding.

Why are they important?

Shareholders provide financial capital to PSG Konsult, and analysts are their main source of information by doing research on investments. PSG Konsult's track record and future prospects inform analysts' recommendation and shareholders' investment or disinvestment decisions.

How does PSG Konsult create value for shareholders?

PSG Konsult's approach to responsible investing yields sustainable returns on shareholders' investment. The group creates insight and understanding through open and honest dealings with the investment community. PSG Konsult provides timely, transparent and credible information, thereby enabling investors to fairly evaluate their investment decisions.

The group uses recurring headline earnings and recurring headline earnings per share as non-IFRS measures to evaluate performance. It is also a method to provide shareholders with clear and consistent reporting, and to demonstrate the sustainable earnings of the group.

PSG Konsult manages investment risk on behalf of shareholders through its governance and risk management structures.

Read more about the PSG Konsult investment case on page 27.

PSG Konsult distributes the financial value it creates during the year to shareholders via dividend payments. The group's dividend is set with reference to underlying core operating earnings, taking cognisance of the need to:

- adhere to capital adequacy, financial soundness and legislative requirements
- retain earnings and cash flows to support future growth initiatives
- provide a sustainable dividend that will be paid out to shareholders
- maintain a dividend payout policy of between 40% and 50% of full-year recurring headline earnings, one third paid as an interim dividend and two thirds as a final dividend

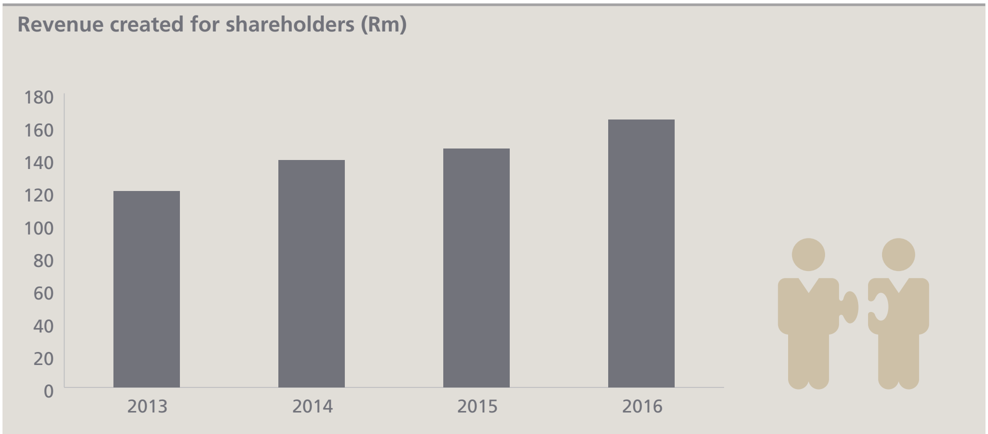
Shareholder and analyst engagement

The investor relations responsibility at PSG Konsult is under direct guidance of the chief financial officer.

Shareholders attend PSG Konsult's annual general meeting and vote on the appointment of directors, the audit committee and various resolutions proposed by management and the board. Formal interaction with shareholders and analysts occurs through JSE SENS announcements, results presentations, media releases, the website and interim and year-end results (including the integrated report).

PSG Konsult also runs bi-annual investor roadshow presentations to analysts and institutional investors, with visits to Windhoek, London, New York and Boston this year, which included one-on-one meetings.

PSG Konsult participates in a variety of investor presentations and functions hosted by financial or research institutions.



SUPPLIERS, SERVICE PROVIDERS AND COMMUNITIES

Core principle:

We are, first and foremost, a South African group.

Who are they?

PSG Konsult makes use of various suppliers and service providers for an array of products and services to support business operations. Relationships with suppliers commence with fair selection and pricing processes and are governed on an ongoing basis by comprehensive service level agreements. Most recently, the group's engagement with suppliers and service providers was focused on ensuring their commitment to BBBEE and providing the support to improve their accreditation.

The communities that PSG Konsult interacts with are determined by the employee and adviser network, and their involvement with local communities with historically disadvantaged backgrounds.

Why are they important?

Suppliers and service providers offer the support that enable PSG Konsult to create value through its business activities. They provide manufactured, human and social and relationship capital. This ranges from technology systems and services to cleaning, security and creative agency services.

Communities are the source of current and future employees, suppliers, service providers, shareholders and clients. Investing in the empowerment of these communities ensures that PSG Konsult will have a future pool of skills and clients available.

How does PSG Konsult create value for them?

PSG Konsult creates value for suppliers, service providers and communities by investing in educational and social programmes that create future employment and economic empowerment prospects. Examples include:

- Adopt-a-School Foundation

  The foundation provides a platform and support network for the public to contribute to youth development programmes. The objective of the foundation is to support and enhance the learning and teaching environment in disadvantaged schools to address inequalities and inadequacies in rural areas.

  During the year under review, PSG Konsult adopted two schools and has committed to increase the contribution towards more schools during the 2017 financial year.

- Childcare and children homes

  These centres provide support to children in need in local communities. It works with churches, schools, government bodies and other support organisations to assist children in need, particularly orphans and vulnerable children. PSG Konsult provides the care centres and homes with monthly food parcels and funding.

- ASISA Enterprise Development Fund

  This initiative is aimed at investing in the sustainability of small- and medium-sized enterprises in South Africa. It also supports government's drive for job creation and economic growth. PSG Konsult has invested R10.0 million in this fund.

- Bursary and internship programme

  This programme is open to students from previously disadvantaged backgrounds. PSG Konsult currently has 17 interns in this programme and a further four interns will be appointed in the next few months.
- Santam Industry Development Programme

  This programme aims to train previously disadvantaged individuals in the short-term insurance environment. As part of this programme, PSG Konsult is providing training to 11 individuals within its short-term administration and Western business units.

As a South African business, the group considers transformation to be a sustainable business imperative. PSG Konsult received a level 6 contributor score for its latest verification (2016 financial year). It has been recognised as a value-adding supplier.

Supplier, service provider and community engagement

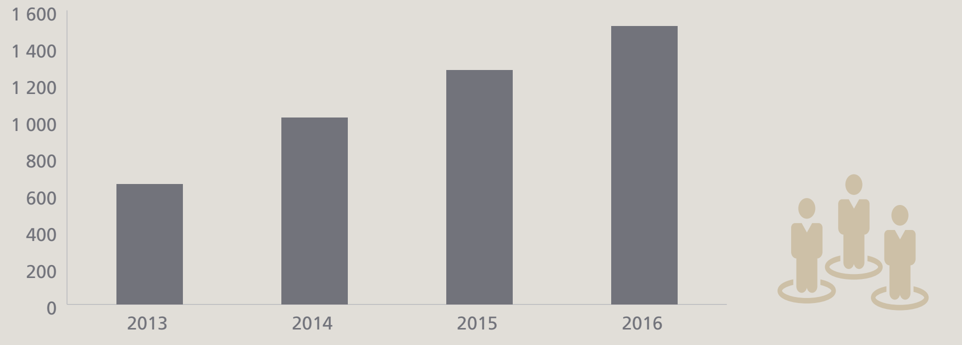
PSG Konsult engages with suppliers and service providers through contracts and service level agreements. Community engagement is primarily driven by divisional management attending the operating committee and is governed by the mandate of the social and ethics committee.

PSG Konsult's targeted spend on socio-economic development is 0.6% of net profit after tax (NPAT). A total of R1.8 million was spent during the 2016 financial year.

Key initiatives planned for the 2017 financial year include:

- additional contributions to the ASISA Enterprise Development Fund
- expanding the Adopt-a-School plan to more areas across the country
- new iCollege programme focused on affordable education

Revenue created for suppliers, service providers and communities (Rm)



GOVERNMENT, REGULATORY BODIES AND INDUSTRY ASSOCIATES

Core principle:

We will adapt to the constantly changing business environment.

Who are they?

The government department that most affects PSG Konsult's ability to create value is National Treasury. From a regulatory point of view, PSG Konsult engages with the FSB in South Africa, the FSC in Mauritius, Namfisa in Namibia, GFSC in Guernsey and the MFSA in Malta.

The FSB is an independent institution, established by statute to regulate the South African non-banking financial services industry. The FSB is funded by fees and levies imposed on this industry and issues operating licences.

PSG Konsult is represented in various capacities on a range of industry bodies in South Africa. In addition, with support from its legal and compliance department, it reviews and provides comments on all forthcoming legislation that affects the business. The group is committed to playing an integral role in the financial services industry by participating in discussions and lobbying for positive reform where possible.

The following list summarises the institutions, associations and committees in which PSG Konsult holds memberships or where it contributes to ensure sustainable financial services industries.

- JSE Limited
  - Clearing and settlement advisory committee
  - Corporate actions advisory committee
  - Equity adviser committee
  - Equity market business model marketing working group
  - Retail adviser committee
  - T+3 marketing steering committee
- Association for Saving and Investment South Africa (ASISA)
  - CIS standing committee
  - CIS unclaimed assets working group
  - Tax standing committee
- FSB SAM Pillar 1 subcommittee
- South African Futures Exchange (SAFEX)
- Namibian Stock Exchange (NSX)
- Ombudsman for Short-term Insurance
- Ombudsman for Long-term Insurance
- National Credit Regulator (NCR)
- Financial Intermediaries Association of Southern Africa (FIA)
- Fiduciary Institute of South Africa (FISA)
- South African Insurance Association (SAIA)
- Namibian Financial Institutions Supervisory Authority (Namfisa)
- Guernsey Financial Services Commission (GFSC)
- Malta Financial Services Authority (MFSA)
- Financial Services Commission Mauritius (FSCM)
- Stock Exchange of Mauritius (SEM)

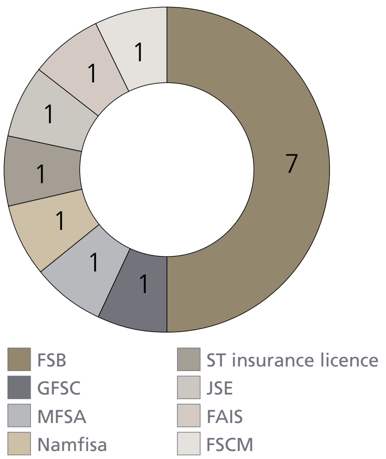
Why are they important?

Government and the regulators ensure that South Africa maintains and creates a sound financial industry, which is the context within which PSG Konsult operates. This includes ensuring that regulated entities comply with relevant legislation and capital adequacy requirements to promote the financial soundness of these entities and thereby protect the investment community over the long term.

Effective and active engagement with regulators is a high priority for PSG Konsult. Recent and forthcoming regulatory changes are expected to have a significant impact on the way in which financial services companies operate. The group strives to be an early adopter of new regulations and plays an active role in these developments.

PSG Konsult currently has 14 operating regulatory licences across its range of financial services, which necessitate a close and mutually beneficial working relationship with all regulators.

Operating regulatory licences



Industry associations provide a platform to collectively lobby government and regulators on matters relevant to the financial services industry and its stakeholders.

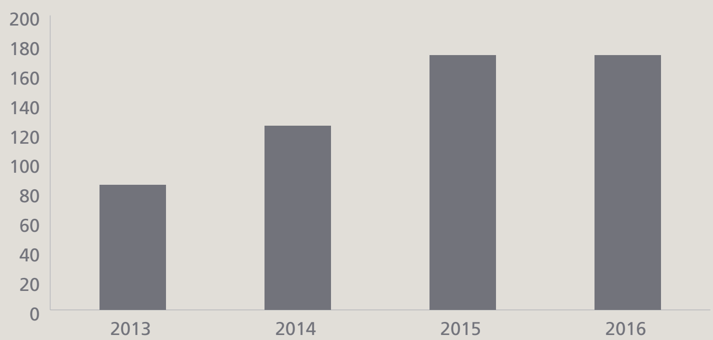
How does PSG Konsult create value for government, regulatory bodies and industry associates?

PSG Konsult provides value for government and regulators by participating in efforts to improve the stability and sustainability of the financial services industry. It also pays tax to the governments in the countries in which it operates, according to the relevant tax laws.

Engagement with government, regulatory bodies and industry associates

PSG Konsult engages formally through its membership of industry associations and upon invitation from the regulator and government. It engages informally on an ad hoc basis on specific issues. The FSB visits PSG Konsult annually to carry out compliance checks.

Revenue created for government, regulatory bodies and industry associates (Rm)



STRATEGY

PSG Konsult's business strategy is the outcome of an annual process by which the group's objectives – and the direction and actions required to achieve these objectives – are reviewed and confirmed.

This includes agreeing on the metrics against which performance can be monitored and measured.

The board and senior management are responsible for setting the business strategy and for ensuring that it is informed by the group's risk appetite and risk management approach. The setting of PSG Konsult's strategy is an iterative process. The group provides initial guidance to the divisions for the development of their respective strategies, which in turn informs the final group strategy and annual resource allocation through the divisional budgets. The focus is on execution and implementation to ensure business priorities are achieved.

Read more about the divisional strategies in the reports from page 77.

PSG Konsult's long-term strategy aims to create a robust business that generates sustainable recurring revenues at an acceptable margin. The focus and preference is for brick-by-brick organic growth that delivers a net revenue margin at an appropriate unit of risk, with acceptable trade-offs. This includes avoiding risk events that have a low probability but severe potential impact should they materialise. Growth is supported by building robust, scalable business processes and platforms via automation.

The group has relatively small market shares in its chosen markets, offering an extensive runway for growth. The estimated market share for PSG Wealth is 5%, for PSG Asset Management 2% and for PSG Insure 2%.

The group's primary performance targets are to grow recurring headline earnings per share at a faster rate than industry peers and to deliver a return on equity in excess of 20%.

STRATEGIC PRINCIPLES

The group monitors and measures progress against its strategy to ensure that its performance is sustainable in the long term. PSG Konsult makes all decisions by applying a measured approach, underpinned by three fundamental business principles:

- recurring revenues
- margin enhancing
- risk versus return

The execution and implementation of these principles continue to form the basis of the group's strategic focus.

Strategic principles	Recurring revenues	Margin enhancing	Risk versus return
Objectives	Focus on generating recurring income, which leads to enhanced sustainable earnings	Optimise profit margin to ensure that an acceptable return on capital is earned	Maximise every rand earned relative to an acceptable unit of risk

Execution and implementation

Recurring revenues

- Daily analysis and monitoring of new client money inflows
- Dashboards and exception reporting
- Operating costs structured as variable, where possible
- Strengthened sales and marketing focus
- Data analytics and management information systems enable the group to pinpoint growth opportunities and areas needing attention, while holding people accountable as it tracks and monitors performance against targets
- Integration and cross-selling of products and services to existing clients

Margin enhancing

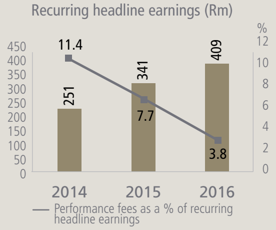
- Streamlined systems and processes to reduce operational risk and increase efficiency
- Focus on product and service innovation to ensure sustainability of profit margins rather than financial leverage to generate an acceptable return on capital
- Focus on net new money fee margin to monitor and evaluate quality of business

Risk versus return

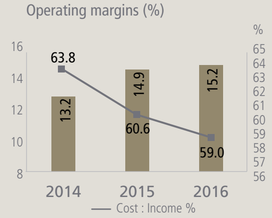
- Reduced financial leverage by repaying debt and improved credit rating
- Exit business areas and products that carried undue risk relative to their earnings contribution
- Three layers of defence risk management

Progress in 2016

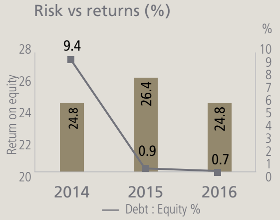
Recurring headline earnings (Rm)



Operating margins (%)



Risk vs returns (%)



STRATEGIC FOCUS

The strategic lifecycle from 2014 to 2016 has been extended, with continued focus on sustaining topline revenue growth matched by an increased priority given to margin enhancements. This allows the group to retain momentum while leveraging off the growth in revenue achieved over the previous three years.

Three-year strategy lifecycle			➔ Extended into 2017
2014	2015	2016	2017
Restructuring to achieve a re-engineered and refocused business	Sustainable topline revenue growth through organic brick-by-brick approach	Sustainable topline revenue growth supported by incremental marketing and advertising spend	Sustainable topline revenue growth with increased focus on margin enhancement via business process scalability and a client-centric service focus

Attracting and retaining the right people, selling high-quality products and hosting products on superb platforms are the critical capabilities required to sustain growth. The strong management team and infrastructure allow the group to consider new business opportunities as they arise.

The guiding principle for the group is to remain focused on organic growth by continuously improving and automating business practices, digitise client support by creating a paperless environment without going the low-cost route.

STRATEGIC AMBITIONS

PSG Konsult's ambitions for the future:

Ambition
Growing PSG brand awareness and relative market share in its chosen markets of focus
Maintaining the group's strong position in its chosen, predominately retail client base
Growing number of advisers and upscaling existing adviser offices so that the group can increase its penetration in selected areas
Improving product development to enable us to create innovative investment and insurance products that meet client needs
Building its institutional shareholder base
Improving its BBBEE scorecard
Sound technology base that aids business efficiency and scalability

BUSINESS MODEL AND VALUE CREATION

PSG Konsult's business model is built on the understanding that it is not sufficient to develop excellent products and services without focusing on how to connect these with a receptive market.

The group's core strength is its national network of independent advisers, distributing a wide range of products and services through their trusted, long-established relationships with clients. Adviser and client service experience is supported via the group's integrated technology platforms and systems, designed to improve ease of doing business and provide comprehensive consolidated client and adviser reporting.

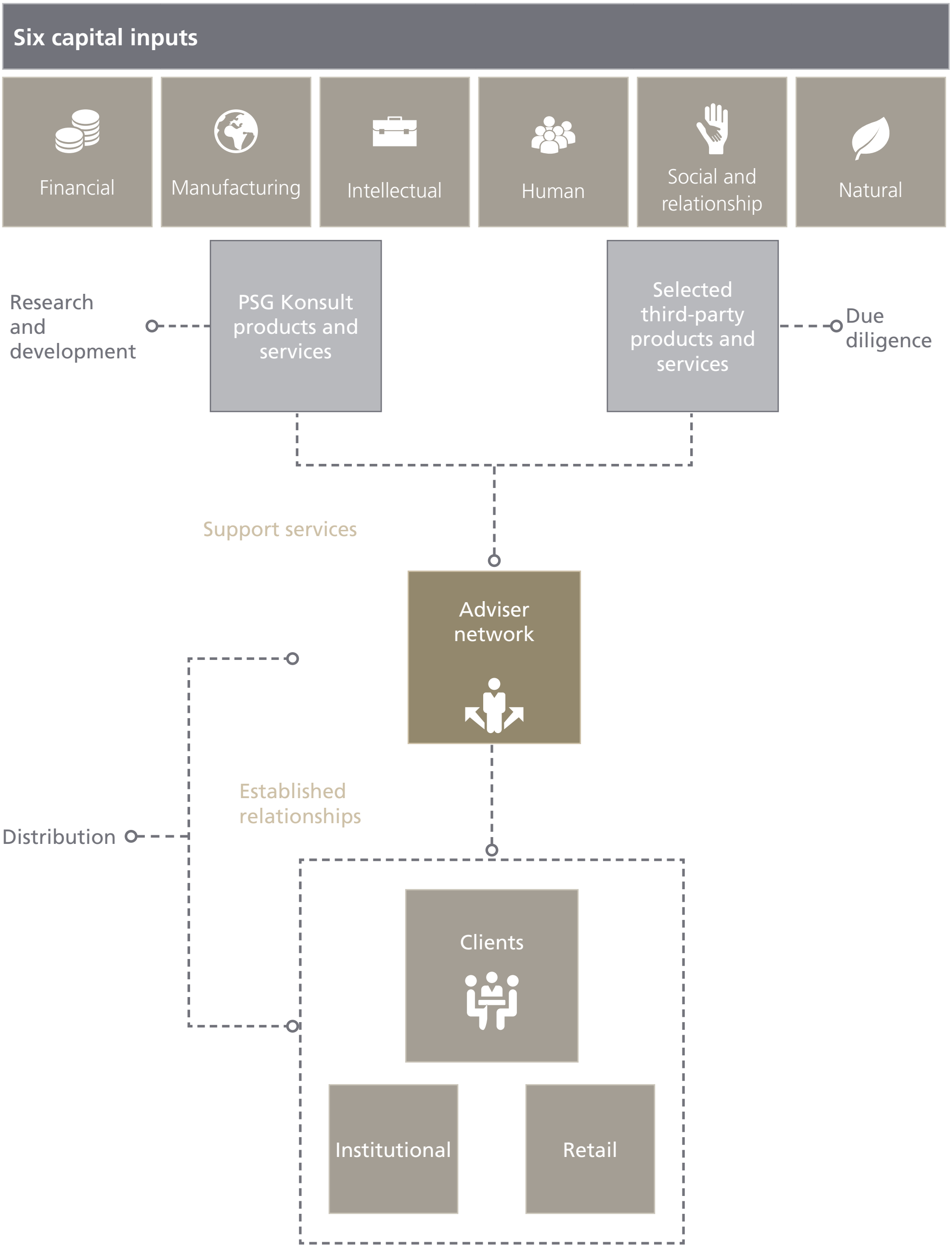
Read more about how the PSG Konsult business model creates value per stakeholder group from page 33.

The inputs into the PSG Konsult business model are set out according to the six capitals. The table summarises the importance of each capital and how PSG Konsult transforms, increases or decreases each capital through its business activities.

Capital	How the group applies this capital to create value	
Financial capital constitutes the total equity and debt funding available to the group. PSG Konsult's central treasury function actively oversees and manages the group's financial capital. It optimises capital allocation to meet business regulatory capital and growth initiative requirements.	As an example, this year PSG Konsult applied financial capital to enhance IT system capabilities, improve brand awareness and to acquire 70% of a Mauritius-based advisory firm and complete the second phase of its adviser buyback transaction. PSG Konsult invests clients' funds and premiums on their behalf to create and protect wealth. It increases this capital for stakeholders by, for example, growing client wealth, paying taxes, remuneration and returns earned on investments. Cash reserves are invested conservatively as required for regulatory purposes in short-duration money market type funds and instruments, and are well positioned for market volatility and interest rate increases. The group's strong financial capital position provides it with flexibility and optionality should an attractive investment opportunity be identified.	Chief financial officer's report on page 72 Annual financial statements
Manufactured capital is the group's physical footprint, consisting mainly of offices in South Africa, Namibia and Mauritius. It also constitutes the information technology systems that support business activities.	PSG Konsult believes in servicing clients where they reside. This requires offices and infrastructure in all the territories where the group operates. The launch of the *myPSG* online platform, following the consolidation and upgrade of all the group's previous secure transactional and information systems, improved the capability, reach and convenience of this capital. Secure online access also improved as clients only have to remember credentials for one site, and the risk of data being compromised is significantly reduced.	The PSG Konsult Group on page 10 Chief executive officer's report on page 67

Capital	How the group applies this capital to create value	
Intellectual capital consists of the intangibles that give the group its reputation and competitive edge. The group operates under a number of licences across the range of its financial services. PSG Konsult is a quality and trusted brand.	PSG Konsult uses its brand's unique selling proposition to build internal stakeholder pride, to help advisers grow their client bases and to grow its direct client bases. PSG Konsult's proactive engagement with regulators helps to ensure that it maintains its licences and is an early adopter of new legislation. Governance structures enforce ethical leadership and value creation. For example, PSG Konsult follows a due diligence process for the approval of all potential new products and services, thereby protecting its intellectual capital. Ten regulatory operating licenses in South Africa, one in Namibia and one in Mauritius allow the group to sell products and services across multiple jurisdictions. The two regulatory licenses to operate in Malta and Guernsey allow the group to market offshore UCITS-compliant funds to potential offshore investors.	Brand on page 14 History and track record from page 16 Product and service offering on page 24 Investment case on page 27 Corporate governance report from page 96
Human capital is the total complement of people who work for PSG Konsult (employees and professional associates) and the network of people distributing PSG Konsult products and services in the market (advisers).	PSG Konsult is a complex financial services group, which is reliant on the skills of its human capital. Therefore, the group must ensure that its performance management and development frameworks encourage long-term retention and loyalty. During the past year the group developed a new induction programme to ensure quick adjustment and performance from new employees, while offering further training and development to existing employees and advisers. Corporate social investment in educational initiatives increases human capital in communities through knowledge transfer and improving employability.	Stakeholders from page 33 Chief executive officer's report from page 67

Capital	How the group applies this capital to create value	
Social and relationship capital is the network of internal and external relationships that collectively constitute PSG Konsult's stakeholder universe. A major component is PSG Konsult's advisory network, with strong relationships of trust with clients.	A total of 52 advisers joined the group's growing network in South Africa, Namibia and Mauritius during 2016. These advisers build lifelong relationships with clients through products and services that are relevant to different life stages. PSG Konsult's administrative and compliance support offered to these advisers, means they can focus on building relationships. PSG Konsult actively participates in industry forums and initiatives, for example the RDR discussion forum. Further social and relationship capital resides in all stakeholder relationships and the value that PSG Konsult creates for each stakeholder group.	Stakeholders from page 33
Natural capital is the natural resources used in PSG Konsult offices. While these are not formally measured, the nature of the business has a limited negative impact on the environment.	PSG Konsult limits the use of electricity, paper and water in the office environment and recently moved its head office to a five-star green building. Travel has been reduced following the implementation of video conferencing facilities at each of the major offices across the country.	

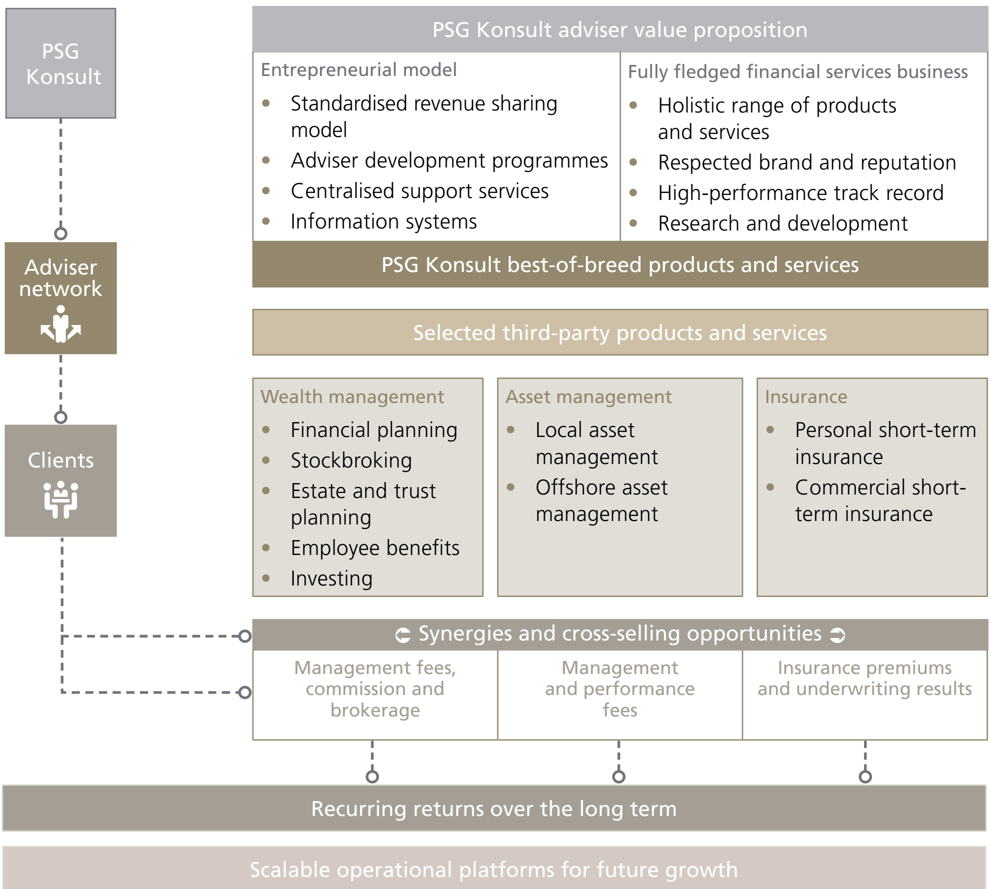


PSG Konsult creates value by generating sustainable, consistent and long-term inflation-beating returns, thereby enabling a broad range of stakeholders to maintain and improve their livelihood within a stable society.

PSG Konsult supports and incentivises its advisers to provide their clients with the highest quality advice. It is also critical that PSG Konsult's value proposition offers best-of-breed financial management solutions. The group undertakes ongoing research into and development of new products to ensure that it takes advantage of opportunities as consumer and investment activity responds to economic shifts. This ensures that the group can continue to meet clients' needs.

Read more about PSG Konsult's products and services on page 24.

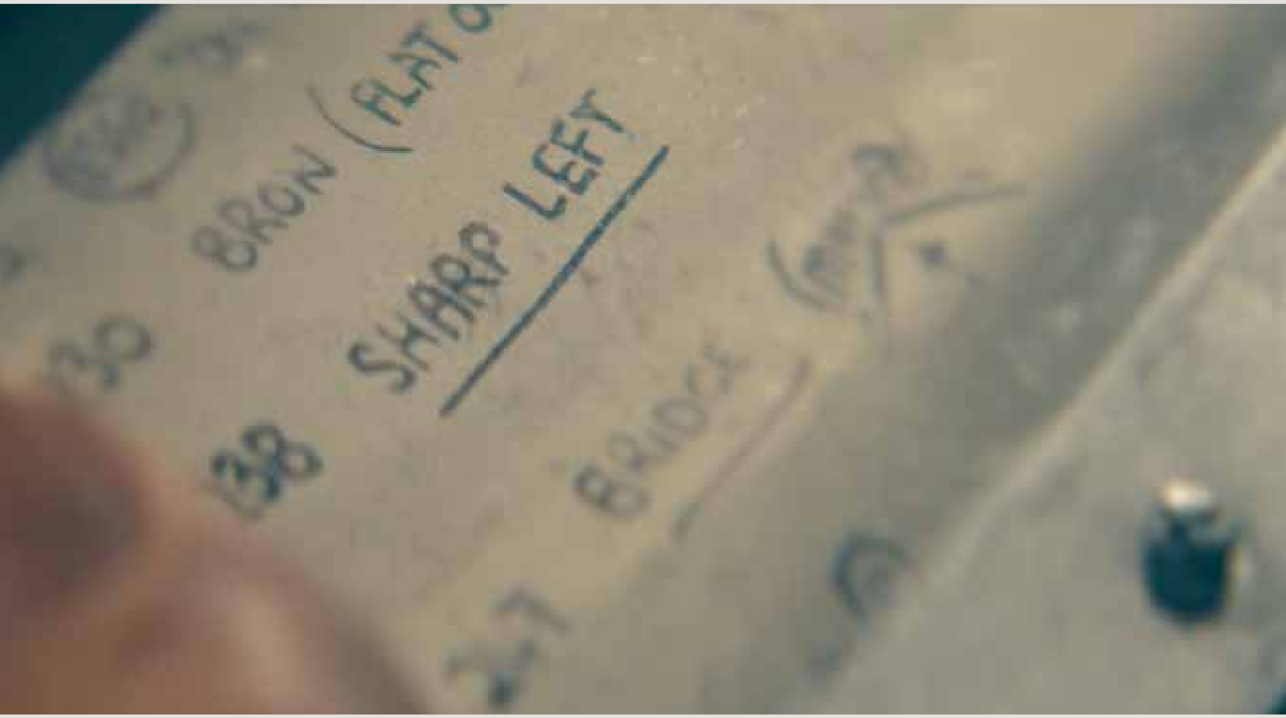
The synergistic nature of the divisions and their respective products provides significant scope for organic growth through cross-selling and expanding the range of products and services provided to existing clients.



Enablers of PSG Konsult's business activities include:

- using and enhancing technology on a daily basis to be more efficient and client-centric
- understanding and managing risks to create sustainable business practices and returns for shareholders

LEADERSHIP REPORTS



IT IS ONLY BY CONSIDERING EVERY DETAIL THAT YOU ARE ABLE TO SEE THE BIGGER PICTURE AND KNOW WHAT REALLY NEEDS TO BE DONE TO SUCCEED.

PSG Konsult continues to deliver strong, stable and consistent results.

CHAIRMAN'S REPORT

PSG Konsult's ability to deliver strong results allow us to create value, wealth and advantage for our shareholders, clients and broader stakeholder groups. The business achieved core topline revenue growth of 17%, despite the uncertain economic circumstances and ongoing market volatility.

Global and local trading environments are experiencing unprecedented social, political and economic challenges. This calls on businesses to be increasingly focused on providing security and stability, and on taking a long-term view. One of the positive outcomes of these challenges has been the recognition between different South African players that constructive engagement, cooperation and a shared vision are critical to ensure that our country remains competitive and thriving.

HIGHLIGHTS AND CHALLENGES

PSG Konsult's entry into Mauritius was a highlight in our strategic drive towards expanding our footprint and ensuring the delivery of sustainable topline revenue growth.

Read more about this transaction in the chief executive officer's report on page 68 and the chief financial officer's report on page 72.

Our adviser network, which is the bedrock of the business and one of our key strengths, continues to expand. We are proud of the calibre, quality and profitable contribution of the advisers that we are able to attract. The second phase of our adviser buyback transaction was completed in July 2015, and a further phase was concluded in March 2016. The buyback initiative supports the further entrenchment of our relationships with advisers. It also assists in streamlining and standardising our revenue sharing model and contract terms with them.

As investors, we know not to expect straight-line returns and are geared to both local and global equity market conditions. The group's focus on client service excellence through the quality of our advice, products and platforms is critical to ensure resilience. One of PSG Konsult's important

Willem Theron
Chairman
20 May 2016

roles this year was to continuously communicate with clients and policyholders, addressing their concerns and giving them a longer term and bigger picture perspective amid rising uncertainty and market volatility.

A challenge that emerged towards the end of 2015 related to a tax dispute with SARS, of which we have informed our shareholders. This legacy tax dispute, dating back to 2009, was settled to achieve closure and allow management to rather spend time productively and focus on continued growth trajectory of business with zero distractions.

Read more about the tax matter in the chief financial officer's report on page 74.

We remain positive about PSG Konsult's ability to create value in the short, medium and long term.

GOVERNANCE IN ACTION

PSG Konsult operates in a highly regulated industry, which requires reporting structures that are able to keep the board informed of any changes in the risk landscape. We manage material risks through governance structures by applying the three layers of defence approach, through various committees and by embedding a risk management model in the strategic principles underpinning all business activities.

An example of governance in action this year was the ethical position taken by PSG Asset Management following the Volkswagen emission incident. The investment team took an immediate decision to exit its position – without putting undue pressure on the share price – and has no further exposure to Porsche Automobil Holding.

Our governance structures remain geared towards adding value. This is illustrated by PSG Wealth's product governance committee, for example. This committee reviews and evaluates new products to make sure we enhance our offering in line with client expectations and our risk appetite.

In July, the board took a decision to split the audit and risk committee into separate committees. This enhances the focus and optimises the composition of each committee in these two critical areas.

PERFORMANCE FOR 2016

In the financial services industry, longevity and demonstrable growth are critical to establishing a reputation that clients can trust. PSG Konsult's share price has consistently outperformed the JSE ALSI total return index since first trading through an OTC platform in 2005. It has achieved a compound annual growth rate of 37.0%, compared to 16.1% of the JSE over the same period to 29 February 2016. The group is in a strong position to build on this positive momentum going forward.

In the financial services industry, longevity and demonstrable growth are critical to establishing a reputation that clients can trust.

The year 2016 was another positive year for PSG Konsult, with a 20% increase in recurring headline earnings (2015: 36%) to R408.7 million. Assets under administration increased to R327.1 billion (2015: R308.7 billion), a rise of 6%, while assets under management grew by 16% to R154.1 billion (2015: R132.5 billion).

The group's recurring headline earnings has increased by 20% to R408.7 million for the year ended 29 February 2016, up from R341.2 million for the same period in 2015. Market capitalisation increased from R1.2 billion five years ago to R8.8 billion at year-end.

PROGRESS WITH TRANSFORMATION

As a group we have identified a range of opportunities that transformation will offer us, including:

- increasing our potential for growth
- diversifying and growing our client base
- improving our competitive advantage
- strengthening our brand
- diversifying and enhancing our talent pool
- ensuring long-term relevance in South Africa

We have seen a gradual improvement in our employment equity numbers. However, increasing our black adviser network remains a priority for the business. This is a strategic imperative for client growth and for improving our current level 6 BBBEE rating. Our industry requires unique and specialised skills which are not readily available, hence our efforts since 2008 to attract and develop young talent through our adviser learnership and bursary programmes.

The group continues to increase our participation in and visibility at university career fairs to actively promote the industry and PSG Konsult to young graduates.

We also continue working with the Association for Savings and Investment South Africa (ASISA) and other industry players to collectively address transformation in financial services.

DIVIDEND

For the 2016 financial year, a final gross dividend of 8.8 cents per share was declared (2015: 8.0 cents per share), bringing the total distribution for the year to 13.2 cents per share (2015: 12.0 cents per share).

OUTLOOK AND APPRECIATION

Changes to the board include the decision by Jannie Mouton, the founder of PSG Group, to step down as a non-executive director. Jannie's decision is based on his belief in the solid strategy and performance of PSG Konsult. Although we regret his departure, we respect his decision and wish him well. Riaan Stassen, the former chief executive officer of Capitec Bank, will be joining PSG Konsult as an independent non-executive director. The effective date of these two board changes was 14 April 2016.

The board's priority is to make sure that we are growing the business in the areas where we can earn acceptable operating margin and achieve scalability of products and services. PSG Konsult still has a relatively small market share with a long runway for growth.

I want to welcome Vincent Desvaux de Marigny and Philippe Hardy, the founding members of Mauritius-based DMH Associates, to our group following PSG Konsult's acquisition of a 70% share in their business. They will continue to operate and run the business and we look forward to their contribution.

I want to thank our board, the management team, our employees and financial advisers for their contribution. The successes of 2016 are the result of a collective effort. I would also like to thank our shareholders for being part of our journey.

CHALLENGE

I would like to repeat my challenge of 2015 with urgency:

I urge all our advisers, employees and shareholders throughout South Africa to contribute within your communities to enhance the living standards of all South Africans.

We all have to build a better future for South Africa!

I believe fortune favours the prepared that then follow up with positive actions.

CHIEF EXECUTIVE OFFICER'S REPORT

Francois Gouws
Chief executive officer
20 May 2016

PSG Konsult has experienced another year of success in creating value through people, products and platforms. We achieved record results with high inflows of new business through the dedicated, consistent and focused implementation of our core strategic growth principles:

- recurring revenues
- margin enhancing
- risk versus returns

CONSISTENT PERFORMANCE

PSG Konsult delivered 20% growth in recurring headline earnings (2015: 36%). All divisions achieved good topline revenue growth, with PSG Wealth remaining the strongest and most stable revenue driver for the group. This division is also benefiting increasingly from economy of scale benefits, as both our wealth platform businesses and adviser network grows.

PSG Asset Management weathered a tough year in equity markets and consequently earned less in performance fees. We nevertheless experienced encouraging net inflows – above the industry average. This was mainly due to our competitive position, with our funds being available on all major platforms. Inflows were further supported by our sales team's consistent interactions with clients and our long-term investment performance track record of delivering enhanced risk-adjusted returns for our clients.

PSG Insure is still in an early growth phase from a small base, gaining positive market share. Investment income from this business remains conservatively invested as we maintain low equity exposure.

Overall, we are very pleased with this set of results, taking into account that the South African equity market turned highly volatile towards the end of the financial year. The FTSE/JSE All Share Index recorded a negative total return of 7.4% for the period until 29 February 2016, compared to a positive return of 12.7% in the comparable period of 2015.

Over the last three years, we have delivered exceptional headline earnings per share growth (2016: +19%, 2015: +31%, 2014: +34%),

SALIENT FEATURES

Recurring headline earnings	+20%
Recurring headline earnings per share	+19%
Assets under management	+16%
Gross written premium	+17%
Core revenue	+17%
Dividend per share	+10%
Advisers	+8%

demonstrating the sustainability of our business with a portfolio of fast-growing businesses. We achieved a compounded annual growth rate of 33% in recurring headline earnings over the last three years.

PSG Konsult retained a stable credit rating and is adequately capitalised to meet regulatory requirements. As a highly cash-generative business, we also remain in a position to make acquisitions, such as our entry into Mauritius.

This has been the first international acquisition for PSG Konsult since listing on the JSE. We acquired a 70% shareholding in Mauritius-based DMH Associates (DMH) (now PSG Wealth (Mauritius)), the leading independent private wealth advisory firm in Mauritius, on 1 November 2015. 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.

PEOPLE

One of the key reasons why assets under management increased by 16% to R154.1 billion – despite market volatility – is due to the growth in both the calibre and number of advisers. Assets under administration now stand at R327.1 billion, up from R308.7 billion in 2015. Our number of advisers has increased from 613 three years ago to 711 at the end of February. However, the growth in numbers is only meaningful when measured against the competence, experience, size of book and profitability of advisers joining our network. We are very pleased with the professionalism and quality of our advisers – which is confirmed by the excellent feedback received from clients. They continue to regard our advisers as essential to their long-term financial planning and decisions.

> We achieved record results with high inflows of new business through the dedicated, consistent and focused implementation of our core strategic growth principles.

PSG Konsult employees remain a key strength. They continued to perform at consistently high levels despite the short-term disruption of having to move into a new head office. With growing employee numbers and to better reflect the brand, we moved into a new building that has a five-star green building rating. This means that it is highly energy efficient and specifically aims to maximise the comfort and efficiency of the people who work there. This supports productivity and improves the flow of information and teamwork.

PRODUCTS

The Mauritius investment is supporting growth in our client base in South Africa, as we can now more easily internationalise the assets of South African clients and access various offshore opportunities. We have experienced an increasing interest in offshore investments, given the weakening of the rand. PSG Wealth's offshore stockbroking offering now includes additional foreign markets and will shortly further expand to include offshore funds.

As part of our risk mitigation, PSG Konsult exited white-label and third-party administration agreements. These generated low returns at too high levels of risk – particularly operational and reputational – for the business. We also recognise that our internal systems can create more value for our own divisions rather than allocating capacity to third parties. This process was largely completed by the end of the financial year and had a negligible impact on PSG Konsult's overall profitability.

> Overall, we are very pleased with this set of results, taking into account that the South African equity market turned highly volatile towards the end of the financial year.

The group continues to explore products with low contribution levels to enable new entrants from lower LSM market segments to participate in its offerings. We also launched a tax free savings product as an additional and complementary long-term savings vehicle, which is attracting new and younger clients.

PLATFORMS

We continue investing in technology to enhance the overall client experience and improve the technical capabilities of the business to unlock greater operational scale. We are in the process of further integrating our end-to-end platforms, which includes *myPSG*, our client single sign-on initiative.

The launch of the client single sign-on in December 2015 was a highlight for the year. Clients now have a dashboard view of all of their PSG portfolios, as well as any other products and services that they have been advised on through PSG Konsult. This provides them with consolidated reporting and a single access point for transacting. Through *myPSG* clients have access to their investments, wills, short-term insurance, life insurance, medical insurance, corporate cash manager accounts and stockbroking portfolios. The transactional facility provides online trading in local shares, derivatives, margin-traded instruments, unit trusts, offshore shares and will shortly also include offshore funds.

PSG Wealth invested in enhancing its workflow, which includes a new telephony and customer relationship management system to optimise the end-to-end client experience via a central point of contact. Further rollout of these systems will include the entire group to ensure that we serve clients through world-class platforms.

Direct sales is a focus area for PSG Insure, which enhanced its product and service offering experience for online clients this year. We also continue enhancing and consolidating the group's multiple websites to ensure that we offer the information, convenience and capabilities that clients expect.

Management information and data analytics improvements include a daily dashboard of investment flows, client flows (by assets under management per geographic area) and web traffic flows and analysis.

We continue enhancing the robustness of our IT infrastructure and have strengthened our governance in this discipline. This has ensured improved endpoint security, business continuity and disaster recovery.

THE BIGGER PICTURE

We are very proud of the advertising campaign launched at the beginning of 2016 to communicate PSG Konsult's unique competitive advantage to potential and existing clients. We believe it portrays the bigger picture thinking that is at the core of our culture. The advert also emphasises the need for a group such as ours to keep a cool head while navigating our clients' affairs on a turbulent journey.

Just like Sir Stirling Moss and Denis Jenkinson, PSG Konsult has the vision of a positive, ambitious and successful end result. We have the desire to achieve great results for our clients, even if it means challenging the norm and doing things differently. There is also a close analogy between the driver/navigator relationship and the client/adviser relationship. With the right direction and guidance, we foster successful partnerships with our clients along their financial journeys.

REGULATORY LANDSCAPE AND RISK MANAGEMENT

We seek to manage risk exposures within acceptable levels and to optimise profit margins and maintain an efficient capital structure. We seek to do so while embedding good corporate conduct, regulatory compliance, the highest ethical behaviour and excellent client service.

PSG Konsult is geared to continuously adapt to regulatory change and we regard ourselves as early adopters. We proactively monitor regulation in other territories. This is part of our risk management approach and ensures that the board and management are prepared and informed about potential consequences and opportunities created by new legislation.

The RDR, for example, is expected to significantly change the adviser market and the way financial products are distributed in South Africa. Elsewhere the introduction of similar legislation increased the barriers to entry, increased the potential revenue per adviser and resulted in industry consolidation. This is an opportunity for PSG Konsult as we have the necessary platforms, systems and practices to take on advisers seamlessly and provide support that meets all regulatory requirements.

One of the significant regulatory events for the business has been piloting its first mock ORSA report. This enabled the business to benchmark the extent to which ORSA principles have been embedded across PSG Konsult and to identify areas of improvement in preparation for the full ORSA report to be submitted in 2017.

Regulatory compliance remains one of the top strategic risks for PSG Konsult. The table below sets out current emerging risks and how we mitigate these:

Risk category	Description	Mitigation
Market	Potential impact of volatile markets	• Topline growth focus • Growing assets under management and insurance premiums • Investment committee, fund committee and portfolio committee oversight • Risk and compliance monitoring improvements being implemented • Continuous communication to empower financial advisers to inform clients and manage expectations • Professional financial advice and a well-diversified investment portfolio is important to protect and grow clients' wealth in volatile market conditions
Regulatory	Adapting to continuing legislative changes could have impact on business model and cost structure	• Oversight by the legislative committee • Formal project plans drafted and responsibilities allocated • Focus on capital management • Project under way to obtain all client information from product providers
Operational	Ability to respond to cyberattacks	• Development roadmaps include further process automation • Improve system security through independent evaluation • Implement improved controls and oversight
	Unstable utilities	• Thorough assessment of disaster, recovery and business continuity processes planned for 2016
	Data confidentiality	• Ensuring appropriate independence between business units
Counterparty	Ongoing oversight and monitoring of product providers	• Strengthening of the technical advisory support function • Reporting enhancements to deliver more timely information • Product provider consolidation project
Underwriting	Availability of management information	• Actuary appointed to develop underwriting risk models • Improved collection, aggregation and analysis of data

We identify and assess all material risks in the business and evaluate key controls in place to mitigate those risks. We use self-assessment techniques to assess whether the risks are managed effectively. The various business areas are then able to make decisions on what action, if any, is required to reduce the level of risk.

OUTLOOK

During the past year our focus was on growing topline revenue. There will be a shift towards improved operating margins in the coming year as business achieves greater operational scalability benefits. PSG Konsult will continue to prioritise organic growth in the domestic market where it has a relatively low market share but is expanding rapidly.

We are also set to further enhance risk management systems and to standardise the risk universe and quantification methods in the group.

As always, we continue to focus on providing quality client advice and service to attract new business inflows. In terms of products, we continue expanding the range of products and services that we offer, while embedding the principles of TCF.

PSG Konsult delivered commendable results for the year ended 29 February 2016.

CHIEF FINANCIAL OFFICER'S REPORT

Mike Smith
Chief financial officer
20 May 2016

PSG Konsult delivered commendable results for the year ended 29 February 2016, taking into account the volatile and depressed equity markets, sharp devaluation of the rand and overall challenging economic environment we experienced this financial year. In line with our strategic focus for 2016, we achieved sustainable topline revenue growth supported by growth in both our adviser base and value of client assets under management. Core revenue increased by 17% to R3.3 billion compared to the previous year, with PSG Wealth being the biggest contributor.

The group's focus on client service excellence through the quality of our advice, products and platforms is proving resilient in these trying times. We have also continued to increase our marketing and technology spend during the period under review. This included the successful launch of a new television advertisement during January 2016, which is enhancing our brand recognition.

PSG Konsult's recurring headline earnings under the current management team increased by a compounded annual growth rate of 33% over the past three years, demonstrating our ability to deliver sustained and exponential growth.

Read more about our performance track record on page 17.

MAURITIUS ACQUISITION

PSG Konsult's financial results include four months' revenue contribution from the recently acquired 70% shareholding in DMH. The latter is licensed and regulated by the Mauritius Financial Services Commission and offers corporate finance, wealth management and family office services. This acquisition was funded internally from available cash resources.

OPERATING CONTEXT

PSG Konsult operates predominantly in a South African context characterised by steady, well-regulated financial markets. The weak rand is driving increasing inflation, particularly in relation to technology costs. This has a mixed impact on our business, as it benefits our clients' well-diversified investment portfolios and related investment returns, but puts pressure on operating costs – in particular motor vehicle claims cost in the insurance business.

The business has minimal debt or financial leverage and regulatory licence capital is largely invested in money market and short-duration financial instruments and is well structured for an anticipated upward interest rate cycle.

Read more about our operating context on page 29.

SOLVENCY CAPITAL REQUIREMENTS

The 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 ORSA report to the FSB on 31 August 2015 to enable them to understand and evaluate our progress in meeting the new SAM requirements.

In this process, the group assessed whether capital resources in the form of eligible own funds are sufficient to meet capital requirements, both regulatory and economic, over a three year planning period.

As part of the forward-looking assessment performed, the group assessed its ability to manage its risks over the longer term under a range of plausible yet adverse scenarios. The scenarios selected for stress testing were determined by selecting possible situations which include unexpected regulatory changes, depressed market conditions, loss of major clients, catastrophic events and other factors plausible yet severe for PSG Konsult.

PSG Konsult's projected cover is above the FSB's solvency capital requirement limit, and we expect the group to maintain its dividend policy under all plausible stress scenarios, while still being able to meet future capital requirements.

We continue monitoring and optimising the group's capital and cash flow management activities to maintain sufficient liquid capital in each of the regulated entities. At the same time, our aim is to ensure that capital is invested to provide us with flexibility and used appropriately to maximise long-term shareholder returns. During the period under review, our shareholder capital was conservatively invested in largely money market and short-duration instruments. With the exception of a small finance lease of R7.5 million, we have no other third-party debt.

The group's net cash and the borrowing facilities we have available, provides us with adequate flexibility and optionality to achieve our growth objectives.

FINANCIAL PERFORMANCE

The following table summarises the group's key operational and financial performance indicators:

	2016	Change %	2015
Recurring headline earnings (R000)	**408 748**	20	341 175
Headline earnings (R000)	**292 302**	(14)	339 261
Recurring headline earnings (excluding intangible assets amortisation cost) (R000)	**440 317**	19	370 554
Recurring headline earnings per share (cents)	**32.1**	19	27.0
Headline earnings per share (cents)	**22.9**	(15)	26.9
Assets under management (Rbn)	**154.1**	16	132.5
Assets under administration (Rbn)	**327.1**	6	308.7
Underwriting premium income (R000)	**677 631**	26	538 158
Cost/net income ratio (%)	**59.0**	(3)	60.6
Year-end debt/equity ratio (%)	**0.7**	(22)	0.9
Return on average equity (%)	**24.8***	(6)	26.4

* *Excluding PSG Life tax settlement.*

Growth in recurring headline earnings of 20% to R408.7 million and a 19% increase in recurring headline earnings per share to 32.1 cents per share is evidence of the group's ability to create long-term value. This is supported by a continued focus on diversifying our income streams in terms of products and services, as well as geographies.

Assets under management increased by 16% to R154.1 billion and assets under administration by 6% to R327.1 billion. Local and offshore multi-managed funds performed strongest, with the contribution of management fees growing at a higher rate than performance fees during the year. The latter contributed only 3.8% of group recurring headline earnings, compared to 7.7% last year.

One of the group's key internal measures of success is the ability to attract net new money. A total of R12.1 billion of net new money was received by our Wealth business during 2016, compared to R14.1 billion in the previous year. In addition, our Asset Management business attracted R4.1 billion of inflows, compared to R5.9 billion in the previous year.

In addition, we are particularly pleased that we have achieved return on equity of 24.8% (excluding the impact of the PSG Life tax settlement), while at the same time reducing financial leverage. We also increased our operating margin to 15.2% from 14.9%.

ADVISER BUYBACK TRANSACTION

The group concluded its second phase adviser buyback transaction with effect from 1 March 2015. The asset-for-share transaction was implemented using section 42 of the Income Tax Act, 58 of 1962, and allowed the group to harmonise and standardise the revenue sharing model with advisers and also give them the opportunity to invest in the future of PSG Konsult.

In this phase 18 branches accepted the offer for a purchase consideration of R17.6 million, with these transactions contributing R1.5 million to headline earnings.

The transaction was settled through a cash payment in the first half of the financial year.

The third phase transaction was completed and effective after the 2016 financial year-end on 1 March 2016. The total purchase consideration for this phase for R98.2 million and encompassed 19 offices representing 37 advisers.

A STABLE CREDIT RATING

The rating agency Global Credit Rating Company (GCR) in June 2015 affirmed the national scale ratings assigned to PSG Konsult of BBB+(ZA) and A2(ZA) in the long term and short term respectively, with the outlook for both ratings remaining stable. This is a result of PSG Konsult's strong operational performance and enhanced access to capital and other funding.

PSG Konsult's next rating will be in June 2016.

TAX MATTER

On 10 December 2015, PSG Life Limited, a wholly-owned subsidiary of PSG Konsult, received revised income tax assessments from the South African Revenue Service (SARS) in respect of the 2009 to 2014 tax periods. This relates to certain investment instruments that were acquired by PSG Life Limited during the period 2008 to 2011.

The board subsequently decided to settle this legacy matter for an amount of R115.2 million. This amount and the related legal costs were fully provided for in the year-end results and have been treated as non-recurring headline earnings.

FINANCIAL RISK MANAGEMENT

In light of events in the financial services industry over recent years, risk and its mitigation have become a priority to ensure sustainable value creation and returns for shareholders. PSG Konsult has adopted best practice monitoring and control 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.

Financial risk management entails the entire range of exposure and potential liabilities that the group faces, especially given the nature and demands of the financial services industry. Financial risk mitigation focus areas included a centralised treasury and cash monitoring process counterparty exposure, assessment and strict investment criteria rules.

Underwriting risk is limited to the insurance activities within Western Group Holdings. This is monitored by the Western group risk committee and includes comprehensive reinsurance arrangements.

CAPITAL EXPENDITURE

Technology plays an integral role in the daily operations of PSG Konsult. The scalability and efficiency of business functions are dependent on the state of its IT systems, which require continuous investment in new technology and upgrades. This included the launch of the new single sign-on facility, myPSG, and a new telephony and customer relationship management system to optimise the end-to-end client experience.

Business process automation forms part of operational risk management and provides real-time reporting for enhanced management decision-making. The group is confident that its IT strategy will continue creating a solid foundation for future growth.

Read more about information technology in the IT governance report on page 111.

ACCOUNTING POLICIES

There were no accounting policy changes during the financial year.

Read more about PSG Konsult's accounting policies in the annual financial statements on page 144.

OUTLOOK

The scalability of our key underlying operating divisions, which largely have a fixed cost base, will enable us to unlock positive operational leverage benefits in the year ahead. During the past year, our focus was to grow topline revenue. In the coming year, there will be a greater shift and focus towards improved operating margins. PSG Konsult will continue to prioritise organic growth in the domestic market, where we have a relatively low market share but are expanding rapidly.

As always, we continue to focus on providing quality client advice and service to attract new business inflows. This is supported by our marketing campaign to grow our client base. In terms of products, we continue expanding the range of products and services that we offer, while embedding the principles of National Treasury's Treating Customers Fairly framework. We are also set to further enhance risk management systems and standardise the risk universe and quantification methods in the group.

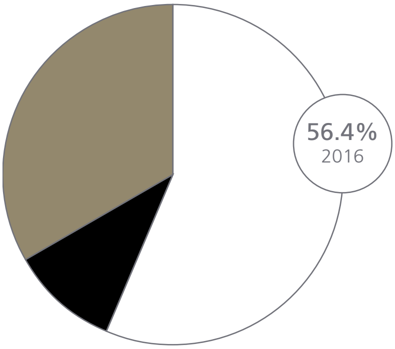
PSG IS USING AND ENHANCING TECHNOLOGY ON A DAILY BASIS TO BE MORE EFFICIENT AND CLIENT-CENTRIC.

DIVISIONAL REPORTS

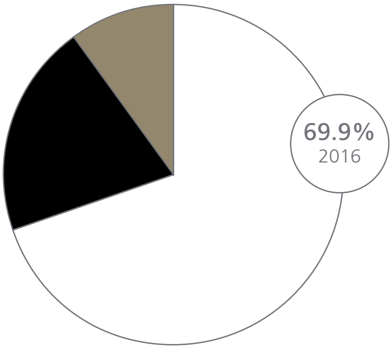
PSG WEALTH

PSG Wealth offers a comprehensive wealth management service to individuals, families and businesses, including investment opportunities, estate planning and fiduciary services.

Contribution to group income



Contribution to group recurring headline earnings



PSG Wealth | PSG Asset Management | PSG Insure

KEY INDICATORS

Employees 1 350 (2015: 1 239)	PSG Wealth adviser network increased by 11% to 480 (2015: 434)	R12.1 billion net inflow of managed assets in 2016 (2015: R14.1 billion)
↑23% management fees (2015: +30%)	↑16% brokerage income (2015: +23%)	Managed assets increased by 16% to R126.4 billion (2015: R108.7 billion)
Achieved third place at the annual SA's Top Stockbrokers awards	Overall runner-up in the Private Banks and Wealth Managers Survey	

↑ 25%
Recurring headline earnings
R286 million
(2015: R228 million; 2014: R162 million)

↓ 26%
Headline earnings
R169 million
(2015: R227 million; 2014: R162 million)

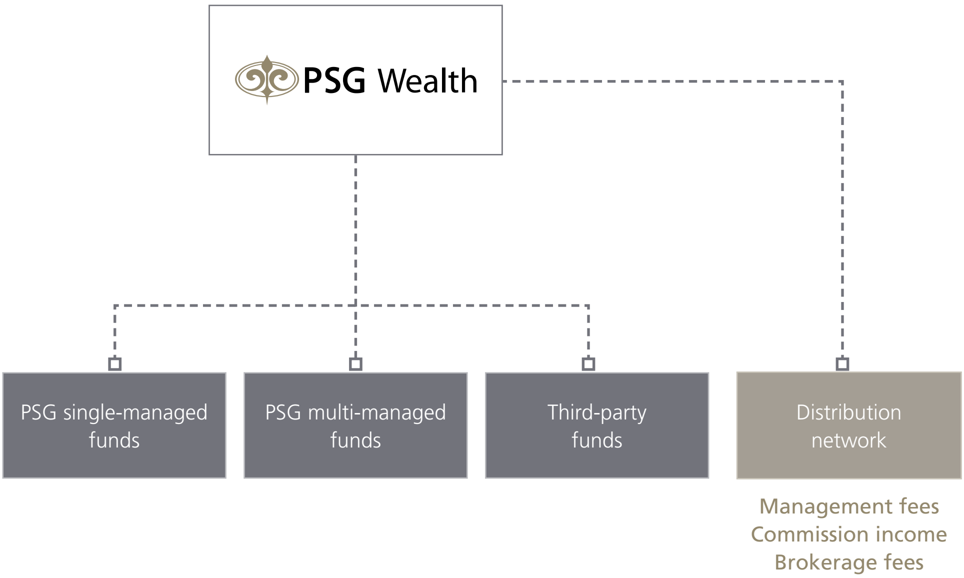
↑ 16%
Total managed assets
R126.4 billion
(2015: R108.7 billion; 2014: R83.7 billion)

↑ 6%
Total wealth assets
R299.2 billion
(2015: R281.5 billion; 2014: R211.7 billion)

↑ 18%
Revenue
R2.0 billion
(2015: R1.7 billion; 2014: R1.5 billion)

22.4%
Operating margin
(2015: 20.6%; 2014: 18.3%)

40.1%
Gross margin
(2015: 39.1%; 2014: 36.1%)



PSG WEALTH ASSETS OVERVIEW

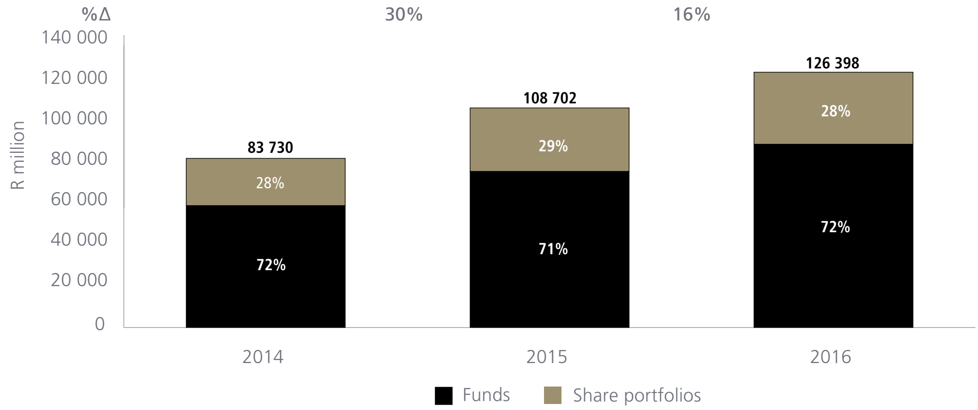
Assets split (Rm)	2014	Market movement	Net flows	2015	Market movement	Net flows	2016
Third-party funds*	32 981	3 397	3 394	39 772	1 590	1 758	**43 120**
PSG multi-managed**	27 371	3 445	6 652	37 468	3 169	6 932	**47 569**
Discretionary	23 378	4 005	4 079	31 462	868	3 379	**35 709**
Total managed assets	**83 730**	**10 847**	**14 125**	**108 702**	**5 627**	**12 069**	**126 398**
Non-discretionary	118 281	47 435	(1 103)	164 613	7 971	(11 802)	**160 782**
Third-party administration	9 652	906	(2 382)	8 176	1 052	2 839	**12 067**
Total PSG Wealth assets	**211 663**	**59 188**	**10 640**	**281 491**	**14 650**	**3 106**	**299 247**

* *Includes PSG single-managed funds of R3.1 billion for 2014, R4.8 billion for 2015 and R5.4 billion for 2016.*

** *Includes PSG single-managed funds of R3.3 billion for 2014, R5.0 billion for 2015 and R5.6 billion for 2016.*

Growing discretionary assets (Rm)

Funds remain the bedrock of the group's Wealth division



PERFORMANCE

PSG Wealth remains a key revenue driver for the group through its formidable adviser base and expanding product and platform business offering. Continued positive client inflows resulted from strengthening the division's competitive position by expanding its adviser network through both organic growth and selected adviser acquisitions, resulted in net managed inflows of R12.1 billion (2015: R14.1 billion) during the year under review.

Despite the challenging market conditions which saw the FTSE/All Share Index record a negative total return of 7.4% for the period until 29 February 2016, the division was able to increase management fees earned by 23% (2015: 30%). The volatile market conditions created liquidity in the stockbroking area, with brokerage income increasing by 16% (2015: 23%) for the 2016 financial year.

The division's focus on the expansion of its adviser network, specifically in selected areas in South Africa, proved successful as 46 (2015: 28) new advisers joined the division during the year.

According to the Linked Investment Service Providers Association, PSG Wealth recorded the third largest net new flows in the industry in the third quarter of 2015, which is a new record for the division. This increase was mainly driven by investments into non-retirement funding products.

PSG Wealth recently launched its quarterly *Investment Research and Strategy Report*, aimed at advisers and their clients. The report considers a variety of factors that could influence clients' wealth, and encourages feedback through surveys and polls. This ensures that it addresses topics and issues that are relevant to its stakeholders.

The group is proud of the various industry awards obtained by the division, which includes a third-place ranking in the 2015 Top Stockbroker Awards, as well as a third Morningstar award nomination for the PSG Wealth Income Fund of Funds.

Corrie de Bruyn, current chief executive officer of PSG Wealth, will return to his roots and take up a financial adviser position within the Pretoria East office, the group's largest office, from May 2016. Marilize Lansdell, current head of the PSG Wealth investment and trading platform, proved herself as an ideal successor to continue the current strong growth trajectory of the Wealth business. The group would like to thank Corrie for the valuable contribution he has made in helping build PSG Konsult over the years.

STRATEGY

PSG Wealth's strategy supports the group strategy by offering an innovative and holistic end-to-end client proposition. Despite an unpredictable economic outlook, the division continues to invest 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 receives ongoing attention, relying on advisers for client feedback in the development and creation of new products and services.

PSG Wealth remains focused on growth, achieving a stable cost base and increasing net new inflows at acceptable margins across the value chain. To achieve this aim, the division's strategic objectives are geared to optimise its resources and capabilities in the following key areas:

Purpose statement	PSG Wealth exists to create and preserve wealth for clients and stakeholders.
People (advisers and clients)	PSG Wealth continues to grow its adviser network, which has expanded beyond South Africa and Namibia into Mauritius. PSG Wealth is now offering client service in an additional language (French) following the Mauritian acquisition. The division has also expanded functionality, with key local appointments that include equity research analysts and investment writers. The client services team was restructured to facilitate a team-orientated service approach to improve succession and refine client segmentation. Coordinated sales initiatives across distribution channels and client segments aimed to increase fee-generating assets. The division measures its performance in this area by: • net new inflows • new clients • growth in assets under management and administration • growth in net new monthly average fee margin

Products	PSG Wealth improved its offshore offering to include additional foreign markets and offshore funds, following the new offshore trading platform introduced in the 2016 financial year. The new tax free savings accounts following the National Treasury initiative launched in March 2015 to provide clients with an additional retirement alternative. The division will focus on increasing its range of products and service offerings within its existing offices, and on expanding this to new clients and advisers. The delivery of innovative and profitable products and services is to be done within acceptable risk parameters. The division measures its performance in this area by: • inflows into new products • uptake of products within existing offices and adviser base • additional products sold to existing clients
Platforms	PSG Wealth has consolidated and integrated all user interfaces into PSG Konsult's new single sign-on platform. This gives clients the ability to view and transact both local and offshore shares, exchange traded funds and an extensive range of local and offshore funds through a single login. The division enhanced functionality and security. PSG Wealth implemented a call centre telephony system that facilitates improved productivity monitoring. The division measures its performance in this area by: • management fees • administration fees • brokerage income • growth in LISP market share

NEXT MOVES

It is likely that 2016 could be another volatile year. However, PSG Wealth's products are designed to weather these storms and it believes that there are still opportunities that can deliver favourable results for clients over the long term.

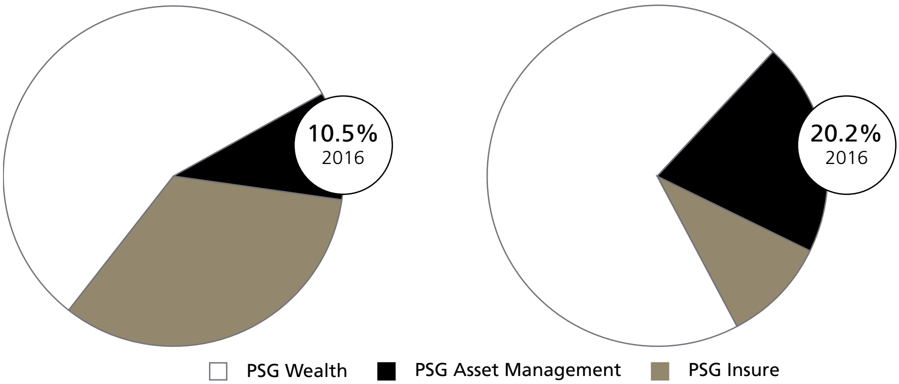
The division will continue to develop new products to cater for the changing economic environment, to maintain its competitive advantage and to attract a bigger portion of the client's wallet. Client service experience remains a key focus area for management and initiatives are in place to enhance service delivery.

PSG ASSET MANAGEMENT

PSG Asset Management offers investment management to long-term retail and institutional investors based on a bottom-up approach with a strong emphasis on risk management.

Contribution to group income

Contribution to group recurring headline earnings



KEY INDICATORS

Employees 91 (2015: 95)	R1.4 billion net inflows of managed assets in 2016 (2015: R5.9 billion)	The PSG Management Company maintained its Top 10 ranking.
Reduced reliance on performance fees, contributing 3.8% to group recurring headline earnings in 2016 (2015: 7.7%)	The PlexCrown survey results for 31 December 2015 confirmed that the PSG funds remain solid performers.	

↑ 1%
Recurring headline earnings
R83 million
(2015: R82 million; 2014: R54 million)

↑ 1%
Headline earnings
R83 million
(2015: R82 million; 2014: R54 million)

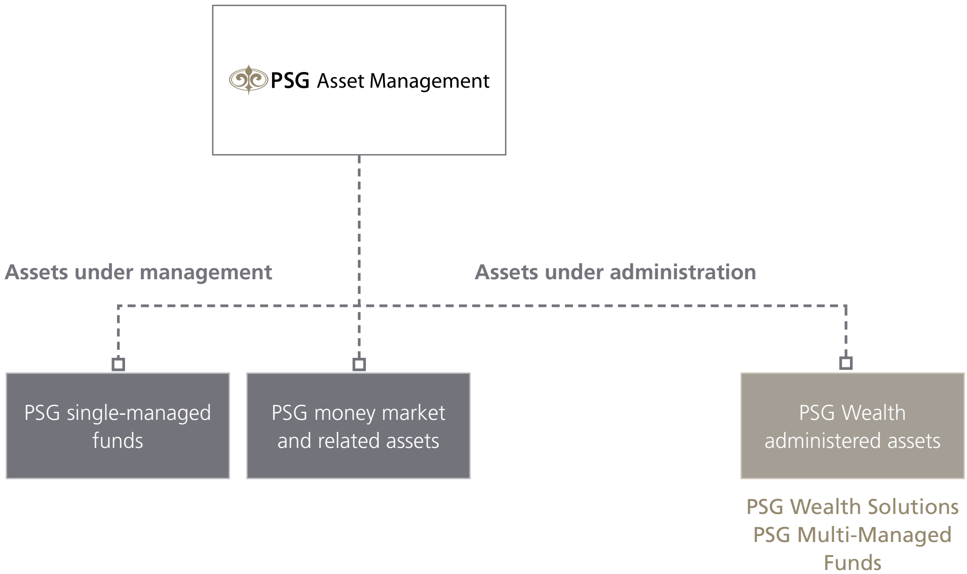
↑ 17%
Assets under management
R27.7 billion
(2015: R23.8 billion; 2014: R15.8 billion)

↑ 16%
Assets under administration
R75.4 billion
(2015: R64.7 billion; 2014: R49.0 billion)

↑ 1%
Revenue
R369 million
(2015: R368 million; 2014: R294 million)

16.4%
Operating margin
(2015: 18.1%; 2014: 15.0%)

39.3%
Gross margin
(2015: 40.5%; 2014: 38.0%)



PSG ASSET MANAGEMENT ASSETS OVERVIEW

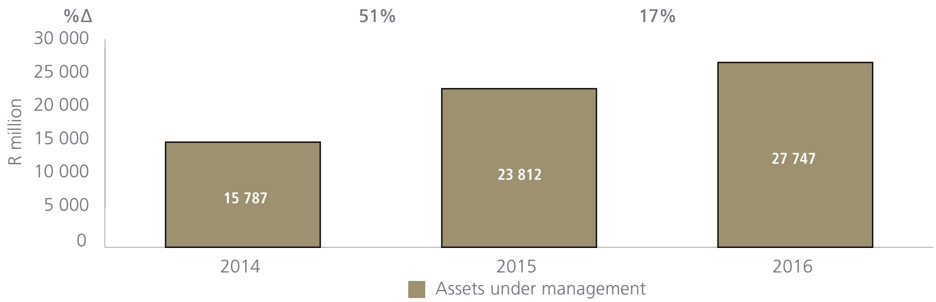
Assets split (Rm)	2014	Market movement	Net flows	2015	Market movement	Net flows	2016
PSG single-managed	11 515	1 932	4 985	18 432	(7)	2 159	**20 584**
PSG money market and related assets	2 260	15	(43)	2 232	–	2 956	**5 188**
PSG segregated portfolios	2 012	181	955	3 148	(203)	(970)	**1 975**
Total assets under management	**15 787**	**2 128**	**5 897**	**23 812**	**(210)**	**4 145**	**27 747**
PSG Wealth administered assets*,**	27 500	3 316	6 652	37 468	3 169	6 932	**47 569**
PSG white-label	5 731	754	(3 040)	3 445	853	(4 223)	**75**
Total PSG Asset Management assets	**49 018**	**6 198**	**9 509**	**64 725**	**3 812**	**6 854**	**75 391**

* *Excluded from total PSG assets under administration to eliminate duplication.*

** *Includes the PSG Wealth Solution and PSG Multi-Managed Funds.*

Growing assets under management (Rm)

Assets under management have almost tripled since 2013 (2013: R10.5 billion)



PERFORMANCE

PSG Asset Management weathered a tough year in the markets, largely due to the unexpected changes in the Minister of Finance position in December 2015, which adversely affected local and international investor confidence in South Africa. This resulted in a significant weakening in equity, bond and currency markets.

The year 2016 reaffirmed the division's ability to make the best long-term investment decisions in testing times, with its clients' interests firmly at heart. A volatile market once again confirmed the sustainability of PSG Asset Management's research-based, bottom-up investment process. As seen and experienced in the past, uncomfortable decisions taken with prudent care in times like these are likely to be the ones that generate the excellent long-term performance in times to come.

PSG Asset Management attracted net inflows of R4.1 billion during the year under review through its retail sales efforts and marketing campaigns. The strategic focus on generating recurring earnings placed less reliance on performance fees, with these fees contributing only 3.8% of group recurring headline earnings compared to 7.7% during the previous financial year.

The performance of the core PSG Asset Management funds remains satisfactory over appropriate measurement periods. Shorter-term performance has lagged against previous benchmarks as cyclical stock exposures have come under pressure. The resource sector proved challenging over the past year, particularly due to the higher-than-expected sell-off in commodity prices and the impact that lower cash flows had on balance sheets.

STRATEGY

PSG Asset Management's strategy supports the group strategy through three focus areas: 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 Asset Management has significant growth potential in the asset management space. The division is driven to continue generating top-quartile investment performance in core funds and to increase its profitability through improved systems and enhanced market penetration. Key capabilities required to achieve this are:

Purpose statement	PSG Asset Management exists to generate the best long-term returns for investors in its funds.
People (clients)	PSG Asset Management continues to employ smart and passionate people who fit with its team-based, partnership culture. Recruitment focuses on attracting people with a passion for value-based investing and the ability to think long-term and independently. PSG Asset Management intensified its client focus, with more targeted activity through media and events. The division's focus is to reach more clients and grow its client base via a wider spread of platform inclusions and through a better channel mix. A continued focus remains to improve the technical knowledge of the sales team and increase sales and marketing efforts. Regular communication with clients through various channels (events, media, etc.) prove effective in volatile market conditions. The division measures its performance in this area by: • net new inflows into funds • fund platform availability

Products	All white-label funds exited the PSG Asset Management platform by 1 March 2016, in a strategic move to reduce risk and redeploy capacity. The division remains focused on long-term fund investment performance within acceptable risk levels. Diversify products to meet client expectations to attract inflows and reduce reliance on performance fees. The division measures its performance in this area by: • growth in assets under management and administration • fund investment performance rankings
Platforms	PSG Asset Management implemented system upgrades and improvements in line with the group's information technology projects to optimise synergies and improve margins and operational efficiencies. The division measures its performance in this area by: • market share • operating margins

NEXT MOVES

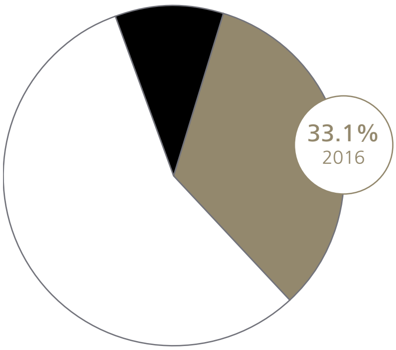
The PSG Asset Management team continues to consider all aspects of every opportunity that is subjected to its thorough research process. By now, investors are aware of the 3 Ms the division uses to evaluate investment opportunities: moat, management and margin of safety. The division is excited about the positioning of its funds and is seeing tremendous opportunity amid market volatility and uncertainty.

No new funds are expected to be launched in 2017. The division's focus will be on consistent application and refinement of its processes.

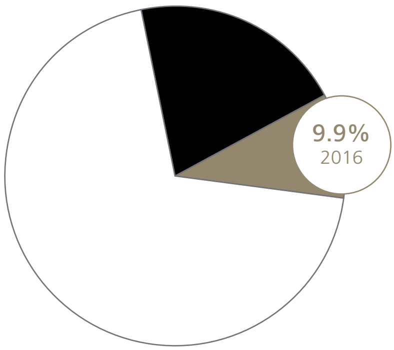
PSG INSURE

PSG Insure offers insurance advice, the underwriting and administration of short-term insurance policies in both personal and commercial lines.

Contribution to group income



Contribution to group recurring headline earnings



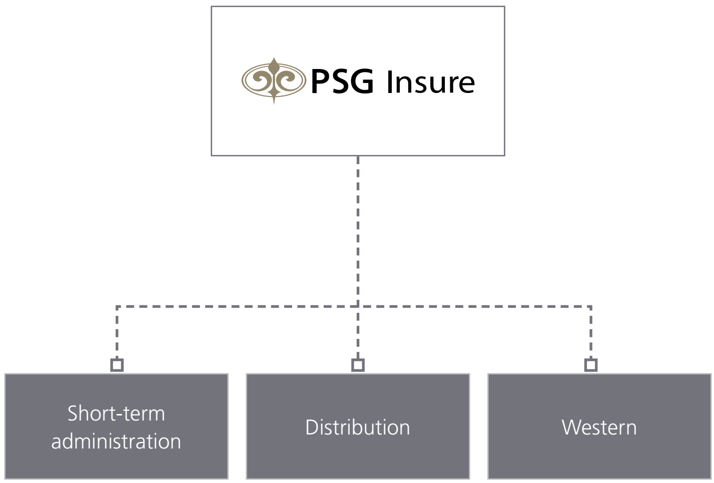
☐ PSG Wealth ■ PSG Asset Management ■ PSG Insure

KEY INDICATORS

Employees 728 (2015: 651)	↑17% Gross written premium growth (2015: 16%)	Improved underwriting margin
PSG Insure adviser network increased to 231 (2015: 225)	Broker of the Year for commercial lines, and asset and crop insurance in Santam's 2015 National Broker Awards	

↑ 29% Recurring headline earnings R40 million (2015: R31 million; 2014: R35 million)	↑ 33% Headline earnings R40 million (2015: R30 million; 2014: R28 million)
↑ 17% Gross written premiums* R2.5 billion (2015: R2.1 billion; 2014: R1.8 billion)	↑ 6.1% Underwriting margin (2015: 5.4 %; 2014: 7.8%)
↑ 20% Revenue R1.2 billion (2015: R962 million; 2014: R787 million)	3.3% Operating margin (2015: 4.2%; 2014: 4.1%)

* *Excludes short-term administration platform gross written premium.*



PSG INSURE PREMIUM OVERVIEW

Gross written premium split* (Rm)	2016	2015	2014
Short-term distribution	1 549	1 336	1 229
Short-term administration platform	791	704	634
Western	941	795	618
Total	3 281	2 835	2 481

* *Includes short-term administration platform gross written premium.*

PERFORMANCE

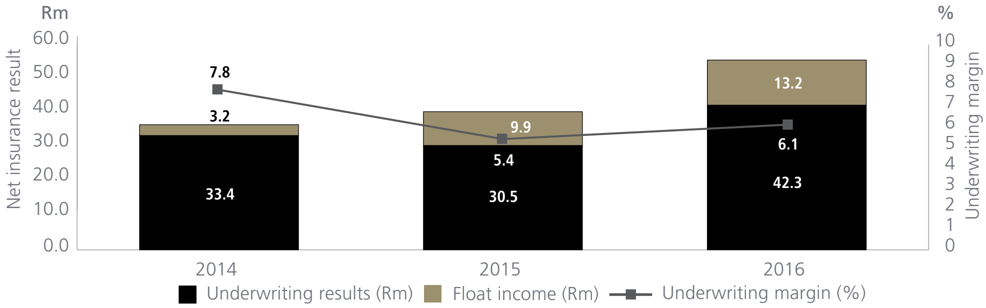
PSG Insure continues to make inroads in the highly competitive short-term insurance market, having achieved 17% growth in gross written premium compared to the prior year, with a focus on the quality of new business to achieve profitable growth. The division's insurance advisers, with an ongoing focus on growing the commercial lines side of the business, managed to gain market share without compromising their overall client-loss claim ratios.

PSG Insure outperformed the industry[1] in gross written premium growth, by growing more than double that of typical insurers. This was due to good growth from its conventional business, double-digit growth on the inwards reinsurance, and successful growth initiatives implemented by the Insure advisers.

It established a direct insurance offering during the year, adding a new dimension to the product offering of the division.

During the 2016 financial year, six new advisers joined the division, proving that PSG Konsult's value proposition remains attractive, even in a particularly difficult industry environment. The focus by the division's advisers on increasing the commercial lines business has paid dividends with an increase of 19% in commercial lines premiums administered by the division's advisers. The advisers, assisted by the short-term administration platform, continues to leverage on the support structure set in place to allow them to focus on client interaction. The short-term administration platform services the division's advisers exclusively and has managed to attract 12% more premium to the platform during this financial year.

Western
Insurance results



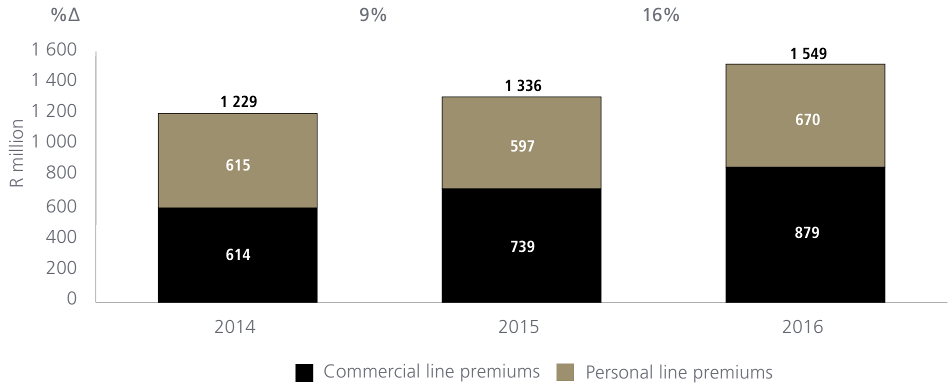
[1] *Source: FSB industry statistics: Q4 2015 vs Q4 2014*

Western increased its market share to 1.2% of typical insurers in South Africa. The business unit is increasing awareness of its brand through its association with its shareholders (PSG Konsult and Santam), its FIA membership and related marketing activities, which included the introduction of new products. Western's solid performance follows its emphasis on solid underwriting discipline, claims cost containment through end-to-end procurement strategies and monthly metric reports. Efforts to standardise and automate claims processing will ensure consistency, improve productivity and client service levels. Costs of repairs, however, are expected to continue increasing due to inflation and the weak rand. The underwriting margin at Western improved from 5.4% in 2015 to 6.1% for the 2016 financial year, following initiatives concluded during the year to cancel agreements with non-profitable intermediaries.

The division's recognition as Santam's National Broker of the Year for both commercial lines, and asset and crop insurance is a proud achievement.

Short-term distribution

Personal line premiums and commercial line premiums



STRATEGY

PSG Insure provides simple and cost-effective short-term insurance solutions to its 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 investing in its claims and administration departments, with the focus on expanding its adviser sales force. This builds scale and unlocks operational efficiencies, while freeing up valuable time for top-calibre advisers to focus on sales.

PSG Insure's strategic focus remains on growth in premiums, while increasing profitability through improved operational efficiency. PSG Insure aims to cultivate an integrated model and has developed the following strategy to support its core capabilities:

Purpose statement	PSG Insure exists to provide short-term insurance to chosen clients, advising and protecting them from unforeseen events.
People (advisers and clients)	The division is continually looking for opportunities to grow its client base, particularly in the high-return commercial environment. PSG Insure is actively expanding its adviser network, with six new advisers appointed during the year. A focus for the division is also to penetrate selected areas in South Africa to expand its footprint. The direct sales initiative will focus on new client market segments, backed by a dedicated and trained sales force to reduce time to sell. The division measures its performance in this area by: • client growth • number of advisers
Products	The introduction of the direct sales initiative expanded the group's product offering, but at the same time the focus continues to be on product providers that support PSG Insure's strategy. The division measures its performance in this area by: • premium growth • commercial business contribution • market share • underwriting profitability • product loss ratio
Platforms	Continuous improvement of the short-term administration platform to optimise claims administration, product underwriting, client services and client satisfaction. The division measures its performance in this area by: • operating margins • retention, renewal and upselling

NEXT MOVES

The division will continue to seek appropriate balance between growth and profitability. The focus will be to achieve gross written premium growth despite the more challenging economic environment in South Africa.

The division's focus will be to continue improving its underwriting margin, return on insurance float and shareholder investments, within its current framework of investing in money market and short-duration financial instruments.

CORPORATE GOVERNANCE

PSG TAKES A RIGOROUS AND THOROUGH APPROACH IN ALL THAT WE DO. THERE IS NO SUBSTITUTE FOR PROPER PREPARATION.

OVERVIEW

"PSG Konsult embraces the principles of good corporate governance, including sustainability, transparency and accountability."

The principles of integrity, trust and transparency form the foundation of the group's approach to ethical governance. The skills and experience of the group's diverse board and management teams ensure leadership depth and focus, and that the business continues to create value for its stakeholders in a sustainable and ethical manner. The appropriate systems and controls are in place to enable the board to play a meaningful oversight role in matters of strategy, sustainability and legal compliance.

The board of PSG Konsult is committed to the highest standards of ethical values, business integrity and governance, and recognises the responsibility to conduct business with prudence, accountability, fairness, transparency and social responsibility to ensure the safeguarding of stakeholder interests.

FOCUS AREAS FOR THE PAST FINANCIAL YEAR

- The split of the audit and risk committee into two separate committees
- PSG Konsult's strategy was assessed and refined in February 2016
- The evaluation of the group's mock Own Risk and Solvency Assessment (ORSA) prior to the submission of this report to the FSB in August 2015
- The disclosure in the remuneration report was updated in line with best practise
- Ongoing assessment of compliance and enhancement of the group's corporate governance policy framework
- Succession planning following the resignation of one of the key non-executive directors of the company
- Annual review of the information technology (IT) framework given the importance of IT in the operational environment of the group

KEY GOVERNANCE DEVELOPMENTS

The group continues to strengthen its corporate governance structures and procedures in line with the King III as prescribed by the JSE Listings Requirements. The following summary provides insight into the group's progress in key areas of development.

King III principle	Progress in 2016
Boards and directors	
2.18 The board should comprise a balance of power, with a majority of non-executive directors. The majority of non-executive directors should be independent.	Six of the board members are non-executive directors and four of the six non-executive directors are independent. With the appointment of Riaan Stassen on 14 April 2016, the majority of the board now comprises independent non-executive directors.
Internal audit	
7.5 Internal audit should be strategically positioned to achieve its objectives.	An internal audit charter was approved in 2015.
Integrated reporting and disclosure	
9.3 Sustainability reporting and disclosures should be independently assured.	The social and ethics committee is responsible for driving sustainability imperatives in the business, including disclosure and reporting on these matters. The integrity of non-financial disclosure is verified through internal audit and management reporting processes. The group at present has not sought independent assurance on sustainability reporting and disclosure beyond BBBEE certification.

Find the full King III checklist on the group's website at www.psg.co.za.

BOARD OF DIRECTORS

"The board is the custodian of the group's corporate governance and provides effective leadership based on an ethical foundation."

Willem Theron (64)
Non-executive director and chairman
BCompt (Hons), CA(SA)

Willem founded the chartered accountancy firm, Theron du Plessis in 1976 in Middelburg, which eventually had 10 branch offices in the Western and Eastern Cape. In 1998, he founded PSG Konsult and acted as its chief executive officer until 30 June 2013. He was then appointed as its non-executive chairman. He also serves on the board of PSG Group Limited.

Appointed to the PSG Konsult board on
1 March 1998.

Jacob de Vos du Toit (Jaap) (61)
Lead independent non-executive director
BAcc, CA(SA), CTA, CFA

Jaap was appointed as senior general manager at the Trust Building Society in 1984, financial director at Senekal, Mouton & Kitshoff Securities Proprietary Limited in 1988 and portfolio director at the same firm in 1990. In 1996 and 1998, he co-founded PSG Group Limited and PSG Konsult respectively and he has been a director of both since inception. He also acted as chairman of PSG Konsult from inception in 1998 until 2013. In August 2012, Jaap was appointed as the lead independent non-executive director for PSG Group Limited and PSG Financial Services Limited. He was appointed as chairman of KAP Industrial Holdings Limited in 2012 and is chairman of its nomination committee.

Appointed to the PSG Konsult board on
17 August 1998.

Patrick Ernest Burton (Patrick) (63)
Independent non-executive director
BComm (Hons) Financial Management,
PG Dip Tax

Patrick served at Moores Rowland Chartered Accountants for eight years, during which he completed his training contract. He emigrated to Canada in 1981 and worked for Lanvethol and Horwath (chartered accountants), from 1981 to 1984. Patrick was one of the founding members of Siphumelele Investments Limited, established in 1995. His experience includes executive and non-executive positions in fishing, financial services, telecommunications, media and entertainment, technology and insurance. He currently serves as the financial director of Snoek Wholesalers Proprietary Limited.

Appointed to the PSG Konsult board on
2 March 2014.

Zitulele Luke Combi (KK) (64)
Independent non-executive director
Diploma in Public Relations

KK holds a diploma in public relations. He was awarded the Ernst & Young South African Best Entrepreneur of the Year award in 2000 and the World Entrepreneur of the Year in Managing Change award in 2001. KK is a member of the Institute of Directors and serves on various listed and unlisted companies' boards, including PSG Group Limited, Curro Holdings Limited and as chairman of Pioneer Food Group Limited. KK was previously the executive chairman of Thembeka Capital (RF) Limited.

Appointed to the PSG Konsult board on
16 April 2014.

Riaan Stassen (62)
Independent non-executive director
BComm (Hons), CA(SA)

Riaan joined Capitec Bank Limited in 2000 as managing director and served as chief executive officer of Capitec Bank Holdings Limited and Capitec Bank Limited from March 2004 until his retirement on 31 December 2013. His experience in banking stems from his previous position as managing director of Boland PKS. Prior to his career in banking, he gained experience in the liquor industry through his responsibilities as operations director of Distillers Corporation. Riaan was awarded the Cape Times KPMG Business Personality of the Year award in 2007.

Appointed to the PSG Konsult board on
14 April 2016.

Johannes Fredericus Mouton (Jannie) (69)
Non-executive director
BComm (Hons), CA(SA), AEP

Jannie was co-founder and managing director of Senekal, Mouton & Kitshoff Proprietary Limited, whereafter he founded PSG Group Limited and later Capitec Bank Limited. He serves as the chairman and director of various companies within the PSG Group and also sits on the boards of Zeder Investments Limited and Steinhoff International Holdings Limited. He has more than 35 years' experience in financial management and investment banking and serves as a trustee of various trusts administered on behalf of the University of Stellenbosch.

Appointed to the PSG Konsult board on
1 March 2002.

Resigned effective 14 April 2016.

Petrus Johannes Mouton (Piet) (39)
Non-executive director
BComm (Mathematics)

Piet is the chief executive officer of PSG Group Limited. He serves as a director on the boards of various PSG Group companies, including Curro Holdings Limited, Capitec Bank Holdings Limited, and Zeder Investments Limited. He has been active in the investment and financial services industry since 1999.

Appointed to the PSG Konsult board on
6 December 2012.

Francois Johannes Gouws (51)
Chief executive officer
BAcc, CA(SA)

Francois was a group managing director jointly responsible for the UBS Securities division before joining PSG Konsult as deputy chief executive officer in July 2012. He assumed the role of chief executive officer with effect from 1 July 2013. He started his career at UBS Investment Bank in 1995 as head of research in South Africa. Before that, he worked for Senekal, Mouton & Kitshoff Proprietary Limited.

Appointed to the PSG Konsult board on
1 March 2013.

Michael Ian Frain Smith (Mike) (48)
Chief financial officer
BComm (Hons), CA(SA), H Dip Tax, H Dip Company Law

Mike has more than 20 years' experience in the financial services industry. He was appointed chief financial officer of PSG Konsult in June 2013. Mike joined PSG in 2001 as group financial director of Appleton Limited, later becoming chief operating officer (COO) for PSG Asset Management and most recently serving as the COO for the PSG Wealth division. Prior to that, he worked for both RAD Investment Bank and Deloitte & Touche in their corporate finance divisions.

Appointed to the PSG Konsult board on
18 July 2013.

CHANGES TO THE BOARD OF DIRECTORS

Jannie Mouton has decided to step down as non-executive director, and Riaan Stassen, the former chief executive officer of Capitec Bank Holdings Limited, has joined PSG Konsult as an independent non-executive director. Both these board changes were effective 14 April 2016.

BOARD RESPONSIBILITY AND COMPOSITION

The board governs according to a formal charter as outlined in the group's memorandum of incorporation. Its roles and responsibilities are consistent with those communicated in the previous corporate governance report.

The board is ultimately accountable for the effective governance and direction of the group. This requires that the board consists of an appropriate number and mix of individuals to ensure that there is an adequate level of knowledge, skills and expertise commensurate with the scale and complexity of the business. There must also be a clear division of responsibilities at board level.

The board is supported by appropriate internal governance practices and procedures that promote an efficient, objective and independent decision-making culture considering the interests of all stakeholders.

The PSG Konsult board consists of eight members, four of whom are independent non-executive directors. Directors are appointed through a formal and transparent process which is a matter for the board as a whole. Directors disclose their personal financial interests at the start of every board or committee meeting. Board meetings take place quarterly to consider the strategic issues and business philosophy, to approve financial results and budgets, to monitor the delegated responsibilities and to set risk parameters. At these meetings, the various committees and divisions provide feedback on key performance indicators, progress on strategic objectives and various other reports.

INDEPENDENCE OF BOARD MEMBERS

The board has considered the King III recommendations on independence of directors, as well as the provisions of the JSE Listings Requirements on the matter, and the individual status of the directors are recorded on pages 100 and 101 of this integrated report.

The board annually considers and reconfirms the classification of directors as being independent. The guidelines of King III were used for the 2016 financial year classification. Their independence in character and judgement, and whether there are any relationships or circumstances which are likely to affect, or could appear to affect, their judgement, are also taken into consideration.

The independent and non-executive directors of PSG Konsult are experienced and highly respected, having the required professional knowledge, skills and integrity to exercise sound judgement on various key issues relevant to the business, independent of management.

APPOINTMENT PROCESS

Directors are appointed through a formal and transparent process, which includes background checks. Appointments to the board and proposals are considered by the board as a whole and subject to shareholder approval/ratification.

SHARE DEALING AND INSIDER TRADING

The group developed and adopted a policy on dealings in PSG Konsult shares, which was approved by the board. The policy was subsequently amended prior to the listing on the JSE and NSX to include an addendum, which deals with disclosure by members of the PSG Konsult management committee. The policy imposes closed periods to prohibit dealing in the company's shares before the announcement of interim and year-end financial results, as well as in any other period considered price-sensitive in accordance with the JSE Listings Requirements. The directors and company secretary (including their associates) of

PSG Konsult Limited and its major subsidiaries may not trade during a prohibited period. The policy has been widely distributed within the group to ensure that directors and employees are familiar with its content.

GOVERNANCE FRAMEWORK

The group formalised a governance framework that provides the structure and guiding principles by which the board executes its duties. The overall purpose of the framework is to formalise established governance processes, thereby ensuring accountability and fairness. The objectives of this framework can be summarised as follows:

- The relevant accountability and delegation responsibilities of the board and senior management are documented in written policies.
- The board and senior management collectively possess sufficient professional qualifications, knowledge and experience to manage the group prudently and discharge their responsibilities.
- The performance of multiple tasks by any individual does not create a legal or ethical conflict of interest.
- An adequately transparent organisational structure is in place with clear allocation and appropriate segregation of responsibilities.
- The group has adequate written policies in place in relation to risk management, compliance and internal control functions. These policies are maintained and reviewed at least annually to ensure the continuity of the business.
- The group has embedded the three layers of defence governance model and complies with it.
- The group maintains clear reporting lines for the prompt transfer of information to ensure the integrity and transparency of information flow throughout the governance structures and to external stakeholders.
- The board is satisfied that overall remuneration policy and practices are consistent with the identified risk appetite and the long-term interests of stakeholders.
- The board provides oversight and clear accountability for any material function or activity that is outsourced.

BOARD MEETING ATTENDANCE

	9 April 2015	22 July 2015	10 October 2015	4 February 2016
W Theron (chairman)	✓	✗	✓	✓
FJ Gouws	✓	✓	✓	✓
MIF Smith	✓	✓	✓	✓
JF Mouton	✓	✓	✓	✓
PJ Mouton	✓	✓	✓	✓
J de V du Toit	✓	✓	✓	✓
PE Burton	✓	✓	✓	✓
ZL Combi	✓	✓	✓	✓

CHAIRMAN

The board is led by a chairman who is elected by the board members and whose objectives include:

- ensuring proper governance of the board and all associated committees
- ensuring that the interests of all stakeholders are protected
- ensuring that a good relationship exists between the board and shareholders, as well as between board and management (specifically the chief executive officer)
- ensuring that the brand and group profile are aligned with the values of the group
- enhancing PSG Konsult's reputation in the industry through relevant stakeholder forums

The roles of chairman and chief executive officer are separate. The executive committee is mandated according to a clear set of authorities relating to contracting and signing powers for financial, project and personnel requirements. The board considers it a good business imperative that all actions undertaken in the group's name are executed ethically and professionally.

Willem Theron fulfils the role as non-executive chairman, but is not classified as independent in terms of King III due to his role of chief executive officer of PSG Konsult until June 2013. Jaap du Toit serves as lead independent director of PSG Konsult.

CHIEF EXECUTIVE OFFICER

The chief executive officer was appointed by the board and his objectives include:

- identifying and setting executive and divisional priorities
- allocating resources
- building strategic relationships
- monitoring performance through daily, weekly and monthly reports
- managing risk
- determining incentives
- ensuring the best people are hired
- addressing challenges

CHIEF FINANCIAL OFFICER

The audit committee has satisfied itself that the chief financial officer has appropriate expertise and experience to perform the duties required by the position.

COMPANY SECRETARY

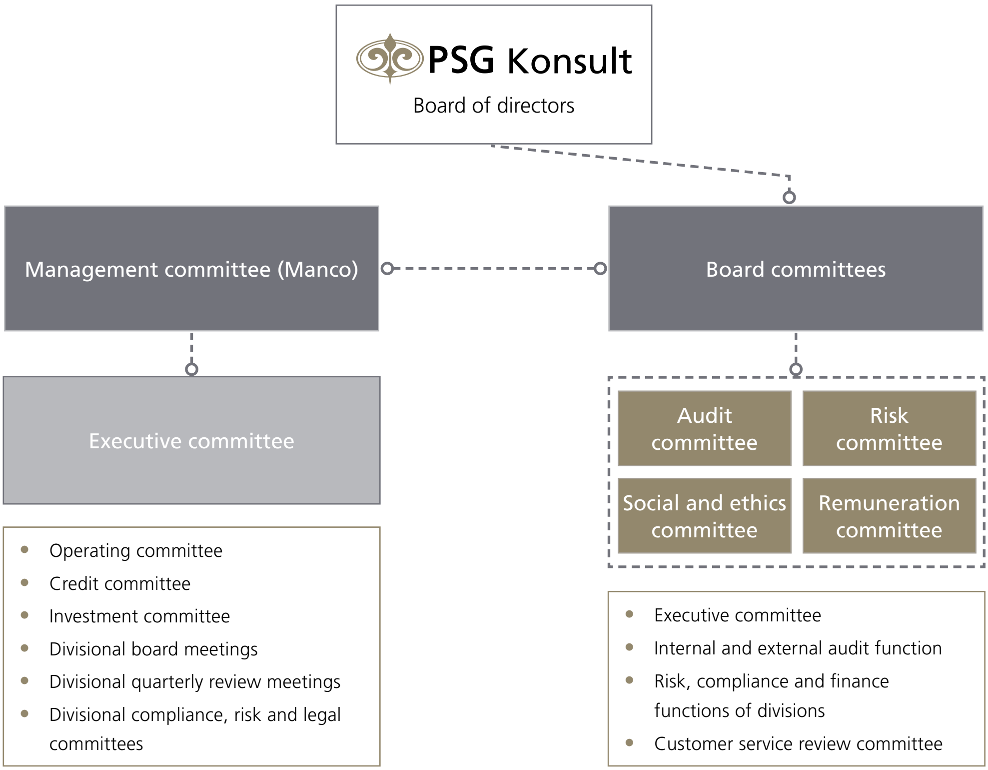
PSG Management Services Proprietary Limited is the company secretary of PSG Konsult and acts as conduit between the board and the group. The company secretary is responsible for board administration and liaising with the Companies and Intellectual Property Commission.

All board members have access to the advice and services of the company secretary, who is responsible for the proper administration of the board and the implementation of sound corporate governance procedures. This includes board induction and training programmes and supplying all information to assist board members in the proper discharge of their duties.

The audit committee has reviewed, through discussion and assessment, the qualifications, experience and competence of the individuals employed by the company secretary. The committee has also noted that the company secretary performed all formalities and substantive duties timeously and appropriately. There is an arm's length relationship between the board and the company secretary in that the objectivity and independence of the company secretary is not unduly influenced.

The certificate that the company secretary, being represented by Ms E Olivier, is required to issue in terms of section 88(2)(e) of the Companies Act is on page 130 of this annual report.

GOVERNANCE STRUCTURE



Notes to the governance structure

- The Manco meets weekly to discuss various group and divisional-related topics.
- The PSG Konsult executive committee acts as a consolidating overseeing committee for the various management committees and divisions.
- Each division has a board of directors that meets quarterly and comprises executive and non-executive directors of PSG Konsult.
- The board approved the split of the audit and risk committee into two separate committees during the financial year.

BOARD COMMITTEES

Each committee operates according to a formal charter that was approved by the board in terms of the group's memorandum of incorporation.

Audit committee

- Meets: Bi-annually
- Chairman: Lead independent non-executive director
- Composition: Three non-executive directors
- Senior management by invitation
- Internal and external auditors by invitation

The audit committee is responsible for:

- Appointing and determining the remuneration of the external auditor
- Monitoring and engaging with the external auditor
- Overseeing the internal audit function
- Ensuring the effectiveness of financial reporting, including the system of internal control
- Ensuring the integrity of the integrated annual report
- Recommending the annual financial statements to the board for approval

Membership and attendance	8 April 2015	10 October 2015
J de V du Toit (chairman)	✓	✓
PE Burton	✓	✓
ZL Combi	✓	✓

Risk committee

- Meets: Bi-annually
- Chairman: Lead independent non-executive director
- Composition: Three non-executive directors
- Senior management by invitation
- Internal auditors by invitation

The risk committee is responsible for:

- Evaluating the adequacy and effectiveness of the finance, risk management and compliance systems
- Monitoring of the group's compliance with external laws and regulations and its internal code of conduct
- Ensuring the significant risks and regulatory matters are identified and monitored
- Revise and assess the IT Governance Charter to ensure that it is appropriate
- Overseeing the risk management function

Membership and attendance	6 October 2015	3 February 2016
J de V du Toit (chairman)	✓	✓
PE Burton	✓	✓
ZL Combi	✓	✓

Social and ethics committee

- Meets: Bi-annually
- Chairman: Independent non-executive director
- Composition: Two non-executive directors, one executive director
- Senior management by invitation

The social and ethics committee is responsible for monitoring the group's sustainability and transformation activities, as well as the ethical conduct of employees.

Membership and attendance	9 April 2015	7 October 2015
PE Burton (chairman)	✓	✓
ZL Combi	✓	✓
NM Gudka*	✓	✓
FJ Gouws	✓	✓

* *NM Gudka is the chief operating officer of PSG Konsult and is a member of the PSG Konsult Manco.*

Remuneration committee

- Meets: Annually
- Chairman: Lead independent non-executive director
- Composition: Four non-executive directors, three being independent non-executive directors
- Senior management by invitation

The remuneration committee is responsible for developing and implementing fair remuneration practices that are aligned with the group's strategy and long-term interests. It is also responsible for ensuring that the group's remuneration policy is applied consistently. The committee serves as the remuneration committee for the PSG Konsult group and for its insurance licensed legal entities.

More detail is available in the remuneration report on page 119.

Membership and attendance	25 March 2015
J de V du Toit (chairman)	✓
PJ Mouton	✓
PE Burton	✓
ZL Combi	✓

MANAGEMENT COMMITTEES

The PSG Konsult Manco is responsible for the day-to-day running of the business and has consolidated oversight of the various management committees. It comprises members of group and divisional senior management and meets weekly to assess operational performance and strategy.

The current members of the PSG Konsult Manco:
Group chief executive officer, group chief financial officer, group chief operating officer, chief executive officer: PSG Wealth, chief executive officer: PSG Asset Management, chief executive officer: PSG Insure.

Other management committees responsible for various aspects of the business are described in the table below:

Executive committee

- Meets: Quarterly
- Chairman: Group chief executive officer
- Composition: Group chief executive officer, group chief financial officer, group chief operating officer, chief executive officers of the divisions, executive: group legal and compliance, executive: group risk; head: group human resources; group internal auditor, group chief information officer, head: group marketing

The executive committee assists the group chief executive officer to develop and implement the group's strategy, operational plans, policies, procedures and budgets. This involves monitoring operating and financial performance; assessing and controlling risk; assessing the appropriateness of policies, processes and controls in respect of key areas of legal, regulatory and ethical obligations; prioritising and allocating resources; and monitoring factors in the operating environment.

Operating committee

- Meets: Monthly
- Chairman: Group chief operating officer
- Composition: Group and divisional executive management

The operating committee assists the group chief operating officer to develop and implement operational plans, policies, procedures and budgets and to monitor the operational performance in each division.

Credit committee

- Meets: Monthly
- Chairman: Executive: group risk
- Composition: Group and divisional executive management

The credit committee is responsible for assisting management to manage credit exposure and monitor credit limits throughout the group.

Investment committee	
• Meets: Monthly • Chairman: Group chief executive officer • Composition: Group and divisional executive management	The investment committee is responsible for determining the investment income objectives and investment strategies of each entity in the group. It is also responsible for monitoring the performance of each entity's investment portfolio against formalised mandates.

Customer service review committee (CSRC)	
• Meets: Quarterly • Chairman: Group internal auditor • Composition: Group executive management	The CSRC was established to ensure that PSG Konsult has the necessary processes and systems in place to comply with the FSB's TCF framework. The CSRC reports to the social and ethics committee and is responsible for: • Ensuring all PSG Konsult clients are treated fairly in accordance with TCF • Identifying opportunities and making recommendations to improve customer service levels

Senior management within the group are invited to management committee meetings when the need arises.

INTERNAL AUDIT

The internal audit function is an independent and objective assurance and consulting function. It has the objective of improving the group's system of internal control. The internal auditor's role is to assist the audit committee by providing an independent appraisal of the adequacy and effectiveness of the controls implemented by management. The objectives, scope and functions of the internal audit function are summarised below:

Objectives

- review and evaluate the adequacy and effectiveness of the group's policies and processes, and the documentation of controls around these policies and processes
- review levels of compliance with established policies, processes and controls
- evaluate the adequacy and effectiveness of the risk management and compliance functions

Scope

- the information technology systems environment
- the reliability and integrity of financial and operational information
- the effectiveness of operations
- safeguarding of assets
- compliance with laws, regulations, board directives and controls

Functions

- evaluating governance processes including ethics
- performing an objective assessment of the effectiveness of risk management and the internal control framework
- systematically analysing and evaluating business processes and associated controls
- providing a source of information, as appropriate, about instances of fraud, corruption, unethical behaviour and irregularities

In line with King III, the audit committee ensures that a combined assurance model is applied to provide a coordinated approach to all assurance activities. Internal audit is part of this combined assurance model and plays a pivotal role in the assurance framework. A combined assurance model involves proper planning and the implementation of these plans, while reducing risk to an acceptable level through an assurance dispensation. It also ensures that the contributions of the various potential role players are optimised. This will result in reduced risk and cost, as well as increased effectiveness.

INTERNAL CONTROL (IC) FRAMEWORK

The IC framework was developed to introduce an internal control system to assist the board and senior management in fulfilling their oversight and management responsibilities. These responsibilities relate to:

- the strategy and risk appetite determined by the board
- effectiveness and efficiency of operations
- reliability of financial and non-financial information
- adequate control of risks
- the business aspirations of the group
- key business, information technology and financial policies and procedures
- compliance with laws and regulations as well as internal policies and procedures
- confirming that control procedures and processes have been implemented correctly and are operating as intended

COMPLIANCE AND LEGAL

The board acknowledges its responsibility to ensure that the group complies with all applicable laws and regulations to maintain its operating licences. Board members are familiar with the financial services industry and the suite of regulatory requirements that characterise it. They are also aware of the importance of assessing the impact of legislative changes.

The group monitors shifts in the regulatory landscape on an ongoing basis to ensure that it implements the necessary changes when new legislation becomes effective. The group maintains good relationships with regulators and participates in discussions around changes in the regulatory environment.

More information on the group's operating licences and membership of industry bodies is provided in the stakeholder section on page 50.

The internal audit function supports the executive committee in ensuring that this process is effective. This enables PSG Konsult to maintain compliance with all relevant legislation.

During the past financial year, no instances of material non-compliance were noted.

FINANCIAL REPORTING

PSG Konsult provides financial reports to its shareholders twice a year. Detail regarding significant transactions undertaken are reported as required by the JSE Listings Requirements.

INFORMATION TECHNOLOGY (IT) GOVERNANCE

PSG Konsult operates in an increasingly technology-driven world where IT creates differentiation, generates revenue and enables client-centricity.

OVERVIEW

The integral role technology plays in the daily operations of PSG Konsult cannot be overstated. The scalability and efficiency of business functions are dependent on the state of its information technology (IT) systems. PSG Konsult's business model is critically dependant on its IT systems, as it requires a fully functional IT infrastructure to mobilise its vast network of advisers across South Africa, Namibia and Mauritius to achieve its strategic objectives. IT governance takes place according to a formal charter and governance framework based on King III principles and the Control Objectives for Information and Related Technology (COBIT) 5 IT Governance Framework.

Regulatory changes, consumer advocacy and technology advances are increasingly joining forces to create a significantly more informed and empowered client. The velocity of change continues to increase in a world where technology, data and interconnection have made the creation of investments in the advancement of a fast-paced growing technology environment an important aspect in the group's business.

RESPONSIBILITIES

In accordance with King III, the board is primarily responsible for the governance of IT, but notes several other supporting roles and responsibilities.

The chief information officer, supported by a team of IT specialists, is responsible for the management of IT and should:

- develop, maintain, and facilitate implementation of a sound and integrated IT architecture
- provide advice and assistance to senior managers on IT acquisition and management
- promote effective and efficient design and operation of all major information rights management processes for the group, including improvements to work processes
- ensure all personal information is identified and managed appropriately
- ensure systems are in place for the management and security of information
- give the board a regular demonstration that the group has business resilience arrangements in place for disaster recovery
- implement the group's information security strategy
- implement the required for the IT governance framework

KEY DEVELOPMENTS

Single sign-on

A major achievement for PSG Konsult was its investment in a single sign-on functionality to make sure a strong digital platform that complements the skills of management and employees is in place and to ensure that the group provides its client base with the highest level of service. The functionality allows clients and advisers access to all PSG websites and applications by means of one sign-on platform.

Office 365

To enable more efficient collaboration, mobility and scalability with the Microsoft Office suite of products, PSG Konsult converted to the cloud version of Office, called Office 365. This software not only improves efficiency, but also enhances security, reliability, compliance with industry regulations, compatibility with upgraded operating systems and the single sign-on platform.

The Office 365 suite was rolled out to adviser offices to improve working processes. It creates a uniform platform for all PSG Konsult employees and advisers, assisting with the monitoring of business processes and cost-saving strategies not only for the group, but also for advisers. Managed cloud services are cost-effective as it provides advisers flexibility to manage their systems, data, applications and services without having to outsource the services.

myPractice

PSG Konsult invests in developing and encouraging advisers to utilise *myPractice* – an in-house software application offering advanced functionality to embrace a highly regulated financial services industry and ever-evolving IT environment, and allowing for digitisation, standardisation and commoditisation. By standardising processes, the group can generate more predictable and sustainable income. Digitisation will enable existing services in the financial services industry to be provided more rapidly, personally and accurately. Digital developments are changing business models, processes and interactions between advisers and their clients considerably by helping to make this interaction more professional.

myPractice offers advisers and clients the following services:

Digitise

- electronic advisory tools providing guidance and assistance with advisory processes to analyse client interactions and data throughout client's lifecycle
- single sign-on and *myPSG* platform allowing clients easy online access to their portfolio

Standardise

- automate and customise segmentation of advisers' client base and formalised service level agreements
- utilise the compliance process, iComply, to ensure compliance with latest legislation and minimising risk
- focus on client review processes to build relationships and adding value

Commoditise

- form and maintain relationships with trusted partners, to offer high-quality products and maintain independence

Business continuity framework (BCM)

PSG Konsult's business continuity management plan ensures that the business will be able to continue its critical business processes should a disastrous incident disrupt business activities. Business continuity management plan testing and disaster recovery were conducted across the group by several divisions during the year under review. The programme is driven by the operating divisions, with guidance, monitoring and reporting provided by the group. Annual activities performed as part of the group's business continuity management plan include:

- updating the business continuity and recovery plans
- reviewing and ensuring that appropriate plans and controls are in place so that all aspects of business resilience and disaster recovery are adequately dealt with in the recovery strategy and plans
- validating and exercising the recovery procedures to avoid disruptions should such an incident take place
- ensuring awareness and communication of the BCM plan throughout the group

FUTURE PROJECTS/NEW INITIATIVES:

During the 2017 financial year, the focus will be on the following items:

- reviewing and discussing the ongoing relevance and execution of the group's IT strategy
- monitoring and analysing the IT system stability and associated technology threats
- enhancing security – it is important to foster an environment where regulatory compliance is embedded in the group's IT culture, which will support the group in their focus on protecting the rights of personal information of its client base in terms of the Protection of Personal Information Bill (POPI) and the continued strengthening of the information security control
- developing business intelligence and finding data warehouse solutions
- implementing an interactive CRM solution for PSG Wealth investment platform, which will enable clients to quote, switch, invest and disinvest via an online platform

It is for this reason that the group continues to invest in new and innovative technologies as it seeks to incorporate further business process automation, reduce operational risk and provide real-time reporting for enhanced management decision-making. The group is confident that the IT strategy, which also includes robust disaster recovery and business continuity plans, will create a solid foundation for future growth.

RISK REPORT

PSG Konsult operates in a highly competitive and regulated environment.

The recent financial year was no exception as the group faced multiple challenges in an ever-changing landscape. The board expects the future to be the same.

OVERVIEW

PSG Konsult's risk management objectives are, firstly, to ensure the business has adequate cash resources available to execute its strategy, make value-enhancing investments and grow sustainably to benefit all stakeholders, especially shareholders, clients and employees; secondly, to remain true to its core values and business principles in all the activities the group undertakes; and lastly, to maintain good relationships with all its regulators.

To support this, the group continues to focus on five things:

- recurring revenues, which leads to enhanced sustainable earnings
- margin enhancing, to ensure that an acceptable return on capital is earned
- risk vs return, maximise every rand earned relative to an acceptable unit of risk
- client-centricity, place clients at the centre of everything PSG Konsult does
- adequate capitalisation, to ensure the group is resilient through any eventuality

PSG Konsult's risk management plan is structured so that appropriate and independent oversight is in place to ensure the sustainability of the business. Appropriate reporting structures keep management and the board informed of changes in the risk landscape to ensure that material risks are managed at acceptable levels. Examples of these include:

- three layers of defence governance structure
- various committees with risk management responsibilities assisting the board
- risk management embedded in the strategic principles and underpinning all business activities

More detail on the execution and implementation of the strategic principles is provided in the strategy section on page 52.

THREE LAYERS OF DEFENCE APPROACH

The group defines the responsibility and accountability for risk management by applying the three layers of defence approach:

LEVEL	STRUCTURE	LAYER
External 3	Board of directors Audit committee; Risk committee	Strategic, external and internal audit
Management 2	Manco Executive committee Operating committee; Investment committee; Credit committee	Strategic, finance, risk, legal and compliance, operational
Operational 1	PSG Wealth; PSG Asset Management; PSG Insure	Finance, risk, legal and compliance, operational

2016 IN A NUTSHELL

PSG Konsult continued its focus to manage the most significant risks impacting the business, to mitigate undue risks and volatile risk contributors, and enhanced its reporting and escalation process. The following highlights relate to the past financial year:

- More high operational risk and low-margin activities were identified and removed (e.g. white labels and unprofitable binders), while other activities were restructured to be performed by the relevant experts to achieve efficiencies.
- Cybersecurity risk and reliance on IT increased. Significant investments were made and more are planned for 2017 to ensure the group remains resilient.
- Adapted to regulatory change, including the Solvency Assessment and Management requirements. A comprehensive first mock Own Risk and Solvency Assessment report was submitted to the FSB with another one planned for August 2016.
- PSG Konsult participates and engages with the regulator to ensure the objectives from Retail Distribution Review (RDR) are achieved,

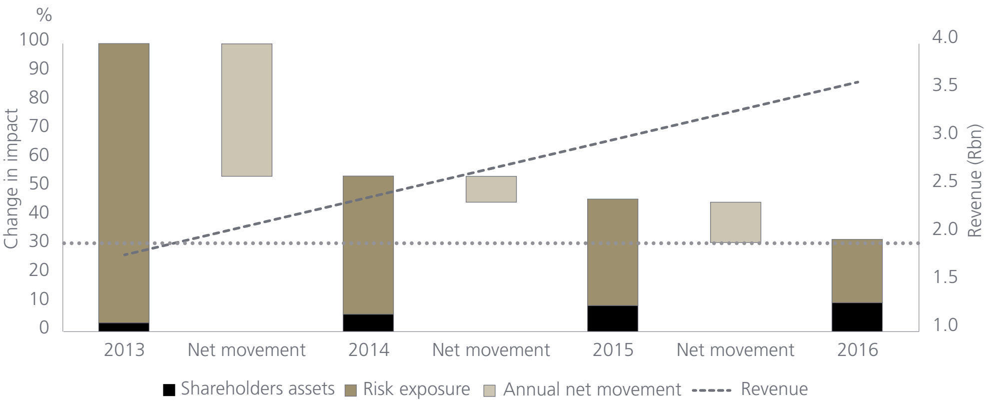
and the group is confident that it has positioned itself to adopt and benefit from RDR.

- The group continued its interim funding support for clients impacted by the African Bank liquidation and were in constant contact with the liquidator.
- There was an increase in malicious emails received as client email accounts are hacked. The group has communicated to clients and also implemented robust and enhanced controls to mitigate against this threat.

KEY RISK MANAGEMENT

Despite PSG Konsult's significant business growth, the group believes that it continued the effective, regular management of the major risks it faces.

The graph illustrates the change in gross inherent risk impact since the establishment of the risk function.



Regulatory risk

Complaints remained stable and under control

- Dedicated independent legal and compliance function
- Overseen by compliance, risk and legal committees
- Legislative changes centrally overseen by the PSG legislation committee
- Active engagement with regulators and represented at most of the major regulatory bodies
- Monthly capital adequacy review and sign-off
- Sophisticated IT systems for procedural record keeping

Operational risk

In-time incident escalation and trends in line with expectation

- Operational incident management system in place
- Overseen by the PSG operating committee
- Operational processes audited and improvements actioned
- Focus on process enhancement, automation and IT optimisation

Underwriting risk

Western book performance evaluation enhanced

- Underwriting risk mainly limited to insurance activities at Western
- Overseen by the Western group risk committee
- Enhanced underwriting reports and monitoring by actuarial team
- Limited insurance and investment risk retention levels
- Mitigating action taken for areas where improvements are identified
- Capital modelling and testing ensure appropriate capital levels are maintained

Counterparty risk (including credit risk)

High-quality counterparty exposure and adequate margins maintained

- Combined oversight by the PSG credit committee, investment committee and relevant management committees
- Leveraged activities (i.e. derivative instruments) monitored daily to ensure sufficient margin levels are maintained
- Exposure mainly limited to top-rated local and international banks and corporates
- Sufficient collateral is held for most loans and security provided
- Products and providers overseen by the product governance committee

Market/investment risk

Putting risk first

- Overseen by the PSG investment committee
- Shareholder assets still invested mainly in low-risk unit trusts
- PSG Asset Management applies risk-based investment processes
- Internal limits are aligned to risk appetite and fund sizes
- Transparent and measurable products with relatively low level of complexity

Liquidity risk

Centralised treasury function established

- Overseen by the Manco
- Centralised treasury function manages group capital and funding requirements
- Monthly cash flow analysis, scenario-based forecasts and reporting
- Monthly asset/liability matching and reconciliation
- Regulatory capital requirements managed and monitored separately
- Bank funding facilities available

THE YEAR AHEAD

PSG Konsult will continue to evaluate and improve its risk management techniques and processes to build the group's reputation as a trusted and reliable financial services business. The group aims to build on the recent achievements through key initiatives in progress or scheduled for implementation. The focus for 2017 is to enhance risk appetite statements, business continuity plans and further refine risk quantification methods.

The group will focus its efforts to manage and respond to emerging risks such as:

- regulatory change
- cybersecurity
- key man and vendor dependency
- political uncertainty and its impact on macroeconomic factors
- reliance on IT

WORKING TOGETHER

PSG Konsult requests that all its stakeholders remain vigilant, inform the group when any unusual activities are observed, and assist the group in its custodianship of their wealth while building a better South Africa for all.

REMUNERATION REPORT

Profitability, business processes and risks, clients and people are the key performance indicators for reward.

PSG Konsult believes key individuals should share in the success of the group. This ensures alignment between the company, advisers and employees. PSG Konsult wants to provide excellent service to clients using best-of-breed products through superb platforms. The group is growing and winning while prevailing over a regulated and competitive environment. Delivering beyond expectation is a hallmark of the group and this positive approach will mean that good things are ahead for PSG Konsult and all its stakeholders.

Employees made a valuable contribution over the past financial year. It is through their personal performance and commitment that the group achieved its commendable financial performance. Employees are part of a team that continually strives to ensure that the group not only meets, but exceeds its goals. Collective action will always be greater than the sum of individual ambitions.

The remuneration approach at PSG Konsult is aimed at remunerating directors, executives and employees fairly and responsibly. This approach takes cognisance of local and international remuneration best practices to ensure that the group attracts and retains appropriate skills and talent.

Sound remuneration practices are an essential component of an effective governance framework. The remuneration policies and practices aim to align remuneration with the long-term interests of the group and other stakeholders and to discourage excessive or inappropriate risk-taking.

PSG Konsult's core philosophy is based on reward for performance, and is aligned with its overall business strategy, objectives and values – maintaining compliance with regulations and market practices.

Profitability, business processes and risks, clients and people are the key performance indicators for reward. Three performance components are considered for annual increases: the overall company, divisional and individual performance, with due consideration given to inflation.

REMUNERATION COMMITTEE GOVERNANCE

The remuneration committee (Remco) is an objective subcommittee of the board, which consists of three independent non-executive directors and one non-executive director. The board is ultimately responsible for the remuneration policy. To assist the board in fulfilling its responsibilities, it has appointed and mandated a remuneration committee. The primary objective of the Remco is to provide input in and approval of the group's reward strategy.

The boards of all the group's subsidiaries, including the insurance licence regulated entities PSG Life Limited and Western National Insurance Company Limited (South Africa), have appointed the remuneration committee to perform their remuneration responsibilities.

The remuneration policy is a general policy applicable to all employees[1] of the group. The remuneration policy outlines the approach of the group to remunerate directors, executives and employees. For the purpose of all remuneration considerations, 'remuneration' has the meaning as defined in section 30(6) of the Companies Act.

The Remco is responsible for assessing non-executive and group executive remuneration, as well as determining short- and long-term incentive pay structures for group executives. In addition, the Remco is responsible for awarding share incentives to group executives, ensuring that it is market- and performance-related.

PSG Konsult's remuneration policy supports the group's focus to attract and retain highly specialised, skilled staff and executives and acts as an incentive to all employees to perform in the best interests of the group and its stakeholders.

In accordance with King III and the South African Companies Act, individual remuneration of all prescribed officers must be disclosed. Full compensation details will be made available in the board of directors' report. Furthermore, an independent control function will monitor how remuneration is applied to make sure that the group Remco complies with this policy.

RESPONSIBILITIES

The Remco should perform all the functions necessary to fulfil its role. This includes:

- overseeing how PSG Konsult and all its subsidiaries establish and maintain a remuneration philosophy and policy that will help the group achieve its strategic objectives and performance, as set by the boards
- overseeing how the group prepares the remuneration report, and recommending it to the board for inclusion in the relevant integrated report
- managing stakeholder relations with investors and other stakeholders regarding remuneration matters at the company's annual general meeting and throughout the year
- reviewing how effectively the remuneration policy is being implemented, and whether the various companies within the group are meeting the boards' objectives
- ensuring that the structure and mix of fixed and variable pay in cash, shares and other elements meets the boards' objectives
- overseeing how all remuneration packages (including fixed and variable remuneration) are set, especially at senior executive, prescribed officer and board level (this includes recommending a mandate for union negotiations to the board)
- ensuring that recorded performance measures which govern the vesting of incentives are accurate
- ensuring that all benefits, including retirement benefits and other financial arrangements, are justified and appropriately valued
- liaising with other board committees, including the audit committee and risk committee, on remuneration matters in the broader context of risk, disclosure and social responsibility matters
- ensuring that the group chooses an appropriate comparator group when comparing remuneration levels
- ensuring that the group compares fixed and variable pay to appropriate market comparators regularly to establish whether it complies with the remuneration policy and strategy
- recommending to the board how non-executive directors should be remunerated before final approval is given by the shareholders
- ensuring that the chair of the Remco, or the deputy appointed in his/her absence, attends the annual general meeting and similar events for the answering questions about remuneration; and
- ensuring that the chair of the Remco reports all critical issues from Remco meetings to the board

REMUNERATION ELEMENTS

The group determines its compensation pool based on its financial performance, after considering its risk appetite. The group's risk appetite is informed by its governance and risk structures. These structures consider both qualitative and quantitative risk factors at a group, divisional and insurance entity level as part of the risk management system.

Remuneration elements include:

Fixed remuneration	Pay bands are broad and allow for flexibility. The Remco has implemented weight changes to allow for higher levels of variable pay than with fixed remuneration. This largely affects senior employees and those who have authority and responsibility for planning, directing and controlling the activities of the group. However, fixed remuneration for executives and key risk-taking functions remain at levels that are market-related. This ensures that these employees are adequately incentivised to manage the group responsibly and avoid excessive risk-taking. Individual performance appraisals identify talent at all levels in the business and enable fair and competitive pay based on function, experience and market pay levels.
Short-term incentive scheme	Short-term incentive schemes are designed to encourage, recognise and reward performance and to allow sufficient flexibility for responding to different business needs. They are not a function of a guaranteed package. The group determines the size of its bonus pool every year based on a total compensation ratio linked to overall business and divisional profitability. Divisional bonus pools are split among divisional key individuals and executives based on individual performance and responsible risk management. The total bonus pool and the way in which it is allocated is agreed with the Remco every year. The group recognises and rewards performance. Commission incentives earned by sales staff are linked to predetermined new business targets. However, risk and pricing is determined independently by managing existing pricing policies and/or underwriting and related risk policies.

Long-term incentive scheme	The purpose of long-term incentives is to incentivise executive directors and senior management to execute the long-term strategy of the group and to create a sense of ownership. On an annual basis, the Remco awards share options to align senior management incentives to shareholder returns and the long-term interests of policyholders. This incentive also seeks to attract and retain key senior employees who play a critical role in business successes. According to the scheme, the group grants share options to executive directors and management. These share options are allocated to participants at grant date based on the 30-day volume-weighted average market price. The scheme vests over a five-year period from the date on which the share option was granted. Shares vest as follows: 2 years after grant date: 25% 3 years after grant date: 25% 4 years after grant date: 25% 5 years after grant date: 25%
Employee benefits and wellness	The group provides three-time group life cover to core employees.

REMUNERATION OF KEY PERSONS

Non-executive members of the board

- Non-executive directors receive market-related fixed salaries. These salaries are determined and recommended by relevant senior management for approval by the Remco.

Executive members of the board, senior management and staff carrying out key risk-taking functions as determined by the board, whose remuneration is linked at least in part to the success of those activities.

The fixed salary for each of these employees will be competitive. Salaries will be based on the individual employee's responsibilities, performance and future prospect.

In addition to their fixed salaries, these employees may also receive variable remuneration, provided that this remuneration:

- is based on the performance of the group, division or insurance entity and considers both financial and non-financial components, goals and targets
- is based on the performance of the employee in relation to established quantitative and qualitative goals and targets
- is aligned with the time horizons of the risk it is rewarding, and the risk profile of the business
- promotes sound and effective risk management and does not encourage undue risk-taking
- supports the business strategy and objectives

Heads of control functions

Group senior management will recommend total compensation (both fixed and variable) for the group heads of control functions:

- Internal audit function: Recommendation to the group audit committee for consideration[2]
- Finance, risk and compliance functions: Recommendation to the group audit and risk committees for consideration[2]

The group audit and risk committees will submit the final proposals to the group Remco for approval[2].

Senior management in each insurance entity will recommend total compensation (both fixed and variable) for its heads of control functions:

- Internal audit function: Recommendation to the audit committee for consideration[3]
- Finance, risk, compliance and actuarial functions (if relevant): Recommendation to the risk committee for consideration[3]

These committees will then submit their final proposals to the group Remco for approval[3].

The fixed salary for each of these employees will be competitive. Salaries will be based on the individual employee's responsibilities, performance and future prospects.

REMUNERATION OF OTHER STAFF

The fixed salary for other employees will be competitive. Salaries will be based on the individual employee's responsibilities, performance and future prospects.

In addition to their fixed salaries, these employees may also receive variable remuneration provided that this remuneration:

- is based on the performance of the group, division or insurance entity
- is based on the performance of the individual employee

[1] *Excluding advisers and their support staff. Various compensating controls are in place to prevent inappropriate behaviour and excessive risk-taking.*

[2] *Independent directors of the group audit committee who are also part of the group Remco will, prior to the group Remco meeting, consider the proposal from management and put forward their recommendation to the group Remco at the meeting.*

[3] *Senior management, excluding the heads of control functions, will put forward their recommendations to the licence entities' audit and risk committees for consideration. PSG Konsult's senior management will then put the licence entities' audit and risk committees' recommendation to the group Remco.*

GLOSSARY

ALSI	FTSE/JSE All Share Index
BBBEE	Broad-based Black Economic Empowerment
CIS	Collective Investment Scheme
CSI	Corporate Social Investment
FIA	Financial Intermediaries Association of South Africa
FISA	The Fiduciary Institute of South Africa
FSB	Financial Services Board
FSC	Financial Sector Charter
FSCM	Financial Services Commission Mauritius
GFSC	Guernsey Financial Services Commission
IFRS	International Financial Reporting Standards
IIRC	International Integrated Reporting Council
JSE	Johannesburg Stock Exchange
King III	King Report on Governance and the King Code of Governance Principles for South Africa 2009
LISP	Linked Investment Service Provider
LSM	Living Standards Measure
MFSA	Malta Financial Services Authority
Namfisa	Namibia Financial Institutions Supervisory Authority
NCR	National Credit Regulator
NSX	Namibian Stock Exchange
POPI	Protection of Personal Information Act, No. 4 of 2013
RDR	Retail Distribution Review
SAM	Solvency Assessment and Management
SEM	Stock Exchange of Mauritius
TCF	Treating Customers Fairly
UCITS	Undertakings for the Collective Investment of Transferable Securities

WE KNOW THAT THE BEST RESULT CAN ONLY COME FROM SEEING THE BIGGER PICTURE, AND HAVING THE COURAGE TO ACT ON IT.

PSG KONSULT LIMITED

ANNUAL FINANCIAL STATEMENTS

29 February 2016

Report of the audit committee
for the year 29 February 2016

The committee is pleased to present its report for the financial year ended 29 February 2016.

With effect from 9 April 2015, the board of directors approved the split of the audit and risk committee into two separate committees, namely the audit committee and the risk committee.

The audit committee is an independent statutory committee appointed by the shareholders. Further duties are delegated to the audit committee by the board of directors of the company. This report includes both sets of duties and responsibilities.

The committee is responsible for ensuring the integrity of integrated reporting and reviewing the effectiveness of the financial reporting process, the system of internal control and management of financial risks, the assurance process, and the company's process for monitoring compliance with laws and regulations and its own code of business conduct. The committee recommends the annual financial statements for approval to the board and is responsible for monitoring, engaging with, and determining the remuneration of the external auditor.

TERMS OF REFERENCE

The audit committee has adopted a formal audit committee charter that has been approved by the board of directors, and has executed its duties during the past financial year in compliance with the terms of reference. The terms of reference, including roles and responsibilities, were aligned with the requirements of King III, the Companies Act and other regulatory requirements.

COMPOSITION AND MEETING PROCEEDINGS

At 29 February 2016, the audit committee consisted of three non-executive directors who act independently as described in section 94 of the Companies Act.

For the financial year ended 29 February 2016, the members of the audit committee were:

MEMBERSHIP AND ATTENDANCE	8 April 2015	10 October 2015
J de V Du Toit (Chairman)*	✓	✓
PE Burton*	✓	✓
ZL Combi*	✓	✓

* *Appointed to the audit committee on 9 April 2015.*

The committee met twice (once as the audit and risk committee, and once as the audit committee) in the financial year under review and had a 100% attendance. The same members which served on the audit and risk committee now serve on the audit committee. Ad hoc meetings are held as required. At the meetings, the members fulfilled all their functions as prescribed by the Companies Act, as well as those additional functions as determined by the board.

In addition, the chief executive officer and the chief financial officer attended all audit committee meetings. The group risk management function and internal audit function were also represented.

The external auditors, in their capacity as auditors to the company, attended and reported to all meetings of the audit committee.

DUTIES

In execution of its statutory duties during the past financial year, the audit committee has reviewed the interim and year-end financial statements, culminating in a recommendation to the board.

In the course of its review the committee:

- takes appropriate steps to ensure that the financial statements are prepared in accordance with International Financial Reporting Standards (IFRS);
- considers and, when appropriate, makes recommendations on internal financial controls;
- deals with concerns or complaints relating to:
  - accounting policies,
  - the auditing or content of annual financial statements, and
  - internal financial controls;
- reviews the external audit reports on the annual financial statements;
- reviews the risk management reports and, where relevant, makes recommendations to the board;
- evaluates the effectiveness of risk management, controls and the governance processes;
- verifies the independence of the external auditors and of any nominee for appointment as the designated auditor;
- approves the audit fees and engagement terms of the external auditors; and
- determines the nature and extent of allowable non-audit services and approves the contract terms for the provision of non-audit services by the external auditors.

LEGAL REQUIREMENTS

The audit committee has complied with all applicable legal, regulatory and other responsibilities for the financial year.

EXTERNAL AUDITOR

The board sets a policy that governs the level and nature of non-audit services, which requires pre-approval by the audit committee for all non-audit services. As required by the Companies Act, the committee has, after consideration of the level and types of non-audit services provided and other enquiries and representations, satisfied itself that PSG Konsult Limited's external auditor, PricewaterhouseCoopers Inc., was independent of the company, as set out in sections 90(2)(c) and 94(8) of the Companies Act and are thereby able to conduct their audit functions without any undue influence from the company.

The committee has nominated, for re-appointment at the annual general meeting, PricewaterhouseCoopers Inc. as the external auditor of PSG Konsult Limited for the financial year ending 28 February 2017. Ms C van den Heever, the current designated individual registered auditor, has rotated from the audit at the end of the 2016 financial year and Mr H Malan, as the designated individual registered auditor, will undertake the audit of PSG Konsult on behalf of PricewaterhouseCoopers Inc. for the 2017 financial year.

PricewaterhouseCoopers Inc. being the audit firm, as well as Ms C van den Heever, being PSG Konsult's individual auditor for 2016, have been accredited on the JSE list of auditors in terms of the criteria in the JSE Listings Requirements.

FINANCIAL FUNCTION

In terms of the JSE Listings Requirements, the audit committee performs an annual evaluation of the financial function in PSG Konsult. The committee was satisfied that the financial function had appropriate resources, skills, expertise and experience. The committee also confirmed that it is and was satisfied that Mr MIF Smith, the group chief financial officer of PSG Konsult, possesses the appropriate skills, expertise and experience to meet the responsibilities required for that position during his service as such.

INTERNAL FINANCIAL CONTROLS

The audit committee evaluated the company's internal financial controls and based on the information and explanations given by management and the group internal audit function, as well as discussions with the independent external auditor regarding the results of their audit, the committee is satisfied that there was no material breakdown in the internal financial controls during the financial year under review.

The committee also reviews and approves the Internal Audit Charter, reviews the effectiveness of the internal audit structures and considers the findings of internal audit. The committee is also responsible for the assessment of the performance of the group internal auditor.

GOVERNANCE OF RISK

The board has assigned oversight of the company's risk management function to the risk committee. The chairman of the risk committee is a member of the audit committee, and likewise, the chairman of the audit committee is a member of the risk committee to ensure that information relevant to these committees is transferred effectively. The audit committee oversees financial reporting risks, internal financial controls, fraud and information technology risks, as these relate to financial reporting.

GOING CONCERN

The audit committee reviewed a documented assessment prepared by management, including key assumptions, of the going concern status of the company and made a recommendation to the board in accordance with this assessment. The board's statement on the going concern status appears on page 130 of the integrated report.

ANNUAL REPORT

The committee has evaluated the annual report (incorporating the integrated report) of the company and group for the year ended 29 February 2016 and, based on the information provided to the committee, considers that the group complies, in all material respects, with the requirements of the Companies Act, No. 71 of 2008, as amended, and IFRS.

J de V du Toit
Chairman of the audit committee
20 May 2016

Statement of responsibility by the board of directors

PSG KONSULT LIMITED AND ITS SUBSIDIARIES (THE GROUP)

The directors of PSG Konsult Limited are responsible for the preparation, integrity and fair presentation of the group and company financial statements of PSG Konsult Limited. The group and company annual financial statements, comprising the statements of financial position at 29 February 2016, and the income statements and statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, have been prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act of South Africa, and include amounts based on judgements and estimates made by management. In addition, the directors are responsible for preparing the directors' report.

The directors consider that in preparing the annual financial statements they have used the most appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements. Estimates have been used in the preparation of the annual financial statements and all statements of IFRS that are considered applicable have been followed. The directors are satisfied that the information contained in the annual financial statements fairly presents the results of operations for the year and the financial position of the group and company at year-end. The directors also prepared the directors' report and other information included in the annual report and are responsible for both its accuracy and consistency with the annual financial statements.

The directors have the responsibility of ensuring that adequate accounting records are kept. The accounting records should disclose, with reasonable accuracy, the financial position of the companies to enable the directors to ensure that the annual financial statements comply with relevant legislation.

PSG Konsult Limited operated in a well-established control environment, which is documented and regularly reviewed. The control environment incorporates risk management and internal control procedures, which are designed to provide reasonable, but not absolute, assurance that assets are safeguarded and that the risks facing the business are being controlled and managed. To the best of their knowledge and belief, the directors are satisfied that no material breakdown in the operation of the systems of internal financial controls and procedures occurred during the year under review.

The going concern basis has been adopted in preparing the annual financial statements. Based on their assessment, the directors have no reason to believe that the group or any company in the group will not be a going concern in the foreseeable future, based on forecasts and available cash resources. These annual financial statements support the viability of the group.

It is the responsibility of the independent auditors to report on the financial statements. In order to do so, they were given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, the board of directors and committees of the board. The group's external auditors, PricewaterhouseCoopers Inc., audited the financial statements and their report is presented on page 137.

The annual financial statements, presented on pages 138 to 295, were approved by the board of directors on 20 May 2016 and are signed on its behalf by:

W Theron	FJ Gouws	MIF Smith
Chairman	*Chief executive officer*	*Chief financial officer*

Preparation and presentation of the annual financial statements

The annual financial statements for the year ended 29 February 2016 have been prepared by Mr JSE van der Merwe, CA(SA), and supervised by the chief financial officer, Mr MIF Smith, CA(SA).

These financial statements have been audited by PricewaterhouseCoopers Inc. in accordance with the requirements of the Companies Act, No. 71 of 2008.

Certificate by the company secretary

I hereby certify, in terms of section 88(2)(e) of the South African Companies Act, No. 71 of 2008 (the Act), that to the best of my knowledge, for the year ended 29 February 2016, the company has lodged with the Registrar of Companies all such returns and notices as required of a public company in terms of the Act and that all such returns and notices are true, correct and up to date.

E Olivier (on behalf of PSG Management Services Proprietary Limited)
Company secretary
20 May 2016

Report of the board of directors
for the year ended 29 February 2016

The directors take pleasure in presenting their integrated report, which includes the audited financial statements of PSG Konsult Limited (the company) and its subsidiaries (the group) for the year ended 29 February 2016.

NATURE OF BUSINESS

PSG Konsult Limited is a South African-based financial services group engaged in the offering of a comprehensive range of products and administration services, including investment management, stockbroking, insurance and investment broking, financial planning and advice, healthcare brokerage and administration, employment wealth benefits, management of local and foreign unit trusts, managed multi-manager solutions, retirement and structured products and the issue of short-term and long-term insurance contracts.

PSG Konsult Limited is incorporated in the Republic of South Africa and is a public company listed on the Johannesburg Stock Exchange (JSE) and Namibian Stock Exchange (NSX).

HOLDING COMPANY

The company's holding company is PSG Financial Services Limited (a company incorporated in the Republic of South Africa). Its ultimate holding company is PSG Group Limited (a company incorporated in the Republic of South Africa and listed on the JSE).

CORPORATE GOVERNANCE

The board has satisfied itself that appropriate principles of corporate governance were applied throughout the year under review.

FINANCIAL RESULTS

The operating results and the state of affairs of the group and company are fully set out in the statements of financial position, income statements, statements of comprehensive income, statements of changes in equity, statements of cash flows and notes thereto.

The earnings attributable to equity holders of the group for the year under review were R292.9 million (2015: R340.4 million). The group's headline earnings attributable to shareholders amounted to R292.3 million (2015: R339.3 million).

CORPORATE TRANSACTIONS

During the year under review, the group, through its subsidiaries PSG Wealth Financial Planning Proprietary Limited and PSG Corporate Financial Planning Proprietary Limited, concluded further asset-for-share transactions utilising section 42 of the Income Tax Act with a number of its advisers (on the same basis as in the 2015 financial year). This has allowed the group to further standardise the revenue sharing model with advisers and has also given them the opportunity to invest in the future of PSG Konsult. The transaction was settled for a cash consideration of R17.6 million.

PSG Konsult Limited, through its wholly-owned subsidiary PSG Konsult (Mauritius) Limited, acquired a 70% interest in DMH Holding Limited, a holding company incorporated in Mauritius. DMH Holding Limited has a wholly-owned subsidiary, PSG Wealth Limited (Mauritius) (previously DMH Associates Limited (Mauritius)), a financial services provider in Mauritius. The effective date of the transaction was 1 November 2015 following the fulfilment of suspensive conditions.

DIVIDENDS

In line with the revised dividend policy at time of listing of between 40% and 50% of recurring headline earnings, the board approved and declared a final gross dividend of 8.8 cents per share (2015: 8.0 cents per share) from income on 14 April 2016. No provision has been included in the financial statements. This follows the interim dividend of 4.4 cents per share (2015: 4.0 cents per share) declared in October 2015, which brings the total gross dividend declared for the 2016 financial year to 13.2 cents per share (2015: 12.0 cents per share).

STATED CAPITAL

Details of the authorised and issued stated capital appear in note 17 to the financial statements. In total, 16.6 million shares were issued during the year ended 29 February 2016 (28 February 2015: 40.6 million). The shares issued during the current financial year was to fulfil the company's obligation towards the share options which vested on 10 April 2015, 1 June 2015 and 1 July 2015 respectively. The shares issued during the previous financial year was to fulfil the company's obligation towards the share options which vested on 10 April 2014 and 1 July 2014 respectively, as well as the asset-for-share transaction concluded on 1 March 2014.

Subsidiaries in the group held 2.3 million PSG Konsult shares at 29 February 2016 (28 February 2015: 0.4 million). The shares are held as treasury shares. The company has the right to reissue these shares at a later date to meet the obligations under the share incentive schemes or deferred bonus schemes.

Report of the board of directors
for the year ended 29 February 2016

SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES

Details of the company's interest in subsidiary companies are set out in Annexure A. The interests in associated companies and the interests in joint ventures were considered significant in the light of the group's financial results and are set out in Annexure B and C.

SEGMENT INFORMATION

Refer to the segment report on pages 167 to 173.

RELATED PARTIES

Related-party relationships exist between the company, subsidiaries, associated companies, joint ventures, the PSG Group, company directors and key management. Intergroup transactions have been eliminated from the group's financial statements.

For related-party transactions and key management personnel, refer to note 38 to the annual financial statements.

Details of directors' remuneration and their interest in the company's shares appear on page 133.

COMPANIES ACT

The company has approved a memorandum of incorporation in light of the promulgation of the Companies Act, No. 71 of 2008 and the Companies Regulations.

SHAREHOLDERS

Details of the group's shareholders are provided in the shareholder profile section of this report in note 42.

DIRECTORS

The directors of the company at the date of this report appear on pages 100 to 101.

- Mr R Stassen was appointed as an independent non-executive director with effect from 14 April 2016.
- Mr JF Mouton has resigned as a non-executive director with effect from 14 April 2016.

DIRECTORS AND PRESCRIBED OFFICERS' REMUNERATION AND INTERESTS IN SHARE CAPITAL

Directors' and prescribed officer's remuneration

The remuneration committee considers the remuneration of all executive directors and prescribed officers, as well as the fees paid to all non-executive directors. Fees payable to directors are recommended by the board to the annual general meeting for approval.

The following directors' remuneration were accrued by subsidiaries in the PSG Group for the year ended 29 February 2016:

Cash-based remuneration

Audited	Directors' fees R000	Basic salary R000	Bonuses and performance-related payments R000	Expense allowances R000	Company contributions R000	Total 2016 R000	Total 2015 R000
Executive directors							
FJ Gouws[1, 9, 10]	132	4 240	12 300	–	67	16 739	12 524
MIF Smith[11]	–	2 024	5 700	96	32	7 852	6 531
	132	6 264	18 000	96	99	24 591	19 055
Non-executive directors							
W Theron[2]	927	–	–	–	–	927	894
J de V du Toit[3]	458	–	–	–	–	458	565
JF Mouton[4, 5]	477	2 982	4 426	–	61	7 946	6 103
PJ Mouton[4, 6]	212	3 518	5 297	–	13	9 040	8 250
PE Burton[7]	461	–	–	–	–	461	407
KK Combi[8]	571	–	–	–	–	571	434
	3 106	6 500	9 723	–	74	19 403	16 653
	3 238	12 764	27 723	96	173	43 994	35 708

1. *Director's fee paid to PSG Management Services Proprietary Limited (2015: R0.1 million) as non-executive director of PSG Group Limited.*
2. *Director's fee of R0.1 million (2015: R0.1 million) paid as non-executive director of PSG Group Limited.*
3. *Director's fee of R0.2 million (2015: R0.2 million) paid as non-executive director of PSG Group Limited. R0.2 million was paid in 2015 as non-executive director of CapeSpan Group Limited.*
4. *Remuneration paid by a subsidiary of PSG Group Limited.*
5. *Director's fee of R0.3 million (2015: R0.2 million) paid as non-executive director of PSG Group Limited. R0.2 million (2015: R0.4 million) was paid to a subsidiary of PSG Group Limited.*
6. *R0.2 million was paid to a subsidiary of PSG Group Limited.*
7. *Director's fee of R0.2 million (2015: R0.2 million) paid as non-executive director of PSG Group Limited.*
8. *Director's fee of R0.1 million (2015: R0.1 million) paid as non-executive director of PSG Group Limited. R0.2 million (2015: R0.1 million) was paid as non-executive director of Curro Holdings Limited.*
9. *Total performance incentive bonus awarded was R15.0 million (2015: R12.0 million). 70% of bonus awarded, being R10.5 million (2015: R 8.4 million), was paid in cash in April 2016 and April 2015 respectively. The remaining 30% has been deferred and is conditional on director remaining in employment. The conditional deferred portion of the bonus is payable as follows: R2.3 million in April 2017 (2015: R1.8 million in April 2016), being 12 months after award date, while the remaining R2.3 million (2015: R1.8 million) is deferred for 24 months until April 2018 (2015: April 2017).*
10. *In connection with Mr FJ Gouws, who is a UK tax resident, the group is obliged to pay UK National Insurance payments, which in the 2016 financial year amounted to R5.1 million (2015: R2.1 million).*
11. *Total performance incentive bonus awarded was R5.7 million (2015: R 4.5 million), which was paid in cash in April 2016 and April 2015 respectively, as the director has more than 10 years' service in the group (no service conditions attached to release of 30% deferred portion of bonus award).*

Prescribed officers remuneration

The prescribed officers of the group are Messrs FJ Gouws and MIF Smith, both executive directors of the company. Their remuneration is detailed above.

Equity-based remuneration
PSG Konsult Limited share options in terms of the PSG Konsult Group Share Incentive Trust

Audited	Number of share options as at 28 Feb 2015	Number of scheme shares during year		Average market price per share on vesting date	Vesting price per share	Date granted	Number of share options as at 29 Feb 16
		Granted	Vested				
Executive							
FJ Gouws	10 000 000	–	–	–	R1.83	1/07/2012	10 000 000
	12 500 000	–	(3 125 000)	R7.50	R2.83	1/03/2013	9 375 000
	6 350 000	–	–	–	R5.06	1/03/2014	6 350 000
	–	895 186	–	–	R7.27	1/04/2015	895 186
	28 850 000	895 186	(3 125 000)				26 620 186
MIF Smith	316 559	–	(158 279)	R7.50	R1.54	1/03/2011	158 280
	1 000 000	–	(250 000)	R7.50	R2.83	1/03/2013	750 000
	1 800 000	–	–	–	R5.06	1/03/2014	1 800 000
	–	709 560	–	–	R7.27	1/04/2015	709 560
	3 116 559	709 560	(408 279)				3 417 840
Non-executive							
W Theron	2 900 615	–	(1 450 308)	R7.50	R1.54	1/03/2011	1 450 307
	3 000 000	–	(750 000)	R7.50	R2.83	1/03/2013	2 250 000
	5 900 615	–	(2 200 308)				3 700 307

PSG Group Limited share options in terms of the PSG Group Limited Supplementary Share Incentive Trust

Audited	Number of share options as at 28 Feb 2015	Number of scheme shares during year Granted	Vested	Average market price per share on vesting date	Vesting price per share	Date granted	Number of share options as at 29 Feb 16
Non-executive							
PJ Mouton	75 465	–	(75 465)	R174.97	R39.61	28/02/2011	–
	56 420	–	(28 211)	R174.97	R47.39	28/02/2012	**28 209**
	96 789	–	(32 263)	R174.97	R61.50	28/02/2013	**64 526**
	661 884	–	(165 471)	R174.97	R83.23	28/02/2014	**496 413**
	74 693	–	–	–	R136.84	28/02/2015	**74 693**
	–	83 993	–	–	R178.29	29/02/2016	**83 993**
	965 251	83 993	(301 410)				**747 834**
Non-executive							
JF Mouton	127 881	–	(127 881)	R199 48	R26.16	22/04/2010	–
	50 488	–	(50 488)	R174.97	R39.61	28/02/2011	–
	102 028	–	(51 014)	R174.97	R47.39	28/02/2012	**51 014**
	128 373	–	(42 791)	R174.97	R61.50	28/02/2013	**85 582**
	643 824	–	(160 956)	R174.97	R83.23	28/02/2014	**482 868**
	94 936	–	–	–	R136.84	28/02/2015	**94 936**
	1 147 530	–	(433 130)				**714 400**

SHAREHOLDING OF DIRECTORS

The shareholding of directors in the company as at 29/28 February was as follows:

Audited	Beneficial Direct	Beneficial Indirect	Non-beneficial Direct	Non-beneficial Indirect	Total shareholding 2016 Number	%
J de V du Toit	**–**	**–**	**–**	**12 800 000**	**12 800 000**	**1.0**
FJ Gouws	**16 466 161**	**35 000 000**	**–**	**–**	**51 466 161**	**4.0**
MIF Smith	**105 935**	**–**	**–**	**1 916 558**	**2 022 493**	**0.2**
W Theron	**–**	**–**	**–**	**23 050 924**	**23 050 924**	**1.8**
	16 466 161	**35 000 000**	**–**	**37 873 417**	**89 339 578**	**7.0**

Audited	Beneficial Direct	Beneficial Indirect	Non- beneficial Direct	Non- beneficial Indirect	Total shareholding 2015 Number	%
J de V du Toit	–	–	–	16 000 000	16 000 000	1.3
FJ Gouws	16 215 519	35 000 000	–	–	51 215 519	4.1
MIF Smith	–	–	–	1 708 279	1 708 279	0.1
W Theron	–	–	–	22 450 616	22 450 616	1.8
	16 215 519	35 000 000	–	40 158 895	91 374 414	7.2

Report of the board of directors
for the year ended 29 February 2016

The following changes occurred in the directors' shareholdings between the end of the financial year and the date of this report:

- On 3 May 2016, Messrs FJ Gouws and MIF Smith acquired 316 610 and 139 776 PSG Konsult Limited ordinary shares respectively, as they elected to invest their deferred bonus award in shares.

SECRETARY

The secretary of the company is E Olivier (on behalf of PSG Management Services Proprietary Limited), whose business and postal addresses are:

4th Floor, The Edge	PO Box 3335
3 Howick Close	Tyger Valley
Tyger Waterfront	Bellville
Tyger Valley	7536
Bellville	
7530	

INDEPENDENT AUDITORS

PricewaterhouseCoopers Inc. will continue in office in accordance with section 90(1) of the Companies Act, No. 71 of 2008, as amended.

SPECIAL RESOLUTION

The following special resolutions were passed by PSG Konsult Limited during the year under review:

- The company be authorised to remunerate its directors for their services as directors.
- The board of the company be authorised, in terms of section 45(3)(a)(ii) and 44(3)(a)(ii) of the Companies Act, No. 71 of 2008, to approve any direct or indirect financial assistance that the board may deem fit to any director, prescribed officer or company that is related or interrelated to the company on the terms and conditions and for amounts that the board of the company may determine.
- The company and/or its subsidiaries be authorised to repurchase its own shares upon such terms as the directors may determine, but subject to the provisions of sections 46 and 48 of the Companies Act, No. 71 of 2008, and the memorandum of incorporation of the company.

On 14 April 2016 the company approved and adopted an amended memorandum of incorporation which was approved by the JSE.

No special resolutions were passed by subsidiaries during the year under review which are material to the group.

BORROWING POWERS

In terms of the company's memorandum of incorporation directors have unlimited borrowing powers (subject to section 45 of the Companies Act); however, Financial Services Board approval is required for any borrowings within a life insurance company in the group.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

The group had no material capital commitments at 29 February 2016 other than what is disclosed in note 36. The group is party to legal proceedings in the normal course of business, and appropriate provisions are made when losses are expected to materialise.

EVENTS AFTER THE REPORTING DATE

No event material to the understanding of these results has occurred between 29 February 2016 and the date of approval of the financial statements other than the following:

- Shareholders are referred to PSG Konsult's announcement made on 11 December 2015 regarding a potential tax matter at PSG Life Limited. The board subsequently decided to settle this legacy matter, which dates back to 2009, for an amount of R115.2 million. This amount and the related legal costs incurred were fully provided for in the year-end results and have been treated as non-recurring headline earnings.
- Effective 1 March 2016, the group concluded further asset-for-share transactions utilising section 42 of the Income Tax Act with a number of its advisers (on the same basis as in the 2015 financial year).

Independent auditor's report
to the shareholders of PSG Konsult Limited

REPORT ON THE FINANCIAL STATEMENTS
We have audited the consolidated and separate financial statements of PSG Konsult Limited set out on pages 138 to 295, which comprise the consolidated and separate statements of financial position as at 29 February 2016, and the consolidated and separate income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS
The company's directors are responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY
Our responsibility is to express an opinion on these consolidated and separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION
In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of PSG Konsult Limited as at 29 February 2016, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

OTHER REPORTS REQUIRED BY THE COMPANIES ACT
As part of our audit of the consolidated and separate financial statements for the year ended 29 February 2016, we have read the report of the audit committee, the report of the board of directors and the company secretary's certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS
In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of PSG Konsult Limited for 17 years.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: C van den Heever
Registered Auditor

Cape Town
20 May 2016

Consolidated statement of financial position
as at 29 February 2016

	Notes	2016 R000	2015 R000
ASSETS			
Intangible assets	1	882 615	859 536
Property and equipment	2	54 179	42 273
Investment property	3	7 349	2 245
Investment in associated companies	4	129	39 562
Investment in joint ventures	5	16 223	12 971
Deferred income tax	6	90 245	87 674
Equity securities	7	1 747 701	1 025 518
Debt securities	8	2 588 565	1 605 418
Unit-linked investments	9	29 695 283	12 345 648
Investment in investment contracts	10	116 477	338 208
Loans and advances	11	129 114	116 393
Derivative financial instruments	12	17 864	23 324
Reinsurance assets	13, 20	76 184	77 413
Deferred acquisition costs	25	3 011	1 714
Receivables including insurance receivables	14	2 816 578	2 133 136
Current income tax assets		7 249	18 954
Cash and cash equivalents (including money market investments)	15	1 395 952	972 243
Non-current assets held for sale	16	38 948	17 751
Total assets		39 683 666	19 719 981
EQUITY			
Equity attributable to owners of the parent			
Stated capital	17	1 446 604	1 325 111
Treasury shares	17	(13 462)	(546)
Other reserves	18	(394 755)	(404 471)
Retained earnings		650 059	573 065
		1 688 446	1 493 159
Non-controlling interest	19	157 212	132 491
Total equity		1 845 658	1 625 650
LIABILITIES			
Insurance contracts	20	607 310	574 331
Deferred income tax	6	44 925	53 610
Borrowings	21	274 114	427 843
Derivative financial instruments	12	17 910	30 749
Investment contracts	22	19 836 250	14 222 603
Third-party liabilities arising on consolidation of mutual funds	23	14 023 726	699 202
Deferred reinsurance acquisition revenue	25	4 524	3 563
Trade and other payables	24	2 894 051	2 068 400
Current income tax liabilities		135 198	10 618
Non-current liabilities held for sale	16	–	3 412
Total liabilities		37 838 008	18 094 331
Total equity and liabilities		39 683 666	19 719 981

Consolidated income statement
for the year ended 29 February 2016

	Notes	2016 R000	2015 R000
Gross written premium		940 903	795 237
Less: Reinsurance written premium		(242 720)	(225 293)
Net written premium		698 183	569 944
Change in unearned premium			
– Gross amount		(20 986)	(34 905)
– Reinsurers' share		434	3 119
Net insurance premium revenue		677 631	538 158
Commission and other fee income	26	2 461 393	2 138 855
Investment income	27	612 988	499 554
Net fair value gains and losses on financial instruments	28	1 104 789	1 209 661
Fair value adjustment to investment contract liabilities	22	(1 389 130)	(1 406 791)
Other operating income	29	34 005	35 163
Total income		3 501 676	3 014 600
Insurance claims and loss adjustment expenses	30	(670 197)	(561 548)
Insurance claims and loss adjustment expenses recovered from reinsurers	30	151 335	137 173
Net insurance benefits and claims		(518 862)	(424 375)
Commission paid	31.1	(1 061 309)	(910 226)
Depreciation and amortisation	31.2	(57 308)	(55 422)
Employee benefit expenses	31.3	(590 976)	(511 612)
Fair value adjustment to third-party liabilities	31.4	(67 080)	(41 525)
Marketing, administration and other expenses	31.5	(485 365)	(427 457)
Total expenses		(2 780 900)	(2 370 617)
Share of profits of associated companies	4	1 496	40
Loss on impairment of associated companies	4	(1 981)	–
Share of profits of joint ventures	5	3 252	914
Total profit from associated companies and joint ventures		2 767	954
Profit before finance cost and taxation		723 543	644 937
Finance costs	32	(91 881)	(119 905)
Profit before taxation		631 662	525 032
Taxation	33	(309 838)	(163 234)
Profit for the year		321 824	361 798
Attributable to:			
Owners of the parent		292 924	340 401
Non-controlling interest		28 900	21 397
		321 824	361 798
Earnings per share (cents)			
Basic earnings per share (cents)	34	23.0	27.0
Diluted earnings per share (cents)	34	22.4	26.1

Consolidated statement of comprehensive income
for the year ended 29 February 2016

	Note	2016 R000	2015 R000
Profit for the year		321 824	361 798
Other comprehensive income for the year, net of taxation	33	9 647	224
To be reclassified to profit and loss:			
Currency translation adjustments		8 478	224
Not to be reclassified to profit and loss:			
Gain on revaluation of property and equipment		1 169	–
Total comprehensive income for the year		331 471	362 022
Attributable to:			
Owners of the parent		302 104	340 625
Non-controlling interest		29 367	21 397
		331 471	362 022

Consolidated statement of changes in equity
for the year ended 29 February 2016

	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	1 134 746	(546)	(445 146)	399 487	86 222	1 174 763
Comprehensive income						
Profit for the year	–	–	–	340 401	21 397	361 798
Other comprehensive income	–	–	224	–	–	224
Currency translation adjustments	–	–	224	–	–	224
Total comprehensive income	–	–	224	340 401	21 397	362 022
Transactions with owners	190 365	–	40 451	(166 823)	24 872	88 865
Issue of ordinary shares	190 365	–	–	–	–	190 365
Share-based payment costs – employees	–	–	11 562	–	–	11 562
Transactions with non-controlling interest (refer to note 39.5)	–	–	–	(1 320)	(206)	(1 526)
Capital contribution by non-controlling interest	–	–	–	–	28 000	28 000
Current tax on equity-settled share-based payments	–	–	5 084	–	–	5 084
Deferred tax on equity-settled share-based payments	–	–	32 516	–	–	32 516
Loss on issue of shares in terms of share scheme	–	–	(31 636)	–	–	(31 636)
Release of share-based payment reserve to retained earnings on vested share options	–	–	22 925	(22 925)	–	–
Dividend paid	–	–	–	(142 578)	(2 922)	(145 500)
Balance at 28 February 2015	1 325 111	(546)	(404 471)	573 065	132 491	1 625 650

* *Refer to note 18 for detail of the other reserves.*

Consolidated statement of changes in equity (continued)
for the year ended 29 February 2016

	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 28 February 2015	1 325 111	(546)	(404 471)	573 065	132 491	1 625 650
Comprehensive income						
Profit for the year	–	–	–	292 924	28 900	321 824
Other comprehensive income	–	–	9 180	–	467	9 647
Currency translation adjustments	–	–	8 478	–	–	8 478
Revaluation of property and equipment	–	–	702	–	467	1 169
Total comprehensive income	–	–	9 180	292 924	29 367	331 471
Transactions with owners	121 493	(12 916)	536	(215 930)	(4 646)	(111 463)
Issue of ordinary shares	121 493	–	–	–	–	121 493
Share-based payment costs – employees	–	–	16 608	–	–	16 608
Treasury shares sold	–	125 894	–	–	–	125 894
Treasury shares purchased	–	(134 409)	–	–	–	(134 409)
Acquisition of subsidiary	–	–	–	–	921	921
Transactions with non-controlling interest (refer to note 39.5)	–	–	–	(3 098)	(360)	(3 458)
Release of profits from treasury shares to retained earnings	–	(4 401)	–	4 401	–	–
Current tax on equity-settled share-based payments	–	–	20 153	–	–	20 153
Deferred tax on equity-settled share-based payments	–	–	(10 024)	–	–	(10 024)
Loss on issue of shares in terms of share scheme	–	–	(84 974)	–	–	(84 974)
Release of share-based payment reserve to retained earnings on vested share options	–	–	58 773	(58 773)	–	–
Dividend paid	–	–	–	(158 460)	(5 207)	(163 667)
Balance at 29 February 2016	1 446 604	(13 462)	(394 755)	650 059	157 212	1 845 658

* *Refer to note 18 for detail of the other reserves.*

Consolidated statement of cash flows
for the year ended 29 February 2016

	Notes	2016 R000	2015 R000
Cash flows from operating activities			
Cash generated by operating activities*	39.1	57 599	232 202
Interest income		529 692	372 278
Dividend income		82 872	126 900
Finance costs		(41 939)	(44 118)
Taxation paid	39.2	(172 284)	(172 853)
Operating cash flows before policyholder cash movement		455 940	514 409
Policyholder cash movement		87 910	(24 380)
Net cash flow from operating activities		543 850	490 029
Cash flows from investing activities			
Acquisition of subsidiaries	39.3	93 516	–
Loans advanced to associated companies		(662)	(87)
Repayment of loans by associated companies		1 172	835
Acquisition of intangible assets		(56 826)	(30 473)
Proceeds from disposal of intangible assets		594	3 089
Proceeds from disposal of property and equipment		929	427
Proceeds from disposal of assets held for sale	39.4	12 646	–
Purchases of property and equipment		(35 059)	(13 241)
Loans advanced to joint ventures		(169)	(144)
Net cash flow from investing activities		16 141	(39 594)
Cash flows from financing activities			
Dividends paid		(158 460)	(142 578)
Dividends paid to non-controlling interest		(5 207)	(2 922)
Capital contributions by non-controlling interest (ordinary shares)		–	28 000
Acquired from non-controlling interest	39.5	(3 458)	(1 526)
Advance of borrowings		608	209
Repayments of borrowings		(3 737)	(73 344)
Holding company's treasury shares sold by subsidiary		125 894	–
Purchase of holding company's treasury shares		(134 409)	–
Shares issued	17	36 519	7 476
Net cash flow from financing activities		(142 250)	(184 685)
Net increase in cash and cash equivalents		417 741	265 750
Cash and cash equivalents at beginning of the year		975 018	709 173
Exchange gains on cash and cash equivalents		3 193	95
Cash and cash equivalents at end of the year	39.7	1 395 952	975 018

* *The movement in cash generated by operating activities can vary significantly as a result of daily fluctuations in cash linked to investment contracts, cash held by the stockbroking business and cash utilised for the loan facility obtained by PSG Wealth on the loan facilities provided to clients on their share portfolios at PSG Securities Limited. 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 occur 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.*

During the 2016 financial year, R150.1 million was repaid on the loans obtained for providing loan facilities to clients on their share portfolio, compared to R89.6 million funding obtained in the 2015 financial year.

Accounting policies
for the year ended 29 February 2016

The principal accounting policies applied in the preparation of these consolidated and standalone financial statements are set out below. The accounting policies applied are in terms of International Financial Reporting Standards (IFRS) and are consistent with those applied in the previous group annual financial statements, except for the mandatory adoption of minor amendments to IFRS, which are effective for years commencing 1 March 2015. These changes have not resulted in any material impacts to the 2016 group's reported results, comparative periods or disclosures. These policies have been consistently applied to all the years presented, unless otherwise stated.

1. BASIS OF PREPARATION

The consolidated and standalone financial statements of PSG Konsult Limited have been prepared in accordance with the JSE Limited (JSE) Listings Requirements and the requirements of the Companies Act, as amended. The JSE Listings Requirements require annual financial statements to be prepared in accordance with the framework concepts and the recognition and measurement requirements of IFRS, as defined by IAS 1; the IFRS Interpretations Committee interpretations; the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee; the Financial Reporting Pronouncements, as issued by the Financial Reporting Standards Council, and the manner required by the Companies Act of South Africa.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of 'available-for-sale' financial assets, financial assets and financial liabilities (including derivative financial instruments) classified as 'at fair value through profit or loss', long-term insurance contract liabilities that are measured in terms of the financial soundness valuation (FSV) basis as set out in SAP 104 – Calculation of the value of assets, liabilities and capital adequacy requirements of Long-Term Insurers, short-term insurance contract liabilities that are measured in terms of the basis set out in APN 401, investments in associated companies and an investment in a joint venture using the equity method of accounting.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated and separate financial statements are disclosed further on in the accounting policies.

The group did not early adopt any of the IFRS standards.

2. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS THAT ARE EFFECTIVE FOR THE FIRST TIME IN 2016

2.1 New and amended standards, interpretations and amendments adopted by the group

The following new standards, interpretations or amendments, which are relevant to the group's operations, became effective during the year:

- Amendment to IAS 19 – Employee Benefits (effective 1 July 2014)

  The 2011 revisions to IAS 19 distinguished between employee contributions related to service and those not linked to service. The current amendment further distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period. The amendment allows contributions that are linked to service, and do not vary with the length of employee service, to be deducted from the cost of benefits earned in the period the service is provided. The amendment had no impact on the group.
- Annual Improvements 2010-12 cycle (effective 1 July 2014)

  IFRS 8 – Operating segments

  The standard is amended to require disclosure of the judgements made by management in aggregating operating segments. This includes a description of the segments that have been aggregated and the economic indicators that have been assessed in determining that the aggregated segments share similar economic characteristics.

  The standard is further amended to require a reconciliation of segment assets to the entity's assets when segment assets are reported.

  IFRS 13 – Fair value measurement

  The IASB has amended the basis for conclusions of IFRS 13 to clarify that it did not intend to remove the ability to measure short-term receivables and payables at invoice mounts where the impact of not discounting is immaterial.

  IAS 16 – Property, plant and equipment, and IAS 38 – Intangible assets

  Both standards are amended to clarify how the gross carrying amount and the accumulated depreciation/ amortisation are treated where an entity uses the revaluation model.

  IAS 24 – Related-party disclosures

  The standard is amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity (the management entity).

- Annual Improvements 2011-13 cycle (effective 1 July 2014)

  IFRS 1 – First-time adoption of International Financial Reporting Standards

  The basis for conclusions on IFRS 1 is amended to clarify that, where a new version of a standard is not yet mandatory but is available for early adoption, a first-time adopter can use either the old or the new version, provided the same standard is applied in all the periods presented.

  IFRS 3 – Business combinations

  The standard is amended to clarify that IFRS 3 does not apply to the accounting for the formation of any joint arrangement under IFRS 11. The amendment also clarifies that the scope exemption only applies in the financial statements of the joint arrangement itself.

  IFRS 13 – Fair value measurement

  The amendment clarifies that the portfolio exception in IFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including non-financial contracts) within the scope of IAS 39 or IFRS 9. The amendment is effective for annual periods beginning on or after 1 July 2014. An entity shall apply the amendment prospectively from the beginning of the first annual period in which IFRS 13 is applied.

  IAS 40 – Investment property

  The standard is amended to clarify that IAS 40 and IFRS 3 are not mutually exclusive. The guidance in IAS 40 assists preparers to distinguish between investment property and owner-occupied property. Preparers also need to refer to the guidance in IFRS 3 to determine whether the acquisition of an investment property is a business combination. The amendment is effective for annual periods beginning on or after 1 July 2014, but can be applied to individual acquisitions of investment property before that date if, and only if, the information necessary to apply the amendment is available.

These standards, interpretations and amendments have no material impact on measurements of assets and liabilities or disclosures in the current or prior financial years.

3. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS THAT ARE NOT YET EFFECTIVE

The following new standards, interpretations and amendments have been published and are mandatory for the group's accounting periods beginning on or after 1 March 2016 or later periods and have not been early adopted by the group:

- IFRS 9 – Financial instruments (effective 1 January 2018)+

  New standard represents a package of reform to financial instrument accounting to replace IAS 39 – Financial Instruments: Recognition and Measurement and encompasses requirements in the following areas:

  Classification and measurement (replaces the multiple classification and measurement models with a single model that has only two categories: amortised cost and fair value); Impairment (introduces an 'expected credit loss' model for the measurement of the impairment of financial assets); Hedge accounting (introduces a new hedge accounting model); Derecognition (carried forward from IAS 39).
- IFRS 14 – Regulatory deferred accounts (effective 1 January 2016)*
- IFRS 15 – Revenue from contracts with customers (effective 1 January 2018)^

  New standard provides a single, principles-based five-step model to be applied to all contracts with customers. Guidance is provided on topics such as the point at which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced.
- IFRS 16 – Leases (effective 1 January 2019)^
- Amendments to IFRS 10 and IAS 28 – Sale or contribution of assets between an investor and its associate or joint venture (effective 1 January 2016)*
- Amendment to IFRS 10, IFRS 12 and IAS 28 – Investment entities – Applying the consolidation exception (effective 1 January 2016)*
- Amendment to IFRS 11 – Joint arrangements (effective 1 January 2016)*
- Amendments to IAS 1 – Disclosure initiative (effective 1 January 2016)+

  Amendments encourage companies to apply professional judgement in determining what information to disclose in their financial statements.
- Amendment to IAS 7 – Statement of cash flows (effective 1 January 2017)*
- Amendment to IAS 12 – Income taxes (effective 1 January 2017)*
- Amendment to IAS 16 and IAS 38 – Clarification of acceptable methods of depreciation and amortisation (effective 1 January 2016)*
- Amendment to IAS 27 – Equity method in separate financial statements (effective 1 January 2016)*

- Amendment to IAS 16 and IAS 41 – Agriculture: Bearer plants (effective 1 January 2016)*
- Annual Improvements 2012-14 cycle (effective 1 January 2016)^

^ *Management is in the process of assessing the impact of these standards, interpretations and amendments on the reported results of the group and company.*

* *Management has assessed the impact of these standards, interpretations and amendments on the reported results of the group and company and do not foresee any impact.*

\+ *Management has assessed the impact of these amendments on the reported results of the group and company and foresee only minor disclosure changes.*

4. GROUP FINANCIAL STATEMENTS

The group annual financial statements comprise those of the company, its subsidiaries, associated companies, joint ventures and the share incentive trust (share trust). Accounting policies of the subsidiaries, associated companies and joint ventures have been changed, where necessary, to ensure consistency with policies adopted by the group.

4.1 Subsidiaries (including mutual funds) and business combinations

Subsidiaries are all entities (including structured entities, special-purpose entities, collective investment schemes and hedge funds) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group and are deconsolidated from the date that control ceases. Special-purpose entities (SPEs) are also consolidated where the substance of the relationship indicates that the SPE is controlled by the group.

The group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognises a non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

If a business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date; any gains or losses arising from such remeasurements are recognised in profit and loss.

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss, or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

On consolidation exchange differences arising from the translation of the net investment in foreign entities are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Profits and losses resulting from intercompany transactions that are recognised in assets are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the group's accounting policies.

Shares in the company held by the share trust have been consolidated into the financial results of the group, as the group effectively controls these shares, and are accounted for as treasury shares.

Investments in subsidiaries are accounted for at cost less impairment in the separate financial statements. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

4.2 Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with owners in their capacity as owners. The difference between fair value of any consideration paid, received and the relevant share acquired or disposed of the carrying value of net assets of the subsidiary, is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

4.3 Disposal of subsidiaries

When the group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associated company, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

4.4 Accounting for the group's acquisition of the controlling interest in subsidiaries under common control

The IFRS on business combinations (IFRS 3) does not apply to business combinations effected between parties that are ultimately controlled by the same entity, both before and after the business combination (and where that control is not transitory), otherwise known as common control transactions. The group has elected to apply the principle of 'predecessor accounting', as determined by the generally accepted accounting principles in the United States of America, to such transactions.

The accounting policy for the acquiring entity would be to account for the transaction at book values in its consolidated financial statements. The book values of the acquired entity are the consolidated book values as reflected in the consolidated financial statements of the selling entity (highest level of consolidation). The excess of the cost of the transaction over the acquirer's proportionate share of the net asset value acquired in common control transactions will be allocated to the existing common control reserve in equity. As a result, no goodwill is recognised on acquisition. Where comparative periods are presented, the financial statements and financial information presented are not restated as the group elected to account for common control transactions from the date of the acquisition, therefore prospectively.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

4.5 Associated companies

Associated companies are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associated companies are accounted for using the equity method of accounting. Under the equity method, the investments are initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The group's investment in associated companies includes goodwill identified on acquisition (refer to note 4), net of any accumulated impairment loss.

If the ownership interest in an associated company is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss, where appropriate.

Where equity securities are transferred to investment in associated companies upon gaining significant influence (step acquisition), the investment is transferred at its fair value. Goodwill is calculated at each stage of step acquisitions. The step acquisition investment in associated companies is initially carried at fair value of the group's share of net assets plus goodwill arising from each stage of the step acquisition.

The results of associated companies are accounted for according to the equity method, based on their most recent audited financial statements or latest management information. The equity method of accounting involves recognising the group's share of its associated companies' post-acquisition profits or losses in the income statement, and its share of post-acquisition movements in other comprehensive income and movements in other reserves, in the statement of comprehensive income and statement of changes in equity respectively. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the group's share of losses in an associated company equals or exceeds its interest in the associated company, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred legal and constructive obligations or made payments on behalf of the associated company.

The group determines at each reporting date whether there is any objective evidence that the investment in the associated company is impaired. If this is the case, the group calculates the amount of impairment as the difference between the recoverable amount of the associated company and its carrying value and recognises the amount as a loss on impairment of associated companies in the income statement. The recoverable amount is the higher of an asset's fair value less cost to sell and value-in-use.

Profits and losses resulting from upstream and downstream transactions between the group and its associated companies are recognised in the group's financial statements only to the extent of unrelated investor's interests in the associated companies. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the group.

Dilution gains and losses arising in investment in associated companies are recognised in the income statement.

Equity accounting is discontinued when the group no longer has significant influence over the investment.

Loans to associated companies are disclosed under receivables including insurance receivables, and do not form part of the carrying amount of the investment.

The company accounts for investment in associated companies at cost less provision for impairment.

4.6 Joint arrangements

The group has applied IFRS 11 to all joint arrangements as of 1 March 2014. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method of accounting.

Under the equity method, the investment in joint ventures are initially recognised at cost and subsequently measured in the consolidated statement of financial position at an amount that reflects the group's share of the net assets of the joint venture (including goodwill). The equity method of accounting involves recognising the group's share of its joint ventures' post-acquisition profits or losses in the income statement, and its share of post-acquisition movements in other comprehensive income and movements in other reserves, in the statement of comprehensive income and the statement of changes in equity respectively. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the group's share of losses in a joint venture equals or exceeds its interest in the joint venture, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the joint venture.

Unrealised gains on transactions between the group and its joint ventures are eliminated to the extent of the group's interest in the joint ventures. Unrealised losses are also eliminated, unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the group.

Equity accounting is discontinued when the group no longer has joint control over the investment.

4.7 Unconsolidated structured entities

The group applies IFRS 12 – Disclosure of Interests in Other Entities to identify unconsolidated structured entities. A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative risks only and the relevant activities are directed by means of contractual arrangements. Depending on the group's power over the activities of the entity and its exposure and ability to influence its own returns, it may consolidate the entity. In other cases it may sponsor or have exposure to such an entity, but not consolidate it. Mutual funds (collective investment schemes), in which the group has the irrevocable asset management agreement over and in which the group has invested significantly, are consolidated. The consolidation principles applied to these mutual funds are consistent with those applied to consolidated subsidiary companies.

5. SEGMENT REPORTING

The chief executive officer, supported by the group management committee (Manco) is the group's chief operating decision-maker (CODM) as it is responsible for the overall strategic decision-making. Management has determined the operating segments based on the information reviewed by the CODM for the purposes of allocating resources and assessing performance of the operating segments. The composition of the reportable segments represents the internal reporting structure and the monthly reporting to the CODM. The current reporting structure was implemented with effect from 1 March 2013.

6. FOREIGN CURRENCY TRANSLATION

6.1 Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which those entities operate (the functional currency).

The consolidated and separate financial statements are presented in South African rand, being PSG Konsult's functional and presentation currency.

6.2 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement as part of net fair value gains and losses on financial instruments.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gains and losses. Translation differences on non-monetary financial assets and liabilities, such as equity securities classified as at fair value through profit or loss, are recognised in the income statement as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equity securities classified as available-for-sale, are included in other comprehensive income.

6.3 Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Income and expenses for each income statement presented are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions).
- Assets and liabilities for each statement of financial position presented are translated at closing exchange rate at the date of that statement of financial position.
- All resulting exchange differences are recognised in other comprehensive income and as a separate component of equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as the foreign entity's assets and liabilities and are translated at the closing rate. Exchange differences are recognised in the statement of comprehensive income.

Group entities with functional currencies other than the presentation currency, mainly have the following functional currencies:

	2016		2015	
	Average	Closing	Average	Closing
British pound	20.39	22.27	17.81	17.86
United States dollar	13.50	16.05	10.96	11.58

Exchanges rates used are based on interbank bid rates.

7. PROPERTY AND EQUIPMENT

Property and equipment are stated at historical cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the items. Land is not depreciated.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation is calculated on the straight-line method at rates considered appropriate to reduce book values to estimated residual values over the useful lives of the assets, as follows:

Owner occupied buildings	25 years
Leasehold improvements	over the remaining lease period
Motor vehicles	4 to 5 years
Office equipment	5 to 10 years
Computer equipment	3 to 7 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

If the estimates of the remaining useful lives or residual values change, the remaining carrying values are depreciated prospectively, taking into account the revised estimates.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

8. INVESTMENT PROPERTY

Property held for long-term rental yields and capital appreciation that is not occupied by the companies in the group are classified as investment property.

Investment property comprises freehold land and buildings. Investment property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value with fair value changes recognised in the income statement as investment income.

Fair value is based on active market prices at the reporting date, adjusted, if necessary, for any differences in the nature, location or condition of the specific asset. If this information is not available, the group uses alternative valuation methods such as discounted cash flow projections or recent prices on less active markets. These valuations are reviewed annually by the directors and/or an independent valuation expert. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

Subsequent expenditure is charged to the asset's carrying value only when it is probable that the future economic benefits associated with the items will flow to the group and the cost can be measured reliably. All other repairs and maintenance costs are charged to the income statement during the financial period in which they were incurred.

If an investment property becomes owner-occupied, it is reclassified as property and equipment and its fair value at the date of reclassification becomes its cost for subsequent accounting purposes, and vice versa.

Where an owner-occupied property becomes an investment property, the difference between the carrying amount and the fair value of the property is recognised as a gain in revaluation of property and equipment in other comprehensive income and is not subsequently reclassified to profit or loss.

9. INTANGIBLE ASSETS

9.1 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary/associated company or joint venture undertaking at the date of acquisition. Goodwill is reported in the statement of financial position as an intangible asset. Goodwill on acquisition of associated companies is included in investments in associated companies. Goodwill is tested annually for impairment and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The groups of cash-generating units are not larger than operating segments.

An excess of the acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities arises where the net assets of a subsidiary or associated company at the date of acquisition, fairly valued, exceed the cost of the acquisition. This excess arising on acquisitions is recognised as a gain on bargain purchase in profit or loss.

9.2 Trademarks and licences

Acquired trademarks and licences are shown at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method over their estimated useful lives, which varies from 5 to 20 years and is reassessed annually. The carrying amount of each cash-generating unit is reviewed for impairment when an impairment indicator is identified.

9.3 Customer relationships

Customer relationships consist of acquired adviser books of business, as well as acquired income stream rights on existing adviser books of business. These customer relationships are shown at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method over their estimated useful lives ranging between 5 and 20 years, which reflect the expected life of the customer relationships acquired. The carrying amount of each cash-generating unit is reviewed for impairment when an impairment indicator is identified.

9.4 Deferred acquisition costs (DAC)

Commissions, fees and other incremental costs that vary with and are related to securing new investment contracts and renewing existing investment contracts are capitalised as a deferred acquisition cost intangible asset, since these costs relate to future economic benefits being generated beyond one year. Subsequent changes to the deferred acquisition costs payable are reversed/capitalised against the relevant intangible asset. The DAC intangible asset is subsequently amortised over the expected life of the investment contracts. All other costs are recognised as expenses when incurred.

An impairment test is conducted annually at reporting date on the DAC intangible asset balance to ensure that the amount will be recovered from future revenue generated by the applicable remaining investment management contracts.

9.5 Other intangible assets

Other intangible assets consist mainly of intellectual property rights and computer software. Intellectual property rights are carried at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method to allocate the cost of these rights over their estimated useful lives of 20 years.

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets when:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised using the straight-line method over their estimated useful lives ranging between 2 and 12 years. The carrying amount is reviewed for impairment when an impairment indicator is identified.

10. IMPAIRMENT OF NON-FINANCIAL ASSETS

At each reporting date, the group assesses whether there is any indication that an asset (excluding deferred tax assets) may be impaired. The recoverable amount, being the higher of fair value less costs to sell and value-in-use, is determined for any asset for which an indication of impairment is identified. Goodwill and intangible assets that have indefinite lives and are not subject to amortisation, or that are not yet available for use, are tested annually for impairment. If the recoverable amount of an asset is less than its carrying value, the carrying value of the asset is reduced to its recoverable amount.

For the purpose of assessing impairment, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely dependent of cash inflows of other assets or groups of assets (the cash-generating unit). An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised as an expense in profit or loss in the period in which they are identified. An impairment loss in respect of goodwill is not reversed. In respect of other assets, reversal of impairment losses is recognised in profit or loss in the period in which the reversal is identified, to the extent that the asset is not increased to a carrying value higher than it would have been had no impairment loss been recognised for the asset in prior years.

11. FINANCIAL INSTRUMENTS

Financial instruments recognised on the statement of financial position include financial assets, consisting of equity securities, debt securities, unit-linked investments, investment in investment contracts, loans and advances, derivative financial assets, receivables including insurance receivables, cash and cash equivalents, as well as financial liabilities, consisting of borrowings, derivative financial liabilities, investment contracts, third-party liabilities arising on consolidation of mutual funds and trade and other payables. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

12. OFFSETTING FINANCIAL INSTRUMENTS

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously, where the maturity date for the financial asset and liability is the same, and where the financial asset and liability are denominated in the same currency. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the group or the counterparty.

13. FINANCIAL ASSETS

The group classifies its financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

13.1 Classification

(a) Financial assets at fair value through profit or loss

This category has two subcategories: financial assets held for trading, and those designated at fair value through profit or loss at inception.

A financial asset is classified into the 'financial asset at fair value through profit and loss' at inception if acquired principally for the purpose of selling in the short term or if it forms part of a portfolio of financial assets in which there is evidence of short-term profit-taking, or if so designated by management. Derivatives are categorised as held for trading.

Financial assets designated as at fair value through profit or loss at inception are the following:

- Those relating to the group's linked insurance company, PSG Life Limited, are those that are held in internal funds to match insurance and investment contract liabilities that are linked to the changes in fair value of these assets. The designation of these assets to be at fair value through profit or loss eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different basis.
- Those that are managed and whose performance is evaluated on a fair value basis. Information about these financial assets is provided internally on a fair value basis to the group's key management personnel. The investment strategy applied to the group's short-term insurance group, Western Group Holdings Limited, is to invest in equity and debt securities, and to evaluate them with reference to their fair values. Assets that are part of these portfolios are designated upon initial recognition at fair value through income.

Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current.

(b) Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities – other than those that meet the definition of loans and receivables – that the group's management has the positive intention and ability to hold to maturity.

(c) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the group intends to sell in the short term. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The group's loans and receivables comprise loans and advances, receivables including insurance receivables and cash and cash equivalents in the statement of financial position.

(d) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets, unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

13.2 Recognition and measurement of financial assets

Purchases and sales of financial assets are recognised on trade date – the date on which the group commits to purchase or sell the asset. Financial assets not carried at fair value through profit or loss, are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of monetary- and non-monetary securities classified as available-for-sale are recognised in other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as net fair value gains and losses on financial instruments.

Interest and dividend income arising on financial assets at fair value through profit or loss are recognised and disclosed separately under investment income in the income statement.

Interest on available-for-sale securities calculated using the effective-interest method is recognised in the income statement as part of investment income. Dividends on available-for-sale equity instruments are recognised in the income statement as part of investment income when the group's right to receive payment is established.

When applicable, the group measures the fair value of an instrument using the quoted price in an active market for that instrument. The fair values of quoted investments are based on current stock exchange prices at the close of business on the statement of financial position date. If the market for a financial asset is not active, or if it is unquoted, the group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis refined to reflect the issuer's specific circumstances, premium/discount to net asset value and price-earnings techniques. The group's main valuation techniques incorporate all factors that market participants would consider and make maximum use of observable market data.

The existence of published price quotations in an active market is the best evidence of fair value. The phrase 'quoted in an active market' means that quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Readily available means that the pricing information is currently accessible and regularly available means that transactions occur with sufficient frequency to provide pricing information on an ongoing basis.

It is not necessary for quoted prices to be obtained from regulated markets. Prices can be obtained from other sources although the available information may vary. For example, some industry groups or pricing services publish price information about certain instruments, while little or no information may be available about prices of other instruments.

An entity is not generally required to perform an exhaustive search for price information, but should consider any information that is publicly available, or that can be obtained reasonably from brokers, industry groups, publications of regulatory agencies or similar sources, such as journals and websites. It should be noted that these prices may be indicative prices only. It should not be assumed that these prices reflect the price in an active market.

Sources from which prices can be obtained (to qualify as 'quoted') include:

- Regulated exchange (e.g. JSE, BESA, SAFEX)
- Company secretary, transfer secretary or website
- Brokers
- Daily newspapers and related sources (e.g. Business Day, Bloomberg)

Held-to-maturity investments are measured at amortised cost using the effective-interest method less any impairment, with income recognised on effective yield base.

Loans and receivables are carried at amortised cost using the effective-interest method. Specific provisions are made against identified doubtful receivables.

Loans advanced to associated companies, joint ventures and subsidiaries, which are interest-free with no repayment terms, are carried at amortised cost using the effective-interest method.

The group does not apply hedge accounting.

13.3 Impairment of financial assets

The group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from other comprehensive income and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

For debt securities, the group uses the criteria referred to under loans and receivables below. If, in any subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit and loss, the impairment is reversed through the income statement.

Loans and receivables are considered impaired if, and only if, there is objective evidence of impairment as a result of events that occurred after initial asset recognition (known as loss events) and these loss events have an adverse impact on the assets' estimated future cash flows that can be reliably measured. Objective evidence that loans and receivables may be impaired, includes breach of contract, such as a default or delinquency in interest or principal payments. In this regard instalments past due date are considered in breach of contract. The amount of the impairment loss is the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the original effective-interest rate. Impairment losses are recognised in the income statement, and reversed through the income statement.

Held-to-maturity investments are considered impaired when there is objective evidence that the group will not be able to collect all amounts due according to the original contract terms. Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the investment is impaired. The amount of the impairment provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective-interest rate. The movement in the amount of the provision is recognised in the income statement.

13.4 Derecognition of financial assets

Financial assets are derecognised when the right to receive cash flows from the financial asset has expired or has been transferred, and the group has transferred substantially all risks and rewards of ownership. The group also derecognises a financial asset when the group retains the contractual rights of the assets but assumes a corresponding liability to transfer these contractual rights to another party and thereby transfers substantially all the risks and benefits associated with the asset.

13.5 Investment in investment contracts

These are valued at fair value or amortised cost, if issued by an independent credible party, or at the value of the underlying investments supporting the investment contract policy adjusted for applicable liquidity or credit risk. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period.

14. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are recognised initially at fair value on the date on which a derivative contract is entered into. Subsequent to initial recognition, derivative financial instruments are measured at fair value through profit and loss. Fair values of over-the-counter derivatives are obtained using valuation techniques, including discounted cash flow models and option pricing models.

The best evidence of fair value of a derivative at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique whose variables include only observable market data.

15. RECEIVABLES

Receivables are amounts due for services performed in the ordinary course of business. Receivables are initially measured at fair value and subsequently recognised at amortised cost using the effective-interest rate method, less provision for impairment. A provision for impairment is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective-interest rate. The movement in the amount of the provision is recognised in the income statement. If collection is expected within one year or less, they are classified as current assets.

15.1 Insurance receivables

Insurance receivables are amounts due from clients for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Insurance receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective-interest method less provision for impairment.

16. CONTRACTS FOR DIFFERENCE (CFD)

The group enters into contracts for difference with clients whereby the group provides leveraged exposure to equities specified by the client. CFD exposure is limited to the JSE Top 100 shares and Satrix ETFs. The client pays an initial margin of between 15% (for JSE Top 100 shares) and 17.5% (for all other shares including Satrix ETFs) of the value of the equities. Margin calls are made for the full value of any decrease in value of the equities on a daily basis.

CFD positions with clients are funded with equal and opposite CFD positions with other financial institutions. External funding is only used on an intra-day basis to purchase the underlying equity positions which are then delivered to the financial institution, at the end of each business day, for settlement of the intra-day funding provided. The CFD positions are classified as financial assets or liabilities at fair value through profit or loss.

The group is contractually bound to pay out or recover any fair value adjustments from the parties entering into the contracts for difference, based on the fair value movement of the specified listed equities invested in for the client.

17. CASH AND CASH EQUIVALENTS (INCLUDING MONEY MARKET INVESTMENTS)

Cash and cash equivalents consist of cash held at call with banks and other short-term highly liquid investments with maturities of three months or less. Investments in money market funds are classified as cash equivalents, since these funds are held to meet short-term cash requirements, are highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are included within borrowings in the statement of financial position.

18. INSURANCE AND INVESTMENT CONTRACTS – CLASSIFICATION

The group issues contracts that transfer insurance risk, financial risk or both.

A distinction is made between investment contracts (which fall within the scope of IAS 39 – Financial Instruments: Recognition and Measurement) and insurance contracts (where the financial soundness valuation (FSV) method continues to apply, subject to certain requirements specified in IFRS 4 – Insurance Contracts). A contract is classified as insurance where the group accepts significant insurance risk by agreeing with the policyholder to pay benefits if a specified uncertain future event (the insured event) adversely affects the policyholder or other beneficiary. Significant insurance risk exists where it is expected that for the duration of the policy or part thereof, policy benefits payable on the occurrence of the insured event will exceed the amount payable on early termination before allowance for expense deductions at early termination. Once a contract has been classified as an insurance contract, the classification remains unchanged for the remainder of its lifetime, even if the insurance risk reduces significantly during this period. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, credit rating, credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Insurance contracts may also transfer some financial risk.

Investment contracts are those contracts that transfer financial risk with no significant insurance risk. These contracts are measured at the fair value of the corresponding financial assets.

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).

19. INSURANCE CONTRACTS

Policyholder contracts that transfer significant insurance risk are classified as insurance contracts.

Insurance contracts are classified into two categories, depending on the duration of or type of insurance risks, namely short-term and long-term insurance contracts.

(a) Short-term insurance

Short-term insurance provides benefits under short-term policies, which include property, business interruption, transportation, motor, personal all risk, accident and health, professional indemnity, public liability, marine, employers' liability, group personal accident, natural disasters and miscellaneous. Short-term insurance contracts are further classified into the following categories:

- Personal insurance, consisting of insurance provided to individuals and their personal property.
- Commercial insurance, providing cover on the assets and liabilities of business enterprises.

Recognition and measurement

i) *Gross written premium*

Gross premiums exclude VAT and other foreign indirect taxes. Premiums are accounted for as income when the risk related to the insurance policy incepts and are spread over the risk period of the contract by using an unearned premium provision. This also includes premiums received in terms of reinsurance agreements. All premiums are shown before deduction of commission payable to intermediaries.

ii) *Claims incurred*

Claims incurred consist of claims and claims handling expenses paid during the financial year and are charged to the income statement as incurred.

iii) *Provision for unearned premium*

Premiums are earned from the date the risk attaches, over the indemnity period, based on the pattern of the risk underwritten. Unearned premiums, which represent the proportion of premiums written in the current year, which relate to risks that have not expired by the end of the financial year, are calculated on a time proportionate basis for even risk contracts and other bases that best represent the unearned risk profile for uneven risk contracts. The group has predominantly even risks contracts.

iv) *Provision for unexpired risk*

Provision is made for underwriting losses that may arise from unexpired risks when it is anticipated that unearned premiums will be insufficient to cover future claims, as well as claims-handling fees and related administrative costs. This liability adequacy test is performed annually to ensure the adequacy of short-term insurance liabilities.

v) *Provision for claims*

Provision is made on a prudent basis for the estimated final cost of all claims that have not been settled by the reporting date, less amounts already paid. Claims and loss adjustment expenses are charged to income as incurred, based on the estimated liability for compensation owed to the beneficiaries (contract holders or third parties damaged by the contract holders) of the insurance contracts. They include direct and indirect claims settlement costs and assessment charges and arise from events that have occurred up to the end of the reporting period even if they have not yet been reported to the group. The group does not discount its claim provision for unpaid claims other than for disability claims. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the group and statistical analyses for the claims incurred but not reported, and to estimate the expected ultimate cost of more complex claims that may be affected by external factors (such as court decisions).The group's own assessors or external assessors individually assess claims.

vi) *Provision for claims incurred but not reported (IBNR)*

Provision is also made for claims arising from insured events that occurred before the close of the reporting period, but which had not been reported to the group by that date (IBNR).

The group uses the prescribed minimum required provisions and methodologies for the calculation of IBNR within each of the jurisdictions in which it operates.

vii) *Deferred acquisition costs (DAC)*

Commissions that vary with and are related to securing new contracts and renewing existing contracts are deferred over the period in which the related premiums are earned, and recognised as a current asset. All other costs are recognised as expenses when incurred.

viii) *Reinsurance contracts held*

Contracts entered into by the group with reinsurers under which the group is compensated for losses on one or more contracts issued by the group and that meet the classification requirements for insurance contracts, are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets. Income received from insurance contracts entered into by the group under which the contract holder is another insurer (inwards reinsurance) is included in premium income.

The benefits to which the group is entitled under its reinsurance contracts held are classified as reinsurance assets. These assets consist of short-term balances due from reinsurers (classified within receivables including insurance receivables) on settled claims, as well as estimates (classified as reinsurance assets) that are calculated based on the gross outstanding claims and IBNR provisions. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period.

Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when incurred.

The reinsurer's share of unearned premiums represents the portion of the current year's outward reinsurance premiums that relate to the risk periods covered by the related reinsurance contracts extending into the following year. The reinsurer's share of unearned premium is calculated using the 365th method.

Income from reinsurance contracts ceded, that varies with and is related to obtaining new reinsurance contracts and renewing existing reinsurance contracts, is deferred over the period of the related reinsurance contract and is recognised as a current liability.

The group assesses its reinsurance assets for impairment on a quarterly basis. If there is objective evidence that the reinsurance asset is impaired, the group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the income statement. The group gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortised cost. The impairment loss is also calculated following the same method used for these financial assets.

ix) *Receivables and payables related to insurance contracts*

Receivables and payables are recognised when due. These include amounts due to and from agents, intermediaries and insurance contract holders and are included under receivables including insurance receivables and trade and other payables.

If there is objective evidence that the insurance receivable is impaired, the group reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the income statement. The group gathers objective evidence that an insurance receivable is impaired using the same process adopted for loans and receivables. The impairment loss is also calculated according to the same method used for these financial assets.

x) *Salvage reimbursements*

Some insurance contracts permit the group to sell (usually damaged) property acquired in settling a claim (i.e. salvage). The group may also have the right to pursue third parties for payment of some or all costs (i.e. subrogation). Estimates of salvage recoveries are included as an allowance in the measurement of the insurance liability for claims. The allowance is the amount that can reasonably be recovered from the disposal of the property.

Subrogation reimbursements are also considered as an allowance in determining the insurance liability for claims and are recognised in other assets when the liability is settled. The allowance is the assessment of the amount that can be recovered from the action against the liable third party.

(b) Long-term insurance

These contracts are valued in terms of the Financial Soundness Valuation (FSV) basis contained in SAP 104 issued by the Actuarial Society of South Africa and are reflected as 'Insurance contracts' liabilities.

Liabilities are valued as the present value of future cash flows due to benefit payments and administration expenses that are directly related to the contract discounted at the rate of return at year-end on the assets backing the policyholder funds. Future cash flows are projected on a best estimate basis with an allowance for compulsory margins for adverse deviations as prescribed by SAP 104. Best estimate assumptions are required for future investment returns, expenses, persistency, mortality and other factors that may impact on the financial position of the group. As per SAP 104, contractual premium increases are allowed for, but future voluntary premium increases are ignored.

In addition, certain discretionary margins are created to allow profits to emerge over the lifetime of the policy to reflect the small number of policies and associated volatility. Where the number of policies is small, the prescribed margins alone do not result in an acceptable probability of the total reserve being sufficient to meet all liabilities.

The financial soundness methodology includes allowance for liability adequacy testing to ensure that the carrying amount of technical provisions is sufficient in view of estimated future cash flows. Where a shortfall is identified an additional provision is made.

The group reflects premium income relating to insurance business on a gross basis together with the gross amount of any reinsurance premiums. All premiums are accounted for when they become due and payable.

The group shows the gross amount of policyholder benefit payments in respect of insurance contracts together with the gross reinsurance recoveries and accounts for such transactions when claims are intimated.

20. FINANCIAL LIABILITIES

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another entity.

Financial liabilities include borrowings, derivative financial liabilities, investment contracts, third-party liabilities arising on consolidation of mutual funds and trade and other payables. The group issues investments contracts without fixed terms (unit-linked) and with fixed and guaranteed terms (fixed-interest rate).

Financial liabilities are initially recognised at fair value less transaction costs that are directly attributable to the raising of the funds, for all financial liabilities carried at amortised cost. All financial liabilities measured at fair value through profit or loss are initially recognised at fair value. The best evidence of the fair value at initial recognition is the transaction price (i.e. the fair value of the consideration received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets.

Financial liabilities at fair value through profit or loss are subsequently measured at fair value, with any resultant gains and losses recognised in the income statement. The net gain or loss recognised in the income statement incorporates any measurement gains or losses and interest expense on the financial liability. These financial liabilities are classified as current liabilities if they are either held for trading or expected to be settled within 12 months of the reporting date.

Third-party financial liabilities on consolidation of mutual funds are effectively demand deposits of external investors' interests in consolidated mutual funds and are consequently measured at fair value, which is the quoted unit values as derived by the fund administrator with reference to the rules of each particular fund. Fair value gains or losses are recognised in profit or loss.

Financial liabilities, or a portion thereof, are derecognised when the obligation specified in the contract is discharged, cancelled or expired. On derecognition, the difference between the carrying amount of the financial liability, including related unamortised costs, and settlement amounts paid are included in the income statement.

Financial liabilities are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

The group uses its own credit risk spreads in determining the current value for its derivative liabilities and all other liabilities for which it has elected the fair value option. When the group's credit spreads widen, the group recognises a gain on these liabilities because the value of the liabilities has decreased. When the group's credit spreads narrow, the group recognises a loss on these liabilities because the value of the liabilities has increased.

20.1 Investment contracts

The fair value of a unit-linked financial liability is determined using the current unit price reflecting the fair values of the financial assets contained within the group's unitised investment funds linked to the financial liability, multiplied by the number of units attributed to the policyholder at a reporting date. No initial profit is recognised immediately as any profit on initial recognition is amortised in line with cash flow projections over the life of the contract.

For investment contracts with fixed and guaranteed terms, the amortised cost basis is used. In this case, the liability is initially measured at its fair value less transaction costs that are incremental and directly attributable to the acquisition or issue of the contract.

Subsequent measurement of investment contracts at amortised cost uses the effective-interest method. This method requires the determination of an interest rate (the effective-interest rate) that exactly discounts to the net carrying amount of the financial liability, the estimated future cash payments or receipts through the expected life of the financial instrument.

All other investment contract liabilities are designated on initial recognition at fair value through profit and loss. This designation significantly reduces a measurement inconsistency that would otherwise arise if these financial liabilities were not measured at fair value since the assets held to back the investment contract liabilities are also measured at fair value.

The liability under investment contracts is derecognised when the contract expires, is discharged or is cancelled by the policyholder. For a contract that can be cancelled by the policyholder, the fair value cannot be less than the surrender value.

20.2 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective-interest method.

20.3 Trade and other payables

Trade and other payables are recognised when the group has a present obligation arising from past events, the settlement of which is expected to result in an outflow of economic benefits from the group. Trade and other payables are recognised initially at fair value, net of transaction costs incurred. Trade and other payables are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period using the effective-interest method. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Insurance payables are obligations to pay for services that have been acquired in the ordinary course of business and include amounts due from agents, intermediaries and insurance contract holders. Insurance payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Insurance payables are recognised initially at fair value and subsequently measured at amortised cost using the effective-interest method.

20.4 Financial guarantee contracts

Financial guarantee contracts issued by the group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when it becomes due in accordance with the terms of a debt instrument.

Financial guarantee contracts are recognised initially at fair value. Subsequently, the contract is measured at the higher of the amount determined in accordance with IAS 37 and the amount initially recognised less cumulative amortisation recognised in accordance with IAS 18, unless it was designated as at fair value through profit or loss at inception and measured as such.

Financial guarantees are derecognised when the obligation is extinguished, expires or transferred.

21. DEFERRED REVENUE LIABILITY (DRL)

Service fee income on investment management contracts is recognised on an accrual basis as and when the services are rendered. A DRL is recognised in respect of upfront fees, which are directly attributable to a contract that is charged for securing the investment management service contract. The DRL is then amortised to revenue when the services are provided, over the expected duration of the contract on a straight-line basis. The amount of the DRL that gets amortised in the next financial year will be classified as current assets and the rest of the DRL will be classified as non-current assets. Refer to accounting policy note 30 for the group's revenue recognition policy.

22. STATED CAPITAL AND TREASURY SHARES

Stated capital represented the par value of ordinary shares issued, being classified as equity. During the 2014 financial year, the ordinary shares were converted to no par value shares, resulting in share capital and share premium being transferred to stated share capital.

Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax.

Treasury shares

The cost of treasury shares acquired are debited to the treasury share reserve, and upon disposal of such shares, the reserve is credited with the weighted average calculated cost attributable to the shares disposed of.

Where any group company purchases the company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold, reissued or otherwise disposed of, any consideration received is included in equity attributable to the company's equity holders, net of any directly attributable incremental transaction costs and the related income tax effects. Any net income in relation to treasury shares (both fair value movements and dividends) is eliminated from group profits for the year. The number of shares in the earnings per share calculation is reduced for treasury shares held during the period on a weighted average basis.

Share trust

Certain of the group's remuneration schemes are operated through the PSG Konsult Group Share Incentive Trust. The share trust is considered to be a special-purpose entity controlled by the group and is therefore consolidated.

The shares purchased by the share trust are considered to be treasury shares and are treated in accordance with the group's policy for treasury shares.

23. CURRENT AND DEFERRED INCOME TAX

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the group's subsidiaries, associated companies and joint ventures operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

In respect of temporary differences arising from the fair value adjustments on investment properties, deferred taxation is provided at the capital gains effective rate, as it is assumed that the carrying value will be recovered through sale.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associated companies and joint ventures, except where the group controls the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income tax levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

23.1 Dividends withholding tax (DWT)

On 1 April 2012, DWT became effective and replaced Secondary Tax on Companies (STC). DWT is levied on the shareholders (or beneficial owners) receiving the dividend; where STC was levied on the company declaring the dividend.

Shareholders are subject to DWT on dividends received, unless they are exempt in terms of the amended tax law. DWT is levied at 15% of the dividend received. The DWT is categorised as a withholding tax, as the tax is withheld and paid to tax authorities by the company paying the dividend or by a regulated intermediary and not the beneficial owner of the dividend. Where a non-exempt group company is a beneficial owner of the dividend the DWT is recorded as an expense in the income statement when the dividend income is earned.

24. TRUST AND FIDUCIARY ACTIVITIES

The group acts as a trustee or in other fiduciary capacities that result in the holding, placing or managing of assets for the account of and the risk of clients. As these are not the assets of the group, they are not reflected on the statement of financial position.

25. EMPLOYEE BENEFITS

25.1 Pension obligations

The group only has defined-contribution plans. A defined-contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. For defined-contribution plans, the group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

25.2 Other post-retirement benefits

The group offers no other post-retirement benefits.

25.3 Share-based compensation

The group grants share options to certain employees under various equity-settled share-based compensation schemes.

The fair value of the employee services received in exchange for the grant of the share options is recognised as an expense in the income statement, with the corresponding increase in a share-based payment reserve in the statement of change in equity and represents the fair value at grant date of the share options that will be delivered on vesting. The total amount to be expensed over the vesting period, which is five years, is determined by reference to the fair value of the share options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of share options that are expected to become exercisable. At each reporting date, the entity revises its estimates of the number of share options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity. When the share options have vested, the relevant amount is transferred from the share-based payment reserve to retained earnings through an equity transfer. On exercise of the equity-settled share-based payment, any proceeds received are credited to stated capital. The difference between the market value of the shares transferred to the option holder on exercise date and strike price paid by the option holder is recognised in equity as part of the share-based payment reserve. If the market value of the shares transferred to the option holder is greater than the strike price paid, it would result in a decrease in the share-based payment reserve; if the market value of the shares transferred to the option holder is less than the strike price paid, it would result in an increase in the share-based payment reserve.

The fair value is determined by using the Black-Scholes valuation model and the assumptions used to determine the fair value are detailed in note 17 to the group financial statements.

If the group cancels or settles a grant of equity instruments during the vesting period, the group accounts for the cancellation or settlement of the grant and recognises immediately the amount that otherwise would have been recognised for services received over the remainder of the vesting period.

25.4 Annual leave

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the estimated annual leave as a result of services rendered by employees up to reporting date.

25.5 Profit sharing and bonus plans

The group recognises a liability and an expense for bonuses and profit sharing, based on formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments. The group recognises a provision where contractually obliged, or where there is a past practice that has created a constructive obligation.

25.6 Termination benefits

Termination benefits are employee benefits payable as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept voluntary redundancy in exchange for those benefits. The group recognises these termination benefits when the group is demonstrably committed either to terminating the employment of an employee or group of employees before the normal retirement date, or providing termination benefits as a result of an offer made in order to encourage voluntary redundancy. The group is demonstrably committed to a termination when the group has a detailed formal plan (with specified minimum contents) for the termination and it is without realistic possibility of withdrawal. The group recognises termination benefits at the earlier of the following dates: (a) when the group can no longer withdraw the offer of those benefits; and (b) when the group recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. Where termination benefits fall due more than 12 months after the reporting period, they are discounted. In the case of an offer made to encourage voluntary redundancy, 12 months after the reporting period, they are discounted. In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits is based on the number of employees expected to accept the offer. In the case of an offer made to encourage voluntary redundancy, benefits are immediately recognised as an expense.

26. PROVISIONS, CONTINGENT LIABILITIES AND ASSETS

26.1 Provisions

Provisions are recognised when:

- the group has a present legal or constructive obligation, which has uncertain timing or amount, as a result of past events;
- it is more likely than not that an outflow of resources will be required to settle the obligation; and
- the amount has been reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as an interest expense.

26.2 Onerous contracts

The group recognises a provision for an onerous contract, except on insurance contracts, when the expected benefits to be derived from a contract are lower than the unavoidable costs of meeting the obligations under the contract.

26.3 Contingent liabilities and assets

A contingent liability is either a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the group or a present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability. These contingent liabilities are not recognised in the statement of financial position, but disclosed in the notes to the financial statements.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. These contingent assets are not recognised in the statement of financial position, but are disclosed in the notes to the financial statements if the inflow of financial benefits is probable.

27. LEASES

27.1 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease. When an operating lease is terminated, any payment required by the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

27.2 Finance leases

Leases of property and equipment, where the group substantially has all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at inception of the lease at the lower of the fair value of the leased asset or the current value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges based on the interest rate charged on the outstanding balance. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance cost is charged to the income statement over the lease period. The property and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

28. NON-CURRENT ASSETS (OR DISPOSAL GROUPS) HELD FOR SALE

Non-current assets (or disposal groups) are classified as non-current assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

29. DIVIDEND DISTRIBUTIONS

Dividend distributions to the company's shareholders are recognised as a liability in the period in which the dividends are approved by the company's board of directors.

30. REVENUE RECOGNITION

Revenue comprises the fair value of the consideration received or receivable for services rendered in the ordinary course of the group's activities, as well as interest and dividend income. The group's activities include financial advice, stockbroking, fund management, financing and the issue of short-term and long-term insurance contracts.

Revenue is shown net of value-added tax, returns, rebates, discounts and after eliminating sales within the group.

The group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the group's activities as described below. The group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

If circumstances arise that may change the original estimates of revenues, costs or extent of progress toward completion of services, estimates are revised. These revisions may result in increases or decreases in estimated revenues or costs and are reflected in income in the period in which the circumstances that give rise to the revision became known by management.

30.1 Rendering of services

Fee income is recognised when the relevant company in the group is unconditionally entitled thereto. No profit is recognised when the outcome of a transaction cannot be estimated reliably. Fee income from the rendering of services can be summarised as follows:

Commissions, dealings and structuring

Revenue arising from advisory, stockbroking, portfolio management and brokerage activities is recognised in the accounting period in which the services are rendered with reference to completion of the specific transaction.

Investment management fees and initial fees

Charges for asset management services are paid by its customers using the following different approaches:

- Front-end fees are charged to the client on inception. This approach is used particularly for single-premium contracts. The consideration received is deferred as a liability and recognised over the life of the contract on a straight-line basis.
- Regular fees are charged to the customer by making a deduction from invested funds. Regular charges billed in advance are recognised on a straight-line basis over the billing period; fees charged at the end of the period are accrued as a receivable that is offset against the financial liability when charged to the customer.

30.2 Investment income

Interest income

Interest income is recognised using the effective-interest method. When a receivable is impaired, the group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective-interest rate of the instrument and continues unwinding discount as interest income. Interest income is included as part of investment income in the income statement.

Dividend income

Dividend income is recognised when the right to receive payment is established. Dividend income is included as part of investment income in the income statement.

31. SOLVENCY MARGIN

The solvency margin is calculated using the statutory method prescribed by the Financial Services Board (FSB) and Namibia Financial Institutions Supervisory Authority (Namfisa).

32. CLAIMS

Claims on long-term insurance contracts, which include death, disability, maturity, surrender and annuity payments, are charged to income when notified of a claim based on the estimated liability for compensation owed to policyholders. Outstanding claims are recognised in insurance and other payables. Reinsurance recoveries are accounted for in the same period as the related claim.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under circumstances.

Refer to accounting policy note 19(a) for the policy with regard to the short-term insurance contracts.

33. MANAGED FUNDS ACTIVITIES

Certain companies within the group operate unit trusts and hold and invest funds on behalf of clients. Assets and liabilities representing such activities are not reflected on the statement of financial position, as these relate directly to clients. The values of these items are disclosed in the notes. Income from these activities is brought to account over the period to which the service relates.

34. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

34.1 Estimated impairment of goodwill

The group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy on goodwill. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (see note 1).

34.2 Fair value of derivatives and other unlisted financial instruments

The fair value of financial instruments that are trading on recognised over-the-counter (OTC) platforms is based on the closing bid price and classified as quoted instruments. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques as disclosed in the policy relating to financial assets. Please refer to accounting policy regarding derivative financial instruments for further detail regarding fair value valuation techniques. The assumptions used in these valuation techniques are described as part of the fair value hierarchy analysis included in note 41.

34.3 Investment contracts

The group issues a significant number of investment contracts that are designated as at fair value through profit or loss. These financial instruments are not quoted in active markets, and their fair values are determined by using valuation techniques. Such techniques (for example, valuation models) are validated and periodically reviewed by qualified personnel independent of the area that created them. All models are validated before they are used and calibrated to ensure that outputs reflect actual experience and comparable market prices. The investment contract liabilities held at fair value are fully matched with the underlying assets. As such the fair value of the investment contract liabilities is determined with reference to the fair value of the underlying asset. The carrying amount of the investment contract liabilities is R19.8 billion (2015: R14.2 billion).

34.4 Recognition of intangible assets

With a business combination all identifiable assets are recognised at their respective fair values in the consolidated financial statements. The fair values of intangible assets acquired through business combinations are determined by using a discounted cash flow valuation method. The discount rate is based on the long-term risk-free rate with risk premiums added for market and other company and asset-specific risks. Intangible assets acquired through business combinations were valued using a discount rate of 24.5% for the 2016 financial year. No business combination occurred during the 2015 financial year which resulted in the recognition of an intangible asset.

Trademarks and customer relationships acquired through business combinations or acquisitions are valued on acquisition using discounted cash flow methodology based on assumptions and estimates regarding future revenue growth, weighted cost of capital, marketing costs and other economic factors affecting the value-in-use of these intangible assets. These assumptions reflect management's best estimates but are subject to inherent uncertainties, which may not be controlled by management. The cost of the trademarks and customer relationships are amortised over their estimated useful lives. The remaining useful lives of intangible assets are reassessed annually. If the estimate of the remaining useful lives changes, the remaining carrying values are amortised prospectively over that revised remaining useful life.

The main assumptions used in the valuation of key customer relationships are the useful lives of these assets and the future profitability and cancellation rate of the underlying revenue streams. The useful life of key customer relationships is estimated based on the cancellation experience of the existing business and the useful life of customer relationships of other players in the market. For the key customer relationships recognised during the 2016 financial year, a useful life of 20 years and an average cancellation rate of 20% were assumed.

If a useful life of 15 years was applied, the asset value would have been R0.02 million lower as at 29 February 2016; if a useful life of 25 years was applied, the asset value would have been R0.01 million higher on 29 February 2016. Future profit margins, used in determining customer contracts and relationship values, were consistent with the margins applied in determining the fair value of the related investment.

Refer to the intangible asset accounting policy and note 1 for further detail.

34.5 Short-term insurance liabilities

One of the purposes of insurance is to enable policyholders to protect themselves against uncertain future events. Insurance companies accept the transfer of uncertainty from policyholders and seek to add value through the aggregation and management of these risks. The uncertainty inherent in insurance is inevitably reflected in the financial statements of the insurance company, principally in respect of the insurance liabilities of the company.

Insurance liabilities include the provisions for unearned premiums, outstanding claims and incurred but not reported (IBNR) claims.

Process to determine significant assumptions:
Insurance risks are unpredictable and the group recognises that it is not always possible to forecast, with absolute precision, future claims payable under existing insurance contracts. Over time, the group has developed a methodology that is aimed at establishing insurance provisions that have an above-average likelihood of being adequate to settle all its insurance obligations.

i) *Unearned premiums*

Unearned premiums represent the amount of income set aside by the group to cover the cost of claims that may arise during the unexpired period of risk of insurance policies in force at the reporting date.

The group raises provisions for unearned premiums on a basis that reflects the underlying risk profile of its insurance contracts. An unearned premium provision is created at the commencement of each insurance contract and is released as the risk covered by the contract expires. The group's insurance contracts have an even risk profile. Therefore, the unearned premium provision is released evenly over the period of insurance using a time proportion basis. At each reporting date an assessment is made of whether the provisions for unearned premiums are adequate.

A separate provision can be made, based on information available at the reporting date, for any estimated future underwriting losses relating to unexpired risks (unexpired risk provision).

The provisions for unearned premiums are first determined on a gross level and thereafter the reinsurance impact is recognised. Deferred acquisition costs and reinsurance commission revenue is recognised on a basis that is consistent with the related provisions for unearned premiums.

ii) *Unexpired risk provision*

If the expected value of claims and expenses attributable to the unexpired periods of policies in force at the statement of financial position date exceeds the unearned premiums provision in relation to those policies, after deduction of any deferred commission expenses, management assesses the need for an unexpired risk provision.

The need for an unexpired risk provision is assessed on the basis of information available at the reporting date. Claims events occurring after the statement of financial position date in relation to the unexpired period of policies in force at that time are not taken into account in assessing the need for an unexpired risk provision.

Management will base the assessment on the expected outcome of those contracts, including the available evidence of claims experience on similar contracts in the past year, as adjusted for known differences, events not expected to recur, and the normal level of seasonal claims.

iii) *Outstanding claims*

Outstanding claims represent the company's estimate of the cost of settlement of claims that have occurred and were reported by the reporting date, but that have not yet been finally settled.

Claims provisions are determined based on previous claims experience, knowledge of events, the terms and conditions of the relevant policies and on the interpretation of circumstances. Each notified claim is assessed on a separate case-by-case basis with due regard for the specific circumstances, information available from the insured and/or loss adjuster and past experience with similar cases and historical claims payment trends. The approach also includes the consideration of the development of loss payment trends, the levels of unpaid claims, legislative changes, judicial decisions and economic conditions. The group employs employees experienced in claims handling and rigorously applies standardised policies and procedures to claims assessment.

The ultimate cost of reported claims may vary as a result of future developments or better information becoming available about the current circumstances. Therefore, case estimates are reviewed regularly and updated when new information becomes available.

The provision for outstanding claims is initially estimated at a gross level. A separate calculation is carried out to estimate reinsurance recoveries. The calculation of reinsurance recoveries considers the type of risk underwritten, the year in which the loss claim occurred and under which reinsurance programme the recovery will be made, the size of the claim and whether the claim was an isolated incident or formed part of a catastrophe reinsurance claim.

iv) *Claims incurred but not reported (IBNR)*

There is also considerable uncertainty concerning the eventual outcome of claims that have occurred but had not yet been reported to the insurer by the reporting date. The IBNR provision relates to these events.

The group uses the prescribed minimum required provisions and methodologies for the calculation of the provision for IBNR within each of the jurisdictions in which it operates.

34.6 Interests in subsidiaries and associates – mutual funds

The group has assessed its interests in the various mutual fund investments in which the group has the irrevocable asset management agreement over the mutual funds and in which the group has invested significantly. For other mutual funds, other factors such as the existence of control through voting rights held by the group in the fund, or significant economic power in the fund, are considered in the assessment of control. Judgement is required in the assessment of whether the group has control or significant influence in terms of the variability of returns from the group's involvement in the funds, the ability to use power to affect those returns and the significance of the group's investment in the funds. Based on the assessment of control or significant influence over these mutual funds, certain funds have been consolidated and others not. In terms of IFRS 10, the group considers itself to have control of a fund when it both owns the asset manager of the fund and holds approximately 30% thereof.

34.7 Unconsolidated structured entities – mutual funds

The group invests in various mutual funds which are widely recognised as investment trusts that are regulated by government agencies, marketed and open to public investment. These funds provide investors with access to returns on underlying assets in terms of predefined mandates. Pricing information is publicly available.

Management do not consider these vehicles to be unconsolidated structured entities as defined under IFRS 12, as these funds are vanilla in nature and does not have a complicated funding structure.

34.8 Money market funds

Cash and cash equivalents disclosed on the statement of financial position includes investments in money market funds, being short-term highly liquid investments with maturities of three months or less. Money market funds are classified as cash equivalents, since these funds are held to meet short-term cash requirements, are highly liquid investments, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. The underlying instruments in the money market funds are mainly (> 80%) issued credit papers of South Africa's top six banks, all of which have a Moody's short-term national rating of P1(za) on 29 February 2016 (28 February 2015: P1(za)). The classification of money market funds as cash equivalents is only judgemental for purposes of disclosure and judgement applied could not have any impact on disclosed amounts of assets or liabilities.

Segment reporting
for the year ended 29 February 2016

The composition of the reportable segments represents the internal reporting structure and the monthly reporting to the chief operating decision-maker (CODM). The CODM for the purpose of IFRS 8 – Operating segments has been identified as a chief executive officer, supported by the group management committee (Manco). The group's internal reporting structure is reviewed in order to assess performance and allocate resources. The group is organised into three reportable segments, namely:

- PSG Wealth – deriving income mainly from total managed assets and total platform assets
- PSG Asset Management – deriving income mainly from total assets under management and administration
- PSG Insure – deriving income mainly from written premiums and underwriting

Corporate support costs refer 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 are allocated to the three reportable segments.

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 its 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). The Wealth offices are fully equipped to deliver a high-quality personal service to customers.

PSG Asset Management is an established investment management company with a proven investment track record. It offers investors a simple, but comprehensive range of local and global investment products. The division's products include both local and international unit trust funds.

PSG Insure, through its registered insurance brokers and PSG's short-term insurance company, Western National Insurance Company Limited, offers a full range of tailor-made short-term insurance products and services from personal (home, car and household insurance) to commercial (business and agri-insurance) requirements. To harness the insurance solutions available to customers effectively, the division's expert insurance specialists, through a strict due diligence process, will simplify the selection process for the most appropriate solution for its clients. In addition to the intermediary services PSG Insure offers, PSG Short-Term Administration supports clients through the claim process, administrative issues and general policy maintenance, including an annual reappraisal of their portfolio.

The CODM 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 CODM for the reportable segments for the year ended 29/28 February is set out below:

Headline earnings per reportable segment	Wealth R000	Asset Management R000	Insure R000	Total R000
For the year ended 29 February 2016				
Headline earnings*	169 059	82 707	40 536	292 302
– recurring	285 505	82 707	40 536	408 748
– non-recurring	(116 446)	–	–	(116 446)
For the year ended 28 February 2015				
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)

* *Headline earnings, calculated in terms of the requirements stipulated in Circular 2/2015 as issued by the South African Institute of Chartered Accounts (SAICA), comprise recurring and non-recurring headline earnings. Recurring headline earnings are calculated by excluding non-recurring headline earnings to increase comparability of the performance of the group from one year to another. Non-recurring headline earnings included one-off gains and losses and the resulting tax charge on these items.*

Segment reporting
for the year ended 29 February 2016

Income per reportable segment Total income	Wealth R000	Asset Management R000	Insure R000	Total R000
For the year ended 29 February 2016				
Total segment income	2 595 694	635 148	1 195 809	4 426 651
Intersegment income	(622 393)	(265 799)	(36 783)	(924 975)
Income from external customers	1 973 301	369 349	1 159 026	3 501 676
For the year ended 28 February 2015				
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

Intersegment income and expenses consists of fees charged at market-related rates. The group accounts for intersegment income and expenses by eliminating these transactions to only reflect transactions with third parties. Intersegment income is eliminated by deducting it from total segment income to reflect income generated by segment from external customers.

The group mainly operates in the Republic of South Africa, with 92.4% (2015: 95.3%) of the total income from external customers generated in the Republic of South Africa.

Given the nature of the operations, there is no single external customer that provides 10% or more of the group's income (2015: none).

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

Divisional income statements For the year ended 29 February 2016	Wealth R000	Asset Management R000	Insure R000	Total R000
Total income	1 973 301	369 349	1 159 026	3 501 676
Total expenses	(1 450 023)	(257 299)	(1 073 578)	(2 780 900)
	523 278	112 050	85 448	720 776
Total profit from associated companies and joint ventures	–	–	2 767	2 767
Profit before finance cost and taxation	523 278	112 050	88 215	723 543
Finance costs*	(88 278)	(359)	(3 244)	(91 881)
Profit before taxation	435 000	111 691	84 971	631 662
Taxation	(258 611)	(29 131)	(22 096)	(309 838)
Profit for the year	176 389	82 560	62 875	321 824
Attributable to:				
Owners of the parent	169 488	82 560	40 876	292 924
Non-controlling interest	6 901	–	21 999	28 900
	176 389	82 560	62 875	321 824
Headline earnings	169 059	82 707	40 536	292 302
Recurring headline earnings	285 505	82 707	40 536	408 748

* *Finance cost in the Wealth division consists mainly of the finance charge on investment contract liabilities at amortised cost (linked investment business). The finance cost of R88.3 million (2015: R115.6 million) consists of R49.9 million (2015: 75.8 million) on the client-related linked investment business, R29.2 million (2015: R25.8 million) on the loan facilities provided to clients on their share portfolio 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 margins and the bank overdrafts.*

Divisional income statements For the year ended 28 February 2015	Wealth R000	Asset Management R000	Insure R000	Total R000
Total income	1 684 614	367 764	962 222	3 014 600
Total expenses	(1 219 987)	(257 541)	(893 089)	(2 370 617)
	464 627	110 223	69 133	643 983
Total profit from associated companies and joint ventures	–	–	954	954
Profit before finance cost and taxation	464 627	110 223	70 087	644 937
Finance costs*	(115 606)	(396)	(3 903)	(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 year	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
Recurring headline earnings	228 320	82 336	30 519	341 175

* *Finance costs in the PSG Wealth division consist mainly of the finance charge on investment contract liabilities at amortised cost (linked investment business). The finance cost of R88.3 million (2015: R115.6 million) consist of R49.9 million (2015: R75.8 million) on the client-related linked investment business, R29.2 million (2015: R25.8 million) on the loan facilities provided to clients on their share portfolio 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 receive a margin, with the remaining portion of the finance charge on the CFD margins and the bank overdrafts.*

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

Segment reporting
for the year ended 29 February 2016

In order to evaluate the consolidated financial position of the group, the CODM 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.

	As at 29 February 2016		
	Total R000	Own balances R000	Client-related balances R000
ASSETS			
Equity securities	1 747 701	6 023	1 741 678
Debt securities	2 588 565	100 789	2 487 776
Unit-linked investments	29 695 283	443 737	29 251 546
Investment in investment contracts	116 477	–	116 477
Receivables including insurance receivables	2 812 759	225 780	2 586 979
Derivative financial instruments	17 864	–	17 864
Cash and cash equivalents (including money market investments)	1 395 952	1 115 118	280 834
Other assets*	1 309 065	1 309 065	–
Total assets	39 683 666	3 200 512	36 483 154
EQUITY			
Equity attributable to owners of the parent	1 688 446	1 688 446	–
Non-controlling interest	157 212	157 212	–
Total equity	1 845 658	1 845 658	–
LIABILITIES			
Borrowings	274 114	10 674	263 440
Investment contracts	19 836 250	–	19 836 250
Third-party liabilities arising on consolidation of mutual funds	14 023 726	–	14 023 726
Derivative financial instruments	17 910	–	17 910
Trade and other payables	2 894 051	552 223	2 341 828
Other liabilities**	791 957	791 957	–
Total liabilities	37 838 008	1 354 854	36 483 154
Total equity and liabilities	39 683 666	3 200 512	36 483 154

* *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.*

	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.*

Segment reporting
for the year ended 29 February 2016

In order to evaluate the consolidated income statement of the group, the CODM 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 consolidate 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.

	Year ended 29 February 2016		
	Total R000	Core business R000	Linked investment business and other R000
Commission and other fee income	2 461 393	2 438 177	23 216
Investment income	612 988	190 893	422 095
Net fair value gains and losses on financial instruments	1 104 789	12 848	1 091 941
Fair value adjustment to investment contract liabilities	(1 389 130)	–	(1 389 130)
Other*	711 636	704 396	7 240
Total income	3 501 676	3 346 314	155 362
Insurance claims and loss adjustment expenses	(670 197)	(668 808)	(1 389)
Fair value adjustment to third-party liabilities	(67 080)	–	(67 080)
Other**	(2 043 623)	(2 028 274)	(15 349)
Total expenses	(2 780 900)	(2 697 082)	(83 818)
Total profit from associated companies and joint ventures	2 767	2 767	–
Profit before finance cost and taxation	723 543	651 999	71 544
Finance costs***	(91 881)	(41 939)	(49 942)
Profit before taxation	631 662	610 060	21 602
Taxation	(309 838)	(288 236)	(21 602)
Profit for the year	321 824	321 824	–
Attributable to:			
Owners of the parent	292 924	292 924	–
Non-controlling interest	28 900	28 900	–
	321 824	321 824	–

* *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 cost on core business decreased from 2015 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). This 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.*

	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 year	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.*

	Trademarks R000	Goodwill R000	Deferred acquisition costs R000	Customer relation-ships R000	Other intangibles R000	Total R000
1. INTANGIBLE ASSETS						
As at 29 February 2016						
Cost	9 989	481 019	16 566	654 242	52 662	1 214 478
Accumulated amortisation and impairment	(9 989)	(89 586)	(5 038)	(186 073)	(41 177)	(331 863)
Balance at end of the year	–	391 433	11 528	468 169	11 485	882 615
Reconciliation						
Balance at beginning of the year	–	388 380	8 833	446 909	15 414	859 536
Additions	–	–	3 656	50 165	1 731	55 552
Disposals	–	–	–	(320)	–	(320)
Acquisition of subsidiaries (refer to note 39.3)	–	3 053	–	2 984	–	6 037
Amortisation	–	–	(961)	(31 569)	(5 660)	(38 190)
Balance at end of the year	–	391 433	11 528	468 169	11 485	882 615
As at 28 February 2015						
Cost	9 989	477 966	12 910	599 866	50 931	1 151 662
Accumulated amortisation and impairment	(9 989)	(89 586)	(4 077)	(152 957)	(35 517)	(292 126)
Balance at end of the year	–	388 380	8 833	446 909	15 414	859 536
Reconciliation						
Balance at beginning of the year	–	399 652	6 450	295 670	20 164	721 936
Additions	–	–	3 350	185 095	2 432	190 877
Disposals	–	–	–	(2 027)	(53)	(2 080)
Reclassification to non-current assets held for sale	–	(11 272)	–	(2 450)	(25)	(13 747)
Amortisation	–	–	(967)	(29 379)	(7 104)	(37 450)
Balance at end of the year	–	388 380	8 833	446 909	15 414	859 536

Included in other intangibles is computer software to the value of R11.0 million (2015: R15.0 million).

Internally developed software

Included in the computer software carrying amount (as disclosed under other intangibles), is an amount of R7.6 million (2015: R9.4 million) representing internally developed software.

1. INTANGIBLE ASSETS (continued)

Included in customer relationships are the following material individual intangible assets and their respective remaining amortisation period:

	REMAINING AMORTISATION PERIOD 2016 R000	REMAINING AMORTISATION PERIOD 2015 R000	CARRYING VALUE 2016 R000	CARRYING VALUE 2015 R000
Wealth adviser office (no.1)	18 years	19 years	49 054	51 779
Multinet Makelaars	10 years and 1 month	11 years and 1 month	39 848	43 784
Wealth adviser office (no.2)	18 years	19 years	36 284	38 299
Diagonal Street Financial Services	14 years and 6 months	15 years and 6 months	17 089	18 267
Tlotlisa Securities (T-Sec)	13 years and 2 months	14 years and 2 months	15 800	17 000
PSG Short-Term Administration	10 years and 2 months	11 years and 2 months	13 638	14 978
Multifund	14 years	15 years	13 218	14 319
PSG Konsult Insurance Solutions	14 years	15 years	12 320	13 200
			197 251	211 626

The above customer relationships relate to the original acquisitions of the respective books of business and/or entities and, as a result of the restructuring undertaken in the 2013 financial year, now form part of larger cash-generating units (CGUs) for impairment testing purposes. The largest three customer relationships of the group, namely its short-term distribution branches, its short-term administration business and short-term licence business, form part of the PSG Insure segment and have carrying values of R82.1 million (2015: R89.4 million), R26.6 million (2015: R28.9 million) and R20.8 million (2015: R22.2 million) on 29 February and 28 February respectively.

Detail of impairment test performed

For impairment testing purposes, goodwill is allocated to cash-generating units (CGU) at the lowest level of operating activity to which it relates, and is therefore not combined at a group level.

The subsidiaries to which the goodwill balance as at 28 February relate to:	2016 R000	2015 R000
PSG Wealth Financial Planning Proprietary Limited	249 630	249 630
PSG Trust Proprietary Limited	164	164
PSG Namibia Proprietary Limited	2 238	2 238
PSG Securities Limited (previously Online Securities Limited)	24 503	24 503
PSG Employee Benefits Limited	10 203	10 203
PSG Invest Proprietary Limited	10 896	10 896
PSG Asset Management Proprietary Limited	8 719	8 719
PSG Life Limited	7 832	7 832
Western Group Holdings Limited (including PSG Konsult Insurance Solutions Proprietary Limited)*	74 195	74 195
PSG Konsult (Mauritius) Limited	3 053	–
	391 433	388 380

* *For impairment testing purposes, the goodwill recognised with the acquisition of the majority stake in PSG Konsult Insurance Solutions Proprietary Limited, the group's short-term underwriting business, is directly linked to the reinsurance agreement in place between Western Group Holdings Limited and a third-party insurance company, and therefore assessed together.*

1. INTANGIBLE ASSETS (continued)

The largest three goodwill allocations to cash-generating units (CGUs) of the group and their respective carrying values at 29 February and 28 February were the goodwill allocated to short-term distribution branches (2016: R115.3 million; 2015: R115.3 million) and the short-term insurance business (2016: R74.2 million; 2015: R74.2 million), which forms part of the PSG Insure segment, and to the Advance Wealth Management adviser business (2016: R50.3 million; 2015: R50.3 million), which forms part of the PSG Wealth segment.

Impairment indicator evaluation performed

When goodwill is evaluated for impairment on an annual basis, the carrying value is assessed using a price-earnings ratio basis whereby the price-earnings ratio is multiplied by the current year earnings of the CGU to which the goodwill can be allocated on a reasonable basis. Price-earnings ratios used by management are determined with reference to similar listed companies, as well as recent transactions that occurred within the PSG Konsult Group. The range of price-earnings ratios used varied from 5.0 to 7.5 (2015: 5.0 to 7.5).

Trademarks were evaluated for impairment using the most recent price-earnings ratios for similar transactions in the market. The trademarks were impaired in full during the 2013 financial year.

Customer relationships were evaluated for impairment using the most recent price-earnings ratios for similar transactions in the market. The range of price-earnings ratios used varied from 5.0 to 7.5 (2015: 5.0 to 10.0 with an average of 7.5).

Critical accounting estimates and judgements

Based on the impairment indicator tests described above, where impairment indicators were identified, management assessed the recoverable amount of the CGUs based on value-in-use calculations of the various CGUs. These calculations use cash flow projections based on financial budgets approved by management covering no longer than a five-year planning period. Where appropriate, cash flows were extrapolated into perpetuity by using a terminal growth rate model.

A key input used in the models to determine the value-in-use of the CGUs is the pre-tax discount rate applied to management's forecast cash flows, which reflects the current market assessments of time value of money and the risk specific to the CGU. The assumptions have been disclosed below:

	2016 %	2015 %
Risk-free rate (2016: R209; 2015: R209)	10.0	8.2
Tax rate	28.0	28.0
Growth rate	3.0	3.0
Terminal growth rate	3.0	3.0
Discount rate	19.6	18.7

The carrying value of the intangible assets were carefully assessed at 29 February 2016 and 28 February 2015, and management does not deem any of the intangible assets to be impaired.

1. INTANGIBLE ASSETS (continued)

Customer relationships are amortised over a period of 20 years, which represents management's best estimate of the period over which economic benefits are expected to be derived. The amortisation charge on the customer relationships for the year ending 29 February 2016 was R31.6 million (2015: R29.4 million). The amortisation charge of intangible assets is sensitive to the useful life, which is illustrated in the table below:

Assumptions	Years	Scenario 1 Years	Scenario 2 Years	Scenario 1 Amortisation charge on customer relationships would have increased to R000	Scenario 2 Amortisation charge on customer relationships would have increased to R000
29 February 2016					
Amortisation period	20	15	10	41 120	61 680
28 February 2015					
Amortisation period	20	15	10	39 035	58 535

	Owner-occupied buildings R000	Motor vehicles R000	Office equipment R000	Computer equipment R000	Total R000
2. PROPERTY AND EQUIPMENT					
As at 29 February 2016					
Cost	–	1 268	72 595	74 584	148 447
Accumulated depreciation and impairment	–	(1 083)	(39 928)	(53 257)	(94 268)
Balance at end of the year	–	185	32 667	21 327	54 179
Reconciliation					
Balance at beginning of the year	3 891	44	15 324	23 014	42 273
Additions	–	181	25 108	9 770	35 059
Disposals	–	–	(657)	(135)	(792)
Depreciation	(135)	(53)	(7 324)	(11 606)	(19 118)
Acquisition of subsidiaries (refer to note 39.3)	–	12	180	239	431
Revaluation of owner-occupied buildings (on change of use)	1 346	–	–	–	1 346
Transfer to investment property	(5 102)	–	–	–	(5 102)
Exchange differences	–	1	36	45	82
Balance at end of the year	–	185	32 667	21 327	54 179

	Owner-occupied buildings R000	Motor vehicles R000	Office equipment R000	Computer equipment R000	Total R000
2. PROPERTY AND EQUIPMENT (continued)					
As at 28 February 2015					
Cost	4 313	721	51 268	65 296	121 598
Accumulated depreciation and impairment	(422)	(677)	(35 944)	(42 282)	(79 325)
Balance at end of the year	3 891	44	15 324	23 014	42 273
Reconciliation					
Balance at beginning of the year	4 022	81	17 774	25 713	47 590
Additions	–	–	5 041	8 200	13 241
Disposals	–	–	(27)	(261)	(288)
Depreciation	(131)	(37)	(7 352)	(10 452)	(17 972)
Disposal of subsidiaries	–	–	(112)	(187)	(299)
Exchange differences	–	–	–	1	1
Balance at end of the year	3 891	44	15 324	23 014	42 273

Depreciation expense of R19.1 million (2015: R18.0 million) has been charged as part of depreciation and amortisation as disclosed in note 31.2.

In the 2015 financial year, owner-occupied buildings comprised Unit 209 and Unit 211 of a sectional title development, known as The Cliffs. The building is situated on Erf 39279, Bellville, Cape Town. During the 2016 financial year, the group transferred these two units from owner-occupied buildings to investment property following a change in management's intention of use. Refer to note 3 for further detail.

Included in computer equipment are assets held under finance leases (refer to note 21):

	2016 R000	2015 R000
Cost	15 305	15 305
Accumulated depreciation and impairment	(7 971)	(4 145)
Net carrying value at end of the year	7 334	11 160

	2016 R000	2015 R000
3. INVESTMENT PROPERTY		
Cost	7 138	2 036
Fair value adjustments	211	209
Balance at end of the year	7 349	2 245
Reconciliation		
Balance at beginning of the year	2 245	2 245
Transfer to investment property from property and equipment	5 102	–
Fair value adjustments	2	–
Balance at end of the year	7 349	2 245

Investment property comprises the following:

The group invested in an office building during the 2013 financial year through the acquisition of the subsidiary, Western Group Holdings Limited, which includes Unit 210 of a sectional title development, known as The Cliffs. The building is situated on Erf 39279, Bellville, Cape Town. During the 2016 financial year, the group transferred two other units (Unit 209 and 211 of the same sectional title development and building, The Cliffs) from owner-occupied buildings to investment property following a change in management's intention of use. The market values of the three units were confirmed with an external property valuer. The properties were valued by Mr Johannes Bruwer from Cosmoprop CC on 15 December 2015 (previously by Mr Pieter-Jozua Erasmus from Capitol Commercial Properties on 18 February 2014) and the value was adjusted accordingly in the 2016 financial year. The directors assessed the value of the property at 29 February 2016 and concluded that no further fair value adjustment was required.

The most significant input in the valuation of the office building is the price per square metre (2016: average of R13 500 per square metre; 2015: average of R13 000 per square metre), based on most recent sale transactions in the area for similar buildings.

Rental income and direct operating expenditure relating to the building are included in profit and loss and were:

	2016 R000	2015 R000
Rental income	370	327
Direct operating expenditure	(46)	(37)
	324	290

		2016 R000	2015 R000
4.	**INVESTMENT IN ASSOCIATED COMPANIES**		
	Carrying value of ordinary share investments		
	Unlisted	129	39 562
		129	39 562
	Reconciliation		
	Balance at beginning of the year	39 562	39 548
	Share of profits after taxation	1 496	40
	Impairment charges	(1 981)	–
	Movement in investment value	(38 948)	(26)
	Reclassification to non-current assets held for sale	(38 948)	–
	Reversal of impairments against loans granted to associated companies	–	(26)
	Carrying value at end of the year	129	39 562
	At cost	129	39 562
	Goodwill included in carrying value	–	–

Acquisitions
No acquisitions of investment in associated companies occurred during the 2016 and 2015 financial years.

Disposals
2016
The group, through its subsidiary Abrafield Proprietary Limited, sold its 30% stake in Woodwind Proprietary Limited, a property investment, for Rnil during August 2015. The value of the investment in Woodwind Proprietary Limited on the date of disposal was Rnil.

2015
No disposal of an investment in associated companies occurred during the 2015 financial year.

Other transactions
The group, through its subsidiary Western Group Holdings Limited, agreed to sell its 23% interest held in Xinergistix Limited on 1 November 2015 for R38.9 million. The transaction is subject to suspensive conditions and was treated as a non-current asset held for sale on 29 February 2016. The group expects this transaction to be concluded within the next 12 months. The net carrying value of this investment classified as non-current asset held for sale was written down to its fair value less cost to sell. This resulted in the recognition of an impairment of R2.0 million on 29 February 2016.

Impairments
Any impairment charges recognised on the investment in associated companies will be calculated on the basis set out in the accounting policy, and making use of the assumptions set out in the note below.

Impairment assessments are performed relating to investments in associated companies using the following valuation techniques when calculating the estimated fair value less cost to sell:

- Discounted cash flows were applied for companies with established cash flow history.
- Price-earnings ratios were applied to projected profits after tax for newly established or acquired companies.

The group impaired its investment in Tradesure Marine Proprietary Limited during the 2016 financial year. The carrying value of the investment on the date of impairment was R65, and the investment was impaired in full.

4. INVESTMENT IN ASSOCIATED COMPANIES (continued)

The following key assumptions were used in the performance of the fair value calculations:

	2016	2015
Price-earnings (PE) ratios	5.0 – 7.5	5.0 – 7.5

Investments in associated companies to the value of R2.0 million (2015: Rnil) were considered to be impaired during the financial year. A reversal of a portion of the prior year impairment was done during the 2015 financial year (2016: Rnil).

Refer to Annexure B for further information regarding associated companies.

The table below analyses the loans to associated companies and the terms of these loans:

Loans granted to associated companies	Secured (Yes/No)	Interest rate	Repayment terms	2016 R000	2015 R000
Woodwind Proprietary Limited	No	Interest-free	None*	–	1 172
Prexision Asset Finance Proprietary Limited	No	Prime plus 4%	None*	7	–
Make-a-Million Proprietary Limited	No	Interest-free	None*	96	66
				103	1 238
Current portion				103	1 238
Non-current portion				–	–
				103	1 238

* *No fixed repayment terms. These loans are included under note 14 (Receivables including insurance receivables).*

		2016 R000	2015 R000
5.	**INVESTMENT IN JOINT VENTURES**		
	Carrying amount of ordinary share investments		
	Unlisted	16 223	12 971
		16 223	12 971
	Reconciliation		
	Carrying amount at beginning of the year	12 971	12 057
	Share of profit after taxation	3 252	914
	Carrying amount at end of the year	16 223	12 971
	Carrying amount		
	Shares at cost	8 524	8 524
	Share of profits and reserves since acquisition	7 699	4 447
	Balance at end of the year	16 223	12 971
	*Loan granted to joint venture**	3 598	3 429
	Jan Jonker Property Investment Trust		
	Unsecured loan-bearing interest at Namibian prime rate plus 2% (2015: Namibian prime rate plus 2%) and has no repayment terms	3 598	3 429

* *The loan granted to the joint venture is recoverable on demand and is included under note 14 (Receivables including insurance receivables).*

PSG Konsult Limited obtained the investment in Jan Jonker Property Investment Trust through the acquisition of the subsidiary, Western Group Holdings Limited, on 1 November 2012.

Impairments

Impairment assessments are performed relating to investment in joint venture using the following valuation techniques when calculating the estimated fair value less cost to sell:

- Discounted cash flows were applied for companies with established cash flow history.
- Price-earnings ratios were applied to projected profits after tax for newly established or acquired companies.

The following key assumptions were used in the performance of the fair value calculations:

	2016	2015
Price-earnings ratios	5.0	5.0

The investment in joint venture is not considered to be impaired (2015: Rnil).

Refer to Annexure C for further information regarding joint ventures.

	2016 R000	2015 R000
6. DEFERRED INCOME TAX		
Deferred income tax assets	90 245	87 674
Deferred income tax liabilities	(44 925)	(53 610)
Net deferred income tax assets	45 320	34 064
Deferred income tax assets		
To be recovered within 12 months	65 857	53 809
To be recovered after 12 months	24 388	33 865
	90 245	87 674
Deferred income tax liabilities		
To be recovered within 12 months*	16 618	(17 121)
To be recovered after 12 months	(61 543)	(36 489)
	(44 925)	(53 610)
The gross movement on the deferred income tax is as follows:		
As at 1 March	34 064	(1 322)
Other movements	3 530	38
Disposal of books of business**	–	180
Acquisition of subsidiaries	(835)	–
Reclassified to non-current assets and liabilities held for sale	–	(236)
Tax (debit)/credit to equity	(10 024)	32 516
Charge to other comprehensive income	(177)	–
Credit to profit and loss	18 762	2 888
As at 29/28 February	45 320	34 064

* *Three subsidiary companies in the group reported a net deferred income tax liability at 29 February 2016, with a debit balance for the deferred income tax liability's current portion. This represents a current deferred income tax asset that exceeds the current deferred income tax liability and a non-current deferred income tax liability that exceeds the non-current deferred income tax asset.*

** *Represent movements through income statement.*

6. DEFERRED INCOME TAX (continued)

The movement in the deferred tax assets and liabilities during the year was as follows:

Deferred tax assets	Deferred revenue R000	Provisions R000	Tax losses carried forward R000	Accruals not currently deductible and other differences R000	Total R000
As at 1 March 2014	6 587	35 388	20 288	43 443	105 706
(Charges)/credit to profit and loss	(2 279)	10 400	(4 867)	17 744	20 998
Credit to equity	–	32 516	–	–	32 516
Other movements	–	39	(1)	(1)	37
Reclassified to non-current assets held for sale	–	–	(205)	–	(205)
As at 28 February 2015	4 308	78 343	15 215	61 186	159 052
(Charges)/credit to profit and loss	(872)	4 280	(119)	8 294	11 583
Charge to equity	–	(10 024)	–	–	(10 024)
Other movements	–	3 529	–	–	3 529
As at 29 February 2016	3 436	76 128	15 096	69 480	164 140

Deferred tax liabilities	Deferred acquisition cost R000	Prepaid expenses R000	Unrealised apprecia-tion of invest-ments R000	Other intangible assets R000	Foreign exchange and other R000	Total R000
As at 1 March 2014	(1 773)	(1 087)	(25 316)	(60 932)	(17 920)	(107 028)
(Charges)/credit to profit and loss	(701)	(381)	(14 708)	4 281	(6 601)	(18 110)
Disposal of books of business*	–	–	–	180	–	180
Reclassified to non-current assets held for sale	–	–	–	(31)	–	(31)
As at 28 February 2015	(2 474)	(1 468)	(40 024)	(56 502)	(24 521)	(124 989)
(Charges)/credit to profit and loss	(754)	(493)	6 177	(755)	3 004	7 179
Other movements	–	–	2	–	–	2
Charge to other comprehensive income	–	–	–	–	(177)	(177)
Acquisition of subsidiaries	–	–	–	(835)	–	(835)
As at 29 February 2016	(3 228)	(1 961)	(33 845)	(58 092)	(21 694)	(118 820)

* *Represent movements through income statement.*

	2016 R000	2015 R000
6. DEFERRED INCOME TAX (continued)		
Total accumulated losses available for which no deferred tax asset has been raised:	1 574	1 573
	1 574	1 573

Creation of deferred tax assets and recognition of deferred tax liabilities

The deferred income tax assets and liabilities were calculated in full on all temporary differences under the liability method using an effective tax rate of 28% (2015: 28%) in South Africa and the official tax rates in the foreign subsidiaries where applicable.

Deferred tax on investment property has been calculated using the South African capital gains tax rate applicable at year-end. If the normal tax rate had been used on the investment property, the deferred tax raised would have been R0.06 million (2015: R0.02 million) higher.

The recoverability of the deferred income tax assets were assessed as set out in the accounting policies. Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through the future taxable profits is possible.

The deferred tax asset of R15.1 million (2015: R15.2 million) raised due to tax losses relates to subsidiaries that has suffered a loss in either the current or preceding year. Based on approved budgets prepared by management of these subsidiaries, the group considers it probable that the deferred tax asset will be used against future taxable profits.

	2016 R000	2015 R000
7. EQUITY SECURITIES		
Direct equity investments	85 988	70 371
Quoted – Listed	85 740	69 526
Quoted – Unlisted	8	–
Unquoted	240	845
Investments linked to investment contracts (refer to note 22)	1 661 713	955 147
Quoted – Listed	1 661 713	955 147
	1 747 701	1 025 518

Included in quoted equity securities are listed investments to the value of R1 747.5 million (2015: R1 024.7 million). Quoted securities were valued based on the quoted bid prices as listed on the Johannesburg Stock Exchange (JSE), as well as offshore stock exchanges.

		Fair value through profit or loss R000	Total R000
7.	**EQUITY SECURITIES (continued)**		
	Quoted – Listed		
	Reconciliation		
	Carrying amount at 1 March 2014	604 035	604 035
	Additions	599 458	599 458
	Disposals	(307 369)	(307 369)
	Unrealised fair value net gains and reinvestments	126 552	126 552
	Exchange differences	975	975
	Realised gains	1 022	1 022
	Carrying amount at 28 February 2015	1 024 673	1 024 673
	Additions	**948 262**	**948 262**
	Disposals	**(307 352)**	**(307 352)**
	Unrealised fair value net gains and reinvestments	**54 717**	**54 717**
	Exchange differences	**1 190**	**1 190**
	Realised gains	**25 963**	**25 963**
	Carrying amount at 29 February 2016	**1 747 453**	**1 747 453**
	Quoted – Unlisted		
	Reconciliation		
	Carrying amount at 1 March 2014	–	–
	Carrying amount at 28 February 2015	–	–
	Acquisition of subsidiaries (refer to note 39.3)	**5**	**5**
	Unrealised fair value net gains	**2**	**2**
	Exchange differences	**1**	**1**
	Carrying amount at 29 February 2016	**8**	**8**

	Available-for-sale R000	Total R000
7. EQUITY SECURITIES (continued)		
Unquoted		
Reconciliation		
Carrying amount at 1 March 2014	845	845
Carrying amount at 28 February 2015	845	845
Impairment	(605)	(605)
Carrying amount at 29 February 2016	240	240

The fair value of the unquoted securities classified as available-for-sale is valued at the ruling prices for acquiring similar rights less any transaction costs.

The group determines that available-for-sale equity instruments are impaired and recognised as such in the income statement when there has been significant and prolonged decline in the fair value below their cost. During the 2016 financial year, the group impaired R0.6 million (2015: Rnil) as the fair value of these financial instruments declined below cost for a significant and prolonged period.

	2016 R000	2015 R000
Current portion	165 236	206 453
Non-current portion	1 582 465	819 065
	1 747 701	1 025 518

	2016 R000	2015 R000
8. DEBT SECURITIES		
Direct investments	1 805 340	805 220
Quoted – Listed	846 266	447 483
Quoted – Unlisted	959 074	357 737
Investments linked to investment contracts (refer to note 22)	783 225	800 198
Quoted – Listed	–	29 056
Quoted – Unlisted	672 665	736 675
Unquoted	110 560	34 467
	2 588 565	1 605 418

		Fair value through profit or loss R000	Total R000
8.	**DEBT SECURITIES (continued)**		
	Quoted – Listed		
	Reconciliation		
	Carrying amount at 1 March 2014	53 477	53 477
	Additions	487 903	487 903
	Disposals	(253 515)	(253 515)
	Maturities	(17 435)	(17 435)
	Unrealised fair value net gains and reinvestments	176 935	176 935
	Realised losses	(358)	(358)
	Finance income	29 532	29 532
	Carrying amount at 28 February 2015	476 539	476 539
	Additions	463 990	463 990
	Disposals	(296 361)	(296 361)
	Maturities	(56 914)	(56 914)
	Unrealised fair value net gains and reinvestments	(25 868)	(25 868)
	Realised losses	(2 701)	(2 701)
	Subsidiaries acquired	252 880	252 880
	Finance income	34 701	34 701
	Carrying amount at 29 February 2016	846 266	846 266

	Held-to-maturity R000	Fair value through profit or loss R000	Total R000
8. DEBT SECURITIES (continued)			
Quoted – Unlisted			
Reconciliation			
Carrying amount at 1 March 2014	888 173	942 435	1 830 608
Additions	–	677 770	677 770
Disposals	(228 417)	(1 009 791)	(1 238 208)
Maturities	–	(46 523)	(46 523)
Unrealised fair value net gains and reinvestments	–	(208 012)	(208 012)
Finance income	75 787	–	75 787
Impairment charges	(14 201)	–	(14 201)
Realised losses	–	518	518
Interest and dividends accrued	–	16 673	16 673
Carrying amount at 28 February 2015	721 342	373 070	1 094 412
Additions	–	1 762 131	1 762 131
Disposals	–	(928 298)	(928 298)
Subsidiaries acquired	–	357 489	357 489
Maturities	(554 136)	(143 537)	(697 673)
Unrealised fair value net losses and reinvestments	–	(45 950)	(45 950)
Finance income	43 676	–	43 676
Realised gains	–	46	46
Interest and dividends accrued	–	45 906	45 906
Carrying amount at 29 February 2016	210 882	1 420 857	1 631 739
Unquoted			
Reconciliation			
Carrying amount at 1 March 2014	–	237 347	237 347
Additions	50 871	18 561	69 432
Disposals	(18 227)	(280 191)	(298 418)
Unrealised fair value net gains and reinvestments	1 823	23 361	25 184
Realised gains	–	922	922
Carrying amount at 28 February 2015	34 467	–	34 467
Additions	77 111	–	77 111
Maturities	(1 038)	–	(1 038)
Finance income	20	–	20
Carrying amount at 29 February 2016	110 560	–	110 560

The fair value of the unquoted debt securities is based on discounted cash flow valuation methodologies using market interest rates and the risk premium specific to the unquoted securities, or is determined by comparing it to the value of the underlying investments.

The unquoted debt securities were initially classified as quoted on date of recognition. However, when they were assessed by management to no longer meet the definition of a quoted instrument, it was elected not to redesignate these instruments to loans and receivables.

		2016 R000	2015 R000
8.	**DEBT SECURITIES (continued)**		
	Current portion	852 683	259 000
	Non-current portion	1 735 882	1 346 418
		2 588 565	1 605 418

		2016 R000	2015 R000
9.	**UNIT-LINKED INVESTMENTS**		
	Direct investments	12 535 312	243 552
	Quoted – Unlisted	12 525 312	233 552
	Unquoted	10 000	10 000
	Investments linked to investment contracts (refer to note 22)	17 159 971	12 102 096
	Quoted – Unlisted	15 860 987	10 995 440
	Unquoted	1 298 984	1 106 656
		29 695 283	12 345 648

None (2015: Rnil) of the quoted unit-linked investments are listed.

	Fair value through profit or loss R000	Total R000
Quoted – Unlisted		
Reconciliation		
Carrying amount at 1 March 2014	7 968 153	7 968 153
Additions	5 318 944	5 318 944
Disposals	(3 230 259)	(3 230 259)
Unrealised fair value net gains and reinvestments	1 137 505	1 137 505
Realised profits	27 584	27 584
Interest and dividends accrued	7 065	7 065
Carrying amount at 28 February 2015	11 228 992	11 228 992
Additions	11 555 145	11 555 145
Acquisition of subsidiaries	12 321 283	12 321 283
Disposals	(7 526 943)	(7 526 943)
Exchange differences	51 296	51 296
Unrealised fair value net gains and reinvestments	136 618	136 618
Realised profits	328 611	328 611
Interest and dividends accrued	291 297	291 297
Carrying amount at 29 February 2016	28 386 299	28 386 299

	Fair value through profit or loss R000	Total R000
9. UNIT-LINKED INVESTMENTS (continued)		
Unquoted		
Reconciliation		
Carrying amount at 1 March 2014	2 250 476	2 250 476
Additions	3 275 868	3 275 868
Disposals	(4 482 361)	(4 482 361)
Unrealised fair value net gains and reinvestments	72 673	72 673
Carrying amount at 28 February 2015	1 116 656	1 116 656
Additions	392 791	392 791
Disposals	(761 413)	(761 413)
Realised profits	63 503	63 503
Finance income	43 686	43 686
Unrealised fair value net gains and reinvestments	453 761	453 761
Carrying amount at 29 February 2016	1 308 984	1 308 984

Fair value of the unit-linked investments is determined by reference to the underlying assets taking into account any relevant credit risk associated with the underlying assets.

	2016 R000	2015 R000
Current portion	1 975 417	2 777 004
Non-current portion	27 719 866	9 568 644
	29 695 283	12 345 648

	2016 R000	2015 R000
10. INVESTMENT IN INVESTMENT CONTRACTS		
Reconciliation		
Balance at beginning of the year	338 208	505 444
Investment contract premiums contribution	72	1 514
Investment contract benefits paid	(244 010)	(220 910)
Interest charge	6 707	11 489
Fair value adjustment and reinvestments to investment contracts	15 500	40 671
Balance at end of the year	116 477	338 208
Current portion	48 747	45 812
Non-current portion	67 730	292 396
	116 477	338 208
Fair value through profit or loss	73 815	226 305
Held-to-maturity	42 662	111 903
	116 477	338 208

Fair value of the investment in investment contracts is determined by reference to the underlying assets and all these investments are linked to investment contract liabilities (refer to note 22).

		2016 R000	2015 R000
11.	**LOANS AND ADVANCES**		
	Secured loans	65 491	30 382
	Unsecured loans	63 155	85 543
	Loans with non-controlling interests	468	468
		129 114	116 393
	Current portion	60 428	77 893
	Non-current portion	68 686	38 500
		129 114	116 393

Secured loans of R24.9 million (2015: R30.4 million) and a portion of the unsecured loans (2016: Rnil; 2015: R0.2 million) consist of loans to short-term insurance clients mainly through Hi-Five Corporate Finance Proprietary Limited, a subsidiary of Western Group Holdings Limited. These loans to clients accrue interest at rates ranging between 5.10% and 12.25% (2015: 6.10% and 11.25%). The repayment terms and conditions of the loans are negotiated on a case-by-case basis. Early settlement of loans is permitted, in which case the amount will be calculated as the outstanding capital plus any interest accrued until that date. The loan account can also be used as a drawdown facility whereby clients are allowed, subsequent to early settlement of the outstanding balance or a portion thereof, to require an additional advance, limited to a maximum of the original capital of the loan or the guarantee in place.

In order to manage credit risk arising on these loans and advances, loans are only made against fair-valued securities. The terms and conditions of the securities allow Hi-Five Corporate Finance Proprietary Limited to execute its security in case of default on the repayment terms and is entitled to the majority of the increase in the market value of the underlying investments and the dividends and interest received on these investments. If an impairment is identified, the advances are impaired to the value of the underlying instruments should the market value of the instruments fall below the current value of the advances. The fair value of the collateral held in the form of warranties and guarantees was R25.1 million on 29 February 2016 (2015: R29.7 million). With respect to these loans where no collateral is held (2016: Rnil; 2015: R0.2 million), there were no indications as at the reporting date that these debtors will not meet their payment obligations.

The remaining balance of the secured loans in the 2016 financial year is due from financial advisers and is made up as follows: R38.6 million is repayable by monthly instalments and the effective-interest rates applied range between 9.51% and 11.51% and R2.0 million is interest-free and repayable on demand.

Included under unsecured loans in the 2015 financial year were balances of R0.5 million that accrued interest at the UK prime rate and were repayable on demand. These loans originated from the sale of the associated company, PSG Konsult Limited, in the prior financial years.

The remaining balance of the unsecured loans is due from financial advisers and is made up as follows: R29.2 million (2015: R44.7 million) is repayable by monthly instalments and the effective-interest rates applied range between 8.51% and 12.51% (2015: 8.13% and 12.13%) and R13.8 million (2015: R21.1 million) is interest-free and repayable on demand.

The remaining loans and advances are unsecured, interest-free and repayable on demand.

11. LOANS AND ADVANCES (continued)

The individual loans and advances balances were assessed by management to determine whether there is any indication in the financial or other circumstances of the third party that would prevent them from repaying the specific loan or advance. No indication of impairment existed at year-end other than what is mentioned in this note.

As of 29 February 2016, loans and advances of R0.2 million (2015: R0.6 million) were past due but not impaired. This balance relates to a number of independent clients for whom there is no recent history of default. The ageing analysis of these loans and advances is as follows:

	2016 R000	2015 R000
Up to 2 months	194	–
2 to 6 months	44	–
6 to 12 months	–	598
	238	598

The maximum exposure to credit risk at the reporting date is the fair value of each class of the loans and advances mentioned above.

	2016 R000	2015 R000
12. DERIVATIVE FINANCIAL INSTRUMENTS		
Derivative financial assets	17 864	23 324
Derivative financial liabilities	(17 910)	(30 749)
Net derivative financial instruments	(46)	(7 425)
Derivative financial assets		
Current portion	17 864	23 324
Non-current portion	–	–
Derivative financial liabilities		
Current portion	(17 910)	(30 749)
Non-current portion	–	–
	(46)	(7 425)
Analysis of net derivative balance		
Equity contracts		
Contracts for difference (CFD)	(46)	(7 425)
	(46)	(7 425)
Reconciliation of net derivative balance		
Balance at beginning of the year	(7 425)	(7 216)
Additions	7 379	–
Disposals	–	(209)
Balance at end of the year	(46)	(7 425)

12. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

The fair value of the financial instruments that are trading on recognised over-the-counter (OTC) platforms is based on the closing price and classified as quoted instruments. The value of the CFD assets as reflected on the statement of financial position is derived from and corresponds directly to the closing JSE equity market price of the CFD's underlying listed instruments that clients hold.

The notional principal amounts of the outstanding contracts for difference at 29 February 2016 were R205.4 million (2015: R250.0 million).

Trading derivatives are classified as current financial assets and liabilities valued at fair value through profit or loss.

The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets in the statement of financial position.

	2016 R000	2015 R000
13. REINSURANCE ASSETS		
Reinsurers' share of insurance liabilities	76 184	77 413
Balance at beginning of the year	77 413	66 248
Movement for the year	(1 229)	11 165
Total assets arising from reinsurance contracts	76 184	77 413
Current portion	76 184	77 413
Non-current portion	–	–
	76 184	77 413

Amounts due from reinsurers in respect of claims already paid by the group on the contracts that are reinsured, are included in receivables including insurance receivables (refer to note 14).

No reinsurance assets (2015: Rnil) were considered to be impaired.

		2016 R000	2015 R000
14.	**RECEIVABLES INCLUDING INSURANCE RECEIVABLES**		
	Trade receivables	172 674	108 244
	Receivables due from related parties (refer to note 38)	56 886	71 346
	Prepayments	15 856	10 784
	Brokers and clearing houses and client accounts	2 513 471	1 871 853
	Rental and other deposits	5 527	5 070
	VAT receivable	923	5 206
	Contracts for difference	15 484	19 887
	Sundry debtors	3 787	2 320
		2 784 608	2 094 710
	Insurance receivables		
	Due from contract holders and reinsurers	31 970	38 426
	Total receivables including insurance receivables*	2 816 578	2 133 136

* *Includes non-financial assets of R16.8 million (2015: R16.0 million)*

	2016 R000	2015 R000
Current portion	2 816 516	2 133 037
Non-current portion	62	99
	2 816 578	2 133 136

All non-current receivables are due within five years from the end of the reporting period.

Receivables are assessed individually for any indications that the counterparty might not be able to honour its commitments. The provision for bad debt balance at 29 February 2016 was R1.1 million (2015: R1.4 million). The provision for bad debt relates to trade receivables. There were no other provisions relating to any of the other receivables.

Nominal value less impairment provision of trade receivables approximate its fair value.

Broker and clearing accounts represent amounts owing by the JSE for trades conducted during the last few days before the end of the financial year. These balances fluctuate on a daily basis depending on the activity in the market. Included in client accounts are balances of R336.9 million (2015: R439.2 million) which accrue interest at prime.

Included in receivables due from related parties are balances of R3.6 million (2015: R3.4 million) that accrue interest. The effective-interest rates applied to these balances range between 9.10% and 12.51% (2015: 12.00%) and has no fixed repayment terms. The remaining balances are interest-free and payable on demand.

Contracts for difference consist of collateral assets and margin accounts held by the underlying banking institutions on behalf of clients and are valued at the carrying value after processing the daily market and interest adjustments. The balance on 28 February 2015 and 29 February 2016 only represents the margin receivable at year-end from the financial institutions and accrue interest at SAFEX plus 2%.

As of 29 February 2016, no receivables (2015: Rnil) were past due but not impaired.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The group does not hold any collateral as security.

	2016 R000	2015 R000
15. CASH AND CASH EQUIVALENTS (INCLUDING MONEY MARKET INVESTMENTS)		
Cash at bank and in hand	656 397	538 815
Money market investments	490 433	333 127
Short-term deposits	249 122	100 301
	1 395 952	972 243

The effective-interest rate on cash and cash equivalents was 5.70% (2015: 5.00%). The money market investments and the short-term deposits have an average maturity of 30 days or less.

Cash and cash equivalents included above relating to investment contract liabilities amounted to R114.9 million (2015: R27.0 million). Refer to note 22.

Included in cash and cash equivalents are balances of R131.3 million (2015: R60.2 million) relating to cash balances held by collective investment schemes consolidated in terms of IFRS 10 – Consolidated Financial Statements.

16. NON-CURRENT ASSETS (OR DISPOSAL GROUPS) HELD FOR SALE

2016
The asset classified as held for sale relates to the investment in the associated company, Xinergistix Limited, which have been presented as held for sale following the approval by the group's management and shareholders to sell this non-core investment.

	Xinergistix Limited R000	Total R000
Asset classified as held for sale		
Investment in associated company	38 948	38 948
Total	38 948	38 948

The equity accounted profits recognised by the group on the investment in Xinergistix Limited was R1.6 million for the year ended 29 February 2016.

The effective date of this transaction, subject to suspensive conditions, is 1 November 2015. The group expects to complete the sale of this investment within 12 months of the year-end.

The net carrying amount of asset classified as held for sale during the year was written down to its fair value less cost to sell.

16. NON-CURRENT ASSETS (OR DISPOSAL GROUPS) HELD FOR SALE (continued)

2015

The assets and liabilities classified as held for sale related to PSG Academy Proprietary Limited and Nhluvuko Risk Administration Proprietary Limited, which had been presented as held for sale following the approval by the group's management and shareholders to sell these non-core businesses.

	PSG Academy Proprietary Limited R000	Health insurance administration business R000	Total R000
Assets classified as held for sale			
Intangible assets – Goodwill	–	11 272	11 272
Intangible assets – Other intangibles	–	2 475	2 475
Property and equipment	128	171	299
Deferred income tax asset	236	–	236
Receivables including insurance receivables	621	–	621
Current income tax asset	73	–	73
Cash and cash equivalents (including money market investments)	8	2 767	2 775
Total	1 066	16 685	17 751
Liabilities classified as held for sale			
Trade and other payables	645	2 767	3 412
Total	645	2 767	3 412

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. PSG Academy Proprietary Limited made a loss after taxation of R0.7 million for the year ended 28 February 2015.

PSG Konsult Limited (through its subsidiary Nhluvuko Risk Administration Proprietary Limited) sold its health insurance administration business to African Unity Health Proprietary Limited. The health insurance administration business made a profit after taxation of R2.2 million for the year ended 28 February 2015, of which R1.6 million was attributable to equity holders.

The effective date of these transactions, subject to suspensive conditions, were 1 March 2015. The group completed the sale of these businesses within 12 months of the year-end.

The net carrying amount of assets and associated liabilities classified as held for sale during the 2015 financial year was not written down.

17. STATED CAPITAL

Authorised
3 billion shares with no par value
(2015: 3 billion shares with no par value)

There were no changes to the authorised stated capital during the current reporting period (2015: no changes).

Issued	Number of shares (thousands)	Stated capital R000
As at 1 March 2014	1 221 917	1 134 746
Issue of ordinary shares	40 567	190 365
As at 28 February 2015	1 262 484	1 325 111
Issue of ordinary shares	16 640	121 493
As at 29 February 2016	1 279 124	1 446 604

The shares issued during the current financial year was to fulfil the group's obligation towards the share options which vested on 10 April 2015, 1 June 2015 and 1 July 2015 respectively.

The shares issued during the previous financial year was to fulfil the group's obligation towards the share options which vested on 10 April 2014 and 1 July 2014 respectively, as well as the asset-for-share transaction detailed below.

An asset-for-share transaction was concluded on 1 March 2014 in terms of section 42 of the Income Tax Act, No. 58 of 1962, with various advisers within the PSG Konsult Limited Group, through a wholly-owned subsidiary in the group, PSG Wealth Financial Planning Proprietary Limited. The transaction was settled through the issue of 35.8 million PSG Konsult shares, issued by the company at R4.50 and a R12.5 million cash payment by PSG Wealth Financial Planning Proprietary Limited to the advisers.

All shares issued by the company were fully paid. The unissued shares in the company are placed under the control of the directors until the next annual general meeting. The directors are authorised to buy back shares under general approval, subject to certain limitations and the JSE Listings Requirements.

Summary of the cash flow impact of the shares issued during the respective financial years:	2016 R000	2015 R000
Issue of ordinary shares	121 493	190 365
Loss on issue of shares in terms of share scheme	(84 974)	(31 636)
Shares issued for asset-for-share transaction	–	(151 253)
Net cash inflow	36 519	7 476

The shares bought back as treasury shares during the current financial year, by various subsidiaries in the group to fulfil the deferred bonus obligations, are reflected as a deduction against equity. Refer to note 42 for the share analysis.

	Treasury shares	
Analysis of treasury shares:	Number of shares (thousands)	R000
As at 1 March 2014	358	546
As at 28 February 2015	358	546
Treasury shares sold	(16 742)	(125 894)
Treasury shares purchased	18 720	134 409
Release of gain on disposal from treasury shares to retained earnings	–	4 401
As at 29 February 2016	2 336	13 462

17. STATED CAPITAL (continued)

Share incentive scheme

During the current and prior financial years, the group operated an equity-settled share incentive scheme in terms of the PSG Konsult Group Share Incentive Scheme (number of grants under current scheme – 2016: eight; 2015: seven). In terms of the scheme, share options are granted to executive directors, senior and middle management.

In terms of the share incentive scheme, share options are allocated to participants at grant date at market price. The settlement of the purchase consideration payable by the employee in terms of the share options granted occurs on delivery. The only vesting requirement is that the employee must remain in the employment of the group at the relevant tranche vesting date in order to exercise options.

The assumptions made regarding share options issued are set out in this note.

The total equity-settled share-based payment costs recognised in the income statement for the scheme amounted to R16.6 million (2015: R11.6 million). The share-based payment cost expensed during the year was credited to other reserves (as part of equity – refer to note 18).

The weighted average strike price of share options exercised in terms of the equity-settled share scheme during the year under review was R2.46 per share (2015: R1.57 per share).

The total fair value of the 127.1 million share options granted is R71.9 million (2015: 112.3 million share options granted with fair value of R46.0 million) and was determined using the Black-Scholes valuation model. The fair value of the options granted on 1 April 2015 is R25.5 million (1 March 2014: R22.2 million; 1 April 2014: R1.0 million).

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

Granting of share options occurred as follows:	Number of share options	Strike price R	Volatility used[1] %	Dividend yield %	Risk-free rate %	Fair value of share price R
1 March 2011[2]	27 761 084	1.54	4.74	5.65	7.89	1.75
1 July 2012[3]	11 753 248	1.83	2.93	5.85	7.38	1.85
1 March 2014[4]	46 250 000	2.83	30.00	6.00	6.20	2.40
1 June 2013[5]	1 000 000	2.80	24.00	4.20	7.26	2.55
1 August 2013[6]	300 000	3.40	24.00	3.46	7.26	3.50
1 March 2014[8]	25 000 000	5.06	29.25	2.23	8.07	4.30
1 April 2014[7]	240 000	0.00	29.25	2.23	8.07	4.30
1 April 2015[9]	14 755 778	7.27	24.74	1.99	7.06	7.25
	127 060 110					

[1] *Volatility set at historic trend levels of PSG Konsult shares.*

[2] *During the 2016 financial year, 4.3 million shares vested with a weighted average strike price of R1.54 per share (2015: 4.4 million shares vested with a weighted average strike price of R1.54 per share, and 0.8 million shares were cancelled; 2014: 12.3 million shares vested with a weighted average strike price of R1.54 per share, and 2.4 million shares were cancelled).*

[3] *During the 2016 financial year, 0.4 million shares vested with a weighted average strike price of R1.83 per share, and 0.5 million shares were cancelled (2015: 0.4 million shares vested with a weighted average strike price of R1.83 per share).*

[4] *During the 2016 financial year, 11.5 million shares vested with a weighted average strike price of R2.83 per share, and 1.5 million shares were cancelled (2015: 5.0 million shares were cancelled).*

[5] *During the 2016 financial year, 0.3 million shares vested with a weighted average strike price of R2.80 per share.*

[6] *During the 2016 financial year, 0.1 million shares vested with a weighted average strike price of R3.40 per share.*

[7] *During the 2016 financial year, 0.1 million shares vested with a weighted average strike price of Rnil per share.*

[8] *During the 2016 financial year, 1.7 million shares were cancelled (2015: 2.1 million shares were cancelled).*

[9] *During the 2016 financial year, 1.5 million shares were cancelled.*

17. STATED CAPITAL (continued)
Share incentive scheme (continued)

Analysis of outstanding scheme shares by financial year of maturity:	2016 Weighted average strike price R	2016 Number	2015 Weighted average strike price R	2015 Number
29 February 2016	–	–	2.31	21 639 299
28 February 2017	2.84	28 047 738	3.05	23 347 250
28 February 2018	3.98	20 332 522	3.35	18 568 312
28 February 2019	4.33	17 576 223	3.65	15 550 000
29 February 2020	5.92	8 501 223	5.06	5 725 000
28 February 2021	7.27	3 313 723	–	–
		77 771 429		84 829 861

	PSG Konsult Limited ordinary shares 2016 Number	2015 Number
Number of share options allocated at beginning of the year	84 829 861	72 304 289
Number of share options cancelled during the year	(5 174 914)	(7 942 435)
Number of share options vested during the year	(16 639 296)	(4 771 993)
Number of share options allocated during the year	14 755 778	25 240 000
Number of share options allocated at end of the year	77 771 429	84 829 861
Analysis of outstanding scheme shares per award:		
1 March 2011	3 528 940	7 824 926
1 July 2012	10 352 598	11 314 935
1 March 2013	28 250 000	41 250 000
1 June 2013	750 000	1 000 000
1 August 2013	225 000	300 000
1 March 2014	21 250 000	22 900 000
1 April 2014	160 000	240 000
1 April 2015	13 254 891	–
	77 771 429	84 829 861

The weighted average PSG Konsult share price for the year was R7.92 (2015: R6.95).

	Foreign currency translation R000	Revaluation R000	Share-based payment R000	Common control R000	Total R000
18. OTHER RESERVES					
Balance as at 1 March 2014	489	–	25 150	(470 785)	(445 146)
Share-based payment costs – employees	–	–	11 562	–	11 562
Currency translation adjustments	224	–	–	–	224
Deferred tax on equity-settled share-based payments	–	–	32 516	–	32 516
Current tax on equity-settled share-based payments	–	–	5 084	–	5 084
Loss on issue of shares in terms of share scheme	–	–	(31 636)	–	(31 636)
Release of share-based payment reserve to retained earnings	–	–	22 925	–	22 925
Balance as at 28 February 2015	713	–	65 601	(470 785)	(404 471)
Share-based payment costs – employees	–	–	16 608	–	16 608
Currency translation adjustments	8 478	–	–	–	8 478
Deferred tax on equity-settled share-based payments	–	–	(10 024)	–	(10 024)
Current tax on equity-settled share-based payments	–	–	20 153	–	20 153
Loss on issue of shares in terms of share scheme	–	–	(84 974)	–	(84 974)
Release of share-based payment reserve to retained earnings	–	–	58 773	–	58 773
Revaluation of property and equipment	–	702	–		702
Balance as at 29 February 2016	9 191	702	66 137	(470 785)	(394 755)

The common control reserve originated from various business combinations concluded with companies within the PSG Group. The IFRS for business combinations (IFRS 3) did not apply to these business combinations, as it was effected between parties that are ultimately controlled by PSG Group Limited, otherwise known as a common control transaction. The group elected to apply 'predecessor accounting'. Refer to note 4.4 of the accounting policies for further explanation of the common control accounting policy.

The material transactions concluded in prior financial years were the acquisition of PSG Securities Limited on 1 November 2006, the acquisition of PSG Fixed Income and Commodities Proprietary Limited on 1 March 2010 and the acquisition of PSG Asset Management Holdings Proprietary Limited on 1 March 2011. These companies were all bought from subsidiaries within the PSG Group, with the ultimate holding company being PSG Group Limited.

		2016 R000	2015 R000
19.	**NON-CONTROLLING INTEREST**		
	Balance as at 1 March	132 491	86 222
	Profit for the year	28 900	21 397
	Dividend paid	(5 207)	(2 922)
	Acquisition of subsidiary	921	–
	Revaluation of property and equipment	467	–
	Additional interest acquired from non-controlling interest	(360)	(206)
	Capital contribution by non-controlling interest	–	28 000
	Balance as at 29/28 February	157 212	132 491

Transactions with non-controlling interest, as disclosed in the statement of changes in equity, relates mainly to the acquisition of an additional 4% (2015: 3%) interest in PSG Namibia Proprietary Limited by PSG Distribution Holdings Proprietary Limited during the respective financial years. Refer to note 39.5.

		2016 R000	2015 R000
20.	**INSURANCE CONTRACTS AND REINSURANCE ASSETS**		
	Gross		
	Long-term insurance contracts (refer to a)	24 859	26 339
	Short-term insurance contracts		
	– claims reported and loss adjustment expenses (refer to b)	131 402	127 844
	– claims incurred but not reported (IBNR) (refer to c)	54 700	44 552
	– unearned premiums and unexpired risk provision (refer to d)	396 349	375 596
	Total insurance liabilities – gross	607 310	574 331
	Current portion	582 451	547 992
	Non-current portion	24 859	26 339
	Recoverable from reinsurers		
	Long-term insurance contracts (refer to a)	–	–
	Short-term insurance contracts		
	– claims reported and loss adjustment expenses (refer to b)	42 128	46 106
	– claims incurred but not reported (IBNR) (refer to c)	16 267	13 952
	– unearned premiums and unexpired risk provision (refer to d)	17 789	17 355
	Total reinsurers' share of insurance liabilities	76 184	77 413
	Current portion	76 184	77 413
	Non-current portion	–	–
	Net		
	Long-term insurance contracts (refer to a)	24 859	26 339
	Short-term insurance contracts		
	– claims reported and loss adjustment expenses (refer to b)	89 274	81 738
	– claims incurred but not reported (IBNR) (refer to c)	38 433	30 600
	– unearned premiums and unexpired risk provision (refer to d)	378 560	358 241
	Total insurance liabilities – net	531 126	496 918

20. INSURANCE CONTRACTS AND REINSURANCE ASSETS (continued)

The gross claims reported, the loss adjustment expenses liabilities and the liability for claims incurred but not reported are net of expected recoveries from salvages. The amounts for salvage at 29 February 2016 and 28 February 2015 are not material.

	2016 R000	2015 R000
Movements in insurance contracts and reinsurance assets:		
a) Long-term insurance contracts		
Balance at beginning of the year	26 339	26 859
Liabilities released for payments on death, surrender and other terminations for the year	(2 739)	(2 993)
Fees deducted from account balances	(91)	(265)
Changes in unit prices	1 350	2 738
Balance at end of the year	24 859	26 339

Refer to page 252 for the significant assumptions used in the long-term insurance contract liabilities.

	2016			2015		
	Gross R000	Re-insurance R000	Net R000	Gross R000	Re-insurance R000	Net R000
b) Claims reported and loss adjustment expenses						
Total at the beginning of the year	127 844	(46 106)	81 738	85 097	(36 880)	48 217
Cash paid for claims settled in the year	(653 694)	152 998	(500 696)	(516 146)	129 127	(387 019)
Increase in liabilities						
– arising from current year claims	781 633	(195 126)	586 507	641 218	(175 233)	465 985
– arising from prior year claims	(122 973)	46 106	(76 867)	(85 097)	36 880	(48 217)
Portfolio transfer	–	–	–	2 772	–	2 772
Other movements	(1 408)	–	(1 408)	–	–	–
Total at the end of the year	131 402	(42 128)	89 274	127 844	(46 106)	81 738
c) Provision for IBNR						
Total at the beginning of the year	44 552	(13 952)	30 600	39 379	(15 132)	24 247
Charged to the income statement	10 148	(2 315)	7 833	5 173	1 180	6 353
Total at the end of the year	54 700	(16 267)	38 433	44 552	(13 952)	30 600

20. INSURANCE CONTRACTS AND REINSURANCE ASSETS (continued)

	2016 Gross R000	2016 Re-insurance R000	2016 Net R000	2015 Gross R000	2015 Re-insurance R000	2015 Net R000
d) Provision for unearned premiums and unexpired risk provision						
Total at the beginning of the year	375 596	(17 355)	358 241	341 828	(14 236)	327 592
Charged to the income statement	20 986	(434)	20 552	34 906	(3 119)	31 787
Portfolio transfer	–	–	–	(1 138)	–	(1 138)
Other movements	(233)	–	(233)	–	–	–
Total at the end of the year	396 349	(17 789)	378 560	375 596	(17 355)	358 241

Claims development tables

Due to the nature of the short-term insurance contracts, the uncertainty about the amount and timing of claims payments is typically resolved within one year. The corresponding reinsurance contracts are therefore estimated to realise within the next 12 months.

Liability adequacy test

An unexpired risk reserve (URR) is required if the group believes that its unearned premium reserve (UPR) will prove insufficient to cover the unexpired risk on its books at the valuation date.

	2016 R000	2015 R000
21. BORROWINGS		
Non-current		
Secured loans	–	43
Finance leases	3 463	7 407
Total non-current borrowings	3 463	7 450
Current		
Secured loans	263 440	413 527
Finance leases	4 031	3 734
Related-party loans (refer to note 38)	172	732
Other short-term loans	3 008	2 400
Total current borrowings	270 651	420 393
Total borrowings	274 114	427 843

21. BORROWINGS (continued)

The secured loans consist of loans with Investec Bank Limited (2015: loans with Rand Merchant Bank, Investec Bank Limited and Société Générale).

The loan with Investec Bank Limited was secured by the irrevocable, unconditional guarantee from PSG Konsult Limited for all the obligations of Delerus Proprietary Limited under the facility together with cession and pledge of all present and future right, title, benefit and interest to the loan book by Delerus Proprietary Limited. The loan, to the amount of Rnil (2015: R0.1 million), was secured by adviser loans of R15.5 million in the 2015 financial year. The loan consisted of two separate loans in the 2015 financial year, one of R0.05 million, which accrued interest at prime and was repayable in monthly instalments of R0.005 million, with the final instalment on 1 December 2015, and another of R0.08 million, which accrued interest at prime and was repayable in monthly instalments of R0.004 million, with the final instalment on 1 February 2017. The group accelerated the repayment of this Investec Bank Limited facility during the 2016 financial year and repaid both loans in full on 20 November 2015.

A further loan was obtained from Investec Bank Limited during the 2015 financial year, which is secured by the underlying JSE equity securities and cash held by the clients in their BDA accounts in terms of the loan facility entered into with PSG Scriptfin Proprietary Limited. The loan facility is a revolving collateralised facility between Investec Bank Limited, PSG Scriptfin Proprietary Limited and the underlying client, and is repayable by the client to Investec Bank Limited upon written notice to the client. The collateralised revolving facility with a balance of R219.4 million (2015: R257.6 million), secured by assets with a market value of R517.7 million at 29 February 2016 (2015: R694.3 million), accrues interest at the prime less 1.5% and is settled on a daily basis depending on the value of the security. PSG Scriptfin Proprietary Limited obtained a further recourse facility from Investec Bank Limited during the 2016 financial year, secured by a guarantee of R200.0 million from PSG Konsult Limited, which accrues interest at the prime less 1.5% and is settled on a daily basis depending on the value of the security, with the form of security being the same as those under the non-recourse Investec Bank Limited loan. The balance on 29 February 2016 was R44.0 million, secured by assets with a market value of R1 172.1 million.

The loan with Société Générale, which was secured by the underlying JSE ALSI 100 equity securities, South African Government Bonds Securities and cash held by the clients in their BDA accounts in terms of the loan facility entered into with PSG Securities Limited, was available for a 12-month period and renegotiated annually. The collateralised revolving facility with a balance of R155.9 million on 28 February 2015, secured by assets with a market value of R2.6 billion at 28 February 2015, accrued interest at the repo rate plus 1.30% and was settled on a daily basis depending on the value of the security. This loan facility was repaid in full during May 2015.

The loan with Rand Merchant Bank in the 2015 financial year was secured by the investment in PSG Securities Limited and consisted of three separate loans. The group accelerated the repayment of the Rand Merchant Bank facility during the 2015 financial year, with the first loan repaid in full on 12 August 2014, the second loan on 15 December 2014 and the third loan on 20 October 2014. The group utilised excess cash to accelerate the repayment of the Rand Merchant Bank facilities.

A finance lease was concluded with Innovent Rent and Asset Management Solutions Proprietary Limited to obtain new computer equipment for PSG's datacentre in Bryanston. The term of the lease is four years, and it is payable in 16 fixed quarterly instalments (in advance) of R1.1 million, commencing on 1 February 2014 with the final instalment on 1 January 2018. The effective-interest rate is a fixed rate of 5.50%, with no annual escalation applicable. An amount of R0.1 million is also included in the finance lease payable, relating to a final instalment on a finance lease of PSG Wealth Limited (Mauritius).

The finance lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

		2016 R000	2015 R000
21.	**BORROWINGS (continued)**		
	Gross finance lease liabilities – minimum lease payments:		
	Less than 1 year	4 340	4 253
	Between 1 and 5 years	3 552	7 804
		7 892	12 057
	Future finance charges on finance lease liabilities	(398)	(916)
	Balance at end of the year	7 494	11 141
	The present value of finance lease liabilities is as follows:		
	Less than 1 year	4 031	3 734
	Between 1 and 5 years	3 463	7 407
	Balance at end of the year	7 494	11 141

All other balances are interest-free and repayable on demand.

The carrying value of short-term borrowings approximates their fair value.

The group has an undrawn overdraft facility of R50.0 million (2015: R30.0 million) with Absa Bank Limited on 29 February 2016. The continual focus on optimising cash flow management and debt funding positions led to the establishment of PSG Konsult Treasury, which centralises the management of the group's liquidity and solvency positions to ensure that capital is utilised appropriately to maximise shareholder returns.

		2016 R000	2015 R000
22.	**INVESTMENT CONTRACTS**		
	Balance at beginning of the year	14 222 603	12 692 768
	Investment contract receipts	6 792 057	3 975 889
	Investment contract benefits paid	(2 463 804)	(3 831 120)
	Interest charge	49 942	75 787
	Commission and administration fees	(153 678)	(97 512)
	Fair value adjustment to investment contract liabilities	1 389 130	1 406 791
	Balance at end of the year	19 836 250	14 222 603
	Current portion	2 239 644	2 882 552
	Non-current portion	17 596 606	11 340 051
		19 836 250	14 222 603
	Fair value through profit or loss	19 472 147	13 389 361
	At amortised cost	364 103	833 242
		19 836 250	14 222 603
	Investment contracts are represented by the following investments:		
	Equity securities	1 661 713	955 147
	Debt securities	783 225	800 198
	Unit-linked investments	17 159 971	12 102 096
	Investment in investment contracts	116 477	338 208
	Cash and cash equivalents	114 864	26 954
		19 836 250	14 222 603

		2016 R000	2015 R000
23.	**THIRD-PARTY LIABILITIES ARISING ON CONSOLIDATION OF MUTUAL FUNDS**		
	Balance at beginning of the year	699 202	372 169
	Net capital contributions received or change in effective ownership	216 200	285 508
	Fair value adjustment to third-party liabilities	67 080	41 525
	Acquisition of subsidiaries	13 041 244	–
	Balance at end of the year	14 023 726	699 202
	Current portion	14 023 726	699 202
	Non-current portion	–	–
		14 023 726	699 202

These mutual fund liabilities relates to certain collective investment schemes which have been classified as investments in subsidiaries – refer to Annexure A. Consequently, fund interests not held by the group are classified as third-party liabilities as they represent demand deposit liabilities measured at fair value. Maturity analysis is not possible as it is dependent on external unit holders' behaviour outside of the group's control.

The group's own credit risk is not applicable in the measurement of these liabilities, as these liabilities are specifically referenced to assets and liabilities contained in separate legal structure that could not be attached in the event of a group entity holding the controlling units defaulting.

		2016 R000	2015 R000
24.	**TRADE AND OTHER PAYABLES**		
	Trade payables	398 870	333 387
	Contracts for difference	18 499	24 641
	Deferred revenue	11 779	9 097
	Purchase consideration payable	5 297	4 783
	VAT payable	19 570	19 855
	Unallocated premiums	123 846	104 599
	Short-term claim creditors	14 269	12 317
	Settlement control account	2 267 388	1 512 970
	Amounts due to intermediaries	16 235	13 230
	Amounts due to reinsurers	18 034	32 249
	Foreign reinsurers' reserve deposits	264	1 272
	Total trade and other payables*	2 894 051	2 068 400
	Current portion	2 888 027	2 062 489
	Non-current portion	6 024	5 911
		2 894 051	2 068 400

* *Includes non-financial liabilities of R173.9 million (2015: R151.7 million).*

24. TRADE AND OTHER PAYABLES (continued)

The carrying amount of trade and other payables approximate their fair value. Due to the short-term nature, the impact of discounting is not considered material.

The contracts for difference balance at 29 February 2016 and 28 February 2015 represents the margin payable at year-end by the group to clients and accrues interest at SAFEX less 2%.

Included in purchase consideration payable in the 2015 financial year were balances of R1.2 million that accrue interest. The effective-interest rate applied to these balances was 8.13%. The remaining balance of the purchase consideration payable in the 2015 financial year and the amount payable in the 2016 financial year are interest-free.

The settlement control account represents the settlement of trades done by clients in the last few days before year-end. The settlement to the clients takes place within three days after the transaction date.

The group raised a provision amounting to R8.7 million in the 2015 financial year in terms of a subscription agreement (dated 6 February 2008, as amended) entered into between PSG Konsult Insurance Solutions Proprietary Limited and an insurer in South Africa. This provision was made in terms of a profit warranty arrangement which formed part of this subscription agreement and paid in full in the 2016 financial year.

	2016 R000	2015 R000
25. DEFERRED ACQUISITION COSTS AND DEFERRED REINSURANCE ACQUISITION REVENUE		
a) Deferred acquisition costs		
At the beginning of the year	1 714	1 025
Movement for the year	1 297	689
Total at the end of the year	3 011	1 714
b) Deferred reinsurance acquisition revenue		
At the beginning of the year	3 563	2 842
Movement for the year	961	721
Total at the end of the year	4 524	3 563

	2016 R000	2015 R000
26. COMMISSION AND OTHER FEE INCOME		
Commission and policy administration fees*	2 085 138	1 845 995
Dealing and structuring	376 255	292 860
	2 461 393	2 138 855

* *Includes management fees and commission received from related-party offshore unit trusts and local unit trusts of R614.2 million (2015: R567.9 million). Refer to note 38.*

		2016 R000	2015 R000
27.	**INVESTMENT INCOME**		
	Interest income*		
	Loans and advances	47 499	41 449
	Contracts for difference – interest received on margin	54 415	46 661
	Debt securities – at fair value through profit or loss	85 526	46 572
	Unit-linked investments – at fair value through profit or loss	246 879	180 208
	Interest received from related parties (refer to note 38)	175	210
	Cash and short-term funds	95 198	57 178
		529 692	372 278
	Dividend income*		
	Equity securities – at fair value through profit or loss	7 600	9 647
	Debt securities	441	17 029
	Unit-linked investments – at fair value through profit or loss	74 831	96 936
	Dividend income received from related parties (refer to note 38)	–	120
	Dividend income from underwriting business	–	3 168
		82 872	126 900
	Rental income	424	376
		612 988	499 554

* *Includes interest received of R23.0 million (2015: R9.1 million) and dividends received of R13.2 million (2015: R21.2 million) from related-party local investment schemes. Refer to note 38.*

No interest income (2015: Rnil) was earned on impaired financial assets during the year.

		2016 R000	2015 R000
28.	**NET FAIR VALUE GAINS AND LOSSES ON FINANCIAL INSTRUMENTS**		
	Foreign exchange gains	58 032	1 350
	Foreign exchange losses	(222)	(437)
	Amortised cost movement on held-to-maturity financial assets	49 943	78 364
	Net fair value gains on financial assets designated at fair value through profit or loss:		
	Unrealised fair value gains – designated items	583 069	833 049
	Realised fair value gains – designated items	413 967	297 335
		1 104 789	1 209 661

		2016 R000	2015 R000
29.	**OTHER OPERATING INCOME**		
	Profit on disposal of property and equipment	447	245
	Profit on disposal of intangible assets	1 368	1 106
	Income from related parties (refer to note 38)	654	767
	Training income*	–	6 913
	JSE settlement cost recoveries	6 417	5 298
	Sundry income	25 119	20 834
		34 005	35 163

* *Training income related to the income generated by PSG Academy Proprietary Limited, the non-core accredited private higher education institution sold effective 1 March 2015. Refer to note 16 for more detail.*

		Gross R000	Reinsurance R000	Net R000
30.	**NET INSURANCE BENEFITS AND CLAIMS**			
	2016			
	Short-term insurance contracts			
	Claims paid	667 859	(157 395)	510 464
	Movement in the expected cost of outstanding claims	15 114	1 663	16 777
	Salvages	(14 165)	4 397	(9 768)
	Individual life long-term insurance contracts – death, maturity, surrender, sick leave benefits and transfers to policyholder liabilities			
	Insurance policy benefits paid (refer to note 20)	2 739	–	2 739
	Movement to insurance policy liabilities (refer to note 20)	(1 350)	–	(1 350)
	Total claims and loss adjustment expense	670 197	(151 335)	518 862
	2015			
	Short-term insurance contracts			
	Claims paid	527 077	(132 348)	394 729
	Movement in the expected cost of outstanding claims	45 147	(8 439)	36 708
	Salvages	(10 931)	3 614	(7 317)
	Individual life long-term insurance contracts – death, maturity, surrender, sick leave benefits and transfers to policyholder liabilities			
	Insurance policy benefits paid (refer to note 20)	2 993	–	2 993
	Movement to insurance policy liabilities (refer to note 20)	(2 738)	–	(2 738)
	Total claims and loss adjustment expense	561 548	(137 173)	424 375

		2016 R000	2015 R000
31.	**EXPENSES (EXCLUDING NET INSURANCE BENEFITS AND CLAIMS)**		
31.1	Commission paid		
	Commission paid to brokers and financial planners	1 061 309	910 226

		2016 R000	2015 R000
31.	**EXPENSES (EXCLUDING NET INSURANCE BENEFITS AND CLAIMS) (continued)**		
31.2	Depreciation and amortisation		
	Depreciation	19 118	17 972
	Owner-occupied buildings	135	131
	Motor vehicles	53	37
	Office equipment	7 324	7 352
	Computer equipment	11 606	10 452
	Amortisation of intangible assets	38 190	37 450
	Customer relationships	31 569	29 379
	Other	6 621	8 071
		57 308	55 422
31.3	Employee benefit expenses		
	Salaries, wages, allowances and terminations	520 797	456 247
	Social security costs (e.g. UIF, medical benefits, National insurance)	24 772	19 600
	Equity-settled share-based payment costs	16 608	11 562
	Pension costs – defined-contribution plans	28 799	24 203
		590 976	511 612
31.4	Fair value adjustment to third-party liabilities	67 080	41 525
31.5	Marketing, administration and other expenses		
	Operating lease rentals	52 864	50 990
	Properties	50 324	47 979
	Equipment and other	2 540	3 011
	Auditor's remuneration	10 795	10 319
	Audit services – current year	10 576	9 476
	Audit services – prior year	(387)	162
	Tax services	124	221
	Other services	482	460
	Management fees paid	138 592	131 538
	Marketing expenses	46 201	27 043
	Professional fees	14 477	20 422
	Other administration expenses	221 508	186 942
	JSE and STRATE expenses	40 811	31 667
	Research and administration systems	31 129	24 323
	Information technology expenses	36 676	30 453
	Office expenses	18 158	15 689
	Telephone expenses	9 877	10 736
	Travel expenses	17 854	17 227
	Other expenses	67 003	56 847
	Impairment of equity securities	605	–
	Loss on disposal of property and equipment	310	106
	Loss on disposal of intangible assets	13	97
		485 365	427 457

Refer to directors' report for detail of directors' remuneration on pages 133 and 134.

		2016 R000	2015 R000
32.	**FINANCE COSTS**		
	Contracts for difference – interest paid on margin	9 914	10 193
	Investment contract liabilities at amortised cost	49 942	75 787
	Other borrowings	32 025	33 925
		91 881	119 905

		2016 R000	2015 R000
33.	**TAXATION**		
	Current taxation		
	Current year	205 045	167 757
	Prior year	115 185	(1 810)
		320 230	165 947
	Deferred taxation		
	Current year	(17 278)	(6 812)
	Prior year	–	10
		(17 278)	(6 802)
	Foreign current taxation		
	Current year	8 352	507
	Prior year	18	(152)
		8 370	355
	Foreign deferred taxation		
	Current year	(1 484)	3 734
		(1 484)	3 734
	Total income statement charge	309 838	163 234

	2016 %	2015 %
Reconciliation of effective rate of taxation		
South African normal taxation rate	28.0	28.0
Adjusted for:		
Non-taxable income	(0.5)	(1.1)
Capital gains tax differential in rates	0.4	(0.3)
Non-deductible charges	1.1	1.4
Prior year under-/(over-)provision*	18.2	(0.4)
Income from associated companies and joint ventures	(0.1)	(0.1)
Prior year deferred tax adjustments	(0.1)	–
Foreign tax rate differential	(0.2)	(0.1)
Tax in policyholder funds	2.5	3.7
Tax deductible expenses not accounted for in income statement	(0.1)	–
Realisation of deferred tax on disposal of intangible asset	(0.1)	–
Effective rate of taxation	49.1	31.1

* *Prior year underprovision in current financial year, largely due to the legacy tax matter settled at PSG Life Limited. Refer to note 40 for further detail on this event after the reporting date.*

	2016 R000	2015 R000
33. TAXATION (continued)		
Unutilised tax losses		
Gross calculated tax losses at the end of the year available for utilisation against future taxable income	51 783	46 777
Deferred tax asset provided on	(50 209)	(45 204)
Available for future utilisation	1 574	1 573
The tax impact relating to components of other comprehensive income is as follows:		
Before tax		
Currency translation adjustments	8 478	224
Gain on revaluation of property and equipment	1 346	–
Tax credit		
Gain on revaluation of property and equipment	(177)	–
After tax		
Currency translation adjustments	8 478	224
Gain on revaluation of property and equipment	1 169	–
Other comprehensive income for the year, net of tax	9 647	224

The total deferred tax, recognised in equity, relating to share-based payment transactions, was R35.2 million on 29 February 2016 (28 February 2015: R46.7 million).

	2016 R000	2015 R000
34. EARNINGS PER SHARE		
The calculations of earnings per share is based on the following:		
Profit attributable to ordinary shareholders	292 924	340 401
Non-headline earnings (net of non-controlling interest and related tax effect):		
Impairment of available-for-sale financial assets	605	–
Gross amount	605	–
Non-controlling interest	–	–
Tax effect	–	–
Profit on disposal of intangible assets (including goodwill)	(190)	(757)
Gross amount	(1 355)	(1 009)
Non-controlling interest	(12)	173
Tax effect	1 177	79
Impairment of associated companies	1 189	–
Gross amount	1 981	–
Non-controlling interest	(792)	–
Tax effect	–	–
Profit on disposal of property and equipment	(74)	(132)
Gross amount	(137)	(139)
Non-controlling interest	12	(11)
Tax effect	51	18
Non-headline items of associated companies	(2 151)	(251)
Gross amount	(3 300)	(401)
Non-controlling interest	1 149	150
Tax effect	–	–
Fair value adjustment to investment property	(1)	–
Gross amount	(2)	–
Non-controlling interest	1	–
Tax effect	–	–
Headline earnings	292 302	339 261

34. EARNINGS PER SHARE (continued)

The weighted average number of shares and diluted weighted average number of shares were calculated as follows:

	2016 Number of shares 000	2015 Number of shares 000
Number of shares at the beginning of the year	1 262 484	1 221 560
Weighted number of shares issued during the year	13 880	39 834
Net movement in treasury shares	(2 202)	–
Weighted number of shares at end of the year	1 274 163	1 261 394
Number of bonus element shares to be issued in terms of share option scheme	35 859	42 800
Diluted weighted number of shares at the end of the year	1 310 022	1 304 194

	2016 R000	2015 R000
Basic		
Earnings attributable to ordinary shareholders	292 924	340 401
Headline earnings	292 302	339 261
Weighted average number of ordinary shares in issue (000)	1 274 163	1 261 394
Attributable earnings per share (cents)	23.0	27.0
Headline earnings per share (cents)	22.9	26.9
Net asset value per share (cents)	132.2	118.3
Tangible net asset value per share (cents)	63.1	50.2
Diluted		
Diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares in issue to assume conversion of all dilutive potential ordinary shares (arising from the share incentive schemes set out in note 17). A calculation is performed to determine the number of shares that could have been acquired at fair value (determined as the volume-weighted average annual JSE-listed share price of the company's shares) based on the monetary value of the equity-settled share options granted to participants.		
Earnings attributable to ordinary shareholders	292 924	340 401
Headline earnings	292 302	339 261
Diluted weighted average number of ordinary shares in issue (000)	1 310 022	1 304 194
Diluted attributable earnings per share (cents)	22.4	26.1
Diluted headline earnings per share (cents)	22.3	26.0

		2016 R000	2015 R000
35.	**DIVIDEND PER SHARE**		
	Normal dividend	158 460	142 578

Interim
4.4 cents per share (2015: 4.0 cents per share)

Final
8.8 cents per share (2015: 8.0 cents per share)

Dividends are not accounted for until they have been approved by the company's board of directors.

36. CAPITAL COMMITMENTS AND CONTINGENCIES

Other than operating lease commitments (disclosed on page 217), the group had the following capital commitment and contingencies as at 29 February 2016:

- Capital expenditure in terms of computer hardware and software and development costs for administration systems that was authorised at 28 February 2015, but not yet contracted of R2.0 million. None were authorised as at 29 February 2016.
- As at 29 February 2016, the group had R1.2 million (2015: R17.0 million) capital expenditure contracted or authorised, but not yet incurred.
- As per note 21, PSG Konsult Limited ceded its rights and title to its shareholding in PSG Securities Limited, through PSG Wealth Holdings Proprietary Limited, as security against PSG Konsult Limited's due performance and discharge of its obligations or indebtedness under the loan facilities obtained from Rand Merchant Bank in previous financial years. The value of the cession was capped at the initial loan amount of the two facilities that was in place, being R150.0 million. The company repaid these facilities in full during the 2015 financial year and the cession was cancelled accordingly.
- As per note 21, PSG Konsult Limited (and some of its subsidiaries) sold loans due from various financial advisers to Investec Bank Limited, via its subsidiary Delerus Proprietary Limited (Delerus). In order to ensure the proper and punctual payment by Delerus to Investec Bank Limited, PSG Konsult Limited issued an irrevocable, unconditional guarantee for all the obligations of Delerus together with cession and pledge of all present and future rights, title, benefit and interest to the loan book of Delerus. The loan amount due by Delerus to Investec Bank Limited at 29 February 2016 was Rnil (2015: R0.1 million) as the facility was repaid in full on 20 November 2015 and the guarantee cancelled.
- PSG Scriptfin Proprietary Limited, a wholly-owned subsidiary, obtained a further recourse facility from Investec Bank Limited during the 2016 financial year and PSG Konsult Limited provided an irrevocable, unconditional guarantee for all the obligation and liabilities of PSG Scriptfin Proprietary Limited, under this facility, to Investec Bank Limited, limited to R200.0 million.
- The group also provided suretyships to the value of R1.1 million (2015: R9.2 million) in favour of various financial institutions for the purchase of books of business by advisers.
- PSG Konsult Limited has also issued letters of support, in the ordinary course of business, for the activities of certain subsidiaries in the group.
- The group, like all other financial services groups in South Africa, is subject to litigation in the normal course of its business. Appropriate provisions are made when losses are expected to materialise. There are no legal or arbitration proceedings (including any such proceedings that are pending or threatened) of which the group is aware, which may have, or have during the previous 12 months, had a material effect on the financial position of the group.

	2016 R000	2015 R000
36. CAPITAL COMMITMENTS AND CONTINGENCIES (continued)		
Operating lease commitments		
Future minimum lease commitments in terms of:		
Operating leases – premises		
Due within 1 year	40 297	27 918
Due within 1 to 5 years	105 395	54 516
Due after 5 years	3 928	–
	149 620	82 434
Operating leases – equipment		
Due within 1 year	–	362
Due within 1 to 5 years	–	47
	–	409

The group leases a number of premises under non-cancellable operating lease agreements. The ordinary lease terms are between two and six years, with the majority of the lease agreements being renewable at the end of the lease term at market-related rentals. The annual lease escalations range from 5.00% to 10.00% (2015: 4.00% to 11.00%).

A summary of the lease agreements containing the escalation clauses, renewal options and restrictions imposed by the lease agreements is available for inspection at the company's registered office.

37. BORROWING POWERS

In terms of the company's memorandum of incorporation (MOI), borrowing powers are unlimited. Details of actual borrowings of the group are disclosed in note 21 to the financial statements.

38. RELATED-PARTY TRANSACTIONS

PSG Konsult Limited, its subsidiaries, associated companies and joint ventures enter into various financial services transactions with members of the PSG Group and PSG Konsult Limited Group. These transactions include a range of investment, administrative, advisory and corporate services in the normal course of business. All intergroup transactions have been eliminated on consolidation.

The related-party transactions are similar to those disclosed in the prior financial year.

	2016 R000	2015 R000
38. RELATED-PARTY TRANSACTIONS (continued)		
Amounts receivable from associated companies, joint ventures and other companies in the PSG Group		
Included in receivables from companies in the PSG Group		
PSG Corporate Services Proprietary Limited	88	48
Included in receivables from companies in the PSG Konsult Limited Group		
Woodwind Trading Proprietary Limited	–	1 172
PSG Konsult Employees Trust	30	–
Make-a-Million Online Proprietary Limited	96	66
Prexision Asset Finance Proprietary Limited	7	–
Jan Jonker Property Investment Trust	3 598	3 429
Balances due from local unit trusts and offshore unit trusts		
Related-party receivables		
Local unit trusts	43 855	59 954
Offshore unit trusts	9 212	6 677
	56 886	71 346

Refer to note 14 for the detail of the amount receivable from related parties.

	2016 R000	2015 R000
Amounts payable to associated companies, joint ventures and other companies in the PSG Group		
Included in borrowings from companies in the PSG Group		
PSG Corporate Services Proprietary Limited	74	–
Zeder Financial Services Limited	4	13
Included in borrowings from companies in the PSG Konsult Limited Group		
Make-a-Million Online Proprietary Limited	94	94
Prexision Asset Finance Proprietary Limited	–	625
	172	732

Refer to note 21 for the detail of the borrowings from related parties.

	2016 R000	2015 R000
Balances due to local unit trusts and offshore unit trusts:		
Related-party payable		
Local unit trusts	3 819	3 304
Offshore unit trusts	2 056	1 332
	5 875	4 636
Investments held in related-party funds		
The following investments are held in related parties:		
Investments in unit trusts	11 863 272	7 415 437
	11 863 272	7 415 437

		2016 R000	2015 R000
38.	**RELATED-PARTY TRANSACTIONS (continued)**		
	The following significant related-party transactions occurred during the year:		
	Commission and other fees received from companies in the PSG Group		
	PSG Group Limited and its subsidiaries		
	PSG Corporate Services Proprietary Limited	418	697
	Capitec Bank Holdings Limited Group	236	70
		654	767
	Transaction with local unit trusts and offshore unit trusts		
	Management fees from related-party funds		
	Local unit trusts	515 006	465 273
	Offshore unit trusts	99 242	102 580
		614 248	567 853
	Commission and fees paid to companies in the PSG Group		
	PSG Group Limited and its subsidiaries		
	PSG Capital Proprietary Limited	1 576	–
	PSG Corporate Services Proprietary Limited	959	405
	Zeder Financial Services Limited	24	129
		2 559	534
	Marketing, administration and other fees paid to companies in the PSG Group		
	PSG Group Limited and its subsidiaries		
	PSG Corporate Services Proprietary Limited	19	6
	PSG Capital Proprietary Limited	333	1 209
	Grayston Elliot Proprietary Limited	59	79
	PSG Konsult Limited and its associated companies and joint ventures		
	Tradesure Marine Proprietary Limited	2 439	3 325
		2 850	4 619

	2016 R000	2015 R000
38. RELATED-PARTY TRANSACTIONS (continued)		
Interest received from companies in the PSG Group		
PSG Group Limited and its subsidiaries		
PSG Corporate Services Proprietary Limited	–	14
PSG Konsult Limited and its associated companies and joint ventures		
Xinergistix Limited	6	52
Jan Jonker Property Investment Trust	169	144
	175	210
Transaction with local unit trusts and offshore unit trusts		
Related-party interest received		
Local unit trusts	23 021	9 059
Dividends received from companies in the PSG Group		
PSG Group Limited and its subsidiaries		
PSG Financial Services Limited	–	120
Transactions with local unit trusts and offshore unit trusts		
Related-party dividends received		
Local unit trusts	13 160	21 184

The shareholding of directors and the directors' remuneration is set out in the report of the board of directors.

Key management compensation

Key management are those persons having authority and responsibility for planning, directing and controlling the activities of the group. Key management is considered to be the board of directors and the prescribed officers. For the detail of the audited directors' and prescribed officers' remuneration, refer to pages 133 to 134 of the directors report.

During the 2013 financial year, preference share funding of R61.3 million was advanced to a related party of Mr FJ Gouws, chief executive officer of PSG Konsult, by a subsidiary of PSG Group Limited. The proceeds from the preference share funding were utilised to acquire 35 million shares in PSG Konsult Limited (the PSG Konsult shares). The preference share funding is repayable after seven years, carrying a fixed dividend rate of 8.5%, and the PSG Konsult shares serve as security. At the redemption date, should the market value of the PSG Konsult shares be less than the preference share funding redemption amount, the counterparty has an option to put the PSG Konsult shares to PSG Group Limited at an amount equal to the preference share funding redemption amount.

		2016 R000	2015 R000
39.	**NOTES TO THE STATEMENT OF CASH FLOWS**		
39.1	Cash generated by operating activities		
	Profit before finance costs and taxation	723 543	644 937
	Adjustment for non-cash items and other:		
	Depreciation of property and equipment	19 118	17 972
	Impairment charges	3 233	1 047
	Amortisation of intangible assets	38 190	37 450
	Interest received	(529 692)	(372 278)
	Dividends received	(82 872)	(126 900)
	Share of profits of associated companies, net of dividend received and impairment	(1 496)	(40)
	Share of profits of joint ventures, net of dividend received	(3 252)	(914)
	Profit on disposal of property and equipment	(447)	(245)
	Profit on disposal of intangible assets	(1 368)	(1 106)
	Loss on disposal of intangible assets	13	97
	Loss on disposal of property and equipment	310	106
	Net fair value gains on financial instruments	(1 046 979)	(1 208 748)
	Fair value adjustment to investment contract liabilities	1 389 130	1 406 791
	Fair value adjustment to third-party liabilities	67 080	41 525
	Equity-settled share-based payment costs	16 608	11 562
	Net foreign exchange gains	(52 487)	–
	Fair value adjustment to investment properties	(2)	–
		538 630	451 256
	Changes in working capital		
	Receivables including insurance receivables	(668 188)	(5 935)
	Reinsurance assets	1 229	(11 165)
	Deferred acquisition costs	(1 297)	(689)
	Deferred reinsurance acquisition revenue	961	721
	Intergroup loans obtained	122	311
	Intergroup loans repaid	(97)	(807)
	Loans and advances	(12 692)	(6 714)
	Trade and other payables	822 482	(67 247)
	Other financial instruments	(722 600)	(583 813)
	Third-party liabilities arising on consolidation of mutual funds	216 200	285 508
	Borrowings	(150 130)	89 608
	Insurance contracts	32 979	81 168
		57 599	232 202

		2016 R000	2015 R000
39.	**NOTES TO THE STATEMENT OF CASH FLOWS (continued)**		
39.2	Taxation paid		
	Charge to profit and loss	(309 838)	(163 234)
	Movement in deferred taxation	(18 762)	(3 068)
	Acquisition of subsidiary	(122)	–
	Charge to share-based payment reserve	20 153	5 084
	Reclassified to held for sale	–	(73)
	Movement in net taxation liability/(asset)	136 285	(11 562)
		(172 284)	(172 853)

39.3 Subsidiaries acquired

Acquisition of subsidiaries concluded during the financial year ended 29 February 2016

i) PSG Wealth Limited (Mauritius) (previously DMH Associates Limited (Mauritius))

PSG Konsult Limited, through its wholly-owned subsidiary PSG Konsult (Mauritius) Limited, acquired a 70% interest in DMH Holding Limited, a holding company incorporated in Mauritius, for R5.1 million. DMH Holding Limited has a wholly-owned subsidiary, PSG Wealth Limited (Mauritius) (previously DMH Associates Limited (Mauritius)), a financial services provider in Mauritius. The effective date of the transaction was 1 November 2015, following the fulfilment of suspensive conditions.

PSG Wealth Limited (Mauritius) is a leading independent private wealth advisory firm in Mauritius. The company was established in 2003 as an investment advisory firm providing independent expert advice to entrepreneurs, high-net-worth individuals and their families. The company is licensed and regulated by the Mauritius Financial Services Commission and also offers corporate finance, wealth management and family office services. The company, as well as the individuals involved in the company, is regarded as a good fit for PSG Konsult. This was the first international acquisition for PSG Konsult since listing on the Johannesburg Stock Exchange (JSE).

Details of the net assets and goodwill acquired are as follows:	Group 2016 R000
Cash paid on effective date	3 307
Cash due on effective date	1 744
Total purchase consideration	5 051
Less: Fair value of net assets acquired	(2 919)
Plus: Non-controlling interest	921
Goodwill recognised on acquisition	3 053
Cash consideration paid	3 307
Cash and cash equivalents acquired	(534)
Net cash flow in the 2016 financial year	2 773

The goodwill is attributable to the synergies unlocked after acquisition, the assembled workforce and the geographic presence.

39. NOTES TO THE STATEMENT OF CASH FLOWS (continued)

The assets and liabilities arising from the acquisition are as follows:	Fair value R000	Acquiree's carrying amount R000
Intangible assets	2 984	–
Property and equipment	431	431
Equity securities	5	5
Unit-linked investments	50	50
Loans and advances	24	24
Receivables including insurance receivables	762	762
Cash and cash equivalents (including money market funds)	534	534
Borrowings	(90)	(90)
Deferred income tax liabilities	(835)	(835)
Trade and other payables	(824)	(824)
Current income tax liabilities	(122)	(122)
Total identifiable net assets	2 919	(65)

The income, included in the consolidated income statement, contributed by PSG Wealth Limited (Mauritius) was R6.5 million for the 2016 financial year. PSG Wealth Limited (Mauritius) also contributed profit after taxation (before non-controlling interest) of R0.8 million over the same period.

Had PSG Wealth Limited (Mauritius) been consolidated from 1 March 2015, the consolidated income statement would have shown income of R10.8 million and profit after taxation of R1.9 million (before non-controlling interest) for the 2016 financial year.

39. NOTES TO THE STATEMENT OF CASH FLOWS (continued)

ii) Acquisition of collective investment schemes

The group obtained control of the following collective investment schemes during the second half of the 2016 financial year: PSG Wealth Enhanced Interest Fund, PSG Wealth Creator Fund of Funds and the PSG Wealth Moderate Fund of Funds. These funds were consolidated in accordance with IFRS 10 – Consolidated Financial Statements and are collective investment schemes managed by PSG Asset Management.

Fund consolidated	PSG Wealth Enhanced Interest Fund	PSG Wealth Creater Fund of Funds	PSG Wealth Moderate Fund of Funds
% Interest in fund on effective date	31%	31%	30%
Date of acquisition	1 September 2015	29 February 2016	29 February 2016
Details of the net assets and goodwill acquired are as follows:	Group R000	Group R000	Group R000
Debt securities	610 369	–	–
Unit-linked investments	419 456	3 361 218	14 168 287
Receivables including insurance receivables	13 181	715	–
Cash and cash equivalents (including money market funds)	43 345	20 529	32 415
Third-party liabilities arising on consolidation of mutual funds	(748 930)	(2 344 629)	(9 947 685)
Trade and other payables	(544)	–	–
Net asset value	336 877	1 037 833	4 253 017
Fair value of interest held before the business combination	(336 877)	(1 037 833)	(4 253 017)
Total consideration paid	–	–	–
Cash consideration paid	–	–	–
Cash and cash equivalents acquired	(43 345)	(20 529)	(32 415)
Net cash inflow in the 2016 financial year	(43 345)	(20 529)	(32 415)

The detail of the net assets acquired, as disclosed above, represent fair value. All the gross contractual receivables are expected to be collected.

The total income and profit and loss that were included in the consolidated income statement during the 2016 financial year, as a result of consolidating the PSG Wealth Enhanced Interest Fund, was R22.9 million and Rnil respectively. Had this fund been consolidated from 1 March 2015, total income of R77.0 million and profit and loss of Rnil would have been recognised in the consolidated income statement.

Had the PSG Wealth Creator Fund of Funds been consolidated from 1 March 2015, total income of R71.6 million and profit and loss of Rnil would have been recognised in the consolidated income statement.

Had the PSG Wealth Moderate Fund of Funds been consolidated from 1 March 2015, total income of R439.4 million and profit and loss of Rnil would have been recognised in the consolidated income statement.

39. NOTES TO THE STATEMENT OF CASH FLOWS (continued)

Summary of cash flows for the year ending 29/28 February	Group 2016 R000	Group 2015 R000
Acquisitions in 2016		
i) PSG Wealth Limited (Mauritius) (previously DMH Associates Limited (Mauritius))	2 773	–
ii) Acquisition of collective investment schemes		
– PSG Wealth Enhanced Interest Fund	(43 345)	–
– PSG Wealth Creator Fund of Funds	(20 529)	–
– PSG Wealth Moderate Fund of Funds	(32 415)	–
Net cash inflow from acquisition of subsidiaries	(93 516)	–

No subsidiaries were acquired during the financial year ended 28 February 2015.

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

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.

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.

Summary of cash flows for the year ending 29 February	Group 2016 R000
PSG Academy Proprietary Limited	413
Health insurance administration business	12 233
Net cash inflow	12 646

No non-current assets (or disposal groups) held for sale disposed of during the financial year ended 28 February 2015.

39.5 Transactions with non-controlling interests

Transactions with non-controlling interests for the year ended 29 February 2016

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

With effect from 1 March 2015, PSG Konsult Limited (through its subsidiary PSG Distribution Holdings Proprietary Limited) acquired an additional 4% interest in PSG Namibia Proprietary Limited, a company incorporated in Namibia, from a minority shareholder for a total consideration R3.5 million. The consideration was paid in full on 21 October 2015. The group now holds 58% of the issued share capital of PSG Namibia Proprietary Limited.

Transactions with non-controlling interests 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 held 54% of the issued share capital of PSG Namibia Proprietary Limited on 1 March 2014.

39. NOTES TO THE STATEMENT OF CASH FLOWS (continued)

39.6 Other acquisitions

For the year ended 29 February 2016

i) Standardising of revenue sharing model

During the 2016 financial year, the group, through its subsidiaries PSG Wealth Financial Planning Proprietary Limited and PSG Corporate Financial Planning Proprietary Limited, concluded further asset-for-share transactions (utilising section 42 of the Income Tax Act) with a large number of its advisers (on the same basis as in the 2015 financial year, see below) for a cash consideration of R17.6 million.

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.

These transactions contributed R1.5 million to the group's headline earnings during the 2016 financial year.

As at 29 February 2016, there are no indication that any of the advisers, with whom this deal was concluded, will not achieve the profit guarantee attached to this asset-for-share transaction. The fair value of the contingent consideration receivable is therefore Rnil on 29 February 2016.

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 the group's 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 the group's headline earnings during the 2015 financial year.

As at 28 February 2015, there are no indication that any of the advisers, with whom this deal was concluded, will not achieve the profit guarantee attached to this asset-for-share transaction. The fair value of the contingent consideration receivable is therefore Rnil on 28 February 2015.

	2016 R000	2015 R000
39.7 Cash and cash equivalents at end of the year		
Cash and cash equivalents (including money market investments)	1 395 952	972 243
Cash and cash equivalents classified as non-current assets held for sale	–	2 775
	1 395 952	975 018

40. 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 consolidated financial statements other than the following:

- Shareholders are referred to PSG Konsult's announcement made on 11 December 2015 regarding a potential tax matter at PSG Life Limited. The board subsequently decided to settle this legacy matter, which dates back to 2009, for an amount of R115.2 million. This amount and the related legal costs incurred were fully provided for in the year-end results and have been treated as non-recurring headline earnings.
- To further standardise the revenue sharing model and provide advisers with the opportunity to invest in the future of the group, PSG Konsult is pleased to advise that the group concluded further asset-for-share transactions in March 2016 with a number of its advisers through its subsidiary, PSG Wealth Financial Planning Proprietary Limited, in terms of section 42 of the Income Tax Act, No. 58 of 1962. These transactions, which were settled largely through the issue of 14.3 million PSG Konsult shares (total consideration of R98.2 million), will lead to a win-win situation for the group's financial advisers and shareholders.

41. RISK MANAGEMENT

GENERAL

Risk management is a priority issue because it affects every part of the business. It is a pre-emptive process that allows the group to assess and analyse risk in an integrated fashion, identifying potential areas in advance and then proactively create processes and measures for compliance. PSG Konsult believes that risk management is key in ensuring the sustainability of the business model.

Fundamentally, the board of directors' responsibility in managing risk is to protect the interests of all of the group's stakeholders, being the shareholders, policyholders, employees, regulatory bodies and related parties, while increasing shareholder value. It fully accepts responsibility for risk management and internal controls, and in so doing the board of directors has deployed a number of control mechanisms to prevent and mitigate the potential impact of risk.

The primary responsibility for risk management at an operational level rests with the executive committee (EXCO). Management and various specialist board committees are tasked with integrating the management of risk into the day-to-day activities of the group. The group defines the roles, responsibility and accountability for managing, reporting and escalating risks and issues throughout the group by applying the three layers of defence approach, as set out on page 115 of the risk report. This approach incorporates the oversight, management and assurance of risk management, essentially giving three independent views of risk in the organisation.

The group is continuously enhancing its risk management capabilities, particularly in line with SAM developments in anticipation of its pending implementation in 2017. Its framework, policies and support processes are regularly updated to reflect these enhancements.

FINANCIAL RISK MANAGEMENT

The group's activities expose it to a variety of financial risks: market risk (including price risk, currency risk, cash flow 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, regulatory and legal risk. The risk to reputation is not distinguished as a unique risk type in the taxonomy as it is considered to be a consequence of one or more of the other risk types. The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance.

Risk management is carried out by each of the divisions within the group under policies approved by the respective boards of directors. Each division identifies, evaluates and utilises economic hedges to hedge financial risks as appropriate. Each major division's executive committee provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments and investment of excess liquidity.

The monitoring of risk exposures and key controls is inherently part of this process, as is the reporting of emerging and significant risk for each division and the group as a whole.

41. RISK MANAGEMENT (continued)

FINANCIAL RISK MANAGEMENT (continued)

The sensitivity analyses presented below are based on reasonable possible changes in market variables for equity prices, foreign exchange rates and interest rates for the group. Financial instruments are grouped into the following classes in order to facilitate effective financial risk management and disclosure in terms of IFRS 7 – Financial Instruments: Disclosures and IFRS 13 – Fair Value Measurements.

	2016 R000	2015 R000
CLASSES OF FINANCIAL AND INSURANCE ASSETS		
Direct equity securities – quoted	85 748	69 526
Investments linked to investment contracts – quoted	1 661 713	955 147
Total quoted equity securities	1 747 461	1 024 673
Direct equity securities – unquoted	240	845
Total unquoted equity securities	240	845
Total equity securities	1 747 701	1 025 518
Direct debt securities – quoted	1 805 340	805 220
Investments linked to investment contracts – quoted	672 665	765 731
Total quoted debt securities	2 478 005	1 570 951
Investments linked to investment contracts – unquoted	110 560	34 467
Total unquoted debt securities	110 560	34 467
Total debt securities	2 588 565	1 605 418
Direct unit-linked investments – quoted	12 525 312	233 552
Investments linked to investment contracts – quoted	15 860 987	10 995 440
Total quoted unit-linked investments	28 386 299	11 228 992
Direct unit-linked investments – unquoted	10 000	10 000
Investments linked to investment contracts – unquoted	1 298 984	1 106 656
Total unquoted unit-linked investments	1 308 984	1 116 656
Total unit-linked investments	29 695 283	12 345 648
Investment in investment contracts	116 477	338 208
Secured loans	65 491	30 382
Unsecured loans	63 623	86 011
Total loans and advances	129 114	116 393
Equity traded derivatives	17 864	23 324
Total derivative financial instruments	17 864	23 324
Reinsurance assets	76 184	77 413
Deferred acquisition costs	3 011	1 714

	2016 R000	2015 R000
41. RISK MANAGEMENT (continued)		
FINANCIAL RISK MANAGEMENT (continued)		
Trade receivables (other than insurance receivables)	172 674	108 244
Receivables due from contract holders and reinsurers	31 970	38 426
Brokers and clearing houses and client accounts	2 513 471	1 871 853
Contracts for difference	15 484	19 887
Receivables due from related parties	53 185	66 679
Rental and other deposits and sundry debtors	9 314	7 390
Total receivables including insurance receivables	2 796 098	2 112 479
Loans to associated companies	103	1 238
Loans to joint ventures	3 598	3 429
Cash and cash equivalents (including money market investments)	1 395 952	972 243
Non-current assets held for sale	–	3 366
Total financial and insurance assets	38 569 950	18 626 391
CLASSES OF FINANCIAL AND INSURANCE LIABILITIES		
Secured loans	263 440	413 570
Finance leases	7 494	11 141
Related-party loans	172	732
Other short-term loans	3 008	2 400
Total borrowings	274 114	427 843
Equity traded derivatives	17 910	30 749
Total derivative financial instruments	17 910	30 749
Investment contracts	19 836 250	14 222 603
Insurance contracts	607 310	574 331
Deferred reinsurance acquisition revenue	4 524	3 563
Third-party liabilities arising on consolidation of mutual funds	14 023 726	699 202
Accounts payable, accruals and settlement control accounts	2 661 812	1 840 502
Amounts due to intermediaries	16 235	13 230
Amounts due to reinsurers	18 298	33 521
Contracts for difference	18 499	24 641
Purchase consideration payable	5 297	4 783
Total trade and other payables	2 720 141	1 916 677
Non-current liabilities held for sale	–	3 350
Total financial and insurance liabilities	37 483 975	17 878 318

41. RISK MANAGEMENT (continued)

FINANCIAL RISK MANAGEMENT (continued)

FINANCIAL INSTRUMENTS BY CATEGORY

	Held-to-maturity R000	Loans and receivables R000	Assets at fair value through profit or loss: Designated R000	Assets at fair value through profit or loss: Held for trading R000	Available-for-sale R000	Total R000
Assets as per statement of financial position						
29 February 2016						
Equity securities	–	–	1 747 461	–	240	1 747 701
Debt securities	321 442	–	2 267 123	–	–	2 588 565
Unit-linked investments	–	–	29 695 283	–	–	29 695 283
Investment in investment contracts	42 662	–	73 815	–	–	116 477
Loans and advances*	–	129 114	–	–	–	129 114
Loans to associated companies*	–	103	–	–	–	103
Loans to joint ventures*	–	3 598	–	–	–	3 598
Derivative financial instruments	–	–	–	17 864	–	17 864
Reinsurance assets*	–	76 184	–	–	–	76 184
Deferred acquisition costs*	–	3 011	–	–	–	3 011
Receivables including insurance receivables*	–	2 796 098	–	–	–	2 796 098
Cash and cash equivalents*	–	1 395 952	–	–	–	1 395 952
	364 104	4 404 060	33 783 682	17 864	240	38 569 950
Assets as per statement of financial position						
28 February 2015						
Equity securities	–	–	1 024 673	–	845	1 025 518
Debt securities	755 809	–	849 609	–	–	1 605 418
Unit-linked investments	–	–	12 345 648	–	–	12 345 648
Investment in investment contracts	111 903	–	226 305	–	–	338 208
Loans and advances*	–	116 393	–	–	–	116 393
Loans to associated companies*	–	1 238	–	–	–	1 238
Loans to joint ventures*	–	3 429	–	–	–	3 429
Derivative financial instruments	–	–	–	23 324	–	23 324
Reinsurance assets*	–	77 413	–	–	–	77 413
Deferred acquisition costs*	–	1 714	–	–	–	1 714
Receivables including insurance receivables*	–	2 112 479	–	–	–	2 112 479
Cash and cash equivalents*	–	972 243	–	–	–	972 243
Non-current assets held for sale	–	3 366	–	–	–	3 366
	867 711	3 288 275	14 446 235	23 324	845	18 626 391

* *Carrying value approximates fair value.*

41. RISK MANAGEMENT (continued)

FINANCIAL RISK MANAGEMENT (continued)

The value of the contracts for difference assets as reflected on the statement of financial position is derived from and corresponds directly to the closing JSE equity market price of the contracts for difference's underlying listed instruments that clients hold.

	Liabilities at fair value through profit or loss			
	Designated R000	Held for trading R000	Liabilities measured at amortised cost R000	Total R000
Liabilities as per statement of financial position				
29 February 2016				
Borrowings*	–	–	274 114	274 114
Derivative financial instruments	–	17 910	–	17 910
Investment contracts	19 472 147	–	364 103	19 836 250
Insurance contracts	–	–	607 310	607 310
Deferred reinsurance acquisition revenue*	–	–	4 524	4 524
Third-party liabilities arising on consolidation of mutual funds	14 023 726	–	–	14 023 726
Trade and other payables*	5 297	–	2 714 844	2 720 141
	33 501 170	17 910	3 964 895	37 483 975
Liabilities as per statement of financial position				
28 February 2015				
Borrowings*	–	–	427 843	427 843
Derivative financial instruments	–	30 749	–	30 749
Investment contracts	13 389 361	–	833 242	14 222 603
Insurance contracts	–	–	574 331	574 331
Deferred reinsurance acquisition revenue*	–	–	3 563	3 563
Third-party liabilities arising on consolidation of mutual funds	699 202	–	–	699 202
Trade and other payables*	13 453	–	1 903 224	1 916 677
Non-current liabilities held for sale	–	–	3 350	3 350
	14 102 016	30 749	3 745 553	17 878 318

* *Carrying value approximates fair value.*

Investment contracts

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). Investment contracts included within financial liabilities on the statement of financial position are therefore fully matched by investments as analysed in note 22.

41. RISK MANAGEMENT (continued)

FINANCIAL RISK MANAGEMENT (continued)

MARKET RISK

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 equity prices, foreign currency exchange rates and interest rates.

Refer to page 117 for the mitigating controls put in place as part of the risk management framework to address market risk.

A portion of the policyholders' and shareholders' investments are valued at fair value and is 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 assets 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.

Price risk

The group is exposed to price risk due to changes in the market values of its quoted and unquoted equity securities held by the group and classified on the consolidated statement of financial position either as available-for-sale or at fair value through profit or loss. Although the group follows a policy of diversification, some concentration of price risk towards certain sectors exists and is analysed in the following table:

	Equity securities relating to investment contract policyholders		Direct equity investments	
Sector composition of quoted equity securities	2016 R000	Restated* 2015 R000	2016 R000	2015 R000
Agriculture	–	18 989	3	–
Banks	80 745	77 067	10 722	12 025
Basic resources	154 304	114 546	311	3 062
Chemicals	30 457	1 085	183	–
Construction and materials	8 590	5 185	–	945
Financial services	293 088	140 103	42 078	17 890
Food and beverages	17 358	60 896	4 623	5 557
Foreign listed shares	75 490	19 689	98	–
Healthcare	122 488	22 887	445	2 337
Industrial goods and services	102 723	32 171	16 501	16 909
Insurance	60 958	37 157	108	56
Media	119 486	22 859	300	77
Oil and gas	–	40 882	2 528	5 751
Personal and household goods	129 865	75 750	679	149
Property	76 224	67 920	1	–
Retail	256 330	81 943	122	59
Technology	34 333	29 724	6 711	3 898
Telecommunications	97 251	71 452	335	62
Travel and leisure	2 023	34 842	–	749
	1 661 713	955 147	85 748	69 526

* *Comparative figures have been restated to reflect updated sector allocations of foreign listed shares held by policyholder assets, following more accurate information obtained from third-party service providers.*

41. RISK MANAGEMENT (continued)

FINANCIAL RISK MANAGEMENT (continued)

Included in the group's quoted equity securities are those equity securities relating to:

- investments in linked investment contracts amounting to R1 661.7 million (2015: R955.1 million); and
- equity securities relating to third-party liabilities arising on consolidation of mutual funds amounting to R80.0 million (2015: R68.1 million).

The price risk of these instruments is carried by the policyholders of the linked investment contracts and the third-party mutual fund investors, respectively.

Included in unit-linked investments are investments linked to investment contracts amounting to approximately R17.2 billion (2015: R12.1 billion) of which the price risk is also carried by the policyholders of the linked investment contracts. Therefore, a movement in the individual share/unit prices of the aforementioned investments would not have a material impact on the group's profit after taxation, but would decrease or increase the corresponding liabilities with the same amount. Included in the unit-linked investments are investments relating to third-party liabilities arising on consolidation of mutual funds of R12.5 billion (2015: R134.2 million).

Short-term insurance liabilities are not directly sensitive to equity price risk. Long-term investment contract liabilities are sensitive to price risk of underlying linked assets.

The table below summarises the sensitivity of the group's post-tax net profit for the year as a result of market price fluctuations. The analysis is based on the assumption that marked-to-market prices increase/decrease by 20% (2015: 20%) taking into account the opposite move of the corresponding linked-liability in the case of the linked investment contracts, with all other variables held constant.

	2016 20% increase R000	Restated* 2015 20% increase R000	2016 20% decrease R000	Restated* 2015 20% decrease R000
Impact on:				
Post-tax profit	11 834	7 490	(11 834)	(7 490)
Post-tax other comprehensive income	–	–	–	–

* *Prior year sensitivities have been restated to reflect updated interpretations of the items on which the sensitivities were applied, specifically relating to the consolidation of collective investment schemes.*

The group enters into contracts for difference with clients whereby the group provides leveraged exposure to equities specified by the clients. The holders of the contracts for difference carry the price risk of these instruments and therefore a movement in the individual share prices would not have an impact on the group's profit after taxation, but would result in a corresponding movement in the value of the contracts for difference liabilities.

Foreign exchange risk

The group has limited investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Transactions incurred by the group did not lead to a significant foreign exchange risk. Management monitors this exposure and cover is used where appropriate. The group did not take cover on foreign currency transactions and balances during the financial years under review.

41. RISK MANAGEMENT (continued)

FINANCIAL RISK MANAGEMENT (continued)

Almost all of the group's subsidiaries have the South African rand as their functional currency. The group's financial assets and liabilities denominated in foreign currency other than the functional currency are analysed according to geographical area in the following table:

	African currencies R000	British Pound Sterling R000	United States Dollar R000	Euro R000	Other currencies R000	Total R000
At 29 February 2016						
Financial assets						
Equity securities*	–	18 709	159 591	23 729	285	202 314
Debt securities*	–	–	–	–	–	–
Unit-linked investments*	–	–	2 176 681	1 151	61	2 177 893
Investment in investment contracts*	–	5 382	66 096	2 336	–	73 814
Receivables including insurance receivables	–	22 317	6 260	62	–	28 639
Cash and cash equivalents	–	944	35 119	5 533	5 152	46 748
Financial liabilities						
Trade and other payables	–	–	(3 078)	(299)	–	(3 377)
Borrowings	–	(1 520)	(5 453)	–	–	(6 973)
	–	45 832	2 435 216	32 512	5 498	2 519 058
At 28 February 2015						
Financial assets						
Equity securities*	–	16 092	79 711	20 141	347	116 291
Debt securities*	–	–	892	–	–	892
Unit-linked investments*	–	–	1 446 703	413	–	1 447 116
Investment in investment contracts*	–	5 149	56 248	2 179	–	63 576
Loans and advances	–	829	42	–	–	871
Reinsurance assets	–	–	7 158	–	–	7 158
Receivables including insurance receivables	–	1 944	5 629	184	–	7 757
Cash and cash equivalents	3	1 914	10 773	2 244	4	14 938
Financial liabilities						
Trade and other payables	(294)	–	(2 176)	(325)	–	(2 795)
Borrowings	(4 072)	(27 333)	(220)	–	–	(31 625)
	(4 363)	(1 405)	1 604 760	24 836	351	1 624 179

* *Largely linked to policyholder investments and as such does not directly expose the group to foreign currency risk.*

41. RISK MANAGEMENT (continued)

FINANCIAL RISK MANAGEMENT (continued)

The table below shows the sensitivity of post-tax profits of the group to a 20% (2015: 20%) move in the rand exchange rates.

	2016 20% appreciation R000	2015 20% appreciation R000	2016 20% depreciation R000	2015 20% depreciation R000
Impact on post-tax profit	(7 131)	1 641	7 131	(1 641)

Cash flow and fair value interest rate risk

The group's interest rate risk arises from interest-bearing investments, loans and advances, receivables including insurance receivables, cash and cash equivalents, non-current assets held for sale, long-term borrowings, trade and other payables and non-current liabilities held for sale. Borrowings and investments issued at variable rates expose the group to cash flow interest rate risk. Borrowings and investments issued at fixed rates expose the group to fair value interest rate risk. However, where the investments are held to back linked investment contract liabilities, the risk is transferred to the policyholders through the contract terms of the policy.

Short-term insurance liabilities are not directly sensitive to the level of market interest rates, as they are undiscounted, contractually non-interest-bearing, and is short-term in nature.

	2016 R000	2015 R000
Loans to associated companies		
Fixed rate and non-interest-bearing	103	1 238
	103	1 238
Loans to joint ventures		
Floating rate	3 598	3 429
	3 598	3 429
Debt securities*		
Floating rate	1 213 015	457 789
Fixed rate and non-interest-bearing	1 375 550	1 147 629
	2 588 565	1 605 418
Unit linked investments**		
Floating rate	106 585	238 670
Fixed rate and non-interest-bearing	29 588 698	12 106 978
	29 695 283	12 345 648
Loans and advances		
Floating rate	92 723	75 488
Fixed rate and non-interest-bearing	36 391	40 905
	129 114	116 393
Receivables including insurance receivables		
Floating rate	352 414	459 043
Fixed rate and non-interest-bearing	2 443 684	1 653 436
	2 796 098	2 112 479
Cash and cash equivalents***		
Floating rate	1 395 807	972 098
Fixed rate and non-interest-bearing	145	145
	1 395 952	972 243

	2016 R000	2015 R000
41. RISK MANAGEMENT (continued)		
FINANCIAL RISK MANAGEMENT (continued)		
Non-current assets held for sale		
Floating rate	–	2 775
Fixed rate and non-interest-bearing	–	591
	–	3 366
Borrowings		
Floating rate	(263 440)	(413 570)
Fixed rate and non-interest-bearing	(10 674)	(14 273)
	(274 114)	(427 843)
Trade and other payables		
Floating rate	(18 499)	(25 882)
Fixed rate and non-interest-bearing	(2 701 642)	(1 890 795)
	(2 720 141)	(1 916 677)
Non-current liabilities held for sale		
Fixed rate and non-interest-bearing	–	(3 350)
	–	(3 350)
Total		
Floating rate	2 882 203	1 769 840
Fixed rate and non-interest-bearing	30 732 255	13 042 504
	33 614 458	14 812 344

* *Debt securities of R783.2 billion (2015: R800.2 billion) are linked to policyholder investments and as such do not directly expose the group to interest rate risk.*

** *Unit-linked investments of R17.2 million (2015: R12.1 million) are linked to policyholder investments and as such do not directly expose the group to interest rate risk.*

*** *Cash and cash equivalents of R114.9 million (2015: R27.0 million) are linked to policyholder investments and as such do not directly expose the group to interest rate risk.*

The group manages its cash flow interest rate risk by monitoring interest rates on a regular basis.

Based on simulations performed, the impact on post-tax profit of a 1% (2015: 1%) shift in interest rates is analysed in the following table and includes the effect of the economic interest rate hedge:

	2016 1% increase R000	2015 1% increase R000	2016 1% decrease R000	2015 1% decrease R000
Impact on post-tax profit	20 058	12 393	(20 058)	(12 393)

CREDIT RISK

Credit risk arises from the inability or unwillingness of a counterparty to a financial instrument to discharge its contractual obligations. Credit risk comprises default, settlement and migration risk (if credit ratings change).

Refer to page 117 for the mitigating controls put in place as part of the risk management framework to address credit risk.

Credit risk arises from cash and cash equivalents, derivative financial instruments, loans and advances, debt securities, investment in investment contracts, unit-linked investments, receivables including insurance receivables, reinsurance assets, deferred acquisition costs and non-current assets held for sale. Derivative counterparties and cash transactions are limited to high-credit-quality financial institutions. In the case of loans and advances, management would take or insist on collateral or other form of securitisation as they deem fit.

41. RISK MANAGEMENT (continued)

FINANCIAL RISK MANAGEMENT (continued)

The value of policy benefits on linked business is directly linked to the fair value of the supporting asset, and as such the group does not assume any credit risk on the linked policyholder assets, although it has a responsibility to manage these assets properly within set mandates.

Investments linked to guaranteed investment contracts

The group, through its subsidiary, PSG Life Limited, sold five-year single premium policies where the company guarantees a maturity amount that will be paid out in five years' time. Assets were purchased by this company to fully match the liability that will be payable at maturity. However, the company takes credit risk in that, should the counterparty not make good the amount owed at maturity of the policy, PSG Life Limited will have to stand in for the liability guaranteed. The balance at 29 February 2016 of these five-year single premium policies will all mature during the 2017 financial year and is closed for new business.

To manage this risk, assets purchased need to be authorised by the board of PSG Life Limited, as well as the credit committee, the investment committee and the executive committee of the holding company, PSG Konsult Limited. In order to make the decision, a report is received from an independent party setting out pertinent financial information relating to the institution to which the company will be exposed. Should the risk be too high in the judgement of these various committees, collateral will be requested from the counterparty to reduce this risk. At year-end the assets backing the guaranteed liabilities were purchased, and the underlying assets purchased were ceded to the company in order to mitigate its credit risk. The ultimate credit risk is therefore reviewed by looking through to the ceded assets. Collateral purchased in shares, cash and guarantees provided to the value of R47.0 million (2015: R989.2 million).The collateral held in the 2015 financial year consists mainly (> 90%) of shares listed on the JSE, with the fair value of these quoted investments based on the current stock exchange prices at the close of business on the statement of financial position date. The remaining collateral in the 2015 financial year and the collateral at 29 February 2016 consists of guarantees provided by counterparty which represent exclusive rights on debtor book of counterparty.

Loans and advances

The collateral held for the loans to short-term insurance clients by Hi-Five Corporate Finance Proprietary Limited, a subsidiary of Western Group Holdings Limited, is held in the form of warranties and guarantees. Refer to note 11 for more detail.

The table below shows the group's maximum exposure to credit risk by class of asset at the end of each reporting period:

	2016		2015	
	Balance R000	Collateral fair value R000	Balance R000	Collateral fair value R000
Debt securities	2 588 565	47 000	1 605 418	989 156
Direct – quoted	1 805 340	–	805 220	–
Investment linked to investment contracts – quoted	672 665	47 000	765 731	989 156
Investment linked to investment contracts – unquoted	110 560	–	34 467	–
Investment in investment contracts	116 477	–	338 208	–
Loans and advances	129 114	25 087	116 393	29 738
Secured	65 491	25 087	30 382	29 738
Unsecured	63 623	–	86 011	–
Unit-linked investments	29 695 283	–	12 345 648	–
Derivative financial instruments	17 864	–	23 324	–
Reinsurance assets	76 184	264	77 413	1 272
Deferred acquisition costs	3 011	–	1 714	–
Receivables including insurance receivables	2 796 098	–	2 112 479	–
Loans to associated companies	103	–	1 238	–
Loans to joint ventures	3 598	–	3 429	–
Cash and cash equivalents	1 395 952	–	972 243	–
Non-current assets held for sale	–	–	3 366	–
	36 822 249	72 351	17 600 873	1 020 166

41. RISK MANAGEMENT (continued)

FINANCIAL RISK MANAGEMENT (continued)

Receivables are tested for impairment using a variety of techniques including assessing credit risk and monthly monitoring of individual debtors. At the reporting date, R1.1 million (2015: R1.4 million) were found to be impaired.

Investment in investment contracts are linked to investment contracts and thus credit risk is carried by the policyholders of the linked investment contracts. Debt securities of R783.2 million (2015: R800.2 million), cash and cash equivalents of R114.9 million (2015: R27.0 million) and unit-linked investments of R17.2 billion (2015: R12.1 billion) are linked to investment contracts and thus credit risk is carried by the policyholders of the linked investment contracts.

The shareholders' capital in PSG Life Limited and Western Group Holdings Limited are primarily invested in cash or other highly liquid unit trust investments. All items that expose PSG Life Limited and Western Group Holdings Limited to credit risk are monitored by the credit committee. The credit committee reviews on a monthly basis the exposure of the group to external parties. As part of this meeting, a credit specialists reports to the committee whether any new information has become available in the market which indicates that the group should reconsider its exposure to that counterparty. As at February for each of the respective financial years, this committee did not note any concerns as to the exposure that this group has to any counterparties.

At year-end, R1.7 billion (2015: R705.6 million) of the debt securities and R12.5 billion (2015: R134.2 million) of the unit-linked investments relate to the collective investment schemes consolidated in terms of IFRS 10 – Consolidated Financial Statements. The group is exposed to the credit risk of the underlying assets in which the collective investment schemes are invested. The group's exposure to collective investment schemes is classified at fund level and not at the underlying asset level, and although collective investment schemes are not rated, the fund managers of these collective investment schemes are required to invest in assets within the defined parameters stipulated in the fund's mandate. These rules limit the extent to which fund managers can invest in unlisted and/or unrated assets and generally restrict funds to the acquisition of investment grade assets.

Financial assets are assessed based on their credit ratings as published by Moody's. Financial assets which fall outside the published rates of Moody's are classified as not rated. Credit limits, for each counterparty, are set based on default probabilities that are in turn based on the ratings of the counterparty concerned.

41. RISK MANAGEMENT (continued)

FINANCIAL RISK MANAGEMENT (continued)

The credit quality of financial assets can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

	2016 R000	2015 R000
Government stock	169 102	19 889
Aaa	–	15 000
Aa2	–	32 636
A1	14 899	443 445
A2	–	17 627
A3	20 418	–
P1	2 656 152	898 147
P2	23 899	287 785
Other non-rated assets	3 751 825	3 161 239
Unit-linked investments (including collective investment schemes) (CIS)	30 185 716	12 724 507
Past due or impaired assets	238	598
	36 822 249	17 600 873

The credit risk associated with 51.6% (2015: 80.5%) of non-rated financial assets and unit-linked investments (including collective investment schemes) (CIS) is assessed by reference to the investment mandates of linked policyholder investments which specify what type of underlying investments can be purchased.

41. RISK MANAGEMENT (continued)

FINANCIAL RISK MANAGEMENT (continued)

The table below analyses the group's external credit rating by class of asset:

	External credit rating			
2016	Government stock R000	Aaa R000	Aa2 R000	A1 R000
Debt securities	169 102	–	–	14 899
Investment in investment contracts	–	–	–	–
Loans and advances	–	–	–	–
Derivative financial instruments	–	–	–	–
Reinsurance assets	–	–	–	–
Deferred acquisition cost	–	–	–	–
Receivables due from contract holders and reinsurers	–	–	–	–
Brokers and clearing houses and client accounts	–	–	–	–
Other receivables (including loans to joint ventures)	–	–	–	–
Unit-linked investments	–	–	–	–
Loans to associated companies	–	–	–	–
Cash and cash equivalents	–	–	–	–
	169 102	–	–	14 899
2015				
Debt securities	19 889	15 000	32 636	430 806
Investment in investment contracts	–	–	–	–
Loans and advances	–	–	–	–
Derivative financial instruments	–	–	–	–
Reinsurance assets	–	–	–	–
Deferred acquisition cost	–	–	–	–
Receivables due from contract holders and reinsurers	–	–	–	–
Brokers and clearing houses and client accounts	–	–	–	–
Other receivables (including loans to joint ventures)	–	–	–	12 639
Unit-linked investments	–	–	–	–
Loans to associated companies	–	–	–	–
Cash and cash equivalents	–	–	–	–
Non-current assets held for sale	–	–	–	–
	19 889	15 000	32 636	443 445

A2 R000	A3 R000	P1 R000	P2 R000	Unit-linked (including CIS) R000	Other non-rated assets R000	Past due or impaired assets R000	Total R000
			External credit rating				
–	20 418	1 769 012	23 899	–	591 235	–	2 588 565
–	–	–	–	–	116 477	–	116 477
–	–	–	–	–	128 876	238	129 114
–	–	–	–	–	17 864	–	17 864
–	–	–	–	–	76 184	–	76 184
–	–	–	–	–	3 011	–	3 011
–	–	–	–	–	31 970	–	31 970
–	–	–	–	–	2 513 471	–	2 513 471
–	–	–	–	–	254 255	–	254 255
–	–	–	–	29 695 283	–	–	29 695 283
–	–	–	–	–	103	–	103
–	–	887 140	–	490 433	18 379	–	1 395 952
–	20 418	2 656 152	23 899	30 185 716	3 751 825	238	36 822 249

17 627	–	237 297	285 339	–	566 824	–	1 605 418
–	–	–	–	–	338 208	–	338 208
–	–	–	–	–	115 795	598	116 393
–	–	–	–	–	23 324	–	23 324
–	–	–	–	–	77 413	–	77 413
–	–	–	–	–	1 714	–	1 714
–	–	–	–	–	38 426	–	38 426
–	–	–	–	–	1 871 853	–	1 871 853
–	–	3 457	–	66 631	122 902	–	205 629
–	–	–	–	12 345 648	–	–	12 345 648
–	–	–	–	–	1 238	–	1 238
–	–	657 393	2 446	312 228	176	–	972 243
–	–	–	–	–	3 366	–	3 366
17 627	–	898 147	287 785	12 724 507	3 161 239	598	17 600 873

41. RISK MANAGEMENT (continued)

FINANCIAL RISK MANAGEMENT (continued)

For the financial assets where no published Moody's rating exists (other non-rated assets), the ratings published by other rating agencies were obtained. The definitions regarding the various ratings are available on the relevant credit rating agencies' (Moody's, Fitch, S&P and Global Credit Rating) websites.

Class of financial assets	Rating agency	External credit rating	2016 R000	2015 R000
Receivables including insurance receivables	Fitch	AA+(zaf) to A+(zaf)	1 262	1 416
Receivables including insurance receivables	S&P	AAA(za)	221	–
Debt securities	Fitch	AA+(zaf) to F1(zaf)	61 326	89 248
Debt securities	Global Credit Rating	A1(za) to AA+(za)	46 505	21 403
Debt securities	S&P	A2(za)	132 702	–
Unit linked investments	Global Credit Rating	A1+(zaf)	–	49 184
Cash and cash equivalents (including money market investments)	Global Credit Rating	A(za)	5 460	–
Reinsurance assets	S&P	AAA(za) to AA-(za)	73 858	37 622
Reinsurance assets	Fitch	AA(zaf)	–	37 622
Reinsurance assets	Global Credit Rating	AA-(za)	2 326	2 169
			323 660	238 664
Cash and cash equivalents (including money market investments)	Moody's*	NP(za)	803	–
Debt securities	Moody's*	Baa1(za) to NP(za)	130 068	143 019
Unit linked investments	Moody's*	F1	43 315	–
Loans and advances	Moody's*	Caa2(za)	–	18 542
Receivables including insurance receivables	Moody's*	Baa1(za)	1 266	–
			499 112	400 225

* *Moody's ratings of financial assets which fell out of the range disclosed in the Moody's credit rating table disclosed on the previous pages.*

Cash and cash equivalents

The non-rated cash and cash equivalents relate mainly to cash on hand and the PSG Securities trading account. The cash held in the trading account is highly liquid, earns competitive interest yield and has a weighted average maturity of less than 90 days.

Broker and clearing houses and client accounts

Non-rated financial assets relating to the group consist mainly of balances due from brokers and clearing houses and loans and advances. Balances due from brokers and clearing houses are settled within five days after the transaction occurred in terms of the clearing house rules of the JSE.

Loans and advances

Loans and advances consist mainly of amounts due from short-term insurance clients, financial advisers and other group companies. Balances due from short-term insurance clients are monitored against the collateral provided in the form of the underlying investments held. Balances due from financial advisers are monitored against the income generated by these advisers to ensure sufficient collateral for the amounts owed are available. Amounts due from other group companies are monitored by the holding company to ensure that adequate income is generated by the related company to repay the loan when required.

41. RISK MANAGEMENT (continued)

FINANCIAL RISK MANAGEMENT (continued)

Other receivables (including loans to joint ventures)
Other receivables consist mainly of commission and other fee income due from third-party asset management and insurance companies, fees due from the JSE, as well as policyholder receivables due from investment houses (in the case where policy matured or redeemed by policyholder). These receivables are assessed individually for any indications that the counterparties might not be able to honour their commitments. The risk of default is low as it relates to reputable financial services institutions. Loans to joint ventures are assessed for impairment by assessing the financial position of the underlying joint ventures.

Reinsurance credit exposures
Reinsurance is used to manage insurance risk. However, this does not discharge the group's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the group remains liable for the payment to the policyholder. The group has some exposure to concentration risk with individual reinsurers due to the nature of the reinsurance market and the restricted range of reinsurers that have acceptable credit ratings. The creditworthiness of reinsurers is considered annually by reviewing their financial strength prior to finalisation of any contract. The group's largest reinsurance counterparty is African RE and Santam RE (2015: African RE and Santam RE). This exposure is monitored on a regular basis with the forecast to completion monitored for any shortfall in the claims history to verify that the contract is progressing as expected and that no further exposure for the group will arise. The reinsurance receivable balances, disclosed as 'non-rated' on a group level, relate to reinsurance intermediaries.

The following table presents the concentration risk with the individual reinsurers at 29/28 February:

	2016 R000	2016 %	2015 R000	2015 %
African RE	36 929	48	37 622	48
Santam RE	36 929	48	37 622	48
Namib RE	2 326	4	2 169	4
Reinsurance assets	76 184	100	77 413	100
African RE	2 304	50	939	20
Santam RE	2 304	50	939	20
Namib RE	–	–	2 834	60
Amounts due from reinsurers	4 608	100	4 712	100
	80 792		82 125	

Receivables that are due from contract holders, intermediaries and reinsurers emanating from the Southern African insurance business amounted to R32.0 million (2015: R38.4 million). The group is protected by guarantees provided by the Intermediary Guarantee Facility for the non-payment of premiums collected by intermediaries and through direct control over certain bank accounts used by intermediaries. The protected portion of receivables due from contract holders, intermediaries and reinsurers amounts to 52.71% (2015: 40.73%). Debtors falling into the 'non-rated' category are managed on a daily basis to ensure recoverability of amounts.

Impairment history
The table below gives an age analysis of receivables that are past due but not impaired. The other classes of financial assets do not contain assets that are past due but not impaired.

	Total R000	0 – 2 months R000	2 – 6 months R000	Over 6 months R000
At 29 February 2016	238	194	44	–
Loans and advances – Secured loans	238	194	44	–
At 28 February 2015	598	–	–	598
Loans and advances – Secured loans	598	–	–	598

With respect to receivables past due but not impaired, based on the credit history and current credit ratings, there are no indications that the debtors will not be able to meet their obligations.

41. RISK MANAGEMENT (continued)

FINANCIAL RISK MANAGEMENT (continued)

Financial liabilities designated at fair value through profit and loss

Certain financial liabilities in the group's statement of financial position, that would have otherwise been classified as payables under IAS 39, have been designated at fair value through profit and loss. These include the following: investment contracts, third-party liabilities arising on consolidation of mutual funds and trade and other payables. The determination of fair value requires an assessment of PSG Konsult's own credit risk.

The current year and cumulative fair value movements in these instruments were mainly due to market movements relating to the underlying instruments which back the related investment contracts and third-party liabilities, with no significant fair value movement attributable to credit risk.

The investment contract liabilities relates to the group's linked life business, therefore the fair value of the investment contract liabilities are directly linked to the underlying policyholder assets. PSG Konsult has considered the impact of the entity's own credit risk and has determined the impact is not significant based on the liquidity and the underlying asset position which support such liabilities. PSG Konsult remains well capitalised and accordingly no adjustment to the valuation for credit risk has been made for the financial years under review.

PSG Konsult's own credit risk is not applicable in the measurement of third-party financial liabilities arising on consolidation of mutual funds as these liabilities are specifically referenced to assets and liabilities contained in a separate legal structure (collective investments schemes) that could not be attached in the event of a group entity holding the controlling units defaulting.

PSG Konsult's own credit risk is also not applicable in the measurement of purchase consideration payable as the amount payable is directly linked to the underlying book of business acquired and its profitability over a contracted period and not that of the group.

LIQUIDITY RISK

Liquidity risk is the risk that the group will not be able to raise sufficient funds to meet the commitments associated with its liabilities. This risk arises when investments are not marketable and therefore cannot be realised in the short term.

Refer to page 117 for the mitigating controls put in place as part of the risk management framework to address liquidity risk.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, each entity aims to maintain flexibility in funding by keeping committed credit lines available.

The value of the investment contract liabilities is linked to the value of the underlying matching assets portfolio. Equity securities of R1.7 billion (2015: R955.1 million), debt securities of R783.2 million (2015: R800.2 million), cash and cash equivalents of R114.9 million (2015: R27.0 million), investment in investment contracts of R116.5 million (2015: R338.2 million) and unit-linked investments of R17.2 billion (2015: R12.1 billion) are linked to investment contract liabilities. With regard to the linked investment policy business, it is the group's policy to pay a policyholder once the amount disinvested has been collected. Accordingly, the underlying assets' maturity profile should approximate that of the investment contracts. The investment contracts do not expose the group to significant liquidity risk. The investment policy and mandates take the expected liquidity cash flow into account. By limiting the cash flow mismatch, the risk of premature realisation of assets or reinvestment of excess cash is mitigated. In addition, investment guidelines and limits are used to limit exposure to illiquid assets. With regard to the investments linked to guaranteed investment contracts, these products have very specific guaranteed repayment profiles. The expected liability outflow is matched by assets that provide the required cash flows as and when they become payable.

Third-party liabilities arising on consolidation of mutual funds represent demand liabilities of collective investment scheme interests not held by the group arising as a result of consolidation. Maturity analysis is not possible as it is dependent on external unit holders' behaviour outside of the group's control.

The group is exposed to daily calls on its available cash resources, mainly from claims arising from short-term insurance contracts through its subsidiary, Western Group Holdings Limited. Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. Management actively manage the maturity profile of investments made in order to meet obligations. Investments are only made at reputable institutions and in short-duration instruments.

Included in trade and other payables is the settlement control account of R2.3 billion (2015: R1.5 billion), which represents the settlement of trades done by clients in the last few days before year-end, with the settlement to the clients taking place within three days after the transaction date. The settlement control account is matched with current assets in the form of the broker and clearing accounts and cash and cash equivalents (if portion was received from the JSE before year-end) which reduces the liquidity risk.

41. RISK MANAGEMENT (continued)

FINANCIAL RISK MANAGEMENT (continued)

The table analyses the group's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carry balances as the impact of discounting is not significant.

	Carrying value R000	Less than 1 year R000	Between 1 and 5 years R000	Over 5 years R000
At 29 February 2016				
Borrowings	274 114	270 961	3 552	–
Derivative financial instruments	17 910	17 910	–	–
Investment contracts	19 836 250	2 239 644	17 596 606	–
Insurance contracts	607 310	582 451	24 859	–
Deferred reinsurance acquisition revenue	4 524	4 524	–	–
Third-party liabilities arising on consolidation of mutual funds	14 023 726	14 023 726	–	–
Trade and other payables	2 720 141	2 714 117	6 024	–
	37 483 975	19 853 333	17 631 041	–
At 28 February 2015				
Borrowings	427 843	420 922	7 849	–
Derivative financial instruments	30 749	30 749	–	–
Investment contracts	14 222 603	2 882 552	11 340 051	–
Insurance contracts	574 331	547 992	26 339	–
Deferred reinsurance acquisition revenue	3 563	3 563	–	–
Third-party liabilities arising on consolidation of mutual funds	699 202	699 202	–	–
Trade and other payables	1 916 677	1 916 523	154	–
Non-current liabilities held for sale	3 350	3 350	–	–
	17 878 318	6 504 853	11 374 393	–

The group has provided suretyship to the value of R1.1 million (2015: R9.2 million) in favour of various financial institutions for the purchase of books of business by advisers. At year-end, the fair value of the financial guarantee was Rnil (2015: Rnil) as the possibility of losses from these guarantees are remote. Management monitors this exposure on a monthly basis against the income generated by these advisers.

FAIR VALUE ESTIMATION

Financial instruments that are measured in the statement of financial position at fair value are disclosed by level based on the following fair value measurement hierarchy, as required by IFRS 7 – Financial Instruments and IFRS 13 – Fair Value Measurement:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities

  The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily JSE equity investments classified as at fair value through profit and loss or available-for-sale.

41. RISK MANAGEMENT (continued)

FINANCIAL RISK MANAGEMENT (continued)

- Level 2 – Input other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)

  Financial instruments that trade in markets that are not considered to be active but are valued (using valuation techniques) based on quoted market prices, dealer quotations or alternative pricing sources supported by observable input are classified within level 2. These include over-the-counter derivatives. As level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information. If all significant input required to fair value an instrument is observable, the instrument is included in level 2.

Unit-linked investments related to units held are collective investment schemes and are priced daily. The prices are obtained from the collective investment scheme management companies for the particular scheme and are based on quoted prices that are publicly available.

Investments in investment contracts relate to units held in investment contracts issued by a registered long-term insurer. The prices are obtained from the insurer of the particular investment contract.

Debt securities relate to instruments that are listed on the JSE interest rate market and are benchmarked against RSA bonds. The value is determined using a valuation model that uses the market input (yield of benchmark bond).

Unit-linked investments, investments in investment contracts and debt securities are mostly 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.

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

- Level 3 – Input for the asset or liability that is not based on observable market data (that is, unobservable input)

  If one or more of the significant input are not based on observable market data, the instrument is included in level 3. Investments classified within level 3 have significant unobservable input, as they trade infrequently.

Significant fair value model assumptions and sensitivities – level 3

Equity instruments relate to stock exchange rights and other rights owned. As these rights are unquoted, the valuation technique is based on the fact that the variability in the range of reasonable fair value estimates is not significant for this instrument and that the fair value of these rights is estimated to be equal to the guaranteed amount receivable for these rights, thus equalling the cost.

Unit-linked investments and debt securities relate to units and debentures held in hedge funds and are priced monthly. The group has determined that the reported net asset value represents fair value at the end of the reporting period. 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.

41. RISK MANAGEMENT (continued)

FINANCIAL RISK MANAGEMENT (continued)

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

	Level 1 R000	Level 2 R000	Level 3 R000	Total R000
The following financial instruments are measured at fair value:				
At 29 February 2016				
Assets				
Financial assets at fair value through profit or loss				
Derivative financial assets	–	17 864	–	17 864
Equity securities	1 747 453	8	–	1 747 461
Direct – quoted	85 740	8	–	85 748
Linked to investment contracts – quoted	1 661 713	–	–	1 661 713
Debt securities	846 266	1 420 857	–	2 267 123
Direct – quoted	846 266	959 074	–	1 805 340
Linked to investment contracts – quoted	–	461 783	–	461 783
Unit-linked investments	–	28 386 299	1 308 984	29 695 283
Direct – quoted	–	12 525 312	–	12 525 312
Linked to investment contracts – quoted	–	15 860 987	–	15 860 987
Direct – unquoted	–	–	10 000	10 000
Linked to investment contracts – unquoted	–	–	1 298 984	1 298 984
Investment in investment contracts	–	73 815	–	73 815
Available-for-sale				
Equity securities (Direct – unquoted)	–	–	240	240
	2 593 719	29 898 843	1 309 224	33 801 786
Liabilities				
Financial liabilities at fair value through profit or loss				
Derivatives financial liabilities	–	17 910	–	17 910
Investment contracts	–	18 173 163	1 298 984	19 472 147
Purchase consideration payable	–	–	5 297	5 297
Third-party liabilities arising on consolidation of mutual funds	–	14 023 726	–	14 023 726
	–	32 214 799	1 304 281	33 519 080

	Level 1 R000	Level 2 R000	Level 3 R000	Total R000
41. RISK MANAGEMENT (continued)				
FINANCIAL RISK MANAGEMENT (continued)				
The following financial instruments are measured at fair value:				
At 28 February 2015				
Assets				
Financial assets at fair value through profit or loss				
Derivatives financial assets	–	23 324	–	23 324
Equity securities	1 024 673	–	–	1 024 673
Direct – quoted	69 526	–	–	69 526
Linked to investment contracts – quoted	955 147	–	–	955 147
Debt securities	476 539	373 071	–	849 610
Direct – quoted	476 539	328 681	–	805 220
Linked to investment contracts – quoted	–	44 390	–	44 390
Unit-linked investments	–	11 228 992	1 116 656	12 345 648
Direct – quoted	–	233 552	–	233 552
Linked to investment contracts – quoted	–	10 995 440	–	10 995 440
Direct – unquoted	–	–	10 000	10 000
Linked to investment contracts – unquoted	–	–	1 106 656	1 106 656
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
Liabilities				
Financial liabilities at fair value through profit or loss				
Derivatives financial liabilities	–	30 749	–	30 749
Investment contracts	–	12 282 705	1 106 656	13 389 361
Purchase consideration payable	–	–	4 783	4 783
Trade and other payables	–	–	8 670	8 670
Third-party liabilities arising on consolidation of mutual funds	–	699 202	–	699 202
	–	13 012 656	1 120 109	14 132 765

Investment contracts
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. Investment contracts included within financial liabilities on the statement of financial position are therefore fully matched by investments as analysed in note 22.

41. RISK MANAGEMENT (continued)

FINANCIAL RISK MANAGEMENT (continued)

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

	Debt securities* R000	Unit-linked investments* R000	Equity securities R000	Total R000
Assets				
Carrying amount at 1 March 2014	237 347	2 250 465	845	2 488 657
Additions	18 561	3 275 879	–	3 294 440
Disposals	(280 191)	(4 482 361)	–	(4 762 552)
Gains recognised in profit and loss	24 283	72 673	–	96 956
Carrying amount at 28 February 2015	–	1 116 656	845	1 117 501
Additions	–	392 791	–	392 791
Disposals	–	(761 413)	–	(761 413)
Gains recognised in profit and loss	–	560 950	–	560 950
Impairment	–	–	(605)	(605)
Carrying amount at 29 February 2016	–	1 308 984	240	1 309 224

* *Gains on these items were recognised in profit and loss under the line item 'net fair value gains and losses on financial instruments'.*

	Other payables R000	Purchase consideration payable in credit R000	Investment contracts** R000	Total R000
Liabilities				
Carrying amount at 1 March 2014	6 660	3 981	2 487 810	2 498 451
Additions	2 010	7 527	3 284 442	3 293 979
Disposals	–	(6 890)	(4 762 552)	(4 769 442)
Losses recognised in profit and loss	–	165	96 956	97 121
Carrying amount at 28 February 2015	8 670	4 783	1 106 656	1 120 109
Additions	–	11 899	392 791	404 690
Disposals	(8 670)	(14 446)	(761 413)	(784 529)
Subsidiaries acquired	–	1 744	–	1 744
Losses recognised in profit and loss	–	1 317	560 950	562 267
Carrying amount at 29 February 2016	–	5 297	1 298 984	1 304 281

** *Losses recognised in profit and loss were recognised in the line item 'fair value adjustment to investment contract liabilities'.*

Gains of R453.8 million (2015: R96.0 million) were recognised in profit and loss under fair value gains on financial instruments on level 3 financial instruments held at any time during the financial year. Losses of R453.8 million (2015: R96.0 million) were recognised in profit and loss under fair value losses on financial instruments on level 3 financial instruments held at any time during the financial year.

Gains of R346.6 million (2015: R95.1 million) were recognised in profit and loss under fair value gains on financial instruments on level 3 financial instruments held at the reporting date. Losses of R346.6 million (2015: R95.1 million) were recognised in profit and loss under fair value losses on financial instruments on level 3 financial instruments held at the reporting date.

41. RISK MANAGEMENT (continued)

FINANCIAL RISK MANAGEMENT (continued)

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 value do not approximate their fair value:

	Carrying value		Fair value	
	2016 R000	2015 R000	2016 R000	2015 R000
Assets				
Debt securities – held-to-maturity	321 441	721 341	333 175	736 883
Investment in investment contracts	42 662	111 904	42 707	112 736
	364 103	833 245	375 882	849 619
Liabilities				
Investment contracts	364 103	833 245	375 882	849 619

The fair value of financial assets and liabilities as above, which are measured at amortised cost, is categorised into the following fair value hierarchies:

	Level 1 R000	Level 2 R000	Level 3 R000	Total R000
At 29 February 2016				
Assets				
Debt securities – held-to-maturity	–	222 615	110 560	333 175
Investment in investment contracts	–	42 707	–	42 707
	–	265 322	110 560	375 882
Liabilities				
Investment contracts	–	265 322	110 560	375 882
At 28 February 2015				
Assets				
Debt securities – held-to-maturity	–	702 416	34 467	736 883
Investment in investment contracts	–	112 736	–	112 736
	–	815 152	34 467	849 619
Liabilities				
Investment contracts	–	815 152	34 467	849 619

41. RISK MANAGEMENT (continued)

FINANCIAL RISK MANAGEMENT (continued)

Non-financial assets

The fair value of investment property are derived using a market approach by reference to the sales in the market of comparable property in similar location and conditions (for example similar lease terms), adjusted for differences in key observable data inputs. The main assumption used in the valuation model is the price per square meter, as obtained from an independent professionally qualified valuer who hold a recognised relevant professional qualification and have recent experience in the location and category of the property.

As the valuation model applied has significant unobservable input, the fair value of the investment property is categorised within level 3 of the fair value hierarchy.

	Level 1 R000	Level 2 R000	Level 3 R000	Total R000
The following non-financial assets are measured at fair value:				
At 29 February 2016				
Investment property	–	–	7 349	7 349
At 28 February 2015				
Investment property	–	–	2 245	2 245

The following tables present the changes in level 3 non-financial assets during the reporting periods under review:

	2016 R000	2015 R000
Assets		
Balance as at 1 March	2 245	2 245
Transfer to investment property from property and equipment	5 102	–
Fair value adjustments	2	–
Carrying amount at 29/28 February	7 349	2 245

The fair value of the investment property is sensitive to the change in the price per square meter, which is illustrated in the table below:

			Change in fair value	
Assumption	Base assumption	Change in assumption R000	Decrease in assumption R000	Increase in assumption R000
At 29 February 2016				
Price per square meter	R13 500 per square meter	20%	(1 470)	1 470
At 28 February 2015				
Price per square meter	R13 000 per square meter	20%	(449)	449

41. RISK MANAGEMENT (continued)

OFFSETTING

The group does not have any financial assets or financial liabilities that are currently subject to offsetting in accordance with IAS 32 – Financial Instruments: Presentation.

However, the derivative assets of R17.9 million (2015: R23.3 million) and derivative liabilities of R17.9 million (2015: R30.7 million) are subject to a master netting arrangement, with a net exposure of R0.1 million (2015: R7.4 million).

INSURANCE RISK

Insurance risk is the risk that future claims and expenses will exceed the allowance for expected claims and expenses in the measurement of policyholder liabilities and in product pricing.

Long-term insurance contracts

The insurance risk that PSG Life Limited is exposed to arises from an annuitant book with 67 (2015: 68) policies which are in the process of being run off, with a total liability value of R24.9 million (2015: R26.3 million). The insurance risk associated with this line of business is longevity risk, as there is a risk of loss that could arise should annuitants live longer than expected.

The loss arises as a result of the company having undertaken to make regular payments to the policyholders for their remaining lives. The most significant risk on these liabilities is continued medical advances and improvement in social conditions that lead to longevity improvements being better than expected.

The group manages the longevity risk by making use of standard mortality tables in calculating the expected life expectancy of its annuitants. However, the risk is not seen as material due to the size of this annuitant book.

The profile of annuity amounts payable per life in respect of annuities is as follows:

	2016		2015	
Annuity amount per annum – R	Number of annuities	Annual annuity exposure R000	Number of annuities	Annual annuity exposure R000
0 – 50 000	48	1 133	51	1 209
50 000 – 100 000	12	778	11	747
100 000 – 150 000	4	519	4	546
150 000 – 200 000	2	320	1	160
200 000 – 999 999 999	1	258	1	247

The table above shows that the concentration risk is likely to be small given the number of lives and the annuity profile being heavily weighted to lower annuity amounts per annum.

In the measurement of annuitant liabilities, a margin as described in the accounting policies is subtracted from the best estimate mortality. The best estimate mortality includes an allowance for future mortality improvements.

Significant assumptions used in determining the policyholder liability on this annuitant book were as follows:

- Mortality table: 95.00% of a 55, less a three-year age adjustment
- Annuity bonus: based on 65% and 75% (2015: 80% and 70%) of the long-term FSB inflation curve for mCubed and Glenrand respectively, with 13th cheques allowed for mCubed policies; average of 6.45% (2015: 4.27%) per annum on Glenrand policies and 5.59% (2015: 4.88%) on mCubed policies
- Investment returns: based on the long-term FSB nominal yield curve effective 29 February 2016 and 28 February 2015

The investment strategy followed for assets held to cover these liabilities is to match the liability cash flows as closely as possible, given the availability of appropriate inflation-linked bonds. The targeted return of these portfolios is to earn returns which at least match inflation and this is reviewed by the investment committee as well as the statutory actuary of PSG Life Limited on at least an annual basis.

41. RISK MANAGEMENT (continued)

INSURANCE RISK (continued)

The group issues contracts that transfer insurance risk or financial risk or both. This section summarises these risks and the way the group manages them.

Short-term insurance contracts

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, the materialisation of risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the group faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur when the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the estimate established using statistical techniques. Changing risk parameters and unforeseen factors, such as patterns of crime, economic and geographical circumstances, may result in unexpectedly large claims.

a) Pricing and reserving

The group bases its pricing policy on the theory of probability. Underwriting limits are set for underwriting managers and brokers to ensure that this policy is consistently applied. The group also has the right to reprice and change the conditions for accepting risks on renewal. It also has the ability to impose deductibles and reject fraudulent claims.

The group is exposed to accumulation risk in the form of geographical (large metropolitan areas), as well as class of business concentrations of risk. The risk appetite policy dictates how much capital the group is willing to put at risk in the pursuit of value. It is within this risk appetite framework that the reinsurance programme has been selected to mitigate accumulation risk within its portfolio.

The reinsurance arrangements include excess, stop-loss and catastrophe coverage.

Claim provisions for all classes of business are regularly reviewed to make sure they are sufficient. These analyses draw on the expertise and experience of a wide range of specialists, such as underwriting and accounting experts.

Capital adequacy management aims to manage the risk that the net technical reserves held on the statement of financial position to fund reported and future claims as well as their associated expenses may prove insufficient.

The group holds its technical reserves at the minimum levels of sufficiency in accordance with prudential guidelines and legal requirements. The group aims to be conservative in the holding of technical reserves to protect its capital.

b) Underwriting risk

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

The concentration of insurance risk in relation to the type of insurance risk accepted, as well as the relative geographical concentration of the risk is summarised in the table below:

	2016 Type of insurance risk		2015 Type of insurance risk	
Geographical location:	Motor	Non-motor	Motor	Non-motor
South Africa	59%	41%	58%	42%
Namibia	20%	80%	20%	80%
	52%	48%	51%	49%

Refer to page 117 for mitigating controls put in place as part of the risk management framework to address underwriting risk.

41. RISK MANAGEMENT (continued)

INSURANCE RISK (continued)

c) Frequency and severity of claims

The frequency and severity of claims can be affected by several factors. The group manages these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling.

The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk, industry and geography.

d) Sources of uncertainty in the estimation of future claim payments

Claims are payable on a claims-occurrence basis. The group is liable for all insured events that occurred during the term of the contract, even if the loss is discovered after the end of the contract term. As a result, liability claims are settled over a long period of time, and a larger element of the claims provision relates to incurred but not reported claims (IBNR). There are several variables that affect the amount and timing of cash flows from these contracts. These mainly relate to the inherent risks of the business activities carried out by the individual contract holders and the risk management procedures they adopted.

In calculating the estimated cost of unpaid claims (both reported and not), the group's estimation techniques are a combination of loss-ratio-based estimates (where the loss ratio is defined as the ratio between the ultimate cost of insurance claims and insurance premiums earned in a particular financial year in relation to such claims) and an estimate based upon actual claims experience using predetermined formulae where greater weight is given to actual claims experience as time passes.

e) Development of claims

Due to the nature of the insurance contracts, the uncertainty about the amount and timing of claims payments is typically resolved within one year.

CAPITAL RISK MANAGEMENT

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure. The group considers the optimal capital structure to be a structure in which the optimal level of capital is maintained in the most effective way by balancing the needs of shareholders, policyholders and regulators, with the main focus being one of maximising shareholder value. This requires the group to manage the levels of capital within each regulated entity in the group to keep these in line with the capital requirements for that entity, as well as to ensure that this reflects and is consistent with the group's risk profile and risk appetite. In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The executive committee and the management committee (Manco) provide oversight for the capital management of the group. The group monitors capital on the basis of the gearing ratio. This is also consistent with similar companies within the industry. The gearing ratio is calculated as the net debt divided by total capital. Net debt is calculated as total borrowings (excluding the Société Générale and Investec Bank Limited loans) including purchase consideration payable less cash and cash equivalents, reduced by client-related cash and cash equivalents, as shown in the consolidated statement of financial position. Total capital is calculated as the total equity as shown in the consolidated statement of financial position plus the net debt.

When funding is required, management will consider the various forms of paper available for issue, taking into account current market conditions, anticipated trends in market indicators and the financial position of the group at the time. Management will consider issuing ordinary shares, or short-, long- or medium-term borrowings with variable or fixed rates accordingly.

The gearing ratios at year-end can be summarised as follows:	2016 R000	2015 R000
Borrowings (net borrowings and purchase consideration payable)	**15 971**	19 056
Less: cash and cash equivalents	**(1 115 118)**	(805 908)
Net debt position	**(1 099 147)**	(786 852)
Total equity	**1 845 658**	1 625 650
Total capital	**746 511**	838 798
Gearing ratio	**(147.24%)**	(93.81%)

41. RISK MANAGEMENT (continued)

GROUP RESTRICTIONS ON ASSETS AND LIABILITIES

The group does not have any significant restrictions on its ability to access or use its assets and settle its liabilities other than those required by supervisory regulatory frameworks.

Certain subsidiaries have regulatory capital adequacy requirements as a result of the respective industries in which they operate. PSG Life Limited is required to hold a minimum amount of capital in order to reduce the policyholders' exposure to the company's liquidity risk. The Financial Services Board regularly reviews compliance with these minimum capital requirements as the regulatory authority. The company must maintain shareholders' funds that will be sufficient to meet obligations in the event of substantial deviations from the main assumptions affecting the company's business. Capital adequacy requirements were covered 1.57 times at 28 February 2015. This ratio is determined in accordance with regulations and the guidelines issued by the Actuarial Society of South Africa. At 29 February 2016, with the settlement of the legacy tax matter that was treated as a liability on year-end, it resulted in negative capital implications which will be resolved with the regulators.

The subsidiary of the group, Western Group Holdings Limited, operates in the short-term insurance industry. The objectives when managing capital are to safeguard its ability to continue as a going concern and to ensure optimal capital adequacy management in order to manage the risk that the net technical reserves held on the statement of financial position be sufficient to fund reported and future claims as well as their associated expenses. Capital management is done through reinsurance and reserving. The group is exposed to accumulation risk in the form of geographical (large metropolitan areas) as well as class of business concentrations of risk. The risk appetite policy dictates how much capital the group is willing to put at risk in the pursuit of value. It is within this risk appetite framework that the reinsurance programme has been selected to mitigate accumulation risk within its portfolio. The reinsurance arrangements include excess, stop-loss and catastrophe coverage. The group manages its capital requirements in accordance with the guidelines and statutory regulations of each Regulator in the various jurisdictions. The group holds its technical reserves at the minimum levels of sufficiency in accordance with prudential guidelines and legal requirements. The group aims to be conservative in the holding of technical reserves to protect its capital.

The capital levels of the non-insurance companies and subsidiaries are based on operational requirements (subject to any regulatory capital requirements), taking into account new business targets.

REGULATORY CAPITAL DEVELOPMENTS

The FSB is in the process of introducing a new solvency regime for the South African long-term and short-term insurance industries to be in line with European standards. To achieve this, the FSB launched its solvency assessment and management (SAM) project during 2010. The basis of the SAM regime will be the principles of the Solvency II directive, as adopted by the European parliament, but adapted to specific South African circumstances where necessary. The intention with the FSB's SAM project is to achieve third country equivalence status with the Solvency II regime.

It is expected that SAM will ultimately result in substantial changes to the South African insurance capital management landscape. The group is actively participating in the development and formulation of the new South African solvency standards and is also reviewing its internal economic capital models in light of local and international developments. The new Insurance Bill is expected to be effective from 1 January 2017 and this prescribes the SAM basis. The new Insurance Bill will also introduce group supervision for insurance groups.

The FSB has indicated that it aims to implement SAM with effect from 1 January 2016, but this was moved out and the expected implementation date is 1 January 2017. Insurance companies were required to perform a 'light' parallel run during 2014 and a 'comprehensive' parallel run during 2015. The group's insurance companies participated in the 'light' parallel run and has submitted the returns issued for the 'comprehensive' parallel run. PSG Konsult's internal SAM project is on track to meet these requirements.

The group is in the process of preparing for the adoption of the SAM regulatory capital regime which is expected to be applicable from 1 January 2017.

The SAM project officially move from the development phase to the implementation phase during 2014 with the introduction of the light parallel run in the second half of 2014. The group has successfully submitted all regulatory reports required, implemented the risk and governance requirements as set out in the FSB Board Notice that became effective 1 April 2015, and are on track with its development need following the mock Own Risk and Solvency Assessment (ORSA) that was submitted to the FSB during August 2015.

During the 2016 calendar year, the group is focusing on embedding the SAM requirements in the day-to-day operations and will continue to monitor developments in the legislative processes related to SAM. Ultimately SAM will achieve better alignment of stakeholder interests, including enhanced protection of policyholder benefits which is in line with the group's financial wellness strategy and client-centric operating model.

41. RISK MANAGEMENT (continued)

GROUP CREDIT RISK

During June 2015, the rating agency Global Credit Rating (GCR), having upgraded PSG Konsult's long-term rating in August 2014, affirmed PSG Konsult's national long-term rating of BBB+(za). It also affirmed the short-term rating of A2(za), with the outlook accorded as stable. This is as a result of PSG Konsult's strong operational performance over the last three years within a well-defined strategy, the increased financial strength, and stability built into its business model.

FINANCIAL RISK INHERENT IN CONSOLIDATED MUTUAL FUNDS

The group consolidates a number of collective investment schemes as a result of exercising control over these funds, and the risk management framework is therefore applicable to the risk management of the fund. Refer to Annexure A for information on the mutual funds consolidated.

Because of the specific nature of the business of the schemes, the risk management principles may be applied differently to managing the risks relevant to the schemes from how the overall financial risks are managed. This section describes how the financial risk management of the schemes differs from the overall financial risk management.

The management company of the scheme has a dedicated independent risk unit that continuously monitors the overall risk of the portfolios against stated mandate limits and the portfolio risk appetites over time. To avoid conflicts of interest, the unit is separate from the investment team and reports directly to the chief operating officer of the management company.

When considering any new investment for a scheme, the risks and expected returns are critical elements in the investment decision. Before an instrument is included in a portfolio, risks are carefully considered at instrument and portfolio level. The scheme mandate is also assessed.

A portfolio market risk appetite is measured as a function of current market conditions and a benchmark, which translates into a targeted tracking error that is monitored by the independent risk unit. Credit and liquidity risk are mitigated through diversification of issuers in line with the policy.

42. SHARE ANALYSIS

	Shareholders Number	%	Shares held Number	%
Range of shareholding				
1 – 50 000	5 750	91.1	47 301 120	3.7
50 001 – 100 000	237	3.8	15 842 050	1.2
100 001 – 500 000	220	3.5	41 876 519	3.3
500 001 – 1 000 000	37	0.6	26 106 304	2.0
Over 1 000 000	67	1.0	1 145 662 005	89.8
	6 311	100.0	1 276 787 998	100.0
Treasury shares	13		2 335 723	
	6 324		1 279 123 721	
Public and non-public shareholding				
Non-public				
Holding company	1	0.0	790 813 029	61.9
Directors and management	18	0.3	122 666 657	9.6
Public	6 292	99.7	363 308 312	28.5
	6 311	100.0	1 276 787 998	100.0

No individual shareholders (excluding the holding company PSG Financial Services Limited) held more than 5% of the issued shares as at 29 February 2016 (2015: Nil).

PSG KONSULT LIMITED

COMPANY FINANCIAL STATEMENTS

29 February 2016

PSG KONSULT HAS THE VISION OF A POSITIVE, AMBITIOUS AND SUCCESSFUL END RESULT.

Company statement of financial position
as at 29 February 2016

	Notes	2016 R000	2015 R000
ASSETS			
Investment in subsidiaries	1	1 409 612	1 413 172
Deferred income tax	2	11	12
Loans and advances	3	130 921	55 089
Receivables	4	56	49 260
Cash and cash equivalents (including money market investments)	5	61 092	29 696
Total assets		1 601 692	1 547 229
EQUITY			
Equity attributable to owners of the company			
Stated capital	6	1 446 604	1 325 111
Retained earnings		123 234	90 307
Total equity		1 569 838	1 415 418
LIABILITIES			
Borrowings	7	7 010	110 456
Trade and other payables	8	24 798	21 286
Current income tax liabilities		46	69
Total liabilities		31 854	131 811
Total equity and liabilities		1 601 692	1 547 229

Company statement of comprehensive income
for the year ended 29 February 2016

	Notes	2016 R000	2015 R000
Investment income	9	200 420	234 274
Net fair value gains and losses on financial instruments	10	6	(4)
Other operating income	11	5 669	4 575
Total income		206 095	238 845
Marketing, administration and other expenses	12	(11 204)	(3 614)
Total expenses		(11 204)	(3 614)
Profit before finance costs and taxation		194 891	235 231
Finance costs	13	(75)	(4 455)
Profit before taxation		194 816	230 776
Taxation	14	(3 347)	(832)
Profit for the year		191 469	229 944
Total comprehensive income for the year		191 469	229 944

Company statement of changes in equity
for the year ended 29 February 2016

	Stated capital R000	Retained earnings R000	Total R000
Balance at 1 March 2014	1 134 746	2 989	1 137 735
Comprehensive income			
Profit for the year	–	229 944	229 944
Transactions with owners	190 365	(142 626)	47 739
Issue of ordinary shares	190 365	–	190 365
Dividend paid	–	(142 626)	(142 626)
Balance at 1 March 2015	1 325 111	90 307	1 415 418
Comprehensive income			
Profit for the year	–	191 469	191 469
Transactions with owners	121 493	(158 542)	(37 049)
Issue of ordinary shares	121 493	–	121 493
Dividend paid	–	(158 542)	(158 542)
Balance at 29 February 2016	1 446 604	123 234	1 569 838

Company statement of cash flows
for the year ended 29 February 2016

	Notes	2016 R000	2015 R000
Cash flows from operating activities			
Cash utilised in operating activities	18.1	(38 767)	(16 263)
Interest income		9 130	2 929
Dividend income		191 290	231 345
Finance costs		(75)	(4 455)
Taxation paid	18.2	(3 369)	(1 754)
Net cash flow from operating activities		158 209	211 802
Cash flows from investing activities			
Proceeds from disposal of subsidiary		1 250	–
Acquisition of subsidiary		(6 040)	–
Net cash flow from investing activities		(4 790)	–
Cash flows from financing activities			
Dividends paid		(158 542)	(142 626)
Repayment of borrowings		–	(69 811)
Issue of ordinary shares		36 519	7 476
Net cash flow from financing activities		(122 023)	(204 961)
Net increase in cash and cash equivalents		31 396	6 841
Cash and cash equivalents at beginning of the year		29 696	22 855
Cash and cash equivalents at end of the year	18.3	61 092	29 696

Notes to the company financial statements
for the year ended 29 February 2016

BASIS OF PREPARATION AND ACCOUNTING POLICIES

The basis of preparation and accounting policies of the company are the same as that of the group, as set out in the group financial statements. These financial statements should be read in conjunction with the group financial statements.

		2016 R000	2015 R000
1.	**INVESTMENT IN SUBSIDIARIES**		
	Unlisted shares at cost less impairment	1 409 612	1 413 172

Interest in subsidiaries acquired and sold

Effective 1 November 2015, PSG Konsult Limited acquired a 100% holding in PSG Konsult (Mauritius) Limited, an investment holding company incorporated in Mauritius, for R6.0 million. This company is start-up in nature and therefore no intangible assets or goodwill were identified on acquisition.

PSG Konsult Limited sold its 100% shareholding in PSG Academy Proprietary Limited to Moonstone Information Refinery Proprietary Limited for a consideration of R1.3 million. The effective date of this transaction, subject to suspensive conditions, was 1 March 2015. PSG Academy Proprietary Limited is an accredited private higher education institution that provides training to advisers within the financial services industry.

PSG Konsult Limited subscribed to an additional R310.0 million share issue of PSG Distribution Holdings Proprietary Limited during the 2015 financial year. The share issue by PSG Distribution Holdings Proprietary Limited took place in March 2014 (R161.1 million) along with the asset-for-share transaction that was concluded on 1 March 2014 in terms of section 42 of the Income Tax Act, No. 58 of 1962, with various advisers within the PSG Konsult Limited Group, through a wholly-owned subsidiary in the group, PSG Wealth Financial Planning Proprietary Limited, with a further share issue concluded in February 2015 of R148.9 million. The effective interest in PSG Distribution Holdings Proprietary Limited remained unchanged at 100%.

Impairment

An assessment for impairment was performed by comparing the carrying value of the individual subsidiaries with the calculated fair value less cost to sell. The fair value is determined by applying a price/earnings ratio to the profit after tax for each subsidiary for the respective financial years. The price/earnings ratios are determined with reference to similar listed companies, as well as recent transactions concluded in the market and were determined as between 5.0 and 7.5 (2015: 5.0 and 7.5).

PSG Konsult Limited impaired the full investment of R9.6 million in PSG Konsult Brokers (UK) Limited during the 2016 financial year, following the strategic decision to obtain the offshore share trading capabilities from a third-party platform provider.

General

Refer to Annexure A for a schedule of interests in subsidiaries.

		2016 R000	2015 R000
2.	**DEFERRED INCOME TAX**		
	Deferred income tax asset	15	13
	Deferred income tax liability	(4)	(1)
	Net deferred income tax asset	11	12
	Deferred income tax asset		
	To be recovered within 12 months	15	13
	To be recovered after 12 months	–	–
		15	13
	Deferred income tax liability		
	To be recovered within 12 months	(4)	(1)
	To be recovered after 12 months	–	–
		(4)	(1)

The movement in the deferred tax asset and liability during the year was as follows:

Deferred tax asset	Provisions R000	Total R000
At 1 March 2014	76	76
Charge to profit and loss	(63)	(63)
At 28 February 2015	13	13
Credit to profit and loss	2	2
At 29 February 2016	15	15
To be recovered within 12 months	15	15
To be recovered after more than 12 months	–	–
	15	15

2. DEFERRED INCOME TAX (continued)

Deferred tax liability	Prepaid expenses R000	Unrealised foreign exchange differences R000	Total R000
At 1 March 2014	(50)	(173)	(223)
Credit to profit and loss	50	172	222
At 28 February 2015	–	(1)	(1)
Charge to profit and loss	–	(3)	(3)
At 29 February 2016	–	(4)	(4)
To be recovered within 12 months	–	(4)	(4)
To be recovered after more than 12 months	–	–	–
	–	(4)	(4)

The deferred income tax assets and liabilities were calculated on all temporary differences under the liability method using the effective tax rate of 28% (2015: 28%).

The recoverability of the deferred income tax asset was assessed as set out in the accounting policies of the group.

	2016 R000	2015 R000
3. LOANS AND ADVANCES		
Unsecured loans	–	229
Amounts owing by related parties (refer to note 17)	130 921	54 860
	130 921	55 089
Current portion	130 921	55 089
Non-current portion	–	–
	130 921	55 089

Included under unsecured loans in the 2015 financial year was a balance of R0.2 million that accrued interest at the UK prime rate and was repayable on demand. The balance was received in full during the 2016 financial year. Amounts owing by related parties are unsecured and include balances of R1.2 million and R79.2 million (2015: R16.4 million and R18.9 million) which accrue interest at prime rate and prime less 1% respectively and are repayable on demand. The remaining amounts owing by related parties are unsecured, interest-free and repayable on demand.

The fair values of the loans and advances approximate their carrying values. Loans and advances are shown net of amounts which are not expected to be recoverable, and hence no significant credit risk exists.

The maximum exposure to credit risk at the reporting date is the fair value of each class of the loans and advances mentioned above.

		2016 R000	2015 R000
4.	**RECEIVABLES**		
	Trade receivables	51	48
	Receivables due from related parties (refer to note 17)	–	49 185
	VAT receivable	–	27
	Prepayments	5	–
	Total receivables*	56	49 260
	Current portion	56	49 260
	Non-current portion	–	–
		56	49 260

* *Includes non-financial assets of R0.0 million (2015: R0.0 million).*

Receivables due from related parties in the 2015 financial year included balances of R8.6 million which accrued interest and were repayable on demand. The effective-interest rate applied to those balances was 9.63%. The remaining amounts receivable were interest-free and repayable on demand.

Receivables are assessed individually for any indications that the counterparty might not be able to honour its commitments. Nominal value less impairment provision of trade receivables is assumed to approximate its fair value.

No receivables are considered to be impaired (2015: Rnil). As at 29 February 2016, no receivables were past due but not impaired (2015: Rnil).

		2016 R000	2015 R000
5.	**CASH AND CASH EQUIVALENTS (INCLUDING MONEY MARKET INVESTMENTS)**		
	Cash at bank	1 057	1 684
	Money market investments	50 235	19 512
	Short-term deposits	9 800	8 500
		61 092	29 696

The effective-interest rate on cash and cash equivalents (including money market investments) was 6.38% (2015: 5.70%). The money market investments and the short-term deposits have an average maturity of 30 days or less.

6. STATED CAPITAL

Authorised

3 billion shares with no par value

(2015: 3 billion shares with no par value)

There were no changes to the authorised stated capital during the current reporting period (2015: no changes).

Issued	Number of shares (thousands)	Stated capital R000
At 1 March 2014	1 221 917	1 134 746
Issue of ordinary shares	40 567	190 365
At 28 February 2015	1 262 484	1 325 111
Issue of ordinary shares	16 640	121 493
At 29 February 2016	1 279 124	1 446 604

The shares issued during the current financial year were to fulfil the company's obligation towards the share options which vested on 10 April 2015, 1 June 2015 and 1 July 2015 respectively.

The shares issued during the previous financial year were to fulfil the company's obligation towards the share options which vested on 10 April 2014 and 1 July 2014 respectively, as well as the asset-for-share transaction detailed below.

An asset-for-share transaction was concluded on 1 March 2014 in terms of section 42 of the Income Tax Act, No. 58 of 1962, with various advisers within the PSG Konsult Limited Group, through a wholly-owned subsidiary in the group, PSG Wealth Financial Planning Proprietary Limited. The transaction was settled through the issue of 35.8 million PSG Konsult shares, issued by the company at R4.50 and a R12.5 million cash payment by PSG Wealth Financial Planning Proprietary Limited to the advisers.

All shares issued by the company were fully paid. The unissued shares in the company are placed under the control of the directors until the next annual general meeting. The directors are authorised to buy back shares under general approval, subject to certain limitations and the JSE Listings Requirements.

	2016 R000	2015 R000
7. BORROWINGS		
Current		
Secured loan	–	–
Related-party loans (refer to note 17)	7 010	110 456
Total current borrowings	7 010	110 456
Total borrowings	7 010	110 456

The secured loan with Rand Merchant Bank was settled during the 2015 financial year as the company decided to accelerate the repayment of the facility. The facility, which consisted of three separate loans and was secured by the investment in PSG Securities Limited, was repaid as follows: the first loan was repaid in full on 12 August 2014, the second loan on 15 December 2014 and the third loan on 20 October 2014.

The related-party loans are unsecured, interest-free and repayable on demand.

The carrying value of short-term borrowings approximates their fair value.

		2016 R000	2015 R000
8.	**TRADE AND OTHER PAYABLES**		
	Trade payables	24 792	21 286
	VAT payable	6	–
	Total trade and other payables*	24 798	21 286
	Current portion	24 798	21 286
	Non-current portion	–	–
		24 798	21 286

* *Includes non-financial liabilities of R0.0 million (2015: Rnil).*

The carrying amount of trade and other payables approximate their fair value.

		2016 R000	2015 R000
9.	**INVESTMENT INCOME**		
	Interest income		
	Interest received from related parties (refer to note 17)	8 581	2 351
	Cash and short-term funds	549	578
		9 130	2 929
	Dividend income		
	Dividend income from subsidiaries (refer to note 17)	191 290	231 345
		191 290	231 345
	Investment income	200 420	234 274
10.	**NET FAIR VALUE GAINS AND LOSSES ON FINANCIAL INSTRUMENTS**		
	Foreign exchange gains/(losses)	6	(4)
11.	**OTHER OPERATING INCOME**		
	Profit on disposal of subsidiary	1 250	–
	Management and other fees received from related parties (refer to note 17)	–	4 575
	Profit on disposal of shares distributed from PSG Konsult Group Share Incentive Trust	4 401	–
	Sundry income	18	–
		5 669	4 575

		2016 R000	2015 R000
12.	**MARKETING, ADMINISTRATION AND OTHER EXPENSES**		
	Auditor's remuneration		
	– current year	44	32
	Professional fees	602	2 421
	Impairment of investment in subsidiary	9 600	–
	Administration costs	288	1 040
	Other administration costs paid to related parties (refer to note 17)	670	121
		11 204	3 614
13.	**FINANCE COSTS**		
	Loans from related parties (refer to note 17)	75	209
	Other borrowings	–	4 246
		75	4 455
14.	**TAXATION**		
	Current taxation		
	Current year	3 346	991
	Deferred taxation		
	Current year	1	(159)
	Total income statement charge	3 347	832

The company has no unutilised tax losses available at 29 February 2016 (2015: Rnil) for utilisation against future taxable income.

	2016 %	2015 %
Reconciliation of effective rate of taxation		
South African normal taxation rate	28.0	28.0
Adjusted for:		
Non-taxable income	(28.3)	(28.1)
Non-deductible charges	1.6	0.5
Capital gains tax rate differential	0.4	–
Effective rate of taxation	1.7	0.4

	2016 R000	2015 R000
15. DIVIDEND PER SHARE		
Normal dividend	158 542	142 626

Interim
4.4 cents per share (2015: 4.0 cents per share)

Final
8.8 cents per share (2015: 8.0 cents per share)

Dividends are not accounted for until they have been approved by the company's board of directors.

16. BORROWING POWERS

In terms of the company's memorandum of incorporation (MOI), borrowing powers are unlimited. Details of actual borrowings of the company are disclosed in note 7 to the financial statements.

The company also has an undrawn overdraft facility of R50.0 million (2015: R30.0 million) with Absa Bank Limited.

As per note 7, PSG Konsult Limited ceded its rights and title to its shareholding in PSG Securities Limited (through PSG Wealth Holdings Proprietary Limited) as security against the company's due performance and discharge of its obligations or indebtedness under the loan facilities from Rand Merchant Bank. The value of the cession was capped at the initial loan amount of the facilities in place, being R150.0 million. The company repaid these facilities in full during the 2015 financial year and the cession was cancelled accordingly.

17. RELATED-PARTY TRANSACTIONS

PSG Konsult Limited and its subsidiaries enter into various transactions with members of the PSG Group and PSG Konsult Group. These transactions include a range of investment, administrative and corporate services in the normal course of business.

	2016 R000	2015 R000
Included in loans and advances to companies in the PSG Konsult Limited Group		
PSG Management Services Proprietary Limited	31 725	–
Delerus Proprietary Limited	1 200	16 423
PSG Konsult Treasury Proprietary Limited	79 191	18 854
PSG Distribution Holdings Proprietary Limited	2 065	586
PSG Insure Holdings Proprietary Limited	2 322	2 250
PSG Wealth Holdings Proprietary Limited	14 378	14 377
Abrafield Proprietary Limited	10	2 370
Related-party loans and advances		
PSG Konsult Employees Trust	30	–
	130 921	54 860

	2016 R000	2015 R000
17. RELATED-PARTY TRANSACTIONS (continued)		
Included in receivables from companies in the PSG Konsult Limited Group		
PSG Wealth Financial Planning Proprietary Limited	–	38 538
PSG Employee Benefits Limited	–	8 558
PSG Konsult Insurance Solutions Proprietary Limited	–	24
PSG Optimum Proprietary Limited	–	2 065
	–	49 185

Refer to note 3 and 4 for the detail of the terms of the related-party loans and advances and receivables.

	2016 R000	2015 R000
Included in borrowings from companies in the PSG Konsult Limited Group		
PSG Management Services Proprietary Limited	–	101 137
PSG Konsult Group Share Incentive Trust	159	136
PSG Scriptfin Proprietary Limited	6 851	6 851
PSG Trust Proprietary Limited	–	2 332
	7 010	110 456

Refer to note 7 for the detail of the terms of the related-party borrowings.

	2016 R000	2015 R000
The following significant related-party transactions occurred during the respective financial years:		
Management and other fees received from companies in the PSG Konsult Limited Group		
PSG Wealth Financial Planning Proprietary Limited	–	4 452
PSG Management Services Proprietary Limited	–	37
PSG Trust Proprietary Limited	–	86
Management and other fees received	–	4 575
Fees paid to companies in the PSG Konsult Limited Group		
Abrafield Proprietary Limited	670	–
PSG Management Services Proprietary Limited	–	121
	670	121

		2016 R000	2015 R000
17.	**RELATED-PARTY TRANSACTIONS (continued)**		
	Interest received from PSG Konsult Limited Group companies		
	PSG Konsult Treasury Proprietary Limited	2 954	373
	PSG Corporate Financial Planning Proprietary Limited	–	209
	PSG Employee Benefits Limited	33	485
	Delerus Proprietary Limited	4 320	1 148
	Transaction with local unit trusts and offshore unit trusts		
	Related-party interest received		
	Local unit trusts	1 274	136
		8 581	2 351
	Interest paid to PSG Konsult Limited Group companies		
	PSG Securities Limited	46	145
	PSG Employee Benefits Limited	29	–
	PSG Corporate Financial Planning Proprietary Limited	–	6
	Nhluvuko Risk Administration Proprietary Limited	–	58
		75	209
	Dividends received from companies in the PSG Konsult Limited Group		
	PSG Academy Proprietary Limited	–	1 978
	PSG Wealth Holdings Proprietary Limited	72 112	51 322
	PSG Distribution Holdings Proprietary Limited	52 178	105 886
	PSG Insure Holdings Proprietary Limited	–	2 059
	PSG Asset Management Holdings Proprietary Limited	67 000	70 100
		191 290	231 345

The shareholding of directors and the directors' remuneration are set out in the report of the board of directors.

Key management compensation

Key management are those persons having authority and responsibility for planning, directing and controlling the activities of the group. Key management is considered to be the board of directors and the prescribed officers. For the detail of the audited directors' and prescribed officers' remuneration, refer to pages 133 and 134 of the report of the board of directors.

		2016 R000	2015 R000
18.	**NOTES TO THE STATEMENT OF CASH FLOWS**		
18.1	Cash utilised in operating activities		
	Profit before finance costs and taxation	194 891	235 231
	Adjustment for non-cash items and other:		
	Interest received	(9 130)	(2 929)
	Dividends received	(191 290)	(231 345)
	Impairment of investment and loans	10 270	–
	Profit on disposal of subsidiary	(1 250)	–
	Profit on disposal of shares distributed from PSG Konsult Group Share Incentive Trust	(4 401)	–
		(910)	957
	Changes in working capital		
	Receivables	19	148
	Intergroup loans obtained	155 496	80 735
	Intergroup loans repaid	(197 113)	(102 754)
	Loans and advances	229	1 657
	Trade and other payables	3 512	2 994
		(38 767)	(16 263)
18.2	Taxation paid		
	Charge to profit and loss	(3 347)	(832)
	Movement in deferred taxation	1	(159)
	Movement in net taxation liability	(23)	(763)
		(3 369)	(1 754)
18.3	Cash and cash equivalents at end of the year		
	Cash and cash equivalents (including money market investments)	61 092	29 696

19. EVENTS AFTER THE REPORTING DATE

No event material to the understanding of these results has occurred between the end of the reporting period and the date of approval of the results.

20. FINANCIAL RISK MANAGEMENT

GENERAL

Financial risk factors

The company's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow and fair value interest rate risk and price risk), credit risk and liquidity risk. The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance.

Risk management is carried out under policies approved by the board of directors. The management of PSG Konsult identifies, evaluates and mitigates financial risks. The board of directors provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative and non-derivative financial instruments and investment of excess liquidity.

The sensitivity analyses presented below are based on reasonable possible changes in market variables for equity prices, interest rates and foreign exchange rates for the company. Financial instruments are grouped into the following classes in order to facilitate effective financial risk management and disclosure in terms of IFRS 7 – Financial Instruments: Disclosures and IFRS 13 – Fair Value Measurements.

	2016 R000	2015 R000
CLASSES OF FINANCIAL ASSETS		
Unsecured loans	–	229
Unsecured loans to related parties	130 921	54 860
Total loans and advances	130 921	55 089
Trade receivables	51	48
Receivables due from related parties (refer to note 17)	–	49 185
Total receivables	51	49 233
Cash and cash equivalents (including money market investments)	61 092	29 696
Total financial assets	192 064	134 018
CLASSES OF FINANCIAL LIABILITIES		
Related-party loans (refer to note 17)	7 010	110 456
Total borrowings	7 010	110 456
Trade and other payables	24 792	21 286
Total trade and other payables	24 792	21 286
Total financial liabilities	31 802	131 742

	Loans and receivables 2016 R000	2015 R000
20. FINANCIAL RISK MANAGEMENT (continued)		
FINANCIAL INSTRUMENTS BY CATEGORY		
Assets as per statement of financial position		
Loans and advances*	130 921	55 089
Receivables*	51	49 233
Cash and cash equivalents*	61 092	29 696
	192 064	134 018

	Liabilities measured at amortised cost 2016 R000	2015 R000
Liabilities as per statement of financial position		
Borrowings*	7 010	110 456
Trade and other payables*	24 792	21 286
	31 802	131 742

* *Carrying value approximates fair value.*

Market risk

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.

Price risk

The company was not exposed to price risk in the respective financial years.

Foreign exchange risk

The company has limited investments in foreign operations, with net assets that are exposed to foreign currency translation risk. Transactions incurred by the company did not lead to a significant foreign exchange risk. Management monitors this exposure and cover is used where appropriate. The company did not take cover on foreign currency transactions and balances during the financial years under review. The company was not exposed to foreign exchange risk at 29 February 2016.

	British pound sterling R000	Total R000
At 28 February 2015		
Financial assets		
Loans and advances	229	229

20. FINANCIAL RISK MANAGEMENT (continued)

The table below shows the sensitivity of post-tax profits of the company to a 20% (2015: 20%) move in the rand exchange rates.

	2016 20% appreciation R000	2015 20% appreciation R000	2016 20% depreciation R000	2015 20% depreciation R000
Impact on post-tax profit	–	(33)	–	33

Cash flow and fair value interest rate risk

The company's interest rate risk arises from loans and advances, receivables, cash and cash equivalents, borrowings and trade and other payables. Borrowings issued at variable rates expose the company to cash flow interest rate risk. Borrowings issued at fixed rates expose the company to fair value interest rate risk.

	2016 R000	2015 R000
Loans and advances		
Floating rate	80 391	35 505
Interest-free	50 530	19 584
	130 921	55 089
Receivables		
Floating rate	–	8 559
Interest-free	51	40 674
	51	49 233
Cash and cash equivalents		
Floating rate	61 092	29 696
	61 092	29 696
Borrowings		
Interest-free	(7 010)	(110 456)
	(7 010)	(110 456)
Trade and other payables		
Interest-free	(24 792)	(21 286)
	(24 792)	(21 286)
Total		
Floating rate	141 483	73 760
Interest-free	18 779	(71 484)
	160 262	2 276

The company manages its cash flow interest rate risk by monitoring interest rates on a regular basis.

20. FINANCIAL RISK MANAGEMENT (continued)

Based on simulations performed, the impact on post-tax profit of a 1% (2015: 1%) movement in interest rates is analysed in the following table:

	2016 1% increase R000	2015 1% increase R000	2016 1% decrease R000	2015 1% decrease R000
Impact on post-tax profit	1 019	531	(1 019)	(531)

Credit risk

Credit risk arises from the inability or unwillingness of a counterparty to a financial instrument to discharge its contractual obligations. Credit risk comprises default, settlement and migration risk (if credit ratings change).

Credit risk arises from cash and cash equivalents, loans and advances and receivables. Counterparties and cash transactions are limited to high-credit-quality financial institutions.

The table below shows the company's maximum exposure to credit risk by class of asset:

	2016		2015	
	Balance R000	Collateral fair value R000	Balance R000	Collateral fair value R000
Loans and advances	130 921	–	55 089	–
Receivables	51	–	49 233	–
Cash and cash equivalents	61 092	–	29 696	–
	192 064	–	134 018	–

Receivables are tested for impairment using a variety of techniques including assessing credit risk and monthly monitoring of individual debtors. At 29 February 2016 no receivables (2015: Rnil) were found to be impaired and accordingly no impairment was raised.

Financial assets are assessed based on their credit ratings as published by Moody's. Financial assets which fall outside this range are classified as not rated. Credit limits, for each counterparty, are set based on default probabilities that are in turn based on the ratings of the counterparty concerned.

The credit quality of financial assets can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

	2016 R000	2015 R000
P1	10 857	10 184
Other non-rated assets	130 972	104 322
Unit linked investments (including collective investment schemes) (CIS)	50 235	19 512
	192 064	134 018

20. FINANCIAL RISK MANAGEMENT (continued)

The table below analyses the group's external credit rating by class of asset:

2016	P1 R000	Unit-linked investments (including CIS) R000	Other non-rated assets R000	Total R000
Loans and advances	–	–	130 921	130 921
Receivables	–	–	51	51
Cash and cash equivalents	10 857	50 235	–	61 092
	10 857	50 235	130 972	192 064
2015				
Loans and advances	–	–	55 089	55 089
Receivables	–	–	49 233	49 233
Cash and cash equivalents	10 184	19 512	–	29 696
	10 184	19 512	104 322	134 018

The unit-linked investments relate to the company's investment in the PSG Money Market Fund of which the underlying instruments are rated in terms of the Collective Investment Schemes Control Act. The mandate of the fund is to invest in cash deposits and highly liquid, fixed-interest securities with a weighted average maturity of less than 90 days. A spread of investments in top-quality financial instruments and institutions moderates the risk through diversification.

Loans and advances

Related-party loans and advances consist mainly of amounts due from related companies. These amounts are payable on demand. Amounts due from related companies are monitored by the company to ensure that adequate income is generated by the related company to repay the loan when required. Balances due from third parties are also monitored monthly to ensure that the balances owed are repaid within a reasonable period.

The company did not have any receivables that were past due but not impaired for any of the financial years.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the business, it aims to maintain flexibility in funding by keeping committed credit lines available.

The table on page 280 analyses the company's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying values as the impact of discounting is not significant.

20. FINANCIAL RISK MANAGEMENT (continued)

	Carrying value R000	Less than 1 year R000	Between 1 and 5 years R000	Over 5 years R000
At 29 February 2016				
Borrowings	7 010	7 010	–	–
Trade and other payables	24 792	24 792	–	–
Financial guarantee contracts*	44 000	44 000	–	–
	75 802	75 802	–	–
At 28 February 2015				
Borrowings	110 456	110 456	–	–
Trade and other payables	21 286	21 286	–	–
Financial guarantee contracts*	133	133	–	–
	131 875	131 875	–	–

* *Significant off-balance sheet exposure. Refer to note 21 on page 281. Financial guarantee contracts valued at Rnil (2015: Rnil) at the end of each reporting period. Management evaluated the relevant historical data and consider the possibility of losses arising from the financial guarantees to be remote.*

Fair value estimation

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

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities
  The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry company, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the company is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily JSE equity investments classified as at fair value through profit and loss or available-for-sale.
- Level 2 – Input other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)
  Financial instruments that trade in markets that are not considered to be active but are valued (using valuation techniques) based on quoted market prices, dealer quotations or alternative pricing sources supported by observable input are classified within level 2. These include over-the-counter derivatives. As level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information. If all significant input required to fair value an instrument are observable, the instrument is included in level 2.
- Level 3 – Input for the asset or liability that are not based on observable market data (that is, unobservable input)
  If one or more of the significant input are not based on observable market data, the instrument is included in level 3. Investments classified within level 3 have significant unobservable input, as they trade infrequently.

  The company did not have any financial instruments measured at fair value at the reporting date (2015: Rnil).

20. FINANCIAL RISK MANAGEMENT (continued)

CAPITAL RISK MANAGEMENT

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The company monitors capital on the basis of the gearing ratio. This is also consistent with similar companies within the industry. The gearing ratio is calculated as the net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents as shown in the statement of financial position. Total capital is calculated as the total equity as shown in the statement of financial position plus the net debt.

When funding is required, management will consider the various forms of paper available for issue, taking into account current market conditions, anticipated trends in market indicators and the financial position of the company at the time. Management will accordingly consider issuing ordinary shares, or short-, long- or medium-term borrowings with variable or fixed rates.

The gearing ratios at year-end can be summarised as follows:

	2016 R000	2015 R000
Total borrowings	7 010	110 456
Less: Cash and cash equivalents	(61 092)	(29 696)
Net debt position	(54 082)	80 760
Total equity	1 569 838	1 415 418
Total capital	1 515 756	1 496 178
Gearing ratio	(3.57%)	5.40%

CREDIT RISK

During August 2015, Global Credit Rating Company (GCR) maintained PSG Konsult's national long-term rating at BBB+(za). It also affirmed the short-term rating of A2(za), with the outlook accorded as stable. This is as a result of PSG Konsult's strong operational performance over the past three years within a well-defined strategy, the increased financial strength, and stability built into its business model.

21. CAPITAL COMMITMENTS AND CONTINGENCIES

PSG Konsult Limited issued an irrevocable, unconditional guarantee to Investec Bank Limited for all the obligations of its subsidiary, Delerus Proprietary Limited, together with cession and pledge of all present and future right, title, benefit and interest to the loan book by Delerus Proprietary Limited. The loan amount due by Delerus Proprietary Limited to Investec Bank Limited at 29 February 2016 was Rnil (2015: R0.1 million) as the facility was repaid in full on 20 November 2015.

PSG Scriptfin Proprietary Limited, a wholly-owned subsidiary, obtained a recourse loan facility from Investec Bank Limited during the 2016 financial year. PSG Konsult Limited provided an irrevocable, unconditional guarantee for all the obligations and liabilities of PSG Scriptfin Proprietary Limited, under this facility, to Investec Bank Limited, with the guarantee limited to R200.0 million. The loan amount due by PSG Scriptfin Proprietary Limited to Investec Bank Limited at 29 February 2016 was R44.0 million.

PSG Konsult Limited has also issued letters of support in the ordinary course of business for the activities of certain of its subsidiaries.

Annexure A – Interests in subsidiaries
for the year ended 29 February 2016

INVESTMENT IN SUBSIDIARIES

Subsidiary	Country of incorporation	Nature of business
PSG Wealth Holdings Proprietary Limited	South Africa	Investment holding company
PSG Wealth Group Services Proprietary Limited	South Africa	Provision for corporate financial administrative and advisory services
PSG Securities Limited	South Africa	Stockbroking
PSG Scriptfin Proprietary Limited	South Africa	Securitised lending business
PSG Fixed Income and Commodities Proprietary Limited	South Africa	Investing and share trading
PSG Multi Management Proprietary Limited	South Africa	Multi-manager
PSG Life Limited	South Africa	Linked insurance company
PSG Invest Proprietary Limited	South Africa	LISP functionality
PSG Distribution Proprietary Limited	South Africa	Investment holding company
PSG Wealth Financial Planning Proprietary Limited	South Africa	Financial, investment planning, advice and stockbroking
PSG Optimum Proprietary Limited	South Africa	Investment management, insurance and investment brokers, financial planning and advice
PSG Nylstroom Proprietary Limited	South Africa	Investment management, insurance and investment brokers, financial planning and advice
PSG Warmbad Proprietary Limited**	South Africa	Investment management, insurance and investment brokers, financial planning and advice
PSG Potgietersrus Proprietary Limited**	South Africa	Investment management, insurance and investment brokers, financial planning and advice
PSG Ellisras Proprietary Limited**	South Africa	Investment management, insurance and investment brokers, financial planning and advice
PSG Trust Proprietary Limited	South Africa	Trust and fiduciary services
PSG Employee Benefits Limited	South Africa	Healthcare, brokerage and administration
PSG Corporate Financial Planning Proprietary Limited	South Africa	Healthcare, brokerage and employee benefits
Nhluvuko Risk Administration Proprietary Limited	South Africa	Administration
PSG Namibia Proprietary Limited	Namibia	Investment management, insurance and investment brokers, financial planning and advice
PSG Insure Holdings Proprietary Limited	South Africa	Investment holding company
Western Group Holdings Limited	Namibia	Investment holding company with investment in two short-term insurance companies
Western National Insurance Company Limited (Namibia)	Namibia	Short-term insurance company focusing on commercial and agricultural markets
Western National Insurance Company Limited (South Africa)	South Africa	Short-term insurance company focusing on commercial and agricultural markets
Hi-Five Corporation Finance Proprietary Limited	Namibia	Debtor financing
Born Free Investments 487 Proprietary Limited	South Africa	Property investment company
Western Administration Services Proprietary Limited	South Africa	Group administration services
PSG Konsult Insurance Solutions Proprietary Limited	South Africa	Short-term underwriting business

Effective interest held directly or indirectly[1]		Issued share capital		Cost of investment	
2016 %	2015 %	2016	2015	2016 R000	2015 R000
100	100	363 027 114	363 027 114	349 253	349 253
100	100	100	100	–	–
100	100	4 738	4 738	–	–
100	100	200	200	–	–
100	100	95 827	95 827	–	–
100	100	120	120	–	–
100	100	300 000	300 000	–	–
100	100	20 500 100	100	–	–
100	100	749 698 607	749 698 607	532 988	532 989
100	100	107	107	–	–
51	51	200	200	–	–
51	51	200	200	–	–
26	26	200	200	–	–
36	36	116 500	116 500	–	–
26	26	500	500	–	–
100	100	111	111	–	–
74	74	1 962	1 962	–	–
100	100	100	100	–	–
100	100	100	100	–	–
58	54	300 000	300 000	–	–
100	100	102	102	176 714	176 714
60	60	134 233 976	134 233 976	–	–
60	60	134 234	134 234	–	–
60	60	165 000	165 000	–	–
60	60	100	100	–	–
60	60	100	100	–	–
60	60	200	200	–	–
65	65	300	300	–	–

Annexure A – Interests in subsidiaries
for the year ended 29 February 2016

INVESTMENT IN SUBSIDIARIES

Subsidiary	Country of incorporation	Nature of business
PSG Asset Management Holdings Proprietary Limited	South Africa	Investment holding company
PSG Asset Management Proprietary Limited	South Africa	Local management company
PSG Asset Management Group Services Proprietary Limited	South Africa	Provision of corporate, financial administrative and advisory services
PSG Collective Investments (RF) Limited	South Africa	Local unit trusts
PSG Fund Management (CI) Limited (Guernsey)	Guernsey	Offshore unit trusts
Other		
PSG Management Services Proprietary Limited	South Africa	Provision of corporate financial administrative and advisory services
PSG Konsult Brokers (UK) Limited	United Kingdom	Investment management, insurance and investment brokers, financial planning and advice
PSG Konsult MS (UK) Limited	United Kingdom	Provision of corporate financial administrative and advisory services
PSG Konsult Treasury Proprietary Limited	South Africa	Centralised treasury activities for group
Abrafield Proprietary Limited	South Africa	Property management
Delerus Proprietary Limited	South Africa	Debtor financing
PSG Academy Proprietary Limited[2]	South Africa	Learning academy and related activities
PSG Konsult Group Share Incentive Trust	South Africa	Share Trust*
PSG Konsult (Mauritius) Limited	Mauritius	Investment holding company
DMH Holding Limited	Mauritius	Investment holding company
PSG Wealth Limited	Mauritius	Investment and wealth management, investment brokers, financial planning and advice, family office and corporate finance

1 *Ownership interest equal voting rights.*
2 *Disposed of investment in subsidiary.*
* *PSG Konsult Group Share Incentive Trust consolidated in terms of requirement of IFRS 10.*
** *Although effective interest held is below 50%, the group controls these entities as the group is involved in the day-to-day running of these businesses, its strategies and has the ability to effect the returns generated by these entities.*

All the subsidiaries of the group are included in the consolidation. The proportion of the voting rights in the subsidiaries held directly do not differ from the proportion of ordinary shares held.

The following dormant or immaterial subsidiaries form part of the group: PSG Nominees Proprietary Limited, PSG Invest Nominees Proprietary Limited, PSG Asset Management Nominees Proprietary Limited, PSG Malta Holdings Proprietary Limited, PSG Fund Management (Malta) Limited, Erf 1070 Ballot Street Proprietary Limited (Namibia), Topexec Management Bureau Proprietary Limited, Allfinanz Board of Executors & Trust Company Proprietary Limited, PSG Wealth Management Namibia Proprietary Limited, PSG Financial Planning Namibia Proprietary Limited, Cinetaur Proprietary Limited, PSG Konsult Securities Proprietary Limited, PSG Konsult Nucleus Proprietary Limited, PSG Konsult Verre-Noord Proprietary Limited, PSG Konsult Commercial Division Proprietary Limited, NFA Proprietary Limited, Utrade Nominees Proprietary Limited, Marled Nominees Proprietary Limited and PSG Konsult Short-Term Insurance Brokers Proprietary Limited.

Effective interest held directly or indirectly[1]		Issued share capital		Cost of investment	
2016 %	2015 %	2016	2015	2016 R000	2015 R000
100	100	121	121	344 616	344 616
100	100	2 797 121	2 797 121	–	–
100	100	1 351	1 351	–	–
100	100	50 099	50 099	–	–
100	100	102 824	102 824	–	–
100	100	100	100	–	–
100	100	2 882	2 882	–	9 599
100	100	14	14	–	–
100	100	100	100	–	–
100	100	100	100	–	–
100	100	100	100	–	–
–	100	–	120	–	–
–	–	–	–	1	1
100	–	5 911 200	–	6 039	–
70	–	1 156	–	–	–
70	–	308 160	–	–	–
				1 409 611	1 413 172

Annexure A – Interests in subsidiaries
for the year ended 29 February 2016

At 29 February 2016 and 28 February 2015 the following significant collective investment schemes (CIS) were subsidiaries of the group:

Collective investment scheme	ASISA classification
PSG Diversified Income Fund	South African – Multi Asset – Income
PSG Multi-Management Foreign Flexible Fund of Funds	Global Multi Asset-Flexible
PSG Income Fund	South African – Interest-bearing – Short-term
PSG Wealth Enhanced Interest Fund	South African – Interest-bearing – Short-term
PSG Wealth Creator Fund of Funds	South African – Equity – General
PSG Wealth Moderate Fund of Funds	South African – Multi Asset – High equity

Further details of investments are available at the registered offices of the relevant group companies.

Profit or loss attributable to non-controlling interest for the year ended 29 February 2016 and 28 February 2015, as well as the carrying value of non-controlling interest at 29 February 2016 and 28 February 2015:
PSG Employee Benefits Limited
Western Group Holdings Limited
PSG Namibia Proprietary Limited
PSG Optimum Proprietary Limited
DMH Holding Limited
PSG Konsult Insurance Solutions Proprietary Limited

Dividends received by material subsidiaries and subsidiaries with material non-controlling interest

Subsidiary
PSG Wealth Financial Planning Proprietary Limited
PSG Securities Limited
PSG Multi Management Proprietary Limited
PSG Employee Benefits Limited
PSG Asset Management Holdings Proprietary Limited
PSG Life Limited
Western Group Holdings Limited

Management company	Interest held 2016 %	Interest held 2015 %	Carrying value 2016 R000	Carrying value 2015 R000
PSG Collective Investments Limited	31	32	296 374	232 555
PSG Collective Investments Limited	35	42	133 266	127 397
PSG Collective Investments Limited	32	65	25 073	36 094
PSG Collective Investments Limited	39	–	493 936	–
PSG Collective Investments Limited	31	–	1 037 833	–
PSG Collective Investments Limited	30	–	4 253 017	–

Profit or loss attributable to non-controlling interest 2016 R000	Profit or loss attributable to non-controlling interest 2015 R000	Carrying value of non-controlling interest 2016 R000	Carrying value of non-controlling interest 2015 R000
2 576	3 113	11 401	11 608
22 221	14 686	135 846	113 158
4 104	2 713	5 148	3 829
–	–	1 241	1 241
221	–	1 142	–
(222)	885	2 433	2 655
28 900	21 397	157 212	132 491

Dividends paid: To non-controlling interest 2016 R000	To owners of the parent 2016 R000	Total 2016 R000	To non-controlling interest 2015 R000	To owners of the parent 2015 R000	Total 2015 R000
–	45 000	45 000	–	104 000	104 000
–	22 500	22 500	–	34 621	34 621
–	35 000	35 000	–	16 700	16 700
–	–	–	–	–	–
–	67 000	67 000	–	70 100	70 100
–	–	–	–	–	–
–	–	–	–	–	–

Annexure A – Interests in subsidiaries
for the year ended 29 February 2016

Summarised financial information on material subsidiaries and subsidiaries with material non-controlling interests

Set out below are the summarised financial information for subsidiaries, which, in the opinion of the directors, is material to the group, as well as subsidiaries with material non-controlling interests.

Summarised statement of financial position
As at 29 February 2016 and 28 February 2015

Subsidiary
PSG Wealth Financial Planning Proprietary Limited
PSG Securities Limited
PSG Multi Management Proprietary Limited
PSG Employee Benefits Limited
PSG Asset Management Holdings Proprietary Limited
PSG Life Limited
Western Group Holdings Limited

Subsidiary
PSG Wealth Financial Planning Proprietary Limited
PSG Securities Limited
PSG Multi Management Proprietary Limited
PSG Employee Benefits Limited
PSG Asset Management Holdings Proprietary Limited
PSG Life Limited
Western Group Holdings Limited

Assets

Non-current 2016 R000	Current 2016 R000	Total 2016 R000	Non-current 2015 R000	Current 2015 R000	Total 2015 R000
651 508	379 211	1 030 719	620 374	306 431	926 805
55 136	2 452 942	2 508 078	60 306	1 846 778	1 907 084
5 744	64 968	70 712	6 800	52 934	59 734
38 462	20 671	59 133	31 573	38 933	70 506
15 471	144 713	160 184	15 893	131 169	147 062
17 812 264	2 475 067	20 287 331	11 486 554	3 108 016	14 594 569
39 254	946 361	985 615	70 885	819 582	890 467

Liabilities

Non-current 2016 R000	Current 2016 R000	Total 2016 R000	Non-current 2015 R000	Current 2015 R000	Total 2015 R000
31 794	240 064	271 858	29 529	265 175	294 704
–	2 381 973	2 381 973	–	1 799 269	1 799 269
–	39 804	39 804	–	39 683	39 683
3 777	11 399	15 176	4 175	21 601	25 776
840	96 195	97 035	727	92 460	93 187
17 667 840	2 553 322	20 221 162	11 411 713	3 012 386	14 424 098
1 333	651 123	652 456	894	613 522	614 416

Annexure A – Interests in subsidiaries
for the year ended 29 February 2016

Summarised statement of comprehensive income
for the period ended 29 February 2016 and 28 February 2015
Subsidiary

PSG Wealth Financial Planning Proprietary Limited
PSG Securities Limited
PSG Multi Management Proprietary Limited
PSG Employee Benefits Limited
PSG Asset Management Holdings Proprietary Limited
PSG Life Limited
Western Group Holdings Limited

The information above reflect amounts before intergroup eliminations.

The company's interest in attributable income and losses of subsidiaries amounts to R559.6 million (2015: R470.8 million) and R122.2 million (2015: R63.1 million) respectively.

There are also no significant restrictions on the subsidiaries' ability to transfer funds in the form of cash for the repayment of loans made to the subsidiaries or to pay dividends other than the 14 regulated subsidiaries. These regulated subsidiaries are licenced asset management, long-term and short-term insurance entities that are regulated and therefore subject to statutory capital requirements set by each jurisdiction's regulators. These require that the entities hold a prescribed minimum capital and dividend distributions from these entities are only available from excess net assets over the required minimum capital.

Profitability					
Revenue 2016 R000	Profit from continuing operations 2016 R000	Total compre-hensive income for the year 2016 R000	Revenue 2015 R000	Profit from continuing operations 2015 R000	Total compre-hensive income for the year 2015 R000
1 595 430	142 261	142 261	1 332 491	109 415	109 415
482 054	40 790	40 790	403 190	30 789	30 789
227 806	45 857	45 857	186 842	25 036	25 036
108 544	9 927	9 927	108 987	11 973	11 973
633 587	72 650	76 274	584 838	72 701	72 753
232 630	(104 303)	(104 303)	239 812	5 240	5 240
792 849	55 940	57 109	631 454	37 195	37 195

Annexure B – Interests in associated companies
for the year ended 29 February 2016

INVESTMENT IN ASSOCIATED COMPANIES

Company	Nature of business	Effective interest held directly or indirectly[1] 2016 %	2015 %	Group Carrying value 2016 R000	2015 R000
Unlisted					
Make-a-Million Proprietary Limited	Financial intermediation	33%	33%	129	129
Woodwind Proprietary Limited	Property investments	–	30%	–	–
Xinergistix Limited[2]	Transport business	23%	23%	–	39 368
Prexision Asset Finance Proprietary Limited	Asset finance	38%	38%	–	–
Tradesure Marine Proprietary Limited	Underwriting manager	20%	20%	–	65
Total				129	39 562

[1] *Ownership interest equal voting rights; associated companies have share capital consisting solely of ordinary shares.*
[2] *Investment in Xinergistix Limited classified as non-current asset held for sale on 29 February 2016.*

The associated companies are all private companies and there is no quoted market price available for its shares. All associated companies are incorporated in South Africa.

Summarised financial information for associated companies

Set out below are the summarised financial information for Xinergistix Limited, which, in the opinion of the directors, was material to the group in the 2015 financial year. It was accounted for using the equity method. The investment in Xinergistix Limited was treated as non-current asset held for sale on 29 February 2016 (refer to note 4 for more detail).

Summarised statement of financial position As at 29/28 February	2016 R000	2015 R000
Xinergistix Limited		
Total current assets	–	166 395
Total non-current assets	–	314 799
Total assets	–	481 194
Total current liabilities	–	131 166
Total non-current liabilities	–	171 609
Total liabilities	–	302 775

Summarised statement of comprehensive income As at 29/28 February	2016 R000	2015 R000
Xinergistix Limited		
Revenue	–	775 017
Depreciation and amortisation	–	33 538
Interest expense	–	14 950
Taxation	–	623
Post-tax profit	–	115
Other comprehensive income	–	–
Total comprehensive income	–	115
Dividends received from associated companies	–	–

The information disclosed above reflects the amounts presented in the financial statements of Xinergistix Limited, adjusted for differences in accounting policies, and not the group's share of those amounts.

There are no contingent liabilities or commitments relating to the group's interests in associated companies. There are also no significant restrictions on the associated companies' ability to transfer funds in the form of cash for the repayment of loans made to the associated companies or to pay dividends.

Further detail of the investments in the associated companies are available at the registered offices of the relevant group companies.

Annexure C – Interests in joint ventures
for the year ended 29 February 2016

INVESTMENT IN JOINT VENTURES

Name of joint venture	Nature of business	Proportion held directly or indirectly by holding companies 2016 %	2015 %	Group carrying value 2016 R000	2015 R000
Unlisted					
Jan Jonker Property Investment Trust*	Property investment	50	50	16 223	12 971

* Jan Jonker Property Investment Trust is incorporated in Namibia.

Jan Jonker Property Investment Trust is a privately held trust and there is no quoted market price available for its ownership held.

Summarised financial information for joint ventures

Set out below are the summarised financial information for Jan Jonker Property Investment Trust which is accounted for using the equity method.

Summarised statement of financial position As at 29/28 February	2016 R000	2015 R000
Total current assets	1 370	1 092
Total current liabilities	(1 439)	(1 288)
Total non-current assets	68 190	58 809
Total non-current liabilities	(31 000)	(32 669)
Net assets	37 121	25 944

Summarised statement of comprehensive income For the period ended 29/28 February	2016 R000	2015 R000
Revenue	6 068	5 900
Interest expense	2 246	2 224
Income tax expense	804	793
Post-tax profit	6 503	1 829
Other comprehensive income	–	–
Total comprehensive income	6 503	1 829
Dividends received from joint venture	–	–

The information disclosed above reflects the amounts presented in the financial statements of Jan Jonker Property Investment Trust, adjusted for differences in accounting policies, and not the group's share of those amounts.

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of its interest in the joint venture.

Summarised financial information Reconciliation	2016 R000	2015 R000
Opening net assets: 1 March	12 971	12 057
Share of profit after taxation	3 252	914
Closing net assets: 29/28 February	16 223	12 971

There are no contingent liabilities or commitments relating to the group's interest in the joint venture. There are also no significant restrictions on the joint venture's ability to transfer funds in the form of cash for the repayment of loans made to the joint venture or to pay dividends.

Further details of the investment is available at the registered office of the relevant group company.

CORPORATE INFORMATION

Registered name
PSG Konsult Limited
(Registration number: 1993/003941/06)
(Tax reference number: 9550/644/07/5)
JSE share code (primary listing): KST
NSX share code: KFS
Abbreviated name: PSG KST
ISIN: ZAE000191417

Country of incorporation
Republic of South Africa

Date of incorporation
14 July 1993

PSG Konsult head office and registered office
4th Floor, The Edge, 3 Howick Close
Tyger Waterfront
Tyger Valley
Bellville
7530
Tel: 021 918 7800
Fax: 021 918 7921

Postal address
PO Box 3335
Tyger Valley
Bellville
7536

Company secretary
PSG Management Services Proprietary Limited
(Registration number: 2000/009351/07)

Bankers
Absa Bank Limited
Standard Bank of South Africa Limited
First National Bank Limited
Rand Merchant Bank Limited
BNP Paribas

Auditor
PricewaterhouseCoopers Inc.
Cape Town

Attorneys
DLA Cliffe Dekker Hofmeyr
Blake Bester
AO Hall (Guernsey)

Transaction adviser and Sponsor – JSE
PSG Capital Proprietary Limited

Transaction adviser and Sponsor – NSX
PSG Wealth Management (Namibia) Proprietary Limited, member of the Namibian Stock Exchange

Transfer secretaries
Computershare Investor Services Proprietary Limited
(Registration number: 2004/003647/07)
Ground Floor
70 Marshall Street
Johannesburg
2001
(PO Box 61051, Marshalltown, 2107)
Tel: 011 373 0000
Fax: 011 688 5200

Website address
www.psg.co.za

SHAREHOLDER DIARY

Financial year-end	28 February
Financial half year	31 August

Financial reporting

Annual general meeting (AGM)	Friday, 24 June 2016
Announcement of interim results	Thursday, 6 October 2016

Ordinary dividends

Final dividend	
• Declared	14 April 2016
• Paid	16 May 2016
Interim dividend	
• Declared	October 2016
• Paid	October 2016

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