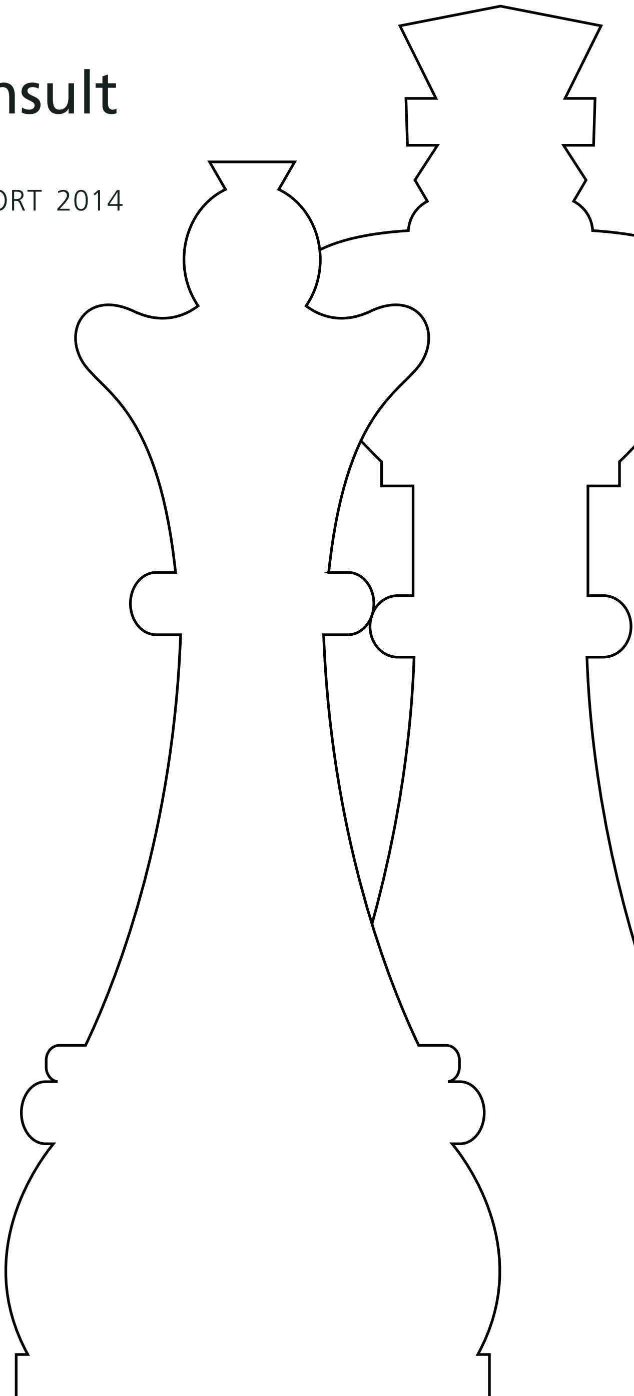
PSG Konsult

INTEGRATED ANNUAL REPORT 2014



Vision

To be the leading independent financial services group in Southern Africa.

Mission statement

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

Key facts

- Three divisions: PSG Wealth, PSG Asset Management, PSG Insure
- 193 offices throughout South Africa and Namibia
- 1 756 shareholders
- 618 advisers
- 402 professional associates
- 150 000+ clients
- Income: R2.6 billion
- Recurring headline earnings: R251 million
- Funds under management: R112 billion
- Funds under administration: R235 billion
- Market capitalisation: >R6 billion
- Chairman: Willem Theron
- Chief executive officer: Francois Gouws
- Chief financial officer: Mike Smith

Services

PSG Wealth

- Financial planning
- Stockbroking (local, offshore, bonds, currency futures, CFDs and SSFs)
- Estate and trust advisory services
- Employee benefits
- Multi-management
- Linked life business
- LISP administration

PSG Asset Management

- Asset management (local and offshore)
- Investment administration

PSG Insure

- Short-term insurance advisory services (commercial and personal lines)
- Short-term insurance administration
- Insurance product development and underwriting

Key developments of the year

- Business restructuring and synergy optimisation
- Enhancement of risk management systems
- Disciplined search for internal and external talent
- Bedding down of the Western Group Holdings Limited acquisition
- Vertical integration of subdivisions

Contents

Scope of the report

This integrated annual report covers the activities of PSG Konsult Limited (hereafter referred to as 'PSG Konsult' or 'the group') and includes an assessment of its financial and non-financial performance indicators for the 12 months ended 28 February 2014. The contents included in this report are specifically aimed to provide PSG Konsult's key stakeholders with a holistic view and understanding of the economic, environmental, social and governance initiatives that are material to the long-term sustainability of the group.

This report significantly expands on previous reports in terms of its emphasis on strategy, operational context and stakeholder information. It further presents an improvement in the quality of our stakeholder reporting, while offering a holistic view of our business. Although the report is not comparable to previous reports in terms of structure, the collection and inclusion of data is consistent and comparable. We have elected not to prepare a separate sustainability report, but have integrated all social and environmental initiatives and indicators where relevant into our financial and operational reports.

This report has been prepared with reference to the following legislation and standards:

- International Financial Reporting Standards (IFRS)
- The Companies Act, 71 of 2008, as amended
- The JSE Listings Requirements
- The International Integrated Reporting Council's (IIRC) International <IR> Framework
- King Report on Governance and King Code of Governance Principles (King III)
- Financial Sector Charter (FSC)
- Department of Trade and Industry (dti) Code of Good Practice for BBBEE

As the concepts and practices of integrated reporting develop, management will endeavour to enhance the disclosures and application of such reporting principles as required. The principle of materiality has been applied in determining the content and extent of the disclosures in this report.

This report contains the annual consolidated and separate financial statements of PSG Konsult Limited and are also available on our website (www.psg.co.za). This report can also be requested from the company secretary.

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 98.

Forward-looking information

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 not yet determinable, relating to, among others, global and national economic and market conditions, foreign exchange rates, competitive conditions, and regulatory factors. These are forward-looking statements and words such as *expect, believe, anticipate, plan, intend, seek, endeavour* and similar expressions are intended to identify such statements but are not an exclusive means of identifying such statements.

Forward-looking statements involve inherent risk and uncertainties and, if one or more of these risks materialise, or should 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, and PSG Konsult does not undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise, other than as is required in terms of the JSE Listings Requirements.

Assurance

Assurance of the contents of this report was considered throughout the process and the board of directors, assisted by the finance and risk committee, is ultimately responsible for the integrity of the report. Internal assurance was achieved with the assistance of established divisional reporting lines and oversight by the chief financial officer.

A combined assurance approach will be considered for future reports to ensure the appropriate application of integrated reporting principles and the integrity of the non-financial data contained in the report.

External assurance obtained during the past financial year was limited to control reviews on the administration services and the audit opinion on the consolidated annual financial statements of PSG Konsult.

Approval

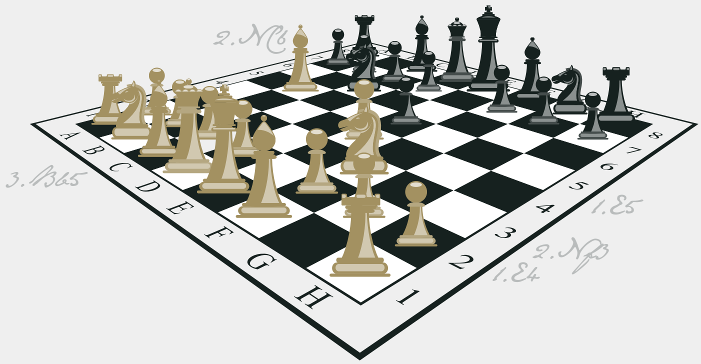
The board acknowledges its responsibility for ensuring the integrity, objectivity, reliability and transparency of the integrated annual report. The directors confirm that they have reviewed the contents and believe it addresses all material matters and fairly presents the overall performance of the group.

W Theron
Chairman

FJ Gouws
Chief executive officer

MIF Smith
Chief financial officer

The Ruy Lopez



The Ruy Lopez

(also known as the Spanish Game)

Perhaps the greatest most complex openings out there. This opening was invented by Ruy Lopez, a Spanish priest in 1561. If white plays the lines correctly, he will carry a small advantage.

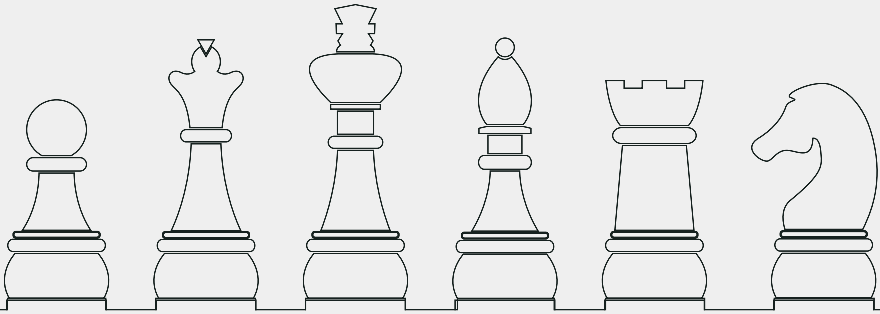
Nearly half a millennium later, the Ruy is now one of the most popular chess openings at all levels.

Numerous variations have been deeply studied, and a wide variety of strategic plans are available to both white and black.

The starting position of the Ruy Lopez is reached after 1. e4 e5 2. Nf3 Nc6 3. Bb5.

Popular lines in the Ruy Lopez include – but are certainly not limited to – the Morphy Defence, the Steinitz Defence, and the Berlin Defence. Each of these and several other popular variations leads to numerous subvariations.

Group at a glance



Who we are

PSG Konsult is a leading independent financial services group, having been in operation since 1998.

The group offers a unique value-orientated approach to clients' financial requirements, from asset and wealth management to insurance. PSG Konsult shares have traded over-the-counter since 2005 and plans are underway to list on the JSE's main board in June 2014.

Restructuring

Over the past financial year, PSG Konsult has restructured itself into three operating divisions: PSG Wealth, PSG Asset Management and PSG Insure. By using the synergy between these divisions under a simplified organisational structure, we are able to offer our clients a holistic, integrated financial solution.

Personal service and building relationships

We understand the importance of personal service and building relationships with our clients and have founded our business approach on the principles of integrity, trust and transparency. We are proud of our position as the largest independent intermediary financial services provider in South Africa.

Geographical footprint

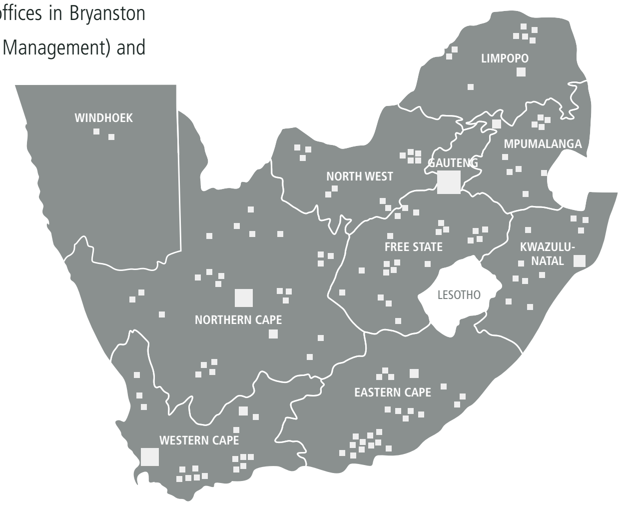
Our national presence

PSG Konsult has 193 offices throughout South Africa, as well as an office in Windhoek, operating as PSG Namibia. Our national presence provides us with unparalleled networking potential among our advisers, thereby increasing our exposure to clients and investors. A major focus for the past financial year included streamlining our various business units into three consolidated divisions, thereby optimising the potential synergy among similar business offerings.

Our divisions

The three divisions have their head offices in Bryanston (PSG Wealth), Constantia (PSG Asset Management) and Tyger Valley (PSG Insure). Divisional chief executive officers and other senior employees meet via teleconference every week to discuss performance and decide on an integrated strategy for the collective business offering.

A key development for the year was the consolidation of some of our smaller offices into larger regional hubs. This centralisation process has enabled us to further integrate our service offering across the various businesses, and will directly reduce the costs associated with running multiple offices.



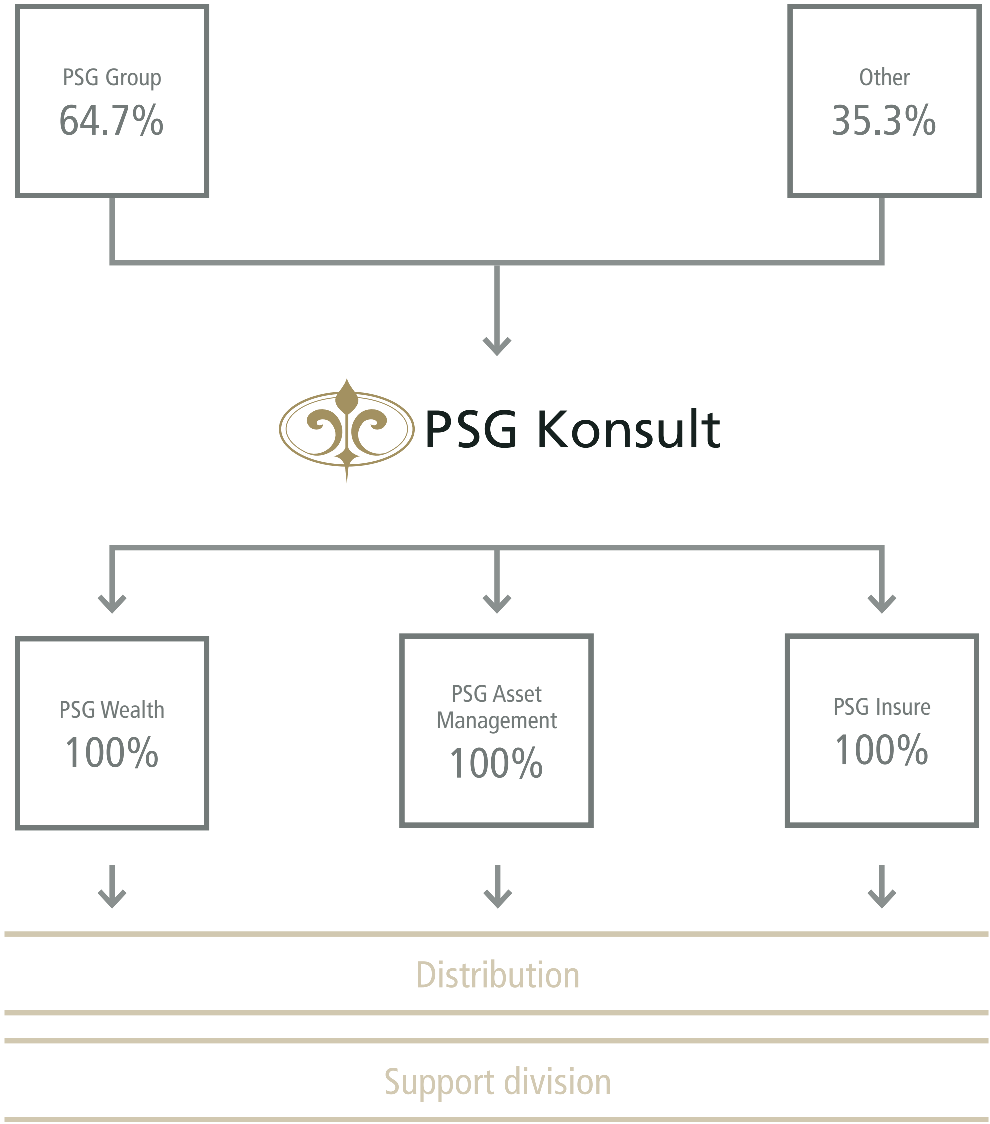
- PSG Konsult offices
  - 193 offices
  - 618 advisers
  - 150 000+ clients

Group structure

PSG Konsult has restructured itself from seventeen separate business units down to eleven, within three operating divisions: PSG Wealth, PSG Asset Management and PSG Insure.

This is the first 12-month period that we are reporting according to the new business structure. Our holistic product offering across the three divisions enables us to meet a broad spectrum of client needs, allowing us to benefit at several points throughout the value chain.

The simplified structure has further allowed us to streamline operations and maximise the effectiveness of our governance and risk management processes across the group. New channels of reporting and assurance have been built into the structure, whereby each of the three divisions is monitored and assessed regularly in terms of its risk appetite, compliance and financial sustainability.



Source: PSG Finance function
As at 28 February 2014

	PSG Wealth	PSG Asset Management	PSG Insure
Nature of business	Financial advice and consulting on investment opportunities, including stockbroking and estate planning	Asset management locally and offshore	Insurance advice and underwriting of short-term policies and their administration in personal and commercial lines
Business units	Online securities Multi-management Employee benefits Linked life business/LISP platform Wealth distribution (including Fiduciary services)	Asset management Collective Investments Offshore asset management	Western Group Holdings Limited Short-term administration Insure distribution
Headcount	1 137	81	623
Contribution to group income (%)*	57.7%	11.5%	30.8%
Contribution to group recurring headline earnings (%)*	66.3%	21.7%	12.0%
Chief executive officer	Wayne Waldeck	Anet Ahern	Rikus Visser
Main office(s)	Bryanston, Johannesburg	Constantia, Cape Town	Tyger Valley, Bellville

* Based on the 2014 segment report on pages 251 to 254.

	PSG Distribution
Nature of the business	Financial intermediary services
Chief executive officer	Dan Hugo

Our brand

While retaining the name 'PSG Konsult' for the group, we have repositioned our business identity during the past financial year under the master brand 'PSG'. The divisions – PSG Wealth, PSG Asset Management and PSG Insure – are so named for their function and product offering. 'PSG' is how our clients refer to us and how the public knows us, as a trusted and established financial services provider.

PSG – master brand

Sub brands:

PSG Wealth

Inclusive of:
- Online securities
- Multi-management
- Employee benefits
- Linked life business/ LISP platform
- Wealth distribution (including Fiduciary services)

PSG Asset Management

Inclusive of:
- Asset management
- Collective Investments
- Offshore asset management

PSG Insure

Inclusive of:
- Western Group Holdings Limited
- Short-term administration
- Insure distribution

We have commissioned a number of television advertisements during the past year to raise brand awareness across the three divisions of PSG Konsult and ran numerous advertisements across various radio, print and television channels. The response from these advertisements has been positive and contributed to the strengthening of our corporate identity in the public arena. We have a newly-appointed head of marketing, who will focus a significant amount of effort in this area in the coming year.

CASE STUDY: MYPSG

The myPSG portal provides clients with a dashboard overview of their investment contracts, financial plans and insurance policies. At the end of 2013, 12 000 clients had active memberships. MyPSG is available on all desktop computers, laptops, tablets and mobile devices, featured as an online web portal and smartphone application available for download. The programme has been designed as an enabler for the client, providing them with a status update of their in-force policies, portfolio performance and personal information currently recorded by PSG Konsult. The client is further provided with information about services and products that may potentially suit their financial needs. The contact information of every PSG Konsult office and every PSG Konsult adviser is supplied for the convenience of the client – our most important stakeholder in the sustainable growth prospects for the business.

AT THE END OF 2013,
12 000
CLIENTS HAD ACTIVE MEMBERSHIPS

Awards

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

PSG Wealth

Business Day Investors Monthly 'Stockbroker of the Year' award for third consecutive year

Business Day Investors Monthly 'Top Wealth Manager' overall runner-up and winner of 'Wealth Manager: Successful entrepreneur' category for 2014

PSG Asset Management

Top quartile investment returns were recorded across the entire domestic flagship range over one year, three years and five years up to 28 February 2014, in the respective *Morningstar* categories. Highlights:

- **PSG Equity Fund** is currently ranked 2nd out of 120 funds in the general equity sector over 1 year, 1st out of 85 funds over 5 years, and 2nd out of 42 funds since inception in March 2002.
- **PSG Flexible Fund** is currently ranked 6th out of 71 funds over 1 year, 1st out of 13 funds over 10 years, and 3rd out of 15 funds since inception in November 2004.
- **PSG Balanced Fund** is currently ranked 9th out of 106 funds over 1 year, 3rd out of 64 funds over 5 years, and 4th out of 13 funds since inception in June 1999.
- **PSG Stable Fund** is currently ranked 36th out of 90 funds in its sector over 1 year, and 34th out of 78 funds since inception in September 2011.
- **PSG Optimal Income Fund** is currently ranked 5th out of 55 funds in its sector over 1 year, 6th out of 33 funds over five years, and 12th out of 22 funds since inception in April 2006.

Plexcrown Top 4 Collective Investment Scheme Manager for the fourth quarter of 2013.

PSG Insure

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

Investment case

Distribution **network**	■ Largest independent adviser network within South Africa and Namibia, with a broad geographic footprint spanning the entire country (193 offices, 618 advisers, 402 professional associates and 150 000+ clients) ■ Trusted advisers with a strong emotional connection to clients ■ Entrepreneurial adviser remuneration model encourages client retention and long-term growth ■ Alignment of shareholder and adviser interests ■ Learner adviser training programme
Growth **opportunities**	■ Increased assets under management (both retail and institutional) ■ 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 us to make strategic acquisitions into new frontiers ■ New offices and appointment of new advisers into existing offices ■ PSG Asset Management (top quartile investment performance and recipient of multiple investment awards) enhances the ability to attract assets under management ■ Holistic financial services product range in place that enables us to meet a broad spectrum of client needs
Shareholder **returns**	■ Committed to delivering sustainable business growth ■ Maximise every rand of income we earn relative to the acceptable unit of risk we take ■ Significant historic share price appreciation
Financial **position**	■ Low gearing levels due to a predominately equity funded business ■ Businesses are highly cash generative ■ Global Credit 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 ■ Sufficient funding facilities are in place to fund growth plans

Risk **management**	■ Dedicated integrated risk function and processes in place ■ Three layers of defence approach ■ Well-established mutually beneficial relationship with regulators ■ Strengthening the depth of compliance team via compliance officer learnership programme ■ Capital adequacy position of all regulated entities is monitored constantly to ensure businesses have sufficient regulatory capital
Governance **structure**	■ Majority of board members are non-executive ■ Diverse board and management teams have necessary skills and experience to ensure leadership depth and focus ■ Committed to the highest governance standards
Brand **name**	■ PSG is an established and trusted brand ■ New head of marketing appointed ■ Committed to brand enhancement and the public's awareness of it
Shareholder **structure**	■ PSG Group acts as a supportive anchor shareholder ■ Directors, advisers and employees are significant shareholders in the business ■ Planned listing on the JSE in June 2014
Business **characteristics**	■ Experienced entrepreneurial management team ■ Profitability of key divisions geared to equity market conditions ■ Scalable synergistic divisions with strong operational leverage ■ Produce high return on equity, without taking undue risks ■ New share issues are limited to prevent dilution of shareholder returns ■ Good working relationship with our regulators ■ Recipient of numerous industry awards ■ Primary client exposure relates to the higher LSM groups

Operating context

PSG Konsult operates in a complex and highly competitive financial environment where investor activity is often difficult to predict, especially following the 2008 global economic crisis.

The sharp rise in regulatory requirements, particularly in the financial services industry, has made for a business environment that prioritises transparency, fairness and consumer empowerment. In South Africa, recent years have seen considerably subdued investment activity, though the JSE continues to deliver a strong performance. The political landscape remains volatile, impacting exchange rates and the country's growth prospects severely, while high unemployment continues to plague the economy.

Against this backdrop, the financial services industry has had to adapt to offer superior financial products and services that appeal to a cautious public. At PSG Konsult, we embrace the competitive environment and actively introduce innovative ideas to improve our financial products and advisory services. The nature of the business makes it somewhat dependent on equity markets and therefore highly susceptible to regulatory change. However, our diverse product range and the strength of our advisory services helps shield the group from market volatility and regulatory restrictions. We have drafted three-year strategic plans for each of our business divisions and are constantly seeking ways to maximise our share of the market (see the operational reports on pages 56 to 69).

Given the volatile global and local economic conditions and outlook, we view it as a sustainable business imperative to have dynamic strategies in place in order to adapt to changing market trends.

Licences to operate

The group operates under a number of licences across the range of its financial services:

Division	Holder	Issuer	Licence number
Wealth	PSG Multi Management	FSB	44306
	PSG Invest	FSB	563
	PSG Life	FSB	22557
	PSG Employee Benefits	FSB	33657
	Online Securities	JSE	42524
Asset Management	PSG Asset Management	FSB	29524
	Collective Investments	FSB	N/A
	PSG Fund Management (CI)*	GFSC	99871
	PSG Fund Management (Malta)*	MFSA	–
Insure	Western Administration Services (RSA)	FSB	9465
	Western National Insurance (Namibia)	Namfisa	04/PI/STI/16
Distribution	PSG Wealth Financial Planning	FAIS	728

* PSG Konsult holds a licence in Guernsey and is in the process of setting up a licence in Malta, which allows the group to market offshore UCITS compliant funds to potential offshore investors.

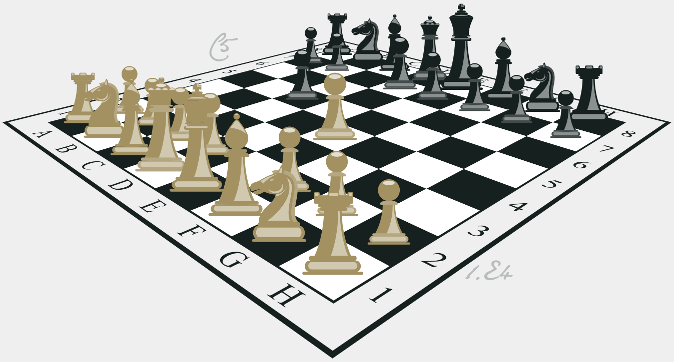
Membership of Industry bodies

INDUSTRY BODY	REPRESENTATION ON COMMITTEES
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
FSB (Financial Services Board)	■ SAM Pillar 1 subcommittee
ASISA (Association for Savings and Investment South Africa)	■ CIS standing committee ■ CIS unclaimed assets working group ■ Tax standing committee
SAFEX (South African Futures Exchange)	
NSX (Namibian Stock Exchange)	
Ombudsman for Short-term Insurance	
Ombudsman for Long-term Insurance	
NCR (National Credit Regulator)	
FIA (Financial Intermediaries Association of Southern Africa)	
FPI (Financial Planning Institute of Southern Africa)	
FISA (The Fiduciary Institute of South Africa)	
SAIA (South African Insurance Association)	
Namfisa (Namibia Financial Institutions Supervisory Authority)	
GFSC (Guernsey Financial Services Commission)	
MFSA (Malta Financial Services Authority)	

Seven-year financial review

	2014 R000	2013 R000	2012 R000	2011 R000	2010 R000	2009 R000	2008 R000
Income	**2 557 436**	1 846 019	1 603 826	1 018 111	901 016	822 710	726 011
Profit before tax	**383 637**	136 004	235 195	135 139	144 056	132 325	121 246
Taxation	**(117 677)**	(82 633)	(73 516)	(36 173)	(45 530)	(33 859)	(29 934)
Profit for the year	**265 960**	53 371	161 679	98 966	98 526	98 466	91 312
Headline earnings	**244 485**	173 808	162 282	91 510	89 875	96 817	87 060
– Recurring	**251 145**	174 424	151 305	91 510	89 875	96 817	87 060
– Non-recurring	**(6 660)**	(616)	10 977	–	–	–	–
Non-headline earnings	**4 773**	(115 677)	(7 960)	2 294	6 886	276	2 706
Attributable income	**249 258**	58 131	154 322	93 804	96 761	97 093	89 766
Headline earnings per share (cents)	**20.0**	15.4	15.2	12.5	12.3	13.2	12.0
Recurring headline earnings per share (cents)	**20.6**	15.4	14.1	12.5	12.3	13.2	12.0
Earnings per share (cents)	**20.4**	5.1	14.4	12.8	13.3	13.2	12.4
Dividends per share (cents)	**11.3**	10.8	10.3	8.8	8.3	8.8	7.9
– Interim dividend (cents)	**4.0**	3.5	3.0	2.8	2.8	2.8	2.4
– Final dividend (cents)	**7.3**	7.3	7.3	6.0	5.5	6.0	5.5
Weighted average shares (000)	**1 220 523**	1 131 880	1 070 689	733 081	730 492	732 668	726 014
Actual shares in issue (000)	**1 221 917**	1 209 582	1 072 301	733 081	730 492	733 088	731 556
Market capitalisation (Rm)	**6 110**	3 447	2 145	1 173	1 059	953	1 244
Price (cents per share)							
– Last day of trade	**500**	285	200	160	145	130	170
– Highest	**534**	295	200	180	145	170	200
– Lowest	**255**	175	139	117	106	100	155
Trading volume (no. of shares)	**31 449 042**	21 185 957	14 892 827	9 489 196	6 657 760	1 732 750	2 307 661
Trading value (R)	**128 845 854**	46 826 925	23 609 472	13 266 362	8 835 220	2 492 053	3 944 704
Number of trades	**2 369**	726	272	191	125	103	158
Net asset value per share (cents per share)	**89.1**	76.0	67.8	66.9	63.7	60.6	55.5
Funds under administration (Rbn)	**234.5**	179.5	139.0	97.3	72.4	43.6	52.7

Sicilian defence



Sicilian defence

The Sicilian is the most popular and best-scoring response to White's first move 1.e4. Almost every player of all rankings uses this.

One sixth (17%) of all games between grandmasters, and one quarter (25%) of the games in the Chess Informant database, begin with the Sicilian. Almost one quarter of all games uses the Sicilian Defence.

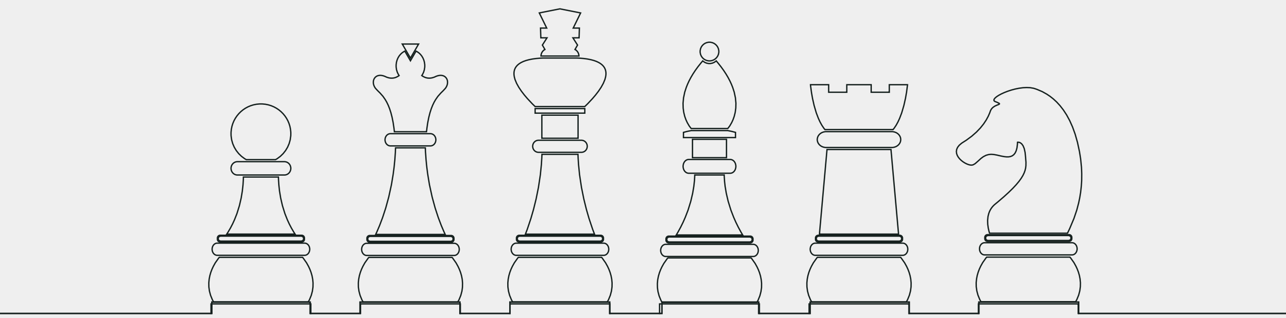
The earliest recorded notes on the Sicilian Defence date back to the late 16th century by the Italian chess players Giulio Polerio and Gioachino Greco.

Players realised this opening went from bad to dubious to okay to good to great!

The Sicilian Defence is one of the most aggressive openings at blacks disposal. This opening has one of the highest black win ratios in professional chess.

May then this defence live on in the history of chess!

Report to stakeholders



Stakeholder engagement

PSG Konsult is committed to building and maintaining strong professional relationships with all our key stakeholders as a sustainable business imperative, in line with the requirements of King Report on Governance for South Africa 2009 (King III). As mentioned in our mission statement, we uphold the principle of creating and preserving wealth for all our stakeholders who benefit from the growth of our business. In the course of 2014, the group will embark on a stakeholder engagement programme that will improve the sustainability of our operations as we take all affected parties' interests into our decision-making processes.

In the interest of disclosing our current level of engagement, in the table below we have sought to represent fairly who some of our stakeholders are, and how they impact the outcome of our business:

Stakeholder group	Outcomes
1 756 shareholders	■ PSG Konsult will continue growing its business to share wealth with all its shareholders ■ PSG Konsult will communicate effectively with shareholders throughout each financial period
150 000+ clients	■ PSG Konsult's products and services provide the best wealth management plans on the market ■ PSG Konsult's advisers will provide all the information and guidance required to make sound financial management decisions ■ PSG Konsult is a fully compliant and trustworthy provider of financial services
618 advisers	■ PSG Konsult is an established brand providing significant exposure to the market ■ PSG Konsult has the internal structures in place to ensure that communication is seamless and access to information and support is guaranteed
1 841 employees	■ PSG Konsult has the internal structures in place to provide for the employment needs of its people ■ PSG Konsult encourages upward movement and provides opportunities for promotion and job diversification

We have provided more detail on two of our core stakeholder groups – employees and advisers – and will extend our reporting to all stakeholder groups in our future integrated reports.

Employees

'Our people are our strength'

We know that excellent results are the product of the efforts of excellent people, and in our search for such people, we always prefer internal promotion to hiring externally. We identify and manage our employee talent pool, which we achieve through succession planning and identification of relevant, measurable performance indicators for each position. To achieve this we have introduced a bi-annual performance management process that tracks employee progress according to the strategic objectives of every division (see operational reviews on pages 56 to 69 for details). Our track record of advertising new jobs internally and fast-tracking promotion of key achievers is evidence of our goal to make PSG Konsult the employer of choice for talented individuals. The average length of service of our core employees, calculated across all our divisions, is just under three years. When we bring in new people, we make our selections based on individual experience and potential, integrating them into our business culture through our PSG Konsult induction programme.

Employee development

A leadership development programme is conducted every three years, in order to equip managers to capitalise on the key strengths that drive success. The success of this programme is demonstrated by the achievements of employees who have participated in this programme.

PSG Konsult's internal training team provides training to all employees on accessing and using all available PSG Konsult systems, processes and policies, as well as addressing all appropriate legislative requirements. To this end, the main focus for 2014 will be training in terms of the Financial Intelligence Centre Act, 38 of 2001 (FICA), Treating Customers Fairly (TCF), the Competition Act, 89 of 1998, the Protection of Personal Information Act (POPI), 4 of 2013, and the Regulatory Examination (Level 1). PSG Konsult's internal training team provides support to all divisions through its induction sessions, as well as regular workshops, information sessions and seminars. Applicable training sessions are registered with the Financial Planning Institute of Southern Africa (FPI), thereby providing continuous professional development (CPD) points for employees registered with the FPI.

Employment challenges

Identifying broad-based black economic empowerment (BBBEE) candidates with the requisite credentials and experience remains a challenge. Transformation remains a strong focus in the short to medium term as we endeavour to identify those talented individuals who will take our business into the future.

PSG Konsult complies with all relevant health and safety regulations and no incidents were reported during the past financial year.

Group employee statistics
as at 28 February 2014

Gender	Number	%
Male	668	36
Female	1 173	64
Total	**1 841**	**100**

Race		
Black *(African, Coloured and Indian)*	309	17
White	1 532	83
Total number of employees (excluding associated companies/joint ventures)	**1 841**	**100**

Education		
Up to grade 11	84	5
Grade 12	421	23
Post grade 12 (e.g. diploma/certificate)	660	36
University degree	262	14
Post-graduate university degree or professional qualification	414	22
Total number of employees (excluding associated companies/joint ventures)	**1 841**	**100**

Hierarchy		
Executive directors (incl. CEOs, MDs, FDs)	13	1
Senior management	46	2
Middle/junior management	75	4
Operational	618	34
Support	1 089	59
Total number of employees (excluding associated companies/joint ventures)	**1 841**	**100**

Advisers

'We are a team'

Our advisory team is a key strength of the group's operations, as our financial success depends heavily on the depth and quality of the financial advice we offer. The excellence of our advisers, across the three business divisions, gives us a distinct competitive advantage in the financial services industry. PSG Konsult advisers are chosen for their business acumen in order to provide our clients with advice and guidance from a local and international perspective. It is important that channels of communication between advisers and the group are effective.

We operate an entrepreneurial adviser remuneration model which encourages client service excellence and loyalty to the PSG brand, as well as ensuring the alignment of shareholder and adviser interests. During the past year, we have embarked on an extensive adviser buyback scheme (see more detail in the chief financial officer's report on pages 49 to 50) with the following objectives:

- Standardise revenue sharing model and contract terms
- Unlock value for advisers and give them opportunity to acquire shares in PSG Konsult
- Better align objectives between advisers and shareholders

PSG Konsult holds an annual conference to which all advisers and professional associates are invited in order to connect with the PSG Konsult leadership over strategic and policy objectives. The conference provides an opportunity for networking across the various divisions and to raise awareness about the potential synergy associated with operating a more integrated business model. The conference is also a platform for discussing regulatory developments that affect our advisers, and a space for the group as a whole to gain from one another's experience and expertise.

Protection of client assets

Our fiduciary duty to protect our clients' assets is one we take very seriously and therefore, we have implemented the following processes and controls in service of this duty:

Business partners

- A robust due diligence process is followed prior to the acceptance of all new products and services, as well as the providers thereof
- Mutually beneficial relationships are maintained with all business partners
- The financial soundness of all product providers is constantly monitored

Risk and compliance measures

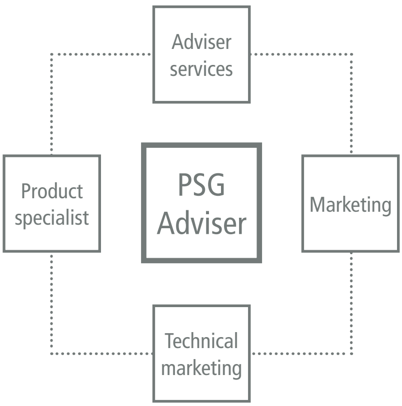
- Dedicated compliance officers oversee all our businesses, platforms and transactions
- An independent risk management department assesses all potential risks and the implementation of any mitigating actions

- Strict compliance with all laws, regulations and international best practise is maintained
- We have a good working relationship with all our regulators and a culture of compliance is actively encouraged

Adviser support

- The appointment of new advisers and acquisition of existing practices is only considered if the competence and quality of our advisers is maintained
- Continuous training, technical advice and support is provided to all our advisers
- IT systems are constantly being developed, upgraded and improved to provide the most efficient service to our advisers and clients

Adviser support by and interaction with PSG Konsult can be summarised as follows:



CASE STUDY: WILDLANDS CONSERVATION TRUST

The Wildlands Conservation Trust was founded in KwaZulu-Natal, but has since found its way to the Western Cape through an innovative project called the Indigenous Trees for Life Programme, in conjunction with PSG Konsult and Spier.

This programme empowers local communities to grow their own trees for the upliftment of the community. At the same time, they also contribute to the environment by assisting, among others, with reforestation projects.

CASE STUDY: AKKERDOPPIES PRE-PRIMARY SCHOOL

Akkerdoppies Pre-Primary provides affordable, high-standard preschool services in Stellenbosch to children with limited access to such services. Our commitment to the school comes from our belief that to instigate change in a community, we have to start by equipping the children with the necessary skills that will guide them on their journey to becoming self-affirmed adults.

CASE STUDY: BADISA PROJECT

BADISA is a community-based team of social workers and volunteers, providing comprehensive developmental social service programmes which are aimed at enabling people to function optimally, while also developing effective networks for distress relief and poverty alleviation. At PSG Konsult, we have committed ourselves to supporting BADISA for an initial three-year period to develop skills, train personnel and volunteers, and monitor the results through ISUMASA (the project division of BADISA).

Adviser learnership programme

PSG Konsult has an adviser learnership programme in place to train new advisers in an office context. The initiative was launched in 2008 and since then 46 trainees have completed the programme, 24 of whom found permanent employment within the group. Candidates are selected according to their tertiary qualification and development potential. The programme runs according to a formal training syllabus over 12 months, with an additional 12-month lock-in period.

Compliance officer learnership programme

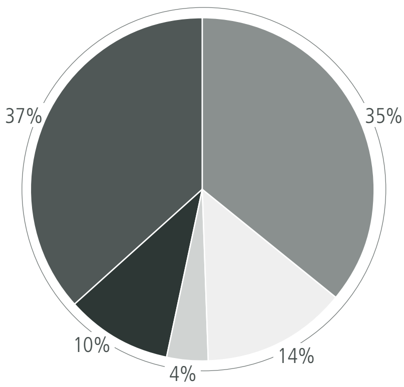
PSG Konsult embarked on its first compliance officer learnership programme in the past financial year. Candidates sign up for a three-year non-rotational training programme within PSG Konsult's compliance department. The nature of this training is largely aimed at on-the-job exposure, supported by individual coaching and mentoring, as well as formal courses on appropriate legal and compliance regulation.

We believe that these programmes add considerable value to our business and the financial services industry as a whole, as they serve to equip promising individuals with valuable skills and experience.

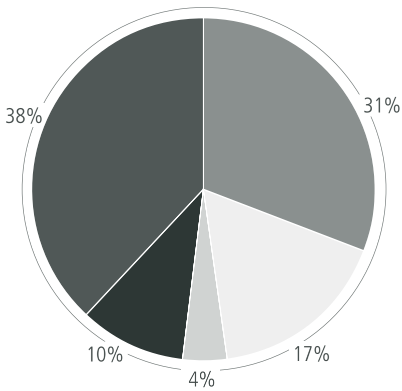
Value-added statement

In support of the mission statement – to make a difference in the lives of all our stakeholders by creating and preserving wealth through excellence – PSG Konsult measures the revenue created by the business for five of our most significant stakeholders. These include advisers, employees, government, shareholders and service providers. The biggest portion of total revenue (excluding investment income) was redirected to service providers (37%) whereas advisers earned 30% of total revenue. Advisers also earned the most significant increase in the share of revenue created: from 31% in 2013 to 36% in 2014.

2014 Revenue created per stakeholder



2013 Revenue created per stakeholder



Advisers | Employees | Government | Shareholders | Service providers

Strategy

The new strategy was approved by the board in December 2012 with the aim of positioning PSG Konsult as the leading independent financial services group in South Africa. The three-year strategy has a phased approach to the delivery of growth:

	2013	2014	2015
PHASE	Restructuring	Top line growth	Potential new business/frontiers
DELIVERY	Execution	Execution	Assess suitability

STRATEGY LIFECYCLE

Introducing the restructuring phase, PSG Konsult embarked on a successful rights offer during September 2012, raising capital of R187.7 million. The proceeds were applied to capital adequacy requirements and the acquisition of Western Group Holdings Limited.

JSE listing

With the 2013 results release, we indicated a desire to list PSG Konsult on the JSE main board subject to two conditions. This was to ensure that all aspects of our restructuring were performing as expected and to produce at least one set of credible results which could serve as verification of that performance. With this in mind, the board is satisfied that these conditions have been met and therefore advised shareholders on 9 April 2014 of our intention to apply for a listing of PSG Konsult on the JSE main board by way of an introduction during June 2014. We do not have any intention to raise capital leading up to the listing.

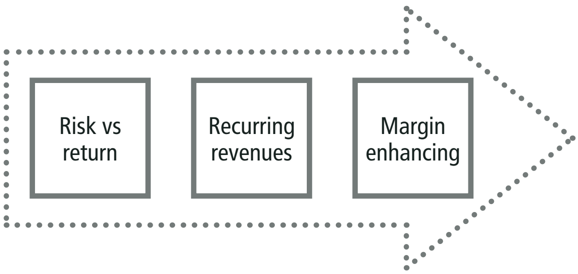
Measured approach

All our decisions are underpinned by three basic principles. We seek to:

- Maximise every rand of income we earn relative to an acceptable unit of risk we take
- To focus on generating recurring income, which leads to enhanced sustainable earnings
- Optimising profit margins to ensure that we earn an acceptable return on capital

In the application of the above business principles we have done the following:

- Reduced notional risk by closing down those business areas and products that carried undue risk relative to their earnings contribution
- Streamlined business processes in order to reduce operational risk and secure greater business efficiencies
- Reduced financial leverage by repaying debt
- Structured operating costs as variable where possible
- Focused on product and service innovation to ensure the sustainability of our profit margins rather than financial leverage to generate an acceptable return on capital



Three divisional strategies were developed to support the overall business strategy:

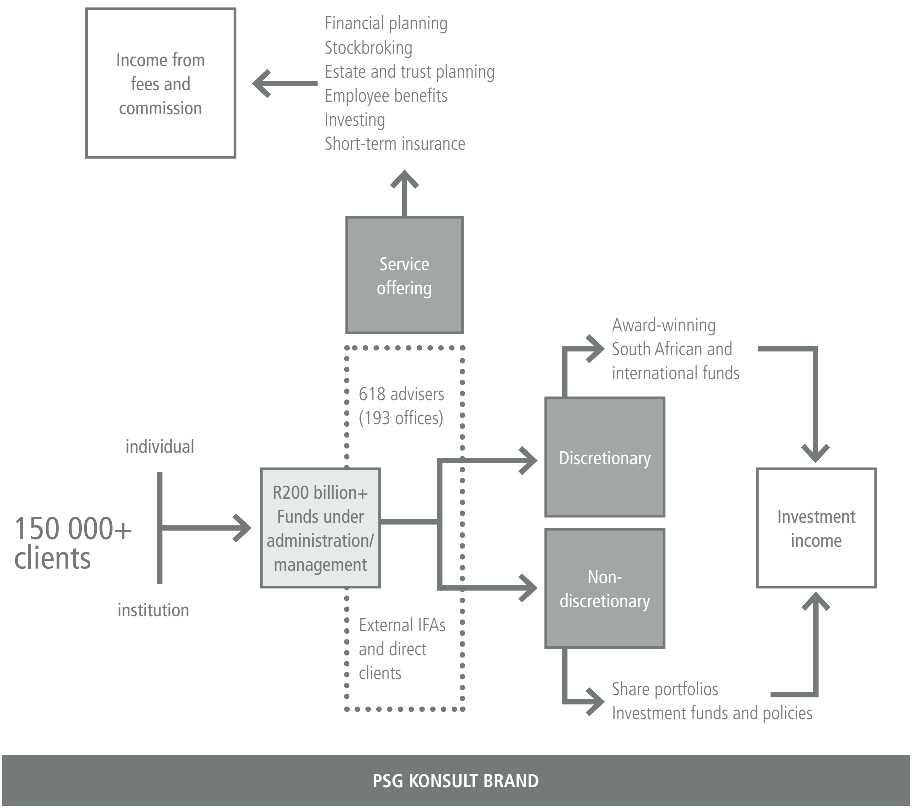
Division	Objectives
PSG Wealth	Grow assets under management and administration Convert non-discretionary to discretionary funds Continuous product innovation Increase range of product offering within existing offices Increase adviser footprint and grow existing offices
PSG Asset Management	Maintain top quartile fund performance Grow assets under management Enhance brand awareness
PSG Insure	Improve lead generation and lead conversion Increase number of advisers, while continually improving the quality thereof Reduce loss ratios, while ensuring superior client satisfaction Improve product range

Detailed reporting on the group's performance against the strategy can be found in the chairman's report, the chief executive officer's report and the operational reports.

The group's business model has evolved since its establishment in 1998, but still relies at its core on a national network of advisers with trusted and strong connections to clients. The expansion of service offerings, particularly in short-term and health insurance, has been the most recent additions to the business model.

Despite individual strategies, our focus for each division is identical, providing great advice, great products and a great platform.

As recommended by the Integrated Reporting Framework, we have also considered the impact of the six capitals in PSG Konsult's business model. The business model is summarised below, followed by the six capitals on pages 32 and 33.



Capital	Business element	More information
Financial capital	This is the total assets under management available to the group in the execution of its services. Funds under administration increased by an average compounded growth rate of 28% per annum since 2008, and is testimony to the successful and responsible handling of funds by PSG Konsult. Financial capital is redistributed by PSG Konsult in the form of dividends and investments in human capital, operations and infrastructure.	■ Chairman's report ■ Chief executive officer's report ■ Chief financial officer's report
Manufactured capital	Manufactured capital constitutes the 193 physical offices that form part of the PSG Konsult network of advisers.	■ Group at a glance ■ Business model
Intellectual capital	The PSG brand is the most important element of intellectual capital and encompasses our values-driven approach, the quality of advice and the unique portfolio of services and products offered by the group. This is further supported by the number of industry awards received by PSG Konsult, as well as innovation such as the myPSG platform.	■ Our brand ■ Chairman's report ■ Chief executive officer's report

Capital	Business element	More information
Human capital	PSG Konsult relies heavily on human capital in the form of 618 advisers, 1 841 employees plus 402 professional associates. The combined experience, competency and skills of these people are critical for the long-term sustainability of the company. PSG Konsult invests R231.1 million in salaries, R2.0 million in training and R93.5 million in incentive schemes for our core staff to ensure that it remains an attractive employer that retains scarce and critical talent.	■ Our stakeholders ■ Investment case
Social and relationship capital	This capital is evident in PSG Konsult's advisory network with strong emotional relationships of trust with clients. It is also reflected in a supportive anchor shareholder base and the fact that the group offers services and products that enhance people's wealth and prosperity.	■ Investment case
Natural capital	Due to the nature of its business PSG Konsult has a very low demand of natural resources in the provision of its services. All office environments optimise the use of electricity, paper and water.	

Chairman's report

This is my first report as chairman to PSG Konsult stakeholders, following 15 annual reports as chief executive officer. From the perspective of this new role, I am even more confident of PSG Konsult's future opportunities and ability to maintain a leading position in the Southern African financial services sector.

I believe that the board is responsible for creating a well-governed business where the actual results achieved are consistent with the reasonable expectations of all stakeholders – particularly our shareholders, advisers and clients.

During the past financial year, we have restructured and formalised the business for a new phase as a listed entity. This is a process that touches on all aspects of the business and needs to be built on a strong platform of corporate governance.

Up to now, PSG Konsult has been in the hands of a strong team of entrepreneurs and visionaries – we recognise that our leadership profile needs to move towards greater diversity and independence to be able to further transform the business from a governance perspective. We are committed to meeting the expectations of stakeholders in support of the guidelines set out by King III. The detail of our current status and

PSG Konsult has been able to deliver strong results, mainly due to a stable client base in higher income groups.

future intent is covered fully in the corporate governance report on pages 72 to 84.

Our core business is built on our advisory network.

The macro-economic environment of 2014

According to the World Economic Forum the economic world is currently being shaped by the following:

- Rising societal tension in the Middle East and Africa
- Widening income disparities
- Persistent structural unemployment
- Intensifying cyber threats
- Inaction on climate change
- Diminishing confidence in economic policies
- A lack of values in leadership
- The rapid spread of misinformation online
- The expanding middle class in Asia
- The growing importance of megacities

These trends are particularly visible in South Africa and characterised by sustained weak employment growth, low consumer confidence, substantial price increases, strike-related income losses and weak credit growth. However, we are confident about South Africa and its future and will do our utmost to help build this country.

For the year ended February 2014, the company showed a 44% increase in recurring headline earnings.

Within this environment, PSG Konsult has been able to deliver strong results, mainly due to a stable client base in higher income groups (which are more resilient in the face of the above economic factors), a growing network of skilled advisers and favourable equity market conditions.

For the year ended February 2014, the group showed a 44% increase in recurring headline earnings (2013: 15%) to R251.1 million. Our funds under administration rose 31% to R234.5 billion (2013: R179.5 billion), while funds under management increased by 38% to R112.1 billion (2013: R81.4 billion). The board has declared a dividend of 11.3 cents (2013: 10.8 cents), a 5% increase on the previous year.

Key internal developments for the year

During the past 18 months, PSG Konsult implemented major changes throughout the business to position itself as a fully-fledged financial services group. We developed a new long-term strategy, which required a total restructuring of the business.

Recognising that our core business is built on our advisory network, we have created three divisions (PSG Wealth, PSG Asset Management and PSG Insure) with a strong centralised service approach. The structure has been implemented and is supported by a rigorous reporting, governance and control framework.

Strategic imperatives

To establish PSG Konsult as the leading independent financial services group in Southern Africa, we continue building our competency in high-quality advice, and have increased our search for talent. This is enhanced by our priority to develop internal talent. We have a strong brand and a solid reputation that enables our advisory services to remain focused on maintaining long-term relationships built on trust.

We shall continue expanding our partnerships with complementary advisers and anticipate the needs of our existing and future clients. The acquisition of Western Group Holdings Limited enabled us to increase our portfolio of products and to secure a bigger portion of the value chain, especially in the short-term insurance offering.

We are also looking at the market more holistically through the introduction of an institutional asset management offering focus.

We recognise that we compete for the assets of a client base that is broadening its investment approach in search of the right mix of risk and return, while also demanding greater measures of transparency and security. New regulations and new technology are driving factors in many of the long-term operational decisions we have made during the past year.

Transformation is an imperative for the long-term sustainability of the business, and will require strong focus in the short to medium term. This will commence with the establishment of a social and ethics committee and the introduction of a formal BBBEE plan.

Changes to the board

The strategic and structural changes that took place during the year have also affected our board. Leon de Wit and Theo Biesenbach resigned from the board on 12 April 2013 and Mike Smith replaced Helgardt Lindes as chief financial officer on 18 July 2013. Francois Gouws, who was appointed as deputy chief executive officer in July 2012, became chief executive officer on 1 July 2013 at which point I took on the role of chairman. The previous chairman, Jaap du Toit, remains on the board as the lead independent director. Just after the end of the financial year, on 1 March 2014 and 16 April 2014, Patrick Burton and Zitulele (KK) Combi were appointed as new independent non-executive directors respectively.

On behalf of the board, I would like to thank each of the departing directors for their valuable contribution to PSG Konsult over the years. We welcome our new directors and commit to giving them all our support for the challenges and opportunities lying ahead.

Outlook

For the next year, our focus will be on bedding down the new structure and ensuring that we create value through growth, partnerships and new business. We believe that there are attractive opportunities for us to grow our top line, while we continue expanding our client base in South Africa with optimism and confidence about the future of the country.

Our advisers always tell clients that the better you plan, the better your future will be. I am a firm believer in this principle as the key to a sustainable and prosperous future for PSG Konsult and everyone of its stakeholders.

Willem Theron
Chairman

Chief executive officer's report

PSG Konsult is proud to present the first full-year's financial results under the refocused business model, which entails three distinct divisions:

- PSG Wealth
- PSG Asset Management
- PSG Insure

Each of the three divisions has produced commendable results for the financial year ended 28 February 2014.

PSG Konsult remains South Africa's largest independent financial adviser network, offering a complete range of wealth management and preservation financial products and services to clients.

As newly appointed chief executive officer, my role (in support of the long-term sustainability of the business) is to ensure that all the activities of PSG Konsult are coordinated, managed and presented to all stakeholders.

Our collective aim is to position PSG Konsult to be a leader in its industry. Success will mean that we have a group with a sound and sustainable business model, where the actual results achieved are consistent with the strategic plan communicated to the board and to stakeholders.

PSG Konsult remains South Africa's largest independent financial adviser network.

One of our immediate objectives in this regard is to finalise our plans to list on the JSE in June this year, which our financial results for the year ended 28 February 2014 put us in a strong position to do.

The following are the group's key financial performance indicators:

- Recurring headline earnings increased by 44% to R251.1 million (headline earnings increased by 41% to R244.5 million).
- Recurring headline earnings per share increased by 34% to 20.6 cents (headline earnings per share increased by 30% to 20.0 cents).
- Income increased by 39% to R2 557 million.
- Funds under management increased by 38% to R112.1 billion, while funds under administration increased by 31% to R234.5 billion.

During the year, we have also been able to reduce our risk exposure. This entailed closing business areas or products that carried undue risk relative to their earnings contribution.

Our financial results for 2014 put us in a strong position to list on the JSE.

We continually strive to help our clients take advantage of the durable long-term investment solutions we have available.

The first full-year reporting with the new structure is early evidence that the approval of the new strategy and the implementation of the new structure have been sound decisions and that the business is continuing to deliver according to our expectations.

Operational overview

PSG Wealth

A key strength of the division, which contributes 66% to recurring headline earnings, is the depth and quality of our financial advisers. In a complex financial environment, the high-quality advice we are able to provide our clients with, is a distinct competitive advantage that helps us protect, preserve and grow the financial wealth of our client base. To this end, we want to continue growing our advisory practices. To assist our clients in optimising their risk-adjusted investment returns, we are encouraging them to convert their non-discretionary investment portfolios to discretionary investment portfolios and to use the correct vehicles to enhance their total returns. We have also encouraged clients to diversify their investment portfolios and to take greater advantage of international investment opportunities. We continually strive to help our clients take advantage of the durable long-term investment solutions we have available.

PSG Asset Management

Our investment team has consistently produced top quartile investment returns by investing in both local and international securities. This capability to manage both domestic and international securities has been in existence since 2006 and is core to our investment process. During the past year, the division contributed 22% to recurring headline earnings, compared to 18% in the previous year. Our plans are to raise our brand awareness and actively pursue both retail and institutional clients. Our asset management business has made substantial progress during the past financial year to position itself as a credible alternative to some of the larger incumbents.

PSG Insure

In an environment where short-term insurance services with complex documentation are increasingly provided by telephone, we believe that the high quality of our financial advisers will continuously differentiate us from other players in the market. Our large adviser network and broad footprint enables us to provide high-quality advice to both our commercial and personal clients to safeguard and protect their assets. Our aim is to ensure that the underlying products meet the needs and expectations of our clients and that they understand the terms of the related insurance contracts. The division contributed 12% to headline earnings in the past year.

See the operational reports from pages 56 to 69 for detailed reporting on the performance of each division.

Risks to the business

The optimisation of our risk management systems was a focus area during the past year. We have developed detailed risk registers per business division and are monitoring and managing risks according to six areas:

- Regulatory
- Operational
- Underwriting
- Counterparty/credit
- Market
- Liquidity

For more detail on these areas, see the risk report on pages 85 to 93.

From a strategic perspective we recognise that the business remains equity market dependent and that we face major challenges and opportunities posed by continuous regulatory changes (described in more detail in the chief financial officer's report on page 44).

A comprehensive restructuring, such as the one implemented during the past year, creates new risks relating to employee motivation, attraction and retention, the integration of systems and management's ability to focus on short and long-term objectives. We have also been challenged by the lack of skills in certain areas where our capacity is under pressure.

From an operational perspective, there are risks associated with the integration of the Western Group Holdings Limited acquisition and our alignment with Santam after its recent 40% acquisition in Western Group Holdings Limited. Furthermore, there are risks associated with the ten regulatory licences we hold and our broad geographic footprint in South Africa. I believe that our team is managing this well, and that we have been especially prudent in addressing the requirements of competition law.

Focus areas

To ensure the long-term sustainability of the business, and in line with the strategy as set out on pages 28 to 33, our focus during the past financial year was on restructuring and execution. For the new financial year, we plan to drive top-line growth, while keeping tight reins on execution and delivery following the restructuring. Our focus is on generating recurring annuity income rather than one-off profits.

As mentioned by the chairman, we need to formalise our BBBEE strategy and plans to ensure compliance as well as value creation in this area.

Regulation will remain a high priority, particularly with the implementation of the Protection of Personal Information Act (POPI), 4 of 2013, Solvency Asset and Management (SAM), Treat Customers Fairly (TCF) regulations, and the Twin Peaks model of Financial Regulation. PSG Konsult's general level of compliance is satisfactory and complaints, which have been below industry norms, have been manageable.

We take an active role in industry forums (see page 18 for details) and have participated by providing written comments in response to discussion papers. During the past year we have established a policy team to meet with regulators and improve our internal systems and controls accordingly. Our advisers and employees receive continuous and relevant training and information to enable them to comply in their areas of responsibility.

Our brand is at the core of the sustainability of our business, affirming our principles of integrity, trust and transparency. Following the rebranding during the past year to simplify and streamline our group identity, we shall continue investing in marketing initiatives during the coming financial year to protect and build our brand. We are proud of the fact that PSG Konsult is gaining industry recognition on a wide range of fronts (see page 13 for our 2014 awards), which contributes to our aim to be in the leading position in our industry.

Looking forward

The group's strategic focus for the year ahead is top-line revenue growth, which will enable us to unlock operational leverage scale benefits now that we have successfully bedded down the restructure and repositioning of the group. This will be achieved as follows:

- Implement and execute the three-year strategic plans which have been devised for each of our underlying business divisions
- Position the group as a fully-fledged financial services business through its comprehensive range of services and products
- Optimise the synergy that exists between business segments and divisions to create further business development opportunities
- Extend the group's sharing in the value chain and in particular grow the asset management and short-term insurance activities

The key principles and philosophy on which the business is run remain as follows:

- Reducing the unit of risk we take per rand of revenue we earn
- Focusing on generating recurring revenues and sustainable earnings
- Optimising profit margins to ensure that we earn an acceptable return on capital

We have applied the above business principles by:

- Streamlining business processes to reduce operational risk and ensure greater business efficiency
- Reducing notional risk by closing down those business areas and products that carried undue risk relative to their earnings contribution
- Reducing financial leverage by repaying debt
- Structuring operating costs as variable as possible

Although it is difficult to predict the future, we remain cautiously optimistic that our strategy to have a larger share in the value chain will enable us to deliver superior returns for our shareholders and sustainable value for our stakeholders.

In the next financial year, we are committed to growing the business in an increasingly challenging financial services sector by maintaining a secure competitive trading environment for advisers and employees. We plan to drive performance through increased variable compensation for senior key individuals. Our expert financial planners, portfolio managers, short-term insurance brokers and stockbrokers, who are at the core of the business, will continue offering an innovative and unique one-stop integrated service, providing for a diverse range of needs and offering appropriate financial and related products.

Francois Gouws
Chief executive officer

Chief financial officer's report

PSG Konsult delivered credible financial results for the year ended 28 February 2014, which is particularly pleasing considering that the primary focus for the year was internal: to bed down the divisional repositioning, and to strengthen management and governance structures. This was done to ensure that we create a solid foundation and operational infrastructure that will enable us to better manage and monitor underlying business activities and operational risks. In this way, we can further benefit from divisional synergy and focus on top-line revenue growth in the year ahead. 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. The positive trend in our key financial and operational indicators (below) is evidence of a group that is adding value to its shareholders, clients and a range of other stakeholders that benefit from our business activities.

The scalability of our key underlying operating divisions will enable us to unlock positive operational leverage benefits.

We operate mainly in South Africa, where the business environment is built on sound macro-economic fundamentals and recognised by the rest of the world for its robust, well-managed and well-regulated financial services sector. This was evident again in the past financial year, during which inflation and interest rates remained fairly stable, despite increasing pressure from rapidly rising utility and fuel prices.

A buoyant financial market in 2013, coupled with investment returns that outperformed the market, impacted our underlying client investment portfolios positively. This, in turn, impacted investment management fees positively, which are linked and aligned with the underlying value of our clients' investment portfolios. At the same time market volatility has led to increased trading volumes, benefiting our stockbroking business.

Particularly pleasing were the benefits to our clients which resulted from the international diversification of our client investment portfolios – as recommended by our advisers. Following the weakening of the exchange rate these portfolios have benefited significantly in Rand terms.

Loss ratios in our short-term insurance business were negatively affected during the financial year by adverse weather conditions in the Gauteng area and the weaker exchange rate, as the business is dependent on imported replacement parts for vehicles. Growth in our short-term

The international diversification of our client investment portfolios benefited from a weakening exchange rate.

A buoyant financial market in 2013, coupled with investment returns that outperformed the market, impacted our underlying client investment portfolios positively.

insurance premium revenue, and in particular our personal lines business, has been challenging due to fiercely competitive market conditions and cash-strapped consumers opting for minimal additional short-term insurance cover.

Financial performance summary

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

Performance indicators	2014	Change %	2013
Recurring headline earnings (R000)	251 145	44	174 424
Headline earnings (R000)	244 485	41	173 808
Recurring headline earnings per share (cents)*	20.6	34	15.4
Headline earnings per share (cents)*	20.0	30	15.4
Funds under management (Rbn)	112.1	38	81.4
Funds under administration (Rbn)	234.5	31	179.5
Underwriting premium income (Rm)	398.2	654	52.8
Cost/net income ratio	63.8%	(5)	67.2%
Year-end debt/ equity ratio	9.4%	(37)	15.0%
Return on average equity	23.6%	15	20.5%

* Dilution is a function of the successful rights issue that we concluded in September 2012 in which we issued 107.2 million shares and raised R187.7 million of additional capital.

PSG Konsult has shown strong growth in fee and commission income over the review period, driven almost exclusively by solid organic growth in our underlying divisions. Expenses have been tightly controlled and managed. Non-recurring items amounting to R6.7 million relate to the write-down of legacy profit warranty transactions within the PSG Insure division. Performance fees net of incentives and tax contributed 10.6% towards headline earnings (2013: 8.2%).

PSG Wealth remains a key revenue driver for the group and has maintained its upward revenue and earnings trend, benefiting from positive client inflows, increased trading activity, favourable market conditions, and underlying client investment returns.

PSG Asset Management remains a high-growth area for the group. The division has an exceptional investment performance track record, established solid operational infrastructure and a comprehensive fund range that covers the full risk spectrum. Capacity has been created to sustain exponential growth in the level of funds under management, which means that costs will not increase in line with an increase in assets under management. The operational leverage scalability characteristics of this business will ensure exponential growth in future profitability and is supported by our strong asset gathering focus both in the retail and – more recently – the institutional client market. Increased brand awareness further facilitates strong retail client inflows from financial adviser networks and direct clients.

PSG Insure has shown subdued revenue growth amid a fiercely competitive market particularly on the personal lines business. Furthermore, loss ratios have been negatively affected by adverse weather conditions experienced in November/December 2013 in Gauteng. In addition, the weaker exchange rate has negatively affected motor claims, while inward reinsurance income has shown significant growth.

Capital expenditure

The most significant capital expenditure during the year was the upgrading and replacement of PSG Konsult's datacentre IT infrastructure at a cost of R15.3 million.

Changes in regulation

The financial services industry is subject to increasing regulation and compliance requirements. We support this as an overall objective to maintain a sound financial investment environment in South Africa.

The most significant legislation that will have an impact on PSG Konsult during the course of the next year is:

Treating Customers Fairly (TCF)
January 2014

We have engaged the services of Pricewaterhouse-Coopers (PwC) to assist in implementing a standard framework and methodology throughout the business. Training was provided during the course of January/February 2014.

Insurance Laws Amendment Bill (ILAB)

ILAB was not passed by the standing committee on finance in Parliament. The FSB has indicated that it is considering alternative interim measures in the form of board notices. We will evaluate the new developments on this matter.

Protection of Personal Information Act (POPI) January 2015

The POPI Act will probably become effective during 2014 (with certain sections of POPI effective from 11 April 2014) after which we shall have a 12-month implementation period. We are currently in the process of evaluating the potential impact on the business.

Solvency Assessment and Management (SAM) January 2016

The FSB recently published the Third South African Quantitative Impact Study (SA QIS3) technical specifications document to be completed by 30 April 2014. This will be the final quantitative impact study used to inform the calibration of the Standard Formula under SAM.

PSG Konsult has spent a significant amount of time ensuring that the group is adequately prepared for the enactment of the above, thereby ensuring that we are fully compliant, while taking the opportunities inherent to these laws to further provide our clients with a superior level of service.

Acquisitions and disposals

The Western Group Holdings Limited transaction was the most significant acquisition concluded during the past financial year. With effect from 1 June 2013, PSG Konsult increased its shareholding in Western Group Holdings from 75% to 90%. Following FSB approval on 16 September 2013, PSG Konsult acquired the remaining 10% minority shareholding in Western Group Holdings Limited, and subsequently sold 40% of its shareholding to Santam. Western Group Holdings Limited now has two strong capital partners within a highly competitive and capital intensive industry.

Financial risk management

Detail of the risks being monitored and managed by PSG Konsult is available in the risk report on page 85. From a financial perspective our operational, counterparty/credit and liquidity risks are the most important areas for us to manage. Our primary risks management tools relate to daily monitoring of margin accounts, monthly monitoring of our capital adequacy requirements (CAR) compliance and a soon to be implemented value-at-risk (VAR) tool.

Cash flow management

In order to centrally plan and optimise the cash flow management throughout the business an 18-month rolling cash flow forecast is prepared monthly per division. This together with the regulatory divisional capital adequacy schedules is then consolidated monthly to obtain a holistic picture of the group's net cash and debt position, thereby ensuring that the group's net cash and borrowing position is optimised.

Management information systems (MIS)

A focus area for PSG Konsult is to enhance the quality of its MIS. Significant effort has gone into the improvement and streamlining of our management reporting processes, to enable us to produce flash results within seven days after month end. This has enabled the daily operational activities and financial performance indicators and position on each division to be assessed in great detail, while providing many useful diagnostic statistics to aid analysis, strategy and planning.

Adviser buyback scheme

A focus area during the year has been the negotiations with our advisers to standardise our revenue sharing model and better align the objectives of both the adviser and PSG Konsult. Advisers were offered the opportunity to invest in the future of the group through our subsidiary PSG Wealth Financial Planning Proprietary Limited by means of an asset-for-share transaction in accordance with section 42 of the Income Tax Act, 58 of 1962.

For the new financial year we plan to drive top line growth, while keeping tight reins on execution and delivery following the restructuring.

A final dividend payment of 7.3 cents per share will be made to shareholders for the year ended 28 February 2014 bringing the total dividend for the year to 11.3 cents per share.

We believe that this transaction which was settled largely through the issue of 35 794 660 PSG Konsult shares, will lead to a win-win situation both for our financial advisers and shareholders as it unlocks value for advisers and also better aligns the objectives of both the adviser and the group. Had this transaction been concluded at the beginning of this financial year then, on a pro forma basis, it would have increased our headline earnings per share by 4.2%.

Changes in accounting policies

There were no accounting policy changes during the financial year other than the impact of the adoption of IFRS 10: Consolidated Financial Statements. New accounting standards became effective during the period which resulted in changes in the way some items were accounted for compared to the prior period. For more detail refer to the annual financial statements on page 99.

Dividends declared

Given the opportunities for growth of the group in future years and the capital required to fund such growth, the board has decided to keep the final dividend unchanged from the prior year. An interim dividend of 4 cents was declared during October 2013 in respect of the 2014 financial year.

A final dividend payment of 7.3 cents per share (2013: 7.3 cents per share) will be made to shareholders for the year ended 28 February 2014 bringing the total dividend for the year to 11.3 cents per share (2013: 10.8 cents). No credits for secondary tax on companies

(STC) were used as part of this declaration. The dividend is subject to a local dividends withholding tax rate of 15%, resulting in a net dividend of 6.21 cents per share, unless the shareholder is exempt from paying dividends withholding tax or is entitled to a reduced rate in terms of the applicable double-tax agreement.

For more information on the number of ordinary shares issued please see the shareholder section on page 53.

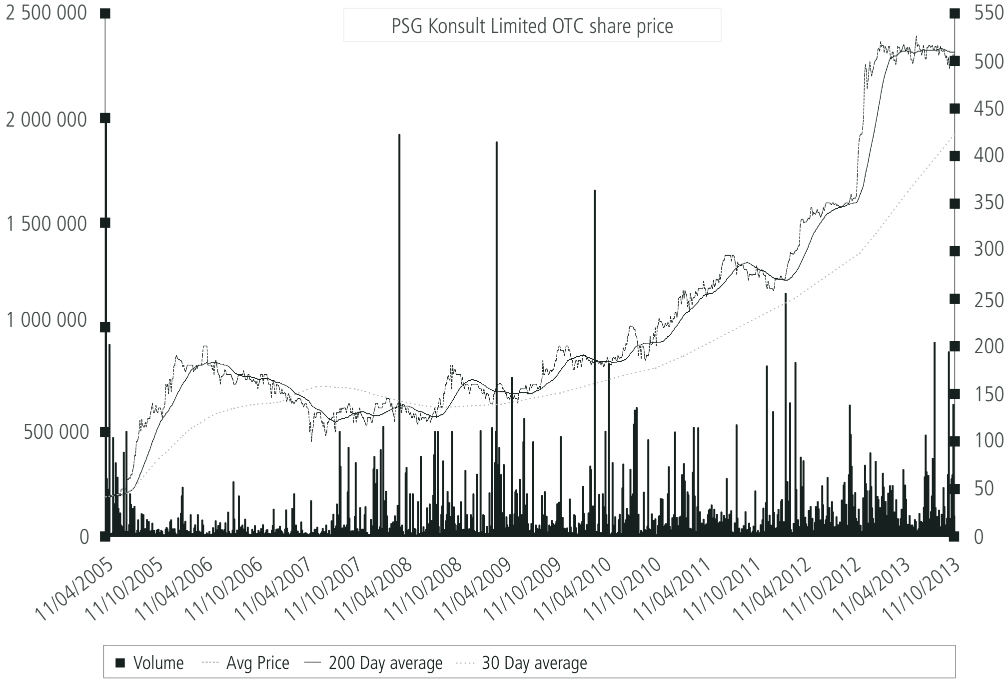
Outlook for 2015

With the bedding down of the new group structure now completed, we are expecting noticeable revenue growth from unlocking further vertical integration synergy within our underlying business units and between the divisions. At the same time, our strategy for the coming year is to focus on top-line revenue growth by increasing our level of participation in the product and client administration fee value chain. As our various strategic initiatives are implemented we expect revenue growth to continue increasing at a faster rate than our underlying cost base. Our improved MIS and activity diagnostic statistics allow us to drill down and gain a clear and detailed perspective of our business at the most granular level. We are also expecting the adviser buyback scheme to bear fruit as shareholder and adviser interests are further aligned.

Mike Smith
Chief financial officer

Shareholder information

PSG Konsult shares have been trading over the counter since 2005 – starting out at 40 cents per share. At the end of the 2014 financial year, shares were trading at 500 cents per share (annualised growth of 32.8%).



Shares are traded via the Online Securities platform. Potential investors in PSG Konsult are encouraged to visit the website (www.psg.co.za) and navigate to the trade page, which is situated under the 'Investor Relations' tab. We list the relevant stockbrokers and can assist with any further share-related queries.

Share price performance

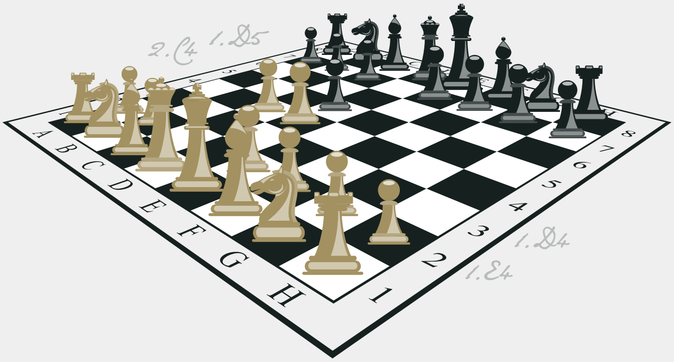
Period	1 March 2013 to 28 February 2014
Number of shares traded	31 449 042
Value of shares traded (R)	128 845 854
Number of trades	2 369
Average price (cents)	397
High (cents)	534
Low (cents)	255

The number of issued ordinary shares is 1 257 712 430 at the date of this declaration. The company's income tax reference number is 9550/644/07/05.

The following are the salient dates for payment of the dividend:

Last day to trade cum dividend	Friday, 2 May 2014
Trading ex dividend commences	Monday, 5 May 2014
Record date	Friday, 9 May 2014
Date of payment	Monday, 12 May 2014

The Queen's Gambit



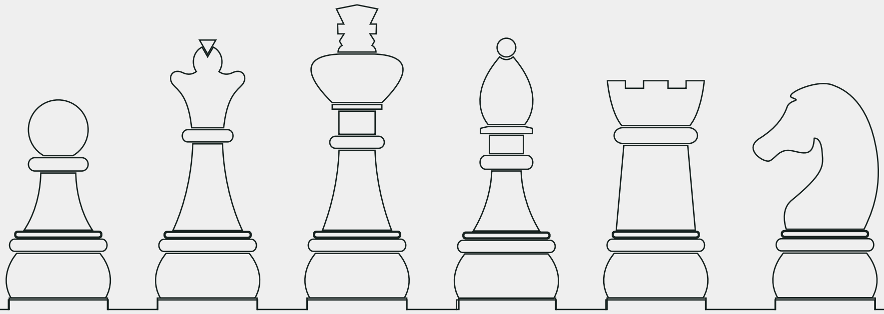
The Queen's Gambit

One of the oldest known chess openings dating back to 1490 (probably even older) and mentioned in one of the oldest chess scripts – the Gottingen manuscript. White players who prefer a quieter, more positional game tend to prefer 1.d4 to 1.e4, after which the c4 break is the best way to play for an advantage (either on the second move or soon after).

The Queen's Gambit, marked by the moves 1.d4 d5 2.c4. This classical approach 'offers' a pawn in exchange for a stronger centre.

Black has several options, including the Queen's Gambit Accepted, the Queen's Gambit Declined, and the Slav Defence. The Queen's Gambit Accepted is a vital opening to learn; because if played against a player who does not know Queens Gambit theory, then the opening can easily be won and if played against an experienced player, then you can play on your own terms. White sacrifices a pawn for rapid development and usually gets his pawn back!

Operational reports



PSG Wealth

PSG Wealth has benefited from increased management fees, as well as strong net client inflows during the year.

Key financial drivers

	2014	2013	Change %
Assets under management (Rm)	214 381	166 881	28
– Discretionary assets (Rm)	97 350	72 672	34
– Non-discretionary assets (Rm)	117 031	94 209	24
Income (R000)	1 476 165	1 233 752	20
Gross margin	36.1%	37.9%	(5)
Headline earnings (R000)	166 578	128 447	30
Operating margin	18.3%	18.5%	(1)
Number of employees	1 137	1 068	6

Wealth assets overview

Wealth assets split (Rm)	2013	Market movement	Net flows	2014	Change %
Third party funds*	37 792	4 004	3 560	45 356	20
PSG Multi-Managed	16 923	3 817	6 627	27 367	62
Discretionary	17 957	5 097	1 573	24 627	37
Total managed assets	72 672	12 918	11 760	97 350	34
Non-discretionary	94 209	22 304	518	117 031	24
Total wealth assets	166 881	35 222	12 278	214 381	29

* Includes PSG single managed funds of R1.8 billion for FY2013 and R3.1 billion for FY2014

Strategy and performance

PSG Wealth has benefited from increased management fees from advisory businesses, as well strong net client inflows during the year. Positive market conditions have also seen increased client trading activity. Management fees have increased by 32.2% compared to the previous year and brokerage income by 17.8%. Offshore brokerage income has shown particularly good growth of 110% due to a substantial increase in the average value of clients' offshore share portfolios.

Risks

Improvements to the operational environment, increasing automation, simplifying and centralising processes, and the effective monitoring of credit risk was a key focus for management, with the recommendations originating from the PwC control review either implemented or scheduled for implementation.

Part of the operational focus was the introduction of the incidents management system developed and implemented by our risk management team. It improved operational incident management and assisted with the implementation of mitigating measures and controls to detect, prevent and reduce incidents or its reoccurrence. An operational incident is typically any event that indicates a breakdown in the normal business/ operational processes or controls. It also contributed to entrenching a culture of risk awareness.

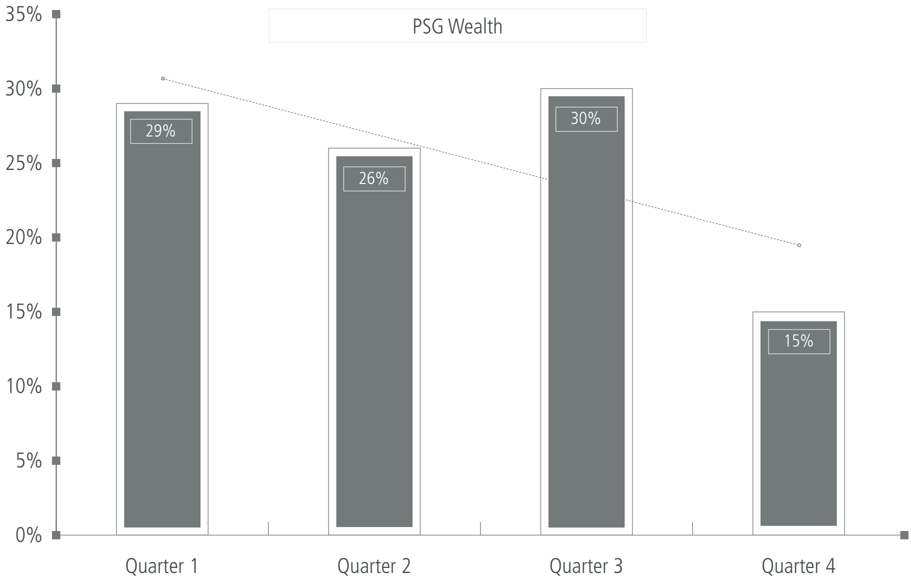
Various other risk initiatives, including discontinuing certain divisions or more stringent monitoring, were identified and actioned to ensure the risks within the PSG Wealth environment are adequately managed and reduced to acceptable levels.

Next moves

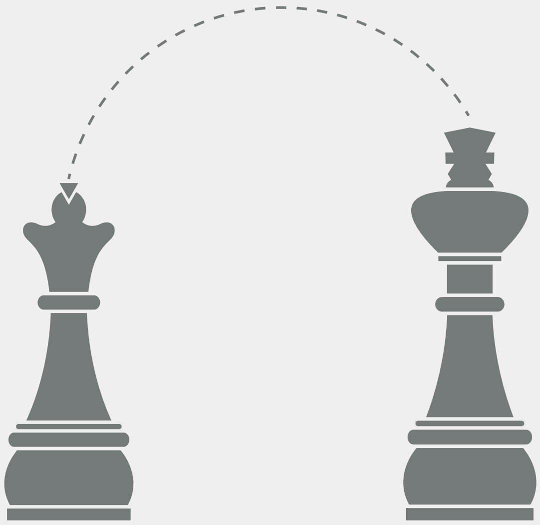
The upward trend in results is expected to continue as favourable equity market conditions are predicted to prevail.

PSG Wealth will focus on expanding its footprint and client base by opening more offices, increasing its product and administrative platform and service offering to its adviser base and clients. There is an opportunity to include more independent financial advisers in our network and to increase the number of retail clients.

PSG Wealth is proud to have been awarded *Business Day Investors Monthly* 'Stockbroker of the Year' for the third consecutive year.



Percentage of PSG Wealth incidents that occurred each quarter



PSG Wealth will focus on expanding its footprint and client base by opening more offices, increasing its product portfolio and administrative platform and service offering to its advisers and clients.

PSG Asset Management

Strong performance-based fees continue contributing to profits.

Key financial drivers

	2014	2013	Change %
Assets under administration (Rm)	49 018	32 372	51
Assets under management (Rm)	15 787	10 493	50
Income (R000)	293 799	212 890	38
Gross margin	38.0%	34.9%	9
Headline earnings (R000)	54 377	30 240	80
Operating margin	15.0%	12.0%	25
Number of employees	81	79	3

Asset Management assets overview

Asset Management assets split (Rm)	2013	Market movement	Net flows	2014	Change %
PSG single manager	5 755	1 815	3 945	11 515	100
PSG money market and related assets	4 738	(69)	(397)	4 272	(10)
Total assets under management	10 493	1 746	3 548	15 787	50
PSG Wealth administered assets*	16 723	3 643	7 134	27 500	64
PSG white label	5 156	714	(139)	5 731	11
Total assets under administration	32 372	6 103	10 543	49 018	51

* Includes the PSG Solutions and PSG Multi-Manager Funds

Strategy and performance

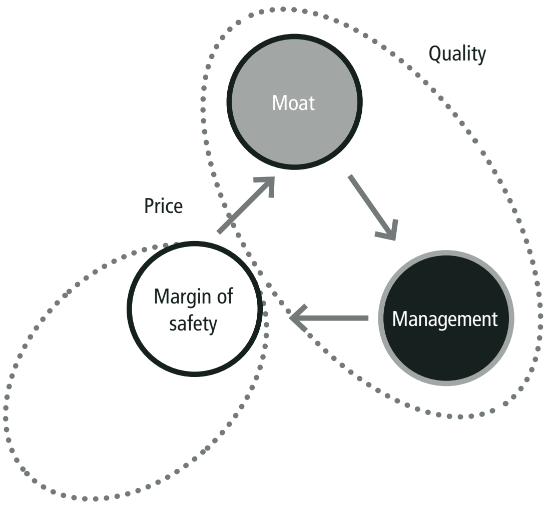
PSG Asset Management has benefited from continued excellent investment performance and good client fund inflows. A number of key strategic appointments have been made in sales, investments and operations. The positive impact of these new appointments is expected to show in the new financial year. The operational margin leverage benefits of in-sourcing the asset pricing and related functions are also starting to come through.

Strong performance-based fees continue contributing to profits primarily due to favourable equity market conditions as well as the excellent investment performance of the core funds during the year.

Investment performance across full range of flagship funds ended the year on an excellent note. Refer to page 64 for a detailed breakdown of our core-fund performance.

Equity process

At PSG Asset Management, our preference when investing is to allocate capital to high-quality companies, with strong pricing power, that are able to reinvest in their businesses and earn a high return on capital. This ability stems from the group having a sustainable competitive advantage, or a moat. Furthermore, we require that this group be managed by a competent, interest-aligned team and that the stock in the company be available for purchase at the time at a sufficient margin of safety. Hence, we put risk first in all that we do. We look for investment opportunities that will provide us an asymmetrical payoff range (little possible downside and significant possible upside). We believe that we will invest in any opportunity (equity or fixed income) provided that there is a sufficient margin of safety to ensure that we are not likely to incur permanent capital loss on that investment. Our globally integrated process assists us in this, enabling us to compare domestic companies with offshore equivalents.



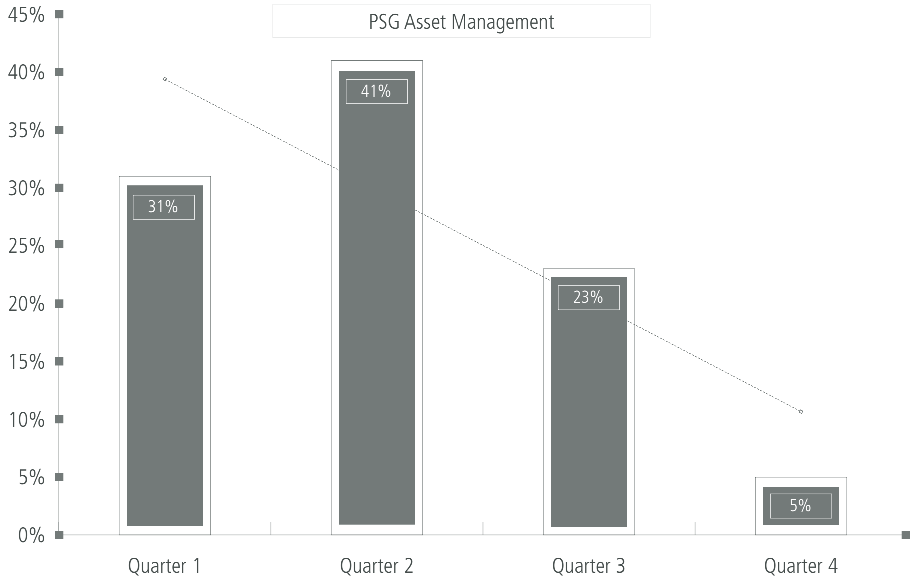
Key facts

- R49 billion assets under administration in local and offshore management companies
- R16 billion assets under management in single manager funds (including Money Market Fund)
- Single-managed funds: one fund over R4 billion, three funds over R2 billion, five funds over R1 billion in size
- 81 employees
- Established experienced team with over 120 years combined investment experience
- Comprehensive product set
- Style and size advantage
- Investment process that puts risk first
- Excellent performance track record and risk metrics

Risks

The operational incident management system assisted management in identifying and implementing controls and enhancements to controls. Resources were also strengthened to improve the operational environment and prevent occurrence of operational incidents with the benefits realised during the last quarter of the year.

Management also focused on the implementation of processes to demonstrate effective risk management as well as identifying key divisions and employees, formulating a business and succession plan with procedures implemented to reduce key man dependency. Recommendations originating from the PwC control review were also implemented or scheduled for implementation.



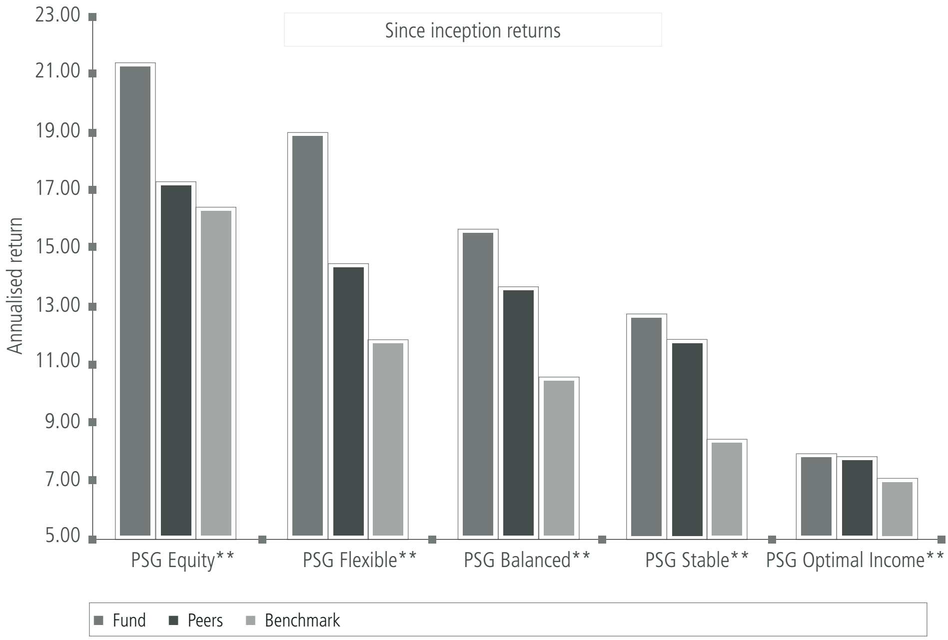
Percentage of PSG Asset Management incidents that occurred each quarter

Fund performance

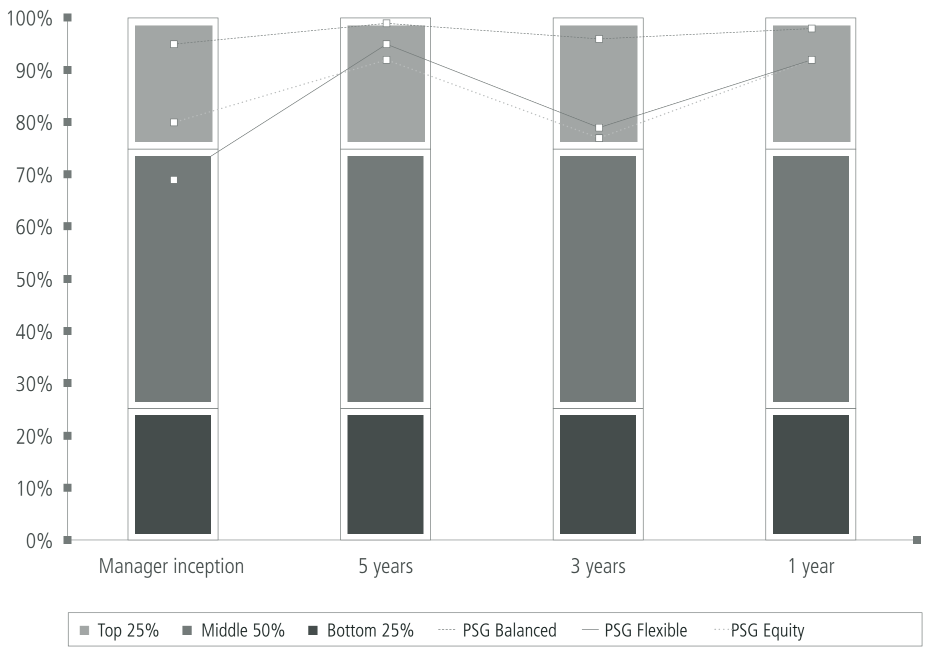
	One year		Three years		Five years		Since inception*		
	% Return	Ranking	% Return	Ranking	% Return	Ranking	Date	% Return	Ranking
PSG Equity**	34.95	2/120	21.83	4/95	28.59	1/85	01/03/2002	21.47	2/42
PSG Flexible**	28.49	6/71	17.92	14/61	25.20	4/53	01/11/2004	19.06	3/15
PSG Balanced**	21.41	9/106	15.70	18/84	19.41	3/64	01/06/1999	15.72	4/13
PSG Stable**	11.87	36/90	–	–	–	–	13/09/2011	12.79	34/78
PSG Optimal Income**	7.58	5/55	7.64	16/40	8.62	6/33	10/04/2006	7.96	12/22

Notes:
All information was obtained from ASISA
All returns have been annualised where needed to reflect 12-month periods
Rankings are based on sector comparisons provided by ASISA

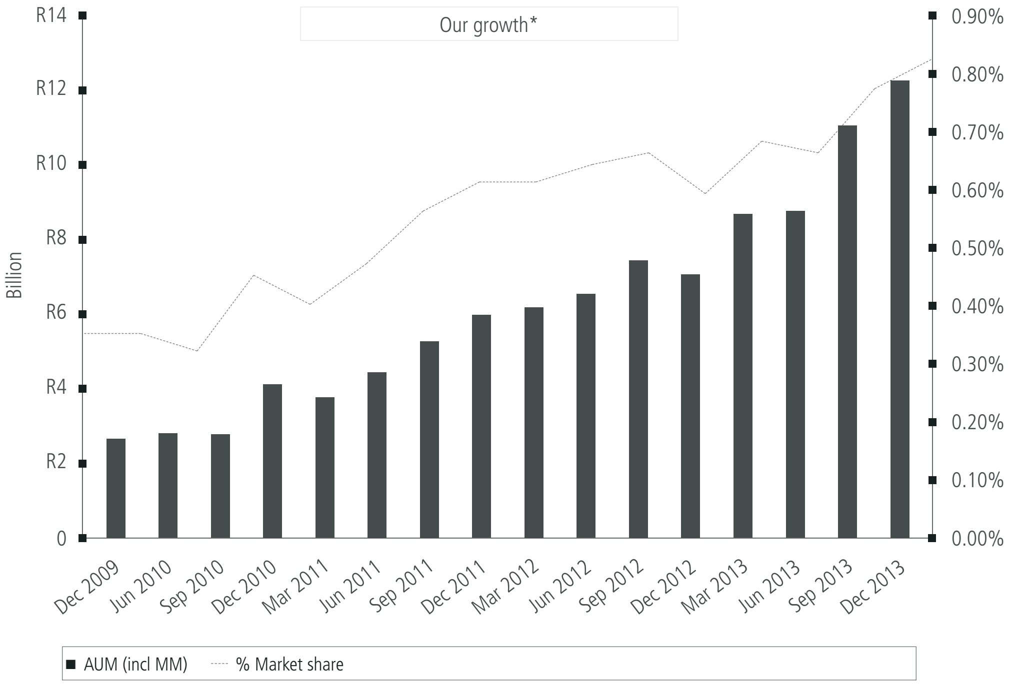
* Refers to current manager inception.
** Refers to Fund class A



Average quartile of selected PSG Asset Management single manager funds as at 28 February 2014



Our growth

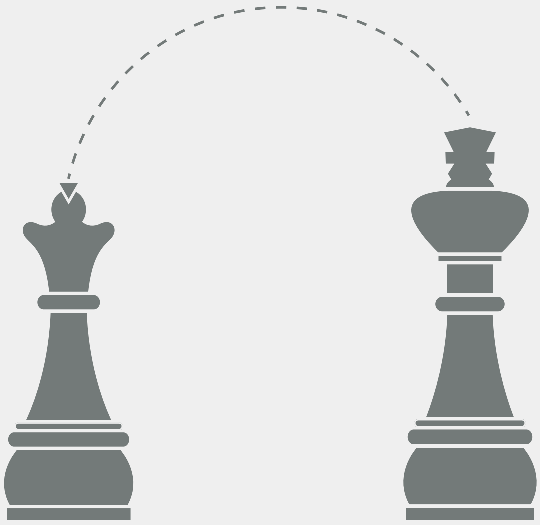


* Excluding segregated and private client portfolios.

Next moves

The upward trend in PSG Asset Management's results is expected to continue. Our investment approach will continue focusing on finding selective equity opportunities in South Africa as well as abroad.

We continue intensifying our efforts in the institutional space, as we believe that PSG Asset Management is in a good position to offer institutional investors an alternative to well-established competitors. At the same time, we have increased our activity in the retail client asset management space, reaching more independent financial advisers on a national basis, both within the PSG Konsult network and externally.



PSG Asset Management delivers top quartile investment returns across entire domestic flagship range of funds.

PSG Insure

PSG Insure consists of three business units – Distribution, Administration Platform, and an Insurance Company.

Structure now vertically integrated.

The Western/Santam transaction was concluded during the year.

Key financial drivers

	2014	2013*	Change %
Gross written premium – Western (R000)	618 217	126 648	388
Loss ratio	78%	82%	(5)
Income (R000)	787 472	399 377	97
Gross margin	28.7%	52.8%	(46)
Recurring headline earnings (R000)	30 190	17 651	71
Operating margin	4.1%	7.3%	(44)
Number of employees	623	645	(3)

* A controlling stake in Western Group Holdings Limited was acquired in November 2012, therefore the 2013 financial year comparative information only includes Western Group Holdings Limited's results for four months.

Strategy and performance

PSG Insure is now a R2.5 billion gross written premium business generated through its distribution, administration and license activities, reporting a premium growth of 27% in 2014, mainly due to the impact of the Western acquisition. Good growth was experienced in the commercial lines, but premium growth remains a challenge within the PSG Distribution business, particularly within the personal lines business. Underwriting profits for PSG Insure were somewhat under pressure, in line with the rest of the industry, ultimately adversely impacting the gross margin ratio. Operational cost growth was contained at 6% despite the business expansion and comparative costs only including Western Group Holdings Limited's results for four months of the year. Favourable investment market conditions resulted in the business earning positive investment returns on its "free float" capital reserves, which contributed R28 million to headline earnings. For its part, Western Group Holdings Limited achieved satisfactory investment results relative to the market per selected asset class during the reporting period.

Improved service delivery

PSG Insure has already started to reap the benefits of a vertically integrated structure with a focus on service delivery. PSG Insure recently received top honours at the 2014 National Santam Broker Awards:

- Portfolio Administration Award for Performance Excellence 2013
- National Broker Award for Performance Excellence 2013 Personal Lines for top quality service offering

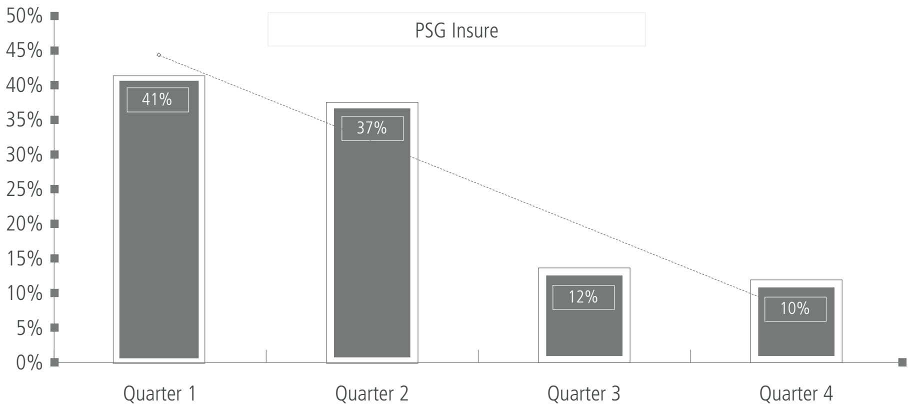
Risks

Significant investment was made to improve controls, automate processes, raise risk awareness and obtain buy-in from management, which resulted in improved service delivery evidenced by the reduction in operational incidents as demonstrated below. Recommendations originating from the PwC control review are being implemented and will further improve the control environment. This is evident in the reduced levels of operational incidents during the second half of the year.

Key focus of management over the latter part of the financial year was to manage the impact and potential consequences of the Competition Act (refer to page 84), while measures were also implemented to ensure effective capital modelling and monitoring in our two short-term insurance companies.

Next moves

We expect growth in premiums and revenue to continue, supported by strong lead generation and conversion. We are increasing our own platform business, supported by stable and maturing operations. We shall continue to invest in people and processes to optimise our offering and service. In this regard, the centralisation of the administration function is progressing well, which will enable us to enhance the workflow and reduce certain current operational processing inefficiencies.



Percentage of PSG Insure incidents that occurred each quarter

The Modern defence

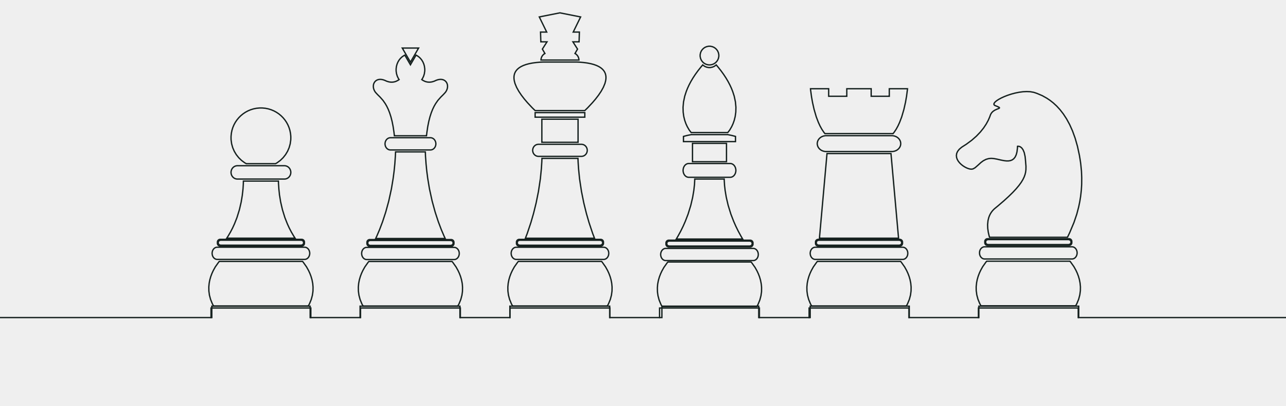
The Modern defence

(also known as the Robatsch Defence after Karl Robatsch) is a hypermodern chess opening in which black allows white to occupy the centre with pawns on d4 and e4, then proceeds to attack and undermine this 'ideal' centre without attempting to occupy it himself.

The opening has been most notably used by British grandmasters Nigel Davies and Colin McNab.

The Modern Defence is closely related to the Pirc Defence, the primary difference being that in the Modern, black delays developing his knight to f6. (The delay of ... Nf6 attacking white's pawn on e4 gives white the time to sometimes blockade the g7-bishop with c2–c3.) Transpositional possibilities between the two openings are rife.

Corporate governance report



Introduction

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

As a public company, the board has over the past few years endeavoured to voluntarily align its leadership practices and sustainability commitments with the guidelines of the King Code of Governance Principles of 2009 (King III). This has been a gradual process and we will continue towards full application of the principles (see a detailed report of our application on the website with highlights on page 78 of this report).

The board remains committed to creating and implementing the appropriate structures, systems and processes, including appropriate controls, to enable the board to discharge its governance and compliance duties.

The board has a fiduciary duty to conduct its business in the best interests of the company and its stakeholders. The company's key stakeholders include shareholders, clients, advisers, employees, regulators and communities (see page 22 for more detail).

The board

The PSG Konsult board consists of eight members. Below are their profiles and changes to the board during the year. Directors are appointed through a formal process.

WILLEM THERON (61)
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, whereafter he was 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.

PATRICK ERNEST BURTON (PATRICK) (61)
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 immigrated to Canada in 1981 and worked for Lanvethol and Horwath (Chartered Accountants), from 1981 to 1984. Patrick obtained his BComm (Hons) in Financial Management in 1992 and a post-graduate diploma in Tax Law in 1993 from the University of Cape Town. 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) (62)
Independent non-executive director
Diploma in Public Relations

KK is the executive chairman of Thembeka Capital Limited. He holds a diploma in public relations and was awarded the Ernst & Young South African Best Entrepreneur of the Year award in 2000, as well as 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, Curro Holdings Limited and as chairman of Pioneer Food Group Limited.

Appointed to the PSG Konsult board on 16 April 2014.

JACOB DE VOS DU TOIT (JAAP) (59)
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 in 1990. In 1996, he co-founded both PSG Group and PSG Konsult and 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.

JOHANNES FREDERICUS MOUTON (JANNIE) (67)
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. He is chairman and director of various companies within the PSG Group and also serves 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.

PETRUS JOHANNES MOUTON (PIET) (37)
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, Capitec Bank, Thembeka Capital 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 (FRANCOIS) (49)
Chief executive officer
BAcc, CA(SA)

Francois was a group managing director jointly responsible for the UBS Securities division before joining PSG Konsult initially as deputy chief executive officer in July 2012 and 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. Prior to that, he worked for Senekal, Mouton & Kitshoff Proprietary Limited in South Africa.

Appointed to the PSG Konsult board on 1 March 2013.

MICHAEL IAN FRAIN SMITH (MIKE) (46)
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, having 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 during the financial year:

Leon de Wit and Theo Biesenbach resigned from the board on 12 April 2013.

Francois Gouws succeeded Willem Theron as chief executive officer on 1 July 2013.

Willem Theron replaced Jaap du Toit as non-executive chairman on 1 July 2013.

Mike Smith replaced Helgardt Lindes as chief financial officer on 18 July 2013.

Patrick Burton was appointed as an independent non-executive director on 2 March 2014.

KK Combi was appointed as an independent non-executive director on 16 April 2014.

The PSG Konsult board consists of eight members (refer to previous pages for the profiles and changes to the board during the year). Directors are appointed through a formal process.

The board acts according to a charter (determined by the memorandum of incorporation of the company), which sets out the following key roles and responsibilities:

- Acting as the focal point for, and custodian of, corporate governance
- Determining the strategies and strategic objectives of the company
- Determining and setting the tone of the company values
- Satisfying itself that the company is governed effectively in accordance with corporate governance best practices
- Monitoring the implementation of the board's strategies, decisions, values and policies
- Ensuring that the company has effective and independent audit, risk and remuneration committees
- Ensuring that business rescue proceedings are considered
- Ensuring that disputes are resolved effectively and efficiently
- Appointing and evaluating the performance of the chief executive officer

The board considers it a good business imperative that all actions undertaken in the company's name are executed ethically and professionally. To this end, the board has implemented a company-wide code of conduct, which requires:

- Advising clients with the highest level of good faith, integrity, professional knowledge and diligence
- Providing clients with accredited products and services which will appropriately address their particular needs
- Ensuring that all client funds are always directly deposited with the relevant financial institution
- Disclosing the exact amount of commission and fees earned
- Complying with legislation regulating the financial services industry

Directors disclose their personal financial interests at the start of every board or committee meeting.

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 company profile are in accordance with the values of the company
- Enhancing PSG Konsult's reputation in the industry through relevant stakeholder forums
- Assisting with the company's overall BBBEE strategy and plan

The roles of chairman and chief executive officer are separate and the executive committee is mandated according to a clear set of authorities relating to contracting and signing powers for financial, project and personnel requirements.

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

Company secretary

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 the supply of all information to assist board members in the proper discharge of their duties.

The board considers it a good business imperative that all actions undertaken in the company's name are executed ethically and professionally.

Application of King III principles

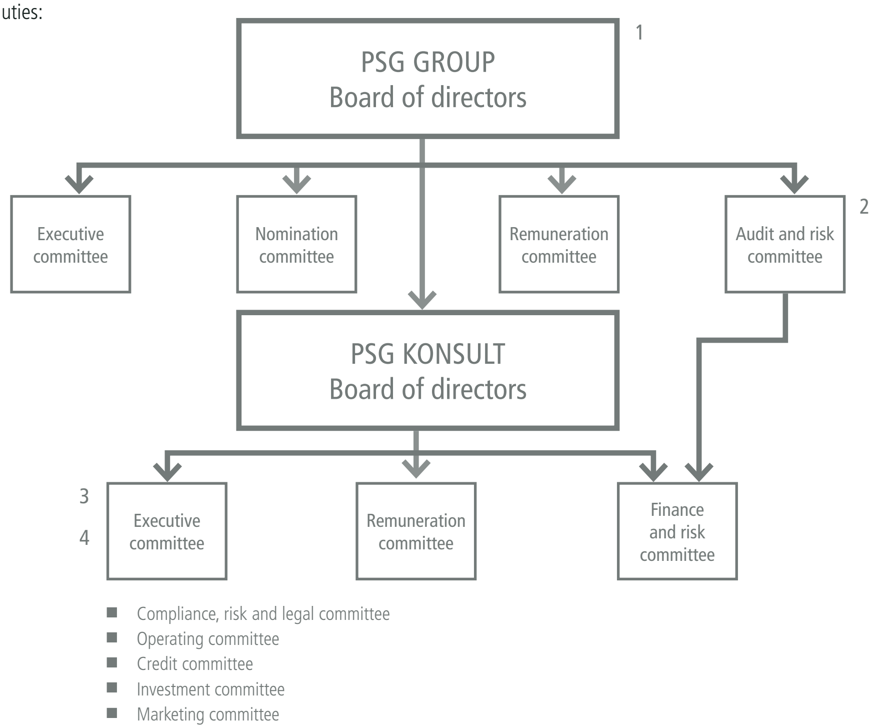
The board recognises that the company does not yet fully apply the King III principles. The following table sets out our progress and explanations in the areas where the company does not fully apply the principles (refer to www.psg.co.za, under 'Investor Relations' for the full declaration of the application of King III principles).

CHAPTER AND PRINCIPLE		PROGRESS
2.6	The board should ensure that the company has an effective and independent audit committee	The finance and risk committee acts as an audit committee. PSG Konsult falls within the scope of the PSG Group audit committee. PSG Konsult will, with effect from June 2014, establish its own independent stand-alone audit committee.
2.10	The board should ensure that there is an effective risk-based internal audit	Appointment of an internal auditor is in progress, and is expected to be implemented with effect from June 2014. We have used the services of an external audit firm to perform certain operational control reviews during the course of the year.
2.16	The board should elect a chairman of the board who is an independent non-executive director. The chief executive officer of the company should not also fulfil the role of chairman of the board	We have a lead independent non-executive director, since our chairman is not independent.
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	The majority of our board are non-executive directors, and with effect from 16 April 2014, the majority of our non-executive directors will be independent.
2.20	The induction and ongoing training and development of directors should be conducted through formal processes	The induction of directors is not conducted through a formal process. This has not been necessary to date as new appointees have been familiar with the group's operations and the environment in which the group operates. Consideration will be given to an induction programme for future appointees. Directors have unlimited access to the company's resources regarding training and development.
2.22	The evaluation of the board, its committees and the individual directors should be performed every year	We have no formal process; however, we have a balance of complementary skills and experience.

CHAPTER AND PRINCIPLE		PROGRESS
3.1	The board should ensure that the company has an effective and independent audit committee	We historically formed part of the PSG Group audit committee having, with effect from 16 April 2014, appointed the requisite number of independent non-executive directors, PSG Konsult is in the process of establishing its own independent stand-alone audit committee.
3.5	The audit committee should ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities	A group internal auditor with more than 10 years' financial service industry experience has been appointed with effect from 1 June 2014. The development of a combined assurance model will be one of their tasks/priorities.
3.7	The audit committee should be responsible for overseeing of internal audit	Refer to 3.5
7.1	The board should ensure that there is an effective risk-based internal audit	We have used PwC to perform certain internal control reviews and Deloitte to set up an internal audit framework, policies, and procedures and strategic plan. Appointment of internal auditor will be implemented from 1 June 2014.
7.2	Internal audit should follow a risk-based approach to its plan	Refer to 7.1
7.3	Internal audit should provide a written assessment of the effectiveness of the company's system of internal controls and risk management	Refer to 7.1
7.4	The audit committees should be responsible for overseeing internal audit	Refer to 3.1/7.1
7.5	Internal audit should be strategically positioned to achieve its objectives	Refer to 7.1
9.3	Sustainability reporting and disclosures should be independently assured	We do not have such a report at present, the requirements are currently being evaluated.

Governance structure and committees

The board and executive management has appointed a number of committees to assist the board in discharging its duties:



1. PSG Group is a 64.7% shareholder in PSG Konsult. Two PSG Group nominated board members serve on the PSG Konsult board.
2. The PSG Group audit committee is nominated annually at the PSG Konsult annual general meeting to act as its audit committee. The PSG Group audit committee therefore performs the statutory functions as required under the Companies Act, 71 of 2008 and King III.
3. The PSG Konsult executive committee, which meets quarterly, acts as a consolidating oversight committee for the various committees and divisions.
4. An informal management control committee meets weekly via telecom to discuss business performance, divisional key initiatives, approve all planned appointments and other key operational-related issues.

Each committee operates according to a board-approved charter.

BOARD COMMITTEE	MANDATE	MEMBERS
Remuneration committee	This committee is primarily responsible for overseeing the remuneration and incentives of the executive directors and executive committee members. It takes cognisance of both local and international best practices to ensure that such total remuneration is fair and reasonable to both the employees and the group. The remuneration of the executive directors of the company is dealt with in the report of the board of directors (see pages 104 and 105).	J de Vos du Toit FJ Gouws PJ Mouton W Theron
Finance and risk committee	This committee is responsible for ensuring the integrity of integrated reporting and review 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.	WL Greeff TW Biesenbach* HB Lindes** W Theron* MIF Smith FJ Gouws*** G Burger*** J de V du Toit P Burton**** N Gudka**** The external auditors, in their capacity as auditors to the company, attended and reported to all meetings of the Finance and risk committee. The group risk management function was also represented.

* resigned 4 October 2013
** resigned 30 June 2013
*** appointed 4 October 2013
**** appointed 7 April 2014

All committees have executed their responsibilities according to their charters and mandates during the past year and have complied with all relevant legal and regulatory requirements.

Expertise and experience of the chief financial officer

The finance and risk committee has satisfied itself that the chief financial officer has appropriate expertise and experience to perform the duties required.

Internal and external audit

During the past year the Finance and risk committee reviewed documentation presented by the external auditors and, after conducting its own review, confirmed the independence of the auditors.

The primary focus of the internal audit function will be on the audit and review of key controls within the group and subsidiary companies. The Finance and risk committee is responsible for ensuring that the internal audit function is independent and has the necessary resources, standing and authority within the organisation to enable it to fulfil its duties. The group internal auditor has a functional reporting line to the Finance and risk committee chairman and an operational reporting line to the chief executive officer. The appointment of a group internal auditor will take place with effect from 1 June 2014.

Legal and compliance

The board recognises its responsibility to ensure that PSG Konsult complies with all applicable laws and considers adherence to all financial services industry charters, codes and standards. Board members are familiar with the industry and aware of the potential impact of legislative changes. The combined risk and internal audit function manages the process of compliance according to a framework that has been approved and is being monitored by the finance and risk committee (see also the case study on the Competition Act compliance initiatives on page 84).

During the past financial year, no instances of material non-compliance were noted and no judgements, damages, penalties or fines were recorded or levied against the company, its directors or employees for non-compliance with any legislation.

Attendance

BOARD	11 April 2013	18 July 2013	10 October 2013	6 February 2014
TW Biesenbach*	✓	n/a	n/a	n/a
L de Wit*	✓	n/a	n/a	n/a
J de V du Toit	✓	✓	✓	✓
FJ Gouws**	✓	✓	✓	✓
JF Mouton	✓	✓	✓	✓
PJ Mouton	✓	✓	✓	✓
W Theron	✓	✓	✓	✓
MIF Smith***	n/a	✓	✓	✓

* resigned 12 April 2013
** appointed 1 March 2013
*** appointed 18 July 2013

FINANCE AND RISK COMMITTEE	8 April 2013	4 October 2013
WL Greeff	✓	✓
TW Biesenbach*	✓	✓
HB Lindes**	✓	n/a
W Theron*	✓	✓
MIF Smith	✓	✓
FJ Gouws***	n/a	✓
G Burger***	n/a	✓

* resigned 4 October 2013
** resigned 30 June 2013
*** appointed 4 October 2013

REMUNERATION COMMITTEE	6 February 2014
J de V du Toit	✓
FJ Gouws	✓
PJ Mouton	✓
W Theron	✓

CASE STUDY: COMPETITION ACT COMPLIANCE PLANNING

Following PSG Konsult's piecemeal acquisition of 100% of Western Group Holdings and the subsequent transaction whereby Santam acquired a 40% stake therein, PSG Konsult has launched a programme to ensure that the company and all its employees and advisers comply with the provisions of the Competition Act, 71 of 1998. Apart from it being a legal requirement, compliance is beneficial to the PSG Konsult group's operating divisions in that it levels the playing field for all divisions to grow, innovate and operate efficiently to the benefit of consumers and the economy.

The programme evaluated and defined the requirements and flow of information between the various entities involved from an operational, economic and regulatory perspective. Accordingly, policies and procedures were identified to ensure compliance with the Competition Act requirements.

The evaluation also considered governance, including the status of board members. Furthermore, it was decided that clear barriers will be maintained by shareholders of Western Group Holdings Limited and only information that is allowed from a regulatory perspective will be disclosed.

Risk report

Introduction

PSG Konsult operates in a highly regulated environment and the board acknowledges that it is accountable for the process of risk management and the system of internal control.

The risk management plan comprises the application of management policies and appropriately documented procedures and practices to identify, measure, monitor, manage and report risks inherent to the operations of the group. Therefore, it ensures that both management and the board are informed of any material risks to ensure that it is acceptable for the group.

The board acknowledges the importance of risk management and corporate governance principles with risk management being an intrinsic part of all activities undertaken by the group, as it is ultimately the board's responsibility for ensuring that risk is managed effectively.

All employees of the group are responsible for contributing to risk management and it is primarily management's responsibility to identify and manage all material risks by ensuring the risk management plans are implemented, executed and maintained.

Objectives

The group's risk management objectives are to ensure that:

- The risks are timeously identified, understood and appropriately managed
- Management and the board are kept informed of all material risks facing the group
- The group's planning and operational processes focus on areas where risk management is needed and create an environment where the employees will take responsibility for identifying and managing risk
- The group manages risks to acceptable levels
- Adequate resources are allocated to effectively address all material risk areas

Approach

The approach to risk management is in accordance with the risk management provisions of sections 11 to 13 of the General Code of Conduct as promulgated under the Financial Advisory and Intermediary Service Act, 37 of 2002 (FAIS), as well as the guidelines contained in King III and the Solvency Assessment and Management regulations. With the adoption of these provisions, the objective of the group in managing its risks is to eliminate and, where necessary, mitigate potential loss and to ensure that the group can achieve its objectives.

The risk management plan takes into account the nature of the operations of the group and incorporates the core business principles of PSG Konsult, the risks facing the group as set out in the risk registers, and a summary of the various governing bodies (committees) established to ensure effective risk management and oversight.

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

LEVEL	STRUCTURE	LAYER
EXTERNAL 3	PSG KONSULT Board of directors Finance and risk committee	Strategic, external and internal audit
MANAGEMENT 2	Executive committee Investment committee; Credit committee; Compliance, risk and legal committee; Operating committee	Strategic, finance, risk, legal and compliance, operational
OPERATIONAL 1	PSG Wealth; PSG Asset Management; PSG Insure	Finance, risk, legal and compliance, operational

NOTE:

Level 1 – *Operational management* is responsible for identifying risks and weaknesses in order to develop and implement policies, procedures and controls addressing, managing and reducing these risks and weaknesses.

Level 2 – *Finance, risk, legal and compliance employees* may assist management with implementing policies, procedures and controls, but is mainly responsible for managing and monitoring implemented policies to ensure it is applied and performed on a day-to-day basis. The level 2 employees report directly to the relevant heads of finance, risk and compliance.

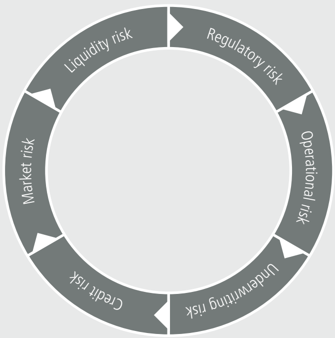
Level 3 – *Internal and external audit* is responsible for evaluating, testing and giving assurance to the board and management on the effectiveness of these policies, procedures and controls.

These structures have been presented to and approved by the Financial Services Board (FSB) and were formally implemented and rolled out during the latter part of 2013.

Managing key risks

During the past year strong focus was placed on identifying the most significant risks inherent to the business, which enabled the group to reduce its risk exposure – growing earnings without taking any undue risks. The group has developed, implemented and continuously improved the risk management framework and systems to ensure risk management is integrated into the organisation's overall corporate governance structures, strategy, planning, reporting process, policies, values and culture.

Since the implementation of the risk management function, the group has made good progress in reducing its risk exposure, either by mitigating risk exposure or by closing business areas or products that carried undue risk relative to their earnings contribution.



The major risk types facing the group with an overview of the most relevant mitigating controls are illustrated.

1. Regulatory risk	The risk that a change in laws and regulations will have a significant impact on the business and market environment, which could increase operational costs (especially employment and information technology), reduce attractiveness of products and services and/or change the competitive landscape. Non-adherence could also result in financial penalties and/or loss of licences.

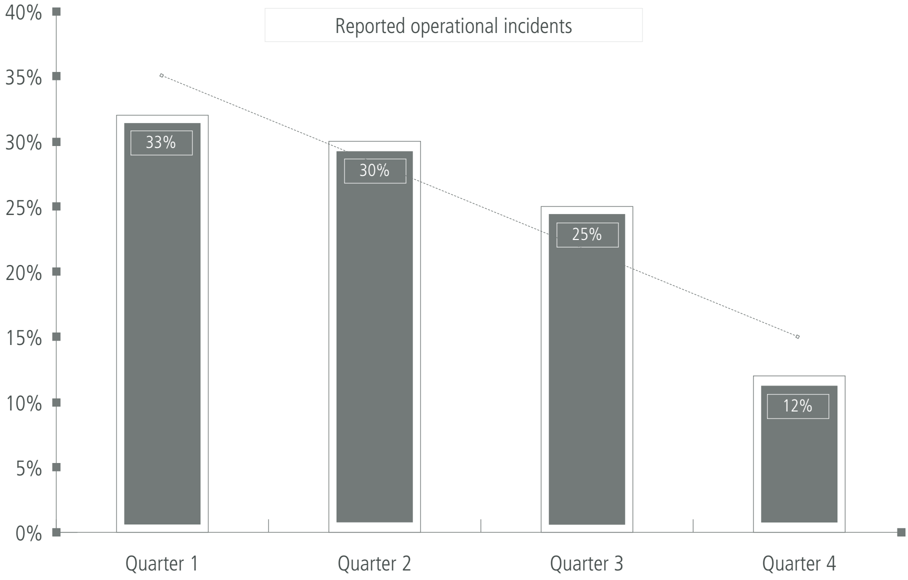
- Oversight by the compliance, risk and legal committees:
  - Oversee process for identifying, assessing, measuring, monitoring, testing, mitigating and reporting regulatory risks.
  - Oversee procedures for detecting non-compliance to regulatory requirements.
  - Ensure risk and compliance functions are adequately staffed with appropriate access to information.
  - Promotes culture of compliance and risk awareness.
- Maintaining an independent, effective and strong compliance function:
  - Appropriate compliance testing programme applied.
  - Provide management with advice and guidance, and ensure sufficient training concerning laws, regulations and policies are provided.
  - Together with technical support stays abreast and does research on the impact legislative and regulatory changes could have on the business to ensure effective and timeous implementation of changes.
- Regulatory updates provided bi-annually.
- Regulatory risk register maintained and updated quarterly.
- Utilisation of sophisticated IT systems for procedural record keeping is a key initiative.
- The group is represented at most of the major regulatory bodies.
- The group has sufficient insurance and professional indemnity cover that is evaluated on an annual basis in conjunction with the insurance broker.

2. Operational risk	Arises from the possibility that inadequate employees or information systems, operational problems, breaches in internal controls, fraud, deficiencies in the information technology infrastructure or unforeseen disruption in operations will result in unexpected losses or limited ability to provide services.

- Oversight by the PSG Konsult operating committee:
  - Oversees and monitors appropriateness of support functions and operational matters.
  - Promotes culture of risk awareness and timely notification and escalation.
  - Provides management with advice and guidance to ensure continuous and improved operational ability for regulatory and strategic changes.
- Established and effective risk governance in place:
  - Sufficient segregation of duties with various levels of review and approval in line with formal authority levels.
  - Achievable and comprehensive operational policies and procedures, including internal controls in place.
  - Formal exception and escalation procedures in place.
  - Operational incident management system used to record and manage operational incidents timeously.
- Continuous drive to increase automation and system utilisation – built into the development plans.
- Efficiency and business continuity are ensured by means of employing up to date software and hardware with daily backups made of all data, systems and email communication.
- Supervisor and system controls (i.e. validation checks) are in place for all key operational system environments.
- Comprehensive business continuity and disaster recovery plan and sites in place.
- Insurance cover in terms of loss of income and business continuity expenses is in place.
- Operational risk includes human resources risk defined as the possibility that the businesses incur losses due to loss of employees, deterioration of morale, inadequate development of human resources, inappropriate working schedule and inequality in human resource management or discriminatory conduct.

  Human resources risk is managed by:
  - Creating a positive culture with the tone set from the top;
  - A remuneration policy that is designed to attract and retain appropriate skills and talent;
  - Encouraging self-development, training and studying, while the group also invests in training courses and work sessions for employees;
  - Recently implemented 'performance management system' assists with managing and developing employees; and
  - Sophisticated IT system used to monitor qualifications, needs and compliance with regulatory requirements.

Since the implementation of the electronic operational incident management system, the operational incidents have reduced significantly.



Percentage of PSG incidents that occurred each quarter

3. Underwriting risk	The risk that premiums collected will not be sufficient to cover future incurred losses and claims.

- Underwriting risk within PSG Konsult is limited to the insurance activities of the Western group of companies.
- Western Group Holdings Limited risk committee oversees, advises on, and approves the appropriate risk categories, limits and reinsurers.
- Comprehensive underwriting guide ensuring appropriate underwriting and pricing conditions, in line with the group's risk appetite, are applied.
- Consistent usage of mitigation techniques, including comprehensive reinsurance arrangements, including catastrophe cover, is in place with facultative cover obtained when necessary.
- Monthly monitoring of underwriting results and exposure levels for each line of business and underwriting manager separately.
- Continuous capital modelling and testing to ensure appropriate capital levels are maintained.
- Regular review of underwriting, pricing, claims management assessment and its consistent application across relevant distribution channels.
- Appropriate binder agreements are also in place.

4. Credit risk	The risk of incurring financial losses due to counterparties failing to meet their obligations.

- Appropriate oversight and monitoring by governance structure (refer to the example on following page).
- Diversified investment into cash, including money market funds, other credit components such as bonds and preferred dividend funds are limited to top rated local and international banks and corporates.
- Counterparty exposure for each entity is monitored and scrutinised by relevant management on a monthly basis.
- Sufficient collateral is held for most loans and security provided.
- Exposures originating from daily activities (i.e. derivative instruments) are monitored daily to ensure sufficient margin levels are maintained.
- To meet the group's obligation originating from the guaranteed products at PSG Life Limited, the group is in possession of the original instrument documents, holds cession over the underlying instruments and the instrument issuers informed of the cession held.

Credit risk management example

Finance and risk committee	■ Approves and oversees the development, implementation and maintenance of the credit risk management plan. ■ Defines the credit risk tolerance in relation to capital.
Credit committee (CC)	■ Approves and oversee credit limits. ■ Ensures credit instrument exposures aligned with capital levels. ■ Monitors credit quality of issuers.
Fixed income investment committee	■ Submits applications and proposes limits to the CC. ■ Monitors the terms and spread of credit instruments. ■ Establishes limits within the limits of the CC.
Credit risk management	■ Detailed single name limits maintained. ■ Tailored to specific risk attributes and regulatory requirements. ■ Issuers analysed and presented by credit analyst.

5. Market risk	The risk of loss (including an adverse change in our financial position) resulting from adverse movements in market rates or prices, such as interest rates, foreign exchange rates, or equity prices and includes the risk of loss due to mismatching of assets and liabilities.

- The investment committee:
  - Oversees and monitors all investments ensuring alignment with the investment strategy.
  - Includes representatives from each affected entity.
- PSG Asset Management applies a thorough investment process to control risk at all levels of the investment process to ensure:
  - Appropriate diversification.
  - Sufficient liquidity.
  - That limits are aligned with each funds' size.
- Transparency and measurability are increased by the relative low level of complexity of:
  - Product mix.
  - Asset mix.
  - Duration of instruments.

6. Liquidity risk	The possibility that the business will not be able to meet its obligations and commitments as and when they fall due, or that it may be forced to liquidate its asset positions under adverse conditions to meet these obligations, all which could lead to financial losses.

- Maintaining a strong financial position.
- Effective cash flow management – monthly cash flow reporting according to pre-set parameters is monitored by the chief financial officer.
- Monthly scenario-based cash flow forecasting over a period of 18 months determines future liquidity requirements and is managed by the PSG Management Committee.
- Working and regulatory capital requirements are monitored and managed separately from the rest of the business's capital with the primary focus on liquidity to ensure sufficient free capital.
- Financial soundness calculations are performed and reported to the PSG Konsult chief financial officer for inclusion in the monthly management accounts to ensure that entities comply with the financial soundness requirements at all times.
- Should there be a liquidity requirement over and above normal operational requirements, a banking facility is available to meet those needs.

All the abovementioned risk categories could, directly or indirectly, harm PSG Konsult's reputation. In order to minimise potential reputational impact, additional measures are in place, which include but are not limited to the following:

- The business is committed to conducting all activities with the utmost integrity and in accordance with the highest standards of professionalism
- Policy for open communication and full disclosure is in place
- Management takes a zero-tolerance view on employees operating outside the approved product range and standard operating procedures
- PSG Konsult employs experts who take responsibility for insurance, financial planning, investment and IT support
- Training is provided on a bi-annual basis
- Regular compliance audits are performed on advice given
- An approval framework exists for various classes of business written
- The online compliance system assists advisers in performing their duties

The management of these risks is aimed at the mitigation of the financial and reputational consequences thereof.

The board recognises that nothing has come to its attention indicating any material breakdown in the risk management function, processes or systems during the past financial year.

Remuneration report

PSG Konsult's remuneration approach 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.

Remuneration is governed by the remuneration committee, which is mandated by and reports to the board, and which oversees the setting and administration of remuneration. The committee considers the holistic compensation model as well as the specific remuneration of all executive directors and prescribed officers, including the fees paid to all non-executive directors. Fees payable to directors are recommended by the board to the shareholders at the annual general meeting for approval.

Remuneration is aligned with the overall business strategy, objectives and values of the group, and is implemented by means of a performance management system which requires at least two formal reviews per employee per annum. Profitability, business processes, clients and people management are the key performance indicators for reward.

All remuneration (guaranteed and variable) is market related and is differentiated on the basis of performance. Three performance components are considered for annual increases, namely group, divisional and individual performance – with due consideration for inflation.

Remuneration elements

Guaranteed pay	Pay bands are broad and allow for flexibility.
Variable pay	The remuneration committee has recently implemented weight changes to allow for higher levels of variable pay rather than guaranteed (fixed) remuneration. This largely affects senior employees in particular and those who have authority and responsibility for planning, directing and controlling the activities of the group.
Short-term incentive scheme	Performance bonuses are not guaranteed. The quantum of the bonus pool is determined annually based on a total compensation ratio linked to overall business and divisional profitability. The total bonus pool and allocations thereof is agreed with the remuneration committee on an annual basis. Only high performance and/or consistent outperformance is recognised and rewarded. Commission incentives earned by sales employees are linked to net new fund inflow targets set at both a product and sales employee level.
Long-term incentive scheme	Share options are annually awarded by the remuneration committee to align senior management incentives with shareholder returns and 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. The share options are allocated to participants at grant date based on the 30-day VWAP market price The scheme vests over a five-year period as follows: ■ Two years after grant date 25% ■ Three years after grant date 25% ■ Four years after grant date 25% ■ Five years after grant date 25%
Employee benefits and wellness	Three times group life cover is provided to core employees. This includes dread disease and lump sum disability and funeral cover.

King III and the Companies Act require that the individual remuneration of all prescribed officers should be disclosed. For full compensation detail, refer to the report of the board of directors. For audited details of the directors' and prescribed officer's remuneration, refer to pages 104 and 105.

IT governance report

Information technology (IT) at PSG Konsult is a strategic tool that facilitates the successful implementation of the group's strategy and sustainable business performance. IT is governed on an operational level and executive management ensures that the group complies with all relevant IT laws, rules, codes and standards.

The IT function at PSG Konsult focuses on being an enabler to business, aligning with business initiatives, creating fluidity, and assisting in providing a competitive operational edge to business. The group has an IT policy that is implemented at an operational level, where it focuses on change control processes and incident reporting systems. The business currently does not have a board-approved internal IT control framework, but an IT business continuity plan is in place. An external company reviews our systems annually to test the strength and identify any vulnerability within the IT system security.

The effectiveness of internal IT controls and the infrastructure design have been validated by PSG Konsult's principle international vendors. Independent external audits have also been conducted to validate infrastructure and application security.

The PSG Konsult performance management process is an important tool to ensure that the business exploits opportunities to improve the performance and sustainability of the group through the use of IT. As part of their key performance indicators, IT employees are assessed on and encouraged to introduce cost-saving and business enhancing measures in their development of IT solutions.

The IT function's main areas of focus and key performance indicators include the following:

- Enhancing availability
- Performance and IT agility
- Continual refinement of security
- Opportunity identification and implementation

The most important risks associated with information technology in PSG Konsult relate to the following:

- Data leakage prevention
- Vendor compliance with legislation
- Supply chain management
- Database administration and optimisation (personnel requirement)
- Hardware failure
- Software and application system failure

During the past year new architecture was deployed to the primary datacentre and disaster recovery sites. The deployment of a global active directory has been launched and will continue throughout 2014. Systems have, where possible, been migrated to the latest versions of operating systems and database platforms.

The main IT challenges during the past financial year were related to the divisional restructuring and subsequent system consolidations.

Glossary

ASISA	Association for Savings and Investment South Africa
BBBEE	Broad-based black economic empowerment
CAPEX	Capital expenditure
CFD	Contract for difference
CIS	Collective Investment Scheme
CISCA	Collective Investment Scheme Control Act, 45 of 2002
DR	Disaster recovery
FAIS	Financial Advisory and Intermediary Services Act, 37 of 2002
FIA	Financial Intermediaries Association of Southern Africa
FICA	Financial Intelligence Centre Act, 38 of 2001
FISA	The Fiduciary Institute of South Africa
FPI	Financial Planning Institute of Southern Africa
FSB	Financial Services Board
FSC	Financial Sector Charter
GFSC	Guernsey Financial Services Commission
IFRS	International Financial Reporting Standards
IIRC	The International Integrated Reporting Council
ILAB	Insurance Laws Amendment Bill
JSE	JSE Limited (previously Johannesburg Stock Exchange)
King III	King Report on Governance for South Africa and the King Code of Governance Principles
LISP	Linked Investment Service Provider
LSM	Living standards measure
MIS	Management information systems
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, 4 of 2013
RMP	Risk management plan
ROE	Return on equity
SAFEX	South African Futures Exchange
SAIA	South African Insurance Association
SAM	Solvency Asset and Management
SSF	Single Stock Futures
TCF	Treating Customers Fairly
UCITS	Undertaking for Collective Investments of Transferable Securities

PSG Konsult Limited

Group financial statements and notes for the year ended 28 February 2014

Contents

Report of the finance and risk committee
for the year ended 28 February 2014

The finance and risk committee of PSG Konsult Limited is a subcommittee of the PSG Group Limited Audit and Risk committee. 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 finance and risk committee has adopted a formal finance and risk 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.

COMPOSITION OF THE FINANCE AND RISK COMMITTEE AND MEETING PROCESS
For the financial year ended 28 February 2014, the members of the finance and risk committee were:

WL Greeff (Chairman)
MIF Smith
FJ Gouws***
G Burger***
W Theron*
TW Biesenbach*
HB Lindes**

* resigned 4 October 2013
** resigned 30 June 2013
*** appointed 4 October 2013

The committee met twice in the financial year under review and had a 100% attendance. 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.

The group risk management function was also represented.

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

During the finance and risk committee meeting held on 7 April 2014, the following independent non-executive directors were appointed to the finance and risk committee:

J de V du Toit
P Burton

J de V du Toit was appointed chairman of the committee. Subsequent to the appointment as independent non-executive director to the board of PSG Konsult Limited on 16 April 2014, ZL Combi was also elected as member of the finance and risk committee.

In preparing for the proposed listing of PSG Konsult Limited on the JSE, the committee will in future consist of 3 independent non-executive directors (J de V du Toit, P Burton and ZL Combi) and will be renamed to the Audit and Risk committee.

DUTIES
In execution of its statutory duties during the past financial year, the finance and risk 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 finance and risk 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 finance and risk 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 2015.

EXPERTISE AND EXPERIENCE OF CHIEF FINANCIAL OFFICER

The committee has satisfied itself that the chief financial officer of PSG Konsult Limited has appropriate expertise and experience.

INTERNAL FINANCIAL CONTROLS

The finance and risk committee evaluated the company's internal financial controls and based on the information and explanations given by management and 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.

ANNUAL FINANCIAL STATEMENTS

The committee has evaluated the annual financial statements of the company and group for the year ended 28 February 2014 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, 71 of 2008, as amended, and International Financial Reporting Standards.

J de V du Toit
Chairman: PSG Group Limited Audit and Risk Committee
27 May 2014

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 28 February 2014, 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 and estimates have been used in the preparation of the annual financial statements and that 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 Incorporated, audited the financial statements and their report is presented on page 107.

The annual financial statements, presented on pages 108 to 254, were approved by the board of directors on 27 May 2014 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 28 February 2014 have been prepared by JSE van der Merwe, CA(SA) and supervised by the chief financial officer, MIF Smith, CA(SA).

These financial statements have been audited by PricewaterhouseCoopers Inc. in accordance with the requirements of the Companies Act, 71 of 2008.

Certificate by the company secretary

I hereby certify, in terms of section 88(2)(e) of the South African Companies Act, 71 of 2008 (the 'Act'), that to the best of my knowledge, for the year ended 28 February 2014, 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.

AL Hensberg (on behalf of PSG Management Services Proprietary Limited (previously PSG Konsult Management Services Proprietary Limited))
Company secretary

27 May 2014

Report of the board of directors
for the year ended 28 February 2014

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 28 February 2014.

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 trading over the counter.

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 Johannesburg Stock Exchange).

JSE LISTING
With the 2013 results release we indicated a desire to list PSG Konsult Limited on the JSE main board subject to two conditions. This was to ensure that all aspects of our restructuring were performing as expected and to produce at least one set of credible results which could serve as verification of that performance. With this in mind the board is satisfied that these conditions have been met and therefore wishes to formally advise shareholders of our intention to apply for a listing of PSG Konsult Limited on the JSE main board by way of an introduction during June 2014. We do not have any intention to raise capital leading up to the listing.

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 R249.3 million (2013: R58.1 million; 2012: R154.3 million). The group's headline earnings attributable to shareholders amounted to R244.5 million (2013: R173.8 million; 2012: R162.3 million).

DIVIDENDS
An interim dividend of 4.0 cents per share was paid to shareholders in November 2013 (2013: 3.5 cents per share; 2012: 3.0 cents per share).

Given the opportunities for growth of the group in future years and the capital required to fund such growth, the board has decided to keep the final dividend unchanged from the prior year. A final dividend of 7.3 cents per share (2013: 7.3 cents per share; 2012: 7.3 cents per share) was declared by PSG Konsult Limited after year-end (9 April 2014) and was payable on 12 May 2014. No provision has been included in the financial statements.

SHARE CAPITAL
Details of the authorised and issued share capital appear in note 16 to the financial statements. In total, 12.3 million shares were issued during the year ended 28 February 2014 (2013: 137.3 million; 2012: 339.2 million).The shares issued during the current financial year was to fulfil the group's obligation towards the share options which vested on 1 March 2013 (2013: 30.1 million related to the acquisition of Western Group Holdings Limited and 107.2 million related to a rights issue done during August 2012; 2012: 339.2 million related to the acquisition of PSG Asset Management Holdings Limited).

A subsidiary in the group holds 0.4 million PSG Konsult shares at 28 February 2014 (28 February 2013: 0.4 million ; 29 February 2012: 1.7 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.

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 Annexure D to the financial statements for the segmental report.

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 the following page.

COMPANIES ACT
The company has approved a Memorandum of Incorporation in light of the promulgation of the Companies Act, 71 of 2008, and the Companies Regulations.

Report of the board of directors
for the year ended 28 February 2014

SHAREHOLDERS
Details of the group's shareholders are provided in the shareholder profile section of this report in note 43.

DIRECTORS
The directors of the company at the date of this report appear on pages 73 to 75.

- Messrs L de Wit and TW Biesenbach resigned from the Board with effect from 12 April 2013
- Mr FJ Gouws succeeded Mr W Theron as chief executive officer with effect from 1 July 2013
- Mr W Theron replaced Mr J de V du Toit as non-executive chairman with effect from 1 July 2013
- Mr MIF Smith replaced Mr HB Lindes as chief financial officer with effect from 18 July 2013
- Mr PE Burton was appointed as an independent non-executive director with effect from 2 March 2014
- Mr ZL Combi was appointed as an independent non-executive director with effect from 16 April 2014

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 was accrued by subsidiaries in the PSG Group for the year ended 28 February 2014:

Cash-based remuneration
Executive directors

Audited	Directors' fees R	Basic salary R	Bonuses and performance-related payments R	Expense allowances R	Company contributions R	**Total 2014 R**	Total 2013 R	Total 2012 R
TW Biesenbach	–	1 871 790	1 000 000	60 000	348 690	**3 280 480**	2 790 595	3 212 000
FJ Gouws	115 560[1]	4 000 000	8 000 000	–	–	**12 115 560**	4 166 667	–
HB Lindes	–	388 679	–	41 667	79 702	**510 048**	1 505 975	1 690 000
MIF Smith	–	1 481 769	2 750 000	96 000	71 051	**4 398 820**	–	–
W Theron [5]	115 560[2]	2 082 333	–	180 000	12 895	**2 390 788**	3 982 333	4 654 965
	231 120	9 824 571	11 750 000	377 667	512 338	**22 695 696**	12 445 570	9 556 965
Non-executive directors								
J de V du Toit [3]	540 892	–	–	–	–	**540 892**	563 000	525 000
L de Wit	–	–	–	–	–	**–**	320 000	300 000
JF Mouton [4]	231 000	2 606 000	2 389 000	–	52 000	**5 278 000**	4 700 000	4 000 000
PJ Mouton [4]	–	2 587 000	2 600 000	–	13 000	**5 200 000**	4 640 000	–
	771 892	5 193 000	4 989 000	–	65 000	**11 018 892**	10 223 000	4 825 000
	1 003 012	15 017 571	16 739 000	377 667	577 338	**33 714 588**	22 668 570	14 381 965

1. *Director's fee paid to PSG Management Services Proprietary Limited (previously PSG Konsult Management Services Proprietary Limited) (2013: Rnil; 2012: Rnil) as non-executive director of PSG Group Limited.*
2. *Director's fee paid to PSG Management Services Proprietary Limited (previously PSG Konsult Management Services Proprietary Limited) (2013: R0.1 million; 2012: R0.1 million) as non-executive director of PSG Group Limited.*
3. *Director's fee of R0.2 million (2013: R0.2 million; 2012: R0.2 million) paid as non-executive director of PSG Group Limited. R0.1 million was paid in 2014 as non-executive director of CapeSpan Group Limited.*
4. *Remuneration paid by a subsidiary of PSG Group Limited.*
5. *Non-executive director from 1 July 2013.*

Prescribed officers

The group does not have prescribed officers. FJ Gouws and MIF Smith, both executive directors of the company, act as decision-makers of the group. Their remuneration is detailed above.

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

Audited	Number of share options as at 29 Feb 2012	Number of share options as at 28 Feb 2013	Number of scheme shares during year Granted	Number of scheme shares during year Vested	Average market price per share on vesting date	Vesting price per share	Date granted	Number of share options as at 28 Feb 2014
Executive								
TW Biesenbach	3 068 183	3 068 183	–	(767 045)	R2.40	R1.54	01/03/2011	**2 301 138**
	–	–	3 000 000	–	–	R2.83	01/03/2013	**3 000 000**
	3 068 183	3 068 183	3 000 000	(767 045)				**5 301 138**
FJ Gouws	–	10 000 000	–	–	–	R1.83	01/07/2012	**10 000 000**
	–	–	12 500 000	–	–	R2.83	01/03/2013	**12 500 000**
	–	10 000 000	12 500 000	–				**22 500 000**
HB Lindes	1 168 831	1 168 831	–	(1 168 831)	R2.35	R1.54	01/03/2011	**–**
MIF Smith	633 117	633 117	–	(158 279)	R2.40	R1.54	01/03/2011	**474 838**
	–	–	1 000 000	–	–	R2.83	01/03/2013	**1 000 000**
	633 117	633 117	1 000 000	(158 279)				**1 474 838**
W Theron	5 801 231	5 801 231	–	(1 450 308)	R2.40	R1.54	01/03/2011	**4 350 923**
	–	–	3 000 000	–	–	R2.83	01/03/2013	**3 000 000**
	5 801 231	5 801 231	3 000 000	(1 450 308)				**7 350 923**
PSG Group Limited shares in terms of the PSG Group Limited Share Incentive Trust								
Non-executive								
J de V du Toit	12 000	–	–	–	–	20.16	26/10/2006	**–**
JF Mouton	12 000	–	–	–	–	20.16	26/10/2006	**–**
	450 000	250 000	–	(150 000)	65.85	17.81	21/04/2008	**100 000**
	462 000	250 000	–	(150 000)				**100 000**

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

Audited	Number of share options as at 29 Feb 2012	Number of share options as at 28 Feb 2013	Number of scheme shares during year Granted	Number of scheme shares during year Vested	Average market price per share on vesting date	Vesting price per share	Date granted	Number of share options as at 28 Feb 2014
Non-executive								
PJ Mouton	105 701	70 467	–	(35 234)	65.85	15.52	20/04/2009	**35 233**
	122 482	81 655	–	(40 827)	70.51	18.77	28/08/2009	**40 828**
	113 314	75 542	–	–	–	22.09	28/02/2010	**75 542**
	301 859	226 394	–	–	–	39.61	28/02/2011	**226 394**
	112 842	112 842	–	–	–	47.39	28/02/2012	**112 842**
	–	129 052	–	–	–	61.50	28/02/2013	**129 052**
	–	–	661 884	–	–	83.23	28/02/2014	**661 884**
	756 198	695 952	661 884	(76 061)				**1 281 775**
JF Mouton	511 521	383 641	–	(127 880)	65.88	26.16	22/04/2010	**255 761**
	201 952	151 464	–	–	–	39.61	28/02/2011	**151 464**
	204 056	204 056	–	–	–	47.39	28/02/2012	**204 056**
	–	171 164	–	–	–	61.50	28/02/2013	**171 164**
	–	–	643 824	–	–	83.23	28/02/2014	**643 824**
	917 529	910 325	643 824	(127 880)				**1 426 269**

Report of the board of directors
for the year ended 28 February 2014

SHAREHOLDING OF DIRECTORS
The shareholding of directors in the company as at 28 February 2014 was as follows:

Audited	Beneficial Direct	Beneficial Indirect	Non-beneficial Direct	Non-beneficial Indirect	Total shareholding 2014 Number	Total shareholding 2014 %
J de V du Toit	–	–	–	25 112 435	25 112 435	2.1%
FJ Gouws	16 215 519	35 000 000	–	–	51 215 519	4.2%
MIF Smith	–	–	–	1 550 000	1 550 000	0.1%
W Theron	–	–	–	29 500 308	29 500 308	2.4%
	16 215 519	35 000 000	–	56 162 743	107 378 262	8.8%

Audited	Total shareholding 2013 Number	Total shareholding 2013 %	Total shareholding 2012 Number	Total shareholding 2012 %
TW Biesenbach	6 215 751	0.5%	3 132 500	0.3%
J de V du Toit	25 112 435	2.1%	20 000 000	1.9%
L de Wit	19 998 257	1.7%	18 180 234	1.7%
HB Lindes	1 347 144	0.1%	100 000	0.0%
W Theron	28 050 000	2.3%	21 500 000	2.0%
	80 723 587	6.7%	62 912 734	5.9%

SECRETARY
The secretary of the company is AL Hensberg (on behalf of PSG Management Services Proprietary Limited (previously PSG Konsult Management Services Proprietary Limited)), whose business and postal addresses are:

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

PO Box 3335
Tyger Valley
Bellville
7 530

INDEPENDENT AUDITORS
PricewaterhouseCoopers Inc will continue in office in accordance with section 90(1) of the Companies Act, 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, 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, 71 of 2008, and the memorandum of incorporation of the company.
- The company converted its authorised and issued share capital to no par value shares and then increased the authorised share capital by 1.5 billion ordinary shares to 3.0 billion shares.

On 17 March 2014 the company approved and adopted a new memorandum of incorporation aligned to the JSE Listings Requirements.

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 28 February 2014 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
Other than the standardising the revenue model of advisors as disclosed in note 40, no matter which is material to the financial affairs of the group and company has occurred between 28 February 2014 and the date of approval of the financial statements.

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

We have audited the consolidated and separate financial statements of PSG Konsult Limited set out on pages 108 to 254, which comprise the consolidated and separate statements of financial position as at 28 February 2014, 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 28 February 2014, 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 28 February 2014, we have read the report of the finance and risk 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.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc
Director: C van den Heever
Registered Auditor

Cape Town
27 May 2014

Consolidated statement of financial position
as at 28 February 2014

	Notes	2014 R000	Restated 2013 R000	Restated 2012 R000
ASSETS				
Intangible assets	1	**721 936**	732 524	815 357
Property and equipment	2	**47 590**	27 355	26 749
Investment property	3	**2 245**	2 036	–
Investment in associated companies	4	**39 548**	43 031	11 350
Investment in joint ventures	5	**12 057**	8 682	–
Deferred income tax	6	**52 101**	29 271	33 116
Equity securities	7	**604 880**	1 012 773	874 968
Debt securities	8	**2 121 432**	2 011 484	2 048 742
Unit-linked investments	9	**10 218 629**	6 802 013	5 326 086
Investment in investment contracts	10	**505 444**	848 645	994 380
Loans and advances	11	**109 995**	119 433	67 529
Derivative financial instruments	12	**21 190**	15 955	9 532
Reinsurance assets	13, 19	**66 248**	50 883	–
Deferred acquisition costs	25	**1 025**	1 110	–
Receivables including insurance receivables	14	**2 129 358**	1 704 156	2 377 207
Current income tax assets		**12 878**	9 440	4 125
Cash and cash equivalents (including money market investments)	15	**709 184**	470 662	360 750
Total assets		**17 375 740**	13 889 453	12 949 891
EQUITY				
Equity attributable to owners of the parent				
Stated/share capital	16	**1 134 746**	12 096	10 723
Share premium	16	**–**	1 093 831	849 507
Treasury shares	16	**(546)**	(620)	(2 571)
Other reserves	17	**(445 146)**	(463 262)	(469 740)
Retained earnings		**399 487**	276 968	338 924
		1 088 541	919 013	726 843
Non-controlling interest	18	**86 222**	34 190	17 725
Total equity		**1 174 763**	953 203	744 568
LIABILITIES				
Insurance contracts	19	**493 163**	378 084	29 949
Deferred income tax	6	**53 423**	58 481	68 005
Borrowings	20	**412 188**	222 597	178 678
Derivative financial instruments	12	**28 406**	17 139	7 831
Investment contracts	21	**12 692 768**	10 272 444	9 144 681
Third-party liabilities arising on consolidation of mutual funds	22	**372 169**	109 032	124 614
Deferred reinsurance acquisition revenue	25	**2 842**	2 889	–
Trade and other payables	24	**2 129 914**	1 871 862	2 646 565
Current income tax liabilities		**16 104**	3 722	5 000
Total liabilities		**16 200 977**	12 936 250	12 205 323
Total equity and liabilities		**17 375 740**	13 889 453	12 949 891

Consolidated income statement
for the year ended 28 February 2014

	Notes	2014 R000	Restated 2013 R000	Restated 2012 R000
Gross written premium		**618 217**	126 648	–
Less: Reinsurance written premium		**(185 881)**	(58 859)	–
Net premium		**432 336**	67 789	–
Change in unearned premium				
– Gross		**(36 204)**	(19 005)	–
– Reinsurers' share		**2 116**	4 053	–
Net insurance premium revenue		**398 248**	52 837	–
Commission and other fee income	26	**1 805 142**	1 460 872	1 336 712
Investment income	27	**380 034**	345 185	272 631
Net fair value gains and losses on financial instruments	28	**1 171 564**	972 968	436 811
Fair value adjustment to investment contract liabilities	21	**(1 239 669)**	(1 028 090)	(484 557)
Other operating income	29	**42 117**	42 247	42 229
Total income		**2 557 436**	1 846 019	1 603 826
Insurance claims and loss adjustment expenses	30	**(440 401)**	(80 191)	279
Insurance claims and loss adjustment expenses recovered from reinsurers	30	**121 404**	33 945	–
Net insurance benefits and claims		**(318 997)**	(46 246)	279
Commission paid	31.1	**(824 757)**	(605 771)	(491 055)
Depreciation, amortisation and impairment expenses	31.2	**(40 596)**	(166 179)	(55 198)
Employee benefit expenses	31.3	**(451 887)**	(382 257)	(354 943)
Fair value adjustment to third-party liabilities	31.4	**(79 387)**	(29 888)	(8 965)
Marketing, administration and other expenses	31.5	**(325 555)**	(294 540)	(289 080)
Total expenses		**(2 041 179)**	(1 524 881)	(1 198 962)
Share of profit/(loss) of associated companies	4	**3 118**	4 157	(38)
Loss on impairment of associated companies	4	**(342)**	(51)	–
Share of profits of joint ventures	5	**3 375**	158	–
Total profit/(loss) from associated companies and joint ventures		**6 151**	4 264	(38)
Profit before finance costs and taxation		**522 408**	325 402	404 826
Finance costs	32	**(138 771)**	(189 398)	(169 631)
Profit before taxation		**383 637**	136 004	235 195
Taxation	33	**(117 677)**	(82 633)	(73 516)
Profit for the year		**265 960**	53 371	161 679
Attributable to:				
Owners of the parent		**249 258**	58 131	154 322
Non-controlling interest		**16 702**	(4 760)	7 357
		265 960	53 371	161 679
Earnings per share (cents)				
Basic and diluted	34	**20.40**	5.10	14.40

Consolidated statement of comprehensive income
for the year ended 28 February 2014

	Note	2014 R000	2013 R000	2012 R000
Profit for the year		**265 960**	53 371	161 679
Other comprehensive income for the year, net of taxation*	33	**985**	408	824
Currency translation adjustments		**985**	892	340
Fair value gains/(losses) on available-for-sale financial assets		**–**	625	(942)
Recycling adjustment on available-for-sale financial assets		**–**	(1 109)	1 426
Total comprehensive income for the year		**266 945**	53 779	162 503
Attributable to:				
Owners of the parent		**250 243**	58 539	155 146
Non-controlling interest		**16 702**	(4 760)	7 357
		266 945	53 779	162 503

* *Items included in other comprehensive income for the year may be subsequently reclassified to profit or loss.*

Consolidated statement of changes in equity
for the year ended 28 February 2014

	Attributable to equity holders of the group					
	Share capital and share premium R000	Treasury shares R000	Other reserves* R000	Retained earnings R000	Non-controlling interest R000	Total R000
Balance at 1 March 2011	353 363	–	(126 508)	263 866	10 787	501 508
Comprehensive income						
Profit for the year	–	–	–	154 322	7 357	161 679
Other comprehensive income	–	–	824	–	–	824
Currency translation adjustments	–	–	340	–	–	340
Fair value losses on available-for-sale financial assets	–	–	(942)	–	–	(942)
Recycling adjustment on available-for-sale financial assets	–	–	1 426	–	–	1 426
Total comprehensive income	–	–	824	154 322	7 357	162 503
Transactions with owners	506 867	(2 571)	(344 056)	(79 264)	(419)	80 557
Issue of ordinary shares related to business combinations	506 867	–	–	–	–	506 867
Share-based payments costs – employees	–	–	2 284	–	–	2 284
Treasury shares acquired	–	(2 571)	–	–	–	(2 571)
Business combinations	–	–	(344 122)	–	10 104	(334 018)
Transactions with non-controlling interest	–	–	–	(5 355)	(994)	(6 349)
Disposal of subsidiaries	–	–	(2 218)	2 218	(5 327)	(5 327)
Dividend paid	–	–	–	(76 127)	(4 202)	(80 329)
Balance at 29 February 2012	860 230	(2 571)	(469 740)	338 924	17 725	744 568
Comprehensive income						
Profit/(loss) for the year	–	–	–	58 131	(4 760)	53 371
Other comprehensive income	–	–	408	–	–	408
Currency translation adjustments	–	–	892	–	–	892
Fair value losses on available-for-sale financial assets	–	–	625	–	–	625
Recycling adjustment on available-for-sale financial assets	–	–	(1 109)	–	–	(1 109)
Total comprehensive income	–	–	408	58 131	(4 760)	53 779
Transactions with owners	245 697	1 951	6 070	(120 087)	21 225	154 856
Issue of ordinary shares related to business combinations	58 600	–	–	–	–	58 600
Rights issue	187 097	–	–	–	–	187 097
Share-based payments costs – employees	–	–	2 441	–	–	2 441
Treasury shares sold	–	29 003	–	(293)	–	28 710
Treasury shares acquired	–	(25 398)	–	–	–	(25 398)
Release of profits from treasury shares to retained earnings	–	(1 654)	–	1 654	–	–
Non-controlling interest arising on business combinations	–	–	–	–	22 113	22 113
Transactions with non-controlling interest	–	–	–	(1 686)	(64)	(1 750)
Disposal of subsidiary	–	–	335	(335)	–	–
Deferred tax on equity-settled share-based payments	–	–	3 294	–	–	3 294
Dividend paid	–	–	–	(119 427)	(824)	(120 251)
Balance at 28 February 2013	1 105 927	(620)	(463 262)	276 968	34 190	953 203

* *Refer to note 17 for detail of the other reserves.*

Consolidated statement of changes in equity
for the year ended 28 February 2014

	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 2013	1 105 927	(620)	(463 262)	276 968	34 190	953 203
Comprehensive income						
Profit for the year	–	–	–	249 258	16 702	265 960
Other comprehensive income	–	–	985	–	–	985
Currency translation adjustments	–	–	985	–	–	985
Total comprehensive income	–	–	985	249 258	16 702	266 945
Transactions with owners	28 819	74	17 131	(126 740)	35 330	(45 386)
Issue of ordinary shares	28 819	–	–	–	–	28 819
Share-based payment costs – employees	–	–	5 941	–	–	5 941
Treasury shares sold	–	74	–	–	–	74
Non-controlling interest arising on business combinations	–	–	–	–	(42)	(42)
Capital contribution by non-controlling interest	–	–	–	–	16 735	16 735
Transactions with non-controlling interest (Refer to note 39.7)	–	–	–	11 197	20 099	31 296
Disposal of subsidiary	–	–	–	–	(424)	(424)
Deferred tax on equity-settled share-based payments	–	–	11 190	–	–	11 190
Dividend paid	–	–	–	(137 936)	(1 038)	(138 974)
Balance at 28 February 2014	1 134 746	(546)	(445 146)	399 487	86 222	1 174 763

* *Refer to note 17 for detail of the other reserves.*

Consolidated statement of cash flows
for the year ended 28 February 2014

	Notes	2014 R000	Restated 2013 R000	Restated 2012 R000
Cash flows from operating activities				
Cash generated by/(utilised in) operating activities*	39.1	**153 725**	(97 343)	(58 488)
Interest income		**299 998**	246 976	194 036
Dividend income		**79 651**	98 077	78 595
Finance costs		**(35 728)**	(30 870)	(30 085)
Taxation paid	39.2	**(124 953)**	(84 981)	(82 470)
Operating cash flows before policyholder cash movement		**372 693**	131 859	101 588
Policyholder cash movement		**(13 762)**	(32 122)	(126 810)
Net cash flow from operating activities		**358 931**	99 737	(25 222)
Cash flows from investing activities				
Acquisition of subsidiaries/books of business	39.3	**137**	60 623	250 936
Acquisition of associated companies	39.5	**–**	(19 362)	–
Loans advanced to associated companies		**–**	(281)	–
Proceeds from disposal of associated companies	39.6	**10 519**	167	–
Repayment of loans by associated companies		**1 885**	9 116	–
Acquisition of intangible assets		**(24 756)**	(42 887)	(45 459)
Proceeds from disposal of book of business		**5 714**	31 884	39 607
Proceeds from disposal of intangible assets		**6**	–	–
Proceeds from disposal of subsidiaries	39.4	**(1 730)**	2 955	5 457
Proceeds from disposal of property and equipment		**1 847**	939	1 519
Proceeds from disposal of investment property		**4 500**	–	–
Purchases of property and equipment		**(20 144)**	(9 247)	(12 768)
Deferred consideration paid for acquisition of books of businesses	39.3	**–**	(51 781)	(33 071)
Additional payment on subsidiary disposed of		**–**	(555)	–
Loans advanced to joint ventures		**(125)**	(236)	–
Net cash flow from investing activities		**(22 147)**	(18 665)	206 221
Cash flows from financing activities				
Dividends paid		**(137 936)**	(119 427)	(76 127)
Dividends paid to non-controlling interest		**(1 038)**	(824)	(4 202)
Capital contributions by non-controlling interest (ordinary shares)		**16 735**	–	–
Acquired from non-controlling interest		**(56 489)**	(1 750)	(6 655)
Disposal to non-controlling interest	39.7	**87 784**	–	308
Repayments of borrowings		**(35 297)**	(92 425)	(47 500)
Advance of borrowings		**–**	52 760	36 693
Purchase of treasury shares by subsidiary		**–**	(25 398)	(2 571)
Holding company's treasury shares sold by subsidiary		**74**	28 710	–
Advanced payment for acquisition from non-controlling interest		**(1 526)**	–	–
Shares issued		**28 819**	–	–
Rights issue		**–**	187 097	–
Net cash flow from financing activities		**(98 874)**	28 743	(100 054)
Net increase in cash and cash equivalents		**237 910**	109 815	80 945
Cash and cash equivalents at beginning of year		**470 621**	360 705	279 676
Exchange gains on cash and cash equivalents		**642**	101	84
Cash and cash equivalents at end of year	39.8	**709 173**	470 621	360 705

* *The comparative figures were restated for the change in accounting policy for the IFRS 10 retrospective application as well as to reflect the Societe Generale loan facility under operating activities rather than under financing activities as it better reflects the nature of this facility, being the scrip lending business within the stockbroking business. Refer to note 42 for the detail of the restatement.*

Accounting policies
for the year ended 28 February 2014

The principal accounting policies applied in the preparation of these consolidated and standalone financial statements are set out below. 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 International Financial Reporting Standards (IFRS), as defined by IAS 1; 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 requirement 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's 2013 and 2012 financial results have been restated for the impact of the changes on accounting policy regarding IFRS 10 Consolidated Financial Statements, a reclassification relating to the consolidated statement of cash flows, a reclassification within the short-term insurance liabilities buildup and a restatement of the segment report due to the restructuring of the group (effective 1 March 2013). Refer to note 42 for further detail of the impact of the changes in accounting policy and the restatements. Refer to the consolidated statements of cash flows and Annexure D – Segment Reporting for further detail.

These restatements had no impact on the 2013 or 2012 financial year reported earnings, diluted earnings or headline earnings per share, nor on the net asset value of the group.

2. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS AND AMENDMENTS THAT ARE EFFECTIVE FOR THE FIRST TIME IN 2014

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:

- Amendments to IAS 1 Presentation of Financial Statements: Items of Other Comprehensive Income (effective 1 July 2012)
  The amendments require the separation of items of other comprehensive income into two groups, based on whether or not they may be recycled to profit or loss in the future. The required disclosure is provided in the group's statement of other comprehensive income.
- Amendments to IFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities (effective 1 January 2013)
- Amendments to IAS 27 Consolidated and Separate Financial Statements and IAS 28 Investments in Associates (effective 1 January 2013)
  Consequential amendments resulting from the issue of IFRS 10, 11 and 12.
- IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities (effective 1 January 2013)
  The group has adopted aforementioned suite of new standards which deal with the accounting treatment for the group's interests in its investees. The group has reviewed its accounting policies and the principles of control set out in IFRS 10 and concluded that the adoption of same will result in a change in accounting policy as IFRS 10 requires retrospective application. Refer to the change in accounting policy note for further detail. The group continues to account for its investment in joint ventures using the equity method of accounting. The adoption of these new standards did not result in any other material changes.
- Amendment to the transition requirements in IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interest in Other Entities (effective 1 January 2013)
- IFRS 13 Fair Value Measurement (effective 1 January 2013)
  The group has adopted the new standard on how to measure fair value and enhance fair value disclosures. The adoption did not have a material impact on the financial statements.
- Amendments to IAS 1 Presentation of Financial Statements (effective 1 January 2013)
- Amendments to IAS 19 Employee Benefits (effective 1 January 2013)
- Amendments to IAS 16 Property, Plant and Equipment (effective 1 January 2013)
- Amendments to IAS 32 Financial Statements Presentation (effective 1 January 2013)

2.2 New and amended standards, interpretations and amendments not currently relevant to the group's operations

The following new standards, interpretations and amendments, which are not currently relevant to the group's operations, had no impact on the measurement of amounts or disclosures in the current or prior year:

- Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards (effective 1 January 2013)
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine (effective 1 January 2013)
- Improvements to IFRSs 2011

3. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS AND AMENDMENTS 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 2014 or later periods and have not been early adopted by the group:

- Amendments to IAS 19 Employee Benefits (effective 1 July 2014)^
- Amendment to IAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities (effective 1 January 2014)*
- Amendment to IAS 36 (effective 1 January 2014)+
  The amendment introduces additional disclosures regarding fair value measurements when there has been impairment or a reversal of impairment.
- Amendment to IAS 39 Financial Instruments: Recognition and measurement – Novation of derivative and continuation of hedge accounting (effective 1 January 2014)^
- IFRS 9 Financial Instruments (effective date 1 January 2018)^
  New standard that is the first part of a three-part project to replace IAS 39 Financial Instruments: Recognition and Measurement. The standard replaces the multiple classification and measurement models in IAS 39 with a single model that has only two categories: amortised cost and fair value.
- Amendments to IFRS 10, IFRS 12 and IAS 27 – Investment Entities (effective 1 January 2014)*
- IFRS 14 Regulatory Deferred Accounts (effective 1 January 2016)*
- IFRIC 21 Levies (effective 1 January 2014)*
- Annual improvements to IFRSs (2013)

^ *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 and associates have been changed, where necessary, to ensure consistency with policies adopted by the group.

4.1 Subsidiaries (including mutual funds)

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.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses 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.

Accounting policies
for the year ended 28 February 2014

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/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 company'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 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 is 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.

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 2013. 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 of accounting, 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.

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 Manco 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 and comparative figures have been adjusted to reflect the new reportable segments applicable.

6. FOREIGN CURRENCY TRANSLATION

6.1 Functional and presentation currency

Items included in the financial statements of each of the company 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 the company'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 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 are translated at closing exchange rates.
- 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.

Accounting policies
for the year ended 28 February 2014

Group entities with functional currencies other than the presentation currency, mainly have the following functional currencies:

	2014		2013		2012	
	Average	**Closing**	Average	Closing	Average	Closing
British pound	**15.81**	**17.88**	13.30	13.39	11.83	11.96
United States dollar	**10.00**	**10.72**	8.38	8.85	7.40	7.55

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 is 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.

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 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

Acquired 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 the following criteria are met:

- 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 on 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.

Accounting policies
for the year ended 28 February 2014

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.

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 profittaking, 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 (previously PSG Asset Management 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. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership.

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 (e.g. PSG Konsult's share price is published daily on our website)
- Brokers (e.g. PSG Online manages the OTC platform for trading)
- 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. Discounting these loans does not have a material effect on the carrying amount.

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.

Accounting policies
for the year ended 28 February 2014

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 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.

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 (previously PSG Asset Management Life), 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 value added tax and any 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 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).

Accounting policies
for the year ended 28 February 2014

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.

Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance 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 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, accrual for other liabilities and charges, 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 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.

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

Accounting policies
for the year ended 28 February 2014

the redemption value is recognised in the income statement over the period using the effective-interest method. Trade and other payable 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 payable 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 at fair value through profit and loss at inception and measured as such.

Financial guarantees are derecognised when the obligation is extinguished, expires or transferred.

The group and company does not recognise any financial guarantee contracts as, in the opinion of the directors, the possibility of losses from these guarantees are remote.

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 29 for the group's revenue recognition policy.

22. STATED AND SHARE CAPITAL AND TREASURY SHARES

Share capital represented the par value of ordinary shares issued, being classified as equity. During the year, the ordinary shares were converted to no par value shares, Resulting in the existing share capital and 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 venture 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.

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 taxes assets and liabilities relate to income taxes 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 Secondary tax on companies (STC) and dividends withholding tax (DWT)

On 1 April 2012, DWT became effective and replaced STC. DWT is levied on the shareholders (or beneficial owners) receiving the dividend; where STC was levied on the company declaring the dividend.

Prior to 1 April 2012

South African resident companies were subject to a dual corporate tax system, one part of the tax being levied on taxable income and the other, a secondary tax, on distributed income. A company incurred STC charges on the declaration or deemed declaration of dividends (as defined under tax law) to its shareholders. STC was not a withholding tax on shareholders, but a tax on companies.

The STC tax consequence of dividends was recognised as a taxation charge in the income statement in the same period that the related dividend was accrued as a liability. The dividend declared was reduced by dividends received during the dividend cycle. Where dividends declared exceeded the dividends received during a cycle, STC was payable at the then current STC rate (10%) on the net amount. Where dividends received exceeded dividends declared within a cycle, there was no liability to pay STC. The potential tax benefit related to excess dividends received was carried forward to the next dividend cycle as an STC credit. Deferred tax assets were recognised on unutilised STC credits to the extent that it was probable that the group would declare future dividends to utilise such STC credits.

After 1 April 2012

Shareholders are now 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. The deferred tax asset is not raised on unutilised STC credits as the STC credits are now available for the benefit of the group's shareholders and not the group.

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. 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 16 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.

Accounting policies
for the year ended 28 February 2014

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 a 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. 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.

29. 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 and 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.

29.1 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.

29.2 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.

30. SOLVENCY MARGIN

The solvency margin is calculated using the statutory method prescribed by the Financial Services Board and Namibia Financial Institutions Supervisory Authority.

31. 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.

32. 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.

33. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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.

Accounting policies
for the year ended 28 February 2014

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.

33.1 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).

33.2 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 carry amount of the unlisted financial instruments are Rnil (2013: Rnil; 2012: R5.2 million) and would be an estimated R1 million lower/ higher in the 2012 financial year (2014; 2013: no impact) were the discount rate used in the discount cash flow analysis to differ by 20% from management's estimates.

33.3 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 R12.7 billion (2013: R10.3 billion; 2012: R9.1 billion).

33.4 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 17.87% for the 2013 financial year and between 17.50% and 23.00% for the 2012 financial year. No business combination occurred during the 2014 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 2013 and 2012 financial year a useful life of 20 years and an average cancellation rate of 10.00% for the 2013 financial year and 11.00% for the 2012 financial year were assumed.

If a useful life of 15 years were applied, the asset value would have been R0.06 million lower for the 2013 financial year and R0.4 million lower for the 2012 financial year; if a useful life of 25 years were applied, the asset value would have been R0.04 million higher for the 2013 financial year and R0.3 million higher for the 2012 financial year. Future profit margins, used in determining customer contracts and relationships 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.

33.5 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.

33.6 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 either been consolidated and others not.

33.7 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.

Notes to the annual financial statements
for the year ended 28 February 2014

	Trademarks R000	Goodwill R000	Deferred acquisition costs R000	Customer relation-ships R000	Other intangibles R000	Total R000
1. INTANGIBLE ASSETS						
As at 28 February 2014						
Cost	**9 989**	**498 426**	**9 560**	**418 622**	**48 602**	**985 199**
Accumulated amortisation and impairment	**(9 989)**	**(98 774)**	**(3 110)**	**(122 952)**	**(28 438)**	**(263 263)**
Balance at end of year	**–**	**399 652**	**6 450**	**295 670**	**20 164**	**721 936**
Reconciliation						
Balance at beginning of year	**–**	**402 971**	**3 941**	**302 846**	**22 766**	**732 524**
Additions	**–**	**–**	**3 227**	**15 589**	**3 473**	**22 289**
Disposals	**–**	**–**	**–**	**–**	**(19)**	**(19)**
Disposal of books of business	**–**	**(3 319)**	**–**	**(2 461)**	**–**	**(5 780)**
Amortisation	**–**	**–**	**(718)**	**(20 304)**	**(6 056)**	**(27 078)**
Balance at end of year	**–**	**399 652**	**6 450**	**295 670**	**20 164**	**721 936**
As at 28 February 2013						
Cost	9 989	502 879	6 333	410 966	45 187	975 354
Accumulated amortisation and impairment	(9 989)	(99 908)	(2 392)	(108 120)	(22 421)	(242 830)
Balance at end of year	–	402 971	3 941	302 846	22 766	732 524
Reconciliation						
Balance at beginning of year	7 326	445 583	3 862	335 660	22 926	815 357
Additions	–	–	1 844	18 123	9 347	29 314
Disposals	–	(10 503)	–	(5 892)	(1 837)	(18 232)
Acquisition of subsidiaries	–	66 577	–	10 744	–	77 321
Disposal of books of business	–	(7 967)	–	(10 259)	(5)	(18 231)
Impairment	(7 326)	(90 719)	–	(24 924)	(1 689)	(124 657)
Amortisation	–	–	(1 765)	(20 606)	(5 975)	(28 346)
Balance at end of year	–	402 971	3 941	302 846	22 766	732 524
As at 29 February 2012						
Cost	9 989	454 772	9 467	416 095	42 233	932 556
Accumulated amortisation and impairment	(2 663)	(9 189)	(5 605)	(80 435)	(19 307)	(117 199)
Balance at end of year	7 326	445 583	3 862	335 660	22 926	815 357
Reconciliation						
Balance at beginning of year	7 825	400 224	–	307 961	11 874	727 884
Additions	–	815	1 988	41 760	10 975	55 538
Disposals	–	(9 977)	–	(26 603)	(734)	(37 314)
Acquisition of subsidiaries and books of business	–	60 831	4 123	38 839	9 131	112 924
Disposal of subsidiaries	–	(716)	–	(27)	(569)	(1 312)
Impairment	–	(5 594)	–	(5 925)	–	(11 519)
Amortisation	(499)	–	(2 249)	(20 345)	(7 751)	(30 844)
Balance at end of year	7 326	445 583	3 862	335 660	22 926	815 357

Included in other intangibles is computer software to the value of R20.7 million (2013: R22.7 million; 2012: R20.7 million).

Internally developed software

Included in the computer software carrying amount (as disclosed under other intangibles), is an amount of R9.9 million (2013: R10.5 million; 2012: R8.0 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			CARRYING VALUE		
	2014 R000	2013 R000	2012 R000	**2014 R000**	2013 R000	2012 R000
Multinet Makelaars	**12 years and 1 month**	13 years and 1 month	14 years and 1 month	**47 720**	51 655	55 591
Diagonal Street Financial Services	**16 years and 6 months**	17 years and 6 months	18 years and 6 months	**19 447**	20 625	21 803
Tlotlisa Securities (T-Sec)	**15 years and 2 months**	16 years and 2 months	17 years and 2 months	**18 200**	19 400	20 600
PSG Konsult Short-Term Administration	**12 years and 2 months**	13 years and 2 months	14 years and 2 months	**16 317**	17 656	18 995
Multifund	**16 years**	17 years	18 years	**16 210**	17 324	18 437
PSG Konsult Insurance Solutions	**16 years**	17 years	18 years	**14 080**	14 960	15 840
				131 974	141 620	151 266

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, now form part of larger cash generating units (CGUs) for impairment testing purposes. The largest three customer relationships of the group, namely our short-term distribution branches, our short-term administration business and short-term license business, forms part of the PSG Insure segment and have carrying values of R95.9 million (2013: R99.8 million; 2012: R104.0 million), R31.2 million (2013: R33.5 million; 2012: R40.5 million) and R23.7 million (2013: R25.7 million; 2012: R15.8 million) on 28/29 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:	**2014 R000**	2013 R000	2012 R000
PSG Wealth Financial Planning Proprietary Limited (previously PSG Konsult Financial Planning Proprietary Limited)	**249 630**	246 661	149 446
PSG Academy Proprietary Limited (previously PSG Konsult Academy Proprietary Limited)	**–**	–	1 691
PSG Konsult Securities Proprietary Limited	**–**	–	3 453
PSG Trust Proprietary Limited (previously PSG Konsult Trust Proprietary Limited)	**164**	164	164
PSG Namibia Proprietary Limited (previously PSG Konsult Namibia Proprietary Limited)	**2 238**	2 238	2 238
PSG Konsult Short-Term Insurance Brokers Proprietary Limited	**–**	–	110 321
Topexec Management Bureau Proprietary Limited	**–**	–	68 699
PSG Brokers UK Limited (previously PSG Konsult Brokers UK Limited)	**–**	–	44
Online Securities Limited	**24 503**	23 684	23 684
PSG Employee Benefits Limited (previously PSG Konsult Corporate Limited)	**21 475**	27 765	41 983
PSG Wealth Group Services Proprietary Limited (previously PSG Online Solutions Proprietary Limited)	**–**	1 912	1 912
iHound Proprietary Limited	**–**	–	1 134
PSG Invest Proprietary Limited (previously PSG Asset Management Administration Services Proprietary Limited)	**10 896**	9 801	9 801
PSG Asset Management Proprietary Limited	**8 719**	8 719	8 719
PSG Life Limited (previously PSG Asset Management Life Limited)	**7 832**	7 832	7 832
Western Group Holdings Limited (including PSG Konsult Insurance Solutions Proprietary Limited)*	**74 195**	74 195	14 462
	399 652	402 971	445 583

* *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.*

The largest three goodwill allocations to cash generating units (CGUs) of the group and their respective carrying values at 28/29 February were the goodwill allocated to our short-term distribution branches (2014: R115.0 million; 2013: R118.3 million; 2012: R131.3 million) and the short-term insurance business (2014: R74.2 million; 2013: R74.2 million; 2012: R14.5 million), which forms part of the PSG Insure segment, and to the Advance Wealth Management advisor business (2014: R50.3 million; 2013: R50.3 million; 2012: R50.3 million) which forms part of the PSG Wealth segment.

Notes to the annual financial statements
for the year ended 28 February 2014

1. INTANGIBLE ASSETS (continued)

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 (2013: 5.0 to 7.5; 2012: 7.5).

Trademarks were evaluated for impairment using the most recent price-earnings ratios for similar transactions in the market. The price-earnings ratios used during the 2013 financial year vary from 2.0 to 10.0 with an average of 7.5 (2012: 2.0 to 10.0 with an average of 7.5). 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 vary from 5.0 to 10.0 with an average of 7.5 (2013: 5.0 to 10.0 with an average of 7.5; 2012: 2.0 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:

	2014 %	2013 %	2012 %
Risk-free rate (2014: R207; 2013: R207; 2012: R157)	**8.24**	6.92	6.60
Tax rate	**28.00**	28.00	28.00
Growth rate	**3.00**	3.00	6.00
Terminal growth rate	**3.00**	3.00	4.00
Discount rate	**19.48**	18.32	16.48

The sensitivity analysis below discloses the impact on the income statement (impairment loss charge) for the 2013* financial year for changes in the model input. Scenario 1 assumes a change in growth rate assumptions by 1% in the direction decreasing the impairment loss charge. Scenario 2 assumes a change in the growth rate assumptions by 1% in the direction increasing the impairment loss charge. Scenario 3 assumes a change in discount rate assumption by 1% in the direction decreasing the impairment loss charge. Scenario 4 assumes a change in the discount rate assumption by 1% in the direction increasing the impairment loss charge.

Key input – 2013	Base assumption %	Scenario 1 (decrease) %	Scenario 2 (increase) %	Scenario 3 (decrease) %	Scenario 4 (increase) %
Growth rate	3.00	4.00	2.00	3.00	3.00
Terminal growth rate	3.00	4.00	2.00	3.00	3.00
Discount rate	18.32	18.32	18.32	17.32	19.32

	Scenario 1 R000	Scenario 2 R000	Scenario 3 R000	Scenario 4 R000
Impact on the impairment loss charge in the income statement	(5 209)	4 210	(5 216)	4 216

* *A sensitivity analysis was performed for the 2012 and 2014 financial years taking into account the various scenarios disclosed above. The sensitivity analysis indicated that, for the 2012 and 2014 financial years, the impact on the impairment loss charge to the income statement would not have been material.*

The impairment tests performed during the 2013 financial year on books of business within the group (mainly concentrated to the Insure segment of the group) was based on management's projections and a discounted cash flow methodology was applied using the following internal assumptions:

- More conservative revenue projections mainly due to the soft premium cycle currently experienced in the insurance industry in South Africa.
- The discount rate was increased from the previous financial year to compensate for the increased competitive environment.

1. INTANGIBLE ASSETS (continued)

Included under the impairment charge was the following:

	2014 R000	2013 R000	2012 R000	Reporting segment
Goodwill				
PSG Employee Benefits Limited (previously PSG Konsult Corporate Limited)	–	4 379	–	PSG Insure
PSG Wealth Financial Planning Proprietary Limited (previously PSG Konsult Financial Planning Proprietary Limited)	–	74 896	–	PSG Insure
iHound Proprietary Limited	–	1 134	–	PSG Wealth
PSG Brokers UK Limited (previously PSG Konsult Brokers UK Limited)	–	44	–	PSG Wealth
PSG Konsult Insurance Solutions Proprietary Limited	–	6 842	–	PSG Insure
PSG Scriptfin Proprietary Limited	–	1 733	–	PSG Wealth
Topexec Management Bureau Proprietary Limited	–	–	5 594	PSG Insure
PSG Academy Proprietary Limited (previously PSG Konsult Academy Proprietary Limited)	–	1 691	–	*Note 1*
Goodwill impairment incurred	–	90 719	5 594	
Trademarks				
PSG Wealth Financial Planning Proprietary Limited (previously PSG Konsult Financial Planning Proprietary Limited)	–	7 326	–	PSG Wealth
Trademarks impairment incurred	–	7 326	–	PSG Wealth
Customer relationships				
PSG Employee Benefits Limited (previously PSG Konsult Corporate Limited)	–	6 043	2 084	PSG Wealth
PSG Wealth Financial Planning Proprietary Limited (previously PSG Konsult Financial Planning Proprietary Limited)	–	1 928	1 500	PSG Wealth
PSG Wealth Financial Planning Proprietary Limited (previously PSG Konsult Financial Planning Proprietary Limited)	–	11 857	75	PSG Insure
iHound Proprietary Limited	–	5 096	–	PSG Wealth
Topexec Management Bureau Proprietary Limited	–	–	2 266	PSG Insure
Customer relationships impairment incurred	–	24 924	5 925	
Other intangibles				
PSG Academy Proprietary Limited (previously PSG Konsult Academy Proprietary Limited)	–	1 689	–	*Note 1*
Other intangibles impairment incurred	–	1 689	–	
Total impairment incurred	–	124 657	11 519	

Note 1: These impairments could not be directly allocated to a reporting segment and was allocated to the three reporting segments on a pro rata allocation basis.

The carrying value of the intangible assets were carefully assessed at 28 February 2014 and management does not deem any of the intangible assets to be impaired.

The impairment charge for the 2013 financial year related to:

- The amounts of R6.0 million and R4.4 million, impaired within PSG Employee Benefits Limited (previously PSG Konsult Corporate Limited), related to the close-down of a CGU within this company and the significant reduction in the future revenue projections of a CGU in the insurance industry respectively.
- An amount of R1.9 million was impaired within PSG Wealth Financial Planning Proprietary Limited (previously PSG Konsult Financial Planning Proprietary Limited) due to the significant reduction in the future revenue projections of within three CGUs and sustained loss of income during the year on these books of business.

Notes to the annual financial statements
for the year ended 28 February 2014

1. INTANGIBLE ASSETS (continued)

- The goodwill of R74.9 million and the customer relationships of R11.9 million impaired within PSG Wealth Financial Planning Proprietary Limited (previously PSG Konsult Financial Planning Proprietary Limited) were due to the following:
  - R60.7 million of the goodwill and R5.2 million of the customer relationships impairment related to the group's short-term administration platform which has been experiencing increased pressure on operating margins in a very competitive insurance industry
  - the remaining goodwill impairment of R14.2 million and the remaining customer relationships impairment of R6.7 million related to the PSG Insure reporting segment and was due to the significant reduction in the future revenue projections in various CGUs linked to the insurance industry, as well the subsequent closure of one of the CGUs.
- Goodwill of R1.1 million and customer relationships of R5.1 million, impaired within the PSG Wealth reporting segment, related to the lead generating business, iHound Proprietary Limited, which was closed down during the 2013 financial year.
- An amount of R6.8 million, relating to the group's short-term underwriting business through PSG Konsult Insurance Solutions Proprietary Limited, did not produce any profits for the group in the 2013 financial year and it was expected to maintain these low underwriting margins in the foreseen future.
- Goodwill of R1.7 million and intellectual property of R1.7 million, linked to the group's learning academy, was impaired as it related to a non-core CGU within the group, which will not form part of the group's new restructure business division as well as the long-term future of the group.
- Trademarks of R7.3 million, impaired within the PSG Wealth reporting segment, related to a trademark/brand name acquired in the past as part of a business combination which will not be used in the future under the 'PSG' masterbrand.
- Amounts of R1.7 million and R0.04 million were impaired as it related to non-core CGUs within the PSG Wealth reporting segment and which did not form part of PSG Wealth's long-term growth plans.

The impairment charge for the 2012 financial year related to:

- The amount of R2.1 million impaired within PSG Employee Benefits Limited (previously PSG Konsult Corporate Limited) was as a result of a profit guarantee not being met and the adjustment was made to the income statement in terms of IFRS 3 revised as the acquisition was recorded after 1 March 2010. This was an impairment indicator which resulted in the impairment of a portion of the customer relationship of this CGU, with a further impairment indicated above in 2013 and the subsequent closedown of the CGU.
- The amounts of R5.6 million and R2.3 million, impaired within Topexec Management Bureau Proprietary Limited, was as a result of the loss of the underlying income stream within a CGU of this company and consequently the decision was made to impair the goodwill and customer relationships relating to this CGU. This CGU was subsequently closed down.
- The amounts of R1.5 million and R0.08 million, reported under the PSG Wealth and PSG Insure segment respectively and impaired within PSG Wealth Financial Planning Proprietary Limited (previously PSG Konsult Financial Planning Proprietary Limited), were as result of significant reduction in the future revenue projections of these CGUs and sustained loss of income during the year on these books of business.

The value-in-use basis was used to determine the recoverable amount for all of the impairments listed above and the discount rate applied is set out in the assumptions above. The impairment losses have been charged as part of depreciation, amortisation and impairment expenses as disclosed under note 31.2.

Critical accounting estimates and judgements

Customer relationships are amortised over a period of 20 years which represent management's best estimate of period, over which economic benefits are expected to be derived. The amortisation charge on the customer relationships for the year ending 28 February 2014 was R20.3 million (2013: R20.6 million; 2012: R20.3 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
Amortisation period	20	15	10	26 803	40 204

* *Sensitivity analysis illustrates impact on current year amortisation charge. Impact for the 2013 and 2012 financial years would not have been materially different.*

	Owner-occupied buildings R000	Motor vehicles R000	Office equipment R000	Computer equipment R000	Total R000
2. PROPERTY AND EQUIPMENT					
As at 28 February 2014					
Cost	**4 313**	**721**	**48 492**	**60 210**	**113 736**
Accumulated depreciation and impairment	**(291)**	**(640)**	**(30 718)**	**(34 497)**	**(66 146)**
Balance at end of year	**4 022**	**81**	**17 774**	**25 713**	**47 590**
Reconciliation					
Balance at beginning of year	**4 155**	**225**	**12 876**	**10 099**	**27 355**
Additions	**–**	**46**	**11 259**	**24 144**	**35 449**
Disposals	**–**	**(63)**	**(170)**	**(1 462)**	**(1 695)**
Depreciation	**(133)**	**(127)**	**(6 203)**	**(7 055)**	**(13 518)**
Disposal of subsidiaries	**–**	**–**	**(5)**	**(28)**	**(33)**
Exchange differences	**–**	**–**	**17**	**15**	**32**
Balance at end of year	**4 022**	**81**	**17 774**	**25 713**	**47 590**
As at 28 February 2013					
Cost	4 313	759	38 092	40 244	83 408
Accumulated depreciation and impairment	(158)	(534)	(25 216)	(30 145)	(56 053)
Balance at end of year	4 155	225	12 876	10 099	27 355
Reconciliation					
Balance at beginning of year	–	316	15 911	10 522	26 749
Additions	–	92	2 942	6 213	9 247
Disposals	–	(22)	(739)	(456)	(1 217)
Depreciation	(44)	(161)	(5 811)	(7 160)	(13 176)
Acquisition of subsidiaries	4 199	–	739	1 328	6 266
Disposal of subsidiaries and books of business	–	–	(91)	(337)	(428)
Exchange differences	–	–	(1)	2	1
Impairment	–	–	(74)	(13)	(87)
Balance at end of year	4 155	225	12 876	10 099	27 355
As at 29 February 2012					
Cost	–	702	38 385	41 807	80 894
Accumulated depreciation and impairment	–	(386)	(22 474)	(31 285)	(54 145)
Balance at end of year	–	316	15 911	10 522	26 749
Reconciliation					
Balance at beginning of year	–	556	15 916	9 453	25 925
Additions	–	50	5 292	7 424	12 766
Disposals	–	(126)	(961)	(165)	(1 252)
Depreciation	–	(164)	(5 451)	(7 220)	(12 835)
Acquisition of subsidiaries and books of business	–	–	1 303	1 117	2 420
Disposal of subsidiaries	–	–	(188)	(87)	(275)
Balance at end of year	–	316	15 911	10 522	26 749

Depreciation expense of R13.5 million (2013: R13.2 million; 2012: R12.8 million) has been charged as part of depreciation, amortisation and impairment expenses as disclosed in note 31.2.

Owner-occupied buildings comprise Unit 209 and Unit 211 of a sectional title development, known as The Cliffs. The building is situated on Erf 39279, Bellville, Cape Town.

Notes to the annual financial statements
for the year ended 28 February 2014

2. PROPERTY AND EQUIPMENT (continued)

Included in office equipment and computer equipment are assets held under finance leases (refer to note 20):

	Computer equipment	Office equipment		
	2014 R000	**2014 R000**	2013 R000	2012 R000
Cost	**15 305**	**1 688**	1 688	1 688
Accumulated depreciation and impairment	**(319)**	**(1 688)**	(1 360)	(797)
Net carrying value at end of year	**14 986**	**–**	328	891

	2014 R000	2013 R000
3. INVESTMENT PROPERTY		
As at 28 February		
Cost	**2 036**	2 036
Fair value adjustments	**209**	–
Balance at end of year	**2 245**	2 036
Reconciliation		
Balance at beginning of year	**2 036**	–
Acquisition of subsidiaries	**4 975**	2 036
Disposals	**(4 500)**	–
Cost	**(4 975)**	–
Fair value adjustments	**475**	–
Fair value adjustments	**(266)**	–
Balance at end of year	**2 245**	2 036

Investment property comprises the following:

The group invested in an office building, which includes Unit 210 of a sectional title development, known as The Cliffs. The building is situated on Erf 39279, Bellville, Cape Town. The property was valued by Mr PJ Erasmus from Capitol Commercial Properties, on 18 February 2014 and the value was adjusted accordingly.

The most significant input in the valuation of the office building is the price per square metre (2014: average of R13 000 per square metre; 2013: average of R12 000 per square metre).

Rental income and direct operating expenditure relating to the building are included in profit and loss and were:

	2014 R000	2013 R000
Rental income	**306**	96
Direct operating expenditure	**(32)**	(90)
	274	6

	2014 R000	2013 R000	2012 R000
4. INVESTMENT IN ASSOCIATED COMPANIES			
Carrying value of ordinary share investments			
Unlisted	**39 548**	43 031	11 350
	39 548	43 031	11 350
Reconciliation			
Balance at beginning of year	**43 031**	11 350	13 492
Share of profit/(loss) after taxation	**3 118**	4 157	(38)
Impairment charges	**(342)**	(51)	–
Movement in investment value	**(6 259)**	27 575	(2 104)
Dividends received	**–**	(919)	(293)
Acquisitions of subsidiaries	**–**	37 187	500
Acquisitions	**–**	19 362	–
Disposal of associated companies	**(6 601)**	(7 362)	(500)
Step acquisition from investment in associated companies to subsidiary	**–**	(21 674)	(2 090)
Impairments against loans granted to associated companies	**342**	325	–
Exchange differences	**–**	656	279
Carrying value at end of year	**39 548**	43 031	11 350
At cost	**39 548**	43 031	6 609
Goodwill included in carrying value	**–**	–	4 741

Acquisitions
2014
No acquisitions of an investment in associated companies occurred during the 2014 financial year.

2013
The group acquired a 24% shareholding in Western Group Holdings Limited (Western) on 1 March 2012. An additional interest of 51% was obtained in November 2012 and the investment in this associated company was derecognised on 31 October 2012 as the group obtained control over this company. Western was treated as a subsidiary from 1 November 2012 and fully consolidated from that date. This resulted in the investments in Xinergistics Proprietary Limited, Purple Line Plastics Proprietary Limited, JWR Holdings Proprietary Limited, Excluwin Traders Proprietary Limited, Prexision Asset Finance Proprietary Limited and Tradesure Marine Proprietary Limited being recognised as investment in associated companies from this date.

The group, through its subsidiary Abrafield Proprietary Limited, obtained an additional interest of 5% in Cinetaur Proprietary Limited on 1 March 2012 for a consideration of R0.02 million, increasing its interest in the company from 35% to 40%.

2012
During the 2012 financial year the group acquired a 30% shareholding in Woodwind Proprietary Limited and a 10% shareholding in Finplanning Proprietary Limited through the investment in PSG Asset Management Holdings Proprietary Limited. The Finplanning Proprietary Limited shareholding was disposed of during the same year for a consideration of R0.5 million. Refer to note 39.5 for detail of these acquisitions.

Disposals
2014
Effective 1 March 2013, the group, through its subsidiary PSG Fixed Income and Commodities Proprietary Limited (previously PSG Prime Proprietary Limited), sold its 38% interest held in Axon Xchange Proprietary Limited for R4.5 million, resulting in non-headline profit of R0.03 million.

Effective 1 April 2013 and 1 May 2013, the group, through its subsidiary Western Group Holdings Limited, sold its 25% interest held in Purple Line Plastics Proprietary Limited and its 26% interest held in JWR Holdings Proprietary Limited for R2.1 million and R0.5 million, resulting in non-headline profits of R0.04 million and R0.3 million respectively.

Effective 1 August 2013, the group, through its subsidiary Western Group Holdings Limited sold its 34% interest held in Excluwin Traders Proprietary Limited for R4.0 million, resulting in non-headline profit of R3.5 million.

Effective 1 November 2013, the group, through its subsidiary Abrafield Proprietary Limited, acquired an additional 35% interest in Cinetaur Proprietary Limited (Cinetaur) for R350. The investment in this associated company was derecognised on 31 October 2013 as the group obtained control over this company. Cinetaur was treated as a subsidiary from 1 November 2013 and fully consolidated from that date. This step acquisition resulted in a non-headline loss of R0.1 million.

2013
The group, through its subsidiary PSG Brokers UK Limited (previously PSG Konsult Brokers UK Limited), sold the 50% interest held in PSG Consult Limited on 2 January 2013, resulting in a non-headline loss of R6.4 million.

Notes to the annual financial statements
for the year ended 28 February 2014

4. INVESTMENT IN ASSOCIATED COMPANIES (continued)

Effective 1 October 2012 and 28 February 2013, the group, through its subsidiary Abrafield Proprietary Limited, sold its 30% interest held in Karana Property Investments Proprietary Limited and its 30% interest held in Jamwa Beleggings Proprietary Limited, resulting in a non-headline loss of R1.1 million and a non-headline profit of R0.3 million respectively.

2012

During the 2012 financial year, PSG Konsult Limited entered into an agreement with its wholly owned subsidiary, PSG Wealth Group Services Proprietary Limited (previously PSG Online Solutions Proprietary Limited) on 1 March 2011, to cede its 20% interest in iHound Proprietary Limited for an amount of R1.0 million. On this date, PSG Wealth Group Services Proprietary Limited (previously PSG Online Solutions Proprietary Limited) exercised the pre-emptive rights granted in the ceded contract and increased its interest in iHound Proprietary Limited to 51% for a consideration of R1.5 million. iHound Proprietary Limited was derecognised as an associate on this date, resulting in a loss of R0.9 million, as the group obtained control over the company. The company was consolidated as it was treated as a subsidiary from this date.

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 following key assumptions were used in the performance of the fair value calculations:

	2014	2013	2012
Price-earnings ratios	**5.0 – 7.5**	5.0 – 7.5	7.5

Investment in associated companies to the value of R0.3 million (2013: R0.1 million; 2012: Rnil) was impaired during the financial year.

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	**2014 R000**	2013 R000	2012 R000
Woodwind Proprietary Limited	No	Interest-free	None*	**1 086**	1 257	1 307
Prexision Asset Finance Proprietary Limited	No	Prime plus 4%	None*	**835**	1 056	–
Excluwin Traders Proprietary Limited	No	Prime	None*	**–**	694	–
Make-a-Million Proprietary Limited	No	Interest-free	None*	**39**	–	–
Cinetaur Proprietary Limited	No	Prime less 1%	None*	**–**	1 172	891
PSG Consult Limited	No	2% – 3%	None*	**–**	–	4 266
Jamwa Beleggings Proprietary Limited	No	Prime less 0.85%	None*	**–**	–	1 222
Karana Property Investments Proprietary Limited	No	Prime less 1%	None*	**–**	–	1 246
				1 960	4 179	8 932
Current portion				**1 960**	4 179	8 932
Non-current portion				**–**	–	–
				1 960	4 179	8 932

* *No fixed repayment terms.*

	2014 R000	2013 R000
5. INVESTMENT IN JOINT VENTURES		
Carrying amount of ordinary share investments		
Unlisted	**12 057**	8 682
	12 057	8 682
Reconciliation		
Carrying amount at beginning of year	**8 682**	–
Share of profit after taxation	**3 375**	158
Movement in investment value		
Acquisitions of subsidiaries	**–**	8 524
Carrying amount at end of year	**12 057**	8 682
As at 28 February		
Shares at cost	**8 524**	8 524
Share of profits and reserves since acquisition	**3 533**	158
Balance at end of year	**12 057**	8 682
*Loan granted to joint venture**	**3 285**	3 160
Jan Jonker Property Investment Trust		
Unsecured loan bearing interest at prime plus 2% (2013: 9.25%) and has no repayment terms	**3 285**	3 160

* *The loan granted to the joint venture is recoverable within 12 months and is included under note 14 (Receivables including insurance receivables).*

Acquisitions

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:

	2014	2013
Price-earnings ratios	**5.0**	5.0

The investment in joint venture is not considered to be impaired (2013: Rnil).

Refer to Annexure C for further information regarding joint ventures.

	2014 R000	2013 R000	2012 R000
6. DEFERRED INCOME TAX			
Deferred income tax assets	**52 101**	29 271	33 116
Deferred income tax liabilities	**(53 423)**	(58 481)	(68 005)
Net deferred income tax liabilities	**(1 322)**	(29 210)	(34 889)
Deferred income tax assets			
To be recovered within 12 months	**26 415**	11 598	14 440
To be recovered after 12 months	**25 686**	17 673	18 676
	52 101	29 271	33 116
Deferred income tax liabilities			
To be recovered within 12 months	**(13 102)**	(1 234)	(5 322)
To be recovered after 12 months	**(40 321)**	(57 247)	(62 683)
	(53 423)	(58 481)	(68 005)

Notes to the annual financial statements
for the year ended 28 February 2014

6. DEFERRED INCOME TAX (continued)

The movement in the deferred tax assets and liabilities during the year was as follows:

Deferred tax assets	STC credits R000	Deferred revenue R000	Provisions R000	Tax losses carried forward R000	Accruals not currently deductible and other differences R000	Total R000
As at 1 March 2011	982	–	1 655	1 859	5 421	9 917
(Charges)/credit to profit and loss	(53)	(893)	(2 245)	1 999	2 991	1 799
Other movements	–	–	(30)	–	–	(30)
Acquisition of businesses	45	16 606	1 742	7 693	21 217	47 303
Disposal of businesses	(45)	–	(101)	(1 752)	–	(1 898)
As at 29 February 2012	929	15 713	1 021	9 799	29 629	57 091
(Charges)/credit to profit and loss	(929)	(4 838)	(616)	1 942	2 766	(1 675)
Credit to equity	–	–	3 294	–	–	3 294
Other movements*	–	–	–	11	–	11
Disposal of subsidiaries	–	–	(59)	–	–	(59)
Acquisition of subsidiaries	–	–	857	8 124	(49)	8 932
As at 28 February 2013	–	10 875	4 497	19 876	32 346	67 594
(Charges)/credit to profit and loss	**–**	**(4 288)**	**19 070**	**624**	**10 881**	**26 287**
Credit to equity	**–**	**–**	**11 190**	**–**	**–**	**11 190**
Other movements	**–**	**–**	**631**	**22**	**220**	**873**
Disposal of subsidiaries	**–**	**–**	**–**	**(315)**	**(4)**	**(319)**
Acquisition of subsidiaries	**–**	**–**	**–**	**81**	**–**	**81**
As at 28 February 2014	**–**	**6 587**	**35 388**	**20 288**	**43 443**	**105 706**

* *Represent movement through income statement.*

The movement in the deferred tax assets and liabilities during the year was as follows:

Deferred tax liabilities	Deferred acquisition cost R000	Prepaid expenses R000	Unrealised appreciation of invest-ments R000	Other intangible assets R000	Foreign exchange and other R000	Total R000
As at 1 March 2011	–	(280)	–	(72 543)	(118)	(72 941)
(Charges)/credit to profit and loss	(14)	(122)	(1 886)	6 489	(4 530)	(63)
Charges to other comprehensive income	–	–	(49)	–	–	(49)
Disposal of subsidiaries	–	65	–	167	–	232
Acquisition of subsidiaries	(256)	(110)	(4 963)	(10 007)	(6 270)	(21 606)
Other movements	–	(355)	–	2 803	–	2 448
As at 29 February 2012	(270)	(802)	(6 898)	(73 091)	(10 918)	(91 979)
Credit/(charges) to profit and loss	270	(222)	(7 840)	1 956	(4 804)	(10 640)
Credit to other comprehensive income	–	–	110	–	–	110
Disposal of subsidiaries	–	11	–	–	–	11
Acquisition of subsidiaries	–	–	(231)	(3 008)	–	(3 239)
Disposal of books of business*	–	–	–	1 852	–	1 852
Other movements*	–	(40)	–	7 121	–	7 081
As at 28 February 2013	–	(1 053)	(14 859)	(65 170)	(15 722)	(96 804)
(Charges)/credit to profit and loss	**(1 773)**	**128**	**(10 457)**	**3 727**	**(2 144)**	**(10 519)**
Disposal of books of business*	**–**	**–**	**–**	**511**	**–**	**511**
Other movements	**–**	**(162)**	**–**	**–**	**(54)**	**(216)**
As at 28 February 2014	**(1 773)**	**(1 087)**	**(25 316)**	**(60 932)**	**(17 920)**	**(107 028)**

* *Represent movements through income statement.*

	2014 R000	2013 R000	2012 R000
6. DEFERRED INCOME TAX (continued)			
Total accumulated losses available for which no deferred tax asset has been raised:	**1 273**	–	61
	1 273	–	61

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% (2013; 2012: 28%) in South Africa and the official tax rates in the foreign subsidiaries where applicable. No deferred tax asset raised for STC credits during the current financial year as STC was replaced by Dividends Withholding Tax during the 2013 financial year (2012: rate of 10% applied to raise deferred tax asset on STC credits). No STC credits available at year-end to utilise against future dividends paid by the company.

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.

	2014 R000	2013 R000	2012 R000
7. EQUITY SECURITIES			
Direct equity investments	**4 631**	31 629	9 615
Quoted – Listed	**3 786**	30 784	8 770
Unquoted – Unlisted	**845**	845	845
Investments linked to investment contracts (refer to note 21)	**600 249**	981 144	865 353
Quoted – Listed	**600 249**	585 304	865 353
Quoted – Unlisted	**–**	395 840	–
	604 880	1 012 773	874 968

Included in quoted equity securities are listed investments to the value of R604.0 million (2013: R616.1 million; 2012: R874.1 million). Quoted securities were valued based on the quoted bid prices as listed on the Johannesburg Stock Exchange (JSE).

Notes to the annual financial statements
for the year ended 28 February 2014

	Fair value through profit or loss R000	Total R000
7. EQUITY SECURITIES (continued)		
Quoted – Listed		
Reconciliation		
Carrying amount at 1 March 2011	–	–
Additions	122 864	122 864
Disposals	(192 977)	(192 977)
Acquisition of subsidiaries	921 321	921 321
Consolidation of mutual funds	39 238	39 238
Deconsolidation of mutual funds	(64 799)	(64 799)
Unrealised fair value net gains and reinvestments	48 476	48 476
Carrying amount at 29 February 2012	874 123	874 123
Additions	135 478	135 478
Disposals	(118 265)	(118 265)
Acquisition of subsidiaries	12 988	12 988
Deconsolidation of mutual funds	(30 467)	(30 467)
Transfer to unlisted equity investments	(345 085)	(345 085)
Unrealised fair value net gains and reinvestments	87 316	87 316
Carrying amount at 28 February 2013	616 088	616 088
Additions	**347 662**	**347 662**
Disposals	**(475 056)**	**(475 056)**
Deconsolidation of mutual funds	**(16 876)**	**(16 876)**
Unrealised fair value net gains and reinvestments	**132 217**	**132 217**
Carrying amount at 28 February 2014	**604 035**	**604 035**
Quoted – Unlisted		
Reconciliation		
Carrying amount at 29 February 2012	–	–
Additions	335 539	335 539
Disposals	(345 085)	(345 085)
Transfer from listed equity investments*	345 085	345 085
Unrealised fair value net gains and reinvestments	60 301	60 301
Carrying amount at 28 February 2013	395 840	395 840
Disposals	**(395 840)**	**(395 840)**
Carrying amount at 28 February 2014	**–**	**–**

* *Refer to page 210 for detail of the reallocation from listed to unlisted.*

	Available-for-sale R000	Total R000
7. EQUITY SECURITIES (continued)		
Unquoted – Unlisted		
Reconciliation		
Carrying amount at 1 March 2011	345	345
Additions	500	500
Carrying amount at 29 February 2012	845	845
Carrying amount at 28 February 2013	845	845
Carrying amount at 28 February 2014	**845**	**845**

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. As at 29 February 2012, 28 February 2013 and 28 February 2014, the group had no financial instruments with fair values below cost where the decline was considered significant or prolonged.

	2014 R000	2013 R000	2012 R000
Current portion	**69 430**	519 094	511 930
Non-current portion	**535 450**	493 679	363 038
	604 880	1 012 773	874 968

	2014 R000	2013 R000	2012 R000
8. DEBT SECURITIES			
Direct investments	**444 706**	127 038	47 704
Quoted – Listed	**21 441**	43 524	17 755
Quoted – Unlisted	**423 265**	80 098	29 949
Unquoted	**–**	3 416	–
Investments linked to investment contracts (refer to note 21)	**1 676 726**	1 884 446	2 001 038
Quoted – Listed	**32 036**	53 790	82 721
Quoted – Unlisted	**1 407 343**	1 583 935	1 651 984
Unquoted	**237 347**	246 721	266 333
	2 121 432	2 011 484	2 048 742

Included in quoted debt securities are listed investments to the value of R53.5 million (2013: R97.3 million; 2012: R100.5 million).

Notes to the annual financial statements
for the year ended 28 February 2014

	Available-for-sale R000	Fair value through profit or loss R000	Total R000
8. DEBT SECURITIES (continued)			
Quoted – Listed			
Reconciliation			
Carrying amount at 1 March 2011	–	–	–
Additions	–	17 948	17 948
Acquisition of subsidiaries	17 323	92 204	109 527
Disposals	–	(34 466)	(34 466)
Consolidation of mutual funds	–	602	602
Unrealised fair value net gains and reinvestments	432	6 433	6 865
Carrying amount at 29 February 2012	17 755	82 721	100 476
Additions	–	49 803	49 803
Acquisition of subsidiaries	–	8 342	8 342
Disposals	(17 987)	(57 314)	(75 301)
Unrealised fair value net gains and reinvestments	775	13 762	14 537
Realised losses	(543)	–	(543)
Carrying amount at 28 February 2013	–	97 314	97 314
Additions	**–**	**41 505**	**41 505**
Disposals	**–**	**(61 695)**	**(61 695)**
Maturities	**–**	**(23 956)**	**(23 956)**
Unrealised fair value net gains and reinvestments	**–**	**125**	**125**
Realised losses	**–**	**(322)**	**(322)**
Finance income	**–**	**506**	**506**
Carrying amount at 28 February 2014	**–**	**53 477**	**53 477**

	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 2011	–	–	–
Additions	155 182	110 662	265 844
Acquisition of subsidiaries	909 314	982 367	1 891 681
Disposals	–	(657 000)	(657 000)
Maturities	(1 204)	–	(1 204)
Consolidation of mutual funds	–	11 024	11 024
Unrealised fair value net gains and reinvestments	–	52 074	52 074
Finance income	119 514	–	119 514
Carrying amount at 29 February 2012	1 182 806	499 127	1 681 933
Additions	–	161 474	161 474
Acquisition of subsidiaries	–	8 408	8 408
Disposals	–	(356 296)	(356 296)
Unrealised fair value net gains and reinvestments	–	67 161	67 161
Finance income	101 353	–	101 353
Carrying amount at 28 February 2013	1 284 159	379 874	1 664 033
Additions	**18 785**	**981 036**	**999 821**
Disposals	**–**	**(639 896)**	**(639 896)**
Consolidation of mutual funds	**–**	**243 563**	**243 563**
Deconsolidation of mutual funds	**–**	**(23 422)**	**(23 422)**
Maturities	**(528 856)**	**(34 987)**	**(563 843)**
Unrealised fair value net gains and reinvestments	**–**	**34 117**	**34 117**
Finance income	**114 085**	**2 804**	**116 889**
Realised losses	**–**	**(438)**	**(438)**
Interest and dividends accrued	**–**	**(216)**	**(216)**
Carrying amount at 28 February 2014	**888 173**	**942 435**	**1 830 608**

Notes to the annual financial statements
for the year ended 28 February 2014

	Fair value through profit or loss R000	Total R000
8. DEBT SECURITIES (continued)		
Unquoted		
Reconciliation		
Carrying amount at 1 March 2011	–	–
Additions	56 171	56 171
Acquisition of subsidiaries	212 824	212 824
Disposals	(19 817)	(19 817)
Unrealised fair value net gains and reinvestments	17 155	17 155
Carrying amount at 29 February 2012	266 333	266 333
Additions	24 879	24 879
Disposals	(70 352)	(70 352)
Unrealised fair value net gains and reinvestments	21 666	21 666
Finance income	7 611	7 611
Carrying amount at 28 February 2013	250 137	250 137
Additions	**45 052**	**45 052**
Disposals	**(43 855)**	**(43 855)**
Unrealised fair value net losses and reinvestments	**(13 987)**	**(13 987)**
Carrying amount at 28 February 2014	**237 347**	**237 347**

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.

	2014 R000	2013 R000	2012 R000
Current portion	**592 525**	640 714	111 058
Non-current portion	**1 528 907**	1 370 770	1 937 684
	2 121 432	2 011 484	2 048 742

	2014 R000	Restated* 2013 R000	Restated* 2012 R000
9. UNIT-LINKED INVESTMENTS			
Direct investments	**359 617**	308 900	139 394
Quoted – Unlisted	**359 617**	308 889	137 789
Unquoted	**–**	11	1 605
Investments linked to investment contracts (refer to note 21)	**9 859 012**	6 493 113	5 186 692
Quoted – Unlisted	**7 608 536**	4 473 311	3 471 531
Unquoted	**2 250 476**	2 019 802	1 715 161
	10 218 629	6 802 013	5 326 086

None (2013: Rnil; 2012: Rnil) of the quoted unit-linked investments are listed.

* *Comparative information has been restated for the adoption of IFRS 10 Consolidated Financial Statements. Refer to note 42 for more detail.*

	Available-for-sale R000	Restated Fair value through profit or loss R000	Restated Total R000
9. UNIT-LINKED INVESTMENTS (continued)			
Quoted – Unlisted			
Reconciliation			
Carrying amount at 1 March 2011	–	–	–
Additions	–	2 844 603	2 844 603
Acquisition of subsidiaries	32 241	3 507 302	3 539 543
Disposals	(54 943)	(3 074 958)	(3 129 901)
Deconsolidation of mutual funds	38 134	–	38 134
Unrealised fair value net gains and reinvestments	(1 559)	292 521	290 962
Consolidation of mutual funds	–	21 503	21 503
Realised profits	–	4 476	4 476
Carrying amount at 29 February 2012	13 873	3 595 447	3 609 320
Additions	9 161	3 918 668	3 927 829
Acquisition of subsidiaries	–	145 048	145 048
Disposals	(23 358)	(3 450 105)	(3 473 463)
Deconsolidation of mutual funds	–	15 951	15 951
Unrealised fair value net gains and reinvestments	(5)	552 958	552 953
Realised profits	329	3 703	4 032
Interest and dividends accrued	–	530	530
Carrying amount at 28 February 2013	–	4 782 200	4 782 200
Additions	**–**	**5 908 642**	**5 908 642**
Disposals	**–**	**(3 596 719)**	**(3 596 719)**
Consolidation of mutual funds	**–**	**(70 386)**	**(70 386)**
Deconsolidation of mutual funds	**–**	**19 485**	**19 485**
Unrealised fair value net gains and reinvestments	**–**	**915 297**	**915 297**
Realised profits	**–**	**761**	**761**
Interest and dividends accrued	**–**	**8 873**	**8 873**
Carrying amount at 28 February 2014	**–**	**7 968 153**	**7 968 153**

Notes to the annual financial statements
for the year ended 28 February 2014

	Restated Fair value through profit or loss R000	Restated Total R000
9. UNIT-LINKED INVESTMENTS (continued)		
Unquoted		
Reconciliation		
Carrying amount at 1 March 2011	–	–
Exchange differences on monetary assets	304	304
Additions	1 505 020	1 505 020
Acquisition of subsidiaries	1 320 749	1 320 749
Disposals	(1 196 600)	(1 196 600)
Disposal of subsidiaries	(9 313)	(9 313)
Deconsolidation of mutual funds	(10 670)	(10 670)
Unrealised fair value net gains and reinvestments	107 236	107 236
Realised profits	40	40
Carrying amount at 29 February 2012	1 716 766	1 716 766
Exchange differences on monetary assets	1	1
Additions	669 679	669 679
Disposals	(565 974)	(565 974)
Disposal of subsidiaries	(3 695)	(3 695)
Unrealised fair value net gains and reinvestments	202 949	202 949
Realised profits	87	87
Carrying amount at 28 February 2013	2 019 813	2 019 813
Additions	**1 511 226**	**1 511 226**
Disposals	**(1 459 808)**	**(1 459 808)**
Unrealised fair value net gains and reinvestments	**179 245**	**179 245**
Carrying amount at 28 February 2014	**2 250 476**	**2 250 476**

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.

	2014 R000	Restated 2013 R000	Restated 2012 R000
Current portion	**1 464 222**	1 383 569	1 679 428
Non-current portion	**8 754 407**	5 418 444	3 646 658
	10 218 629	6 802 013	5 326 086

	2014 R000	2013 R000	2012 R000
10. INVESTMENT IN INVESTMENT CONTRACTS			
Reconciliation			
Balance at beginning of year	**848 645**	994 380	–
Investment contract premiums paid	**10 386**	219 025	65 829
Investment contracts benefits received	**(427 742)**	(500 854)	(267 085)
Interest charge	**47 162**	53 636	21 612
Fair value adjustment/reinvestments to investment contracts	**26 993**	82 458	65 338
Acquisition of subsidiaries	**–**	–	1 108 686
Balance at end of year	**505 444**	848 645	994 380
Current portion	**216 143**	510 505	408 838
Non-current portion	**289 301**	338 140	585 542
	505 444	848 645	994 380
Fair value through profit or loss	**260 397**	326 508	525 880
Held-to-maturity	**245 047**	522 137	468 500
	505 444	848 645	994 380

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 21).

	2014 R000	2013 R000	2012 R000
11. LOANS AND ADVANCES			
Secured loans	**32 976**	37 114	–
Unsecured loans	**76 551**	81 851	67 061
Loans with non-controlling interests	**468**	468	468
	109 995	119 433	67 529
Current portion	**66 109**	62 113	29 644
Non-current portion	**43 886**	57 320	37 885
	109 995	119 433	67 529

The secured loans and a portion of the unsecured loans (2014: R0.3 million; 2013: R6.5 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 5.90% and 12.10% (2013: 0% and 15.25%). 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. 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 R33.0 million (2013: R42.0 million; 2012: Rnil) on 28 February 2014. With respect to these loans where no collateral is held (2014: R0.3 million; 2013: R1.6 million; 2012: Rnil), there are no indications as at the reporting date that these debtors will not meet their payment obligations.

Included under unsecured loans are balances of R5.0 million (2013: R8.1 million) that accrue interest and are repayable on demand. The effective interest rates applied to R1.1 million (2013: R4.9 million) of these balances range between 7.52% and 10.52% (2013: 4.88% and 7.82%). The remaining amount of R3.9 million (2013: R3.2 million) carries interest at the UK prime rate. These loans originated from the sale of the following associated companies: Karana Property Investments Proprietary Limited, Jamwa Beleggings Proprietary Limited and PSG Consult Limited. These loans were included under receivables due from related parties under note 14 in the 2012 financial year.

The remaining balance of the unsecured loans is due from financial advisors and is made up as follows: R54.0 million (2013: R53.1 million; 2012: R55.7 million) is repayable by monthly instalments and the effective interest rates applied range between 7.52% and 10.52% (2013: 7.67% and 10.67% ; 2012: 7.00% and 11.00%); R0.002 million (2013: R0.1 million; 2012: R0.2 million) is repayable by monthly instalments with a fixed interest of 10.50% and R17.3 million (2013: R13.7 million; 2012: R11.2 million) is interest-free and repayable on demand.

Notes to the annual financial statements
for the year ended 28 February 2014

11. LOANS AND ADVANCES (continued)

The remaining loans and advances are unsecured, interest-free and repayable on demand.

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 below. During the 2013 financial year provision for the impairment of unsecured loans of R1.4 million (2012: Rnil) was raised on 28 February 2013 and included under other expenses as per note 31.5.

As of 28 February 2014, loans and advances of R19.0 million (2013: R24.5 million; 2012: Rnil) were past due but not impaired. This balance (2013: R23.4 million) relates to a number of independent clients for whom there is no recent history of default. Remaining balance in the 2013 financial year represents amounts owing from financial advisors. The ageing analysis of these trade receivables is as follows:

	2014 R000	2013 R000	2012 R000
Up to 2 months	**3 021**	2 258	–
2 to 6 months	**1 337**	–	–
6 to 12 months	**14 651**	22 282	–
	19 009	24 540	–

The maximum exposure to credit risk at the reporting date is the fair value of each class of the loans and receivables mentioned above.

	2014 R000	2013 R000	2012 R000
12. DERIVATIVE FINANCIAL INSTRUMENTS			
Derivative financial assets	**21 190**	15 955	9 532
Derivative financial liabilities	**(28 406)**	(17 139)	(7 831)
Net derivative financial instruments	**(7 216)**	(1 184)	1 701
Derivative financial assets			
Current portion	**21 190**	15 955	9 532
Non-current portion	**–**	–	–
Derivative financial liabilities			
Current portion	**(28 406)**	(17 139)	(7 831)
Non-current portion	**–**	–	–
	(7 216)	(1 184)	1 701
Analysis of net derivative balance			
Equity contracts			
Contracts for difference (CFD)	**(7 216)**	(1 184)	1 701
	(7 216)	(1 184)	1 701
Reconciliation of net derivative balance			
Balance at beginning of year	**(1 184)**	1 701	35
Additions	**–**	–	68 362
Disposals	**(6 032)**	(2 885)	–
Unrealised fair value losses – held-for-trading	**–**	–	(66 696)
Balance at end of year	**(7 216)**	(1 184)	1 701

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 fair value loss of R66.7 million in the 2012 financial year related to the linked investment contracts. A corresponding fair value gain, to the same amount, earned from the assets backing the investment contract liabilities, is also included in the net fair value gains and losses on financial assets.

The notional principal amounts of the outstanding contracts for difference at 28 February 2014 were R252.4 million (2013: R326.9 million; 2012: R253.7 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.

	2014 R000	2013 R000
13. REINSURANCE ASSETS		
Reinsurers' share of insurance liabilities	**66 248**	50 883
Balance at beginning of year	**50 883**	–
Acquisition of subsidiaries	**–**	42 272
Movement for the year	**15 365**	8 611
Total assets arising from reinsurance contracts	**66 248**	50 883
Current portion	**66 248**	50 883
Non-current portion	**–**	–
	66 248	50 883

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 (2013: Rnil) were considered to be impaired.

	2014 R000	2013 R000	2012 R000
14. RECEIVABLES INCLUDING INSURANCE RECEIVABLES			
Trade receivables	**72 180**	57 714	64 146
Receivables due from related parties (refer to note 38)	**48 586**	36 029	31 079
Prepayments	**6 318**	7 425	5 145
Brokers and clearing houses and client accounts	**1 925 858**	1 557 765	2 252 659
Rental and other deposits	**4 410**	4 039	1 663
VAT receivable	**5 698**	1 200	306
Contracts for difference	**24 228**	25 548	21 469
Sundry debtors	**5 273**	1 252	740
	2 092 551	1 690 972	2 377 207
Insurance receivables			
Due from contract holders and reinsurers	**36 807**	13 184	–
Total receivables including insurance receivables*	**2 129 358**	1 704 156	2 377 207
Current portion	**2 129 126**	1 703 741	2 374 531
Non-current portion	**232**	415	2 676
	2 129 358	1 704 156	2 377 207

* *Includes non-financial assets of R12.0 million (2013: R8.6 million; 2012: R5.5 million).*

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. Provision for bad debts of R0.7 million (2013: R0.7 million; 2012: Rnil) raised in the current financial year.

Nominal value less impairment provision of trade receivables approximate its fair value.

Broker and clearing accounts represent amounts owing by the JSE for trades in the last few days before year-end. These amounts fluctuate on a daily basis depending on the activity in the markets. Included in client accounts are balances of R301.6 million (2013: R82.9 million; 2012: Rnil) which accrue interest at prime.

Included in receivables due from related parties are balances of R4.1 million (2013: R6.1 million; 2012: R7.6 million) that accrue interest. The effective interest rates applied to these balances (2012: R4.8 million) range between 11.00% and 13.00% (2013: 5.57% and 9.42%; 2012: 5.00% and 8.15%). The 2012 financial year include an amount of R2.8 million which carried interest at the UK prime rate.

Notes to the annual financial statements
for the year ended 28 February 2014

14. RECEIVABLES INCLUDING INSURANCE RECEIVABLES (continued)

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 2014 only represents the margin receivable at year-end from the financial institutions and accrue interest at SAFEX plus 2%.

As of 28 February 2014, receivables of R0.2 million (2013: R0.3 million; 2012: R3.6 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2014 R000	2013 R000	2012 R000
Up to 2 months	–	–	1 065
2 to 6 months	173	2	1 203
6 to 12 months	–	285	1 318
	173	287	3 586

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.

	2014 R000	Restated* 2013 R000	Restated* 2012 R000
15. CASH AND CASH EQUIVALENTS (INCLUDING MONEY MARKET INVESTMENTS)			
Cash at bank and in hand	399 031	376 259	344 072
Money market investments	195 291	86 122	16 678
Short-term deposits	114 862	8 281	–
	709 184	470 662	360 750

The effective interest rate on short-term deposits was 4.32% (2013: 3.13%; 2012: 3.46%). 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 R51.3 million (2013: R65.1 million; 2012: R97.2 million). Refer to note 21.

* *Comparative information has been restated for the adoption of IFRS 10 Consolidated Financial Statements. Refer to note 42 for more detail.*

	2014 R000	2013 R000	2012 R000
16. STATED/SHARE CAPITAL			
Authorised			
3 billion shares with no par value			
(2013; 2012: 1.5 billion shares with a par value of 1 cent each)	–	15 000	15 000

Issued	**Number of shares (thousands)**	**Stated/ share capital R000**	**Share premium R000**
As at 1 March 2011	733 081	7 331	346 032
Issue of ordinary shares	339 220	3 392	503 475
As at 29 February 2012	1 072 301	10 723	849 507
Issue of ordinary shares	30 051	301	58 299
Rights issue	107 230	1 072	186 025
As at 28 February 2013	1 209 582	12 096	1 093 831
Issue of ordinary shares	12 335	123	28 696
Share premium transferred upon conversion of shares to no par value shares	–	1 122 527	(1 122 527)
As at 28 February 2014	**1 221 917**	**1 134 746**	**–**

16. STATED/SHARE CAPITAL (continued)

The shares issued during the current financial year was to fulfil the group's obligation towards the share options which vested on 1 March 2013.

During the 2013 financial year the group undertook a non-renounceable transferable rights offer of 107.2 million ordinary shares, in the ratio of 1 rights offer share per every 10 ordinary shares held in PSG Konsult, and issued these rights at 175 cents per rights offer share to the ordinary shareholders of PSG Konsult, registered in the share register of the company as such at the close of business on Wednesday, 22 August 2012. The group was successful in raising capital of R187.7 million with this rights issue, with costs of R0.6 million incurred.

The shares issued during the 2013 financial year was as a result of the acquisition of a further 51% share in Western Group Holdings Limited on 1 November 2012. Refer to note 39.3 for the detail of the transaction.

The shares issued during the 2012 financial year was as a result of the amalgamation of PSG Asset Management Holdings Proprietary Limited on 1 March 2011, as the transaction was structured in the form of a share swap. Refer to note 39.3 for the detail of the transaction.

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.

The shares bought back as treasury shares during the current and prior financial years by PSG Management Services Proprietary Limited (previously PSG Konsult Management Services Proprietary Limited) are reflected as a deduction against equity. Refer to note 43 for the share analysis.

	Treasury shares	
Analysis of treasury shares:	**Number of shares (thousands)**	**R000**
As at 1 March 2011	7	–
Purchase of treasury shares	2 970	4 610
Reissue of treasury shares	(1 273)	(2 039)
As at 29 February 2012	1 704	2 571
Purchase of treasury shares	17 493	25 398
Reissue of treasury shares	(18 797)	(29 003)
Release of profits to retained earnings	–	1 654
As at 28 February 2013	400	620
Reissue of treasury shares	**(42)**	**(74)**
As at 28 February 2014	**358**	**546**

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 – 2014: five; 2013: two; 2012: one). In terms of the scheme, share options are granted to executive directors, senior and middle management. The share incentive scheme replaced the phantom share incentive scheme (refer to note 23) on 1 March 2011.

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 R5.9 million (2013: R2.4 million; 2012: R2.3 million). The share-based payment cost expensed during the year was credited to other reserves (as part of equity – refer to note 17).

The weighted average strike price of share options exercised in terms of the equity-settled share scheme during the year under review was R1.54 per share (2013: no shares vested; 2012: no shares vested).

The total fair value of the 87.1 million share options granted is R22.8 million (2013: 39.5 million share options granted with fair value of R8.4 million; 2012: 27.8 million share options granted with fair value of R7.2 million) and was determined using the Black Scholes valuation model.

Vesting of share options 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

Notes to the annual financial statements
for the year ended 28 February 2014

16. STATED/SHARE CAPITAL (continued)

Granting of share options occurred as follows:	**Number of share options**	**Strike price R**	**Volatility used** %**	**Dividend yield %**	**Risk-free rate %**	**Fair value of share price R**
1 March 2011*	27 761 084	1.54	4.74	5.65	7.89	1.75
1 July 2012	11 753 248	1.83	2.93	5.85	7.38	1.85
1 March 2013	46 250 000	2.83	30.00	6.00	6.20	2.40
1 June 2013	1 000 000	2.80	24.00	4.20	7.26	2.55
1 August 2013	300 000	3.40	24.00	3.46	7.26	3.50
	87 064 332					

* *During the 2014 financial year, 12.3 million shares vested with a weighted average strike price of R1.54 per share, and 2.4 million shares were cancelled.*

** *Volatility set at historical trend levels of PSG Konsult shares.*

Analysis of outstanding scheme shares by financial year of maturity:	**2014** Weighted average strike price (R)	**2014** Number	2013 Weighted average strike price (R)	2013 Number	2012 Weighted average strike price (R)	2012 Number
28 February 2013	**–**	**–**	–	–	1.54	6 940 271
28 February 2014	**–**	**–**	1.54	6 940 271	1.54	6 940 271
28 February 2015	**1.66**	**7 271 992**	1.63	9 878 583	1.54	6 940 271
29 February 2016	**2.39**	**19 159 492**	1.63	9 878 583	1.54	6 940 271
28 February 2017	**2.39**	**19 159 492**	1.63	9 878 583	–	–
28 February 2018	**2.63**	**14 825 813**	1.83	2 938 312	–	–
28 February 2019	**2.83**	**11 887 500**	–	–	–	–
		72 304 289		39 514 332		27 761 084

PSG Konsult Limited ordinary shares

	2014 Number	2013 Number	2012 Number
Number of shares options allocated at beginning of the year	**39 514 332**	27 761 084	–
Number of shares options cancelled during the year	**(2 424 886)**	–	–
Number of shares options vested during the year	**(12 335 157)**	–	–
Number of shares options allocated during the year	**47 550 000**	11 753 248	27 761 084
Number of shares options allocated at end of the year	**72 304 289**	39 514 332	27 761 084

The weighted average PSG Konsult share price for the year was R4.10 (2013: R2.21; 2012: R1.59).

	Available-for-sale R000	Foreign currency translation R000	Share-based payment R000	Common control R000	Total R000
17. OTHER RESERVES					
Balance as at 1 March 2011	–	(1 728)	–	(124 780)	(126 508)
Share-based payment costs – employees	–	–	2 284	–	2 284
Currency translation adjustments	–	340	–	–	340
Fair value losses on available-for-sale financial assets	(942)	–	–	–	(942)
Recycling adjustment on available-for-sale assets	1 426	–	–	–	1 426
Acquisition of subsidiaries	–	–	–	(344 122)	(344 122)
Disposal of subsidiaries	–	–	–	(2 218)	(2 218)
Balance as at 29 February 2012	484	(1 388)	2 284	(471 120)	(469 740)
Share-based payment costs – employees	–	–	2 441	–	2 441
Currency translation adjustments	–	892	–	–	892
Fair value gains on available-for-sale financial assets	625	–	–	–	625
Recycling adjustment on available-for-sale assets	(1 109)	–	–	–	(1 109)
Disposal of subsidiaries	–	–	–	335	335
Deferred tax on equity-settled share-based payments	–	–	3 294	–	3 294
Balance as at 28 February 2013	–	(496)	8 019	(470 785)	(463 262)
Share-based payment costs – employees	**–**	**–**	**5 941**	**–**	**5 941**
Currency translation adjustments	**–**	**985**	**–**	**–**	**985**
Deferred tax on equity-settled share-based payments	**–**	**–**	**11 190**	**–**	**11 190**
Balance as at 28 February 2014	**–**	**489**	**25 150**	**(470 785)**	**(445 146)**

	2014 R000	2013 R000	2012 R000
18. NON-CONTROLLING INTEREST			
Balance as at 1 March	**34 190**	17 725	10 787
Profit/(loss) for the year	**16 702**	(4 760)	7 357
Dividends paid	**(1 038)**	(824)	(4 202)
Acquisition of subsidiaries	**(42)**	–	7 176
Disposal of subsidiaries	**(424)**	–	(5 327)
Transactions with non-controlling interest	**45 856**	–	110
Additional interest acquired from non-controlling interest	**(25 757)**	(64)	(1 104)
Non-controlling interest arising on business combinations	**–**	22 113	2 928
Capital contribution by non-controlling interest	**16 735**	–	–
Balance as at 28/29 February	**86 222**	34 190	17 725

Transactions with non-controlling interest, as disclosed in the statement of changes in equity, relates mainly to the various transactions in the shareholding of Western Group Holdings Limited in the 2014 financial year. Refer to note 39.7.

Notes to the annual financial statements
for the year ended 28 February 2014

	2014 R000	Restated* 2013 R000	2012 R000
19. INSURANCE CONTRACTS AND REINSURANCE ASSETS			
Gross			
Long-term insurance contracts (refer to a)	**26 859**	30 419	29 949
Short-term insurance contracts			
– claims reported and loss adjustment expenses (refer to b)	**85 097**	35 242	–
– claims incurred but not reported (IBNR) (refer to c)	**39 379**	25 641	–
– unearned premiums and unexpired risk provision (refer to d)	**341 828**	286 782	–
Total insurance liabilities – gross	**493 163**	378 084	29 949
Recoverable from reinsurers			
Long-term insurance contracts (refer to a)	**–**	–	–
Short-term insurance contracts			
– claims reported and loss adjustment expenses (refer to b)	**36 880**	26 001	–
– claims incurred but not reported (IBNR) (refer to c)	**15 132**	12 762	–
– unearned premiums and unexpired risk provision (refer to d)	**14 236**	12 120	–
Total reinsurers' share of insurance liabilities	**66 248**	50 883	–
Net			
Long-term insurance contracts (refer to a)	**26 859**	30 419	29 949
Short-term insurance contracts			
– claims reported and loss adjustment expenses (refer to b)	**48 217**	9 241	–
– claims incurred but not reported (IBNR) (refer to c)	**24 247**	12 879	–
– unearned premiums and unexpired risk provision (refer to d)	**327 592**	274 662	–
Total insurance liabilities – net	**426 915**	327 201	29 949

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 28 February 2014 and 28 February 2013 are not material.

Movements in insurance contracts and reinsurance assets:

	2014 R000	Restated* 2013 R000	2012 R000
a) Long-term insurance contracts			
Balance at beginning of year	**30 419**	29 949	–
Liabilities released for payments on death, surrender and other terminations for the year	**(3 221)**	(3 381)	(3 277)
Fees deducted from account balances	**(211)**	(227)	(226)
Acquisition of subsidiaries	**–**	–	29 896
Changes in unit prices	**(128)**	4 078	3 556
Balance at end of year	**26 859**	30 419	29 949

Refer to pages 213 and 214 for the significant assumptions used in the long-term insurance contract liabilities.

* *Comparative information has been restated for the reclassification of the unexpired risk provision. Refer to note 42 for more detail.*

	2014 Gross R000	2014 Reinsurance R000	2014 Net R000	Restated* 2013 Gross R000	Restated* 2013 Reinsurance R000	Restated* 2013 Net R000
19. INSURANCE CONTRACTS AND REINSURANCE ASSETS (continued)						
b) Claims reported and loss adjustment expenses						
Total at the beginning of the year	**35 242**	**(26 001)**	**9 241**	–	–	–
Cash paid for claims settled in the year	**(397 274)**	**108 156**	**(289 118)**	(82 998)	30 303	(52 695)
Increase in liabilities						
– arising from current year claims	**458 557**	**(145 036)**	**313 521**	87 670	(34 292)	53 378
– arising from prior year claims	**(35 242)**	**26 001**	**(9 241)**	–	–	–
Reinsurance inception balance**	**23 814**	**–**	**23 814**	–	–	–
Acquisition of subsidiaries	**–**	**–**	**–**	30 570	(22 012)	8 558
Total at the end of the year	**85 097**	**(36 880)**	**48 217**	35 242	(26 001)	9 241
c) Provision for IBNR						
Total at the beginning of the year	**25 641**	**(12 762)**	**12 879**	–	–	–
Charged to the income statement	**13 738**	**(2 370)**	**11 368**	727	(569)	158
Acquisition of subsidiaries	**–**	**–**	**–**	24 914	(12 193)	12 721
Total at the end of the year	**39 379**	**(15 132)**	**24 247**	25 641	(12 762)	12 879
d) Provision for unearned premiums and unexpired risk provision						
Total at the beginning of the year	**286 782**	**(12 120)**	**274 662**	–	–	–
Charged to the income statement	**36 204**	**(2 116)**	**34 088**	19 005	(4 053)	14 952
Acquisition of subsidiaries	**–**	**–**	**–**	267 777	(8 067)	259 710
Portfolio transfer	**17 208**	**–**	**17 208**	–	–	–
Reinsurance inception balance**	**1 634**	**–**	**1 634**	–	–	–
Total at the end of the year	**341 828**	**(14 236)**	**327 592**	286 782	(12 120)	274 662

* *Comparative information has been restated for the reclassification of the unexpired risk provision. Refer to note 42 for more detail.*

** *Balances recognised on inception date of two reinsurance agreements concluded with third-party insurers in South Africa.*

No short-term insurance contract liabilities existed in the 2012 financial year as the group only acquired the interest in Western Group Holdings Limited in the 2013 financial year.

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.

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.

Notes to the annual financial statements
for the year ended 28 February 2014

	2014 R000	2013 R000	2012 R000
20. BORROWINGS			
Non-current			
Secured loans	**49 162**	96 872	89 485
Finance leases	**11 140**	–	583
Total non-current borrowings	**60 302**	96 872	90 068
Current			
Secured loans	**344 611**	121 356	25 953
Finance leases	**3 534**	583	496
Promissory notes	**–**	–	58 602
Bank overdrafts	**11**	41	45
Bank borrowings	**–**	–	1
Related-party loans (refer to note 38)	**914**	251	539
Other short-term loans	**2 816**	3 494	2 974
Total current borrowings	**351 886**	125 725	88 610
Total borrowings	**412 188**	222 597	178 678

The secured loans consist of loans with Rand Merchant Bank, Investec Bank Limited and Societe Generale. The loan with Rand Merchant Bank of R69.8 million (2013: R98.1 million; 2012: R81.5 million) is secured by the investment in Online Securities Limited. The loan consists of three separate loans, of which R14.1 million (2013: R22.5 million; 2012: R30.1 million) accrues interest at JIBAR plus 4.30% and is repayable in quarterly instalments of R2.5 million, with the final instalment on 12 August 2015, a second loan of R40.9 million (2013: R52.2 million; 2012: R20.4 million) which accrues interest at JIBAR plus 4.20% and is repayable in quarterly instalments of R3.9 million, with the final instalment on 16 December 2016, and another of R14.8 million (2013: R23.4 million; 2012: R31.0 million) which accrues interest at a fixed rate of 11.64% and is repayable in quarterly instalments of R2.7 million, with the final instalment on 20 July 2015.

The loan with Investec Bank Limited is 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 R22.4 million (2013: R37.3 million; 2012: R34.0 million), is secured by adviser loans of R22.9 million (2013: R36.0 million; 2012: R32.7 million). The loan consists of two separate loans, one of R13.1 million (2013: R23.1 million; 2012: R16.9 million) which accrues interest at prime and is repayable in monthly instalments of R0.8 million, with the final instalment on 1 December 2015 and another of R9.3 million (2013: R14.2 million; 2012: R17.1 million) which accrues interest at prime and is repayable in monthly instalments of R0.3 million, with the final instalment on 1 February 2017.

The loan with Societe Generale, which is secured by the underlying ALSI 100 equity securities, South African Government Bonds Securities and cash held by the clients in their BDA accounts in terms of the scrip lending facility entered into with Online Securities Limited, is available for a 12-month period and will be renegotiated annually. The collateralised revolving facility with a balance of R301.6 million (2013: R82.9 million), secured by assets with a market value of R2.4 billion (2013: R1.5 billion) at 28 February 2014, accrues interest at the repo rate plus 1.30% and is settled on a daily basis depending on the value of the security.

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 4 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. The finance leases in the 2013 and 2012 financial years were payable in 42 equal instalments that commenced on 1 September 2010, with a final instalment paid on 1 February 2014 and accrued interest at 16.21% per annum.

20. BORROWINGS (continued)

The finance lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

	2014 R000	2013 R000	2012 R000
Gross finance lease liabilities – minimum lease payments:			
Less than 1 year	**4 253**	635	635
Between 1 and 5 years	**12 059**	–	635
	16 312	635	1 270
Future finance charges on finance lease liabilities	**(1 638)**	(52)	(191)
Balance at end of year	**14 674**	583	1 079
The present value of finance lease liabilities is as follows:			
Less than 1 year	**3 534**	583	496
Between 1 and 5 years	**11 140**	–	583
Balance at end of year	**14 674**	583	1 079

Bank borrowings and overdrafts are payable on demand and accrue daily interest at the prime rate less 1% (2013; 2012: prime rate less 1%).

All other balances are interest-free and repayable on demand.

The carrying value of short-term borrowings approximates their fair value.

	2014 R000	2013 R000	2012 R000
21. INVESTMENT CONTRACTS			
Balance at beginning of year	**10 272 444**	9 144 681	–
Investment contract receipts	**3 777 908**	2 868 109	1 291 953
Investment contract benefits paid	**(2 605 576)**	(2 884 673)	(1 838 620)
Acquisition of subsidiaries	**–**	–	9 112 357
Interest charge	**103 043**	158 528	139 546
Commission and administration expenses	**(94 720)**	(42 291)	(45 112)
Fair value adjustment to investment contract liabilities	**1 239 669**	1 028 090	484 557
Balance at end of year	**12 692 768**	10 272 444	9 144 681
Current portion	**1 931 398**	2 816 614	1 713 541
Non-current portion	**10 761 370**	7 455 830	7 431 140
	12 692 768	10 272 444	9 144 681
Fair value through profit or loss	**11 544 683**	8 419 067	7 479 781
At amortised cost	**1 148 085**	1 853 377	1 664 900
	12 692 768	10 272 444	9 144 681
Investment contracts are represented by the following investments:			
Equity securities	**600 249**	981 144	865 353
Debt securities	**1 676 726**	1 884 446	2 001 038
Unit-linked investments	**9 859 012**	6 493 113	5 186 692
Investment in investment contracts	**505 444**	848 645	994 380
Cash and cash equivalents	**51 337**	65 096	97 218
	12 692 768	10 272 444	9 144 681

Notes to the annual financial statements
for the year ended 28 February 2014

	2014 R000	Restated* 2013 R000	Restated* 2012 R000
22. THIRD-PARTY LIABILITIES ARISING ON CONSOLIDATION OF MUTUAL FUNDS			
Balance at beginning of year	**109 032**	124 614	–
Capital contributions received/(paid)	**19 765**	(29 928)	(3 607)
Fair value adjustment to third-party liabilities	**79 387**	29 888	8 965
Acquisition of subsidiaries	**–**	–	37 016
Consolidation of mutual fund	**187 652**	–	119 256
Deconsolidation of mutual fund	**(23 667)**	(15 542)	(37 016)
Balance at end of year	**372 169**	109 032	124 614
Current portion	**372 169**	109 032	124 614
Non-current portion	**–**	–	–
	372 169	109 032	124 614

* *Comparative information has been restated for the adoption of IFRS 10 Consolidated Financial Statements. Refer to note 42 for more detail.*

	Employee benefits		
	2014 R000	2013 R000	2012 R000
23. ACCRUALS FOR OTHER LIABILITIES AND CHARGES			
Balance at beginning of year	**–**	–	5 945
Utilised during the year	**–**	–	(5 945)
Balance at end of year	**–**	–	–

The 2012 accrual balance related to employee benefits accrual for performance-based remuneration. The provision consisted of a management bonus scheme as approved by the remuneration committee during 2006. The bonus scheme was terminated in the year ended 28 February 2011 and management participating in the scheme received final settlement in the 2012 financial year. A second, third and fourth scheme commenced 1 March 2007, 1 March 2008 and 1 March 2009 respectively for additional management members added to the scheme. The bonus provision was determined annually based on the headline earnings per share adjusted for the amortisation of intangibles and short-term incentives payable. The total provision was also adjusted for any resignations or cancellations of benefits as agreed with the remuneration committee on an annual basis. The management bonus scheme was replaced by the share incentive schemes. Refer to note 16.

	2014 R000	Restated** 2013 R000	Restated** 2012 R000
24. TRADE AND OTHER PAYABLES			
Trade payables	**268 488**	156 635	177 908
Contracts for difference	**38 061**	39 829	31 336
Deferred revenue	**7 001**	4 658	5 203
Purchase consideration payable	**3 981**	6 288	66 809
VAT payable	**17 599**	10 705	10 078
Unallocated premiums	**145 485**	41 878	15 907
Short-term claim creditors	**13 487**	23 834	20 676
Settlement control account	**1 577 178**	1 542 115	2 316 768
Amounts due to intermediaries	**7 638**	4 490	–
Amounts due to reinsurers	**34 019**	22 652	–
Foreign reinsurers' reserve deposits	**16 977**	18 778	–
Investment policy benefits payable	**–**	–	1 880
Total trade and other payables*	**2 129 914**	1 871 862	2 646 565
* *Includes non-financial liabilities of R115.1 million (2013: R44.5 million; 2012: R70.3 million).*			
Current portion	**2 129 558**	1 871 862	2 629 442
Non-current portion	**356**	–	17 123
	2 129 914	1 871 862	2 646 565

** *Comparative information has been restated for the adoption of IFRS 10 Consolidated Financial Statements. Refer to note 42 for more detail.*

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 28 February 2014 represents the margin payable at year-end by the group to clients and accrues interest at SAFEX plus 0.75%.

Included in purchase consideration payable are balances of R2.7 million (2013: R2.5 million; 2012: R56.6 million) that accrue interest. The effective interest rates applied range between 6.50% and 8.50% (2013: between 6.70% and 8.70%; 2012: between 6.50% and 9.00%).

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 on 28 February 2014 amounting to R6.7 million 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.

	2014 R000	2013 R000
25. DEFERRED ACQUISITION COSTS AND DEFERRED REINSURANCE ACQUISITION REVENUE		
a) Deferred acquisition costs		
At the beginning of the year	**1 110**	–
Movement for the period	**(85)**	(178)
Acquisition of subsidiaries	**–**	1 288
Total at the end of the year	**1 025**	1 110
b) Deferred reinsurance acquisition revenue		
At the beginning of the year	**2 889**	–
Movement for the period	**(47)**	975
Acquisition of subsidiaries	**–**	1 914
Total at the end of the year	**2 842**	2 889

Notes to the annual financial statements

for the year ended 28 February 2014

	2014 R000	2013 R000	2012 R000
26. COMMISSION AND OTHER FEE INCOME			
Commission and policy administration fees*	**1 559 218**	1 252 146	1 134 171
Dealing and structuring	**245 730**	208 331	201 611
Trading profits	**194**	395	930
	1 805 142	1 460 872	1 336 712

* *Includes management fees and commission received from related-party hedge funds, offshore unit trusts and local investment schemes of R437.8 million (2013: R299.6 million; 2012: R231.6 million). Refer to note 38.*

	2014 R000	2013 R000	2012 R000
27. INVESTMENT INCOME			
Interest income*			
Loans and advances	**27 360**	7 219	4 166
Contracts for difference – interest received on margin	**39 690**	39 703	16 777
Debt securities – at fair value through profit or loss	**4 585**	33 330	36 165
Unit-linked investments – at fair value through profit or loss	**204 303**	148 439	121 867
Interest received from related parties (refer to note 38)	**1 044**	417	296
Cash and short-term funds	**23 016**	17 868	14 765
	299 998	246 976	194 036
Dividend income*			
Equity securities – at fair value through profit or loss	**19 489**	21 274	53 138
Debt securities – preference shares	**15 325**	13 791	12 411
Unit-linked investments – available-for-sale	**–**	–	2 059
Unit-linked investments – at fair value through profit or loss	**44 597**	62 639	–
Dividend income received from related parties (refer to note 38)	**240**	373	1 412
Dividend income from underwriting business	**–**	–	9 575
	79 651	98 077	78 595
Rental income	**385**	132	–
	380 034	345 185	272 631

* *Includes interest received of R9.6 million (2013: R15.6 million; 2012: R16.3 million) and dividends received of R11.9 million (2013: R4.6 million; 2012: R3.5 million) from related-party local investment schemes. Refer to note 38.*

No interest income (2013 Rnil; 2012: Rnil) was earned on impaired financial assets during the year.

	2014 R000	Restated** 2013 R000	Restated** 2012 R000
28. NET FAIR VALUE GAINS AND LOSSES ON FINANCIAL INSTRUMENTS			
Foreign exchange gains	**1 995**	1 457	1 505
Foreign exchange losses	**(1 112)**	(372)	(689)
Net fair value gains on held-to-maturity financial assets	**145 921**	154 989	141 126
Net fair value gains/(losses) on financial assets and financial liabilities designated at fair value through profit or loss:			
Unrealised fair value gains/(losses) – designated items	**583 104**	439 085	(81 476)
Realised fair value gains – designated items	**441 656**	376 446	378 003
Net realised gains/(losses) on available-for-sale financial assets:			
Unit-linked investments	**–**	118	(1 658)
Debt securities	**–**	1 245	–
	1 171 564	972 968	436 811

** *Comparative information has been restated for the adoption of IFRS 10 Consolidated Financial Statements. Refer to note 42 for more detail.*

	2014 R000	2013 R000	2012 R000
29. OTHER OPERATING INCOME			
Extinguishment of obligations	**–**	10 193	19 056
Profit on disposal of subsidiaries	**643**	5 160	1 131
Profit on disposal of property and equipment	**152**	119	267
Profit on disposal of intangible assets	**–**	885	5 650
Profit on disposal of associated companies	**3 919**	342	–
Income from related parties (refer to note 38)	**355**	557	863
Training income	**9 024**	7 462	9 692
JSE settlement cost recoveries	**4 684**	4 214	3 202
Sundry income	**23 340**	13 315	2 368
	42 117	42 247	42 229

	Gross R000	Reinsurance R000	Net R000
30. NET INSURANCE BENEFITS AND CLAIMS			
2014			
Short-term insurance contracts			
Claims paid	**411 185**	**(111 496)**	**299 689**
Movement in the expected cost of outstanding claims	**39 779**	**(13 248)**	**26 531**
Salvages	**(13 911)**	**3 340**	**(10 571)**
Individual life long-term insurance contracts – death, maturity, surrender and sick leave benefits and transfers to policyholder liabilities			
Insurance policy benefits paid	**3 220**	**–**	**3 220**
Movement to insurance policy liabilities (refer to note 19)	**128**	**–**	**128**
Total claims and loss adjustment expense	**440 401**	**(121 404)**	**318 997**
2013 (Restated)*			
Short-term insurance contracts			
Claims paid	82 998	(30 303)	52 695
Movement in the expected cost of outstanding claims	5 399	(4 558)	841
Salvages	(7 745)	916	(6 829)
Individual life long-term insurance contracts – death, maturity, surrender and sick leave benefits and transfers to policyholder liabilities			
Insurance policy benefits paid	3 617	–	3 617
Movement to insurance policy liabilities (refer to note 19)	(4 078)	–	(4 078)
Total claims and loss adjustment expense	80 191	(33 945)	46 246
2012			
Individual life long-term insurance contracts – death, maturity, surrender and sick leave benefits and transfers to policyholder liabilities			
Insurance policy benefits paid	3 277	–	3 277
Movement to insurance policy liabilities (refer to note 19)	(3 556)	–	(3 556)
Total claims and loss adjustment expense	(279)	–	(279)

* *Comparative information has been restated for the reclassification of the unexpired risk provision. Refer to note 42 for more detail.*

Notes to the annual financial statements
for the year ended 28 February 2014

	2014 R000	Restated* 2013 R000	Restated* 2012 R000
31. EXPENSES (EXCLUDING NET INSURANCE BENEFITS AND CLAIMS)			
31.1 Commission paid			
Commission paid to brokers and financial planners	**824 757**	605 771	491 055
31.2 Depreciation, amortisation and impairment expenses			
Depreciation	**13 518**	13 176	12 835
Owner-occupied buildings	**133**	44	–
Motor vehicles	**127**	161	164
Office equipment	**6 203**	5 811	5 451
Computer equipment	**7 055**	7 160	7 220
Impairment of intangible assets	**–**	124 657	11 519
Amortisation of intangible assets	**27 078**	28 346	30 844
	40 596	166 179	55 198
31.3 Employee benefit expenses			
Salaries, wages, allowances and terminations	**400 999**	343 148	319 965
Social security costs (e.g. UIF, medical benefits)	**22 259**	16 576	14 250
Equity-settled share-based payment costs	**5 941**	2 441	2 284
Pension costs - defined contribution plans	**22 688**	20 092	18 444
	451 887	382 257	354 943
31.4 Fair value adjustment to third-party liabilities	**79 387**	29 888	8 965
31.5 Marketing, administration and other expenses			
Operating lease rentals	**45 013**	46 759	45 884
Properties	**42 108**	42 377	42 404
Equipment and other	**2 905**	4 382	3 480
Auditor's remuneration	**9 782**	7 349	8 829
Audit services - current year	**8 788**	7 207	8 629
Audit services - prior year	**522**	(76)	25
Tax services	**124**	42	40
Other services	**348**	176	135
Management fees paid	**74 622**	49 345	66 204
Marketing expenses	**23 881**	21 095	19 318
Professional fees	**10 631**	7 436	7 459
Other administration expenses	**160 943**	147 253	139 258
JSE and STRATE expenses	**29 125**	29 427	29 470
Research and administration systems	**19 624**	19 107	19 631
Information technology expenses	**23 971**	19 212	16 554
Office expenses	**13 424**	13 208	12 995
Telephone expenses	**10 214**	10 721	11 984
Travel expenses	**15 553**	15 991	12 505
Other expenses	**49 032**	39 587	36 119
Loss on disposal of associated companies	**1**	7 538	–
Loss on disposal of book of business	**66**	5 064	–
Loss on disposal of property and equipment	**–**	397	–
Loss on remeasurement of previous equity interest	**128**	959	895
Loss on disposal of intangible assets	**13**	790	373
Loss on disposal of subsidiaries	**–**	555	860
Fair value adjustment to investment property	**475**	–	–
	325 555	294 540	289 080

Refer to directors' report for detail of directors' remuneration on pages 104 and 105.

* *Comparative information for fair value adjustment to third-party liabilities has been restated for the adoption of IFRS 10 Consolidated Financial Statements. Refer to note 42 for more detail.*

	2014 R000	2013 R000	2012 R000
32. FINANCE COSTS			
Redeemable preference shares	**–**	–	144
Contracts for difference – interest paid on margin	**8 470**	9 746	8 360
Debt securities – held-to-maturity	**103 043**	158 528	139 546
Loans from related parties (refer to note 38)	**–**	–	1 053
Other borrowings	**27 258**	21 124	20 528
	138 771	189 398	169 631

	2014 R000	2013 R000	2012 R000
33. TAXATION			
Current taxation			
Current year	**128 332**	77 405	67 060
Prior year	**(1 187)**	(4 996)	959
	127 145	72 409	68 019
Deferred taxation			
Current year	**(13 836)**	3 207	372
Prior year	**(436)**	164	(2 109)
	(14 272)	3 371	(1 737)
Foreign current taxation			
Current year	**6 775**	43	30
Prior year	**36**	–	–
	6 811	43	30
Foreign deferred taxation			
Current year	**(2 059)**	–	–
Prior year	**52**	–	–
	(2 007)	–	–
Secondary tax on companies			
Current taxation	**–**	6 810	7 204
	–	6 810	7 204
Total income statement charge	**117 677**	82 633	73 516

Notes to the annual financial statements
for the year ended 28 February 2014

	2014 %	2013 %	2012 %
33. TAXATION (continued)			
Reconciliation of effective rate of taxation			
South African normal taxation rate	**28.0**	28.0	28.0
Adjusted for:			
Non-taxable income	**(2.3)**	(8.4)	(5.4)
Capital gains tax differential in rates	**–**	(1.3)	1.3
Non-deductible charges	**0.5**	29.2	3.2
Prior year (underprovision)/overprovision	**(0.3)**	(3.7)	0.3
Income from associated companies and joint ventures	**(0.4)**	(0.8)	–
Prior year deferred tax adjustments	**(0.1)**	0.2	(1.2)
Deferred tax movement on acquisition of books of business	**–**	–	(1.1)
Foreign tax rate differential	**(0.3)**	(1.2)	(0.4)
Secondary tax on companies (STC) and other withholding tax	**–**	5.7	3.1
Tax in policyholder funds	**5.9**	19.8	3.7
Tax deductible expenses not accounted for in income statement	**(0.1)**	–	(0.2)
Realisation of deferred tax on disposal of intangible asset	**(0.1)**	(1.8)	–
Realisation of deferred tax on impairment of intangible asset	**–**	(4.9)	–
Deferred tax asset not recognised for tax losses and other	**(0.1)**	–	–
Effective rate of taxation*	**30.7**	60.8	31.3

* *Effective tax rate for the 2013 financial year is significantly higher than comparative periods due to the impairment of intangible assets not being deductible for tax purposes.*

	2014 R000	2013 R000	2012 R000
Unutilised STC credits			
STC credits available within the group	**–**	–	1 013
Deferred tax asset provided for	**–**	–	(929)
Available for future utilisation	**–**	–	84
Unutilised tax losses			
Gross calculated tax losses at the end of the year available for utilisation against future taxable income	**70 623**	70 987	35 057
Deferred tax asset provided on	**(69 350)**	(70 987)	(34 996)
Available for future utilisation	**1 273**	–	61
The tax credit relating to components of other comprehensive income is as follows:			
Before tax			
Currency translation adjustments	**985**	892	340
Fair value gains/(losses) on available-for-sale financial assets	**–**	769	(1 223)
Reclassification adjustment on available-for-sale financial assets	**–**	(1 363)	1 658
	985	298	775
Tax credit			
Fair value (losses)/gains on available-for-sale financial assets	**–**	(144)	281
Reclassification adjustment on available-for-sale financial assets	**–**	254	(232)
	–	110	49
After tax			
Currency translation adjustments	**985**	892	340
Fair value gains/(losses) on available-for-sale financial assets	**–**	625	(942)
Reclassification adjustment on available-for-sale financial assets	**–**	(1 109)	1 426
Other comprehensive income for the year, net of tax	**985**	408	824

	2014 R000	2013 R000	2012 R000
34. EARNINGS PER SHARE			
The calculations of earnings per share is based on the following:			
Profit attributable to ordinary shareholders	**249 258**	58 131	154 322
Non-headline earnings (net of non-controlling interest and related tax effect):			
(Profit)/loss on disposal of associated companies	**(3 499)**	7 196	–
Gross amount	**(3 919)**	7 196	–
Non-controlling interest	**420**	–	–
Tax effect	**–**	–	–
Loss on remeasurement of previous equity interest	**128**	959	895
Gross amount	**128**	959	895
Non-controlling interest	**–**	–	–
Tax effect	**–**	–	–
(Profit)/loss on disposal of book of business	**(382)**	3 212	–
Gross amount	**66**	5 064	–
Non-controlling interest	**–**	–	–
Tax effect	**(448)**	(1 852)	–
Loss/(profit) on disposal of intangible assets (including goodwill)	**1 622**	(1 049)	(3 690)
Gross amount	**13**	(95)	(5 277)
Non-controlling interest	**1 642**	(373)	942
Tax effect	**(33)**	(581)	645
Impairment of intangible assets (including goodwill)	**–**	110 999	9 756
Gross amount	**–**	124 657	11 519
Non-controlling interest	**–**	(7 019)	(389)
Tax effect	**–**	(6 639)	(1 374)
Impairment of associated companies	**342**	51	–
Gross amount	**342**	51	–
Non-controlling interest	**–**	–	–
Tax effect	**–**	–	–
(Profit)/loss on disposal of property and equipment	**(116)**	311	(213)
Gross amount	**(152)**	278	(267)
Non-controlling interest	**6**	–	4
Tax effect	**30**	33	50
Non-headline items of associated companies	**(2 457)**	(323)	83
Gross amount	**(4 452)**	(286)	79
Non-controlling interest	**1 539**	–	–
Tax effect	**456**	(37)	4
(Profit)/loss on disposal of available-for-sale financial assets	**–**	(1 109)	1 426
Gross amount	**–**	(1 363)	1 658
Non-controlling interest	**–**	–	–
Tax effect	**–**	254	(232)
Profit on disposal of investment in subsidiaries	**(643)**	(4 570)	(297)
Gross amount	**(643)**	(4 605)	(271)
Non-controlling interest	**–**	–	–
Tax effect	**–**	35	(26)
Fair value adjustment to investment property	**232**	–	–
Gross amount	**266**	–	–
Non-controlling interest	**(34)**	–	–
Tax effect	**–**	–	–
Headline earnings	**244 485**	173 808	162 282

Notes to the annual financial statements
for the year ended 28 February 2014

	2014 Number of shares 000	2013 Number of shares 000	2012 Number of shares 000
34. EARNINGS PER SHARE (continued)			
The calculation of the weighted average number of shares is as follows:			
Number of shares at the beginning of year	**1 209 582**	1 070 689	733 081
Net movement from rights issue	**–**	49 016	–
Weighted number of shares issued during the year	**11 316**	9 641	338 286
Net movement in treasury shares	**(375)**	2 534	(678)
Weighted number of shares at end of year	**1 220 523**	1 131 880	1 070 689
Diluted weighted number of shares at the end of the year	**1 220 523**	1 131 880	1 070 689

	2014 R000	2013 R000	2012 R000
Basic and diluted			
Earnings attributable to ordinary shareholders	**249 258**	58 131	154 322
Headline earnings	**244 485**	173 808	162 282
Weighted average number of ordinary shares in issue (000)	**1 220 523**	1 131 880	1 070 689
Basic and diluted earnings per share (cents)	**20.4**	5.1	14.4
Headline earnings per share (cents)	**20.0**	15.4	15.2
Net asset value per share (cents)	**89.1**	76.0	67.8
Tangible net asset value per share (cents)	**30.0**	15.4	(8.3)

	2014 R000	2013 R000	2012 R000
35. DIVIDEND PER SHARE			
Normal dividend	**137 936**	119 427	76 127

Interim
4.0 cents per share (2013: 3.5 cents; 2012: 3.0 cents)
Final
7.3 cents per share (2013: 7.3 cents; 2012: 7.3 cents)

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 below), the group had the following capital commitment and contingencies as at 28 February 2014:

- Capital expenditure in terms of computer hardware and software and development costs for administration systems that was authorised at 28 February 2014, but not yet contracted of R9.4 million (2013: R11.1 million; 2012: R12.2 million).
- At 28 February 2014, the group had R1.0 million (2013: R1.3 million; 2012: R0.1 million) capital expenditure contracted or authorised, but not yet incurred.
- As per note 20, PSG Konsult Limited ceded its rights and title to its shareholding in Online 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 a fixed term loan from Rand Merchant Bank. The value of the cession is capped at the initial loan amount of the two facilities in place, being R150.0 million, of which R10.0 million (2013: R10.0 million; 2012: R50.0 million) is unutilised at 28 February 2014.
- As per note 20, 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 28 February 2014 was R22.4 million (2013: R37.3 million; 2012: R34.0 million).
- The group also provided suretyships to the value of R16.5 million (2013: R21.1 million; 2012: R26.6 million) in favour of various financial institutions for the purchase of books of business by advisers.
- The group, like all other financial services groups in South Africa, is subject to litigation in the normal course of its business. 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. The group confirms, purely for purpose of transparency, that one of its subsidiaries, PSG Life Limited (previously PSG FutureWealth Limited), is inter alia, involved in litigation with Worldwide Capital, but does not believe the potential effect of such claims to be material.

	2014 R000	2013 R000	2012 R000
Operating lease commitments			
Future minimum lease commitments in terms of:			
Operating leases – premises			
Due within 1 year	**27 181**	25 432	30 610
Due within 1 to 5 years	**48 529**	33 461	30 333
Due after 5 years	**–**	1 451	–
	75 710	60 344	60 943
Operating leases – equipment			
Due within 1 year	**1 890**	2 459	2 032
Due within 1 to 5 years	**326**	1 950	3 897
	2 216	4 409	5 929

The group leases a number of premises under non-cancellable operating lease agreements. The ordinary lease terms are between two and three 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 6.00% to 10.00% (2013: 4.00% to 11.00%; 2012: 8.00% 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 20 to the financial statements.

The group also has an undrawn overdraft facility of R30.0 million (2013: R30.0 million; 2012: R29.0 million) with Absa Bank Limited at 28 February 2014.

Notes to the annual financial statements
for the year ended 28 February 2014

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. 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.

	2014 R000	2013 R000	2012 R000
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	**359**	34	139
PSG Capital Proprietary Limited	**–**	2	–
Included in receivables from companies in the PSG Konsult Limited Group			
PSG Consult Limited	**–**	–	4 266
Cinetaur Proprietary Limited	**–**	1 172	891
Jamwa Beleggings Proprietary Limited	**–**	–	1 222
Karana Property Investments Proprietary Limited	**–**	–	1 246
Woodwind Trading Proprietary Limited	**1 086**	1 257	1 307
Make-a-Million Online Proprietary Limited	**39**	8	–
Excluwin Traders Proprietary Limited	**–**	694	–
Prexision Asset Finance Proprietary Limited	**835**	1 056	–
Jan Jonker Property Investment Trust	**3 285**	3 160	–
Balances due from hedge funds, offshore unit trusts and local unit trusts: Related-party receivables			
Local unit trusts	**35 198**	23 776	18 098
Offshore unit trusts	**7 784**	4 870	3 647
Hedge funds	**–**	–	263
	48 586	36 029	31 079
Refer to note 14 for the detail of the amount receivable from related parties.			
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	**802**	157	173
Zeder Financial Services Limited	**18**	–	12
Included in borrowings from companies in the PSG Konsult Limited Group			
Make-a-Million Proprietary Limited	**94**	94	350
PSG Consult Limited	**–**	–	4
	914	251	539
Refer to note 20 for the detail of the borrowings from related parties.			
Balances due to offshore unit trusts and local unit trusts: Related-party payable			
Local unit trusts	**2 472**	1 073	–
Offshore unit trusts	**2 314**	313	–
	4 786	1 386	–
Investments held in related-party funds			
The following investments are held in related parties:			
Preference share investment in PSG Financial Services Limited	**2 705**	2 930	17 756
Investments in hedge funds	**–**	–	5 176
Investments in unit trusts	**4 569 439**	1 963 908	923 537
	4 572 144	1 966 838	946 469

38. RELATED-PARTY TRANSACTIONS (continued)

Other related balances

As at 29 February 2012, promissory notes to the value of R58.6 million was obtained from the PSG Money Market Fund, a related-party local unit trust fund. The custodians and settlement agents to these promissory notes were Standard Bank and Absa Bank. As at 28 February 2013, these promissory notes were repaid in full.

	2014 R000	2013 R000	2012 R000
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 Financial Services Limited	–	–	244
PSG Capital Proprietary Limited	–	20	19
PSG Corporate Services Proprietary Limited	355	537	600
	355	557	863
PSG Konsult Limited and its subsidiaries and associated companies and joint ventures			
Prexision Asset Finance Proprietary Limited	2	–	–
	357	557	863
Transaction with hedge funds, offshore unit trusts and local unit trusts			
Management fees from related-party funds			
Local unit trusts	364 039	251 393	196 168
Offshore unit trusts	73 738	43 626	32 601
Hedge funds	–	4 553	2 878
	437 777	299 572	231 647
Commission and fees paid to companies in the PSG Group			
PSG Group Limited and its subsidiaries			
PSG Corporate Services Proprietary Limited	350	276	250
Zeder Financial Services Limited	112	20	99
PSG Konsult Limited and its associated companies and joint ventures			
Make-a-Million Proprietary Limited	–	–	1 211
	462	296	1 560
Marketing, administration and other fees paid to companies in the PSG Group			
PSG Group Limited and its subsidiaries			
PSG Corporate Services Proprietary Limited	1 661	–	–
PSG Capital Proprietary Limited	25	–	–
Grayston Elliot Proprietary Limited	54	–	–
PSG Konsult Limited and its subsidiaries and associated companies and joint ventures			
Tradesure Marine Proprietary Limited	1 907	–	–
	3 647	–	–

Notes to the annual financial statements
for the year ended 28 February 2014

	2014 R000	2013 R000	2012 R000
38. RELATED-PARTY TRANSACTIONS (continued)			
Interest received from PSG Konsult Limited Group companies			
Xinergistix Limited	**901**	–	–
PSG Consult Limited	**–**	104	40
Cinetaur Proprietary Limited	**–**	85	66
Jamwa Beleggings Proprietary Limited	**–**	107	88
Karana Property Investments Proprietary Limited	**–**	62	102
Excluwin Traders Proprietary Limited	**17**	23	–
Jan Jonker Property Investment Trust	**126**	36	–
	1 044	417	296
Transaction with hedge funds, offshore unit trusts and local unit trusts			
Related-party interest received			
Local unit trusts	**9 599**	15 616	16 259
Interest paid to companies in the PSG Group			
PSG Group Limited and its subsidiaries			
PSG Corporate Services Proprietary Limited	**–**	–	1 053
Dividends received from companies in the PSG Group			
PSG Group Limited and its subsidiaries			
PSG Financial Services Limited	**240**	373	1 412
Transactions with hedge funds, offshore unit trusts and local unit trusts			
Related-party dividends received			
Local unit trusts	**11 949**	4 600	3 536

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 104 and 105 of the directors' report.

During the 2013 financial year, preference share funding of R61.3 million was advanced to a related party of 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.

39. NOTES TO THE STATEMENTS OF CASH FLOWS

39.1 Cash generated by/(utilised in) operating activities

	2014 R000	Restated* 2013 R000	Restated* 2012 R000
Profit before finance costs and taxation	**522 408**	325 402	404 826
Adjustment for non-cash items and other:			
Depreciation of property and equipment	**13 518**	13 176	12 835
Impairment of intangible assets and property and equipment	**–**	124 744	11 519
Amortisation of intangible assets	**27 078**	28 346	30 844
Interest received	**(299 998)**	(246 976)	(194 036)
Dividends received	**(79 651)**	(98 077)	(78 595)
Share of (profits)/losses of associated companies, net of dividend received and impairment	**(2 776)**	(3 187)	331
Share of profits of joint ventures, net of dividend received	**(3 375)**	(158)	–
Profit on disposal of property and equipment	**(152)**	(119)	(267)
Profit on disposal of intangible assets	**–**	(885)	(5 650)
Profit on disposal of subsidiaries	**(643)**	(5 161)	(1 131)
Profit on disposal of associated companies	**(3 919)**	(342)	–
Loss on disposal of books of business	**66**	5 064	–
Loss on disposal of subsidiaries	**–**	555	860
Loss on disposal of associated companies	**1**	7 538	–
Loss on disposal of intangible assets	**13**	790	373
Loss on disposal of property and equipment	**–**	397	–
Net fair value gains on financial instruments	**(1 170 681)**	(971 883)	(435 995)
Fair value adjustment to investment contracts policyholder liabilities	**1 239 669**	1 060 212	611 367
Fair value adjustment to third-party liabilities	**79 387**	29 888	8 965
Equity-settled share-based payment costs	**5 941**	2 441	2 284
Fair value adjustment to investment properties	**266**	–	–
Loss on remeasurement of previous equity interest	**128**	959	895
	327 280	272 724	369 425
Changes in working capital			
Receivables including insurance receivables	**(408 156)**	694 957	(2 181 985)
Reinsurance assets	**(15 365)**	(8 610)	–
Deferred acquisition costs	**85**	178	–
Deferred reinsurance acquisition revenue	**(47)**	975	–
Intergroup loans obtained	**663**	157	185
Intergroup loans repaid	**(323)**	(221)	(13 984)
Loans and advances	**9 438**	(21 795)	(27 678)
Accruals for other liabilities and charges	**–**	–	(5 945)
Trade and other payables	**256 596**	(758 037)	2 075 444
Other financial instruments	**(355 022)**	(355 513)	(270 396)
Third-party liabilities arising on consolidation of mutual funds	**19 765**	(29 928)	(3 607)
Borrowings	**203 732**	82 897	–
Insurance contracts	**115 079**	24 873	53
	153 725	(97 343)	(58 488)

* *Comparative information has been restated for the adoption of IFRS 10 Consolidated Financial Statements and for the Societe Generale loan facility reclassification. Refer to note 42 for more detail.*

Notes to the annual financial statements
for the year ended 28 February 2014

	2014 R000	2013 R000	2012 R000
39. NOTES TO THE STATEMENTS OF CASH FLOWS (continued)			
39.2 Taxation paid			
Charge to profit and loss	**(117 677)**	(82 633)	(73 516)
Movement in deferred taxation	**(16 279)**	3 371	(1 737)
Acquisition of subsidiaries	**–**	873	(5 969)
Disposal of subsidiaries	**59**	–	–
Movement in net taxation liability	**8 944**	(6 592)	(1 248)
	(124 953)	(84 981)	(82 470)

39.3 Subsidiaries acquired

Acquisition of subsidiaries concluded during the financial year ended 28 February 2014

i) Cinetaur Proprietary Limited

Effective 1 November 2013, the group, through its subsidiary Abrafield Proprietary Limited, acquired an additional 35% interest in Cinetaur Proprietary Limited (Cinetaur) for R350. The investment in this associated company was derecognised on 31 October 2013 as the group obtained control over this company. Cinetaur was treated as a subsidiary from 1 November 2013 and fully consolidated from that date. This step acquisition resulted in a non-headline loss of R0.1 million.

Details of the net assets and goodwill acquired are as follows:	2014 R000
Cash paid on effective date	**–**
Non-controlling interest	**42**
Less: Net liabilities acquired at carry value	**(170)**
Loss on remeasurement of previous equity interest	**128**
Derecognition of investment in associated companies	**–**
Goodwill recognised on acquisition	**–**
Cash consideration paid	**–**
Cash and cash equivalents acquired	**137**
Net cash flow	**137**

No goodwill recognised at acquisition date. The group recognised the non-controlling interest in the acquiree at the non-controlling interest's proportionate share of the acquiree's net assets. As a result of the transaction, a loss of R0.1 million was recognised in 'marketing, administration and other expenses'. Refer to note 31.5.

The assets and liabilities arising from the acquisition are as follows:	Fair value R000	Acquiree's carrying amount R000
Investment property	**4 975**	**4 975**
Deferred income tax	**81**	**81**
Receivables including insurance receivables	**41**	**41**
Cash and cash equivalents (including money market investments)	**137**	**137**
Borrowings	**(5 265)**	**(5 265)**
Trade and other payables	**(139)**	**(139)**
Total identifiable net liabilities	**(170)**	**(170)**

The income included in the consolidated income statement since 1 November 2013 was R0.8 million. Cinetaur contributed to profit after taxation of R0.2 million over the same period.

Had Cinetaur been consolidated from 1 March 2013, the consolidated income statement would have shown income of R1.0 million and profit after taxation of R0.04 million.

39. NOTES TO THE STATEMENTS OF CASH FLOWS (continued)

39.3 Subsidiaries acquired (continued)

Acquisition of subsidiaries concluded during the financial year ended 28 February 2014 (continued)

ii) PSG Optimal Income Fund

The group obtained control in the PSG Optimal Income Fund towards the end of the financial year. The fund was consolidated in accordance with IFRS 10 Consolidated Financial Statements at 28 February 2014 and the group held an interest of 34.1% in this fund. The PSG Optimal Income Fund is a Collective Investment Scheme managed by PSG Asset Management.

Details of the net assets acquired are as follows:	2014 R000
Debt securities	243 563
Unit-linked investments	26 590
Receivables including insurance receivables	15 771
Third-party liabilities arising on consolidation of mutual funds	(187 652)
Trade and other payables	(1 296)
Net asset value	96 976
Fair value of equity interest held before the business combination	(96 976)
Net cash flow	–

Had PSG Optimal Income Fund been consolidated from 1 March 2013, the consolidated income statement would have shown income of R15.3 million and profit after taxation of Rnil. The details of the net assets acquired, as disclosed above, represent fair value. All the gross contractual receivables are expected to be collected.

Acquisitions of subsidiaries concluded during the financial year ended 28 February 2013

Western Group Holdings Limited

Effective 1 March 2012, the group acquired a 24% interest in Western Group Holdings Limited (Western) for R19.3 million, a Namibia-based holding company with two short-term insurance licences, one in South Africa and the other in Namibia. Negotiations were concluded to increase the stake held in Western, which was subject to regulatory approvals. The regulatory approvals was obtained on 6 November 2012, on which date PSG Konsult obtained a additional 51% interest in this company, raising its effective interest to 75%. With this, the group obtained access to these short-term insurance licences, to incorporate these in the short-term value chain of the group. Western was accounted for as an investment in associated company up to 31 October 2012. From 1 November 2012, the company was accounted for as a subsidiary of the group. This step acquisition resulted in a non-headline loss of R1.0 million. The consideration was paid with the issue of PSG Konsult shares (30.1 million shares at R1.95 per share) and the remaining R53.6 million paid in cash on the effective date.

Details of the net assets and goodwill acquired are as follows:	2013 R000
Cash paid on effective date	53 600
PSG Konsult Limited ordinary shares issued (30.1 million @ R1.95 per share)	58 600
Total purchase consideration	112 200
Non-controlling interest	22 113
Less: Net assets acquired at carry value	(88 451)
Loss on remeasurement of previous equity interest	(959)
Derecognition of investment in associated companies	21 674
Goodwill recognised on acquisition	66 577
Cash consideration paid	53 600
Cash and cash equivalents acquired	(114 223)
Net cash flow	(60 623)

Notes to the annual financial statements
for the year ended 28 February 2014

39. NOTES TO THE STATEMENTS OF CASH FLOWS (continued)

39.3 Subsidiaries acquired (continued)

Acquisitions of subsidiaries concluded during the financial year ended 28 February 2013 (continued)

The goodwill is attributable to the synergies unlocked after acquisition and the expected cost savings of the acquisition. The group recognised the non-controlling interest in the acquiree at the non-controlling interest's proportionate share of the acquiree's net assets. The fair value of the equity interest held in Western Group Holdings Limited on the date of transaction was R20.7 million. As a result of the transaction, a loss of R1.0 million was recognised in 'marketing, administration and other expenses'. Refer to note 31.5.

The assets and liabilities arising from the acquisition are as follows:	Fair value R000	Acquiree's carrying amount R000
Property and equipment	6 266	6 266
Intangible assets	10 744	–
Investment property	2 036	2 036
Investments in associated companies	37 187	37 187
Investments in joint ventures	8 524	8 524
Equity securities	12 988	12 988
Debt securities	16 750	16 750
Unit-linked investments	145 048	145 048
Loans and advances	37 310	37 310
Reinsurance assets	42 272	42 272
Receivables including insurance receivables	24 624	24 624
Cash and cash equivalents (including money market investments)	114 223	114 223
Deferred income tax	8 701	8 701
Deferred income tax liability raised on intangible assets	(3 008)	–
Current income tax asset	263	263
Insurance contracts	(323 261)	(323 261)
Deferred acquisition revenue relating to reinsurance contracts	(1 914)	(1 914)
Deferred acquisition costs relating to insurance contracts	1 288	1 288
Borrowings	(618)	(618)
Trade and other payables	(50 972)	(50 972)
Total identifiable net assets	88 451	80 715

The net insurance premium income included in the consolidated income statement since 1 November 2012, contributed by Western Group Holdings Limited was R66.6 million. Western Group Holdings Limited also contributed profit after taxation of R4.2 million (before amortisation, release of deferred tax on intangible assets and non-controlling interest) over the same period.

Had Western Group Holdings Limited been consolidated from 1 March 2012, the consolidated income statement would have shown net insurance premium income of R197.3 million and profit after taxation of R13.9 million (before amortisation, release of deferred tax on intangible assets and non-controlling interest).

39. NOTES TO THE STATEMENTS OF CASH FLOWS (continued)

39.3 Subsidiaries acquired (continued)

Acquisitions and/or incorporations of subsidiaries or books of business concluded during the financial year ended 29 February 2012

i) PSG Asset Management Holdings Proprietary Limited

On 1 March 2011, the operations of PSG Fund Management, PSG Alphen, PSG Tanzanite, PSG Absolute Investments and PSG Life Limited (previously PSG FutureWealth) were amalgamated with those of PSG Konsult Limited. The merge followed the restructuring of the financial services businesses within the PSG Group and promoted the sharing of resources and skills with the goal of improved service delivery. The transaction, structured in the form of a share swop resulting in the issuance of 339.2 million PSG Konsult Limited shares for a total consideration of R506.9 million (giving a per share swop price of R1.494 per PSG Konsult share), was positioned under a newly incorporated company, PSG Asset Management Holdings Proprietary Limited.

The IFRS on business combinations (IFRS 3) does not apply to this business combination, as it is effected between parties that are ultimately controlled by PSG Group Limited, otherwise known as a common control transaction. The company has elected to apply 'predecessor accounting'.

Details of the net assets acquired are as follows:	2012 R000
PSG Konsult Limited shares issued – 339.2 million shares	506 867
Total purchase consideration	506 867
Non-controlling interest	7 176
Less: Net assets acquired at carry value	(169 921)
Increase in common control reserve on 1 March 2011	344 122
Cash consideration paid	–
Cash and cash equivalents acquired	(256 249)
Net cash flow in the 2012 financial year	(256 249)

The difference between the consideration given and the predecessor values is recognised directly in equity in a common control reserve. As a result, no goodwill recognised on acquisition.

The assets and liabilities arising from the acquisition are as follows:	Acquiree's carrying amount R000
Property and equipment	2 070
Intangible assets	34 289
Investments in associated companies	500
Equity securities	921 321
Unit-linked investments	4 858 659
Debt securities	2 214 032
Investments in investment contracts	1 108 686
Receivables including insurance receivables	48 710
Cash and cash equivalents (including money market investments)	256 249
Third-party liabilities arising on consolidation of mutual funds	(37 016)
Deferred income tax	29 698
Insurance contracts	(29 898)
Investment contracts	(9 112 357)
Intergroup accounts	(2 184)
Trade and other payables	(117 169)
Current income tax liabilities	(5 669)
Total identifiable net assets	169 921

The income included in the consolidated income statement since 1 March 2011, contributed by PSG Asset Management Holdings Proprietary Limited was R549.5 million for the 2012 financial year. PSG Asset Management Holdings Proprietary Limited also contributed profit after taxation of R53.2 million over the same period.

Notes to the annual financial statements
for the year ended 28 February 2014

39. NOTES TO THE STATEMENTS OF CASH FLOWS (continued)

39.3 Subsidiaries acquired (continued)

ii) iHound Proprietary Limited

Effective 1 March 2011, the group through its subsidiary PSG Wealth Group Service Proprietary Limited (previously PSG Online Solutions Proprietary Limited) acquired an additional 31% interest in this online lead-generating company, raising its effective interest to 51%. The consideration of R1.5 million was paid in full on 31 May 2011.

The company was previously accounted for as an investment in associated company up to 28 February 2011. From 1 March 2011 this company was accounted for as a subsidiary of the group.

Details of the net assets and goodwill acquired are as follows:	2012 R000
Cash paid on effective date	1 484
Total purchase consideration	1 484
Less: Fair value of net assets acquired	(4 473)
Plus: Non-controlling interest	2 928
Plus: Acquisition date fair value of the acquirer's previously held equity interest in acquiree	1 195
Goodwill recognised on acquisition	1 134
Cash consideration paid	1 484
Cash and cash equivalents acquired	(231)
Net cash flow in the 2012 financial year	1 253

The goodwill is attributable to the synergies unlocked after acquisition and the expected cost savings of the acquisition. The group recognised the non-controlling interest in the acquiree at the non-controlling interest's proportionate share of the acquiree's net assets. As a result of the transaction, a loss of R0.9 million was recognised in 'marketing, administration and other expenses'. Refer to note 31.5.

The assets and liabilities arising from the acquisition are as follows:	Fair value R000	Acquiree's carrying amount R000
Intangible assets	5 365	–
Receivables including insurance receivables	1 589	1 589
Cash and cash equivalents (including money market investments)	231	231
Deferred income tax	(1 502)	–
Trade and other payables	(1 210)	(1 210)
Total identifiable net assets	4 473	610

The income, included in the consolidated income statement since 1 March 2011, contributed by iHound Proprietary Limited was R5.2 million for the 2012 financial year. iHound Proprietary Limited also contributed profit after taxation of R0.7 million over the same period.

39. NOTES TO THE STATEMENTS OF CASH FLOWS (continued)

39.3 Subsidiaries acquired (continued)

iii) Pleroma Insurance Brokers Group

The group, through its subsidiary PSG Employee Benefits Limited (previously PSG Konsult Corporate Limited) acquired the business in this financial services group (a short-term insurance broker and administrator) for a consideration of R30.7 million. The effective date of the transaction was 1 May 2011. On 1 June 2011, 50% of the purchase consideration was paid, 25% was payable on 1 May 2012 and the remaining 25% on 1 October 2012 and carried interest at prime interest rate less 2.5%.

The transaction added approximately R100.0 million in premiums, 5 000 clients and contributed 10% of PSG Employee Benefit's headline earnings for the year ended 29 February 2012.

Details of the net assets and goodwill acquired are as follows:	2012 R000
Cash paid on effective date	15 500
Cash due on effective date	15 226
Total purchase consideration	30 726
Less: Fair value of net assets acquired	(10 036)
Goodwill recognised on acquisition	20 690
Cash consideration paid	15 500
Cash and cash equivalents acquired	–
Net cash flow in the 2012 financial year	15 500

	2013 R000
Cash consideration paid	15 226
Cash consideration paid – interest	99
Net cash flow in the 2013 financial year	15 325

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

The assets and liabilities arising from the acquisition are as follows:	Fair value R000	Acquiree's carrying amount R000
Intangible assets	13 938	–
Deferred income tax	(3 902)	–
Total identifiable net assets	10 036	–

The income, included in the consolidated income statement, contributed by Pleroma Insurance Brokers Group was R15.8 million for the 2012 financial year. Pleroma Insurance Brokers Group also contributed profit (before amortisation, finance cost and corporate expenses) of R3.0 million over the same period.

Had Pleroma Insurance Brokers Group been consolidated from 1 March 2011, the consolidated income statement would have shown income of R19.1 million and profit (before amortisation, finance cost and corporate expenses) of R3.9 million for the 2012 financial year.

Notes to the annual financial statements
for the year ended 28 February 2014

39. NOTES TO THE STATEMENTS OF CASH FLOWS (continued)

39.3 Subsidiaries acquired (continued)

iv) EFS Investment Solutions Proprietary Limited (Equinox)

Effective 1 May 2011, the group, through its subsidiaries PSG Wealth Group Services Proprietary Limited (previously PSG Online Solutions Proprietary Limited) and PSG Asset Management Holdings Proprietary Limited acquired a 100% interest in EFS Investment Solutions (Equinox), an online unit trust trading platform, for a total consideration of R26.9 million. The R24.2 million was paid on the effective date, with the remaining balance of R2.7 million paid on 29 February 2012.

Equinox was obtain by the group to acquire a LISP licence, and to incorporate this within our Wealth division to ensure that the group are able to service its clients in all the stages of the asset flow value chain. Equinox provides an electronic trading platform for individual investors, as well as enabling investment advisers to manage portfolios on behalf of clients. The transaction added 9 000 clients, with assets under management of R1.9 billion, to the group's client base.

Details of the net assets and goodwill acquired are as follows:	2012 R000
Cash paid on effective date	24 195
Cash due on effective date (paid in full before year-end)	2 724
Total purchase consideration	26 919
Less: Fair value of net assets acquired	(16 025)
Goodwill recognised on acquisition	10 894
Cash consideration paid	26 919
Cash and cash equivalents acquired	(3 757)
Net cash flow in the 2012 financial year	23 162

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

The assets and liabilities arising from the acquisition are as follows:	Fair value R000	Acquiree's carrying amount R000
Intangible assets	6 965	–
Property and equipment	350	350
Unit-linked investments	1 674	1 674
Receivables including insurance receivables	714	714
Cash and cash equivalents (including money market investments)	3 757	3 757
Deferred income tax	3 870	4 611
Current tax payable	(301)	(301)
Trade and other payables	(1 004)	(1 004)
Total identifiable net assets	16 025	9 801

The income, included in the consolidated income statement, contributed by Equinox was R29.0 million for the 2012 financial year. Equinox also contributed profit after taxation of R7.3 million over the same period.

Had Equinox been consolidated from 1 March 2011, the consolidated income statement would have shown income of R34.8 million and profit after taxation of R8.8 million for the 2012 financial year.

39. NOTES TO THE STATEMENTS OF CASH FLOWS (continued)

39.3 Subsidiaries acquired (continued)

v) Triumviri Financial Advisors Proprietary Limited

The group (through its subsidiary PSG Konsult Short-Term Insurance Brokers Proprietary Limited) acquired the short-term insurance business for a consideration of R2.0 million on 1 June 2011. On 1 June 2011, 75% of the purchase consideration was paid and the remaining 25% (subject to a profit guarantee) was payable on 31 May 2012 and carried interest at prime from the effective date.

Details of the net assets and goodwill acquired are as follows:	2012 R000
Cash paid on effective date	508
Cash due on effective date	1 526
Total purchase consideration	2 034
Less: Fair value of net assets acquired	(806)
Goodwill recognised on acquisition	1 228
Cash consideration paid	508
Cash and cash equivalents acquired	–
Net cash flow in the 2012 financial year	508

	2013 R000
Cash consideration expected to be paid	1 526
Adjustment to purchase consideration	(1 120)
Net cash flow in the 2013 financial year	406

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

The assets and liabilities arising from the acquisition are as follows:	Fair value R000	Acquiree's carrying amount R000
Intangible assets	1 119	–
Deferred income tax	(313)	–
Total identifiable net assets	806	–

The income, included in the consolidated income statement, contributed by Triumviri Financial Advisors Proprietary Limited was R1.1 million for the 2012 financial year. Triumviri Financial Advisors Proprietary Limited also contributed profit (before amortisation, finance cost and corporate expenses) of R0.1 million over the same period.

Had Triumviri Financial Advisors Proprietary Limited been consolidated from 1 March 2011, the consolidated income statement would have shown income of R1.5 million and profit (before amortisation, finance cost and corporate expenses) of R0.1 million for the 2012 financial year.

Notes to the annual financial statements
for the year ended 28 February 2014

39. NOTES TO THE STATEMENTS OF CASH FLOWS (continued)

39.3 Subsidiaries acquired (continued)

vi) Agri Wilson Makelaars BK

Effective 1 June 2011, the group (through its subsidiary PSG Konsult Short-Term Insurance Brokers Proprietary Limited) acquired the short-term insurance business for a consideration of R3.1 million. On 1 June 2011, 60% of the purchase consideration was paid and the remaining 40% (subject to a profit guarantee) was payable on 31 May 2012 and carried no interest.

Details of the net assets and goodwill acquired are as follows:	2012 R000
Cash paid on effective date	1 889
Cash due on effective date	1 260
Total purchase consideration	3 149
Less: Fair value of net assets acquired	(992)
Goodwill recognised on acquisition	2 157
Cash consideration paid	1 889
Cash and cash equivalents acquired	–
Net cash flow in the 2012 financial year	1 889

	2013 R000
Cash consideration paid	1 260
Cash consideration paid – interest	–
Net cash flow in the 2013 financial year	1 260

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

The assets and liabilities arising from the acquisition are as follows:	Fair value R000	Acquiree's carrying amount R000
Intangible assets	1 378	–
Deferred income tax	(386)	–
Total identifiable net assets	992	–

The income, included in the consolidated income statement, contributed by Agri Wilson Makelaars BK was R1.1 million for the 2012 financial year. Agri Wilson Makelaars BK also contributed profit (before amortisation, finance cost and corporate expenses) of R0.3 million over the same period.

Had Agri Wilson Makelaars BK been consolidated from 1 March 2011, the consolidated income statement would have shown income of R1.5 million and profit (before amortisation, finance cost and corporate expenses) of R0.4 million for the 2012 financial year.

39. NOTES TO THE STATEMENTS OF CASH FLOWS (continued)

39.3 Subsidiaries acquired (continued)

vii) Acquisition of hedge funds and collective investment schemes

The group held an interest of 97.9% in the PSG Stable Fund, an interest of 100% in the PSG Income Fund and an interest of 50.6% in the Orange Prime Fund at 29 February 2012.

Details of the net assets acquired are as follows:	2012 R000
Equity securities	39 238
Debt securities	11 626
Receivables including insurance receivables	1 111
Cash and cash equivalents (including money market investments)	43 437
Third-party liabilities arising on consolidation of mutual funds	(16 008)
Trade and other payables	(216)
Net asset value	79 188
Fair value of equity interest held before the business combination	(79 188)
Total purchase consideration	–
Less: cash and cash equivalents acquired	(43 437)
Net cash inflow	(43 437)

viii) Acquisition of PSG Multi-Management Foreign Flexible Fund of Funds (previously PSG Alphen Foreign Flexible Fund of Funds)

The group consolidated the PSG Multi-Management Foreign Flexible Fund of Funds in accordance with IFRS 10 Consolidated Financial Statements from 1 March 2011 as the group obtained control of the fund with the acquisition of PSG Asset Management Holdings Proprietary Limited. The PSG Multi-Management Foreign Flexible Fund of Funds is a Collective Investment Scheme managed by PSG Asset Management.

Details of the net assets acquired are as follows:	2012 R000
Unit-linked investments	155 307
Cash and cash equivalents (including money market investments)	2 839
Third-party liabilities arising on consolidation of mutual funds	(103 248)
Trade and other payables	(282)
Net asset value	54 616
Fair value of equity interest held before the business combination	(54 616)
Total purchase consideration	–
Less: cash and cash equivalents acquired	(2 839)
Net cash inflow	(2 839)

The detail of the net assets acquired, as disclosed above, represent fair value. The total income and profit and loss that were included during the 2012 financial year as a result of consolidating the fund was R9.0 million and Rnil respectively.

Notes to the annual financial statements
for the year ended 28 February 2014

39. NOTES TO THE STATEMENTS OF CASH FLOWS (continued)

39.3 Subsidiaries acquired (continued)

Summary of cash flows for the year ended 28 February	2014 R000	Restated 2013 R000	Restated 2012 R000
Acquisitions in 2014			
i) Cinetaur Proprietary Limited	**137**	–	–
Acquisitions in 2013			
i) Western Group Holdings Limited	**–**	(60 623)	–
Acquisitions in 2012			
i) PSG Asset Management Holdings Proprietary Limited	**–**	–	(256 249)
ii) iHound Proprietary Limited	**–**	–	1 253
iii) Pleroma Insurance Brokers Group	**–**	15 325	15 500
iv) EFS Investment Solutions Proprietary Limited (Equinox)	**–**	–	23 162
v) Triumviri Financial Advisors Proprietary Limited	**–**	406	508
vi) Agri Wilson Makelaars BK	**–**	1 260	1 889
vii) Acquisition of hedge funds and collective investment schemes	**–**	–	(43 437)
viii) Acquisition of PSG Multi-Management Foreign Flexible Fund of Funds	**–**	–	(2 839)
ix) Various books of business acquired	**–**	–	12 000
Acquisitions in 2011			
i) Bouwer Collins Insurance Brokers Proprietary Limited	**–**	–	8 896
ii) Diagonal Street Financial Services Proprietary Limited	**–**	11 102	18 237
iii) AdviceAtWork Proprietary Limited	**–**	20 185	–
iv) NNB Financial Services Proprietary Limited	**–**	3 503	3 214
	137	(8 842)	(217 866)

39.4 Disposal of subsidiaries

Disposal of subsidiaries concluded during the financial year ended 28 February 2014

i) PSG Stable Fund

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

Net assets of subsidiary sold:	2014 R000
Equity securities	**16 876**
Debt securities	**23 422**
Unit-linked investments	**5 439**
Receivables including insurance receivables	**558**
Cash and cash equivalents (including money market investments)	**2 401**
Third-party liabilities arising on consolidation of mutual funds	**(23 667)**
Trade and other payables	**(106)**
Net asset value	**24 923**
Transfer to unit-linked investments	**(24 923)**
Total cash consideration received	**–**
Cash and cash equivalents of subsidiary	**(2 401)**
Net cash flow on disposal of subsidiary	**(2 401)**

39. NOTES TO THE STATEMENTS OF CASH FLOWS (continued)

39.4 Disposal of subsidiaries (continued)

Disposal of subsidiaries concluded during the financial year ended 28 February 2014 (continued)

ii) iHound Proprietary Limited

Effective 1 March 2013, the group, through its subsidiary PSG Wealth Group Services Proprietary Limited (previously PSG Online Solutions Proprietary Limited), sold its 51% interest in iHound Proprietary Limited to JAG Web Marketing CC for R0.7 million. The consideration was received in full during March 2013.

Net assets of subsidiary sold:	2014 R000
Property and equipment	**33**
Deferred income tax assets	**319**
Receivables including insurance receivables	**224**
Cash and cash equivalents (including money market investments)	**37**
Borrowings	**(47)**
Trade and other payables	**(18)**
Current income tax liabilities	**(59)**
Net asset value of subsidiary sold	**489**
Non-controlling interest	**(424)**
Profit on disposal of subsidiary	**643**
Total cash consideration received	**708**
Cash and cash equivalents of subsidiary	**(37)**
Net cash flow on disposal of subsidiary	**671**

Disposal of subsidiaries or books of business concluded during the financial year ended 28 February 2013

i) PSG South Easter Fund Management Proprietary Limited

The group, through its subsidiary PSG Asset Management Holdings Proprietary Limited, sold its interest in PSG South Easter Fund Management Proprietary Limited on 1 December 2012 for a consideration of R8.1 million. First instalment was based on the tangible net asset value of PSG South Easter Fund Management Proprietary Limited at 30 November 2012 plus 0.5% of AUM at the date of disposal. The deferred payments are based on 0.5% of AUM at 30 November 2013 and 30 November 2014 respectively. The company was derecognised as a subsidiary from this date.

Net assets of subsidiary sold:	2013 R000
Property and equipment	38
Unit-linked investments	3 695
Receivables including insurance receivables	479
Cash and cash equivalents	1 768
Deferred income tax asset	48
Current income tax liabilities	(610)
Trade and other payables	(2 525)
Net assets of subsidiary sold	2 893
Profit on disposal of subsidiary	5 161
Total cash consideration received	8 054
Deferred consideration	(3 331)
Cash and cash equivalents of subsidiary	(1 768)
Net cash flow on disposal of subsidiary in the 2013 financial year	2 955

Notes to the annual financial statements
for the year ended 28 February 2014

39. NOTES TO THE STATEMENTS OF CASH FLOWS (continued)

39.4 Disposal of subsidiaries (continued)

Disposal of subsidiaries or books of business concluded during the financial year ended 28 February 2013 (continued)

ii) Disposal of books of business

The group, through its subsidiary Topexec Management Bureau Proprietary Limited, sold its third-party short-term administration business (Riscor) on 1 September 2012 to a third party for a consideration of R13.6 million. The consideration was received in full on the effective date.

Net assets of books of business sold:	2013 R000
Property and equipment	390
Intangible assets	18 231
Net assets of books of business sold	18 621
Loss on disposal of books of business	(5 064)
Total cash consideration received	13 557
Cash and cash equivalents of books of business	–
Net cash flow on disposal of books of business in the 2013 financial year	13 557

iii) Disposal of hedge fund

The group deconsolidated the Orange Prime Fund during the 2013 financial year as the group lost control of this fund due to a decrease in the direct interest in this fund.

Net assets of subsidiary sold:	2013 R000
Equity securities	30 467
Receivables including insurance receivables	1 111
Third-party liabilities arising on consolidation of mutual funds	(15 542)
Trade and other payables	(85)
Net asset value	15 951
Transfer to investments in unit linked investments	(15 951)
Total cash consideration received	–

39. NOTES TO THE STATEMENTS OF CASH FLOWS (continued)

39.4 Disposal of subsidiaries (continued)

Disposal of subsidiaries concluded during the financial year ended 29 February 2012

i) PSG Active Fund Services Limited (Guernsey)

The group, through its subsidiary PSG Asset Management Holdings Proprietary Limited, sold its interest in PSG Active Fund Services Limited (Guernsey) on 1 May 2011 to the minority shareholder for a consideration of R0.4 million. The company was derecognised as a subsidiary from this date.

Net assets of subsidiary sold:	2012 R000
Property and equipment	13
Receivables including insurance receivables	2 483
Cash and cash equivalents (including money market investments)	1 393
Trade and other payables	(1 295)
Net assets of subsidiary sold	2 594
Non-controlling interest	(1 294)
Loss on disposal of subsidiary	(860)
Total cash consideration received	440
Cash and cash equivalents of subsidiary	(1 393)
Net cash flow on disposal of subsidiary in the 2012 financial year	(953)

The group made a payment of R0.6 million during the 2013 financial year relating to the sale of this subsidiary, driven by the settlement of a contingent legacy claim. This resulted in a further loss on disposal of subsidiary of R0.6 million.

ii) PSG Absolute Investments Proprietary Limited

The group through its subsidiary PSG Asset Management Holdings Proprietary Limited, sold its interest in PSG Absolute Investments Proprietary Limited on 1 November 2011 to the minority shareholders for a consideration of R7.4 million. As part of the transaction, PSG Asset Management Holdings Proprietary Limited bought out the minorities in PSG South Easter Fund Management Proprietary Limited. The group had a 100% interest in PSG South Easter Fund Management Proprietary Limited. Refer to disposal of PSG South Easter Management Proprietary Limited during the 2013 financial year.

Net assets of subsidiary sold:	2012 R000
Property and equipment	262
Intangible assets	1 312
Unit-linked investments	9 313
Receivables including insurance receivables	1 964
Cash and cash equivalents (including money market investments)	821
Trade and other payables	(5 077)
Deferred income tax	1 666
Net assets of subsidiary sold	10 261
Non-controlling interest	(4 033)
Profit on disposal of subsidiary	1 130
Total cash consideration received	7 358
Cash and cash equivalents of subsidiary	(821)
Net cash flow on disposal of subsidiary in the 2012 financial year	6 537

Notes to the annual financial statements
for the year ended 28 February 2014

39. NOTES TO THE STATEMENTS OF CASH FLOWS (continued)

39.4 Disposal of subsidiaries (continued)

Disposal of subsidiaries concluded during the financial year ended 29 February 2012 (continued)

iii) Disposal of hedge funds and collective investment schemes

The group deconsolidated the Alphen Equity Builder Fund and the PSG Multi-Strategy Fund during the 2012 financial year as the group lost control of these funds due to a decrease in the direct interest in these funds.

Net assets of subsidiary sold:	2012 R000
Equity securities	64 799
Unit-linked investments	10 670
Receivables including insurance receivables	4 083
Cash and cash equivalents (including money market investments)	127
Trade and other payables	(37 016)
Deferred income tax	(4 529)
Net asset value	38 134
Transfer to investments in unit-linked investments	(38 134)
Total cash consideration received	–
Cash and cash equivalents of subsidiary	(127)
Net cash flow on disposal of subsidiary in the 2012 financial year	(127)

39.5 Acquisition of investments in associated companies

Acquisition of investments in associated companies for the year ended 28 February 2013

i) Cinetaur Proprietary Limited

The group, through its subsidiary Abrafield Proprietary Limited, obtained an additional interest of 5% in Cinetaur Proprietary Limited on 1 March 2012 for a consideration of R0.02 million, increasing its interest in the company from 35% to 40%.

ii) Western Group Holdings Limited

The group acquired a 24% shareholding in Western Group Holdings Limited on 1 March 2012 for a consideration of R19.3 million. An additional interest of 51% was obtained in November 2012 and the investment in this associated company was derecognised on 31 October 2012 as the group obtained control over this company.

Acquisition of investments in associated companies for the year ended 29 February 2012

i) Woodwind Proprietary Limited

The group, through its subsidiary Abrafield Proprietary Limited, acquired a 30% shareholding in Woodwind Proprietary Limited 1 March 2011 for a consideration of R30. This company is start-up in nature and therefore no intangible assets or goodwill were identified on acquisition.

ii) Finplanning Proprietary Limited

The group acquired a 10% shareholding in Finplanning Proprietary Limited through the investment in PSG Asset Management Holdings Proprietary Limited on 1 March 2011. The shareholding was, however, disposed of during the 2012 financial year for a consideration of R0.5 million.

39. NOTES TO THE STATEMENTS OF CASH FLOWS (continued)

39.6 Disposal of investments in associated companies

Disposal of investments in associated companies for the year ended 28 February 2014

i) Axon Xchange Proprietary Limited

Effective 1 March 2013, the group, through its subsidiary PSG Fixed Income and Commodities Proprietary Limited (previously PSG Prime Proprietary Limited), sold its 38% interest held in Axon Xchange Proprietary Limited for R4.5 million, resulting in non-headline profit of R0.03 million.

ii) Purple Line Plastics Proprietary Limited and JWR Holdings Proprietary Limited

Effective 1 April 2013 and 1 May 2013, the group, through its subsidiary Western Group Holdings Limited, sold its 25% interest held in Purple Line Plastics Proprietary Limited and its 26% interest held in JWR Holdings Proprietary Limited for R2.1 million and R0.5 million, resulting in non-headline profits of R0.04 million and R0.3 million respectively.

iii) Excluwin Traders Proprietary Limited

Effective 1 August 2013, the group, through its subsidiary Western Group Holdings Limited sold its 34% interest held in Excluwin Traders Proprietary Limited for R4 million, resulting in non-headline profit of R3.5 million.

39.7 Transactions with non-controlling interests

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

As at 1 March 2013, PSG Konsult Limited acquired an additional 15% interest in Western Group Holdings Limited for a consideration of R33.0 million. This Namibia-based holding company has two short-term insurance licences, one in Namibia and the other in South Africa. The 15% stake was bought from SAAD Financial Holdings Proprietary Limited, an investment holding company. This transaction was subject to regulatory approval, which was obtained at the end of May 2013, therefore the acquisition date of 1 June 2013 was adopted. The transaction increased the group's shareholding to 90% of the share capital of Western Group Holdings Limited. The 90% shareholding in Western Group Holdings Limited was subsequently transferred from PSG Konsult Limited to its intermediary holding company, PSG Insure Holdings Proprietary Limited.

	2014 R000
Carrying amount of non-controlling interests acquired	14 428
Consideration paid to non-controlling interests	(33 000)
Excess of consideration paid recognised in equity	(18 572)

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

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

	2014 R000
Carrying amount of non-controlling interests acquired	36
Consideration paid to non-controlling interests	(1 250)
Excess of consideration paid recognised in equity	1 214

Notes to the annual financial statements
for the year ended 28 February 2014

39. NOTES TO THE STATEMENTS OF CASH FLOWS (continued)

39.7 Transactions with non-controlling interests (continued)

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

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

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

	2014 R000
Carrying amount of non-controlling interests acquired	11 292
Consideration paid to non-controlling interests	(22 000)
Excess of consideration paid recognised in equity	(10 708)

iv) Disposal of portion of interest held in Western Group Holdings Limited

PSG Konsult Limited entered into an agreement on 3 June 2013 to dispose of 40% of its shareholding in Western (following the approval by the regulatory authorities of the remaining 10% interest acquired) to Swanvest 120 Proprietary Limited, a wholly owned subsidiary of Santam Limited. The transaction was approved by the regulatory authorities on 16 September 2013. Subsequent to this transaction, the shareholding in Western Group Holdings LImited was as follows: PSG Konsult Limited (through its subsidiary PSG Insure Holdings Proprietary Limited) – 60%; Swanvest 120 Proprietary Limited – 40%.

	2014 R000
Cash consideration received	88 000
Less: carrying value of non-controlling interest disposed of	(45 855)
Excess of consideration received	42 145

	2014 R000	2013 R000	2012 R000
39.8 Cash and equivalents at end of year			
Cash and cash equivalents (including money market investments)	709 184	470 662	360 750
Bank overdrafts	(11)	(41)	(45)
	709 173	470 621	360 705

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 results other than the standardising of the revenue-sharing models with the financial advisers effective 1 March 2014.

In order to standardise the revenue sharing model and also provide our advisers with the opportunity to invest in the future of the group we are pleased to advise that the group, through its subsidiary PSG Wealth Financial Planning Proprietary Limited, concluded with effect from 1 March 2014 an asset-for-share transaction utilising Section 42 of the Income Tax Act. We believe that this transaction which was settled largely through the issue of 35.8 million PSG Konsult shares will lead to a win-win situation both for our financial advisers and shareholders as it unlocks value for advisers and also better aligns the objectives of both the adviser and the group. Had this transaction been concluded at the beginning of this financial year, on a pro forma basis it would have increased our headline earnings per share by 4.2%.

41. FINANCIAL 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. We believe 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 and related parties. 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 responsibility and accountability for risk management by applying the 3 layers of defence approach, as set out on page 86 of the risk report.

Refer to the risk report on pages 85 to 93 for detail of the group's formal risk management plan and the various governing bodies (committees) established to ensure effective risk management and oversight.

Financial risk factors

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. 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 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.

	2014 R000	Restated* 2013 R000	Restated* 2012 R000
CLASSES OF FINANCIAL AND INSURANCE ASSETS			
Direct equity securities – quoted	**3 786**	30 784	8 770
Investments linked to investment contracts – quoted	**600 249**	981 144	865 353
Total quoted equity securities	**604 035**	1 011 928	874 123
Direct equity securities – unquoted	**845**	845	845
Total unquoted equity securities	**845**	845	845
Total equity securities	**604 880**	1 012 773	874 968
Direct debt securities – quoted	**444 706**	123 622	47 704
Investments linked to investment contracts – quoted	**1 439 379**	1 637 725	1 734 705
Total quoted debt securities	**1 884 085**	1 761 347	1 782 409
Direct debt securities – unquoted	**–**	3 416	–
Investments linked to investment contracts – unquoted	**237 347**	246 721	266 333
Total unquoted debt securities	**237 347**	250 137	266 333
Total debt securities	**2 121 432**	2 011 484	2 048 742
Direct unit-linked investments – quoted	**359 617**	308 889	137 789
Investments linked to investment contracts – quoted	**7 608 536**	4 473 311	3 471 531
Total quoted unit-linked investments	**7 968 153**	4 782 200	3 609 320
Direct unit-linked investments – unquoted	**–**	11	1 605
Investments linked to investment contracts – unquoted	**2 250 476**	2 019 802	1 715 161
Total unquoted unit-linked investments	**2 250 476**	2 019 813	1 716 766
Total unit-linked investments	**10 218 629**	6 802 013	5 326 086
Investment in investment contracts	**505 444**	848 645	994 380

* *Comparative information for direct unit-linked investments – quoted has been restated for the adoption of IFRS 10 Consolidated Financial Statements from R227.3 million to R308.9 million in the 2013 financial year and from R30.9 million to R137.8 million in the 2012 financial year. Likewise, cash and cash equivalents (including money market investments) has been restated from R468.0 million to R470.7 million in the 2013 financial year and from R358.6 million to R360.8 million in the 2012 financial year. Refer to note 42 for more detail.*

Notes to the annual financial statements
for the year ended 28 February 2014

	2014 R000	Restated* 2013 R000	Restated* 2012 R000
41. FINANCIAL RISK MANAGEMENT (continued)			
CLASSES OF FINANCIAL AND INSURANCE ASSETS (continued)			
Secured loans	**32 976**	37 114	–
Unsecured loans	**77 019**	82 319	67 529
Total loans and advances	**109 995**	119 433	67 529
Equity traded derivatives	**21 190**	15 955	9 532
Total derivative financial instruments	**21 190**	15 955	9 532
Reinsurance assets	**66 248**	50 883	–
Deferred acquisition costs	**1 025**	1 110	–
Trade receivables (other than insurance receivables)	**72 180**	57 714	64 146
Receivables due from contract holders and reinsurers	**36 807**	13 184	–
Brokers and clearing houses and client accounts	**1 925 858**	1 557 765	2 252 659
Contracts for difference	**24 228**	25 548	21 469
Receivables due from related parties	**43 341**	28 690	22 147
Rental and other deposits and sundry debtors	**9 682**	5 291	2 403
Total receivables including insurance receivables	**2 112 096**	1 688 192	2 362 824
Loans to associated companies	**1 960**	4 179	8 932
Loans to joint ventures	**3 285**	3 160	–
Cash and cash equivalents (including money market investments)	**709 184**	470 662	360 750
Total financial and insurance assets	**16 475 368**	13 028 489	12 053 743
CLASSES OF FINANCIAL AND INSURANCE LIABILITIES			
Bank borrowings and overdrafts	**11**	41	46
Secured loans	**393 773**	218 228	115 438
Finance leases	**14 674**	583	1 079
Promissory notes	**–**	–	58 602
Related party loans	**914**	251	539
Other short-term loans	**2 816**	3 494	2 974
Total borrowings	**412 188**	222 597	178 678
Equity traded derivatives	**28 406**	17 139	7 831
Total derivative financial instruments	**28 406**	17 139	7 831
Investment contracts	**12 692 768**	10 272 444	9 144 681
Insurance contracts	**493 163**	378 084	29 949
Deferred reinsurance acquisition revenue	**2 842**	2 889	–
Third-party liabilities arising on consolidation of mutual funds	**372 169**	109 032	124 614
Accounts payable, accruals and settlement control accounts	**1 914 122**	1 735 335	2 476 204
Amounts due to intermediaries	**7 638**	4 490	–
Amounts due to reinsurers	**50 996**	41 430	–
Contracts for difference	**38 061**	39 829	31 336
Purchase consideration payable	**3 981**	6 288	66 809
Other payables	**–**	–	1 880
Total trade and other payables	**2 014 798**	1 827 372	2 576 229
Total financial and insurance liabilities	**16 016 334**	12 829 557	12 061 982

* *Comparative information for third-party liabilities on consolidation of mutual funds has been restated for the adoption of IFRS 10 Consolidated Financial Statements from R25.1 million to R109.0 million in the 2013 financial year and from R16.0 million to R124.6 million in the 2012 financial year. Refer to note 42 for more detail.*

41. FINANCIAL RISK MANAGEMENT (continued)

FINANCIAL INSTRUMENTS BY CATEGORY

Assets as per statement of financial position

	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
28 February 2014						
Equity securities	**–**	**–**	**604 035**	**–**	**845**	**604 880**
Debt securities	**888 173**	**–**	**1 233 259**	**–**	**–**	**2 121 432**
Unit-linked investments	**–**	**–**	**10 218 629**	**–**	**–**	**10 218 629**
Investment in investment contracts	**245 047**	**–**	**260 397**	**–**	**–**	**505 444**
Loans and advances*	**–**	**109 995**	**–**	**–**	**–**	**109 995**
Loans to associated companies*	**–**	**1 960**	**–**	**–**	**–**	**1 960**
Loans to joint ventures*	**–**	**3 285**	**–**	**–**	**–**	**3 285**
Derivative financial instruments	**–**	**–**	**–**	**21 190**	**–**	**21 190**
Reinsurance assets*	**–**	**66 248**	**–**	**–**	**–**	**66 248**
Deferred acquisition costs*	**–**	**1 025**	**–**	**–**	**–**	**1 025**
Receivables including insurance receivables*	**–**	**2 112 096**	**–**	**–**	**–**	**2 112 096**
Cash and cash equivalents*	**–**	**709 184**	**–**	**–**	**–**	**709 184**
	1 133 220	**3 003 793**	**12 316 320**	**21 190**	**845**	**16 475 368**
28 February 2013						
Equity securities	–	–	1 011 928	–	845	1 012 773
Debt securities	1 284 159	–	727 325	–	–	2 011 484
Unit-linked investments (restated)	–	–	6 802 013	–	–	6 802 013
Investment in investment contracts	522 137	–	326 508	–	–	848 645
Loans and advances*	–	119 433	–	–	–	119 433
Loans to associated companies*	–	4 179	–	–	–	4 179
Loans to joint ventures*	–	3 160	–	–	–	3 160
Derivative financial instruments	–	–	–	15 955	–	15 955
Reinsurance assets*	–	50 883	–	–	–	50 883
Deferred acquisition costs*	–	1 110	–	–	–	1 110
Receivables including insurance receivables*	–	1 688 192	–	–	–	1 688 192
Cash and cash equivalents* (restated)	–	470 662	–	–	–	470 662
	1 806 296	2 337 619	8 867 774	15 955	845	13 028 489
29 February 2012						
Equity securities	–	–	874 123	–	845	874 968
Debt securities	1 182 806	–	848 181	–	17 755	2 048 742
Unit-linked investments (restated)	–	–	5 312 213	–	13 873	5 326 086
Investment in investment contracts	468 500	–	525 880	–	–	994 380
Loans and advances*	–	63 935	3 594	–	–	67 529
Loans to associated companies*	–	8 932	–	–	–	8 932
Derivative financial instruments	–	–	–	9 532	–	9 532
Receivables including insurance receivables*	–	2 362 824	–	–	–	2 362 824
Cash and cash equivalents* (restated)	–	360 750	–	–	–	360 750
	1 651 306	2 796 441	7 563 991	9 532	32 473	12 053 743

* *Carrying value approximates fair value.*

Notes to the annual financial statements
for the year ended 28 February 2014

41. 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				
28 February 2014				
Borrowings*	**–**	**–**	**412 188**	**412 188**
Derivative financial instruments	**–**	**28 406**	**–**	**28 406**
Investment contracts	**11 544 683**	**–**	**1 148 085**	**12 692 768**
Insurance contracts	**–**	**–**	**493 163**	**493 163**
Deferred reinsurance acquisition revenue*	**–**	**–**	**2 842**	**2 842**
Third-party liabilities arising on consolidation of mutual funds	**372 169**	**–**	**–**	**372 169**
Trade and other payables*	**10 640**	**–**	**2 004 158**	**2 014 798**
	11 927 492	**28 406**	**4 060 436**	**16 016 334**
Liabilities as per statement of financial position				
28 February 2013				
Borrowings*	–	–	222 597	222 597
Derivative financial instruments	–	17 139	–	17 139
Investment contracts	8 419 067	–	1 853 377	10 272 444
Insurance contracts	–	–	378 084	378 084
Deferred reinsurance acquisition revenue*	–	–	2 889	2 889
Third-party liabilities arising on consolidation of mutual funds (restated)	109 032	–	–	109 032
Trade and other payables* (restated)	6 288	–	1 821 084	1 827 372
	8 534 387	17 139	4 278 031	12 829 557
Liabilities as per statement of financial position				
29 February 2012				
Borrowings*	–	–	178 678	178 678
Derivative financial instruments	–	7 831	–	7 831
Investment contracts	7 479 781	–	1 664 900	9 144 681
Insurance contracts	–	–	29 949	29 949
Third-party liabilities arising on consolidation of mutual funds (restated)	124 614	–	–	124 614
Trade and other payables* (restated)	66 809	–	2 509 420	2 576 229
	7 671 204	7 831	4 382 947	12 061 982

* *Carrying value approximates fair value.*

41. FINANCIAL RISK MANAGEMENT (continued)

Investment contracts

A subsidiary of the group, PSG Life Limited (previously PSG Asset Management 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 assets 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 21.

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 92 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 are therefore susceptible to market fluctuations.

With regard to the subsidiary, PSG Life Limited (previously PSG Asset Management 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 and unit-linked investments 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	**2014 R000**	2013 R000	2012 R000	**2014 R000**	2013 R000	2012 R000
Agriculture	**9 323**	–	–	**–**	–	–
Banks	**29 206**	46 405	36 825	**422**	910	–
Basic resources	**112 162**	119 972	117 917	**164**	902	455
Chemicals	**2 591**	7 987	7 664	**–**	434	–
Construction & materials	**43 699**	3 423	804	**20**	2 056	–
Financial services	**49 762**	48 515	28 986	**2 705**	7 465	1 172
Food & beverages	**13 737**	25 050	20 474	**27**	3 645	2 731
Healthcare	**6 043**	14 746	9 803	**38**	1 748	–
Industrial goods & services	**16 693**	39 421	31 452	**128**	4 935	1 426
Insurance	**32 907**	34 197	27 450	**36**	–	–
Media	**17 780**	305	214	**70**	480	360
Oil & gas	**45 916**	30 554	31 377	**–**	1 483	441
Personal & household goods	**50 292**	42 071	46 214	**77**	1 708	508
Property	**46 722**	69 251	61 719	**–**	513	317
Retail	**45 228**	40 367	44 377	**36**	1 027	486
Satrix 40	**–**	395 840	345 085	**–**	–	–
Technology	**12 143**	8 668	4 888	**–**	2 237	–
Telecommunications	**45 830**	39 775	39 920	**63**	1 241	874
Travel & leisure	**20 215**	14 597	10 184	**–**	–	–
	600 249	981 144	865 353	**3 786**	30 784	8 770

Included in the group's quoted equity securities are those equity securities relating to:

- investments in linked investment contracts amounting to R600.2 million (2013: R981.1 million; 2012: R865.4 million);
- equity securities relating to third-party liabilities arising on consolidation of mutual funds amounting to Rnil (2013: R16.9 million; 2012: R6.6 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.

Notes to the annual financial statements
for the year ended 28 February 2014

41. FINANCIAL RISK MANAGEMENT (continued)

Included in unit-linked investments are investments linked to investment contracts amounting to approximately R9.9 billion (2013: R6.5 billion; 2012: R5.2 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 liabilities relating to third-party liabilities arising on consolidation of mutual funds of R83.2 million (2013: R106.6 million; 2012: R122.9 million).

Short-term insurance liabilities are not directly sensitive to equity price risk. Long-term investment contract liabilities are sensitive to price risk of 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% (2013: 20%; 2012: 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.

	2014 20% increase R000	2013 20% increase R000	2012 20% increase R000	**2014 20% decrease R000**	2013 20% decrease R000	2012 20% decrease R000
Impact on:						
Post-tax profit	**17 591**	11 759	2 814	**(17 591)**	(11 759)	(2 814)
Other comprehensive income	**–**	–	2 257	**–**	–	(2 257)

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.

Almost all of the group's subsidiaries have the South African rand as 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**	**Asian currencies R000**	**Total R000**
At 28 February 2014						
Financial assets						
Debt securities*	**–**	**2 865**	**8 875**	**2 459**	**–**	**14 199**
Unit-linked investments*	**1 327**	**3 603**	**753 273**	**5 451**	**–**	**763 654**
Investment in investment contracts*	**–**	**3 406**	**62 674**	**2 044**	**–**	**68 124**
Loans and advances	**–**	**3 179**	**36**	**–**	**–**	**3 215**
Receivables including insurance receivables	**–**	**2 234**	**6 303**	**582**	**–**	**9 119**
Cash and cash equivalents	**–**	**650**	**1 386**	**1 481**	**2**	**3 519**
Financial liabilities						
Trade and other payables	**(65)**	**–**	**(3 899)**	**(409)**	**–**	**(4 373)**
Borrowings	**(3 262)**	**(29 269)**	**(34)**	**–**	**–**	**(32 565)**
	(2 000)	**(13 332)**	**828 614**	**11 608**	**2**	**824 892**

	African currencies R000	British Pound Sterling R000	United States Dollar R000	Euro R000	Asian currencies R000	Total R000
41. FINANCIAL RISK MANAGEMENT (continued)						
At 28 February 2013						
Financial assets						
Equity securities*	–	3 483	8 019	4 727	–	16 229
Debt securities*	–	–	19	4	–	23
Unit-linked investments*	5 535	23 182	330 294	27 390	14	386 415
Investment in investment contracts*	–	5 065	53 527	3 110	–	61 702
Loans and advances	239	6 451	–	–	–	6 690
Receivables including insurance receivables	336	1 818	3 976	489	–	6 619
Cash and cash equivalents	–	30	1 239	1 798	1	3 068
Financial liabilities						
Trade and other payables	(33)	–	(2 352)	(500)	–	(2 885)
Borrowings	(2 610)	–	–	–	–	(2 610)
	3 467	40 029	394 722	37 018	15	475 251
At 29 February 2012						
Financial assets						
Equity securities*	–	1 624	1 157	1 067	–	3 848
Debt securities*	–	–	1 459	332	12 305	14 096
Unit-linked investments*	338	14 419	120 496	21 271	5 326	161 850
Investment in investment contracts*	–	6 200	57 715	3 185	–	67 100
Loans and advances	–	2 021	–	–	–	2 021
Receivables including insurance receivables	–	9 662	2 805	305	–	12 772
Cash and cash equivalents	–	175	789	276	–	1 240
Financial liabilities						
Trade and other payables	(15)	(169)	(1 651)	(250)	–	(2 085)
Borrowings	(1 002)	–	–	–	–	(1 002)
	(679)	33 932	182 770	26 186	17 631	259 840

* *Linked to policyholder investments and as such does not directly expose the group to foreign currency risk.*

The table below shows the sensitivity of post-tax profits of the group to a 20% (2013: 20%; 2012: 20%) move in the rand exchange rates.

	2014 20% appreciation R000	2013 20% appreciation R000	2012 20% appreciation R000	**2014 20% depreciation R000**	2013 20% depreciation R000	2012 20% depreciation R000
Impact on post-tax profit	**1 133**	(861)	(2 919)	**(1 133)**	861	2 919

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, long-term borrowings and trade and other payables. 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 and contractually non-interest-bearing.

Notes to the annual financial statements
for the year ended 28 February 2014

	2014 R000	Restated**** 2013 R000	Restated**** 2012 R000
41. FINANCIAL RISK MANAGEMENT (continued)			
Loans to associated companies			
Floating rate	**835**	2 922	6 565
Fixed rate	**–**	–	1 060
Interest-free	**1 125**	1 257	1 307
	1 960	4 179	8 932
Loans to joint ventures			
Floating rate	**3 285**	3 160	–
	3 285	3 160	–
Debt securities*			
Floating rate	**302 278**	231 931	632 454
Fixed rate	**1 819 154**	1 779 553	1 416 288
	2 121 432	2 011 484	2 048 742
Unit linked investments**			
Floating rate	**264 149**	165 350	5 121
Fixed rate	**8 022**	30 388	14 285
Interest-free	**1 066**	11	–
	273 237	195 749	19 406
Loans and advances			
Floating rate	**92 850**	108 489	56 346
Fixed rate	**500**	1 545	217
Interest-free	**16 645**	9 399	10 966
	109 995	119 433	67 529
Receivables including insurance receivables			
Floating rate	**325 799**	105 285	–
Fixed rate	**–**	252	–
Interest-free	**1 786 297**	1 582 655	2 362 824
	2 112 096	1 688 192	2 362 824
Cash and cash equivalents***			
Floating rate****	**699 020**	465 250	360 621
Fixed rate	**–**	5 270	–
Interest-free	**10 164**	142	129
	709 184	470 662	360 750
Borrowings			
Floating rate	**(378 909)**	(195 523)	(84 476)
Fixed rate	**(29 549)**	(23 957)	(90 687)
Interest-free	**(3 730)**	(3 117)	(3 515)
	(412 188)	(222 597)	(178 678)
Trade and other payables			
Floating rate	**(40 832)**	(43 067)	(36 459)
Fixed rate	**(16 977)**	(18 778)	(20 094)
Interest-free****	**(1 956 989)**	(1 765 527)	(2 519 676)
	(2 014 798)	(1 827 372)	(2 576 229)
Total			
Floating rate	**1 268 475**	843 797	940 172
Fixed rate	**1 781 150**	1 774 273	1 321 069
Interest-free	**(145 422)**	(175 180)	(147 965)
	2 904 203	2 442 890	2 113 276

* *Debt securities of R1.7 billion (2013: R1.9 billion; 2012: R2.0 billion) are linked to policyholder investments and as such do not directly expose the group to interest rate risk.*

** *Unit-linked investments only consist of shareholders' assets in PSG Life Limited (previously PSG Asset Management Life Limited) and Western Group Holdings Limited.*

*** *Cash and cash equivalents of R51.3 million (2013: R65.1 million; 2012: R97.2 million) are linked to policyholder investments and as such do not directly expose the group to interest rate risk.*

**** *Comparative information for cash and cash equivalents – floating rate has been restated for the adoption of IFRS 10 Consolidated Financial Statements from R462.6 million to R465.3 million for the 2013 financial year and from R358.5 million to R360.6 million in the 2012 financial year. Refer to note 42 for more detail.*

The group manages its cash flow interest rate risk by monitoring interest rates on a regular basis.

41. FINANCIAL RISK MANAGEMENT (continued)

Based on simulations performed, the impact on post-tax profit of a 1% (2013: 1%; 2012: 1%) shift in interest rates is analysed in the following table and includes the effect of the economic interest rate hedge:

	2014 1% increase R000	2013 1% increase R000	2012 1% increase R000	**2014 1% decrease R000**	2013 1% decrease R000	2012 1% decrease R000
Impact on post-tax profit	**8 046**	4 156	2 579	**(8 046)**	4 156	2 579

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 pages 91 and 92 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 and deferred acquisition costs. 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.

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 (previously PSG Asset Management Life Limited), sell five-year single premium policies where the company guarantees a maturity amount that will be paid out in five years' time. Assets are 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 (previously PSG Asset Management Life Limited) will have to stand in for the liability guaranteed.

To manage this risk, assets purchased need to be authorised by the investment committee and the board of PSG Life Limited (previously PSG Asset Management Life Limited), as well as the credit 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 R1.1 billion (2013: R1.0 billion; 2012: R0.6 billion). The collateral held 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 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.

Notes to the annual financial statements
for the year ended 28 February 2014

41. FINANCIAL RISK MANAGEMENT (continued)

The table below shows the group's maximum exposure to credit risk by class of asset at the end of each reporting period:

	2014 Balance R000	2014 Collateral fair value R000	Restated* 2013 Balance R000	Restated* 2013 Collateral fair value R000	Restated* 2012 Balance R000	Restated* 2012 Collateral fair value R000
Debt securities	**2 121 432**	**1 149 084**	2 011 484	1 034 904	2 048 742	554 420
Investment in investment contracts	**505 444**	**–**	848 645	–	994 380	–
Loans and advances	**109 995**	**32 976**	119 433	42 023	67 529	–
Unit-linked investments*	**10 218 629**	**–**	6 802 013	–	5 326 086	–
Derivative financial instruments	**21 190**	**–**	15 955	–	9 532	–
Reinsurance assets	**66 248**	**16 977**	50 883	18 778	–	–
Deferred acquisition costs	**1 025**	**–**	1 110	–	–	–
Receivables including insurance receivables	**2 112 096**	**–**	1 688 192	–	2 362 824	–
Loans to associated companies	**1 960**	**–**	4 179	–	8 932	–
Loans to joint ventures	**3 285**		3 160	–	–	–
Cash and cash equivalents*	**709 184**	**–**	470 662	–	360 750	–
	15 870 488	**1 199 037**	12 015 716	1 095 705	11 178 775	554 420

* *Comparative information has been restated for the adoption of IFRS 10 Consolidated Financial Statements. Refer to note 42 for more detail.*

Receivables are tested for impairment using a variety of techniques including assessing credit risk and monthly monitoring of individual debtors. At the reporting date, R0.7 million (2013: R0.7 million; 2012: Rnil) were found to be impaired.

Investments 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 R1.7 billion (2013: R1.9 billion; 2012: R2.0 billion), cash and cash equivalents of R51.3 million (2013: R65.1 million; 2012: R97.2 million) and unit-linked investments of R9.9 billion (2013: R6.5 billion; 2012: R5.2 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 (previously PSG Asset Management 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 (previously PSG Asset Management Life Limited) and Western Group Holdings Limited to credit risk are monitored by the credit committee. The credit committee reviews on a weekly 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 the group has to any counterparties.

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.

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:

	2014 R000	Restated* 2013 R000	Restated* 2012 R000
41. FINANCIAL RISK MANAGEMENT (continued)			
Government stock	**40 606**	134 243	50 234
Aaa	**2 628**	–	3 252
Aa2	**64 353**	908	223 623
Aa3	**50 432**	105	139 960
A1	**8 160**	168 415	463 727
A2	**36 672**	–	729 823
A3	**121**	103	67 086
P1	**750 301**	1 240 587	511
P2	**512 511**	5 549	339 690
P3	**2 421**	3 196	–
Other non-rated assets*	**3 926 199**	3 218 737	3 461 261
Unit linked investments (including collective investment schemes) (CIS)*	**10 456 903**	7 219 046	5 696 022
Past due or impaired assets	**19 181**	24 827	3 586
	15 870 488	12 015 716	11 178 775

* *Comparative information has been restated for the adoption of IFRS 10 Consolidated Financial Statements. Refer to note 42 for more detail.*

Notes to the annual financial statements
for the year ended 28 February 2014

41. FINANCIAL RISK MANAGEMENT (continued)

The table below analyses the group's external credit rating by class of asset:

2014	R000 Govern-ment stock	R000 Aaa	R000 Aa2	R000 Aa3	R000 A1	R000 A2
Debt securities	**40 606**	**2 628**	**64 353**	**50 432**	**8 160**	**36 672**
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	–	–	–	–	–	–
	40 606	**2 628**	**64 353**	**50 432**	**8 160**	**36 672**

2013						
Debt securities	134 243	–	908	105	163 053	–
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	–	–	–	–	5 362	–
	134 243	–	908	105	168 415	–

2012						
Debt securities	50 234	3 252	223 623	139 960	52 257	723 231
Investment in investment contracts	–	–	–	–	411 470	–
Loans and advances	–	–	–	–	–	–
Derivative financial instruments	–	–	–	–	–	–
Brokers and clearing houses and client accounts	–	–	–	–	–	–
Other receivables	–	–	–	–	–	6 592
Unit-linked investments	–	–	–	–	–	–
Loans to associated companies	–	–	–	–	–	–
Cash and cash equivalents	–	–	–	–	–	–
	50 234	3 252	223 623	139 960	463 727	729 823

R000	R000	R000	R000	R000	R000	R000	R000
A3	P1	P2	P3	Unit-linked (incl CIS)	Other non-rated assets	Past due or impaired assets	Total
121	**238 507**	**510 245**	**2 421**	**–**	**1 167 287**	**–**	**2 121 432**
–	**–**	**–**	**–**	**–**	**505 444**	**–**	**505 444**
–	**–**	**–**	**–**	**–**	**90 987**	**19 008**	**109 995**
–	**–**	**–**	**–**	**–**	**21 190**	**–**	**21 190**
–	**–**	**–**	**–**	**–**	**66 248**	**–**	**66 248**
–	**–**	**–**	**–**	**–**	**1 025**	**–**	**1 025**
–	**–**	**–**	**–**	**–**	**36 807**	**–**	**36 807**
–	**–**	**–**	**–**	**–**	**1 925 858**	**–**	**1 925 858**
–	**400**	**–**	**–**	**42 982**	**109 161**	**173**	**152 716**
–	**–**	**–**	**–**	**10 218 629**	**–**	**–**	**10 218 629**
–	**–**	**–**	**–**	**–**	**1 960**	**–**	**1 960**
–	**511 394**	**2 266**	**–**	**195 292**	**232**	**–**	**709 184**
121	**750 301**	**512 511**	**2 421**	**10 456 903**	**3 926 199**	**19 181**	**15 870 488**
103	871 668	5 549	–	246 721	589 134	–	2 011 484
–	–	–	–	61 704	786 941	–	848 645
–	–	–	–	–	94 893	24 540	119 433
–	–	–	–	–	15 955	–	15 955
–	–	–	–	–	50 883	–	50 883
–	–	–	–	–	1 110	–	1 110
–	–	–	–	–	13 184	–	13 184
–	–	–	–	–	1 557 765	–	1 557 765
–	507	–	–	27 628	91 981	287	120 403
–	–	–	–	6 802 013	–	–	6 802 013
–	–	–	–	–	4 179	–	4 179
–	368 412	–	3 196	80 980	12 712	–	470 662
103	1 240 587	5 549	3 196	7 219 046	3 218 737	24 827	12 015 716
67 086	–	–	–	266 333	522 766	–	2 048 742
–	–	–	–	67 100	515 810	–	994 380
–	–	–	–	–	66 280	1 249	67 529
–	–	–	–	–	9 532	–	9 532
–	–	–	–	–	2 252 659	–	2 252 659
–	–	9	–	22 593	78 634	2 337	110 165
–	–	–	–	5 326 086	–	–	5 326 086
–	–	–	–	–	8 932	–	8 932
–	511	339 681	–	13 910	6 648	–	360 750
67 086	511	339 690	–	5 696 022	3 461 261	3 586	11 178 775

Notes to the annual financial statements
for the year ended 28 February 2014

41. FINANCIAL RISK MANAGEMENT (continued)

The credit risk associated with 79.20% (2013: 75.25%; 2012: 67.90%) 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.

For the financial assets where no published Moody's rating exists (other non-rated assets), the ratings published by other rating agencies were obtained.

Class of financial assets	Rating agency	External credit rating	2014 R000	2013 R000	2012 R000
Receivables including insurance receivables	Fitch	AA+(zaf) to AA-(zaf)	**1 675**	1 190	342
Receivables including insurance receivables	Global Credit Rating	AA(zaf) to A3(zaf)	**813**	–	–
Receivables including insurance receivables	S&P	A2-(za)	**12 352**	–	–
Debt securities	Fitch	AA(zaf) to F2(zaf)	**67 179**	11 764	7 800
Debt securities	Global Credit Rating	A1(za) to AA(za)	**18 819**	14 028	1 010
Debt securities	S&P	A2(za)	**17 578**	1 943	–
Cash and cash equivalents (including money market investments)	Fitch	A+(zaf) to AA(zaf)	**–**	6 397	–
Reinsurance assets	S&P	A-(za) to AA-(za)	**31 242**	6 168	–
Reinsurance assets	Fitch	AA(zaf)	**31 242**	–	–
Reinsurance assets	Global Credit Rating	AA-(za)	**3 764**	770	–
			184 664	42 260	9 152
Debt securities	Moody's*	Ba1(za) to BBB(za)	**89 409**	73 208	7 736
Receivables including insurance receivables	Moody's*	Ba1(za) to BBB(za)	**138**	–	–
			274 211	115 468	16 888

* *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 the group's investment in Namibian money market-related funds and the PSG Online trading account. The mandate of these investments 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.

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.

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 equity securities. 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.

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 (2013: African RE; 2012: none). 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 insurers at 28 February:

	2014		2013	
	R000	%	R000	%
African RE	**31 242**	**47**	37 777	74
Santam RE	**31 242**	**47**	–	–
Everest RE	**–**	**–**	6 168	12
R&V	**–**	**–**	6 168	12
Namib RE	**3 764**	**6**	770	2
Reinsurance assets	**66 248**	**100**	50 883	100
African RE	**9 169**	**58**	–	–
Santam RE	**2 534**	**16**	–	–
Namib RE	**93**	**–**	–	–
Other	**4 093**	**26**	–	–
Amounts due from reinsurers	**15 889**	**100**	–	–
	82 137		50 883	–

41. FINANCIAL RISK MANAGEMENT (continued)

Receivables that are due from contract holders, intermediaries and reinsurers emanating from the Southern African business amounted to R36.8 million (2013: R13.2 million; 2012: Rnil). The group is protected by guarantees provided by the Intermediary Guarantee Facility for the nonpayment 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 37.28% (2013: 33.33%; 2012: nil%). 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 28 February 2014	**19 182**	**3 021**	**1 510**	**14 651**
Loans and advances – Secured loans	**19 009**	**3 021**	**1 337**	**14 651**
Trade receivables	**173**	**–**	**173**	**–**
At 28 February 2013	24 827	2 258	2	22 567
Loans and advances – Secured loans	23 429	2 258	–	21 171
– Unsecured loans	1 111	–	–	1 111
Trade receivables	287	–	2	285
At 29 February 2012	3 586	1 065	1 203	1 318
Trade receivables	3 586	1 065	1 203	1 318

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.

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 93 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.

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.

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.

Included in trade and other payables is the settlement control account of R1.6 billion (2013: R1.5 billion; 2012: R2.3 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.

The table on the following page 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.

Notes to the annual financial statements
for the year ended 28 February 2014

	Carrying value R000	Less than 1 year R000	Between 1 and 5 years R000	Over 5 years R000
41. FINANCIAL RISK MANAGEMENT (continued)				
At 28 February 2014				
Borrowings	**412 188**	**359 712**	**64 802**	**–**
Derivative financial instruments	**28 406**	**28 406**	**–**	**–**
Investment contracts	**12 692 768**	**1 931 398**	**10 761 370**	**–**
Insurance contracts	**493 163**	**466 304**	**26 859**	**–**
Deferred reinsurance acquisition revenue	**2 842**	**2 842**	**–**	**–**
Third-party liabilities arising on consolidation of mutual funds	**372 169**	**372 169**	**–**	**–**
Trade and other payables	**2 014 798**	**2 014 798**	**–**	**–**
	16 016 334	**4 803 460**	**11 225 200**	**–**
At 28 February 2013				
Borrowings	222 597	137 244	107 847	–
Derivative financial instruments	17 139	17 139	–	–
Investment contracts	10 272 444	2 816 614	7 455 830	–
Insurance contracts	378 084	347 665	30 419	–
Deferred reinsurance acquisition revenue	2 889	2 889	–	–
Third-party liabilities arising on consolidation of mutual funds (restated)	109 032	109 032	–	–
Trade and other payables (restated)	1 827 372	1 827 372	–	–
	12 829 557	5 148 923	7 703 128	–
At 29 February 2012				
Borrowings	178 678	100 083	105 362	–
Derivative financial instruments	7 831	7 831	–	–
Investment contracts	9 144 681	1 713 541	7 921 477	–
Insurance contracts	29 949	–	29 949	–
Third-party liabilities arising on consolidation of mutual funds (restated)	124 614	124 614	–	–
Trade and other payables (restated)	2 576 229	2 560 068	16 346	–
	12 061 982	4 381 523	8 197 748	–

The group has provided suretyship to the value of R16.5 million (2013: R21.1 million; 2012: R26.6 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 (2013: Rnil; 2012: Rnil). 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:

- 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.

- 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.

41. FINANCIAL RISK MANAGEMENT (continued)

Unit-linked investments related to units held are collective investment schemes and are priced monthly. 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 used in determining the fair value of financial assets and liabilities classified within level 2

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.

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. Purchase consideration payable in debit relates to business combinations where the acquiree did not achieve the profit guarantee as stipulated in the sale of business agreement, and where purchase consideration paid is recovered from the acquiree.

Notes to the annual financial statements
for the year ended 28 February 2014

	Level 1 R000	Level 2 R000	Level 3 R000	Total R000
41. FINANCIAL RISK MANAGEMENT (continued)				
The following financial instruments are measured at fair value:				
At 28 February 2014				
Assets				
Financial assets at fair value through profit or loss				
Trading derivatives	**–**	**21 190**	**–**	**21 190**
Equity securities	**604 035**	**–**	**–**	**604 035**
Debt securities	**35 897**	**960 015**	**237 347**	**1 233 259**
Unit-linked investments	**–**	**7 968 164**	**2 250 465**	**10 218 629**
Investment in investment contracts	**–**	**260 397**	**–**	**260 397**
Available-for-sale				
Equity securities	**–**	**–**	**845**	**845**
	639 932	**9 209 766**	**2 488 657**	**12 338 355**
Liabilities				
Financial liabilities at fair value through profit or loss				
Trading derivatives	**–**	**28 406**	**–**	**28 406**
Investment contracts	**–**	**9 056 872**	**2 487 811**	**11 544 683**
Purchase consideration payable	**–**	**–**	**3 981**	**3 981**
Trade and other payables	**–**	**–**	**6 659**	**6 659**
Third-party liabilities arising on consolidation of mutual funds	**–**	**372 169**	**–**	**372 169**
	–	**9 457 447**	**2 498 451**	**11 955 898**
At 28 February 2013				
Assets				
Financial assets at fair value through profit or loss				
Trading derivatives	–	15 955	–	15 955
Equity securities*	615 970	395 958	–	1 011 928
Debt securities	–	477 188	250 137	727 325
Unit-linked investments (restated)	–	4 782 200	2 019 813	6 802 013
Investment in investment contracts	–	326 508	–	326 508
Available-for-sale				
Equity securities	–	–	845	845
	615 970	5 997 809	2 270 795	8 884 574
Liabilities				
Financial liabilities at fair value through profit or loss				
Trading derivatives	–	17 139	–	17 139
Investment contracts	–	6 152 545	2 266 522	8 419 067
Purchase consideration payable	–	–	6 288	6 288
Third-party liabilities arising on consolidation of mutual funds (restated)	–	109 032	–	109 032
	–	6 278 716	2 272 810	8 551 526

* *Reclassification*
The group reallocated equity securities designated at fair value through profit and loss from level 1 to level 2 in the 2013 financial year. This relates to policyholder funds that are invested in Satrix Top 40 (ECNs) which moved from level 1 to level 2 as the underlying equities are not directly traded by PSG Life Limited (previously PSG Asset Management Life Limited). The balance of the equity securities reallocated at 1 March 2012 was R345.1 million, and the balance included above at 28 February 2013 was R395.8 million.

41. FINANCIAL RISK MANAGEMENT (continued)

At 29 February 2012

	Level 1 R000	Level 2 R000	Level 3 R000	Total R000
Assets				
Financial assets at fair value through profit or loss				
Trading derivatives	–	9 532	–	9 532
Equity securities*	874 123	–	–	874 123
Debt securities	–	581 848	266 333	848 181
Unit-linked investments	–	3 595 447	1 716 766	5 312 213
Investment in investment contracts (restated)	–	525 880	–	525 880
Loans and advances	–	–	3 594	3 594
Available-for-sale				
Equity securities	–	–	845	845
Debt securities	17 755	–	–	17 755
Unit-linked investments	–	13 873	–	13 873
	891 878	4 726 580	1 987 538	7 605 996
Liabilities				
Financial liabilities at fair value through profit or loss				
Trading derivatives	–	7 831	–	7 831
Investment contracts	–	5 498 287	1 981 494	7 479 781
Purchase consideration payable	–	–	66 809	66 809
Third-party liabilities arising on consolidation of mutual funds (restated)	–	124 614	–	124 614
	–	5 630 732	2 048 303	7 679 035

Investment contracts

A subsidiary of the group, PSG Life Limited (previously PSG Asset Management 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 21.

Notes to the annual financial statements
for the year ended 28 February 2014

41. FINANCIAL RISK MANAGEMENT (continued)

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

	Debt* securities R000	Purchase consideration payable in debit R000	Unit-* linked investments R000	Equity securities R000	Total R000
Assets					
Carrying amount at 1 March 2011	–	–	–	345	345
Additions	268 995	–	2 815 099	500	3 084 594
Disposals	(19 817)	–	(1 205 913)	–	(1 225 730)
Interest accrued and other movement not through profit and loss	–	594	–	–	594
Gains recognised in profit and loss	17 155	3 000	107 580	–	127 735
Carrying amount at 29 February 2012	266 333	3 594	1 716 766	845	1 987 538
Additions	24 879	–	669 679	–	694 558
Disposals	(70 352)	(3 943)	(565 974)	–	(640 269)
Disposal of subsidiaries	–	–	(3 695)	–	(3 695)
Interest accrued	7 611	–	–	–	7 611
Other movement not through profit and loss	–	113	–	–	113
Exchange differences on monetary assets	–	–	1	–	1
Realised profits	–	–	87	–	87
Gains recognised in profit and loss	21 666	236	202 949	–	224 851
Carrying amount at 28 February 2013	250 137	–	2 019 813	845	2 270 795
Additions	**45 052**	**–**	**1 511 227**	**–**	**1 556 279**
Disposals	**(43 855)**	**–**	**(1 459 809)**	**–**	**(1 503 664)**
Other movement not through profit and loss	**–**	**–**	**(11)**	**–**	**(11)**
(Losses)/gains recognised in profit and loss	**(13 987)**	**–**	**179 245**	**–**	**165 258**
Carrying amount at 28 February 2014	**237 347**	**–**	**2 250 465**	**845**	**2 488 657**

* *Gains/(losses) 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 2011	–	71 848	–	71 848
Additions	–	65 109	3 066 706	3 131 815
Disposals	–	(63 537)	(1 210 192)	(1 273 729)
Interest accrued and other movement not through profit and loss	–	(3 861)	–	(3 861)
(Gains)/losses recognised in profit and loss	–	(2 750)	124 980	122 230
Carrying amount at 29 February 2012	–	66 809	1 981 494	2 048 303
Additions	–	15 123	687 315	702 438
Disposals	–	(73 479)	(634 274)	(707 753)
Interest accrued and other movement not through profit and loss	–	(732)	–	(732)
(Gains)/losses recognised in profit and loss	–	(1 433)	231 987	230 554
Carrying amount at 28 February 2013	–	6 288	2 266 522	2 272 810
Additions	**6 660**	**–**	**1 556 278**	**1 562 938**
Disposals	**–**	**(2 469)**	**(1 501 602)**	**(1 504 071)**
Losses recognised in profit and loss	**–**	**162**	**166 612**	**166 774**
Carrying amount at 28 February 2014	**6 660**	**3 981**	**2 487 810**	**2 498 451**

** *Losses recognised in profit and loss were recognised in the line item 'fair value adjustment to investment contract liabilities'.*

41. FINANCIAL RISK MANAGEMENT (continued)

Gains of R179.2 million (2013: R226.3 million; 2012: R130.5 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 R180.8 million (2013: R232.0 million; 2012: R125.0 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 R173.7 million (2013: R224.9 million; 2012: R90.7 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 R173.7 million (2013: R224.8 million; 2012: R87.7 million) were recognised in profit and loss under fair value losses on financial instruments on level 3 financial instruments held at the reporting date.

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		
	2014 R000	2013 R000	2012 R000	**2014 R000**	2013 R000	2012 R000
Debt securities – held-to-maturity	**888 173**	1 284 159	1 182 806	**889 020**	1 347 286	1 179 114
Investment in investment contracts	**245 047**	522 137	468 500	**255 382**	554 473	486 849
	1 133 220	1 806 296	1 651 306	**1 144 402**	1 901 759	1 665 963

The fair value of financial assets and liabilities as above which are measured at amortised cost is categorised into the follow fair value hierarchies:

	Level 1 R000	**Level 2 R000**	**Level 3 R000**	**Total R000**
At 28 February 2014				
Assets				
Debt securities – held-to-maturity	**–**	**889 020**	**–**	**889 020**
Investment in investment contracts	**–**	**255 382**	**–**	**255 382**
	–	**1 144 402**	**–**	**1 144 402**
At 28 February 2013				
Assets				
Debt securities – held-to-maturity	–	1 347 286	–	1 347 286
Investment in investment contracts	–	554 473	–	554 473
	–	1 901 759	–	1 901 759
At 29 February 2012				
Assets				
Debt securities – held-to-maturity	–	1 179 114	–	1 179 114
Investment in investment contracts	–	486 849	–	486 849
	–	1 665 963	–	1 665 963

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 R21.2 million (2013: R16.0 million; 2012 R9.5 million) and derivative liabilities of R28.4 million (2013: R17.1 million; 2012: R7.8 million) are subject to a master netting arrangement, with a net exposure of R7.2 million (2013: R1.1 million; 2012 R1.7 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 (previously PSG Asset Management Life Limited) is exposed to arises from an annuitant book with 74 (2013: 76; 2012: 84) policies which are in the process of being run off, with a total liability value of R26.9 million (2013: R30.4 million; 2012: R29.9 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.

Notes to the annual financial statements
for the year ended 28 February 2014

41. FINANCIAL RISK MANAGEMENT (continued)

Long-term insurance contracts (continued)

The profile of annuity amounts payable per life in respect of annuities is as follows:

	2014		2013		2012	
Annuity amount per annum – R	**Number of annuities**	**Annual annuity exposure R000**	Number of annuities	Annual annuity exposure R000	Number of annuities	Annual annuity exposure R000
0 – 50 000	**57**	**1 326**	58	1 296	65	1 420
50 000 – 100 000	**8**	**581**	9	669	10	716
100 000 – 150 000	**6**	**780**	7	892	8	1 002
150 000 – 200 000	**2**	**310**	1	152	–	–
200 000 – 999 999 999	**1**	**235**	1	224	1	215

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: average of 4.00% (2013: 3.50%; 2012: 3.50%) per annum on Glenrand policies and 5.50% (2013: 5.00%; 2012: 5.00%) on mCubed policies.
- Investment returns: 8.77% (2013: 13.28%; 2012: 9.16%) per annum.

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 on at least an annual basis.

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 re-price 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.

41. FINANCIAL RISK MANAGEMENT (continued)

Short-term insurance contracts (continued)

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:

	2014		2013		2012	
	Type of insurance risk		Type of insurance risk		Type of insurance risk	
Geographic location	**Motor**	**Non-motor**	Motor	Non-motor	Motor	Non-motor
South Africa	**57%**	**43%**	56%	44%	–	–
Namibia	**14%**	**86%**	16%	84%	–	–
	53%	**47%**	43%	57%	–	–

Refer to page 91 for the mitigating controls put in place as part of the risk management framework to address underwriting risk.

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 on 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 Societe Generale loan) including purchase consideration payable less cash and cash equivalents, reduced by client-related funds, 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, short, long or medium-term borrowings with variable or fixed rates accordingly.

Notes to the annual financial statements
for the year ended 28 February 2014

41. FINANCIAL RISK MANAGEMENT (continued)

The gearing ratios at year-end can be summarised as follows:

	2014 R000	2013 R000	2012 R000
Borrowings (net borrowings and purchase consideration payable)	**114 599**	145 988	245 487
Less: Cash and cash equivalents	**(663 500)**	(293 232)	(125 031)
Net debt position	**(548 901)**	(147 244)	120 456
Total equity	**1 174 763**	953 203	744 568
Total capital	**625 862**	805 959	865 024
Gearing ratio	**(87.70%)**	(18.27%)	13.93%

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 (previously PSG Asset Management 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 2.44 times at 28 February 2014 (2013: 1.85 times; 2012: 2.17 times). This ratio is determined in accordance with regulations and the guidelines issued by the Actuarial Society of South Africa.

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, but the impact of SAM on required capital levels is still uncertain at this stage. It is therefore appropriate to adopt a prudent approach towards capital management until clarity of the eventual impact of SAM is obtained. 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.

GROUP CREDIT RISK

During October 2013, Global Credit Rating reviewed the credit rating of PSG Konsult Limited. A national long-term rating of BBB (za) and a national short-term rating of A2 (za) were affirmed. The company was assigned a stable outlook due to strong credit protection ratios and a solid earnings track record.

42. CHANGE IN ACCOUNTING POLICY AND RESTATEMENTS

IFRS 10 Consolidated Financial Statements (IFRS 10)

IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. Under IFRS 10, subsidiaries are all entities (including structured entities) over which the group has control.

Previously the group consolidated collective investment schemes where the group's holding in a fund was greater than 50%. As a result of the adoption of IFRS 10 the group no longer uses the percentage holdings referred to above as the defining parameter of control.

42. CHANGE IN ACCOUNTING POLICY AND RESTATEMENTS (continued)

IFRS 10 Consolidated Financial Statements (IFRS 10) (continued)

The changes resulting from the above have been applied retrospectively as required by the transitional provisions of IFRS 10. These reclassifications of mutual funds have resulted in a number of changes to items presented in both the statement of comprehensive income and financial position for the years ended 28 February 2013 and 29 February 2012. There were however, no resultant changes to the group's total earnings, comprehensive income, shareholders' funds or net asset value.

The group held an interest of 44% in the PSG Multi-Management Foreign Flexible Fund of Funds on 1 March 2011. The comparative figures were restated to reflect the consolidation of this fund from 1 March 2011 for both the 2012 and 2013 financial years. This fund was also consolidated for the current financial year.

Reclassification on consolidated statement of cash flows: Societe Generale

The comparative figures in the consolidated statement of cash flows were restated to reflect the Societe Generale loan facility, obtained within the stockbroking business to fund the scrip lending business, under operating activities rather than under the financing activities to match the corresponding movement in the client accounts under receivables including insurance receivables. The reclassification had no impact on the 2013 year reported earnings, diluted earnings or headline earnings, nor the statement of financial position, income statement, statement of changes in equity and the net cash flow for the 2013 year. No reclassification was required for the 2012 financial year as this facility was only obtained during the 2013 financial year.

Reclassification: Unexpired risk provision

The group previously disclosed the unexpired risk reserve (URR), which forms part of the short-term insurance contract liabilities, as part of the provision for claims reported and loss adjustment expenses. The group decided, to enhance the comparability with other short-term insurance companies in Southern Africa, to reflect the unexpired risk reserve (URR) as part of the unearned premium reserve (UPR). This reclassification, which was done retrospectively, was done within the underlying breakdown of the insurance contracts liability and therefore had no impact on the statement of financial position. The reclassification had no impact on the 2013 year reported earnings, diluted earnings or headline earnings, nor the statement of financial position, statement of changes in equity and the net cash flow for these periods.

No short-term insurance contract liabilities existed in the 2012 financial year as the group only acquired the interest in Western Group Holdings Limited in the 2013 financial year.

Restatement of segment report

Refer to annexure D – Segment reporting for detail regarding this restatement. The restatement had no impact on the 2012, 2013 and 2014 financial year reported earnings, diluted earnings or headline earnings, nor the statement of financial position, income statement, statement of changes in equity and the net cash flow for these periods.

The table below shows the impact of the change in accounting policy and restatements:

	As previously stated R000	Restatement – IFRS 10 R000	Reclassification – Societe Generale R000	Reclassification – Unexpired risk provision R000	Restated R000
29 February 2012					
Consolidated statement of financial position					
Unit-linked investments	5 219 174	106 912	–	–	5 326 086
Cash and cash equivalents (including money market investments)	358 637	2 113	–	–	360 750
Third-party liabilities arising on consolidation of mutual funds	(16 008)	(108 606)	–	–	(124 614)
Trade and other payables	(2 646 146)	(419)	–	–	(2 646 565)
Consolidated income statement					
Net fair value gains and losses on financial instruments	427 846	8 965	–	–	436 811
Fair value adjustment to third-party liabilities	–	(8 965)	–	–	(8 965)
28 February 2013					
Consolidated statement of financial position					
Unit-linked investments	6 720 464	81 549	–	–	6 802 013
Cash and cash equivalents (including money market investments)	468 049	2 613	–	–	470 662
Third-party liabilities arising on consolidation of mutual funds	(25 103)	(83 929)	–	–	(109 032)
Trade and other payables	(1 871 629)	(233)	–	–	(1 871 862)
Consolidated income statement					
Net fair value gains and losses on financial instruments	944 726	28 242	–	–	972 968
Fair value adjustment to third-party liabilities	(1 646)	(28 242)	–	–	(29 888)
Change in unearned premium					
– Gross	(5 277)	–	–	(13 728)	(19 005)
Insurance claims and loss adjustment expenses	(93 919)	–	–	13 728	(80 191)

Notes to the annual financial statements
for the year ended 28 February 2014

	As previously stated R000	Restatement – IFRS 10 R000	Reclassification – Societe Generale R000	Reclassification – Unexpired risk provision R000	Restated R000
42. CHANGE IN ACCOUNTING POLICY AND RESTATEMENTS (continued)					
Consolidated statement of cash flows					
29 February 2012					
Cash flows from operating activities					
Cash utilised in operating activities	(57 762)	(726)	–	–	(58 488)
Cash flows from investing activities					
Acquisition of subsidiaries/books of business	248 097	2 839	–	–	250 936
Net increase in cash and cash equivalents	78 832	2 113	–	–	80 945
Cash and cash equivalents at end of year	358 592	2 113	–	–	360 705
28 February 2013					
Cash flows from operating activities					
Cash utilised in operating activities	(180 740)	500	82 897	–	(97 343)
Cash flows from financing activities					
Net proceeds from/(repayments of) borrowings	43 232	–	(82 897)	–	(39 665)
Net increase in cash and cash equivalents	109 315	500	–	–	109 815
Cash and cash equivalents at beginning of year	358 592	2 113	–	–	360 705
Cash and cash equivalents at end of year	468 008	2 613	–	–	470 621

	Shareholders Number	Shareholders %	Shares held Number	Shares held %
43. SHARE ANALYSIS				
Range of shareholding				
1 – 50 000	**1 332**	**75.9%**	**18 185 836**	**1.5%**
50 001 – 100 000	**126**	**7.2%**	**9 143 665**	**0.7%**
100 001 – 500 000	**182**	**10.4%**	**40 264 757**	**3.3%**
500 001 – 1 000 000	**35**	**2.0%**	**25 720 430**	**2.1%**
Over 1 000 000	**80**	**4.5%**	**1 128 245 207**	**92.4%**
	1 755	**100.0%**	**1 221 559 895**	**100.0%**
Treasury shares	**1**		**357 875**	
	1 756		**1 221 917 770**	
Public and non-public shareholding				
Non-public				
Holding company	**1**	**0.0%**	**790 813 029**	**64.7%**
Directors and management	**45**	**2.6%**	**161 002 691**	**13.2%**
Public	**1 709**	**97.4%**	**269 744 175**	**22.1%**
	1 755	**100.0%**	**1 221 559 895**	**100.0%**

No individual shareholders (excluding the holding company) held more than 5% of the issued shares as at 28 February 2014 (2013: Nil; 2012: Nil).

PSG Konsult Limited

Company financial statements and notes for the year ended 28 February 2014

Contents

Company statement of financial position
as at 28 February 2014

	Notes	2014 R000	2013 R000	2012 R000
ASSETS				
Investment in subsidiaries	1	**1 103 171**	1 070 172	954 380
Investment in associated companies	2	**–**	–	–
Deferred income tax	3	**–**	–	1 445
Loans and advances	4	**21 573**	8 140	61 545
Receivables	5	**187 033**	155 432	158 620
Cash and cash equivalents (including money market investments)	6	**22 855**	38 040	10 242
Total assets		**1 334 632**	1 271 784	1 186 232
EQUITY				
Equity attributable to owners of the parent				
Stated/share capital	7	**1 134 746**	12 096	10 723
Share premium	7	**–**	1 093 831	849 507
Retained earnings		**2 989**	20 910	25 223
Total equity		**1 137 735**	1 126 837	885 453
LIABILITIES				
Borrowings	8	**177 626**	130 908	283 384
Deferred income tax	3	**147**	135	–
Trade and other payables	9	**18 292**	13 834	17 395
Current income tax liabilities		**832**	70	–
Total liabilities		**196 897**	144 947	300 779
Total equity and liabilities		**1 334 632**	1 271 784	1 186 232

Company statement of comprehensive income
for the year ended 28 February 2014

	Notes	2014 R000	2013 R000	2012 R000
Investment income	10	**112 644**	134 463	176 185
Net fair value gains and losses on financial instruments	11	**387**	239	64
Other operating income	12	**21 705**	20 001	15 523
Total income		**134 736**	154 703	191 772
Marketing, administration and other expenses	13	**(877)**	(18 340)	(96 881)
Total expenses		**(877)**	(18 340)	(96 881)
Profit before finance costs and taxation		**133 859**	136 363	94 891
Finance costs	14	**(9 468)**	(18 534)	(17 422)
Profit before taxation		**124 391**	117 829	77 469
Taxation	15	**(4 338)**	(2 582)	(755)
Profit for the year		**120 053**	115 247	76 714
Total comprehensive income for the year		**120 053**	115 247	76 714

Company statement of changes in equity
for the year ended 28 February 2014

	Stated/ Share capital and share premium R000	Retained earnings R000	Total R000
Balance at 1 March 2011	353 363	24 663	378 026
Comprehensive income			
Profit for the year	–	76 714	76 714
Transactions with owners	506 867	(76 154)	430 713
Issue of ordinary shares	506 867	–	506 867
Dividend paid	–	(76 154)	(76 154)
Balance at 1 March 2012	860 230	25 223	885 453
Comprehensive income			
Profit for the year	–	115 247	115 247
Transactions with owners	245 697	(119 560)	126 137
Issue of ordinary shares	58 600	–	58 600
Rights issue	187 097	–	187 097
Dividend paid	–	(119 560)	(119 560)
Balance at 1 March 2013	1 105 927	20 910	1 126 837
Comprehensive income			
Profit for the year	**–**	**120 053**	**120 053**
Transactions with owners	**28 819**	**(137 974)**	**(109 155)**
Issue of ordinary shares	**28 819**	**–**	**28 819**
Dividend paid	**–**	**(137 974)**	**(137 974)**
Balance at 28 February 2014	**1 134 746**	**2 989**	**1 137 735**

Company statement of cash flows
for the year ended 28 February 2014

	Notes	2014 R000	2013 R000	2012 R000
Cash flows from operating activities				
Cash generated by/(utilised in) operating activities	19.1	**55 547**	(22 075)	(20 175)
Interest income		**3 223**	4 886	5 724
Dividend income		**109 421**	111 943	170 461
Finance costs		**(9 468)**	(18 534)	(17 422)
Taxation paid	19.2	**(3 564)**	(932)	(30)
Net cash flow from operating activities		**155 159**	75 288	138 558
Cash flows from investing activities				
Acquisition of subsidiaries (refer to note 39.7 of the consolidated financial statements)		**(33 000)**	(53 600)	(94 409)
Acquisition of associated companies		**–**	(19 340)	–
Proceeds from disposal of associated companies		**–**	–	1 090
Net cash flow from investing activities		**(33 000)**	(72 940)	(93 319)
Cash flows from financing activities				
Dividends paid		**(137 974)**	(119 560)	(76 154)
Repayment of borrowings		**(28 189)**	(79 994)	33 492
Proceeds from borrowings		**–**	37 907	–
Issue of ordinary shares		**28 819**	–	–
Rights issue		**–**	187 097	–
Net cash flow from financing activities		**(137 344)**	25 450	(42 662)
Net (decrease)/increase in cash and cash equivalents		**(15 185)**	27 798	2 577
Cash and cash equivalents at beginning of year		**38 040**	10 242	7 665
Cash and cash equivalents at end of year	19.3	**22 855**	38 040	10 242

Notes to the company financial statements
for the year ended 28 February 2014

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.

	2014 R000	2013 R000	2012 R000
1. INVESTMENT IN SUBSIDIARIES			
Unlisted shares at cost less impairment	**1 103 171**	1 070 172	954 380

The PSG Konsult Limited Group of Companies underwent a restructuring process effective 1 March 2013. The restructuring process entailed the incorporation of new intermediary holding companies. As part of the restructuring of the group, PSG Konsult Limited entered into various agreements with these new intermediary holding companies where investments in subsidiaries held by the company were transferred to these new holding companies in an asset-for-share transaction. The restructuring process was done in line with the requirements of section 42 and 45 of the Income Tax Act 58 of 1962.

As at 1 March 2013, PSG Konsult Limited acquired an additional 15% interest in Western Group Holdings Limited for a consideration of R33.0 million. The 15% stake was bought from SAAD Financial Holdings Proprietary Limited, an investment holding company. This transaction was subject to regulatory approval, which was obtained at the end of May 2013, therefore the acquisition date of 1 June 2013 was adopted. The transaction increased the shareholding to 90% of the share capital of Western Group Holdings Limited. The 90% shareholding in Western Group Holdings Limited was subsequently transferred from PSG Konsult Limited to its intermediary holding company, PSG Insure Holdings Proprietary Limited.

Effective 1 March 2012, PSG Konsult Limited acquired a 24% interest in Western Group Holdings Limited ("Western") for R19.3 million, a holding company based in Namibia with two short-term insurance licences, one in South Africa and the other in Namibia. Negotiations were concluded to increase the stake held in Western, which was subject to regulatory approvals. The regulatory approvals were obtained on 6 November 2012, on which date PSG Konsult Limited obtained an additional 51% interest in this company, raising its effective interest to 75%. Western was accounted for as an investment in associated company up to 31 October 2012. From 1 November 2012, the company was accounted for as a subsidiary of PSG Konsult Limited. This step acquisition resulted in a non-headline loss of R1.0 million. The consideration was paid with the issue of PSG Konsult Limited shares (30.1 million shares at R1.95 per share) and the remaining R53.6 million paid in cash on the effective date.

During the 2013 financial year, PSG Wealth Financial Planning Proprietary Limited (previously PSG Konsult Financial Planning Proprietary Limited) amalgamated the business of PSG Konsult Short-Term Insurance Brokers Proprietary Limited, PSG Konsult Nucleus Proprietary Limited, PSG Konsult Securities Proprietary Limited and Topexec Management Bureau Proprietary Limited with its own.

At the 2013 year-end management decided to impair the investment in PSG Academy Proprietary Limited (previously PSG Konsult Academy Proprietary Limited) as it was no longer profit orientated and, following the restructuring that took place during the financial year, was no longer seen as part of the core business of the group.

During the 2012 financial year PSG Konsult Limited acquired a 100% interest in the newly incorporated company, PSG Asset Management Holdings Proprietary Limited, after the operations of PSG Fund Management, PSG Alphen, PSG Tanzanite, PSG Absolute Investments and PSG FutureWealth were amalgamated with those of PSG Konsult Limited. The total consideration paid was R506.9 million.

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 (2013: 5.0 and 7.5; 2012: 7.5).

Refer to Annexure A for a schedule of interests in subsidiaries.

	2014 R000	2013 R000	2012 R000
2. INVESTMENT IN ASSOCIATED COMPANIES			
Carrying value of ordinary share investments – Unlisted	**–**	–	–
	–	–	–
Reconciliation			
Balance at beginning of year	**–**	–	2 000
Movement in investment value	**–**	–	(2 000)
Acquisitions	**–**	19 340	–
Disposal of associated companies	**–**	(19 340)	(2 000)
Carrying value at end of year	**–**	–	–
At cost	**–**	–	–
Goodwill included in carrying value	**–**	–	–

2. INVESTMENT IN ASSOCIATED COMPANIES (continued)

Acquisitions

No acquisition of associated companies occurred during the 2014 financial year.

The company acquired a 24% shareholding in Western Group Holdings Limited ("Western") on 1 March 2012. An additional interest of 51% was obtained in November 2012 and the investment in this associated company was derecognised on 31 October 2012 as Western became a subsidiary of the company.

Disposals

During the 2012 financial year, PSG Konsult Limited entered into an agreement with its wholly owned subsidiary, PSG Wealth Group Services Proprietary Limited (previously PSG Online Solutions Proprietary Limited) on 1 March 2011, to cede its 20% interest in iHound Proprietary Limited, for an amount of R1.1 million. A loss of R0.9 million on disposal of associated company was recognised as part of marketing, administration and other expenses as disclosed in note 13.

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 following key assumptions were used in the performance of the fair value calculations:

	2014	2013	2012
Price/earnings ratios	**7.5**	5.0 – 7.5	7.5

Refer Annexure B for further information regarding associated companies.

	2014 R000	2013 R000	2012 R000
3. DEFERRED INCOME TAX			
Deferred income tax asset	**76**	75	1 635
Deferred income tax liability	**(223)**	(210)	(190)
Net deferred income tax (liability)/asset	**(147)**	(135)	1 445
Deferred income tax asset			
To be recovered within 12 months	**76**	75	1 635
To be recovered after 12 months	**–**	–	–
	76	75	1 635
Deferred income tax liability			
To be recovered within 12 months	**(223)**	(210)	(190)
To be recovered after 12 months	**–**	–	–
	(223)	(210)	(190)

Notes to the company financial statements
for the year ended 28 February 2014

3. DEFERRED INCOME TAX (continued)

The movement in the deferred tax asset and liability during the year was as follow:

Deferred tax asset	**STC credits R000**	**Provisions R000**	**Tax losses carried forward R000**	**Total R000**
At 1 March 2011	982	150	1 169	2 301
Charges to profit and loss	(53)	(24)	(589)	(666)
At 29 February 2012	929	126	580	1 635
Charges to profit and loss	(929)	(51)	(580)	(1 560)
At 28 February 2013	–	75	–	75
Credit to profit and loss	**–**	**1**	**–**	**1**
At 28 February 2014	**–**	**76**	**–**	**76**
To be recovered within 12 months	**–**	**76**	**–**	**76**
To be recovered after more than 12 months	**–**	**–**	**–**	**–**
	–	**76**	**–**	**76**

Deferred tax liability	**Prepaid expenses R000**	**Unrealised foreign exchange differences R000**	**Total R000**
At 1 March 2011	(81)	(50)	(131)
Charges to profit and loss	(27)	(32)	(59)
At 29 February 2012	(108)	(82)	(190)
Credit/(charges) to profit and loss	29	(49)	(20)
At 28 February 2013	(79)	(131)	(210)
Credit/(charges) to profit and loss	**29**	**(42)**	**(13)**
At 28 February 2014	**(50)**	**(173)**	**(223)**
To be recovered within 12 months	**(50)**	**(173)**	**(223)**
To be recovered after more than 12 months	**–**	**–**	**–**
	(50)	**(173)**	**(223)**

The deferred income tax assets and liabilities were calculated on all temporary differences under the liability method using the effective tax rate of 28% (2013: 28%; 2012: 28%). No deferred tax asset raised for STC credits during the current and prior financial year as STC was replaced by Dividend Withholding Tax during the 2013 financial year (2012: rate of 10% applied to raise deferred tax asset on STC credits). No STC credits available at year-end to utilise against future dividends paid by the company.

The recoverability of the deferred income tax asset was assessed as set out in the accounting policies of the group.

	2014 R000	2013 R000	2012 R000
4. LOANS AND ADVANCES			
Unsecured loans	**1 886**	2 093	–
Amounts owing by related parties (refer to note 18)	**19 687**	6 047	61 545
	21 573	8 140	61 545
Current portion	**21 573**	8 140	61 545
Non-current portion	**–**	–	–
	21 573	8 140	61 545

Included under unsecured loans is a balance of R1.9 million (2013: R2.1 million) that accrues interest at the UK prime rate and is repayable on demand. Amounts owing by related parties are unsecured and include balances of R1.8 million (2013: Rnil; 2012: R26.3 million) which accrue interest at prime rate (2013: nil; 2012: 5.20%) 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.

	2014 R000	2013 R000	2012 R000
5. RECEIVABLES			
Trade receivables	**42**	1 388	10
Receivables due from related parties (refer to note 18)	**186 810**	153 761	158 225
Prepayments	**181**	283	385
Total receivables including insurance receivables*	**187 033**	155 432	158 620
Current portion	**187 033**	155 432	158 620
Non-current portion	**–**	–	–
	187 033	155 432	158 620

* *Includes non-financial assets of R0.2 million (2013: R0.3 million; 2012: R0.4 million).*

Receivables due from related parties include balances of R17.5 million (2013: R35.0 million; 2012: R63.2 million) which accrue interest and are repayable on demand. The effective interest rates applied to these balances is 9.00% (2013: 9.20%; 2012: on R62.0 million of these balances the effective interest rate ranged between 5.20% and 9.50%, with the remaining balance of R1.2 million carrying interest at UK prime rate). The remaining amounts receivable are 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 (2013: Rnil; 2012: Rnil). As at 28 February 2014, no receivables were past due but not impaired (2013: Rnil; 2012: Rnil).

Notes to the company financial statements
for the year ended 28 February 2014

	2014 R000	2013 R000	2012 R000
6. CASH AND CASH EQUIVALENTS (INCLUDING MONEY MARKET INVESTMENTS)			
Cash at bank and in hand	**1 930**	6 362	10 242
Money market investments	**25**	31 678	–
Short-term deposits	**20 900**	–	–
	22 855	38 040	10 242

The effective interest rate on cash and cash equivalents (including money market investments) was 4.56% (2013: 5.02%; 2012: 2.13%). The money market investments and the short-term deposits have an average maturity of 30 days or less.

	2014 R000	2013 R000	2012 R000
7. STATED/SHARE CAPITAL			
Authorised			
3 billion shares with no par value			
(2013 and 2012: 1.5 billion shares with a par value of 1 cent each)	**–**	15 000	15 000

Issued	**Number of shares (thousands)**	**Stated/Share capital R000**	**Share premium R000**
At 1 March 2011	733 081	7 331	346 032
Issue of ordinary shares	339 220	3 392	503 475
At 29 February 2012	1 072 301	10 723	849 507
Issue of ordinary shares	30 051	301	58 299
Rights issue	107 230	1 072	186 025
At 28 February 2013	1 209 582	12 096	1 093 831
Issue of ordinary shares	**12 335**	**123**	**28 696**
Share premium transferred upon conversion of shares to no par value shares	**–**	**1 122 527**	**(1 122 527)**
At 28 February 2014	**1 221 917**	**1 134 746**	**–**

The shares issued during the current financial year was to fulfil the company's obligation towards the share options which vested on 1 March 2013.

The company undertook a non-renounceable transferable rights offer of 107.2 million ordinary shares, in the ratio of 1 rights offer share per every 10 ordinary shares held, and issued these rights at 175 cents per rights offer share to the ordinary shareholders of the company, registered in the share register of the company as such at the close of business on Wednesday, 22 August 2012. The group was successful in raising capital of R187.7 million with this rights issue, with costs of R0.6 million incurred.

The shares issued in the previous year was as a result of the acquisition of a further 51% share in Western Group Holdings Limited on 1 November 2012. Refer to Annexure A for the detail of the transaction.

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.

	2014 R000	2013 R000	2012 R000
8. BORROWINGS			
Non-current			
Secured loan	**38 746**	70 284	62 214
Total non-current borrowings	**38 746**	70 284	62 214
Current			
Secured loan	**31 065**	27 716	19 270
Promissory notes	**–**	–	58 602
Bank borrowings	**–**	–	1
Related-party loans (refer to note 18)	**107 815**	32 908	143 297
Total current borrowings	**138 880**	60 624	221 170
Total borrowings	**177 626**	130 908	283 384

The secured loan consists of a loan with Rand Merchant Bank. The loan with Rand Merchant Bank of R69.8 million (2013: R98.1 million; 2012: R81.5 million) is secured by the investment in Online Securities Limited. The loan consists of three separate loans, of which R14.1 million (2013: R22.5 million; 2012: R30.1 million) accrues interest at JIBAR plus 4.30% and is repayable in quarterly instalments of R2.5 million, with the final instalment on 12 August 2015, a second loan of R40.9 million (2013: R52.2 million; 2012: R20.4 million) which accrues interest at JIBAR plus 4.20% and is repayable in quarterly instalments of R3.9 million, with the final instalment on 16 December 2016, and another of R14.8 million (2013: R23.4 million; 2012: R31.0 million) which accrues interest at a fixed rate of 11.64% and is repayable in quarterly instalments of R2.7 million, with the final instalment on 20 July 2015.

Included in amounts payable to related parties are balances of Rnil (2013: R11.5 million; 2012: R48.2 million) that accrue interest and are payable on demand. The effective interest rate applied to these balances range between 4.91% and 10.17% for the 2013 financial year and between 4.08% and 10.50% for the 2012 financial year. The remaining balances are unsecured, interest-free and repayable on demand.

The carrying value of short-term borrowings approximates their fair value.

	2014 R000	2013 R000	2012 R000
9. TRADE AND OTHER PAYABLES			
Trade payables	**18 148**	13 560	16 796
Accruals	**–**	40	222
VAT payable	**144**	234	377
Total trade and other payables*	**18 292**	13 834	17 395
Current portion	**18 292**	13 834	17 395
Non-current portion	**–**	–	–
	18 292	13 834	17 395

* *Includes non-financial liabilities of R0.1 million (2013: R0.2 million; 2012: R0.4 million).*

The carrying amount of trade and other payables approximate their fair value.

Notes to the company financial statements
for the year ended 28 February 2014

	2014 R000	2013 R000	2012 R000
10. INVESTMENT INCOME			
Interest income			
Interest received from related parties (refer to note 18)	**2 208**	2 067	5 281
Cash and short-term funds	**1 015**	2 819	443
	3 223	4 886	5 724
Dividend income			
Dividend income from associated companies (refer to note 18)	**–**	140	–
Dividend income from subsidiaries (refer to note 18)	**109 421**	129 437	170 461
	109 421	129 577	170 461
	112 644	134 463	176 185
11. NET FAIR VALUE GAINS AND LOSSES ON FINANCIAL INSTRUMENTS			
Foreign exchange gains	**387**	239	64
12. OTHER OPERATING INCOME			
Management and other fees received from related parties (refer note 18)	**21 705**	20 001	15 523
13. MARKETING, ADMINISTRATION AND OTHER EXPENSES			
Auditor's remuneration			
– current year	**42**	40	240
Professional fees	**3**	16	94
Administration costs	**702**	595	463
Other administration costs paid to related parties (refer to note 18)	**130**	189	765
Impairment of investments	**–**	17 500	94 409
Loss on disposal of associated companies	**–**	–	910
	877	18 340	96 881
14. FINANCE COSTS			
Loans from related parties (refer to note 18)	**407**	3 412	4 486
Other borrowings	**9 061**	15 122	12 936
	9 468	18 534	17 422
15. TAXATION			
Current taxation			
Current year	**4 272**	959	–
Deferred taxation			
Current year	**12**	1 580	725
Foreign taxation			
Current year	**54**	43	30
Total income statement charge	**4 338**	2 582	755

	2014 %	2013 %	2012 %
15. TAXATION (continued)			
Reconciliation of effective rate of taxation			
South African normal taxation rate	**28.0**	28.0	28.0
Adjusted for:			
Non-taxable income	**(26.5)**	(30.8)	(61.6)
Non-deductible charges	**0.1**	4.2	34.5
Secondary tax on companies (STC) and other withholding tax	**–**	0.8	0.1
Effective rate of taxation	**1.6**	2.2	1.0
Unutilised STC credits			
STC credits available within the company	**–**	–	929
Deferred tax asset provided for	**–**	–	(929)
Available for future utilisation	**–**	–	–
Unutilised tax losses			
Gross calculated tax losses at the end of the year available for utilisation against future taxable income	**–**	–	2 072
Deferred tax asset provided on	**–**	–	(2 072)
Available for future utilisation	**–**	–	–

	2014 R000	2013 R000	2012 R000
16. DIVIDEND PER SHARE			
Normal dividend	**137 974**	119 560	76 154

Interim
4.0 cents per share (2013: 3.5 cents; 2012: 3.0 cents)
Final
7.3 cents per share (2013: 7.3 cents; 2012: 7.3 cents)

Dividends are not accounted for until they have been approved by the company's board of directors.

17. 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 8 to the financial statements.

The company also has an undrawn overdraft facility of R30.0 million (2013: R30.0 million; 2012: R29.0 million) with Absa Bank Limited.

As per note 8, PSG Konsult Limited ceded its rights and title to its shareholding in Online Securities Limited (through PSG Wealth Holdings Proprietary Limited) as security against the company's due performance and discharge of its obligations or indebtedness under a fixed term loan from Rand Merchant Bank. The value of the cession is capped at the initial loan amount of the two facilities in place, being R150.0 million, of which R10.0 million (2013: R10.0 million; 2012: R50.0 million) is unutilised at 28 February 2014.

Notes to the company financial statements
for the year ended 28 February 2014

	2014 R000	2013 R000	2012 R000
18. RELATED-PARTY TRANSACTIONS			
PSG Konsult Limited, its subsidiaries and associated companies enter into various transactions with members of the PSG Group. These transactions include a range of investment, administrative and corporate services in the normal course of business.			
Included in loans and advances to companies in the PSG Konsult Limited Group			
Delerus Proprietary Limited	**1 776**	–	–
PSG Wealth Holdings Proprietary Limited	**14 378**	–	–
PSG Trust Proprietary Limited (previously PSG Konsult Trust Proprietary Limited)	**–**	–	1 438
Abrafield Proprietary Limited	**3 533**	6 047	5 130
Topexec Management Bureau Proprietary Limited	**–**	–	53 371
PSG Consult Limited	**–**	–	1 606
	19 687	6 047	61 545
Included in receivables from companies in the PSG Konsult Limited Group			
PSG Wealth Financial Planning Proprietary Limited (previously PSG Konsult Financial Planning Proprietary Limited)	**167 088**	117 275	88 666
PSG Employee Benefits Limited (previously PSG Konsult Corporate Limited))	**6 252**	34 995	14 506
PSG Corporate Financial Planning Proprietary Limited (previously PSG Konsult Corporate Financial Planning Proprietary Limited)	**10 780**	–	2 995
PSG Konsult Insurance Solutions Proprietary Limited	**15**	11	3 480
PSG Optimum Proprietary Limited (previously PSG Konsult Optimum Proprietary Limited)	**1 995**	1 480	1 476
PSG Konsult Nucleus Proprietary Limited	**–**	–	12
PSG Konsult Short-Term Insurance Brokers Proprietary Limited	**–**	–	47 090
Nhluvuko Risk Administration Proprietary Limited	**443**	–	–
PSG Konsult Group Share Incentive Trust	**237**	–	–
	186 810	153 761	158 225
Refer to notes 4 and 5 for the detail of the terms of the related-party loans and advances and receivables.			
Included in borrowings from companies in the PSG Konsult Limited Group			
PSG Insure Holdings Proprietary Limited	**39 750**	–	–
PSG Namibia Proprietary Limited (previously PSG Konsult Namibia Proprietary Limited)	**–**	879	822
Delerus Proprietary Limited	**–**	1 233	1 214
PSG Management Services Proprietary Limited (previously PSG Konsult Management Services Proprietary Limited)	**52 050**	13 353	2 388
PSG Konsult Short-Term Insurance Brokers Proprietary Limited	**–**	–	16 015
PSG Academy Proprietary Limited (previously PSG Konsult Academy Proprietary Limited)	**1 480**	560	542
Online Securities Limited	**–**	–	17 340
PSG Fixed Interest and Commodities Proprietary Limited (previously PSG Prime Proprietary Limited)	**–**	65	21
PSG Employee Benefits Limited (previously PSG Konsult Corporate Limited)	**–**	6 881	6 956
PSG Konsult Securities Proprietary Limited	**–**	–	43 781
PSG Scriptfin Proprietary Limited (previously Crest Constantia Management Services Proprietary Limited)	**6 851**	6 842	24 613
PSG Trust Proprietary Limited (previously PSG Konsult Trust Proprietary Limited)	**2 434**	215	–
PSG Wealth Group Services Proprietary Limited (previously PSG Online Solutions Proprietary Limited)	**5 250**	380	380
PSG Asset Management Group Services Proprietary Limited	**–**	2 500	–
PSG Asset Management Proprietary Limited	**–**	–	2 725
PSG Life Limited (previously PSG Asset Management Life Limited)	**–**	–	26 500
	107 815	32 908	143 297

Refer to note 8 for the detail of the terms of the related-party borrowings.

	2014 R000	2013 R000	2012 R000
18. RELATED-PARTY TRANSACTIONS (continued)			
Other related balances			
As at 29 February 2012, promissory notes to the value of R58.6 million was obtained from the PSG Money Market Fund, a related party local unit trust fund. The custodians and settlement agents to these promissory notes were Standard Bank and Absa Bank. As at 28 February 2013, these promissory notes were repaid in full.			
The following significant related party transactions occurred during the year:			
Management and other fees received from companies in the PSG Konsult Limited Group			
PSG Wealth Financial Planning Proprietary Limited (previously PSG Konsult Financial Planning Proprietary Limited)	**21 461**	19 726	15 150
PSG Management Services Proprietary Limited (previously PSG Konsult Management Services Proprietary Limited)	**37**	34	32
PSG Konsult Securities Proprietary Limited	**–**	–	97
PSG Konsult Short-Term Insurance Brokers Proprietary Limited	**–**	–	42
PSG Trust Proprietary Limited (previously PSG Konsult Trust Proprietary Limited)	**86**	81	75
PSG Employee Benefits Limited (previously PSG Konsult Corporate Limited)	**–**	36	–
PSG Konsult Nucleus Proprietary Limited	**–**	11	21
PSG Optimum Proprietary Limited (previously PSG Konsult Optimum Proprietary Limited)	**121**	113	106
	21 705	20 001	15 523
Fees paid to companies in the PSG Konsult Limited Group			
PSG Fixed Income and Commodities Proprietary Limited (previously PSG Prime Proprietary Limited)	**9**	76	81
PSG Wealth Financial Planning Proprietary Limited (previously PSG Konsult Financial Planning Proprietary Limited)	**–**	–	577
PSG Management Services Proprietary Limited (previously PSG Konsult Management Services Proprietary Limited)	**121**	113	107
	130	189	765
Interest received from PSG Konsult Limited Group companies			
Topexec Management Bureau Proprietary Limited	**–**	–	916
PSG Corporate Financial Planning Proprietary Limited (previously PSG Konsult Corporate Financial Planning Proprietary Limited)	**286**	–	–
PSG Employee Benefits Limited (previously PSG Konsult Corporate Limited)	**1 310**	1 918	1 384
PSG Consult Limited	**–**	35	25
PSG Konsult Short-Term Insurance Brokers Proprietary Limited	**–**	–	2 764
Delerus Proprietary Limited	**332**	114	192
Transaction with hedge funds, offshore unit trusts and local unit trusts			
Related party interest received			
Local unit trusts	**280**	–	–
	2 208	2 067	5 281

Notes to the company financial statements
for the year ended 28 February 2014

	2014 R000	2013 R000	2012 R000
18. RELATED-PARTY TRANSACTIONS (continued)			
Interest paid to PSG Group companies			
PSG Group Limited and its subsidiaries			
PSG Corporate Services Proprietary Limited	**–**	–	1 053
PSG Konsult Limited and its subsidiaries and associated companies			
Online Securities Limited	**137**	809	220
PSG Namibia Proprietary Limited (previously PSG Konsult Namibia Proprietary Limited)	**4**	57	56
PSG Corporate Financial Planning Proprietary Limited (previously PSG Konsult Corporate Financial Planning Proprietary Limited)	**–**	–	286
PSG Wealth Financial Planning Proprietary Limited (previously PSG Konsult Financial Planning Proprietary Limited)	**210**	–	–
Nhluvuko Risk Administration Proprietary Limited	**28**	–	–
PSG Employee Benefits Limited (previously PSG Konsult Corporate Limited)	**–**	576	–
Topexec Management Bureau Proprietary Limited	**–**	–	80
PSG Asset Management Proprietary Limited	**–**	99	225
PSG Asset Management Group Services Proprietary Limited	**17**	271	–
PSG Life Limited (previously PSG Asset Management Life Limited)	**–**	1 573	2 065
Delerus Proprietary Limited	**11**	27	501
	407	3 412	4 486
Dividends received from companies in the PSG Konsult Limited Group			
PSG Wealth Holdings Proprietary Limited	**45 840**	–	–
PSG Distribution Holdings Proprietary Limited	**1 081**	–	–
PSG Namibia Proprietary Limited (previously PSG Konsult Namibia Proprietary Limited)	**–**	857	602
Online Securities Limited	**–**	20 570	18 487
PSG Wealth Financial Planning Proprietary Limited (previously PSG Konsult Financial Planning Proprietary Limited)	**–**	46 276	11 228
PSG Asset Management Holdings Proprietary Limited	**62 500**	44 100	12 500
PSG Konsult Short-Term Insurance Brokers Proprietary Limited	**–**	–	26 999
PSG Konsult Insurance Solutions Proprietary Limited	**–**	–	6 224
PSG Scriptfin Proprietary Limited (previously Crest Constantia Management Services Proprietary Limited)	**–**	17 634	–
PSG Konsult Commercial Proprietary Limited	**–**	–	12
PSG Fund Management Holdings Proprietary Limited	**–**	–	94 409
	109 421	129 437	170 461
Dividend received from associated companies			
Make-a-Million Proprietary Limited	**–**	140	–
	–	140	–

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 104 and 105 of the report of the board of directors.

	2014 R000	2013 R000	2012 R000
19. NOTES TO THE STATEMENTS OF CASH FLOWS			
19.1 Cash generated by/(utilised in) operating activities			
Profit before finance costs and taxation	**133 859**	136 363	94 891
Adjustment for non-cash items and other:			
Impairment of investments	**–**	17 500	94 409
Interest received	**(3 223)**	(4 886)	(5 724)
Dividends received	**(109 421)**	(129 577)	(170 461)
Loss on disposal of associated companies	**–**	–	910
	21 215	19 400	14 025
Changes in working capital			
Receivables	**1 448**	(1 276)	(96)
Intergroup loans obtained	**74 907**	59 962	(28 583)
Intergroup loans repaid	**(46 688)**	(94 507)	(13 490)
Loans and advances	**207**	(2 093)	5 114
Trade and other payables	**4 458**	(3 561)	2 855
	55 547	(22 075)	(20 175)
19.2 Taxation paid			
Charge to profit and loss	**(4 338)**	(2 582)	(755)
Movement in deferred taxation	**12**	1 580	725
Movement in net taxation liability	**762**	70	–
	(3 564)	(932)	(30)
19.3 Cash and equivalents at end of year			
Cash and cash equivalents (including money market investments)	**22 855**	38 040	10 242

20. 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.

21. 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. Each entity within the PSG Konsult Group 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 financial instruments 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.

Notes to the company financial statements
for the year ended 28 February 2014

	2014 R000	2013 R000	2012 R000
21. FINANCIAL RISK MANAGEMENT (continued)			
CLASSES OF FINANCIAL ASSETS			
Unsecured loans	**1 886**	2 093	–
Unsecured loans to related parties	**19 687**	6 047	61 545
Total loans and advances	**21 573**	8 140	61 545
Trade receivables	**42**	1 388	10
Receivables due from related parties (refer to note 18)	**186 810**	153 761	158 225
Total receivables	**186 852**	155 149	158 235
Cash and cash equivalents	**22 855**	38 040	10 242
Total financial assets	**231 280**	201 329	230 022
CLASSES OF FINANCIAL LIABILITIES			
Bank borrowings and overdrafts	**–**	–	1
Secured loans	**69 811**	98 000	81 484
Promissory notes	**–**	–	58 602
Related-party loans (refer to note 18)	**107 815**	32 908	143 297
Total borrowings	**177 626**	130 908	283 384
Trade and other payables	**18 148**	13 600	17 018
Total trade and other payables	**18 148**	13 600	17 018
Total financial liabilities	**195 774**	144 508	300 402

	Loans and receivables		
	2014 R000	2013 R000	2012 R000
FINANCIAL INSTRUMENTS BY CATEGORY			
Assets as per statement of financial position			
Loans and advances*	**21 573**	8 140	61 545
Receivables*	**186 852**	155 149	158 235
Cash and cash equivalents*	**22 855**	38 040	10 242
	231 280	201 329	230 022

	Liabilities measured at amortised cost		
	2014 R000	2013 R000	2012 R000
Liabilities as per statement of financial position			
Borrowings*	**177 626**	130 908	283 384
Trade and other payables*	**18 148**	13 600	17 018
	195 774	144 508	300 402

* *Carrying value approximates fair value.*

21. 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 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.

	British pound sterling R000	Total R000
At 28 February 2014		
Financial assets		
Loans and advances	**1 886**	**1 886**
At 28 February 2013		
Financial assets		
Loans and advances	1 491	1 491
At 29 February 2012		
Financial assets		
Loans and advances	1 245	1 245

The table below shows the sensitivity of post-tax profits of the company to a 20% (2013: 20%; 2012: 20%) move in the rand exchange rates.

	2014 20% appreciation R000	2013 20% appreciation R000	2012 20% appreciation R000	**2014 20% depreciation R000**	2013 20% depreciation R000	2012 20% depreciation R000
Impact on post-tax profit	**(272)**	(215)	(179)	**272**	215	179

Cash flow and fair value interest rate risk

The company's interest rate risk arises from loans and advances, receivables, cash and cash equivalents, long-term 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.

Notes to the company financial statements
for the year ended 28 February 2014

	2014 R000	2013 R000	2012 R000
21. FINANCIAL RISK MANAGEMENT (continued)			
Loans and advances			
Floating rate	**3 662**	2 093	26 254
Interest free	**17 911**	6 047	35 291
	21 573	8 140	61 545
Receivables			
Floating rate	**17 474**	34 995	63 203
Interest free	**169 378**	120 154	95 032
	186 852	155 149	158 235
Cash and cash equivalents			
Floating rate	**22 855**	38 040	10 242
	22 855	38 040	10 242
Borrowings			
Floating rate	**(54 993)**	(86 117)	(98 700)
Fixed rate	**(14 818)**	(23 375)	(89 608)
Interest free	**(107 815)**	(21 416)	(95 076)
	(177 626)	(130 908)	(283 384)
Trade and other payables			
Interest free	**(18 148)**	(13 600)	(17 018)
	(18 148)	(13 600)	(17 018)
Total			
Floating rate	**(11 002)**	(10 989)	999
Fixed rate	**(14 818)**	(23 375)	(89 608)
Interest free	**61 326**	91 185	18 229
	35 506	56 821	(70 380)

The company 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% (2013: 1%; 2012: 1%) movement in interest rates is analysed in the following table:

	2014 1% increase R000	2013 1% increase R000	2012 1% increase R000	2014 1% decrease R000	2013 1% decrease R000	2012 1% decrease R000
Impact on post-tax profit	**(79)**	(79)	7	**79**	79	(7)

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.

21. FINANCIAL RISK MANAGEMENT (continued)

The table below shows the company's maximum exposure to credit risk by class of asset.

	2014		2013		2012	
	Balance R000	Collateral fair value R000	Balance R000	Collateral fair value R000	Balance R000	Collateral fair value R000
Loans and advances	**21 573**	**–**	8 140	–	61 545	–
Receivables	**186 852**	**–**	155 149	–	158 235	–
Cash and cash equivalents	**22 855**	**–**	38 040	–	10 242	–
	231 280	**–**	201 329	–	230 022	–

Receivables are tested for impairment using a variety of techniques including assessing credit risk and monthly monitoring of individual debtors. At 28 February 2014 no receivables (2013: Rnil; 2012: 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:

	2014 R000	2013 R000	2012 R000
P1	**22 830**	6 362	–
P2	**–**	–	10 242
Other non-rated assets	**208 425**	163 289	219 780
Unit linked investments (including collective investment schemes) ("CIS")	**25**	31 678	–
	231 280	201 329	230 022

The table below analyses the company's external credit rating by class of asset:

	R000 P1	R000 P2	R000 Unit-linked (incl CIS)	R000 Other non-rated assets	R000 Total
2014					
Loans and advances	**–**	**–**	**–**	**21 573**	**21 573**
Receivables	**–**	**–**	**–**	**186 852**	**186 852**
Cash and cash equivalents	**22 830**	**–**	**25**	**–**	**22 855**
	22 830	**–**	**25**	**208 425**	**231 280**
2013					
Loans and advances	–	–	–	8 140	8 140
Receivables	–	–	–	155 149	155 149
Cash and cash equivalents	6 362	–	31 678	–	38 040
	6 362	–	31 678	163 289	201 329
2012					
Loans and advances	–	–	–	61 545	61 545
Receivables	–	–	–	158 235	158 235
Cash and cash equivalents	–	10 242	–	–	10 242
	–	10 242	–	219 780	230 022

Notes to the company financial statements
for the year ended 28 February 2014

21. FINANCIAL RISK MANAGEMENT (continued)

The unit linked investments relate to the company's investment in 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 below 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.

	Carrying value R000	Less than 1 year R000	Between 1 and 5 years R000	Over 5 years R000
At 28 February 2014				
Borrowings	**177 626**	**144 458**	**41 780**	**–**
Trade and other payables	**18 148**	**18 148**	**–**	**–**
Financial guarantee contract*	**22 392**	**22 392**	**–**	**–**
	218 166	**184 998**	**41 780**	**–**
At 28 February 2013				
Borrowings	130 908	60 624	70 284	–
Trade and other payables	13 600	13 600	–	–
Financial guarantee contract*	37 332	37 332	–	–
	181 840	111 556	70 284	–
At 29 February 2012				
Borrowings	283 384	229 393	72 897	–
Trade and other payables	17 018	17 018	–	–
Financial guarantee contract*	33 954	33 954	–	–
	334 356	280 365	72 897	–

* *Significant off-balance sheet exposure. Refer to note 22 on page 241. Financial guarantee contract valued at Rnil (2013: Rnil; 2012: Rnil) at the end of each reporting period. Management evaluated the relevant historical data and consider the possibility of losses arising from the financial guarantee 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.

21. 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 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 inputs)
  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 (2013: Rnil; 2012: Rnil).

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, short, long or medium-term borrowings with variable or fixed rates.

The gearing ratio at year-end can be summarised as follow:

	2014 R000	2013 R000	2012 R000
Total borrowings	**177 626**	130 908	283 384
Less: Cash and cash equivalents	**(22 855)**	(38 040)	(10 242)
Net debt position	**154 771**	92 868	273 142
Total equity	**1 137 735**	1 126 837	885 453
Total capital	**1 292 506**	1 219 705	1 158 595
Gearing ratio	**11.97%**	7.61%	23.58%

Credit risk

During October 2013, Global Credit Rating reviewed the credit rating of PSG Konsult Limited. A national long-term rating of BBB (za) and a national short-term rating of A2 (za) were affirmed. The company was assigned a stable outlook due to strong credit protection ratios and a solid earnings track record.

22. CAPITAL COMMITMENTS AND CONTINGENCIES

PSG Konsult Limited issued an irrevocable, unconditional guarantee to Investec Bank Limited for all the obligations of their 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 28 February 2014 was R22.4 million (2013: R37.3 million; 2012: R34.0 million).

Annexure A – Interests in subsidiaries
for the year ended 28 February 2014

Subsidiary	Country of incorporation	Nature of business
PSG Wealth Financial Planning Proprietary Limited (previously PSG Konsult Financial Planning Proprietary Limited)	South Africa	Financial, investment planning, advice and stockbroking
Online Securities Limited	South Africa	Stockbroking
PSG Fixed Income and Commodities Proprietary Limited	South Africa	Investing and share trading
PSG Trust Proprietary Limited (previously PSG Konsult Trust Proprietary Limited)	South Africa	Trust and fiduciary services
PSG Academy Proprietary Limited (previously PSG Konsult Academy Proprietary Limited)	South Africa	Learning academy and related activities
PSG Management Services Proprietary Limited (previously PSG Konsult Management Services Proprietary Limited)	South Africa	Provision of corporate, financial administrative and advisory services
PSG Konsult (Namibia) Proprietary Limited	Namibia	Investment management, insurance and investment brokers, financial planning and advice
Topexec Management Bureau Proprietary Limited	South Africa	Short-term insurance administration services
PSG Konsult Short-Term Insurance Brokers Proprietary Limited	South Africa	Short-term insurance advice and products
PSG Wealth Group Services Proprietary Limited (Previously PSG Online Solutions Proprietary Limited)	South Africa	Provision for corporate financial administrative and advisory services
PSG Scriptfin Proprietary Limited (previously Crest Constantia Management Services Proprietary Limited)	South Africa	Investment holding company
PSG Multi Management Proprietary Limited	South Africa	Multi-manager
PSG Konsult Nucleus Proprietary Limited	South Africa	Investment management, insurance and investment brokers, financial planning and advice
PSG Optimum Proprietary Limited (previously PSG Konsult Optimum Proprietary Limited)	South Africa	Investment management, insurance and investment brokers, financial planning and advice
PSG Konsult Brokers (UK) Limited	United Kingdom	Investment management, insurance and investment brokers, financial planning and advice
PSG Konsult Securities Proprietary Limited	South Africa	Financial, investment planning, advice and stockbroking
Abrafield Proprietary Limited	South Africa	Property management
PSG Nominees Proprietary Limited	South Africa	Nominee company
PSG Nylstroom Proprietary Limited (previously PSG Konsult Nylstroom Proprietary Limited)	South Africa	Investment management, insurance and investment brokers, financial planning and advice
PSG Warmbad Proprietary Limited (previously PSG Konsult Warmbad Proprietary Limited)	South Africa	Investment management, insurance and investment brokers, financial planning and advice
PSG Potgietersrus Proprietary Limited (previously PSG Konsult Potgietersrus Proprietary Limited)	South Africa	Investment management, insurance and investment brokers, financial planning and advice
PSG Ellisras Proprietary Limited (previously PSG Konsult Ellisras Proprietary Limited)	South Africa	Investment management, insurance and investment brokers, financial planning and advice
PSG Employee Benefits Limited (previously PSG Konsult Corporate Limited)	South Africa	Healthcare, brokerage and administration
PSG Corporate Financial Planning Proprietary Limited (previously PSG Konsult Corporate Financial Planning Proprietary Limited)	South Africa	Healthcare, brokerage and employee benefits
Nhluvuko Risk Administration Proprietary Limited	South Africa	Administration
PSG Konsult Insurance Solutions Proprietary Limited	South Africa	Short-term underwriting business
Delerus Proprietary Limited	South Africa	Debtor financing
PSG Asset Management Holdings Proprietary Limited	South Africa	Investment holding company
PSG Asset Management Proprietary Limited	South Africa	Local management company
PSG South Easter Fund Management Proprietary Limited	South Africa	Hedge fund business
PSG Asset Management Group Services Proprietary Limited	South Africa	Provision of corporate, financial administrative and advisory services
PSG Collective Investments Limited	South Africa	Local unit trusts
PSG Fund Management (CI) Limited (Guernsey)	Guernsey	Offshore unit trusts
PSG Life Limited (previously PSG Asset Management Life Limited)	South Africa	Linked insurance company
PSG Wealth Nominees Proprietary Limited	South Africa	Nominee company
PSG Invest Proprietary Limited (previously PSG Asset Management Administration Services Proprietary Limited)	South Africa	LISP functionality

Effective interest held directly or indirectly 2014 %	2013 %	2012 %	Issued share capital 2014	2013	2012	Cost of investment 2014 R000	2013 R000	2012 R000
100	100	100	**105**	105	101	**–**	216 175	29 294
100	100	100	**4 738**	4 738	4 738	**–**	180 106	180 106
100	100	100	**95 827**	95 827	95 827	**–**	17	17
100	100	100	**111**	111	111	**–**	714	714
100	100	100	**120**	120	120	**–**	–	1 907
100	100	100	**100**	100	100	**–**	–	–
51	51	51	**300 000**	300 000	300 000	**–**	2 400	2 400
[2]	[2]	100	**–**	–	200	**–**	–	43 781
[2]	[2]	100	**–**	–	201	**–**	–	140 427
100	100	100	**100**	100	100	**–**	–	–
100	100	100	**200**	200	200	**–**	6 896	22 488
100	100	–	**120**	120	–	**–**	–	–
[2]	[2]	60	**–**	–	54 000	**–**	–	923
51	51	51	**200**	200	200	**–**	2 599	2 599
100	100	100	**2 882**	2 882	2 882	**9 599**	9 599	9 599
[2]	[2]	100	**–**	–	200 001	**–**	–	–
100	100	100	**100**	100	100	**–**	–	–
100	100	100	**100**	100	100	**–**	–	–
51	26	26	**200**	200	200	**–**	–	–
26	26	26	**200**	100	100	**–**	–	–
36	36	36	**116 500**	116 500	116 500	**–**	–	–
26	26	26	**500**	500	500	**–**	–	–
74	74	74	**1 962**	1 962	1 962	**–**	1 101	1 101
100	100	100	**100**	100	100	**–**	–	–
100	100	100	**100**	100	100	**–**	–	–
65	65	65	**300**	300	300	**–**	12 174	12 174
100	100	100	**100**	100	100	**–**	–	–
100	100	100	**121**	120	120	**344 616**	506 867	506 867
100	100	100	**2 797 121**	2 797 121	2 797 121	**–**	–	–
[2]	[2]	100	**–**	–	128	**–**	–	–
100	100	100	**1 351**	1 351	1 351	**–**	–	–
100	100	100	**50 099**	50 099	50 099	**–**	–	–
100	100	100	**102 824**	102 824	102 824	**–**	–	–
100	100	100	**300 000**	300 000	300 000	**–**	–	–
100	100	100	**100**	100	100	**–**	–	–
100	100	100	**100**	100	100	**–**	–	–

Annexure A – Interests in subsidiaries

for the year ended 28 February 2014

Subsidiary	Country of incorporation	Nature of business
PSG Asset Management Nominees Proprietary Limited	South Africa	Nominee company
PSG Konsult Group Share Incentive Trust	South Africa	Share Trust*
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
Hi-Five Corporation Finance Proprietary Limited	Namibia	Debtor financing
Born Free Investments 487 Proprietary Limited	South Africa	Property investment company
Western National Administration Services Proprietary Limited	South Africa	Group administration services
Western National Insurance Company Limited (South Africa)	South Africa	Short-term insurance company focusing on commercial and agricultural markets
Cinetaur Proprietary Limited [4]	South Africa	Property Investments
PSG Wealth Holdings Proprietary Limited	South Africa	Investment holding company
PSG Insure Holdings Proprietary Limited	South Africa	Investment holding company
PSG Distribution Proprietary Limited	South Africa	Investment holding company

[1] *Ownership interest equal voting rights.*
[2] *Disposed/rationalised investment in subsidiary.*
[3] *Invested in subsidiary in the 2013 financial year.*
[4] *Step acquisition, additional shareholding purchased, classified as subsidiary.*
* *PSG Konsult Group Share Incentive Trust consolidated in terms of requirement of IFRS 10.*

PSG Employee Benefits Limited (previously PSG Konsult Corporate Limited)
Western Group Holdings Limited
PSG Konsult (Namibia) Proprietary Limited
PSG Optimum Proprietary Limited (previously PSG Konsult Optimum Proprietary Limited)
iHound Proprietary Limited
PSG Konsult Insurance Solutions Proprietary Limited
Cinetaur Proprietary Limited
PSG Absolute Investments Proprietary Limited

Subsidiary
PSG Wealth Financial Planning Proprietary Limited (previously PSG Konsult Financial Planning Proprietary Limited)
Online Securities Limited
PSG Multi Management Proprietary Limited
PSG Employee Benefits Limited (previously PSG Konsult Corporate Limited)
PSG Asset Management Holdings Proprietary Limited
PSG Life Limited (previously PSG Asset Management Life Limited)
Western Group Holdings Limited

Effective interest held directly or indirectly 2014 %	2013 %	2012 %	Issued share capital 2014	2013	2012	Cost of investment 2014 R000	2013 R000	2012 R000
100	100	100	100	100	100	–	–	–
–	–	–	–	–	–	1	1	–
60	75	3	64 233 976	24 234 000	–	–	131 540	–
60	75	3	65 260	65 260	–	–	–	3
60	75	3	100	100	–	–	–	–
60	75	3	100	100	–	–	–	–
60	75	3	100	100	–	–	–	–
60	75	3	57 000	57 000	–	–	–	–
75	40	35	1 000	4	4	–	4	4
100	–	–	349 252 776	–	–	349 253	–	–
100	–	–	102	–	–	176 714	–	–
100	–	–	222 987 709	–	–	222 988	–	–
						1 103 171	1 070 172	954 380

Profit or loss attributable to non-controlling interest 2014 R000	2013 R000	2012 R000	Carrying value of non-controlling interest 2014 R000	2013 R000	2012 R000
3 725	(1 440)	3 475	8 495	4 770	6 210
11 297	927	–	70 472	23 039	–
1 859	1 124	956	3 136	2 315	2 015
–	–	21	1 241	541	604
–	(2 751)	247	–	424	3 175
(223)	(2 620)	3 131	2 878	3 101	5 721
44	–	–	–	–	–
–	–	(473)	–	–	–
16 702	(4 760)	7 357	86 222	34 190	17 725

Dividends paid

To non-controlling interest 2014 R000	To owners of the parent 2014 R000	Total 2014 R000	To non-controlling interest 2013 R000	To owners of the parent 2013 R000	Total 2013 R000	To non-controlling interest 2012 R000	To owners of the parent 2012 R000	Total 2012 R000
–	–	–	–	–	–	–	11 228	11 228
–	34 285	34 285	–	20 570	20 570	–	18 486	18 486
–	–	–	–	–	–	–	–	–
–	62 500	62 500	–	44 100	44 100	272	12 500	12 772
–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	3	3	3

Annexure A – Interests in subsidiaries

for the year ended 28 February 2014

Subsidiary
PSG Wealth Financial Planning Proprietary Limited (previously PSG Konsult Financial Planning Proprietary Limited)
Online Securities Limited
PSG Multi Management Proprietary Limited
PSG Employee Benefits Limited (previously PSG Konsult Corporate Limited)
PSG Asset Management Holdings Proprietary Limited
PSG Life Limited (previously PSG Asset Management Life Limited)
Western Group Holdings Limited

PSG Wealth Financial Planning Proprietary Limited (previously PSG Konsult Financial Planning Proprietary Limited)
Online Securities Limited
PSG Multi Management Proprietary Limited
PSG Employee Benefits Limited (previously PSG Konsult Corporate Limited)
PSG Asset Management Holdings Proprietary Limited
PSG Life Limited (previously PSG Asset Management Life Limited)
Western Group Holdings Limited

Subsidiary
PSG Wealth Financial Planning Proprietary Limited (previously PSG Konsult Financial Planning Proprietary Limited)
Online Securities Limited
PSG Multi Management Proprietary Limited
PSG Employee Benefits Limited (previously PSG Konsult Corporate Limited)
PSG Asset Management Holdings Proprietary Limited
PSG Life Limited (previously PSG Asset Management Life Limited)
Western Group Holdings Limited

The company's interest in attributable income and losses of subsidiaries amounts to R278.5 million (2013: R207.7 million; 2012: R178.0 million) and R19.8 million (2013: R30.2 million; 2012: R9.3 million) respectively.

Further details of investments are available at the registered offices of the relevant group companies.

[1] *Invested in subsidiary in the 2013 financial year.*

Assets

Non-current 2014 R000	Current 2014 R000	Total 2014 R000	Non-current 2013 R000	Current 2013 R000	Total 2013 R000	Non-current 2012 R000	Current 2012 R000	Total 2012 R000
474 475	**236 177**	**710 652**	465 815	90 329	556 144	223 438	89 740	313 178
59 326	**2 054 965**	**2 114 291**	56 344	1 759 924	1 816 268	58 841	2 426 931	2 485 772
198	**37 383**	**37 581**	75	17 356	17 431	–	–	–
49 218	**15 471**	**64 689**	62 645	14 535	77 179	102 644	37 581	140 225
10 116	**108 439**	**118 555**	12 861	83 474	96 335	22 443	54 853	77 296
10 964 876	**2 316 437**	**13 281 312**	7 444 187	3 090 414	10 534 601	6 443 369	2 939 246	9 382 615
77 591	**636 479**	**714 070**	176 285	314 661	490 946	[1]	[1]	[1]

Liabilities

32 085	**332 382**	**364 467**	19 511	240 483	259 994	957	176 071	177 028
301 570	**1 701 072**	**2 002 643**	82 897	1 627 375	1 710 272	–	2 386 676	2 386 676
–	**25 866**	**25 866**	–	11 182	11 182		–	–
4 259	**27 674**	**31 933**	6 279	52 548	58 827	784	115 550	116 334
356	**66 977**	**67 333**	–	55 585	55 585	–	45 598	45 598
10 784 227	**2 331 854**	**13 116 081**	7 455 830	2 929 083	10 384 913	7 447 148	1 797 136	9 244 284
–	**545 215**	**545 215**	–	406 067	406 067	[1]	[1]	[1]

Profitability

Profit/(loss) from continuing operations 2014 R000	Total compre-hensive income for the year 2014 R000	Revenue 2014 R000	Profit/(loss) from continuing operations 2013 R000	Total compre-hensive income/(loss) for the year 2013 R000	Revenue 2013 R000	Profit from continuing operations 2012 R000	Total compre-hensive income for the year 2012 R000	Revenue 2012 R000
56 155	**56 155**	**1 103 199**	(33 743)	(33 743)	901 132	43 114	43 114	600 008
40 457	**40 457**	**353 257**	27 469	27 469	295 118	26 473	26 473	271 297
17 469	**17 469**	**155 610**	8 249	8 249	105 855	–	–	–
14 404	**14 404**	**102 736**	(5 503)	(5 503)	111 730	13 367	13 367	114 866
71 831	**71 831**	**493 453**	64 021	64 021	373 832	26 987	26 987	264 612
16	**16**	**259**	24	24	304	24	24	272
39 062	**39 062**	**507 605**	4 160	4 160	88 575	[1]	[1]	[1]

Annexure B – Interests in associated companies

for the year ended 28 February 2014

Company	Country of incorporation	Nature of business
Make-a-Million Proprietary Limited	South Africa	Financial Intermediation
Cinetaur Proprietary Limited	South Africa	Property Investments
Karana Property Investments Proprietary Limited	South Africa	Property Investments
Jamwa Beleggings Proprietary Limited	South Africa	Property Investments
Woodwind Proprietary Limited	South Africa	Property Investments
Axon Xchange Proprietary Limited	South Africa	Currency trading
PSG Consult Limited	United Kingdom	UK based financial services
Xinergistics Proprietary Limited	South Africa	Transport Business
Purple Line Plastics Proprietary Limited	South Africa	Manufacturing
JWR Holdings Proprietary Limited	South Africa	Financial Services
Excluwin Traders Proprietary Limited	South Africa	Retail
Prexision Asset Finance Proprietary Limited	South Africa	Asset Finance
Tradesure Marine Proprietary Limited	South Africa	Underwriting Manager
Total		

[1] *Ownership interest equal voting rights.*
[2] *Effective 1 November 2013, the group, through its subsidiary Abrafield Proprietary Limited, acquired an additional 35% interest in Cinetaur Proprietary Limited ("Cinetaur"). The investment in this associated company was derecognised on 31 October 2013 as the group obtained control over this company. Cinetaur was treated as a subsidiary from 1 November 2013 and fully consolidated from that date.*

Associate
Axon Xchange Proprietary Limited
PSG Consult Limited
Xinergistics Proprietary Limited

Axon Xchange Proprietary Limited
PSG Consult Limited
Xinergistics Proprietary Limited

[3] *Disposed of investment in associated company.*
[4] *Invested in associated company in 2013 financial year.*

Associate
Axon Xchange Proprietary Limited
PSG Consult Limited
Xinergistics Proprietary Limited

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.

Effective interest held directly or indirectly [1] 2014 %	2013 %	2012 %	Carrying value 2014 R000	2013 R000	2012 R000
33%	33%	33%	**129**	131	272
–	40%	35%	[2]	–	152
–	–	30%	**–**	–	1 145
–	–	30%	**–**	–	(187)
30%	30%	30%	**–**	–	(274)
–	38%	38%	**–**	4 461	4 371
–	–	50%	**–**	–	5 871
23%	23%	–	**39 341**	36 295	–
–	25%	–	**–**	1 497	–
–	26%	–	**–**	137	–
–	34%	–	**–**	475	–
38%	38%	–	**–**	–	–
20%	20%	–	**77**	35	–
			39 547	43 031	11 350

Assets

Non-current 2014 R000	Current 2014 R000	Total 2014 R000	Non-current 2013 R000	Current 2013 R000	Total 2013 R000	Non-current 2012 R000	Current 2012 R000	Total 2012 R000
[3]	[3]	[3]	13	3 241	3 254	10	3 732	3 742
[3]	[3]	[3]	[3]	[3]	[3]	1 152	3 366	4 518
331 556	**158 150**	**489 706**	294 116	163 780	457 896	[4]	[4]	[4]

Liabilities

Non-current 2014 R000	Current 2014 R000	Total 2014 R000	Non-current 2013 R000	Current 2013 R000	Total 2013 R000	Non-current 2012 R000	Current 2012 R000	Total 2012 R000
[3]	[3]	[3]	–	1 287	1 287	–	954	954
[3]	[3]	[3]	[3]	[3]	[3]	5 569	1 035	6 604
178 454	**134 473**	**312 927**	155 249	136 511	291 760	[4]	[4]	[4]

Profitability

Profit/(loss) from continuing operations 2014 R000	Total comprehensive income for the year 2014 R000	Revenue 2014 R000	Profit/(loss) from continuing operations 2013 R000	Total comprehensive income for the year 2013 R000	Revenue 2013 R000	Profit/(loss) from continuing operations 2012 R000	Total comprehensive income for the year 2012 R000	Revenue 2012 R000
[3]	[3]	[3]	2 295	2 295	7 999	883	883	5 849
[3]	[3]	[3]	[3]	[3]	[3]	12	12	5 318
15 518	**15 518**	**423 413**	4 116	4 116	226 915	[4]	[4]	[4]

Annexure C – Interests in joint ventures

for the year ended 28 February 2014

INVESTMENT IN JOINT VENTURES

Name of joint venture	Nature of business	Proportion held directly or indirectly by holding companies 2014 %	2013 %	Group carrying value 2014 R000	2013 R000
Unlisted					
Jan Jonker Property Investment Trust*	Property investment	**50**	50	**12 057**	8 682
				12 057	8 682

* *Jan Jonker Property Investment Trust is incorporated in Namibia.*

Summarised financial information for joint ventures

Set out below is the summarised financial information for Jan Jonker Property Trust which is accounted for using the equity method.

Summarised balance sheet As at 28 February	**2014 R000**	2013 R000
Total current assets	**799**	241
Total current liabilities	**(1 115)**	(618)
Total non-current assets	**58 813**	37 954
Total non-current liabilities	**(34 382)**	(20 213)
Net assets	**24 115**	17 364

Summarised statement of comprehensive income For period ended 28 February	**2014 R000**	2013 R000
Revenue	**5 337**	1 112
Post-tax profit	**6 750**	316
Other comprehensive income	**–**	–
Total comprehensive income	**6 750**	316
Dividends received	**–**	–

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	**2014 R000**	2013 R000
Opening net assets 1 March	**8 682**	–
Share of profit after taxation	**3 375**	158
Movement in investment value		
Acquisition of subsidiary: Western Group Holding Limited	**–**	8 524
Closing net assets	**12 057**	8 682

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.

Annexure D – Segment reporting
for the year ended 28 February 2014

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 allocated resources. The group is organised into three reportable segments, namely:

- PSG Wealth
- PSG Asset Management
- PSG Insure

The reporting structure described above was implemented with effect from 1 March 2013 and comparative figures have been adjusted to reflect the new reportable segments applicable for the 2014 financial year.

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

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

PSG Insure, through our registered insurance brokers and PSG's short-term insurance company Western National Insurance Company Limited, offer a full range of tailor-made short-term insurance products and services from personal (home, car and household insurance) to commercial (business and Agri-insurance) requirements. To harness the insurance solutions available to our customers effectively, our expert insurance specialists, through our strict due diligence process, will simplify the selection process for the most appropriate solution for our clients. In addition to the intermediary services we offer, PSG Administration supports clients through the claim process, administrative issues and general policy maintenance, including an annual reappraisal of their portfolio.

The Manco considers the performance of reportable segments based on total income as a measure of growth and headline earnings as a measure of profitability. The segment information provided to Manco for the reportable segments for the period ended 28 February is set out below:

Headline earnings per reportable segments	Wealth R000	Asset Management R000	Insure R000	Total R000
For the year ended 28 February 2014				
Headline earnings	**166 578**	**54 377**	**23 530**	**244 485**
– recurring	**166 578**	**54 377**	**30 190**	**251 145**
– non-recurring	**–**	**–**	**(6 660)**	**(6 660)**
For the year ended 28 February 2013				
Headline earnings	128 447	30 240	15 121	173 808
– recurring	125 791	30 982	17 651	174 424
– non-recurring	2 656	(742)	(2 530)	(616)
For the year ended 29 February 2012				
Headline earnings	118 455	19 703	24 124	162 282
– recurring	103 064	19 871	28 369	151 305
– non-recurring	15 391	(169)	(4 245)	10 977

Annexure D – Segment reporting
for the year ended 28 February 2014

Income per reportable segment

Total income	**Wealth R000**	**Asset Management R000**	**Insure R000**	**Total R000**
For the year ended 28 February 2014				
Total segment income	**1 793 011**	**475 099**	**789 891**	**3 058 001**
Inter-segment income	**(316 846)**	**(181 300)**	**(2 419)**	**(500 565)**
Income from external customers	**1 476 165**	**293 799**	**787 472**	**2 557 436**
For the year ended 28 February 2013				
Total segment income	1 474 276	334 749	402 692	2 211 717
Inter-segment income	(240 524)	(121 859)	(3 315)	(365 698)
Income from external customers	1 233 752	212 890	399 377	1 846 019
For the year ended 29 February 2012				
Total segment income	1 290 785	257 246	355 939	1 903 970
Inter-segment income	(185 171)	(103 233)	(11 740)	(300 144)
Income from external customers	1 105 614	154 013	344 199	1 603 826

Inter-segment income consists of fees charged at market-related rates. Inter-segment income is eliminated by deducting it from total segment income to reflect income generated by segment from external customers.

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

The group mainly operates in the Republic of South Africa, with 91.2% (2013: 95.9% ; 2012: 98.7%) of the total income from external customers generated in the Republic of South Africa.

In order to evaluate the consolidated financial position of the group, the Manco segregates the statement of financial position of the group between own balances and client-related balances.

Client-related balances represent the investment contract liabilities and related linked client assets of PSG Life Limited (previously PSG Asset Management Life Limited), the broker and clearing accounts, and the settlement control accounts of the stockbroking business, the collective investment schemes consolidated under IFRS 10 and corresponding third-party liabilities, the short-term claim control accounts and related bank accounts as well as the contracts for difference assets and related liabilities.

	As at 28 February 2014		
	Total R000	**Own balances R000**	**Client-related balances R000**
ASSETS			
Equity securities	**604 880**	**4 630**	**600 250**
Debt securities	**2 121 432**	**107 297**	**2 014 135**
Unit-linked investments	**10 218 629**	**346 833**	**9 871 796**
Investment in investment contracts	**505 444**	**–**	**505 444**
Receivables including insurance receivables	**2 129 358**	**162 451**	**1 966 907**
Derivative financial instruments	**21 190**	**–**	**21 190**
Cash and cash equivalents (including money market investments)	**709 184**	**663 500**	**45 684**
Other assets*	**1 065 623**	**1 065 623**	**–**
Total assets	**17 375 740**	**2 350 334**	**15 025 406**
EQUITY			
Total equity	**1 174 763**	**1 174 763**	**–**
LIABILITIES			
Borrowings	**412 188**	**110 618**	**301 570**
Investment contracts	**12 692 768**	**–**	**12 692 768**
Third-party liabilities arising on consolidation of mutual funds	**372 169**	**–**	**372 169**
Derivative financial instruments	**28 406**	**–**	**28 406**
Trade and other payables	**2 129 914**	**499 421**	**1 630 493**
Other liabilities**	**565 532**	**565 532**	**–**
Total liabilities	**16 200 977**	**1 175 571**	**15 025 406**
Total equity and liabilities	**17 375 740**	**2 350 334**	**15 025 406**

	As at 28 February 2013		
	Total R000	Own balances R000	Client-related balances R000
ASSETS			
Equity securities	1 012 773	14 753	998 020
Debt securities	2 011 484	66 557	1 944 927
Unit-linked investments	6 802 013	283 503	6 518 510
Investment in investment contracts	848 645	–	848 645
Receivables including insurance receivables	1 704 156	119 928	1 584 228
Derivative financial instruments	15 955	–	15 955
Cash and cash equivalents (including money market investments)	470 662	293 232	177 430
Other assets*	1 023 765	1 023 765	–
Total assets	13 889 453	1 801 738	12 087 715
EQUITY			
Total equity	953 203	953 203	–
LIABILITIES			
Borrowings	222 597	139 700	82 897
Investment contracts	10 272 444	–	10 272 444
Third-party liabilities arising on consolidation of mutual funds	109 032	–	109 032
Derivative financial instruments	17 139	–	17 139
Trade and other payables	1 871 862	265 659	1 606 203
Other liabilities**	443 176	443 176	–
Total liabilities	12 936 250	848 535	12 087 715
Total equity and liabilities	13 889 453	1 801 738	12 087 715

Annexure D – Segment reporting
for the year ended 28 February 2014

	As at 29 February 2012		
	Total R000	Own balances R000	Client-related balances R000
ASSETS			
Equity securities	874 968	9 615	865 353
Debt securities	2 048 742	36 078	2 012 664
Unit-linked investments	5 326 086	72 432	5 253 654
Investment in investment contracts	994 380	–	994 380
Receivables including insurance receivables	2 377 207	101 968	2 275 239
Derivative financial instruments	9 532	–	9 532
Cash and cash equivalents (including money market investments)	360 750	125 031	235 719
Other assets*	958 226	958 226	–
Total assets	12 949 891	1 303 350	11 646 541
EQUITY			
Total equity	744 568	744 568	–
LIABILITIES			
Borrowings	178 678	178 678	–
Investment contracts	9 144 681	–	9 144 681
Third-party liabilities arising on consolidation of mutual funds	124 614	–	124 614
Derivative financial instruments	7 831	–	7 831
Trade and other payables	2 646 565	277 150	2 369 415
Other liabilities**	102 954	102 954	–
Total liabilities	12 205 323	558 782	11 646 541
Total equity and liabilities	12 949 891	1 303 350	11 646 541

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

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

Corporate information

Registration number
1993/003941/06

Country of incorporation
Republic of South Africa

Date of incorporation
14 July 1993

PSG Konsult head office and registered address
Building A
Pro Sano Park South Gate
Carl Cronje Drive
Tyger Waterfront
Tyger Valley
Bellville
7530
Tel: 021 915 4167
Fax: 021 915 0171

Postal address
PO Box 3335
Tyger Valley
Bellville
7536

Company secretary
Amber Hensberg

Bankers
Absa Bank Limited
Standard Bank of South Africa Limited
First National Bank Limited
Rand Merchant Bank Limited
BNP Paribas

Auditors
PricewaterhouseCoopers Inc
Cape Town

Attorneys
DLA Cliffe Dekker Hofmeyr
Blake Bester
Werksmans Inc
AO Hall (Guernsey)

Website address
www.psg.co.za