PSG Konsult

UNAUDITED RESULTS FOR THE SIX MONTHS ENDED 31 AUGUST 2019

Seeing the bigger picture gives you the advantage.

WHO WE ARE

We deliver a broad range of financial services and products to individuals and enterprises. We focus on wealth creation, wealth preservation, asset management and insurance. Throughout, we place a strong emphasis on personal service and building lifelong relationships with our clients.

WHAT WE DO

PSG WEALTH

A comprehensive wealth management service for individuals, families and businesses.

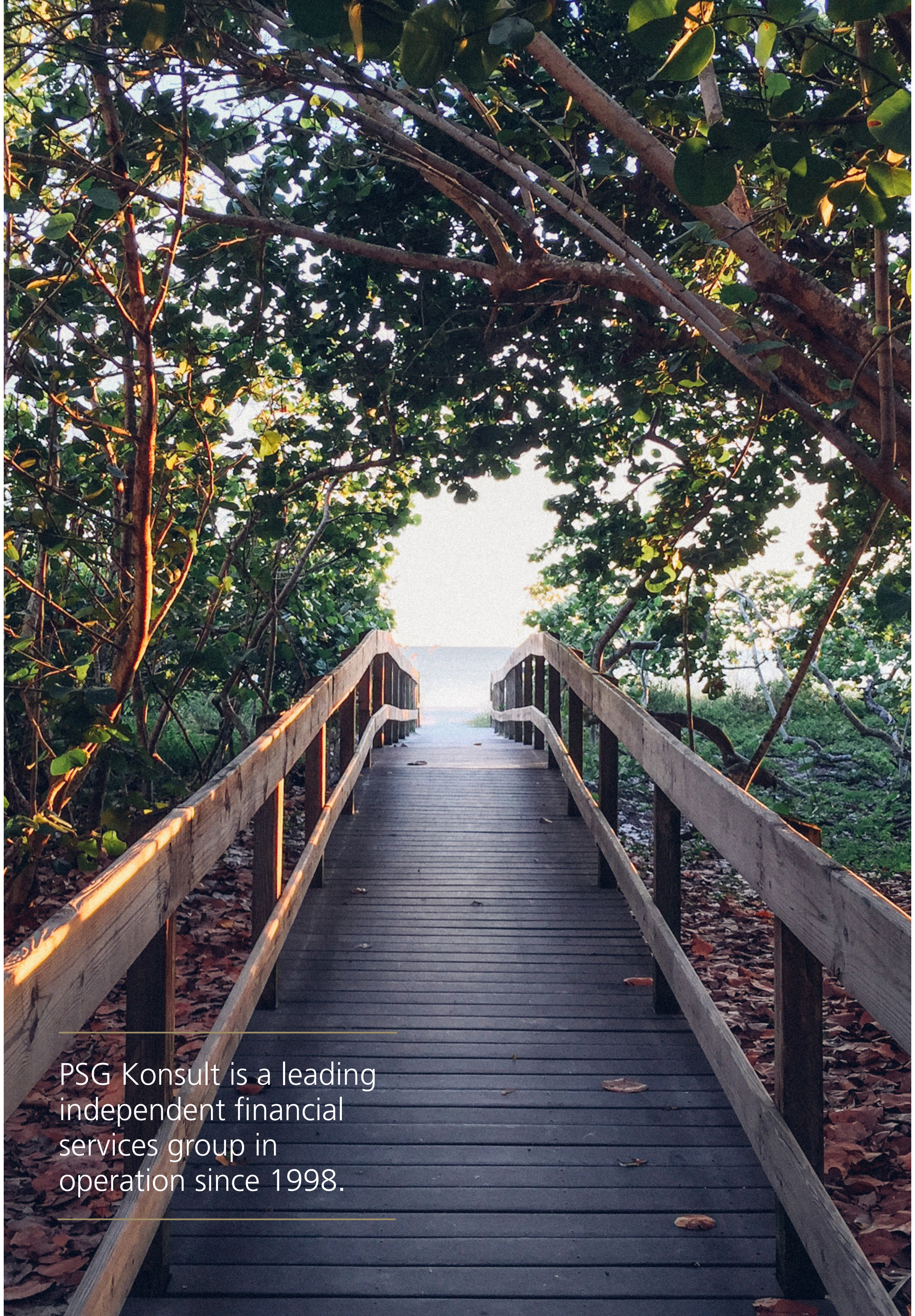
PSG ASSET MANAGEMENT

Local unit trusts, global funds and segregated portfolios for individual and institutional investors.

PSG INSURE

Personal and commercial short-term insurance solutions.

www.psg.co.za



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

WHAT WE OFFER

We help build and protect our clients' wealth in creative and sustainable ways.

PSG Wealth

- Financial planning
- Investments
- Unit trusts
- Stockbroking
- Estate and trust services
- Multi-management
- Healthcare
- Employee benefits
- Life insurance
- Institutional portfolio management
- Wealth platform
- Managed share portfolios

PSG Asset Management

- Investments
- Unit trusts
- Institutional portfolio management

PSG Insure

- Personal short-term insurance
- Commercial short-term insurance

SALIENT FEATURES

Recurring headline earnings per share

↑ 8% to 23.2 cents
2018: 21.5 cents | **2017:** 18.2 cents

Gross written premium[1]

↑ 35% to R2 718m
2018: R2 012m | **2017:** R1 607m

Number of advisers

↑ 8% to 928
2018: 862 | **2017:** 753

Total assets under management

↓ 1% to R228bn
2018: R230bn | **2017:** R193bn

Dividend per share

↑ 7% to 7.5 cents
2018: 7.0 cents | **2017:** 5.7 cents

Total assets under administration

↓ 6% to R401bn
2018: R426bn | **2017:** R398bn

[1] *Includes gross written premiums on policies administered by the Insure distribution advisers, which are placed with third-party insurers. The group earns commission and administration fees on this. It excludes the short-term administration gross written premium.*

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OUR MISSION

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

COMMENTARY

PSG Konsult achieved a solid 8% growth in recurring headline earnings per share and a return on equity of 20.2%

OVERVIEW

PSG Konsult achieved a solid 8% growth in recurring headline earnings per share and generated a return on equity of 20.2%, despite difficult business conditions. No performance fees were generated during the current period, compared to the prior period where performance fees constituted 4.6% of headline earnings. The group continued its investment in technology and people.

Total assets under management decreased marginally to R228.1 billion, comprising assets managed by PSG Wealth of R184.5 billion and PSG Asset Management of R43.6 billion, while PSG Insure's gross written premium increased by 35% to R2.7 billion.

PSG Konsult's key financial performance indicators for the six months ended 31 August 2019 are shown below:

	31 Aug 19 R000	Change %	31 Aug 18 R000
Core income	**2 525 143**	11	2 277 976
Headline and recurring headline earnings	**310 634**	10	283 146
Non-headline items	**(57)**		(1 297)
Earnings attributable to ordinary shareholders	**310 577**	10	281 849
Divisional recurring headline earnings			
PSG Wealth	**175 476**	10	159 787
PSG Asset Management	**81 064**	(7)	87 212
PSG Insure	**54 094**	50	36 147
	310 634	10	283 146
Weighted average number of shares in issue (net of treasury shares) (millions)	**1 339.4**	2	1 318.0
Earnings per share (basic) (cents)			
– Headline and recurring headline	**23.2**	8	21.5
– Attributable	**23.2**	8	21.4
– Headline – excluding intangible asset amortisation cost	**25.2**	8	23.3
Dividend per share (cents)	**7.5**	7	7.0
Return on equity (ROE) (%)	**20.2**		21.9

PSG WEALTH

PSG Wealth achieved recurring headline earnings growth of 10%

The group is pleased with this result in the context of the difficult prevailing economic and market conditions. The division's overall revenue increased by 8% during the current period, consisting of an increase in management and other recurring fees of 8%, while transactional brokerage fees also increased. We continue to enhance our information technology (IT) systems and platforms for both our advisers and clients. During the period under review we upgraded our local stockbroking platform by implementing and adopting IRESS, a world-renowned trading and portfolio management system. All related IT system costs continue to be fully expensed. Clients' assets managed by our Wealth advisers increased by 6% to R184.5 billion during the period under review, which included R5.3 billion of positive net inflows.

The division's formidable financial adviser network consisted of 549 Wealth advisers as at 31 August 2019. During the period we appointed 25 new Wealth advisers, while the assets managed by the smaller advisers that left the group during the period were transferred to other existing PSG advisers. The limited impact of these smaller advisers who left is evident in the positive net inflows achieved by the division.

We remain confident about the fundamentals and prospects of this division and believe that our commitment to securing long-term relationships with clients will continue to differentiate us in the markets in which we compete. In recognition of this, the division was recognised as the Top Wealth Manager of the Year: Large Institutions at the Intellidex Top Private Banks and Wealth Managers Awards during June 2019. The division also won the Successful Entrepreneur and Young Professional archetype categories at these awards.

In addition, PSG Wealth achieved third position overall in the annual Intellidex SA's Top Stockbrokers survey during September 2019.

PSG ASSET MANAGEMENT

PSG Asset Management's recurring headline earnings decreased by 7%

The results achieved by this division were adversely impacted by the current challenging market conditions which resulted in no performance fees being earned during the current period. Although shorter-term investment performance is below benchmark, the division's long-term track record of delivering top-quartile risk-adjusted investment returns for our clients remained intact. Client assets under management decreased by 8% to R43.6 billion during the six-month period, mainly due to market movements and marginal net client outflows of R37.0 million. Assets administered by the division increased by 3% to R121.2 billion, having been further bolstered by R4.3 billion of multi-managed net inflows.

PSG INSURE

PSG Insure achieved recurring headline earnings growth of 50%

The group is pleased with this achievement, which was bolstered by the successful integration of the recent Absa Insurance and Financial Advisers (AIFA) acquisitions and robust underwriting results. This division achieved gross written premium growth of 35% as we continue to focus our efforts on growing the commercial lines side of the business, which requires specialist adviser expertise. No significant catastrophe or other related events impacted the division during this period. When combined with our quality underwriting practices, this allowed us to achieve a commendable net underwriting margin of 10.4% compared to the 10.5% we achieved in the prior period. The insurance advisers decreased by 2% to 379 during the six-month period, mainly due to smaller adviser rationalisation. The division's short-term administration business further enhanced its administration platform and secured in excess of 10 000 key new clients during the current period.

STRATEGY

PSG Wealth's overall strategy offers an innovative and holistic end-to-end client proposition. We continue to embrace technology with the aim of serving our advisers and clients effectively, while ensuring that costs remain competitive. Our aim is to deliver a platform that is geared towards a rapidly changing future business environment. Advisers play a key role in providing us with client feedback in order to enhance our platform and product capabilities. Management is proud of the experience and stature of the advisers in the business. Engaging with our clients remains central to our philosophy and during the current period we continued to grow the number of client events and attendees. Our Wealth business is well placed to meet all investment needs and consistently strives to improve both our adviser and client service offerings.

PSG Asset Management's strategy consists of investment excellence, operational efficiency, and effective sales and marketing initiatives. Generating the best long-term, risk-adjusted returns for investors remains the division's primary focus. The division continues to prioritise investment performance, while managing operational processes and talent management. Increasing brand awareness, particularly in the retail investor market, and consistent and regular client communication through events and publications continues to be a key focus area for the division.

PSG Insure provides simple and cost-effective short-term insurance solutions to clients, protecting them from unforeseen events. Critical expertise across underwriting, administration and adviser teams underpins the focus on providing value-added products that meet and exceed clients' expectations. The division continues to invest in its claims and administration functions to build scale and unlock operational efficiencies, thereby enabling our high calibre advisers to optimise their focus on client relationships.

CORPORATE ACTIVITY

PSG Konsult's focus remains on organic growth, although it will consider acquisitions that meet its investment criteria, which require, inter alia, acceptable pricing, a compelling strategic rationale, clearly definable synergies and ease of integration.

In line with our organic growth strategy, we concluded a few smaller earnings-accretive adviser acquisition transactions. The transactions were funded from existing cash resources and are aligned with our aim of identifying opportunities that will either expand our adviser footprint or enhance our overall client service offering. The transactions were seamlessly integrated into PSG Konsult's existing business operations and management believes these will contribute positively to the long-term organic growth of the firm.

CAPITAL MANAGEMENT

PSG Konsult is strongly capitalised and complies with the Prudential Authority's Financial Soundness Standards, with a capital cover ratio of 1.82. PSG Konsult's strong cash flow presents several options to optimise risk-adjusted returns for our shareholders. Aligned to this objective, the group negotiated the early redemption of the R100.0 million notes issued under the Domestic Medium-Term Note Programme. The notes were redeemed on 12 July 2019, utilising surplus cash, and the group therefore had no remaining interest-bearing debt at 31 August 2019.

To minimise the impact of share issue dilution, the PSG Konsult Group Share Incentive Trust purchased 12 585 068 PSG Konsult shares, at a total cost of R122.1 million, during the current period to enable it to satisfy certain of its obligations in terms of the Share Incentive Scheme.

REGULATORY LANDSCAPE AND RISK MANAGEMENT

PSG Konsult, which has 24 regulatory licences (17 in South Africa and 7 in foreign jurisdictions), continues to maintain good relationships with the regulators in the markets in which we operate.

INFORMATION TECHNOLOGY

As a group we are committed to providing great outcomes for our clients. By focusing on simple to use, stable, client centric solutions we are committed to delivering a great digital experience. The group has made positive progress during the current period in enhancing strategic adviser and client systems.

The management team is committed to continuously investing in technology as a key enabler to achieve efficiency, automation and, ultimately, our growth objectives.

NEW ACCOUNTING STANDARDS

The group implemented IFRS 16 – Leases during the current period, using the modified retrospective approach, without restating comparatives. The group recognised right-of-use assets amounting to R150.4 million and a corresponding lease liability of R179.3 million on adoption of the standard. The difference of R12.6 million, after adjusting for the straightlining creditor and deferred tax, was recognised as an adjustment to retained earnings. The impact of IFRS 16 is more fully disclosed in note 12 of the condensed consolidated interim financial statements.

LOOKING FORWARD

We continue to monitor the corporate, political and economic climate, both locally and globally, and the associated impact on our clients and other stakeholders.

The cash-generative nature of the business gives PSG Konsult several options for funding business growth initiatives and optimising risk-adjusted returns for our shareholders. As such, the group remains confident about the prospects for continued growth. The group will continue to prioritise organic growth in our selected markets where we have a relatively low, but rapidly expanding market share.

The group will continue to focus on initiatives that enable us to service clients in an integrated manner that is seamless and market-leading. The group's focus on products, platforms, client service excellence and the quality of its advice process remains a key initiative.

EVENTS AFTER REPORTING DATE

No event material to the understanding of these results occurred between 31 August 2019 and the date of approval of the condensed consolidated interim financial statements.

DIVIDEND

Given its continued confidence in the group's prospects, the board decided to approve and declare an interim gross dividend of 7.5 cents per share from income reserves for the six months ended 31 August 2019 (2018: 7.0 cents per share), representing a 7% increase from the prior interim period. The group's dividend payout ratio remains consistent with the dividend policy communicated at the time of listing.

The dividend is subject to a South African dividend withholding tax (DWT) rate of 20% unless the shareholder is exempt from paying dividends tax or is entitled to a reduced rate in terms of the applicable double-tax agreement. Including DWT results in a net dividend of 6.0 cents per share. The number of issued ordinary shares is 1 367 263 905 at the date of this declaration.
PSG Konsult's income tax reference number in South Africa is 9550/644/07/5.

The salient dates of the dividend declaration are:

Declaration date	Thursday, 10 October 2019
Last day to trade cum dividend	Tuesday, 29 October 2019
Trading ex-dividend commences	Wednesday, 30 October 2019
Record date[1]	Friday, 1 November 2019
Date of payment	Monday, 4 November 2019

[1] *Due to Friday, 1 November 2019 being a public holiday in Mauritius, the record date for shareholders on the Mauritian register will be Monday, 4 November 2019, with payment of the dividend occurring on the same date.*

As the dividend has been declared and denominated in Rand, it will be paid in Rand into the bank accounts of shareholders appearing on the Mauritian register.

Shareholders should note that share certificates may not be dematerialised or rematerialised between Wednesday, 30 October 2019 and Friday, 1 November 2019, both days inclusive, provided that such dematerialisation or rematerialisation will not be permitted for shareholders on the Mauritian register between Wednesday, 30 October 2019 and Monday, 4 November 2019, both days inclusive.

Shares may not be moved between the South African, Mauritian and Namibian share registers between Wednesday, 30 October 2019 to Monday, 4 November 2019, both days inclusive.

The board would like to extend its gratitude to its stakeholders, including its shareholders, advisers, clients, business partners, management and employees, for their efforts and contributions during the past six months.

On behalf of the board

Willem Theron
Chairman

Francois Gouws
Chief executive officer

Tyger Valley
10 October 2019
www.psg.co.za

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 August and 28 February 2019

	Notes	**Unaudited as at 31 Aug 19 R000**	Unaudited as at 31 Aug 18 R000	Audited as at 28 Feb 19 R000
ASSETS				
Intangible assets		**1 164 302**	1 125 274	1 178 249
Property and equipment		**97 286**	71 552	67 244
Right-of-use assets		**228 251**	–	–
Investment in joint ventures		**1 230**	1 238	1 525
Deferred income tax assets		**82 896**	86 305	101 091
Equity securities		**2 386 594**	2 520 607	2 353 387
Debt securities		**6 846 129**	2 878 932	6 262 071
Unit-linked investments		**49 194 130**	48 718 417	46 488 080
Investment in investment contracts		**17 364**	17 414	16 048
Loans and advances		**110 086**	111 404	128 995
Derivative financial instruments		**14 658**	17 105	10 592
Reinsurance assets		**165 159**	70 241	103 758
Deferred acquisition costs		**6 334**	5 671	5 685
Receivables including insurance receivables		**2 129 792**	1 807 997	1 690 828
Current income tax assets		**32 510**	21 602	21 167
Cash and cash equivalents (including money market funds)[1]		**849 797**	1 769 571	945 442
Assets held for sale		**–**	16 980	–
Total assets		**63 326 518**	59 240 310	59 374 162
EQUITY				
Equity attributable to owners of the parent				
Stated capital		**2 153 717**	1 908 804	2 129 572
Treasury shares		**(219 677)**	(177 196)	(230 723)
Other reserves		**(343 914)**	(361 177)	(360 826)
Retained earnings		**1 567 037**	1 294 829	1 451 251
		3 157 163	2 665 260	2 989 274
Non-controlling interest		**248 126**	256 272	225 308
Total equity		**3 405 289**	2 921 532	3 214 582
LIABILITIES				
Insurance contracts		**600 970**	489 480	542 086
Deferred income tax liabilities		**52 018**	30 153	47 702
Borrowings		**494**	102 960	112 314
Lease liabilities		**275 864**	–	–
Derivative financial instruments		**18 356**	20 056	13 973
Investment contracts	6	**26 574 063**	26 219 315	25 932 120
Third-party liabilities arising on consolidation of mutual funds		**30 055 944**	27 311 201	27 350 796
Deferred reinsurance acquisition revenue		**6 319**	4 993	4 904
Trade and other payables		**2 330 243**	2 123 249	2 153 524
Current income tax liabilities		**6 958**	10 466	2 161
Liabilities held for sale		**–**	6 905	–
Total liabilities		**59 921 229**	56 318 778	56 159 580
Total equity and liabilities		**63 326 518**	59 240 310	59 374 162
Net asset value per share (cents)		**235.6**	202.0	223.6

[1] The decrease in cash and cash equivalents is attributable to the consolidation of the PSG Money Market Fund from 28 February 2019. Refer to notes 5.8 and 7.1 for further details.

CONDENSED CONSOLIDATED INCOME STATEMENT

for the six months ended 31 August and the year ended 28 February 2019

	Unaudited Six months ended 31 Aug 19 R000	Restated Unaudited Six months ended 31 Aug 18 R000	Audited Year ended 28 Feb 19 R000
Gross written premium	**730 922**	604 427	1 256 763
Less: Reinsurance written premium	**(220 881)**	(163 945)	(355 297)
Net written premium	**510 041**	440 482	901 466
Change in unearned premium			
– Gross	**5 451**	32 156	32 436
– Reinsurers' share	**3 816**	2 696	2 859
Net insurance premium revenue	**519 308**	475 334	936 761
Revenue from contracts with customers[1]	**1 836 382**	1 679 620	3 350 590
Interest income on amortised cost financial instruments	**71 873**	92 975	147 696
Interest income on fair value through profit or loss financial instruments	**704 097**	598 219	1 256 793
Dividend income	**309 054**	107 451	479 981
Net fair value gains and losses on financial instruments	**365 321**	3 067 585	646 786
Fair value adjustment to investment contract liabilities	**(395 783)**	(1 778 571)	(1 061 253)
Fair value adjustment to third-party liabilities	**(913 164)**	(1 943 853)	(1 196 594)
Other operating income[1]	**19 073**	7 479	10 573
Total income	**2 516 161**	2 306 239	4 571 333
Insurance claims and loss adjustment expenses	**(499 718)**	(376 842)	(803 746)
Insurance claims and loss adjustment expenses recovered from reinsurers	**172 022**	75 056	221 752
Net insurance benefits and claims	**(327 696)**	(301 786)	(581 994)
Commission paid	**(774 914)**	(716 188)	(1 367 697)
Depreciation and amortisation[2]	**(66 031)**	(40 099)	(81 799)
Employee benefit expenses	**(499 385)**	(461 047)	(950 471)
Marketing, administration and other expenses	**(358 552)**	(332 499)	(643 783)
Total expenses	**(2 026 578)**	(1 851 619)	(3 625 744)
Total (loss)/profit from joint ventures	**(295)**	144	431
Profit before finance costs and taxation	**489 288**	454 764	946 020
Finance costs	**(21 792)**	(21 498)	(34 297)
Profit before taxation	**467 496**	433 266	911 723
Taxation	**(132 021)**	(127 009)	(269 179)
Profit for the period	**335 475**	306 257	642 544
Attributable to:			
Owners of the parent	**310 577**	281 849	602 174
Non-controlling interest	**24 898**	24 408	40 370
	335 475	306 257	642 544
Earnings per share (cents)			
Attributable (basic)	**23.2**	21.4	45.4
Attributable (diluted)	**23.1**	21.2	45.0
Headline (basic)	**23.2**	21.5	45.6
Headline (diluted)	**23.1**	21.3	45.2
Recurring headline (basic)	**23.2**	21.5	44.6
Recurring headline (diluted)	**23.1**	21.3	44.4

[1] The income statement for the six months ended 31 August 2018 has been restated to separately disclose the revenue from contracts with customers in terms of IFRS 15. Refer to note 11 for further detail.

[2] Includes amortisation cost of R28.8 million (31 Aug 2018: R25.3 million; 28 Feb 2019: R52.4 million).

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 31 August and the year ended 28 February 2019

	Unaudited Six months ended 31 Aug 19 R000	Unaudited Six months ended 31 Aug 18 R000	Audited Year ended 28 Feb 19 R000
Profit for the period	**335 475**	306 257	642 544
Other comprehensive income for the period, net of taxation	**595**	5 855	11 524
Items that are or may be reclassified to profit or loss:			
Currency translation adjustments	**595**	5 855	11 663
Recycling adjustment on foreign subsidiaries sold	**–**	–	(139)
Total comprehensive income for the period	**336 070**	312 112	654 068
Attributable to:			
Owners of the parent	**311 172**	287 704	613 698
Non-controlling interest	**24 898**	24 408	40 370
	336 070	312 112	654 068

EARNINGS AND HEADLINE EARNINGS PER SHARE

for the six months ended 31 August and the year ended 28 February 2019

	Unaudited Six months ended 31 Aug 19 R000	Unaudited Six months ended 31 Aug 18 R000	Audited Year ended 28 Feb 19 R000
Headline earnings	**310 634**	283 146	603 888
Recurring	**310 634**	283 146	591 099
Non-recurring	**–**	–	12 789
Non-headline items (net of non-controlling interest and related tax effect)			
Loss on disposal of intangible assets (including goodwill)	**(23)**	(1 437)	(2 626)
Other	**(34)**	140	912
Profit attributable to ordinary shareholders	**310 577**	281 849	602 174
Earnings per share (cents)			
Attributable (basic)	**23.2**	21.4	45.4
Attributable (diluted)	**23.1**	21.2	45.0
Headline (basic)	**23.2**	21.5	45.6
Headline (diluted)	**23.1**	21.3	45.2
Recurring headline (basic)	**23.2**	21.5	44.6
Recurring headline (diluted)	**23.1**	21.3	44.4
Number of shares (millions)			
In issue (net of treasury shares)	**1 339.9**	1 319.3	1 336.7
Weighted average (net of treasury shares)	**1 339.4**	1 318.0	1 325.1

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 31 August and the year ended 28 February 2019

	Attributable to equity holders of the group					
	Stated capital R000	Treasury shares R000	Other reserves R000	Retained earnings R000	Non-controlling interest R000	Total R000
Balance at 1 March 2018 (Audited)	1 908 804	(192 247)	(386 722)	1 175 226	235 654	2 740 715
Comprehensive income						
Profit for the period	–	–	–	281 849	24 408	306 257
Other comprehensive income for the period	–	–	5 855	–	–	5 855
Total comprehensive income for the period	–	–	5 855	281 849	24 408	312 112
Transactions with owners	–	15 051	19 690	(162 246)	(3 790)	(131 295)
Share-based payment costs	–	–	19 690	–	–	19 690
Net movement in treasury shares	–	15 051	–	–	–	15 051
Dividends paid	–	–	–	(162 246)	(3 790)	(166 036)
Balance at 31 August 2018 (Unaudited)	1 908 804	(177 196)	(361 177)	1 294 829	256 272	2 921 532
Comprehensive income						
Profit for the period	–	–	–	320 325	15 962	336 287
Other comprehensive income for the period	–	–	5 669	–	–	5 669
Total comprehensive income for the period	–	–	5 669	320 325	15 962	341 956
Transactions with owners	220 768	(53 527)	(5 318)	(163 903)	(46 926)	(48 906)
Issue of ordinary shares	220 768	–	–	–	–	220 768
Share-based payment costs	–	–	19 848	–	–	19 848
Transactions with non-controlling interest	–	–	–	(13 315)	(43 548)	(56 863)
Net movement in treasury shares	–	(51 074)	–	–	–	(51 074)
Equity-settled share-based payments	–	–	(25 166)	(59 466)	–	(84 632)
Release of profits from treasury shares to retained earnings	–	(2 453)	–	2 453	–	–
Dividends paid	–	–	–	(93 575)	(3 378)	(96 953)
Balance at 28 February 2019 (Audited)	2 129 572	(230 723)	(360 826)	1 451 251	225 308	3 214 582
Adjustment on initial application of IFRS 16	**–**	**–**	**–**	**(12 555)**	**–**	**(12 555)**
Comprehensive income						
Profit for the period	**–**	**–**	**–**	**310 577**	**24 898**	**335 475**
Other comprehensive income for the period	**–**	**–**	**595**	**–**	**–**	**595**
Total comprehensive income for the period	**–**	**–**	**595**	**310 577**	**24 898**	**336 070**
Transactions with owners	**24 145**	**11 046**	**16 317**	**(182 236)**	**(2 080)**	**(132 808)**
Issue of ordinary shares	**24 145**	**–**	**–**	**–**	**–**	**24 145**
Share-based payment costs	**–**	**–**	**16 317**	**–**	**–**	**16 317**
Net movement in treasury shares	**–**	**11 046**	**–**	**–**	**–**	**11 046**
Dividends paid	**–**	**–**	**–**	**(182 236)**	**(2 080)**	**(184 316)**
Balance at 31 August 2019 (Unaudited)	**2 153 717**	**(219 677)**	**(343 914)**	**1 567 037**	**248 126**	**3 405 289**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
for the six months ended 31 August and the year ended 28 February 2019

	Notes	Unaudited Six months ended 31 Aug 19 R000	Unaudited Six months ended 31 Aug 18 R000	Audited Year ended 28 Feb 19 R000
Cash flows from operating activities				
Cash utilised in operations		**(631 928)**	(583 350)	(1 016 172)
Interest received		**775 970**	691 194	1 404 489
Dividends received		**309 054**	107 451	479 981
Finance costs		**(21 792)**	(13 566)	(34 297)
Taxation paid		**(117 666)**	(87 075)	(222 391)
Operating cash flows before policyholder cash movement		**313 638**	114 654	611 610
Policyholder cash movement		**(2 004)**	5 363	7 111
Net cash flow from operating activities		**311 634**	120 017	618 721
Cash flows from investing activities				
Acquisition of subsidiaries (including collective investment schemes)		**–**	(23 224)	(1 226 304)
Disposal of subsidiaries (including collective investment schemes)		**–**	(17 182)	(32 100)
Acquisition of intangible assets		**(35 793)**	(75 381)	(94 672)
Purchases of property and equipment		**(32 911)**	(13 021)	(23 527)
Proceeds from disposal of assets and liabilities held for sale		**–**	–	7 169
Proceeds from disposal of intangible assets		**7 844**	2 523	9 322
Deferred consideration paid for acquisition of businesses		**(15 571)**	–	–
Other		**42**	198	41
Net cash flow from investing activities		**(76 389)**	(126 087)	(1 360 071)
Cash flows from financing activities				
Dividends paid		**(184 316)**	(166 036)	(262 989)
Acquired from non-controlling interest		**–**	–	(54 011)
Repayment of borrowings		**(100 000)**	–	(742)
Lease liabilities paid – principal portion		**(15 941)**	–	–
Shares issued	7.3	**15 326**	–	111 920
Treasury shares sold by subsidiary		**100 743**	15 051	198 245
Purchase of treasury shares		**(146 293)**	–	(234 268)
Other		**–**	(784)	–
Net cash flow from financing activities		**(330 481)**	(151 769)	(241 845)
Net decrease in cash and cash equivalents		**(95 236)**	(157 839)	(983 195)
Cash and cash equivalents at beginning of the period		**945 442**	1 920 626	1 920 626
Exchange (losses)/gains on cash and cash equivalents		**(409)**	9 212	8 011
Cash and cash equivalents at end of the period[1]	7.5	**849 797**	1 771 999	945 442
[1] *Includes the following:*				
Clients' cash linked to investment contracts		**6 081**	6 337	8 085
Other client-related balances		**(1 085 103)**	309 491	(911 483)
		(1 079 022)	315 828	(903 398)

Notes to the statement of cash flow:
The movement in cash utilised in operations can vary significantly as a result of daily fluctuations in cash linked to investment contracts, cash held by the stockbroking business and cash utilised for the loan facility obtained by the group on the loan facilities provided to clients on their share portfolios at PSG Securities Limited. PSG Life Limited, the group's linked insurance company, issues linked policies to policyholders (where the value of policy benefits is directly linked to the fair value of the supporting assets). When these policies mature, the company raises a debtor for the money receivable from the third-party investment provider, and raises a creditor for the amount owing to the client. Timing difference occurs at month-end when the money was received from the third-party investment provider, but only paid out by the company after month-end, resulting in significant fluctuations in the working capital of the company. Similar working capital fluctuations occur at PSG Securities Limited, the group's stockbroking business, mainly due to the timing of the close of the JSE in terms of client settlements. Refer to note 5.8 for the impact of the client-related balances on the cash flows from operating activities.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
for the six months ended 31 August 2019

1. REPORTING ENTITY
PSG Konsult Limited is a public company domiciled in the Republic of South Africa. The condensed consolidated interim financial statements as at and for the six months ended 31 August 2019, comprise the company and its subsidiaries (together referred to as 'the group') and the group's interest in joint ventures.

2. BASIS OF PREPARATION
Statement of compliance
The condensed consolidated interim financial statements as at and for the six months ended 31 August 2019 have been prepared in accordance with the requirements of the JSE Limited (JSE) and the requirements of the Companies Act, No. 71 of 2008, as amended, applicable to summary financial statements. The JSE requires summary financial statements to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 – Interim financial reporting. The condensed consolidated interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the group as at and for the year ended 28 February 2019. Any forecast financial information is the responsibility of the board of PSG Konsult Limited and has not been reviewed or reported on by the auditors.

These condensed consolidated interim financial statements were prepared under the supervision of the chief financial officer, Mike Smith, CA(SA).

Estimates and judgements
In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated annual financial statements for the year ended 28 February 2019.

3. AUDIT/REVIEW
The condensed consolidated interim financial statements is the responsibility of the board of directors of the company.

Neither these condensed consolidated interim financial statements, nor any reference to future financial performance included in this results announcement, have been reviewed or reported on by the company's external auditor, PricewaterhouseCoopers Inc.

4. ACCOUNTING POLICIES
The accounting policies applied in the preparation of these condensed consolidated interim financial statements are in terms of IFRS and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements as at and for the year ended 28 February 2019, except for the mandatory adoption of IFRS 16 – Leases. The group has applied the standard retrospectively without restating comparative figures. Refer to note 12 for further detail.

5. SEGMENT INFORMATION
The composition of the reportable segments represents the internal reporting structure and the monthly reporting to the chief operating decision-maker (CODM). The CODM for the purpose of IFRS 8 – Operating segments has been identified as the chief executive officer, supported by the group management committee (Manco). The group's internal reporting structure is reviewed in order to assess performance and allocate resources. The group is organised into three reportable segments, namely:
- PSG Wealth – deriving income mainly from total managed assets and total platform assets
- PSG Asset Management – deriving income mainly from total assets under management and administration
- PSG Insure – deriving income mainly from written premiums and underwriting

Corporate support costs refer to a variety of services and functions that are performed centrally for the individual business units within each business segment, as well as housing the group's executive office. Besides the traditional accounting and secretarial services provided to group divisions and subsidiaries, the corporate office also provides legal, risk, IT, marketing, HR, payroll, internal audit and corporate finance services. The strategic elements of IT, in terms of both services and infrastructure, are also centralised in the corporate office. The corporate costs are allocated to the three reportable segments.

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

PSG Asset Management is an established investment management company with a proven investment track record. It offers investors a simple, but comprehensive range of local and global investment products. The division's products include both local and international unit trust funds.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the six months ended 31 August 2019

5. SEGMENT INFORMATION (continued)

5.1 Description of business segments (continued)

PSG Insure, through its registered insurance brokers and PSG's short-term insurance company, Western National Insurance Company Limited, offers a full range of tailor-made short-term insurance products and services from personal (home, car and household insurance) to commercial (business and agri-insurance) requirements. To harness the insurance solutions available to customers effectively, the division's expert insurance specialists, through a strict due diligence process, will simplify the selection process for the most appropriate solution for its clients. In addition to the intermediary services which PSG Insure offers; PSG Short-Term Administration supports clients through the claim process, administrative issues and general policy maintenance, including an annual reappraisal of their portfolio.

The CODM considers the performance of reportable segments based on total core income as a measure of growth and headline earnings as a measure of profitability. In order to evaluate the core results of the group, the CODM segregates the income statement by eliminating the impact of the linked investment policies issued and the consolidation of the collective investment schemes from the core operations in the group. A subsidiary of the group, PSG Life Limited, is a linked insurance company and issues linked policies to policyholders (where the value of policy benefits is directly linked to the fair value of the supporting assets), and as such does not expose the group to the market risk of fair value adjustments on the financial asset as this risk is assumed by the policyholder.

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

5.2 Headline earnings per reportable segment

For the six months ended 31 August 2019 (Unaudited)	Wealth R000	Asset Management R000	Insure R000	Total R000
Headline earnings[1]	175 476	81 064	54 094	310 634
– recurring	175 476	81 064	54 094	310 634
– non-recurring	–	–	–	–
Recurring headline earnings – excluding intangible asset amortisation cost[2]	193 034	81 397	65 027	339 458

For the six months ended 31 August 2018 (Unaudited)	Wealth R000	Asset Management R000	Insure R000	Total R000
Headline earnings[1]	159 787	87 212	36 147	283 146
– recurring	159 787	87 212	36 147	283 146
– non-recurring	–	–	–	–
Recurring headline earnings – excluding intangible asset amortisation cost[2]	176 151	87 580	44 736	308 467

For the year ended 28 February 2019 (Audited)	Wealth R000	Asset Management R000	Insure R000	Total R000
Headline earnings[1]	355 228	167 279	81 381	603 888
– recurring	338 594	167 279	85 226	591 099
– non-recurring	16 634	–	(3 845)	12 789
Recurring headline earnings – excluding intangible asset amortisation cost[2]	370 172	167 786	103 370	641 328

[1] *Headline earnings, calculated in terms of the requirements stipulated in Circular 4/2018 as issued by SAICA, comprise recurring and non-recurring headline earnings. Recurring headline earnings are calculated by excluding non-recurring headline earnings to increase comparability of the performance of the group from one year to another. Non-recurring headline earnings include one-off gains and losses and the resulting tax charge on these items.*

[2] *The intangible amortisation cost includes the amortisation on customer relationships. It excludes the amortisation on computer software and other intangible assets.*

5. SEGMENT INFORMATION (continued)

5.3 Income per reportable segment

For the six months ended 31 August 2019 (Unaudited)	Wealth R000	Asset Management R000	Insure R000	Total R000
Total IFRS reported income	1 203 978	277 604	1 034 579	2 516 161
Linked investment business and other income	8 982	–	–	8 982
Total core income	1 212 960	277 604	1 034 579	2 525 143
Total segment income	1 495 757	426 281	1 039 158	2 961 196
Intersegment income	(282 797)	(148 677)	(4 579)	(436 053)

For the six months ended 31 August 2018 (Unaudited)	Wealth R000	Asset Management R000	Insure R000	Total R000
Total IFRS reported income	1 149 492	290 090	866 657	2 306 239
Linked investment business and other income	(28 263)	–	–	(28 263)
Total core income	1 121 229	290 090	866 657	2 277 976
Total segment income	1 406 531	438 929	881 587	2 727 047
Intersegment income	(285 302)	(148 839)	(14 930)	(449 071)

For the year ended 28 February 2019 (Audited)	Wealth R000	Asset Management R000	Insure R000	Total R000
Total IFRS reported income	2 245 411	562 264	1 763 658	4 571 333
Linked investment business and other income	32 244	–	–	32 244
Total core income	2 277 655	562 264	1 763 658	4 603 577
Total segment income	3 013 329	850 375	1 818 958	5 682 662
Intersegment income	(735 674)	(288 111)	(55 300)	(1 079 085)

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

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for the six months ended 31 August 2019

5. SEGMENT INFORMATION (continued)

5.4 Divisional income statements

The profit or loss information follows a similar format to the consolidated income statement. The divisional income statements reflect the core business operations of the group.

For the six months ended 31 August 2019 (Unaudited)	Wealth R000	Asset Management R000	Insure R000	Total R000
Total income	1 212 960	277 604	1 034 579	2 525 143
Total expenses	(949 602)	(172 929)	(927 029)	(2 049 560)
	263 358	104 675	107 550	475 583
Total loss from joint ventures	–	–	(295)	(295)
Profit before finance costs and taxation	263 358	104 675	107 255	475 288
Finance costs[1]	(17 403)	(1 256)	(1 698)	(20 357)
Profit before taxation	245 955	103 419	105 557	454 931
Taxation	(67 213)	(22 355)	(29 888)	(119 456)
Profit for the period	178 742	81 064	75 669	335 475
Attributable to:				
Owners of the parent	175 508	81 064	54 005	310 577
Non-controlling interest	3 234	–	21 664	24 898
	178 742	81 064	75 669	335 475
Headline earnings	175 476	81 064	54 094	310 634
Recurring headline earnings	175 476	81 064	54 094	310 634

For the six months ended 31 August 2018 (Unaudited)	Wealth R000	Asset Management R000	Insure R000	Total R000
Total income	1 121 229	290 090	866 657	2 277 976
Total expenses	(877 102)	(174 710)	(787 487)	(1 839 299)
	244 127	115 380	79 170	438 677
Total profit from joint ventures	–	–	144	144
Profit before finance costs and taxation	244 127	115 380	79 314	438 821
Finance costs[1]	(13 364)	(167)	(35)	(13 566)
Profit before taxation	230 763	115 213	79 279	425 255
Taxation	(67 778)	(28 001)	(23 219)	(118 998)
Profit for the period	162 985	87 212	56 060	306 257
Attributable to:				
Owners of the parent	159 841	87 212	34 796	281 849
Non-controlling interest	3 144	–	21 264	24 408
	162 985	87 212	56 060	306 257
Headline earnings	159 787	87 212	36 147	283 146
Recurring headline earnings	159 787	87 212	36 147	283 146

[1] *Finance costs in the PSG Wealth division include the finance charge on the funding utilised to provide loan facilities to clients on their share portfolios at PSG Securities (secured by the underlying JSE Top 100 equity securities held in excess of four times the value of the loan facilities) for which PSG Wealth receives a margin. The finance costs of R17.4 million (31 Aug 2018: R13.4 million) consist of R4.2 million (31 Aug 2018: R4.6 million) on the loan funding, with the remaining portion of the finance charge on the CFD margin, lease liabilities and the bank overdrafts.*

5. SEGMENT INFORMATION (continued)

5.4 Divisional income statements (continued)

For the year ended 28 February 2019 (Audited)	Wealth R000	Asset Management R000	Insure R000	Total R000
Total income	2 277 655	562 264	1 763 658	4 603 577
Total expenses	(1 742 373)	(338 509)	(1 601 460)	(3 682 342)
	535 282	223 755	162 198	921 235
Total profit from joint ventures	–	–	431	431
Profit before finance costs and taxation	535 282	223 755	162 629	921 666
Finance costs[1]	(22 132)	(300)	(12)	(22 444)
Profit before taxation	513 150	223 455	162 617	899 222
Taxation	(151 651)	(56 197)	(48 830)	(256 678)
Profit for the year	361 499	167 258	113 787	642 544
Attributable to:				
Owners of the parent	355 360	167 258	79 556	602 174
Non-controlling interest	6 139	–	34 231	40 370
	361 499	167 258	113 787	642 544
Headline earnings	355 228	167 279	81 381	603 888
Recurring headline earnings	338 594	167 279	85 226	591 099

[1] *Finance costs in the PSG Wealth division include the finance charge on the funding utilised to provide loan facilities to clients on their share portfolios at PSG Securities (secured by the underlying JSE Top 100 equity securities held in excess of four times the value of the loan facilities) on which PSG Wealth receives a margin. The finance costs of R22.1 million consist of R9.8 million on the loan funding, with the remaining portion of the finance charge on the CFD margin and the bank overdrafts.*

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
for the six months ended 31 August 2019

5. SEGMENT INFORMATION (continued)

5.5 Statement of financial position (client vs own)

In order to evaluate the consolidated financial position of the group, the CODM segregates the statement of financial position of the group between own balances and client-related balances.

Client-related balances represent the investment contract liabilities and related linked client assets of PSG Life Limited, the broker and clearing accounts, and the settlement control accounts of the stockbroking business, the collective investment schemes consolidated under IFRS 10 – Consolidated financial statements and corresponding third-party liabilities, the short-term claim control accounts and related bank accounts, as well as the contracts for difference assets and related liabilities.

As at 31 August 2019 (Unaudited)	Total IFRS reported R000	Own balances R000	Client-related balances R000
ASSETS			
Equity securities	2 386 594	20 106	2 366 488
Debt securities[3]	6 846 129	58 200	6 787 929
Unit-linked investments	49 194 130	678 206	48 515 924
Investment in investment contracts	17 364	–	17 364
Receivables including insurance receivables[3]	2 129 792	349 382	1 780 410
Derivative financial instruments	14 658	–	14 658
Cash and cash equivalents (including money market funds)[3]	849 797	1 928 819	(1 079 022)
Other assets[1, 4]	1 888 054	1 888 054	–
Total assets	63 326 518	4 922 767	58 403 751
EQUITY			
Equity attributable to owners of the parent	3 157 163	3 157 163	–
Non-controlling interest	248 126	248 126	–
Total equity	3 405 289	3 405 289	–
LIABILITIES			
Borrowings	494	494	–
Investment contracts	26 574 063	–	26 574 063
Third-party liabilities arising on consolidation of mutual funds[3]	30 055 944	–	30 055 944
Derivative financial instruments	18 356	–	18 356
Trade and other payables[3]	2 330 243	574 855	1 755 388
Other liabilities[2, 4]	942 129	942 129	–
Total liabilities	59 921 229	1 517 478	58 403 751
Total equity and liabilities	63 326 518	4 922 767	58 403 751

[1] *Other assets consist of property and equipment, right-of-use assets, intangible assets, investment in joint ventures, current and deferred income tax assets, loans and advances, reinsurance assets and deferred acquisition costs.*

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

[3] *The client-related balances include the impact of the consolidation of the PSG Money Market Fund. The cash invested therein was derecognised and all of the fund's underlying highly liquid debt securities, receivables and trade and other payables were recognised. Third-party cash invested in the PSG Money Market Fund is included under third-party liabilities arising on consolidation of mutual funds.*

[4] *The increase in other assets and other liabilities, from the comparative periods, is primarily due to the inclusion of the right-of-use assets of R228.3 million and lease liabilities of R275.9 million recognised due to the adoption of IFRS 16. Refer to note 12 for further details.*

5. SEGMENT INFORMATION (continued)

5.5 Statement of financial position (client vs own) (continued)

As at 31 August 2018 (Unaudited)	Total IFRS reported R000	Own balances R000	Client-related balances R000
ASSETS			
Equity securities	2 520 607	17 689	2 502 918
Debt securities	2 878 932	38 828	2 840 104
Unit-linked investments	48 718 417	780 448	47 937 969
Investment in investment contracts	17 414	–	17 414
Receivables including insurance receivables	1 807 997	347 765	1 460 232
Derivative financial instruments	17 105	–	17 105
Cash and cash equivalents (including money market funds)	1 769 571	1 453 743	315 828
Other assets[1]	1 510 267	1 510 267	–
Total assets	59 240 310	4 148 740	55 091 570
EQUITY			
Equity attributable to owners of the parent	2 665 260	2 665 260	–
Non-controlling interest	256 272	256 272	–
Total equity	2 921 532	2 921 532	–
LIABILITIES			
Borrowings[2]	102 960	1 683	101 277
Investment contracts	26 219 315	–	26 219 315
Third-party liabilities arising on consolidation of mutual funds	27 311 201	–	27 311 201
Derivative financial instruments	20 056	–	20 056
Trade and other payables	2 123 249	683 528	1 439 721
Other liabilities[3]	541 997	541 997	–
Total liabilities	56 318 778	1 227 208	55 091 570
Total equity and liabilities	59 240 310	4 148 740	55 091 570

[1] *Other assets consist of property and equipment, intangible assets, investment in joint ventures, current and deferred income tax assets, loans and advances, reinsurance assets, deferred acquisition costs and assets held for sale.*

[2] *The DMTN programme funding raised in order to internally fund the clients' Scriptfin loans has been reflected under client-related balances.*

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the six months ended 31 August 2019

5. SEGMENT INFORMATION (continued)

5.5 Statement of financial position (client vs own) (continued)

As at 28 February 2019 (Audited)	Total IFRS reported R000	Own balances R000	Client-related balances R000
ASSETS			
Equity securities	2 353 387	16 444	2 336 943
Debt securities[4]	6 262 071	52 207	6 209 864
Unit-linked investments	46 488 080	769 414	45 718 666
Investment in investment contracts	16 048	–	16 048
Receivables including insurance receivables[4]	1 690 828	369 874	1 320 954
Derivative financial instruments	10 592	–	10 592
Cash and cash equivalents (including money market funds)[4]	945 442	1 848 840	(903 398)
Other assets[1]	1 607 714	1 607 714	–
Total assets	59 374 162	4 664 493	54 709 669
EQUITY			
Equity attributable to owners of the parent	2 989 274	2 989 274	–
Non-controlling interest	225 308	225 308	–
Total equity	3 214 582	3 214 582	–
LIABILITIES			
Borrowings[2]	112 314	1 725	110 589
Investment contracts	25 932 120	–	25 932 120
Third-party liabilities arising on consolidation of mutual funds[4]	27 350 796	–	27 350 796
Derivative financial instruments	13 973	–	13 973
Trade and other payables[4]	2 153 524	851 333	1 302 191
Other liabilities[3]	596 853	596 853	–
Total liabilities	56 159 580	1 449 911	54 709 669
Total equity and liabilities	59 374 162	4 664 493	54 709 669

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

2 *The DMTN programme funding raised in order to internally fund the clients' Scriptfin loans has been reflected under client-related balances.*

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

4 *The client-related balances include the impact of the consolidation of the PSG Money Market Fund. The cash invested therein was derecognised and all of the fund's underlying highly liquid debt securities, receivables and trade and other payables were recognised. Third-party cash invested in the PSG Money Market Fund is included under third-party liabilities arising on consolidation of mutual funds.*

5. SEGMENT INFORMATION (continued)

5.6 Income statement (client vs own)

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

For the six months ended 31 August 2019 (Unaudited)	Total IFRS reported R000	Core business R000	Linked investment business and other R000
Revenue from contracts with customers[3]	1 836 382	1 875 668	(39 286)
Investment income[4]	1 085 024	115 635	969 389
Net fair value gains and losses on financial instruments	365 321	(4 541)	369 862
Fair value adjustment to investment contract liabilities	(395 783)	–	(395 783)
Fair value adjustment to third-party liabilities	(913 164)	–	(913 164)
Other[1]	538 381	538 381	–
Total income	2 516 161	2 525 143	(8 982)
Insurance claims and loss adjustment expenses	(499 718)	(499 718)	–
Other[2, 3]	(1 526 860)	(1 549 842)	22 982
Total expenses	(2 026 578)	(2 049 560)	22 982
Total loss from joint ventures	(295)	(295)	–
Profit before finance costs and taxation	489 288	475 288	14 000
Finance costs	(21 792)	(20 357)	(1 435)
Profit before taxation	467 496	454 931	12 565
Taxation	(132 021)	(119 456)	(12 565)
Profit for the period	335 475	335 475	–
Attributable to:			
Owners of the parent	310 577	310 577	–
Non-controlling interest	24 898	24 898	–
	335 475	335 475	–

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

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

3 *The linked investment business and other income statement includes the impact of the fees eliminated between the collective investment schemes (consolidated under IFRS 10 – Consolidated financial statements) and the collective investment scheme management company, PSG Collective Investments (RF) Limited.*

4 *Investment income consists of interest income on amortised cost financial instruments, interest income on fair value through profit or loss financial instruments and dividend income.*

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the six months ended 31 August 2019

5. SEGMENT INFORMATION (continued)

5.6 Income statement (client vs own) (continued)

For the six months ended 31 August 2018 (Unaudited) (Restated)	Total IFRS reported R000	Core business R000	Linked investment business and other R000
Revenue from contracts with customers[3, 5]	1 679 620	1 686 563	(6 943)
Investment income[4]	798 645	99 467	699 178
Net fair value gains and losses on financial instruments	3 067 585	9 133	3 058 452
Fair value adjustment to investment contract liabilities	(1 778 571)	–	(1 778 571)
Fair value adjustment to third-party liabilities	(1 943 853)	–	(1 943 853)
Other[1, 5]	482 813	482 813	–
Total income	2 306 239	2 277 976	28 263
Insurance claims and loss adjustment expenses	(376 842)	(376 842)	–
Other[2, 3]	(1 474 777)	(1 462 457)	(12 320)
Total expenses	(1 851 619)	(1 839 299)	(12 320)
Total profit from joint ventures	144	144	–
Profit before finance costs and taxation	454 764	438 821	15 943
Finance costs	(21 498)	(13 566)	(7 932)
Profit before taxation	433 266	425 255	8 011
Taxation	(127 009)	(118 998)	(8 011)
Profit for the period	306 257	306 257	–
Attributable to:			
Owners of the parent	281 849	281 849	–
Non-controlling interest	24 408	24 408	–
	306 257	306 257	–

[1] *Other consists of net insurance premium revenue and other operating income.*
[2] *Other consists of insurance claims and loss adjustment expenses recovered from reinsurers, commission paid, depreciation and amortisation, employee benefit expenses, marketing, administration and other expenses.*
[3] *The linked investment business and other income statement includes the impact of the fees eliminated between the collective investment schemes (consolidated under IFRS 10 – Consolidated financial statements) and the collective investment scheme management company, PSG Collective Investments (RF) Limited.*
[4] *Investment income consists of interest income on amortised cost financial instruments, interest income on fair value through profit or loss financial instruments and dividend income.*
[5] *The income statement for the six months ended 31 August 2018 has been restated to separately disclose the revenue from contracts with customers in terms of IFRS 15. Refer to note 11 for further detail.*

5. SEGMENT INFORMATION (continued)

5.6 Income statement (client vs own) (continued)

For the year ended 28 February 2019 (Audited)	Total IFRS reported R000	Core business R000	Linked investment business and other R000
Revenue from contracts with customers[3]	3 350 590	3 440 312	(89 722)
Investment income[4]	1 884 470	213 587	1 670 883
Net fair value gains and losses on financial instruments	646 786	2 344	644 442
Fair value adjustment to investment contract liabilities	(1 061 253)	–	(1 061 253)
Fair value adjustment to third-party liabilities	(1 196 594)	–	(1 196 594)
Other[1]	947 334	947 334	–
Total income	4 571 333	4 603 577	(32 244)
Insurance claims and loss adjustment expenses	(803 746)	(803 746)	–
Other[2, 3]	(2 821 998)	(2 878 596)	56 598
Total expenses	(3 625 744)	(3 682 342)	56 598
Total profit from joint ventures	431	431	–
Profit before finance costs and taxation	946 020	921 666	24 354
Finance costs	(34 297)	(22 444)	(11 853)
Profit before taxation	911 723	899 222	12 501
Taxation	(269 179)	(256 678)	(12 501)
Profit for the year	642 544	642 544	–
Attributable to:			
Owners of the parent	602 174	602 174	–
Non-controlling interest	40 370	40 370	–
	642 544	642 544	–

[1] *Other consists of net insurance premium revenue and other operating income.*
[2] *Other consists of insurance claims and loss adjustment expenses recovered from reinsurers, commission paid, depreciation and amortisation, employee benefit expenses, marketing, administration and other expenses.*
[3] *The linked investment business and other income statement includes the impact of the fees eliminated between the collective investment schemes (consolidated under IFRS 10 – Consolidated financial statements) and the collective investment scheme management company, PSG Collective Investments (RF) Limited.*
[4] *Investment income consists of interest income on amortised cost financial instruments, interest income on fair value through profit or loss financial instruments and dividend income.*

5.7 Revenue from contracts with customers

The revenue from contracts with customers relating to the core business operations of the group has been disaggregated as follows in accordance with IFRS 15:

	Unaudited Six months ended 31 Aug 19 R000	Unaudited Six months ended 31 Aug 18 R000	Audited Year ended 28 Feb 19 R000
Brokerage	**109 787**	107 926	209 778
Commission, administration and other fees	**1 149 568**	959 736	2 015 229
Management and performance fees	**573 334**	583 928	1 142 631
Policy administration fees	**42 979**	34 973	72 674
	1 875 668	1 686 563	3 440 312

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5. SEGMENT INFORMATION (continued)

5.8 Statement of cash flows (client vs own)

In order to assist the CODM to evaluate the consolidated statement of cash flows of the group, the statement of cash flows is segregated between cash flows relating to own balances and client-related balances.

The movement in cash (utilised in)/generated by operations can vary significantly as a result of fluctuations in the receivables and payables relating to our stockbroking business, which have been included within client-related balances.

Included under receivables are broker and clearing accounts at our stockbroking business of which R1 726.5 million (31 Aug 2018: R1 419.3 million; 28 Feb 2019: R1 278.0 million) represents amounts owing by the JSE for trades conducted during the last few days before the end of the period. The balances fluctuate on a daily basis depending on the activity in the market.

The control account for the settlement of these transactions is included under the trade and other payables, with the settlement to the clients taking place within three days after the transaction date.

For the six months ended 31 August 2019 (Unaudited)	Total IFRS reported R000	Own balances R000	Client-related balances R000
Cash flows from operating activities	**311 634**	**387 258**	**(75 624)**
Cash (utilised in)/generated by operations	**(631 928)**	**409 625**	**(1 041 553)**
Interest received	**775 970**	**113 648**	**662 322**
Dividends received	**309 054**	**1 987**	**307 067**
Finance costs	**(21 792)**	**(20 357)**	**(1 435)**
Taxation paid	**(117 666)**	**(117 645)**	**(21)**
Policyholder cash movement	**(2 004)**	**–**	**(2 004)**
Cash flows from investing activities	**(76 389)**	**(76 389)**	**–**
Cash flows from financing activities	**(330 481)**	**(230 481)**	**(100 000)**
Repayment of borrowings[1]	**(100 000)**	**–**	**(100 000)**
Other[2]	**(230 481)**	**(230 481)**	**–**
Net (decrease)/increase in cash and cash equivalents	**(95 236)**	**80 388**	**(175 624)**
Cash and cash equivalents at beginning of the period	**945 442**	**1 848 840**	**(903 398)**
Exchange losses on cash and cash equivalents	**(409)**	**(409)**	**–**
Cash and cash equivalents at end of the period	**849 797**	**1 928 819**	**(1 079 022)**

[1] *The repayment of borrowings under client-related balances relates to the redemption of the notes issued under the DMTN programme.*

[2] *Other consists of cash flows relating to dividends paid, shares issued, the purchase and sale of the holding company's treasury shares and other.*

5. SEGMENT INFORMATION (continued)

5.8 Statement of cash flows (client vs own) (continued)

For the six months ended 31 August 2018 (Unaudited)	Total IFRS reported R000	Own balances R000	Client-related balances R000
Cash flows from operating activities	120 017	151 282	(31 265)
Cash (utilised in)/generated by operations	(583 350)	171 615	(754 965)
Interest received	691 194	97 868	593 326
Dividends received	107 451	1 599	105 852
Finance costs	(13 566)	(13 566)	–
Taxation paid	(87 075)	(106 234)	19 159
Policyholder cash movement	5 363	–	5 363
Cash flows from investing activities	(126 087)	(118 447)	(7 640)
Acquisition of subsidiaries (including collective investment schemes)	(23 224)	(32 766)	9 542
Disposal of subsidiaries (including collective investment schemes)	(17 182)	–	(17 182)
Acquisition of intangible assets	(75 381)	(75 381)	–
Other	(10 300)	(10 300)	–
Cash flows from financing activities	(151 769)	(151 769)	–
Net decrease in cash and cash equivalents	(157 839)	(118 934)	(38 905)
Cash and cash equivalents at beginning of the period	1 920 626	1 565 893	354 733
Exchange gains on cash and cash equivalents	9 212	9 212	–
Cash and cash equivalents at end of the period	1 771 999	1 456 171	315 828

For the year ended 28 February 2019 (Audited)	Total IFRS reported R000	Own balances R000	Client-related balances R000
Cash flows from operating activities	618 721	670 490	(51 769)
Cash (utilised in)/generated by operations	(1 016 172)	701 845	(1 718 017)
Interest received	1 404 489	209 819	1 194 670
Dividends received	479 981	3 768	476 213
Finance costs	(34 297)	(22 444)	(11 853)
Taxation (paid)/refunded	(222 391)	(222 498)	107
Policyholder cash movement	7 111	–	7 111
Cash flows from investing activities	(1 360 071)	(153 709)	(1 206 362)
Acquisition of subsidiaries (including collective investment schemes)	(1 226 304)	(52 042)	(1 174 262)
Disposal of subsidiaries (including collective investment schemes)	(32 100)	–	(32 100)
Other[1]	(101 667)	(101 667)	–
Cash flows from financing activities	(241 845)	(241 845)	–
Net (decrease)/increase in cash and cash equivalents	(983 195)	274 936	(1 258 131)
Cash and cash equivalents at beginning of the year	1 920 626	1 565 893	354 733
Exchange gains on cash and cash equivalents	8 011	8 011	–
Cash and cash equivalents at end of the year	945 442	1 848 840	(903 398)

[1] *Other consists of cash flows relating to the acquisition of intangible assets, purchases of property and equipment, proceeds from disposal of assets and liabilities held for sale, proceeds from disposal of intangible assets and other.*

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6. INVESTMENT CONTRACTS

Investment contracts are represented by the following financial assets:

	Unaudited as at 31 Aug 19 R000	Unaudited as at 31 Aug 18 R000	Audited as at 28 Feb 19 R000
Equity securities	**2 249 149**	2 346 478	2 176 799
Debt securities	**345 452**	457 343	368 466
Unit-linked investments	**23 956 017**	23 391 743	23 362 722
Investments in investment contracts	**17 364**	17 414	16 048
Cash and cash equivalents	**6 081**	6 337	8 085
	26 574 063	26 219 315	25 932 120

7. NOTES TO THE STATEMENT OF CASH FLOWS

7.1 Acquisition of subsidiaries (including collective investment schemes)

For the year ended 28 February 2019

Collective investment schemes

The group obtained control of the PSG Wealth Global Preserver Feeder Fund and the PSG Money Market Fund during the 2019 financial year. These funds were consolidated in accordance with IFRS 10 – Consolidated financial statements and are collective investment schemes managed by entities within the group.

Fund consolidated	PSG Wealth Global Preserver Feeder Fund	PSG Money Market Fund
% interest in fund on effective date	31	49
Date of acquisition	31 August 2018	28 February 2019
Details of the net assets acquired are as follows:	R000	R000
Debt securities	–	3 391 088
Unit-linked investments	992 065	–
Receivables including insurance receivables	553	759
Cash and cash equivalents (including money market funds)	9 542	61 821
Third-party liabilities arising on consolidation of mutual funds	(689 002)	(1 779 206)
Trade and other payables	(382)	(1 245)
Net asset value	312 776	1 673 217
Fair value of interest held before the business combination	(312 776)	(1 673 217)
Cash consideration paid	–	–
Cash and cash equivalents derecognised	–	(1 245 625)
Cash and cash equivalents acquired	9 542	61 821
Net cash inflow/(outflow) for the year ended 28 February 2019	9 542	(1 183 804)

Had the PSG Wealth Global Preserver Feeder Fund been consolidated from 1 March 2018, total income of R3.4 million and profit of Rnil would have been recognised in the consolidated income statement.

Had the PSG Money Market Fund been consolidated from 1 March 2018, total income of R13.4 million and profit of Rnil would have been recognised in the consolidated income statement.

7. NOTES TO THE STATEMENT OF CASH FLOWS (continued)

7.1 Acquisition of subsidiaries (including collective investment schemes) (continued)

For the year ended 28 February 2019 (continued)

Other business combinations

PSG Konsult Limited, through its subsidiary PSG Wealth Financial Planning Proprietary Limited, acquired the commercial and industrial short-term insurance and the personal lines short-term insurance brokerage business of AIFA. The effective dates of these transactions were 1 June 2018 and 1 December 2018 respectively following the fulfilment of suspensive conditions.

Details of the net assets acquired are as follows:	Commercial and industrial R000	Personal lines R000
Cash paid	32 766	18 526
Cash due	32 765	18 526
Total purchase consideration	65 531	37 052
Less: Fair value of net assets acquired	(42 597)	(25 338)
Goodwill recognised on acquisition	22 934	11 714

The remaining purchase consideration for these transactions will be paid in two 25% tranches over the next two years.

Cash consideration paid	(32 766)	(18 526)
Cash and cash equivalents acquired	–	–
Net cash outflow for the year ended 28 February 2019	(32 766)	(18 526)

The goodwill is mainly attributable to the workforce of the acquired business.

The fair value of the assets and liabilities arising from the acquisition are as follows:	Commercial and industrial R000	Personal lines R000
Intangible assets – Customer relationships	59 162	35 191
Deferred income tax	(16 565)	(9 853)
Total identifiable net assets	42 597	25 338

The income, included in the consolidated income statement, contributed by the AIFA commercial and industrial short-term insurance brokerage business since the acquisition date, was R105.2 million. The book of business also contributed a profit after taxation of R12.3 million over the same period. Had the AIFA commercial and industrial short-term insurance brokerage business been consolidated from 1 March 2018, the consolidated income statement would have shown income of R140.2 million and profit after taxation of R16.4 million for the year ended 28 February 2019.

The income, included in the consolidated income statement, contributed by the AIFA personal lines short-term insurance brokerage business since the acquisition date, was R19.0 million. The book of business also contributed a profit after taxation of R2.5 million over the same period. Had the AIFA personal lines short-term insurance brokerage business been consolidated from 1 March 2018, the consolidated income statement would have shown income of R76.2 million and profit after taxation of R10.1 million for the year ended 28 February 2019.

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7. NOTES TO THE STATEMENT OF CASH FLOWS (continued)

7.2 Disposal of subsidiaries (including collective investment schemes)

For the year ended 28 February 2019

Collective investment schemes

The group deconsolidated the PSG Multi-Management Foreign Flexible Fund of Funds and the PSG Wealth Income Fund of Funds during the 2019 financial year as the group lost control of these funds, due to a decrease in the effective interest in the funds.

Details of the net assets disposed of are as follows:	PSG Multi Management Foreign Flexible Fund of Funds R000	PSG Wealth Income Fund of Funds R000
Unit-linked investments	133 049	2 797 522
Receivables including insurance receivables	186 008	1 228
Cash and cash equivalents (including money market funds)	17 182	14 918
Third-party liabilities arising on consolidation of mutual funds	(228 106)	(1 772 309)
Trade and other payables	(2 511)	(1 611)
Net asset value	105 622	1 039 748
Transfer to unit-linked investments	(105 622)	(1 039 748)
Cash consideration received	–	–
Cash and cash equivalents given up	(17 182)	(14 918)
Net cash outflow for the year ended 28 February 2019	(17 182)	(14 918)

Assets and liabilities held for sale

PSG Konsult Limited, through its subsidiary PSG Konsult (Mauritius) Limited, entered into an agreement to sell its 70% interest held in the PSG Wealth Limited (Mauritius) and PSG Securities Limited (Mauritius) businesses. The transaction was subject to suspensive conditions and was treated as held for sale on 31 August 2018.

The businesses were sold for R7.2 million, effective 1 November 2018, after the fulfilment of the suspensive conditions.

7.3 Shares issued

Summary of the cash flow impact of the shares issued during the respective financial periods:	**Unaudited Six months ended 31 Aug 19 R000**	Unaudited Six months ended 31 Aug 18 R000	Audited Year ended 28 Feb 19 R000
Issue of ordinary shares[1]	**24 145**	–	220 768
Loss on issue of shares in terms of share scheme	**(8 819)**	–	(108 848)
Cash inflow	**15 326**	–	111 920

[1] *The decrease in the number of shares issued during the current period compared to the prior financial year, where shares were issued during October 2018, was due to the existing treasury shares, held by the PSG Konsult Group Share Incentive Trust, primarily being utilised for the share scheme obligations.*

7. NOTES TO THE STATEMENT OF CASH FLOWS (continued)

7.4 Other acquisitions – standardising of revenue sharing model

For the six months ended 31 August 2019

The group (through its subsidiary PSG Wealth Financial Planning Proprietary Limited) concluded further revenue sharing arrangements with a number of its advisers. The purpose of these transactions was to standardise the revenue sharing arrangements between the advisers and PSG Konsult.

A cash consideration of R1.9 million was paid on the effective dates. These transactions did not qualify for accounting in terms of IFRS 3 – Business combinations as the assets acquired (the right to an increased share in the income stream of the adviser) did not constitute a business acquired.

These transactions did not have a material impact on our headline earnings during the six months ended 31 August 2019.

For the year ended 28 February 2019

The group, through its subsidiary PSG Wealth Financial Planning Proprietary Limited, concluded further revenue sharing arrangements with a number of its advisers during the financial year. The purpose of these transactions was to standardise the revenue sharing arrangements between the advisers and PSG Konsult.

A total cash consideration of R38.9 million was paid on the effective dates. These transactions did not qualify for accounting in terms of IFRS 3 – Business combinations, as the assets acquired (the right to an increased share in the income stream of the adviser) did not constitute a business acquired.

These transactions contributed R3.3 million to our headline earnings during the 2019 financial year, net of amortisation cost of R1.5 million.

7.5 Cash and cash equivalents at end of the period

For the six months ended 31 August 2018

	Unaudited as at 31 Aug 18 R000
Cash and cash equivalents (including money market funds)	1 769 571
Cash and cash equivalents classified as assets held for sale	2 428
	1 771 999

8. FINANCIAL RISK MANAGEMENT

The group's activities expose it to a variety of financial risks: market risk (including price risk, foreign currency risk, cash flow and fair value interest rate risks), credit risk and liquidity risk. Insurance activities expose the group to insurance risk (including pricing risk, reserving risk, underwriting risk and reinsurance risk). The group is also exposed to operational risk and legal risk.

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

The condensed consolidated interim financial statements do not include all risk management information and disclosure required in the annual financial statements and should be read in conjunction with the group's annual financial statements as at 28 February 2019.

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

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for the six months ended 31 August 2019

8. FINANCIAL RISK MANAGEMENT (continued)

Market risk (price risk, foreign currency risk and interest rate 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.

A portion of the policyholders' and shareholders' investments are valued at fair value and are therefore susceptible to market fluctuations.

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

Included in the equity securities of R2 386.6 million (31 Aug 2018: R2 520.6 million; 28 Feb 2019: R2 353.4 million) are quoted equity securities of R2 386.4 million (31 Aug 2018: R2 520.4 million; 28 Feb 2019: R2 353.1 million), of which R2 249.1 million (31 Aug 2018: R2 346.5 million; 28 Feb 2019: R2 176.8 million) relates to investments in linked investment contracts. The price risk of these instruments is carried by the policyholders of the linked investment contracts.

Unit-linked investments of R23 956.0 million (31 Aug 2018: R23 391.7 million; 28 Feb 2019: R23 362.7 million) are linked to investment contracts and do not expose the group to price or interest rate risk.

Debt securities linked to policyholder investments amounted to R345.5 million (31 Aug 2018: R457.3 million; 28 Feb 2019: R368.5 million) and do not expose the group to interest rate risk. Cash and cash equivalents linked to policyholder investments amounted to R6.1 million (31 Aug 2018: R6.3 million; 28 Feb 2019: R8.1 million) and do not expose the group to interest rate risk.

Fair value estimation

The information below analyses financial instruments, carried at fair value, by level of hierarchy as required by IFRS 7 – Financial instruments and IFRS 13 – Fair value measurement. The different levels have been defined as follows:

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

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

8. FINANCIAL RISK MANAGEMENT (continued)

Fair value estimation (continued)

The table below analyses financial assets and liabilities, which are carried at fair value, by valuation method. There were no significant changes in the valuation techniques and assumptions applied since 28 February 2019.

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

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

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

As at 31 August 2019 (Unaudited)	Level 1 R000	Level 2 R000	Level 3 R000	Total R000
Financial assets				
Derivative financial instruments	–	14 658	–	14 658
Equity securities	2 386 354	–	240	2 386 594
Debt securities	828 535	5 986 211	–	6 814 746
Unit-linked investments	–	48 807 614	386 516	49 194 130
Investment in investment contracts	–	17 364	–	17 364
	3 214 889	54 825 847	386 756	58 427 492
Own balances	19 866	2 031 810	19 970	2 071 646
Client-related balances	3 195 023	52 794 037	366 786	56 355 846
Financial liabilities				
Derivative financial instruments	–	18 356	–	18 356
Investment contracts	–	26 180 131	366 786	26 546 917
Trade and other payables	–	–	62 431	62 431
Third-party liabilities arising on consolidation of mutual funds	–	30 055 944	–	30 055 944
	–	56 254 431	429 217	56 683 648
Own balances	–	–	62 431	62 431
Client-related balances	–	56 254 431	366 786	56 621 217

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8. FINANCIAL RISK MANAGEMENT (continued)

Fair value estimation (continued)

As at 31 August 2018 (Unaudited)	Level 1 R000	Level 2 R000	Level 3 R000	Total R000
Financial assets				
Derivative financial instruments	–	17 105	–	17 105
Equity securities	2 520 367	–	240	2 520 607
Debt securities	869 161	1 889 646	–	2 758 807
Unit-linked investments	–	48 195 372	523 045	48 718 417
Investment in investment contracts	–	17 414	–	17 414
	3 389 528	50 119 537	523 285	54 032 350
Own balances	17 449	800 253	19 263	836 965
Client-related balances	3 372 079	49 319 284	504 022	53 195 385
Financial liabilities				
Derivative financial instruments	–	20 056	–	20 056
Investment contracts	–	25 595 168	504 022	26 099 190
Trade and other payables	–	–	70 264	70 264
Third-party liabilities arising on consolidation of mutual funds	–	27 311 201	–	27 311 201
	–	52 926 425	574 286	53 500 711
Own balances	–	–	70 264	70 264
Client-related balances	–	52 926 425	504 022	53 430 447

As at 28 February 2019 (Audited)	Level 1 R000	Level 2 R000	Level 3 R000	Total R000
Financial assets				
Derivative financial instruments	–	10 592	–	10 592
Equity securities	2 353 147	–	240	2 353 387
Debt securities	876 023	5 319 500	–	6 195 523
Unit-linked investments	–	46 033 221	454 859	46 488 080
Investment in investment contracts	–	16 048	–	16 048
	3 229 170	51 379 361	455 099	55 063 630
Own balances	16 204	1 996 524	28 111	2 040 839
Client-related balances	3 212 966	49 382 837	426 988	53 025 791
Financial liabilities				
Derivative financial instruments	–	13 973	–	13 973
Investment contracts	–	25 438 584	435 129	25 873 713
Trade and other payables	–	–	91 655	91 655
Third-party liabilities arising on consolidation of mutual funds	–	27 350 796	–	27 350 796
	–	52 803 353	526 784	53 330 137
Own balances	–	–	91 655	91 655
Client-related balances	–	52 803 353	435 129	53 238 482

8. FINANCIAL RISK MANAGEMENT (continued)

Fair value estimation (continued)

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

	Unaudited 31 Aug 19 R000	Unaudited 31 Aug 18 R000	Audited 28 Feb 19 R000
Assets			
Opening carrying value	**455 099**	717 377	717 377
Additions	**46 281**	124 895	229 809
Disposals	**(134 750)**	(348 349)	(523 353)
Gains recognised in profit or loss[1]	**20 126**	29 362	31 266
Closing carrying value	**386 756**	523 285	455 099
Liabilities			
Opening carrying value	**526 784**	743 490	743 490
Additions	**55 353**	248 719	311 940
Disposals	**(173 046)**	(446 862)	(611 564)
Subsidiaries acquired	**–**	–	51 931
Losses recognised in profit or loss[2]	**20 126**	29 324	30 987
Reclassified to held for sale	**–**	(385)	–
Closing carrying value	**429 217**	574 286	526 784

[1] *Gains on these items were recognised in profit or loss under 'net fair value gains and losses on financial instruments'.*

[2] *Losses on these items were recognised under 'fair value adjustment to investment contract liabilities'.*

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

Trade and other payables classified within level 3 have significant unobservable inputs, as the valuation technique used to determine the fair values takes into account the probability (at each reporting period) that the contracted party will achieve the profit guarantee as stipulated in the business agreement. These relate to the purchase of intangibles and as such any change in measurement would result in a similar adjustment to the intangible assets with the exception of those acquired in terms of business combinations. Therefore the group's overall profit or loss is not materially sensitive to changes in the inputs.

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

	Unaudited 31 Aug 19 R000	Unaudited 31 Aug 18 R000	Audited 28 Feb 19 R000
Assets			
Debt securities			
– Carrying value	**31 383**	120 125	66 548
– Fair value	**30 755**	118 204	65 540
Liabilities			
Investment contracts			
– Carrying value	**27 146**	120 125	58 407
– Fair value	**26 604**	118 204	57 523

The fair value of the financial assets and liabilities in the table above is categorised in terms of level 3.

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9. RELATED-PARTY TRANSACTIONS

Related-party transactions similar to those disclosed in the group's annual financial statements for the year ended 28 February 2019 took place during the period under review.

10. EVENTS AFTER THE REPORTING DATE

No event material to the understanding of these results has occurred between the end of the reporting period and the date of approval of the condensed consolidated interim financial statements.

11. RESTATEMENT OF PRIOR YEAR FIGURES

The group reassessed its presentation of revenue from contracts with customers for the six months ended 31 August 2018, in accordance with the requirements of IFRS 15 – Revenue from contracts with customers. This income was previously included in commission and other fee income and other operating income; however, it has now been separately disclosed on the condensed consolidated income statement.

This restatement had no impact on the current or prior year reported earnings, diluted earnings or headline earnings per share, or on the net asset value or net cash flow.

For the six months ended 31 August 2018	As previously stated R000	Impact of restatement R000	Restated R000
Consolidated statement of comprehensive income			
Revenue from contracts with customers	–	1 679 620	1 679 620
Commission and other fee income	1 577 267	(1 577 267)	–
Other operating income	109 832	(102 353)	7 479
	1 687 099	–	1 687 099

12. ADOPTION OF NEW ACCOUNTING STANDARDS

IFRS 16 – Leases introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

The group has adopted IFRS 16 retrospectively from 1 March 2019, using the modified retrospective approach. Comparatives are not restated under this approach. The cumulative effect of adopting this standard is recognised as an adjustment to retained earnings at the beginning of the current period.

The group leases various corporate and adviser offices, the terms and conditions of which are negotiated on an individual basis. Extension and termination options are included in a number of leases across the group. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options are only included in the lease term if the lessee is reasonably certain to extend the lease. Each lease generally imposes a restriction that the property can only be used by the group unless permission is given by the lessor to sublet, and that the buildings must be returned to their original condition at the end of the lease.

On transition to IFRS 16, the group recognised lease liabilities in relation to leases that were previously accounted for as operating leases in terms of IAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 March 2019. The weighted average incremental borrowing rate applied to lease liabilities recognised under IFRS 16 was 10.2%.

The following is a reconciliation of the operating lease commitments as at 28 February 2019 to the lease liabilities recognised on 1 March 2019:

	R000
Operating lease commitments disclosed as at 28 February 2019	236 727
Recognition exemption in respect of short-term leases	(4 897)
Extension and termination options reasonably certain to be exercised	116 198
Leases committed to with a commencement date after 1 March 2019	(105 844)
Other adjustments relating to commitment disclosures	7 852
Operating lease liabilities before discounting	250 036
Discounting effect using the incremental borrowing rate	(70 731)
Lease liabilities recognised under IFRS 16 at 1 March 2019	179 305

12. ADOPTION OF NEW ACCOUNTING STANDARDS (continued)

With the exception of the head office corporate lease, the group has elected to recognise the right-of-use assets equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease as at 28 February 2019. For the head office corporate lease, the right-of-use asset was calculated as if IFRS 16 had always been applied but discounted using the incremental borrowing rate at 1 March 2019. The standard allows this election to be made on a lease-by-lease basis. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

On transition to IFRS 16 on 1 March 2019, the impact on the statement of financial position was as follows:

	As previously stated R000	Impact of adoption of IFRS 16 R000	Balances after adoption of IFRS 16 R000
Right-of-use assets	–	150 393	150 393
Deferred income tax assets	101 091	4 882	105 973
Retained earnings	(1 451 251)	12 555	(1 438 696)
Lease liabilities	–	(179 305)	(179 305)
Trade and other payables	(2 153 524)	11 475	(2 142 049)

In applying IFRS 16 for the first time, the group has used the following practical expedients:

- for corporate office leases with a term of less than 12 months on 1 March 2019, the group applied the short-term exemption and accounted for the leases on a straight-line basis over the remaining lease term;
- the group elected not to include initial direct costs in the measurement of the right-of-use asset for the leases in existence at the date of initial application;
- hindsight has been used when considering whether to include renewal and termination options in the lease term; and
- instead of performing an impairment review on the right-of-use assets at the date of initial application, the group has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of IFRS 16.

The movement in the right-of-use assets and lease liabilities for the six months ended 31 August 2019 was as follows:

	Right-of-use assets R000	Lease liabilities R000
Balance as at 1 March 2019	150 393	179 305
New leases	105 421	118 293
Finance costs	–	10 017
Depreciation	(21 834)	–
Payments	–	(25 958)
Other movements[1]	(5 729)	(5 793)
	228 251	275 864

[1] *The other movements relate to remeasurements and derecognitions.*

For the six months ended 31 August 2019, the recurring headline earnings was negatively impacted by R2.1 million as a result of the adoption of IFRS16.

The classification of the lease payments on the statement of cash flows, which were previously included within cash utilised from operations, has changed. The cash outflow has been split between the principal portion paid (presented within financing activities) and the finance costs paid (shown as an operating activity).

CORPORATE INFORMATION

Non-executive directors
W Theron (Chairman)
PJ Mouton
J de V du Toit^
PE Burton*
ZL Combi*
ZRP Matsau*

*(^ Lead independent; * Independent)*

Executive directors
FJ Gouws (Chief executive officer)
MIF Smith (Chief financial officer)

Registered name
PSG Konsult Limited
(Incorporated in the Republic of South Africa)
('PSG Konsult' or 'the company' or 'the group')
Registration number: 1993/003941/06
JSE share code: KST
NSX share code: KFS
SEM share code: PSGK.N0000
ISIN code: ZAE000191417

Company secretary
PSG Management Services Proprietary Limited

PSG Konsult head office and registered office
4th Floor, The Edge, 3 Howick Close
Tyger Waterfront
Tyger Valley
Bellville
7530

Postal address
PO Box 3335
Tyger Valley
Bellville
7536

Listings
Johannesburg Stock Exchange (JSE)
Namibian Stock Exchange (NSX)
Stock Exchange of Mauritius (SEM)

Transfer secretary
Computershare Investor Services Proprietary Limited
Rosebank Towers
15 Biermann Avenue
Rosebank
2196

PO Box 61051
Marshalltown
2107

Sponsors
JSE sponsor: PSG Capital Proprietary Limited
NSX sponsor: PSG Wealth Management (Namibia) Proprietary Limited
SEM authorised representative and SEM sponsor: Perigeum Capital Ltd

Auditor
PricewaterhouseCoopers Inc.
Cape Town

Website address
www.psg.co.za

GREYMATTER & FINCH # 13261