PSG Konsult

Results for the year ended 28 February 2017

THE PSG KONSULT GROUP

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

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

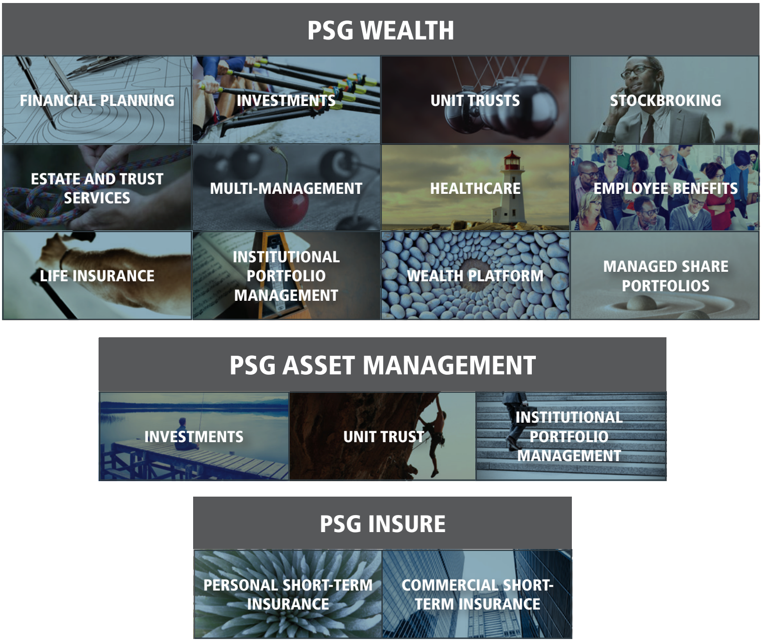
Local unit trusts, global funds and segregated portfolios for individual and institutional investors.

PSG Insure

Personal and commercial short-term insurance solutions.

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

WHAT WE OFFER



SALIENT FEATURES

Core revenue

↑ 13%

to R3 789m

2016: R3 346m | **2015:** R2 858m

Recurring headline earnings

↑ 19%

to R486m

2016: R409m | **2015:** R341m

Total assets under management

↑ 14%

to R175bn

2016: R154bn | **2015:** R133bn

Recurring headline earnings per share

↑ 16%

to 37.2 cents

2016: 32.1 cents | **2015:** 27.0 cents

Gross written premium

↑ 15%

to R2 854m

2016: R2 490m | **2015:** R2 134m

Dividend per share

↑ 16%

to 15.3 cents

2016: 13.2 cents | **2015:** 12.0 cents

PSG Konsult is a leading independent financial services group, with an extensive national footprint and both a Namibian and Mauritian presence. In operation since 1998, we offer a value-orientated approach to our clients' financial needs, from asset and wealth management to insurance.

CONTENTS

Our mission

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

COMMENTARY

PSG KONSULT DELIVERED A SOLID 16% RATE OF GROWTH IN RECURRING HEADLINE EARNINGS PER SHARE AND RETURN ON EQUITY OF 25%

THE BOARD OF DIRECTORS IS PLEASED WITH THIS SET OF RESULTS

The business environment during this period was challenging and occurred during a period of poor investment market conditions. Shareholder, insurance float and client assets nevertheless benefited from being favourably positioned. This resulted in increased investment income on shareholder and insurance float assets. Total assets under management increased to R175.3 billion, comprising managed assets of PSG Wealth and PSG Asset Management of R142.2 billion and R33.1 billion respectively. PSG Asset Management experienced increases in performance fees due to delivering top-quartile performance for clients during the year under review. Our positioning always takes account of the fact that markets can be unpredictable.

The majority of the performance fees earned by the Asset Management division occurred during the second half of the financial year. We always attempt to take a conservative approach to provisioning in the first half of each financial year until we re-evaluate the full year-end result and after considering all the qualitative and quantitative risk factors affecting that full year audited result. Profits were therefore better in the second half of the year.

Technology costs rose significantly during the past year as we decided to accelerate investment, especially within our Wealth business, given the opportunities we see. Our client-centric focus is on straight through processing from the initial advice stage to the reporting stage. We believe this will build durable competitive advantage. To that end further significant technology cost increases are planned for the next financial year.

PSG Wealth

PSG Wealth achieved recurring headline earnings growth of 1%

We are satisfied with this result in the context of the muted market value increase in local assets linked to the FTSE/JSE ALSI index being up by a modest 4%. The strengthening of the rand resulted in international assets being down in rand terms. Management and other fees increased by 11% as the business continues to focus on recurring income and reduce its reliance on cyclical transactional brokerage fees. These brokerage fees declined by 8% during the current year under review. The cost base of the division increased by 26% as we strengthened both our information technology (IT) and investment research teams, accelerated our investment in developing technology, and at the same time, fully expensed the remaining carrying value of all legacy technology development costs that had been capitalised up until 2014. This means we no longer have any deferred technology development costs. A combination of the above factors offset the additional revenue which stemmed from the net inflows of R13.4 billion.

We remain confident of the fundamentals and future prospects of this division, and believe that our advisers and clients can only gain, over the long term, from the current client-centric digital projects we have embarked upon. We are particularly pleased with the division's formidable financial adviser network that grew by 7%, through both organic and selective adviser acquisitions, to 515 advisers. The experience and stature of the advisers joining the firm continues to add credibility to the growing brand equity. We continue to gain market share with Wealth's platform assets increasing by 15% to R38.0 billion and our managed assets increasing by 13% to R142.2 billion.

PSG Asset Management

PSG Asset Management's recurring headline earnings grew by 57%

The excellent results generated by this division is testimony to the team's ability to generate alpha across all asset classes. Our fund range top-quartile risk-adjusted investment returns for clients during the year under review has further augmented our excellent long-term investment track record. Client assets under management increased by 19% to R33.1 billion. This included R2.6 billion of positive net client inflows predominately into our higher margin multi-asset funds and mainly from our selected retail target market. The excellent investment returns enabled us to earn higher performance fees this year. These fees align our interests with those of our clients. This more than compensated for the small loss of income which arose from the previously communicated decision to exit white labels to reduce operational risk. We remain confident and optimistic over the long-term growth prospects for this business.

PSG Insure

PSG Insure achieved recurring headline earnings growth of 70%

The group is especially pleased with this achievement. This is against the backdrop of a particularly difficult industry environment. This division, which is in an early growth phase, continues to make inroads into the highly competitive short-term insurance market and gains further benefits from economies of scale. It achieved revenue growth of 19% compared to the prior year. It continued with its shift away from commoditised personal lines' to the commercial lines' side of the business which requires specialised adviser expertise. The comprehensive reinsurance programme reduced the impact of catastrophic and other related events that occurred during this year. This, when combined with our quality underwriting practices, enabled us to achieve an excellent net underwriting margin of 9.7%. The insurance advisers, which now total 229, continue to gain market share on the commercial lines side which is their area of focus.

PSG Konsult's key financial performance indicators for the financial year ended 28 February 2017 are shown below:

	28 Feb 17 R000	Change %	29 Feb 16 R000
Recurring headline earnings	**486 439**	19	408 748
Non-recurring headline earnings*	**–**		(116 446)
Headline earnings	**486 439**	66	292 302
Non-headline items	**423**	(32)	622
Earnings attributable to ordinary shareholders	**486 862**	66	292 924
Divisional recurring headline earnings			
PSG Wealth	**287 345**	1	285 505
PSG Asset Management	**130 245**	57	82 707
PSG Insure	**68 849**	70	40 536
	486 439	19	408 748
Weighted average number of shares in issue (net of treasury shares) (million)	**1 307.1**	3	1 274.2
Earnings per share (cents)			
– Recurring headline	**37.2**	16	32.1
– Headline	**37.2**	62	22.9
– Attributable	**37.3**	62	23.0
– Recurring headline (excluding intangible amortisation cost)	**40.4**	17	34.6
Dividend per share (cents)	**15.3**	16	13.2
Return on equity (ROE) (%)**	**25.3**		24.8

* *The prior year non-recurring headline earnings relates to the PSG Life tax matter settlement and related costs.*
** *The ROE for the 2016 financial year taking into account the PSG Life tax matter impact would be 18.4%.*

STRATEGY

PSG Wealth's overall strategy offers an innovative and holistic end-to-end client proposition. We continue to invest in people (including the recruitment of experienced specialists) and in technology with the aim of enhancing user functionality to improve our client experience and product offering. Advisers play a key role in client feedback on the enhancement of our platform and product capabilities. Management is proud of both the accelerated growth and calibre of new advisers that have joined the business. PSG Wealth has recently invested heavily in enhancing the strength and depth of our in-house investment research team. This fully-fledged team has both fund and security investment research analysis capabilities. Our Wealth business is therefore well-placed to meet all the investment needs of our clients. We nevertheless relentlessly strive to improve both our client and service offering.

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

PSG Insure provides simple and cost-effective short-term insurance solutions to clients, protecting them from unforeseen events. Building 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 departments. This is to build scale and unlock operational efficiencies while freeing up valuable time for our top-calibre advisers to focus on client relationships, especially on the commercial lines' side of the business. The salary-based adviser distribution force is mostly converted onto the entrepreneurial best-of-breed partnership model. This allows our advisers to operate their own businesses independently under the PSG brand and benefit from the central services provided. Key central services provided include compliance, finance, human resources (HR), IT, marketing and risk management.

Careful attention is paid to the group's cost structure, as each division grows, in particular to the cost-to-income ratio. Building a cost-efficient and scalable business is a key priority for the board. The management team is committed to continuously investing in technology as a key enabler to achieve efficiency, automation and ultimately our growth objectives.

RECOGNITION, AWARDS AND ACHIEVEMENTS

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

- **PSG Wealth**
  - Ranked second in the 2016 Intellidex Wealth Manager of the Year competition.
- **PSG Asset Management**
  (excluding individual fund awards)
  - Runner-up in the 2016 Raging Bull awards for South African Collective Investment Schemes Management Company and secured second place in the 2017 Morningstar South Africa Fund Awards in the best fund house – large fund range category.
- **PSG Insure**
  - Broker of the Year for both commercial lines, and assets and crop insurance in the 2016 Santam National Broker Awards.

BUSINESS LINE CLOSURE

During the year under review we decided to close our direct short-term business within PSG Insure and fixed income agency trading business within PSG Wealth. We continue to judge each business according to the sustainability of earnings and the return per unit of risk. In both cases these hurdles were not met. All relevant costs have been fully expensed in the normal course of business.

CREDIT RATING

Rating agency Global Credit Rating Co. (GCR) upgraded PSG Konsult's long-term and short-term ratings during 2016, to the investment grade ratings of A-(ZA) and A1-(ZA) respectively. GCR stated the following rationale for the rating: "PSG Konsult's upgrade reflects its conservative balance sheet fundamentals, risk profile and sound earnings capacity. The company has been successful in executing its business plan, which has seen its business profile continue to strengthen, supported by robust growth in revenue and earnings over recent years. This has followed the well-defined strategy to refocus on core operations, which has allowed for the capturing of additional margin in the asset management and insurance businesses, albeit still anchored by its traditional, uniquely positioned advisory network."

DMTN PROGRAMME

We are considering the establishment of a Domestic Medium Term Note (DMTN) programme that would provide us with a flexible cost-effective structure to internally fund our ScripFin loan book. Such a programme would enable us to issue listed debt instruments with various maturity profiles and to build a credible track record with debt instrument holders and the debt market.

SHAREHOLDERS

The company's demonstrable track record on executing and delivering on our strategic goals has enabled us to increase our institutional shareholder base and improve the liquidity of the PSG Konsult shares.

PEOPLE

PSG Konsult had 208 offices and 2 435 employees as at 28 February 2017. Financial planners, portfolio managers, stockbrokers and asset managers totalled 744. A further 435 were professional associates (accountants and attorneys). During the year under review, 33 new advisers were appointed through a combination of organic growth and selective adviser book acquisitions. We believe strongly in building our own future talent and have confidence in the investment in our graduate programme. We have made several key appointments within our wealth management team that will allow us to build on our success and take the business to the next level.

REGULATORY LANDSCAPE AND RISK MANAGEMENT

PSG Konsult, which has 19 regulatory licences (13 in South Africa and 6 in foreign jurisdictions), continues to foster good relationships with our regulators. Seven regulatory site visits were performed this past financial year. We are pleased with the overall feedback that we have received and we continue to position ourselves as early adopters to regulatory change.

MARKETING

Marketing initiatives are important to the group's goal of becoming a leader in the financial services industry. During the period under review, the specialist marketing team focused its efforts on embedding the 'Bigger Picture Thinking' advertising campaign, increasing its public relations, digital exposure and adviser-hosted client events, and maintaining quality client communication. This is all with the objective of building the PSG brand within our chosen target markets. Responsible spend is critical and tightly controlled in line with the growth of the firm.

INFORMATION TECHNOLOGY

The integral role that technology plays in the daily operations of PSG Konsult cannot be underestimated. The scalability and efficiency of business functions are dependent on the state of its IT systems. It is for this reason that the group continues to invest in new and innovative technology as it seeks to incorporate further business process automation, reduce operational risk and provide real-time reporting for enhanced management decision-making. The group is confident that the IT strategy, which also includes robust disaster recovery and business continuity plans, will create a solid foundation for future growth.

ACQUISITIONS

The group concluded various asset-for-share transactions (utilising section 42 of the Income Tax Act) as well as further revenue sharing arrangements with its advisers during the financial year. This has allowed the group to standardise the revenue sharing model with additional advisers and has also given these advisers the opportunity to invest in the future of PSG Konsult. These transactions were settled through the issue of 14.9 million PSG Konsult shares and a R2.8 million cash payment. This contributed R11.3 million to headline earnings during the financial year, net of amortisation cost of R6.6 million.

LOOKING FORWARD

The group's aim remains to service existing clients well, and gain new clients. Current economic circumstances are uncertain, and volatility in investment markets remains. However, the group is confident that it will continue to build its client franchise despite this market outlook. A number of initiatives are in place to ensure this happens. The group's focus on products, platforms and client service excellence through the quality of its advice is proving to be a resilient strategy.

The cash-generative nature of the business enabled PSG Konsult to make a substantial investment in IT infrastructure and systems. The primary objective of this investment is to enhance the overall client experience and to improve the scalability and efficiency of the group's core IT-dependent business processes. The group will continue to prioritise organic growth in the domestic market, where it has a relatively low, but rapidly expanding market share. Cash flow generation remains strong, and the group will use this to fund current growth initiatives and to pay dividends consistent with its dividend policy.

EVENTS AFTER REPORTING DATE

No material events have taken place since the reporting date.

DIVIDEND

The board approved and declared a final gross dividend of 10.2 cents per share (2016: 8.8 cents per share) from income reserves. This follows the gross interim dividend of 5.1 cents per share (2016: 4.4 cents per share) declared in October 2016. This brings the total gross dividend declared for the 2017 financial year to 15.3 cents per share (2016: 13.2 cents per share). This is in line with the group's dividend payout policy as approved by the board of directors 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 8.16 cents per share. The number of issued ordinary shares is 1 322 100 026 at the date of this declaration. PSG Konsult's income tax reference number is 9550/644/07/5.

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

Last day to trade (cum dividend)	Tuesday, 9 May 2017
Trading ex dividend commences	Wednesday, 10 May 2017
Record date	Friday, 12 May 2017
Date of payment	Monday, 15 May 2017

Share certificates may not be dematerialised or rematerialised between Wednesday, 10 May 2017, and Friday, 12 May 2017, both days included.

The board would like to extend its gratitude to all of the group's stakeholders, including shareholders, advisers, clients, business partners, management and employees, for their efforts and contributions during the past year.

On behalf of the board

Willem Theron
Chairman

Francois Gouws
Chief executive officer

Tyger Valley
13 April 2017

www.psg.co.za

Independent auditor's review report on condensed consolidated financial statements

TO THE SHAREHOLDERS OF PSG KONSULT LIMITED

We have reviewed the condensed consolidated financial statements of PSG Konsult Limited, set out on pages 9 to 30 of the PSG Konsult Limited Results Booklet, which comprise the condensed consolidated statement of financial position as at 28 February 2017 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the year then ended, and selected explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with the JSE Limited's (JSE) requirements for summary financial statements, as set out in note 2 to the financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express a conclusion on these financial statements. We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2410, which applies to a review of historical financial information performed by the independent auditor of the entity. ISRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the financial statements are not prepared in all material respects in accordance with the applicable financial reporting framework. This standard also requires us to comply with relevant ethical requirements.

A review of financial statements in accordance with ISRE 2410 is a limited assurance engagement. We perform procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluate the evidence obtained. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these financial statements.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements of PSG Konsult Limited for the year ended 28 February 2017 is not prepared, in all material respects, in accordance with the JSE's requirements for summary financial statements, as set out in note 2 to the financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.

Director: DG Malan
Registered Auditor

Cape Town
13 April 2017

Condensed consolidated statement of financial position

as at 28 February 2017

	Reviewed as at 28 Feb 17 R000	Audited as at 29 Feb 16 R000
ASSETS		
Intangible assets	**987 042**	882 615
Property and equipment	**53 469**	54 179
Investment property	**–**	7 349
Investment in associated companies	**–**	129
Investment in joint ventures	**1 178**	16 223
Deferred income tax	**96 651**	90 245
Equity securities (note 7)	**2 256 923**	1 747 701
Debt securities (note 7)	**2 835 244**	2 588 565
Unit-linked investments (note 7)	**37 653 998**	29 695 283
Investment in investment contracts (note 7)	**15 521**	116 477
Loans and advances	**134 308**	129 114
Derivative financial instruments	**14 593**	17 864
Reinsurance assets	**71 966**	76 184
Deferred acquisition costs	**4 073**	3 011
Receivables including insurance receivables	**1 529 894**	2 816 578
Current income tax assets	**22 608**	7 249
Cash and cash equivalents (including money market investments) (note 7)	**1 385 542**	1 395 952
Non-current assets held for sale	**–**	38 948
Total assets	**47 063 010**	39 683 666
EQUITY		
Equity attributable to owners of the parent		
Stated capital	**1 749 505**	1 446 604
Treasury shares	**(59 206)**	(13 462)
Other reserves	**(399 700)**	(394 755)
Retained earnings	**862 689**	650 059
	2 153 288	1 688 446
Non-controlling interest	**197 212**	157 212
Total equity	**2 350 500**	1 845 658
LIABILITIES		
Insurance contracts	**544 235**	607 310
Deferred income tax	**24 089**	44 925
Borrowings	**37 791**	274 114
Derivative financial instruments	**17 379**	17 910
Investment contracts (note 7)	**22 560 598**	19 836 250
Third-party liabilities arising on consolidation of mutual funds	**19 690 982**	14 023 726
Deferred reinsurance acquisition revenue	**3 731**	4 524
Trade and other payables	**1 821 500**	2 894 051
Current income tax liabilities	**12 205**	135 198
Total liabilities	**44 712 510**	37 838 008
Total equity and liabilities	**47 063 010**	39 683 666
Net asset value per share (cents)	**164.0**	132.2

Condensed consolidated income statement

for the year ended 28 February 2017

	Reviewed Year ended 28 Feb 17 R000	Audited Year ended 29 Feb 16 R000
Gross written premium	**1 010 058**	940 903
Less: Reinsurance written premium	**(247 116)**	(242 720)
Net written premium	**762 942**	698 183
Change in unearned premium		
– Gross	**54 462**	(20 986)
– Reinsurers' share	**(630)**	434
Net insurance premium revenue	**816 774**	677 631
Commission and other fee income	**2 560 814**	2 461 393
Investment income	**1 389 064**	612 988
Net fair value gains and losses on financial instruments	**972 866**	1 104 789
Fair value adjustment to investment contract liabilities	**(932 672)**	(1 389 130)
Other operating income	**101 539**	34 005
Total income	**4 908 385**	3 501 676
Insurance claims and loss adjustment expenses	**(701 803)**	(670 197)
Insurance claims and loss adjustment expenses recovered from reinsurers	**120 620**	151 335
Net insurance benefits and claims	**(581 183)**	(518 862)
Commission paid	**(1 111 506)**	(1 061 309)
Depreciation and amortisation*	**(78 995)**	(57 308)
Employee benefit expenses	**(729 157)**	(590 976)
Fair value adjustment to third-party liabilities	**(1 065 313)**	(67 080)
Marketing, administration and other expenses	**(536 936)**	(485 365)
Total expenses	**(4 103 090)**	(2 780 900)
Share of profits of associated companies	**32**	1 496
Loss on impairment of associated companies	**(35)**	(1 981)
Share of profits of joint ventures	**2 268**	3 252
Total profit from associated companies and joint ventures	**2 265**	2 767
Profit before finance costs and taxation	**807 560**	723 543
Finance costs	**(72 274)**	(91 881)
Profit before taxation	**735 286**	631 662
Taxation	**(203 416)**	(309 838)
Profit for the year	**531 870**	321 824
Attributable to:		
Owners of the parent	**486 862**	292 924
Non-controlling interest	**45 008**	28 900
	531 870	321 824
Earnings per share (cents)		
Attributable (basic)	**37.3**	23.0
Attributable (diluted)	**36.8**	22.4
Headline (basic)	**37.2**	22.9
Headline (diluted)	**36.8**	22.3
Recurring headline (basic)	**37.2**	32.1
Recurring headline (diluted)	**36.8**	31.2

* *Includes amortisation cost of R55.5 million (2016: R38.2 million).*

Condensed consolidated statement of comprehensive income

for the year ended 28 February 2017

	Reviewed Year ended 28 Feb 17 R000	Audited Year ended 29 Feb 16 R000
Profit for the year	**531 870**	321 824
Other comprehensive income for the year, net of taxation	**(14 900)**	9 647
To be reclassified to profit and loss:		
Currency translation adjustments	**(14 900)**	8 478
Not to be reclassified to profit and loss:		
Gain on revaluation of property and equipment	**–**	1 169
Total comprehensive income for the year	**516 970**	331 471
Attributable to:		
Owners of the parent	**471 962**	302 104
Non-controlling interest	**45 008**	29 367
	516 970	331 471

Earnings and headline earnings per share

	Reviewed Year ended 28 Feb 17 R000	Audited Year ended 29 Feb 16 R000
Headline earnings	**486 439**	292 302
Recurring	**486 439**	408 748
Non-recurring	**–**	(116 446)
Non-headline items (net of non-controlling interest and related tax effect)		
Profit on disposal of intangible assets (including goodwill)	**83**	190
Impairment of associated companies	**(35)**	(1 189)
Non-headline items of associated companies	**–**	2 151
Other	**375**	(530)
Profit attributable to ordinary shareholders	**486 862**	292 924
Earnings per share (cents)		
Attributable (basic)	**37.3**	23.0
Attributable (diluted)	**36.8**	22.4
Headline (basic)	**37.2**	22.9
Headline (diluted)	**36.8**	22.3
Recurring headline (basic)	**37.2**	32.1
Recurring headline (diluted)	**36.8**	31.2
Number of shares (million)		
In issue (net of treasury shares)	**1 313.1**	1 276.8
Weighted average (net of treasury shares)	**1 307.1**	1 274.2

Condensed consolidated statement of changes in equity

for the year ended 28 February 2017

	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 2015 (Audited)	1 325 111	(546)	(404 471)	573 065	132 491	1 625 650
Comprehensive income						
Profit for the year	–	–	–	292 924	28 900	321 824
Other comprehensive income	–	–	9 180	–	467	9 647
Total comprehensive income	–	–	9 180	292 924	29 367	331 471
Transactions with owners	121 493	(12 916)	536	(215 930)	(4 646)	(111 463)
Issue of ordinary shares	121 493	–	–	–	–	121 493
Share-based payment costs	–	–	16 608	–	–	16 608
Transactions with non-controlling interest	–	–	–	(3 098)	(360)	(3 458)
Acquisition of subsidiary	–	–	–	–	921	921
Net movement in treasury shares	–	(8 515)	–	–	–	(8 515)
Current tax on equity-settled share-based payments	–	–	20 153	–	–	20 153
Deferred tax on equity-settled share-based payments	–	–	(10 024)	–	–	(10 024)
Loss on issue of shares in terms of share scheme	–	–	(84 974)	–	–	(84 974)
Release of share-based payment reserve to retained earnings on vested share options	–	–	58 773	(58 773)	–	–
Release of profits from treasury shares to retained earnings	–	(4 401)	–	4 401	–	–
Dividend paid	–	–	–	(158 460)	(5 207)	(163 667)
Balance at 29 February 2016 (Audited)	1 446 604	(13 462)	(394 755)	650 059	157 212	1 845 658
Comprehensive income						
Profit for the year	**–**	**–**	**–**	**486 862**	**45 008**	**531 870**
Other comprehensive income	**–**	**–**	**(14 900)**	**–**	**–**	**(14 900)**
Total comprehensive income	**–**	**–**	**(14 900)**	**486 862**	**45 008**	**516 970**
Transactions with owners	**302 901**	**(45 744)**	**9 955**	**(274 232)**	**(5 008)**	**(12 128)**
Issue of ordinary shares	**302 901**	**–**	**–**	**–**	**–**	**302 901**
Share-based payment costs	**–**	**–**	**28 224**	**–**	**–**	**28 224**
Capital contribution by non-controlling interest	**–**	**–**	**–**	**–**	**750**	**750**
Net movement in treasury shares	**–**	**(48 078)**	**–**	**–**	**–**	**(48 078)**
Current tax on equity-settled share-based payments	**–**	**–**	**25 675**	**–**	**–**	**25 675**
Deferred tax on equity-settled share-based payments	**–**	**–**	**(17 015)**	**–**	**–**	**(17 015)**
Loss on issue of shares in terms of share scheme	**–**	**–**	**(118 469)**	**–**	**–**	**(118 469)**
Release of share-based payment reserve to retained earnings on vested share options	**–**	**–**	**80 794**	**(80 794)**	**–**	**–**
Release of loss from treasury shares to retained earnings	**–**	**2 334**	**–**	**(2 334)**	**–**	**–**
Release of revaluation reserve on disposal of property	**–**	**–**	**(702)**	**1 346**	**(467)**	**177**
Release of common control reserve to retained earnings	**–**	**–**	**11 448**	**(11 448)**	**–**	**–**
Dividend paid	**–**	**–**	**–**	**(181 002)**	**(5 291)**	**(186 293)**
Balance at 28 February 2017 (Reviewed)	**1 749 505**	**(59 206)**	**(399 700)**	**862 689**	**197 212**	**2 350 500**

Condensed consolidated statement of cash flows

for the year ended 28 February 2017

	Reviewed Year ended 28 Feb 17 R000	Audited Year ended 29 Feb 16 R000
Cash flows from operating activities		
Cash (utilised in)/generated by operations	**(772 855)**	57 599
Interest income	**1 006 782**	529 692
Dividend income	**381 849**	82 872
Finance costs	**(28 521)**	(41 939)
Taxation paid	**(364 747)**	(172 284)
Operating cash flows before policyholder cash movement	**222 508**	455 940
Policyholder cash movement	**(100 652)**	87 910
Net cash flow from operating activities	**121 856**	543 850
Cash flows from investing activities		
Acquisition of subsidiaries (including collective investment schemes)	**30 916**	93 516
Acquisition of intangible assets	**(28 069)**	(56 826)
Purchases of property and equipment	**(23 428)**	(35 059)
Proceeds from disposal of non-current assets held for sale	**38 948**	12 646
Proceeds from disposal of investment property	**7 445**	–
Proceeds from disposal of intangible assets	**5 841**	594
Other	**922**	1 270
Net cash flow from investing activities	**32 575**	16 141
Cash flows from financing activities		
Dividends paid	**(186 293)**	(163 667)
Capital contributions by non-controlling interest (ordinary shares)	**750**	–
Transactions with non-controlling interest	**–**	(3 458)
Repayment of borrowings	**(4 822)**	(3 737)
Shares issued	**81 959**	36 519
Net movement in treasury shares	**(48 078)**	(8 515)
Other	**–**	608
Net cash flow from financing activities	**(156 484)**	(142 250)
Net (decrease)/increase in cash and cash equivalents	**(2 053)**	417 741
Cash and cash equivalents at beginning of year	**1 395 952**	975 018
Exchange (losses)/gains on cash and cash equivalents	**(8 357)**	3 193
Cash and cash equivalents at end of year*	**1 385 542**	1 395 952
* *Includes the following:*		
Clients' cash linked to investment contracts	**14 212**	114 864
Other client-related balances	**89 211**	165 970
	103 423	280 834

Notes to the statement of cash flows:

The movement in cash (utilised in)/generated by 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 PSG Wealth on the loan facilities provided to clients on their share portfolios at PSG Securities Limited. PSG Life Limited, the group's linked insurance company, issues linked policies to policyholders (where the value of policy benefits is directly linked to the fair value of the supporting assets). When these policies mature, the company raises a debtor for the money receivable from the third-party investment provider, and raises a creditor for the amount owing to the client. Timing difference occurs at month-end where the money was received from the third-party investment provider, but only paid out by the company after month-end, resulting in significant fluctuations in the working capital of the company. Similar working capital fluctuations occur at PSG Securities Limited, the group's stockbroking business, mainly due to the timing of the close of the JSE in terms of client settlements. Refer to note 6.7 for the impact of the client-related balances on the cash flows from operating activities.

Notes to the condensed consolidated financial statements

for the year ended 28 February 2017

1. REPORTING ENTITY

PSG Konsult Limited is a company domiciled in the Republic of South Africa. The condensed consolidated financial statements of the company as at and for the year ended 28 February 2017 comprise the company and its subsidiaries (together referred to as the 'group') and the group's interests in associated companies and joint ventures.

2. BASIS OF PREPARATION

The condensed consolidated preliminary financial statements are prepared in accordance with the Listings Requirements of the JSE Limited (JSE) and the requirements of the Companies Act, No. 71 of 2008, as amended, applicable to condensed financial statements. The JSE requires condensed financial statements to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the South African Institute of Chartered Accountants (SAICA) Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and also, as a minimum, to contain the information required by IAS 34 – Interim Financial Reporting. The accounting policies applied in the preparation of the consolidated financial statements, from which the condensed consolidated financial statements were derived, are in terms of IFRS and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements.

3. PREPARATION

The condensed consolidated preliminary financial statements are the responsibility of the board of directors of the company. These condensed consolidated preliminary financial statements were prepared by Stephan van der Merwe, CA(SA), under the supervision of the chief financial officer, Mike Smith, CA(SA). PSG Konsult's external auditor, PricewaterhouseCoopers Inc., reviewed these condensed consolidated preliminary financial statements and their unmodified review opinion is presented on page 8. Any reference to future financial performance included in these condensed consolidated preliminary financial statements has not been reviewed by or reported on by the company's auditor.

4. ACCOUNTING POLICIES

The accounting policies applied in the preparation of these condensed consolidated 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 29 February 2016.

The following new accounting standards and amendments to IFRS, as issued by the International Accounting Standards Board (IASB), which were relevant to the group's operations, were effective for the first time from 1 March 2016:

- Amendments to IAS 1 – Presentation of financial statements – Disclosure initiative
- Amendment to IAS 16 – Property, plant and equipment and IAS 38 – Intangible assets – Clarification of acceptable methods of depreciation and amortisation
- Annual Improvements 2012-14 cycle

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

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

- Amendment to IAS 7 – Statement of cash flows (effective 1 January 2017)
- Amendment to IFRS 4 – Insurance contracts (effective 1 January 2018)
- IFRS 9 – Financial instruments (effective 1 January 2018)
- IFRS 15 – Revenue from contracts with customers (effective 1 January 2018)
- IFRS 16 – Leases (effective 1 January 2019)

5. USE OF ESTIMATES AND JUDGEMENTS

In preparing these condensed consolidated 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 29 February 2016.

6. SEGMENT INFORMATION

The composition of the reportable segments represents the internal reporting structure and the monthly reporting to the chief operating decision-maker (CODM). The CODM for the purpose of IFRS 8 – Operating segments has been identified as the chief executive officer, supported by the group management committee (Manco). The group's internal reporting structure is reviewed in order to assess performance and allocate resources. The group is organised into three reportable segments, namely:

- PSG Wealth – *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.

6.1 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.

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, 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 that 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.

In order to reflect the information now used by the CODM, the impact of the linked investment policies issued and the consolidation of the collective investment schemes has been excluded from the income per reportable segment (note 6.3) and the divisional income statement (note 6.4). The new segmental divisional income statement now reflects the core business operations, with a reconciliation to the IFRS income statement included in note 6.6. This change 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 flows.

Notes to the condensed consolidated financial statements

for the year ended 28 February 2017

6. SEGMENT INFORMATION (continued)

6.2 Headline earnings per reportable segment

Headline earnings	Wealth R000	Asset Management R000	Insure R000	Total R000
For the year ended 28 February 2017 (Reviewed)				
Headline earnings*	**287 345**	**130 245**	**68 849**	**486 439**
– recurring	**287 345**	**130 245**	**68 849**	**486 439**
– non-recurring	**–**	**–**	**–**	**–**
For the year ended 29 February 2016 (Audited)				
Headline earnings*	169 059	82 707	40 536	292 302
– recurring	285 505	82 707	40 536	408 748
– non-recurring	(116 446)	–	–	(116 446)

* *Headline earnings, calculated in terms of the requirements stipulated in Circular 2/2015 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.*

6.3 Income per reportable segment

For the year ended 28 February 2017 (Reviewed)	Wealth R000	Asset Management R000	Insure R000	Total R000
Total IFRS reported income	**3 080 130**	**445 598**	**1 382 657**	**4 908 385**
Linked investment business and other income	**(1 119 014)**	**–**	**–**	**(1 119 014)**
Total core income	**1 961 116**	**445 598**	**1 382 657**	**3 789 371**
Total segment income	**2 669 900**	**721 631**	**1 429 318**	**4 820 849**
Intersegment income	**(708 784)**	**(276 033)**	**(46 661)**	**(1 031 478)**

For the year ended 29 February 2016 (Restated) (Audited)	Wealth* R000	Asset Management R000	Insure R000	Total* R000
Total IFRS reported income	1 973 301	369 349	1 159 026	3 501 676
Linked investment business and other income	(155 362)	–	–	(155 362)
Total core income	1 817 939	369 349	1 159 026	3 346 314
Total segment income	2 440 332	635 148	1 195 809	4 271 289
Intersegment income	(622 393)	(265 799)	(36 783)	(924 975)

* *Comparative figures have been restated to show the impact of the linked investment policies issued and the consolidation of the collective investment schemes separately.*

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

6. SEGMENT INFORMATION (continued)

6.4 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 year ended 28 February 2017 (Reviewed)	Wealth R000	Asset Management R000	Insure R000	Total R000
Total income	**1 961 116**	**445 598**	**1 382 657**	**3 789 371**
Total expenses	**(1 525 929)**	**(274 537)**	**(1 243 664)**	**(3 044 130)**
	435 187	**171 061**	**138 993**	**745 241**
Total profit from associated companies and joint ventures	**–**	**–**	**2 265**	**2 265**
Profit before finance costs and taxation	**435 187**	**171 061**	**141 258**	**747 506**
Finance costs*	**(26 856)**	**(336)**	**(1 329)**	**(28 521)**
Profit before taxation	**408 331**	**170 725**	**139 929**	**718 985**
Taxation	**(114 800)**	**(40 487)**	**(31 828)**	**(187 115)**
Profit for the year	**293 531**	**130 238**	**108 101**	**531 870**
Attributable to:				
Owners of the parent	**286 244**	**130 238**	**70 380**	**486 862**
Non-controlling interest	**7 287**	**–**	**37 721**	**45 008**
	293 531	**130 238**	**108 101**	**531 870**
Headline earnings	**287 345**	**130 245**	**68 849**	**486 439**
Recurring headline earnings	**287 345**	**130 245**	**68 849**	**486 439**

For the year ended 29 February 2016 (Restated) (Audited)	Wealth** R000	Asset Management R000	Insure R000	Total** R000
Total income	1 817 939	369 349	1 159 026	3 346 314
Total expenses	(1 366 205)	(257 299)	(1 073 578)	(2 697 082)
	451 734	112 050	85 448	649 232
Total profit from associated companies and joint ventures	–	–	2 767	2 767
Profit before finance costs and taxation	451 734	112 050	88 215	651 999
Finance costs*	(38 336)	(359)	(3 244)	(41 939)
Profit before taxation	413 398	111 691	84 971	610 060
Taxation	(237 009)	(29 131)	(22 096)	(288 236)
Profit for the year	176 389	82 560	62 875	321 824
Attributable to:				
Owners of the parent	169 488	82 560	40 876	292 924
Non-controlling interest	6 901	–	21 999	28 900
	176 389	82 560	62 875	321 824
Headline earnings	169 059	82 707	40 536	292 302
Recurring headline earnings	285 505	82 707	40 536	408 748

* *Finance costs in the PSG Wealth division consist mainly of the finance charge on the loan facilities provided to clients on their share portfolios at PSG Securities (secured by the underlying JSE Top 100 equity securities held in excess of four times the value of the loan facilities) on which PSG Wealth receives a margin. The finance costs of R26.9 million (2016: R38.3 million) consist of R15.3 million (2016: R29.2 million) on the loan facilities, with the remaining portion of the finance charge on the CFD margin and the bank overdrafts.*

** *Comparative figures have been restated to exclude the impact of the linked investment policies issued and the consolidation of the collective investment schemes.*

6. SEGMENT INFORMATION (continued)

6.5 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 28 February 2017 (Reviewed)	Total IFRS reported R000	Own balances R000	Client-related balances R000
ASSETS			
Equity securities	2 256 923	10 952	2 245 971
Debt securities	2 835 244	86 581	2 748 663
Unit-linked investments	37 653 998	561 171	37 092 827
Investment in investment contracts	15 521	–	15 521
Receivables including insurance receivables	1 529 894	251 861	1 278 033
Derivative financial instruments	14 593	–	14 593
Cash and cash equivalents (including money market investments)	1 385 542	1 282 119	103 423
Other assets*	1 371 295	1 371 295	–
Total assets	**47 063 010**	**3 563 979**	**43 499 031**
EQUITY			
Equity attributable to owners of the parent	2 153 288	2 153 288	–
Non-controlling interest	197 212	197 212	–
Total equity	**2 350 500**	**2 350 500**	**–**
LIABILITIES			
Borrowings	37 791	5 989	31 802
Investment contracts	22 560 598	–	22 560 598
Third-party liabilities arising on consolidation of mutual funds	19 690 982	–	19 690 982
Derivative financial instruments	17 379	–	17 379
Trade and other payables	1 821 500	623 230	1 198 270
Other liabilities**	584 260	584 260	–
Total liabilities	**44 712 510**	**1 213 479**	**43 499 031**
Total equity and liabilities	**47 063 010**	**3 563 979**	**43 499 031**

* *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.*

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

6. SEGMENT INFORMATION (continued)

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

As at 29 February 2016 (Audited)	Total IFRS reported R000	Own balances R000	Client-related balances R000
ASSETS			
Equity securities	1 747 701	6 023	1 741 678
Debt securities	2 588 565	100 789	2 487 776
Unit-linked investments	29 695 283	443 737	29 251 546
Investment in investment contracts	116 477	–	116 477
Receivables including insurance receivables	2 816 578	229 599	2 586 979
Derivative financial instruments	17 864	–	17 864
Cash and cash equivalents (including money market investments)	1 395 952	1 115 118	280 834
Other assets*	1 305 246	1 305 246	–
Total assets	39 683 666	3 200 512	36 483 154
EQUITY			
Equity attributable to owners of the parent	1 688 446	1 688 446	–
Non-controlling interest	157 212	157 212	–
Total equity	1 845 658	1 845 658	–
LIABILITIES			
Borrowings	274 114	10 674	263 440
Investment contracts	19 836 250	–	19 836 250
Third-party liabilities arising on consolidation of mutual funds	14 023 726	–	14 023 726
Derivative financial instruments	17 910	–	17 910
Trade and other payables	2 894 051	552 223	2 341 828
Other liabilities**	791 957	791 957	–
Total liabilities	37 838 008	1 354 854	36 483 154
Total equity and liabilities	39 683 666	3 200 512	36 483 154

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

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

6. SEGMENT INFORMATION (continued)

6.6 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 of the group.

For the year ended 28 February 2017 (Reviewed)	Total IFRS reported R000	Core business R000	Linked investment business and other R000
Commission and other fee income***	2 560 814	2 714 282	(153 468)
Investment income	1 389 064	209 347	1 179 717
Net fair value gains and losses on financial instruments	972 866	16 359	956 507
Fair value adjustment to investment contract liabilities	(932 672)	–	(932 672)
Other*, ***	918 313	849 383	68 930
Total income	4 908 385	3 789 371	1 119 014
Insurance claims and loss adjustment expenses	(701 803)	(700 589)	(1 214)
Fair value adjustment to third-party liabilities	(1 065 313)	–	(1 065 313)
Other**, ***	(2 335 974)	(2 343 541)	7 567
Total expenses	(4 103 090)	(3 044 130)	(1 058 960)
Total profit from associated companies and joint ventures	2 265	2 265	–
Profit before finance costs and taxation	807 560	747 506	60 054
Finance costs	(72 274)	(28 521)	(43 753)
Profit before taxation	735 286	718 985	16 301
Taxation	(203 416)	(187 115)	(16 301)
Profit for the year	531 870	531 870	–
Attributable to:			
Owners of the parent	486 862	486 862	–
Non-controlling interest	45 008	45 008	–
	531 870	531 870	–

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

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

*** *Linked investment business and other 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.*

6. SEGMENT INFORMATION (continued)

6.6 Income statement (client vs own) (continued)

For the year ended 29 February 2016 (Audited)	Total IFRS reported R000	Core business R000	Linked investment business and other R000
Commission and other fee income***	2 461 393	2 438 177	23 216
Investment income	612 988	190 893	422 095
Net fair value gains and losses on financial instruments	1 104 789	12 848	1 091 941
Fair value adjustment to investment contract liabilities	(1 389 130)	–	(1 389 130)
Other*, ***	711 636	704 396	7 240
Total income	3 501 676	3 346 314	155 362
Insurance claims and loss adjustment expenses	(670 197)	(668 808)	(1 389)
Fair value adjustment to third-party liabilities	(67 080)	–	(67 080)
Other**, ***	(2 043 623)	(2 028 274)	(15 349)
Total expenses	(2 780 900)	(2 697 082)	(83 818)
Total profit from associated companies and joint ventures	2 767	2 767	–
Profit before finance costs and taxation	723 543	651 999	71 544
Finance costs	(91 881)	(41 939)	(49 942)
Profit before taxation	631 662	610 060	21 602
Taxation	(309 838)	(288 236)	(21 602)
Profit for the year	321 824	321 824	–
Attributable to:			
Owners of the parent	292 924	292 924	–
Non-controlling interest	28 900	28 900	–
	321 824	321 824	–

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

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

*** *Linked investment business and other 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.*

Notes to the condensed consolidated financial statements
for the year ended 28 February 2017

6. SEGMENT INFORMATION (continued)

6.7 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.

For the year ended 28 February 2017 (Reviewed)	Total IFRS reported R000	Own balances R000	Client-related balances R000
Cash flows from operating activities	**121 856**	**331 652**	**(209 796)**
Cash (utilised in)/generated by operations	**(772 855)**	**466 209**	**(1 239 064)**
Interest income	**1 006 782**	**201 682**	**805 100**
Dividend income	**381 849**	**7 316**	**374 533**
Finance costs	**(28 521)**	**(28 521)**	**–**
Taxation paid*	**(364 747)**	**(315 034)**	**(49 713)**
Policyholder cash movement	**(100 652)**	**–**	**(100 652)**
Cash flows from investing activities	**32 575**	**190**	**32 385**
Acquisition of subsidiaries (including collective investment schemes)	**30 916**	**(1 469)**	**32 385**
Other**	**1 659**	**1 659**	**–**
Cash flows from financing activities	**(156 484)**	**(156 484)**	**–**
Net (decrease)/increase in cash and cash equivalents	**(2 053)**	**175 358**	**(177 411)**
Cash and cash equivalents at beginning of year	**1 395 952**	**1 115 118**	**280 834**
Exchange losses on cash and cash equivalents	**(8 357)**	**(8 357)**	**–**
Cash and cash equivalents at end of year	**1 385 542**	**1 282 119**	**103 423**

** The taxation paid relating to own balances includes R114.3 million which was paid to settle the PSG Life tax matter in March 2016.*
*** Other consists of cash flows relating to the acquisition of intangible assets, purchases of property and equipment, proceeds from disposal of non-current assets held for sale, proceeds from disposal of investment property, proceeds from disposal of intangible assets and other.*

For the year ended 29 February 2016 (Audited)	Total IFRS reported R000	Own balances R000	Client-related balances R000
Cash flows from operating activities	543 850	525 640	18 210
Cash generated by/(utilised in) operations	57 599	535 583	(477 984)
Interest income	529 692	189 427	340 265
Dividend income	82 872	1 041	81 831
Finance costs	(41 939)	(41 939)	–
Taxation paid	(172 284)	(158 472)	(13 812)
Policyholder cash movement	87 910	–	87 910
Cash flows from investing activities	16 141	(80 148)	96 289
Acquisition of subsidiaries (including collective investment schemes)	93 516	(2 773)	96 289
Other**	(77 375)	(77 375)	–
Cash flows from financing activities	(142 250)	(142 250)	–
Net increase in cash and cash equivalents	417 741	303 242	114 499
Cash and cash equivalents at beginning of year	975 018	808 683	166 335
Exchange gains on cash and cash equivalents	3 193	3 193	–
Cash and cash equivalents at end of year	1 395 952	1 115 118	280 834

*** Other consists of cash flows relating to the acquisition of intangible assets, purchases of property and equipment, proceeds from disposal of non-current assets held for sale, proceeds from disposal of intangible assets and other.*

7. INVESTMENT CONTRACTS

Investment contracts are represented by the following financial assets:

	Reviewed as at 28 Feb 17 R000	Audited as at 29 Feb 16 R000
Equity securities	**2 154 854**	1 661 713
Debt securities	**443 311**	783 225
Unit-linked investments	**19 932 700**	17 159 971
Investments in investment contracts	**15 521**	116 477
Cash and cash equivalents	**14 212**	114 864
	22 560 598	19 836 250

8. RECEIVABLES INCLUDING INSURANCE RECEIVABLES AND TRADE AND OTHER PAYABLES

Included under receivables are broker and clearing accounts at our stockbroking business of which R1 230.5 million (2016: R2 513.5 million) represents amounts owing by the JSE for trades conducted during the last few days before the end of the financial year. These balances fluctuate on a daily basis depending on the activity in the market.

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.

9. TRANSACTIONS WITH NON-CONTROLLING INTERESTS

For the year ended 29 February 2016

Acquisition of a further interest in PSG Namibia Proprietary Limited

With effect from 1 March 2015, PSG Konsult Limited (through its subsidiary PSG Distribution Holdings Proprietary Limited) acquired an additional 4% stake from a minority shareholder. The group now holds 58% of the issued share capital of PSG Namibia Proprietary Limited.

10. NON-CURRENT ASSETS (OR DISPOSAL GROUPS) HELD FOR SALE

For the years ended 28 February 2017 and 29 February 2016

PSG Konsult Limited (through its subsidiary Western Group Holdings Limited) entered into an agreement to sell its 23% interest held in Xinergistix Limited on 1 November 2015. The transaction was subject to suspensive conditions and was treated as a non-current asset held for sale on 29 February 2016.

Xinergistix Limited was sold for R44.1 million during the 2017 financial year, after the fulfilment of the suspensive conditions, which included the approval from the Competition Commission.

Notes to the condensed consolidated financial statements
for the year ended 28 February 2017

11. ACQUISITION OF SUBSIDIARIES
For the year ended 28 February 2017

i) *PSG Securities Limited (Mauritius) (previously Ramet & Associés Ltée)*
PSG Konsult Limited, through its subsidiary PSG Wealth Limited (Mauritius) (previously DMH Associates Limited (Mauritius)), acquired a 100% interest in PSG Securities Limited (Mauritius), a registered stockbroker in Mauritius. The effective date of the transaction was 1 July 2016 following the fulfilment of suspensive conditions, and the consideration paid was immaterial.

ii) *Acquisition of collective investment schemes*
The group obtained control of the PSG Wealth Income Fund of Funds and the PSG Wealth Global Creator Feeder Fund during the 2017 financial year. These funds were consolidated in accordance with IFRS 10 – Consolidated financial statements and are collective investment schemes managed by PSG Asset Management.

Fund consolidated	**PSG Wealth Income Fund of Funds**	**PSG Wealth Global Creator Feeder Fund**
% interest in fund on effective date	30	30
Date of acquisition	31 August 2016	28 February 2017
Details of the net assets acquired are as follows:	**Group R000**	**Group R000**
Unit-linked investments	1 969 562	3 657 943
Receivables including insurance receivables	34	1 848
Cash and cash equivalents (including money market investments)	11 076	21 309
Third-party liabilities arising on consolidation of mutual funds	(1 392 596)	(2 598 124)
Trade and other payables	(699)	(1 762)
Net asset value	587 377	1 081 214
Fair value of interest held before the business combination	(587 377)	(1 081 214)
Total consideration paid	–	–

For the year ended 29 February 2016

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

11. ACQUISITION OF SUBSIDIARIES (continued)

For the year ended 29 February 2016 (continued)

ii) Acquisition of collective investment schemes

The group obtained control of the following collective investment schemes during the second half of the 2016 financial year: PSG Wealth Enhanced Interest Fund, PSG Wealth Creator Fund of Funds and the PSG Wealth Moderate Fund of Funds. These funds were consolidated in accordance with IFRS 10 – Consolidated financial statements and are collective investment schemes managed by PSG Asset Management.

Fund consolidated	PSG Wealth Enhanced Interest Fund	PSG Wealth Creator Fund of Funds	PSG Wealth Moderate Fund of Funds
% interest in fund on effective date	31	31	30
Date of acquisition	1 September 2015	29 February 2016	29 February 2016
Details of the net assets acquired are as follows:	**Group R000**	**Group R000**	**Group R000**
Debt securities	610 369	–	–
Unit-linked investments	419 456	3 361 218	14 168 287
Receivables including insurance receivables	13 181	715	–
Cash and cash equivalents (including money market investments)	43 345	20 529	32 415
Third-party liabilities arising on consolidation of mutual funds	(748 930)	(2 344 629)	(9 947 685)
Trade and other payables	(544)	–	–
Net asset value	336 877	1 037 833	4 253 017
Fair value of interest held before the business combination	(336 877)	(1 037 833)	(4 253 017)
Total consideration paid	–	–	–

12. OTHER ACQUISITIONS

For the year ended 28 February 2017

Standardising of revenue sharing model

The group (through its subsidiaries PSG Wealth Financial Planning Proprietary Limited and PSG Multi Management Proprietary Limited) concluded various asset-for-share transactions (utilising section 42 of the Income Tax Act) as well as 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.

The consideration was paid with the issue of PSG Konsult shares (14.9 million shares at an average of R6.86 per share) and a cash consideration of R2.8 million 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 R11.3 million to our headline earnings during the 2017 financial year, net of amortisation cost of R6.6 million.

For the year ended 29 February 2016

Standardising of revenue sharing model

During the 2016 financial year, the group, through its subsidiaries PSG Wealth Financial Planning Proprietary Limited and PSG Corporate Financial Planning Proprietary Limited, concluded further revenue-sharing arrangements with a number of its advisers for a cash consideration of R17.6 million.

These transactions contributed R1.5 million to our headline earnings during the 2016 financial year.

Notes to the condensed consolidated financial statements

for the year ended 28 February 2017

13. FINANCIAL RISK MANAGEMENT

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

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

The condensed consolidated 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 2017.

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

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

Market risk is the risk of adverse financial impact due to changes in fair values or future cash flows of financial instruments from fluctuations in interest rates, equity prices and foreign currency exchange rates.

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

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

Included in the equity securities of R2 256.9 million (2016: R1 747.7 million) are quoted equity securities of R2 256.6 million (2016: R1 747.5 million), of which R2 154.9 million (2016: R1 661.7 million) relates to investments in linked investment contracts. The price risk of these instruments is carried by the policyholders of the linked investment contracts.

Debt securities linked to policyholder investments amounted to R443.3 million (2016: R783.2 million) and do not expose the group to interest rate risk; cash and cash equivalents linked to policyholder investments amounted to R14.2 million (2016: R114.9 million) and do not expose the group to interest rate risk.

Fair value estimation

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

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

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

13. 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 29 February 2016.

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 – 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 28 February 2017 (Reviewed)	Level 1 R000	Level 2 R000	Level 3 R000	Total R000
Financial assets				
Financial assets at fair value through profit or loss				
Derivative financial instruments	–	14 593	–	14 593
Equity securities	2 256 555	7	361	2 256 923
Debt securities	1 004 941	1 686 210	–	2 691 151
Unit-linked investments	–	36 544 759	1 109 239	37 653 998
Investment in investment contracts	–	15 521	–	15 521
	3 261 496	38 261 090	1 109 600	42 632 186
Financial liabilities				
Financial liabilities at fair value through profit or loss				
Derivative financial instruments	–	17 379	–	17 379
Investment contracts	–	21 317 266	1 099 239	22 416 505
Trade and other payables	–	–	38 141	38 141
Third-party liabilities arising on consolidation of mutual funds	–	19 690 982	–	19 690 982
	–	41 025 627	1 137 380	42 163 007

Notes to the condensed consolidated financial statements

for the year ended 28 February 2017

13. FINANCIAL RISK MANAGEMENT (continued)

Fair value estimation (continued)

As at 29 February 2016 (Audited)	**Level 1 R000**	**Level 2 R000**	**Level 3 R000**	**Total R000**
Financial assets				
Financial assets at fair value through profit or loss				
Derivative financial instruments	–	17 864	–	17 864
Equity securities	1 747 453	8	–	1 747 461
Debt securities	846 266	1 420 858	–	2 267 124
Unit-linked investments	–	28 386 299	1 308 984	29 695 283
Investment in investment contracts	–	73 815	–	73 815
Available-for-sale				
Equity securities	–	–	240	240
	2 593 719	29 898 844	1 309 224	33 801 787
Financial liabilities				
Financial liabilities at fair value through profit or loss				
Derivative financial instruments	–	17 910	–	17 910
Investment contracts	–	18 173 163	1 298 984	19 472 147
Trade and other payables	–	–	5 297	5 297
Third-party liabilities arising on consolidation of mutual funds	–	14 023 726	–	14 023 726
	–	32 214 799	1 304 281	33 519 080

13. FINANCIAL RISK MANAGEMENT (continued)

Fair value estimation (continued)

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

	Reviewed 28 Feb 17 R000	Audited 29 Feb 16 R000
ASSETS		
Carrying value at 1 March	**1 309 224**	1 117 501
Additions	**192 189**	392 791
Disposals	**(423 345)**	(761 413)
Gains recognised in profit and loss*	**31 532**	560 345
Carrying value at 28/29 February	**1 109 600**	1 309 224
LIABILITIES		
Carrying value at 1 March	**1 304 281**	1 120 109
Additions	**250 598**	406 434
Disposals	**(449 047)**	(784 529)
Losses recognised in profit and loss**	**31 548**	562 267
Carrying value at 28/29 February	**1 137 380**	1 304 281

* *Gains on these items were recognised in profit and loss under the line item 'net fair value gains and losses on financial instruments'.*

** *Losses recognised in profit and loss were recognised in the line item '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.

Notes to the condensed consolidated financial statements
for the year ended 28 February 2017

13. FINANCIAL RISK MANAGEMENT (continued)

Fair value estimation (continued)

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

	Reviewed 28 Feb 17 R000	Audited 29 Feb 16 R000
ASSETS		
Debt securities – held-to-maturity		
– Carrying value	**144 092**	321 441
– Fair value	**141 481**	333 175
Investment in investment contracts		
– Carrying value	**–**	42 662
– Fair value	**–**	42 707
Total assets		
– Carrying value	**144 092**	364 103
– Fair value	**141 481**	375 882
LIABILITIES		
Investment contracts		
– Carrying value	**144 092**	364 103
– Fair value	**141 481**	375 882

The fair value of the financial assets and liabilities in the table above is categorised in terms of level 2 (2017: Rnil, 2016: R265.3 million) and level 3 (2017: R141.5 million, 2016: R110.6 million).

14. RELATED-PARTY TRANSACTIONS

Related-party transactions similar to those disclosed in the group's annual financial statements for the year ended 29 February 2016 took place during the financial year.

15. CAPITAL COMMITMENTS AND CONTINGENCIES

	Reviewed 28 Feb 17 R000	Audited 29 Feb 16 R000
Operating lease commitments	**156 379**	149 620
Capital commitments	**1 943**	1 200

16. 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 financial statements.

Directorate

Non-executive directors
W Theron (Chairman)
PJ Mouton
J de V du Toit^
PE Burton*
ZL Combi*
R Stassen*
*(^ Lead independent; * Independent)*

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

Company information

Company secretary
PSG Management Services Proprietary Limited

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

PO Box 3335
Tyger Valley
Bellville
7536

Listings
Johannesburg Stock Exchange (JSE)
Namibian Stock Exchange (NSX)

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

Auditor
PricewaterhouseCoopers Inc.
Cape Town

Administrative information

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

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